THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Sany Heavy Equipment International Holdings Company Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

SANYI

SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED
三一重裝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 631)

(1) MAJOR AND CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 100% EQUITY INTEREST IN SANY MARINE INDUSTRY INTERNATIONAL HOLDINGS COMPANY LTD.
(2) CREATION OF CONVERTIBLE PREFERENCE SHARES
(3) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONVERTIBLE PREFERENCE SHARES AND CONVERSION SHARES

Financial Adviser to the Company

HSBC

Financial Adviser to Sany HK

BofA Merrill Lynch

Independent Financial Adviser

ANGLO CHINESE CORPORATE FINANCE, LIMITED 英高

A letter from the Board is set out on pages 6 to 25 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set out on pages 56 to 57 of this circular. A letter from Anglo Chinese Corporate Finance, Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 58 to 80 of this circular.

A notice convening the EGM to be held at Harbour View Ballroom, 4/F Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on 19 December 2014 at 9:30 a.m. is set out on pages EGM-1 to EGM-28 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

30 November 2014

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"Acquisitions"	means the Offshore Acquisition and the Onshore Acquisition, collectively
"Articles"	means articles of association of the Company, as amended from time to time
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"Business Day"	means a day (other than Saturday, Sunday, public holiday and any day on which a typhoon signal 8 or above is hoisted or a black rainstorm warning is given in Hong Kong at any time during 9:00 a.m. to 5:00 p.m.) on which banks in Hong Kong are open for general banking business
"Closing Date"	the date of completion of the Offshore Acquisition and the Onshore Acquisition, being the last day of the calendar month in which all the conditions of the Share Transfer Agreement and the Equity Transfer Agreement are satisfied
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company"	Sany Heavy Equipment International Holdings Company Limited (三一重裝國際控股有限公司), a company incorporated with limited liability on 23 July 2009 under the laws of the Cayman Islands and the Shares of which are listed on the Stock Exchange (stock code: 631)
"Completion"	means completion of the Acquisitions as contemplated
"connected persons"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the same meaning ascribed to it under the Listing Rules
"Conversion Shares"	Shares to be issued upon the conversion of the Convertible Preference Shares

"Convertible Preference Shares"	limited-voting convertible preference shares of the Company to be issued pursuant to the Share Transfer Agreement
"Director(s)"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to, among others, considering and if thought fit, ratifying and approving the Acquisitions, the entering into of the Share Transfer Agreement and the transactions contemplated thereunder
"Enlarged Group"	means the Group as enlarged by the Acquisitions
"Equity Transfer Agreement"	means the equity transfer agreement dated 7 November 2014 entered into between Sany Marine Heavy Industry and Sany Group in relation to the proposed acquisition of the entire equity interests in Hunan Sany Port Equipment by Sany Marine Heavy Industry from Sany Group
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hunan Sany Port Equipment"	Hunan Sany Port Equipment Co., Ltd.*（湖南三一港口設備有限公司）, a company established under the laws of the PRC and a wholly-owned subsidiary of Sany Group
"Independent Board Committee"	an independent board committee of the Board comprising all the independent non-executive Directors, who have no material interest in the major transaction, namely, Mr. Ngai Wai Fung, Mr. Xu Yaxiong, Mr. Ng Yuk Keung
"Independent Financial Adviser"	Anglo Chinese Corporate Finance, Limited
"Independent Shareholders"	the Shareholders who are not interested in or involved in the Share Transfer Agreement and the transactions contemplated thereunder
"independent third party(ies)"	third party(ies) independent of the Company and its connected persons as defined under the Listing Rules

"Issue Price"	the issue price of the Convertible Preference Shares, as set out in the section headed "CONVERTIBLE PREFERENCE SHARES" in this circular
"Latest Practicable Date"	being 28 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Offshore Acquisition"	means the proposed acquisition by the Company of the entire issued share capital of the Target Company pursuant to the Share Transfer Agreement
"Offshore Shareholder Loan"	a loan in the principal amount of RMB702,978,000 owed by the Target Company to Sany HK
"Onshore Acquisition"	means the proposed acquisition by Sany Marine Heavy Industry of the entire equity interest in Hunan Sany Port Equipment pursuant to the Equity Transfer Agreement
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Sany Auto Manufacturing"	Sany Automobile Manufacturing Co., Ltd.* (三一汽車製造有限公司), a company established under the laws of the PRC and a subsidiary of Sany Group
"Sany Group"	Sany Group Co., Ltd. (三一集團有限公司), a company with limited liability established on 18 October 2000 under the laws of the PRC
"Sany HK"	Sany Hongkong Group Limited (三一香港集團有限公司), a company incorporated in Hong Kong on 14 October 2005 with limited liability under the Companies Ordinance and one of our Controlling Shareholders
"Sany Marine Heavy Industry"	Sany Marine Heavy Industry Co., Ltd.* (三一海洋重工有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Target Company

"Sany Marine Loan"	the loan provided by Sany Group to Sany Marine Heavy Industry pursuant to a loan agreement dated 7 November 2014 entered into between Sany Group and Sany Marine Heavy Industry
"SFO"	the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
"SG Group"	Sany Group and its subsidiaries
"Share(s)"	means ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s) of the Company with a nominal value of HK$0.10 each
"Shareholder Loans"	collectively, the intercompany balances due to Sany Group as detailed in the section headed "Intercompany Balances" in this circular and the Sany Marine Loan
"Share Transfer Agreement"	means the Share transfer agreement dated 7 November 2014 entered into between Sany HK and the Company in relation to the proposed acquisition of the equity interests of the Target Company by the Company from Sany HK
"Specific Mandate"	the specific mandate proposed to be sought from the Shareholders at the EGM to authorize the Directors to issue and allot the Conversion Shares upon conversion of Convertible Preference Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Target Business"	Hunan Sany Port Equipment
"Target Company" or "Sany Marine Industry"	Sany Marine Industry International Holdings Company Ltd., a company incorporated in the Cayman Islands with limited liability, which as at the Latest Practicable Date was owned as to 100% by the Sany HK
"Target Entities"	the Target Company, Sany Marine Heavy Industry and Zhuhai Sany Port Machinery
"Target Group"	the Target Business and the Target Entities

"Zhuhai Sany Port Machinery"	Zhuhai Sany Port Machinery Co., Ltd. (珠海三一港口機械有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of the Target Company
"%"	means per cent

For convenience only and unless otherwise noted, all conversions from RMB into HK$ in this circular were made at the rate of RMB1.00 to HK$1.2683. No representation is made that the HK$ or RMB amounts referred to in this circular could have been or could be converted into RMB or HK$, as the case may be, at any particular rate or at all.

* *For identification purposes only.*

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)

Executive Directors:
Mr. Wu Jialiang *(Chairman)*
Mr. Lu Ben

Non-executive Directors:
Mr. Tang Xiuguo
Mr. Mao Zhongwu
Mr. Xiang Wenbo

Independent Non-executive Directors:
Dr. Ngai Wai Fung
Mr. Xu Yaxiong
Mr. Ng Yuk Keung

Registered Office:
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman K1-1111
Cayman Islands

Place of Business in Hong Kong:
Room 1301, 13th Floor
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

30 November 2014

To the Shareholders

Dear Sir/Madam,

**(1) MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF 100% EQUITY INTEREST IN
SANY MARINE INDUSTRY INTERNATIONAL HOLDINGS COMPANY LTD.
(2) CREATION OF CONVERTIBLE PREFERENCE SHARES
(3) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE CONVERTIBLE
PREFERENCE SHARES AND CONVERSION SHARES**

INTRODUCTION

Reference is made to the announcement of the Company, dated 7 November 2014 (the "Announcement"). As set out in the Announcement, on 7 November 2014, the Company entered into the Share Transfer Agreement with Sany HK to acquire the entire issued share capital in the Target Company for a consideration of RMB759,978,000 (equivalent to approximately HK$963,880,097).

The purpose of this circular is to provide the Shareholders with information in respect of the details of the Acquisitions. The EGM will be convened to, among others, considering and if thought fit, ratifying and approving the Acquisitions, the entering into of the Share Transfer Agreement and the transactions contemplated thereunder.

THE SHARE TRANSFER AGREEMENT

Date:	7 November 2014
Parties:	the Company as the purchaser; and the Sany HK as the vendor.

Subject matter

Pursuant to the Share Transfer Agreement, (i) the Company shall purchase, and Sany HK shall sell, the entire issued share capital in the Target Company; and (ii) Sany HK shall assign the Offshore Shareholder Loan to the Company, on the conditions and subject to the terms of the Share Transfer Agreement.

Consideration and payment terms

The total consideration for the Offshore Acquisition, comprising the acquisition of the entire issued share capital of the Target Company and the assignment of the Offshore Shareholder Loan, is RMB759,978,000 (equivalent to approximately HK$963,880,097), which is determined by reference to the preliminary valuation of the market value of the 100% equity interest in the Target Company as at 1 September 2014 as appraised by an independent valuer engaged by the Company, which is the same as the final valuation of such market value as set out in Appendices VA and VB in this circular, and the principal amount of the Offshore Shareholder Loan.

The Directors consider that the consideration for the Offshore Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Share Transfer Agreement, the consideration for the Offshore Acquisition shall be settled by the Company at completion by the issue of such number of Convertible Preference Shares that is equal to RMB759,978,000 divided by the Issue Price (rounded down to the nearest whole number). The settlement of the consideration for the Offshore Acquisition by the issue of the Convertible Preference Shares is the result of the arm's length negotiation between the Group and Sany HK, which also reflects the confidence of Sany HK in the long term growth prospect of the Target Group. In addition, after taking into consideration of the public float requirement under the Listing Rules, the current capital structure of the Group and the potential dilution effect on the existing shareholders, the Directors consider that the settlement of the consideration by issuing the Convertible Preference Shares is in the best interest of the Company's shareholders.

Completion

The Share Transfer Agreement is subject to, among other things, the following conditions:

(i) the Company being satisfied in its due diligence on the Target Company and its subsidiaries;

(ii) the Offshore Acquisition having been approved by the shareholders and board of directors of the Sany HK;

(iii) the Offshore Acquisition having been approved by board of directors of the Target Company;

(iv) the Equity Transfer Agreement having been entered into between Sany Group and the Target Company;

(v) all approvals, authorisations, registrations, filings, consents and waivers required to be obtained or made by Sany HK, the Company, the Target Company and all direct and indirect subsidiaries of the Target Company from any governmental authority or other third party in respect of the transactions contemplated under the Share Transfer Agreement having been obtained or made;

(vi) the Acquisitions having been approved by the Shareholders in accordance with the requirements under the Listing Rules;

(vii) compliance with other relevant requirements under the Listing Rules; and

(viii) the issue of Convertible Preference Shares and the grant of the Specific Mandate having been approved by the Independent Shareholders in accordance with the requirements under the Listing Rules.

The completion of the Offshore Acquisition is to take place on the last day of the calendar month on which the conditions precedent of the Share Transfer Agreement are fulfilled (or, where applicable, waived) or such later date as agreed between the Company and Sany HK in writing. As at the Latest Practicable Date, conditions (i) to (iv) have been satisfied and conditions (v) to (viii) have not been satisfied.

THE EQUITY TRANSFER AGREEMENT

Date: 7 November 2014

Parties: Sany Marine Heavy Industry as the purchaser; and
Sany Group as the vendor.

Equity interests acquired

Pursuant to the Equity Transfer Agreement, Sany Marine Heavy Industry, a wholly-owned subsidiary of the Target Company, shall purchase, and Sany Group shall sell, the entire equity interest in Hunan Sany Port Equipment on the conditions and subject to the terms of the Equity Transfer Agreement.

Consideration and payment terms

Pursuant to the Equity Transfer Agreement, the total consideration for the Onshore Acquisition is RMB1,040.0 million (equivalent to approximately HK$1,319.0 million).

The consideration for the Onshore Acquisition was determined with reference to the preliminary valuation of the market value of 100% of the equity interests in Hunan Sany Port Equipment as at 1 September 2014 as appraised by an independent valuer engaged by the Company.

The Directors consider that the consideration for the Onshore Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Equity Transfer Agreement, the consideration for the Onshore Acquisition shall be settled in part by way of setting off any amount due from Sany Group to Sany Marine Heavy Industry as at the Closing Date net of any amount due from Sany Marine Heavy Industry to Sany Group, with the balance settled in cash within 12 months from the Closing Date.

The consideration for the Onshore Acquisition will be financed by the Sany Marine Loan, the Group's internal resources, bank borrowings, proceeds from the issue of securities, and/or other sources.

Completion

The Equity Transfer Agreement shall take effect upon satisfaction of, among other things, the following conditions:

(i) there is no material adverse change in the assets, financial position, business operations and prospects of Hunan Sany Port Equipment;

(ii) the Offshore Acquisition having been completed;

(iii) all approvals, authorisations, registrations, filings, consents and waivers required to be obtained or made by Sany Marine Heavy Industry, Sany Group and Hunan Sany Port Equipment from any governmental authority or other third party in respect of the transactions contemplated under the Share Transfer Agreement having been obtained or made;

(iv) the Acquisitions having been approved by the Shareholders in accordance with the requirements under the Listing Rules; and

(v) compliance with other relevant requirements under the Listing Rules.

The parties shall forthwith proceed with the registration of the transfer of the entire equity interest in Hunan Sany Port Equipment from Sany Group to Sany Marine Heavy Industry upon satisfaction of all the conditions precedent to the Onshore Acquisition. Given that the completion of registration of the transfer of the entire interests in Hunan Sany Port Equipment to Sany Marine Heavy Industry is a matter of procedure and timing and as advised by the Company's PRC legal counsel, there is no legal impediment under PRC laws to completing the said registration with local SAIC by Hunan Sany Port Equipment, the completion of registration of the transfer of the entire interest in Hunan Sany Port Equipment to Sany Marine Heavy Industry has not been stipulated as a condition precedent in the Equity Transfer Agreement.

From the date on which the conditions precedent of the Equity Transfer Agreement are fulfilled (or, where applicable, waived), all rights and interest in the equity in Hunan Sany Port Equipment shall be deemed to be held by Sany Marine Heavy Industry.

The relevant parties agreed that the completion of the Onshore Acquisition is conditional upon the completion of the Offshore Acquisition, as Sany Marine Heavy Industry will not have become a subsidiary of the Company and the Group will not be able to acquire Hunan Sany Port Equipment through the Onshore Acquisition if the Offshore Acquisition is not completed. The Offshore Acquisition is not conditional upon the completion of the Onshore Acquisition as the parties expect that the completion of the Offshore Acquisition to be the last condition precedent to be satisfied under the Equity Transfer Agreement, and intend that the Onshore Acquisition will complete immediately after the completion of the Offshore Acquisition. The Equity Transfer Agreement is expected to take effect immediately after the completion of the Share Transfer Agreement. The said structure for the Acquisitions reflects the result of the arm's length negotiation between the Group and Sany Group. Compared to other arrangements considered by the parties, including Sany Marine Heavy Industry first acquiring Hunan Sany Port Equipment, followed by the Company acquiring the Target Company, the Directors consider that the current arrangement is in the best interest of entire shareholder base of the Company, taking into consideration of the complexity of regulatory approval, taxation, as well as the overall schedule of the strategic planning of the Company.

INTERCOMPANY BALANCES

As at 30 September 2014, there were certain outstanding amounts due from and/or due to Sany Group by the Target Company, Zhuhai Sany Port Machinery, Sany Marine Heavy Industry and Hunan Sany Port Equipment. According to the unaudited management accounts of the Target Company, Zhuhai Sany Port Machinery, Sany Marine Heavy Industry and Hunan Sany Port Equipment, details of these amounts are as follows.

	As at 30 September 2014			
	The Target Company (unaudited) *RMB'000*	**Zhuhai Sany Port Machinery** (unaudited) *RMB'000*	**Sany Marine Heavy Industry** (unaudited) *RMB'000*	**Hunan Sany Port Equipment** (unaudited) *RMB'000*
Amount due to Sany Group	77,480	200,460	–	515,760
Amount due from Sany Group	–	–	622,446	13,742

Amount Due from the Target Company to Sany Group

The amount of approximately RMB77.5 million due from the Target Company to Sany Group represents the outstanding balance for certain internal restructuring exercise carried out by them prior to the date of the Share Transfer Agreement. Pursuant to the terms of the relevant internal restructuring agreements, this outstanding balance shall be settled by the Target Company on or before 31 August 2015, and no interest shall accrue on these outstanding balances. The outstanding balance constitutes connected transaction under Chapter 14A of the Listing Rules as it amounts to financial assistance received by the Company from a connected person on the Closing Date. As the outstanding balance is provided on normal commercial terms (or better for the Company) and not secured by any assets of the Group, it will be fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

Amount Due from Zhuhai Sany Port Machinery to Sany Group

The amount of approximately RMB200.5 million due from Zhuhai Sany Port Machinery as at 30 September 2014 to Sany Group represents the aggregate outstanding advances from Sany Group to Zhuhai Sany Port Machinery to finance the operations of Zhuhai Sany Port Machinery. No interest shall accrue on such advances. The amount of such advances as at the Closing Date will be agreed upon by the Company and Sany Group. Sany Group and Zhuhai Sany Port Machinery agreed that such advances shall be settled within three years after the Closing Date. The advances will constitute connected transaction under Chapter 14A of the Listing Rules as it amounts to financial assistance received by the Company from a connected person on the Closing Date. As the advances are provided on normal commercial terms (or better for the Company) and not secured by any assets of the Group, they will be fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

Amount Due from Sany Group to Sany Marine Heavy Industry

The amount of approximately RMB622.4 million due from Sany Group to Sany Marine Heavy Industry as at 30 September 2014 represents the amount of funds of Sany Marine Heavy Industry managed by Sany Group pursuant to Sany Group's treasury management prior to the Acquisitions. Upon the completion of the Offshore Acquisition, the funds of

Sany Marine Heavy Industry will not be subject to the management of Sany Group. Pursuant to the Equity Transfer Agreement, any outstanding amount due from Sany Group to Sany Marine Heavy Industry as at the Closing Date, net of any amount due from Sany Marine Heavy Industry to Sany Group, if any, shall be set off against the consideration for the Onshore Acquisition payable by Sany Marine Heavy Industry to Sany Group.

Intercompany Balances between Sany Group and Hunan Sany Port Equipment

The amount due from Hunan Sany Port Equipment to Sany Group represents outstanding balances to be paid by Hunan Sany Port Equipment pursuant to an asset and business transfer agreement dated 1 September 2014 entered into between Sany Group and Hunan Sany Port Equipment. Pursuant to the asset and business transfer agreement, Hunan Sany Port Equipment acquired certain port equipment business related assets from Sany Group at an aggregate consideration of approximately RMB515.8 million, which is payable within 12 months from the date of the asset and business transfer agreement and does not bear any interest.

The amount of approximately RMB13.7 million due from Sany Group to Hunan Sany Port Equipment as at 30 September 2014 represents the amount of funds of Hunan Sany Port Equipment managed by Sany Group pursuant to Sany Group's treasury management prior to the Acquisitions. Upon the completion of the Offshore Acquisition, the funds of Hunan Sany Port Equipment will not be subject to the management of Sany Group, and an amount equal to the Hunan Asset Consideration net of any amount due from Sany Group to Hunan Sany Port Equipment as at the Closing Date as agreed by the Company and Sany Group will be outstanding and become payable on 30 September 2015.

Any outstanding net amount due from Hunan Port Equipment to Sany Group as at the Closing Date will constitute connected transaction under Chapter 14A of the Listing Rules as it amounts to financial assistance received by the Company from a connected person on the Closing Date. As the outstanding balance is provided on normal commercial terms (or better for the Company) and not secured by any assets of the Group, it will be fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

THE SANY MARINE LOAN

On 7 November 2014, Sany Group has entered into a loan agreement with Sany Marine Heavy Industry, pursuant to which Sany Marine Heavy Industry may borrow up to an aggregate principal amount of RMB1.4 billion from Sany Group for general working capital and corporate use, which is the Sany Marine Loan, during a term of three years from the date of the loan agreement. The Sany Marine Loan is interest free and due upon the end of the three year term of the loan agreement.

The Sany Marine Loan constitutes a connected transaction under Chapter 14A of the Listing Rules as it amounts to financial assistance received by the Company from a connected person on the Closing Date. As the Sany Marine Loan is provided on normal commercial terms (or better for the Company) and not secured by any assets of the Group, it will be fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

CONVERTIBLE PREFERENCE SHARES

The Company will seek the approval of Shareholders for the creation of the Convertible Preference Shares, as a new class of shares in the share capital of the Company, to facilitate the allotment and issue of the Convertible Preference Shares in settlement of part of the consideration for the Offshore Acquisition. The authorised share capital of the Company will be re-classified and re-designated so that the authorised share capital of the Company shall comprise of 4,461,067,880 Shares and 538,932,120 Convertible Preference Share. A summary of the principal terms of the Convertible Preference Shares are as follows:

Issuer:	The Company
Minimum Issue Price:	HK$1.7885 per Convertible Preference Share, being the average of the daily closing prices of the Shares during the last 15 consecutive trading days prior to the date of the Share Transfer Agreement with a premium of 5%.
Determination of Issue Price:	The Issue Price per Convertible Preference Share shall be the higher of (i) the minimum issue price of HK$1.7885; and (ii) the average of the daily closing prices of the Shares from the date of the Share Transfer Agreement until the date of the EGM (both dates inclusive).

Conversion Ratio and Conversion Price Adjustment:

The conversion ratio of the Convertible Preference Shares is determined by the conversion price as stipulated under the terms and conditions of the Convertible Preference Shares. Each Convertible Preference Share shall be convertible into one (1) Share initially. The conversion price of the Convertible Preference Shares is initially equal to the Issue Price, and shall from time to time be subject to adjustment in accordance with the following:

(i) consolidation or sub-division in the manners as provided under paragraph 7(A)(1) of ordinary resolution no. 2 as set out in the Notice of EGM;

(ii) capitalisation of profits or reserves – if and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than any Shares credited as fully paid out of distributable profits or reserves (including any share premium account or contributed surplus account) and issued in lieu of the whole or any part of a cash dividend or specie distribution which the holders of the Shares concerned would or could otherwise have received and which would not have constituted a capital distribution, the conversion price shall be adjusted by a predetermined formula as provided under paragraph 7(A)(2) of ordinary resolution no. 2 as set out in the Notice of EGM;

(iii) capital distribution – if and whenever the Company shall make any capital distribution, the conversion price in force immediately prior to such distribution shall be adjusted by a predetermined formula as provided under paragraph 7(A)(3) of ordinary resolution no. 2 as set out in the Notice of EGM, and such adjustment shall be effective from the commencement of the day next following the record date for the capital distribution;

(iv) issue of options or warrants with exercise price lower than 80% of market price – if and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price of the Shares, the conversion price shall be adjusted by a predetermined formula as provided under paragraph 7(A)(4) of ordinary resolution no. 2 as set out in the Notice of EGM;

(v) issue of convertible or exchangeable securities at lower than 80% of market price – if and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares and the total effective consideration per Share initially receivable for such securities is less than 80% of the market price of the Shares, the conversion price shall be adjusted by a predetermined formula as provided under paragraph 7(A)(5)(a) of ordinary resolution no. 2 as set out in the Notice of EGM;

(vi) change of effective consideration of convertible or exchangeable securities – if and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in sub-paragraph (v) above are modified so that the total effective consideration per Share initially receivable for such securities shall be less than 80% of the market price of the Shares, the conversion price shall be adjusted by a predetermined formula as provided under paragraph 7(A)(5)(b) of ordinary resolution no. 2 as set out in the Notice of EGM;

(vii) repurchase of Shares or securities – if and whenever the Company shall purchase any Shares or securities issued by the Company or any of its subsidiaries which are convertible into or exchangeable for Shares or any rights to acquire Shares (other than on the relevant Stock Exchange) and the Directors cancel such Shares, securities convertible into or exchangeable for Shares or rights to acquire Shares, the Directors may if they consider it appropriate make an adjustment to the Conversion Price, provided that the Directors shall have appointed an approved merchant bank to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the conversion price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such approved merchant bank shall consider in its opinion that it is appropriate to make an adjustment to the conversion price, the Directors of the Company shall make an adjustment to the conversion price in such manner as such approved merchant bank shall certify to be, in its opinion, appropriate;

(viii) issue of Shares at lower than conversion price – if and whenever the Company shall issue wholly for cash any Shares (other than Shares issued to employees or their personal representatives pursuant to an employee share scheme) at a price per Share which is less than the conversion price current at the date of the announcement of the terms of such issue, the conversion price shall be adjusted by a predetermined formula as provided under paragraph 7(A)(7) of ordinary resolution no. 2 as set out in the Notice of EGM.

Please refer to the paragraph headed "7. ADJUSTMENTS TO THE CONVERSION PRICE" in ordinary resolution no. 2 in the Notice of EGM as set out in this circular for details of the formulae and conditions for these adjustments. If any adjustment is required to be made to the conversion ratio, a further announcement will be made by the Company.

Conversion Period: Any time after the issuance of the Convertible Preference Shares, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Listing Rules.

During the conversion period, subject to the terms and conditions of the Convertible Preference Shares, any holder of Convertible Preference Shares may exercise the conversion right in respect of one or more Convertible Preference Shares held by him by delivering a duly signed and completed conversion notice to the designated office of the Company accompanied by the relevant certificates for the Convertible Preference Shares to be converted and payment of all taxes and stamp, issue and registration duties (if any) arising on conversion. The Company shall, subject to the terms and conditions of the Convertible Preference Shares, allot and issue the Conversion Shares to the holder of the Convertible Preference Shares being converted as soon as practicable, and in any event not later than 14 days after the relevant conversion date.

Preferred Distribution: Each Convertible Preference Share shall confer on the holder thereof the right to receive a preferred distribution ("**Preferred Distribution**") from the date of the issue of the Convertible Preference Share at a rate of 0.01% per annum on the Issue Price, payable semi-annually in arrears. Each preferred distribution is non-cumulative.

Deferral or Non-payment of Preferred Distribution:	The Board may, in its sole discretion, elect to defer or not pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not pay a preferred distribution payment, the Company shall not (i) pay any dividends, distributions or make any other payment on any Shares or (ii) redeem, cancel, repurchase or acquire for any consideration any Shares, unless at the same time it pays to the holders of Convertible Preference Shares any deferred or unpaid Preferred Distribution which was scheduled to be paid on a day falling in the same the financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.
Dividends	Each Convertible Preference Share shall also confer on the holder thereof the right to receive, in addition to the preferred distribution, dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each Convertible Preference Share may be converted and on an as converted basis.
Voting Rights	The holder(s) of Convertible Preference Shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding-up of the Company or a resolution is to be proposed which, if passed, would vary or abrogate the rights or privileges of such holder(s)). In relation to the rights or privileges of the holders of the Convertible Preference Shares, the full terms and conditions of the Convertible Preference Shares are set out in ordinary resolution no. 2 in the Notice of EGM set out in this circular (the "**Terms**"). If the Company proposes any resolution which, if passed, would amend or vary the Terms then under the articles of association of the Company, the written approval of holders of not less than three-fourths in nominal value of the issued Convertible Preference Shares or the sanction of a special resolution passed at a separate general meeting of the holders of the Convertible Preference Shares is required. There is no exhaustive list of matters that may amount to a variation or abrogation of the rights and privileges of the Convertible Preference Shares. Such matters include, for example, any resolution proposed to reduce the amount of Preferred Distribution, to increase the Conversion Price, to remove entitlement to liquidation payments in priority to the Shares or to further restrict the voting rights of the Convertible Preference Shares such as removing the right to vote upon winding up of the Company.

Ranking

On a distribution of assets on liquidation, winding-up or dissolution of the Company or otherwise, the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority:

i. firstly, in paying to the holders of Convertible Preference Shares (pro rata to the aggregate of the Issue Price of the Convertible Preference Shares held by each such holder), pari passu as between themselves as regards repayment of amounts paid-up or credited as paid up on such Convertible Preference Shares, an amount equal to the aggregate of the Issue Price of all of the Convertible Preference Shares;

ii. secondly, the balance of such assets shall be distributed on a pari passu basis among the holders of any class of shares in the capital of the Company other than the Convertible Preference Shares and other than any shares which are not entitled to participate in such assets, by reference to the aggregate nominal amount of the shares held by them respectively and to the extent of an amount equal to the issue price of a Convertible Preference Share for every HK$0.10 in nominal amount of the shares so held; and

iii. the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the Convertible Preference Shares, other than any other shares not entitled to participate in such assets by reference to the aggregate nominal amount of shares held by them respectively.

Assuming that the par value of the Shares and the par value of the Convertible Preference Shares remain as HK$0.10, there will not be other classes of shares in the share capital of the Company and the Company has sufficient assets and funds available, the abovementioned ranking will generally operate such that on distribution of assets on liquidation, winding-up or dissolution of the Company, (i) the holders of the Convertible Preference Shares will first receive a distribution of the Company's assets up to the issue price per Convertible Preference Shares for each Convertible Preference Share held; (ii) then if there is any assets remain in the Company after the distribution described in (i), the holders of the Shares will, based on nominal value of the Shares they held, receive from a distribution of the remaining assets up to the issue price per Convertible Preference Share for each Share held; and (iii) then the remaining balance of the Company's assets will be distributed on a pro rata basis among the holders of Shares and holders of the Convertible Preference Shares.

The Company shall not (unless such sanction has been given by holders of the Convertible Preference Shares) create or issue any shares ranking in priority to the Convertible Preference Shares regarding the order in the participation in the profits of the Company or in the assets of the Company on a winding up or otherwise, but the Company may create or issue, without obtaining the consent of the holders of the Convertible Preference Shares, shares ranking *pari passu* in all respects (including as to class) with the Convertible Preference Shares and the existing and further ordinary shares of the Company.

Transferability The Convertible Preference Shares shall be freely transferable.

Optional Redemption The Convertible Preference Shares shall be redeemable at the option of the Issuer at any time after the third anniversary of the date of the issue of the Convertible Preference Shares at the issue price or the fair market value of the Convertible Preference Share(s) whichever the higher.

Listing	No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange or any other stock exchange. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. All necessary arrangements will be made enabling the Conversion Shares to be admitted into CCASS. As the Company considers that the Convertible Preference Shares are not listed, and their conversion into Conversion Shares will be subject to the public float requirements under the Listing Rules, they generally carry no voting rights (except in limited circumstances) and they are redeemable at the option of the Company, the features of Convertible Preference Shares are similar to that of convertible debt instruments. Accordingly, the Convertible Preference Shares will not be included in the calculation of the Company's public float.

Summary of major differences between Shares and Convertible Preference Shares

A summary of the major difference between the Shares and the Convertible Preference Shares are set out below.

	Shares	**Convertible Preference Shares**
Distribution	No pre-determined entitlement and is subject to approval and declaration by the Board or members at general meeting in accordance with the Articles and the Companies Law	The holders of the Convertible Preference Shares are entitled to a preferred distribution at the rate of 0.01% per annum on the Issue Price
Dividends	In respect of any dividend(s) declared and/or payable by the Company, the Shares rank *pari passu* with the Convertible Preference Shares on a pro-rata and as-converted basis	In respect of any dividend(s) declared and/or payable by the Company, in addition to the preferred distribution as described above, the Convertible Preference Shares rank *pari passu* with the Shares on a pro-rata and as-converted basis

	Shares	Convertible Preference Shares
Voting Rights	Each Share carries one vote	Convertible Preference Shares do not carry any voting right except for matters relating to a winding-up of the Company or a variation or abrogation of the rights or privileges of the Convertible Preference Shares or procedural matters (including election of a chairman of the general meeting and voting on a motion for adjournment of the general meeting) arising at the general meeting at which the aforesaid matters are submitted for consideration
Liquidation rights	The Shares rank behind the Convertible Preference Shares and are entitled to liquidation payment only after the holders of the Convertible Preference Shares have first received a liquidation payment that equals to the aggregate amount of the Issue Price	The Convertible Preference Shares rank ahead of the Shares and are entitled to a first ranking liquidation payment that equals to the aggregate amount of the Issue Price before the holders of the Shares may receive any liquidation payment
Conversion	The Shares are not convertible into other classes of shares of the Company	The Convertible Preference Shares are convertible into Shares at the applicable conversion price
Redemption	The Shares are not redeemable at the option of the Company or the holders thereof	The Convertible Preference Shares are redeemable at the option of the Company at any time after the third anniversary of the date of issue
Listing	The Shares are listed on the Stock Exchange	The Convertible Preference Shares are not listed on the Stock Exchange

The minimum issue price of HK$1.7885 represents:

(i) a discount of approximately 3.8% to the closing price of HK$1.8600 per Share as quoted on the Stock Exchange on 6 November 2014, being the last trading day prior to the date of the Share Transfer Agreement;

(ii) a discount of approximately 1.8% to the average closing price of approximately HK$1.8220 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 6 November 2014.

The issue price was arrived at after arm's length negotiations between the parties to the Share Transfer Agreement after taking into account, among others, the prevailing market price and liquidity of the Shares, the financial performance of the Group and the current market conditions.

Given that the consideration for the Offshore Acquisition is to be settled in full by the issuance of the Convertible Preference Shares and assuming that the Issue Price will be fixed at the minimum of HK$1.7885 per Convertible Preference Share, a total of 538,932,120 Convertible Preference Shares will be issued upon completion of the Offshore Acquisition. Upon conversion in full of such Convertible Preference Shares, the Conversion Shares will represent:

(i) approximately 17.7% of the Shares of the issued share capital of the Company at the date of the Announcement; and

(ii) approximately 15.1% of the issued share capital of the Company as enlarged by the issue of 538,932,120 Conversion Shares upon full conversion of the Convertible Preference Shares.

The Company will seek the grant of the Specific Mandate from the Independent Shareholders at the EGM for the purpose of the allotment and issue of the Convertible Preference Shares and the Conversion Shares.

SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the authorized share capital of the Company was HK$500,000,000 dividend into 5,000,000,000 ordinary shares with a par value of HK$0.10 each.

The shareholding structure of the Company (i) as at the date of the Announcement and (ii) immediately after the issue of the Conversion Shares upon conversion of the Convertible Preference Shares in full at the Minimum Issue Price is as follows (assuming there is no change in the shareholding of the Company):

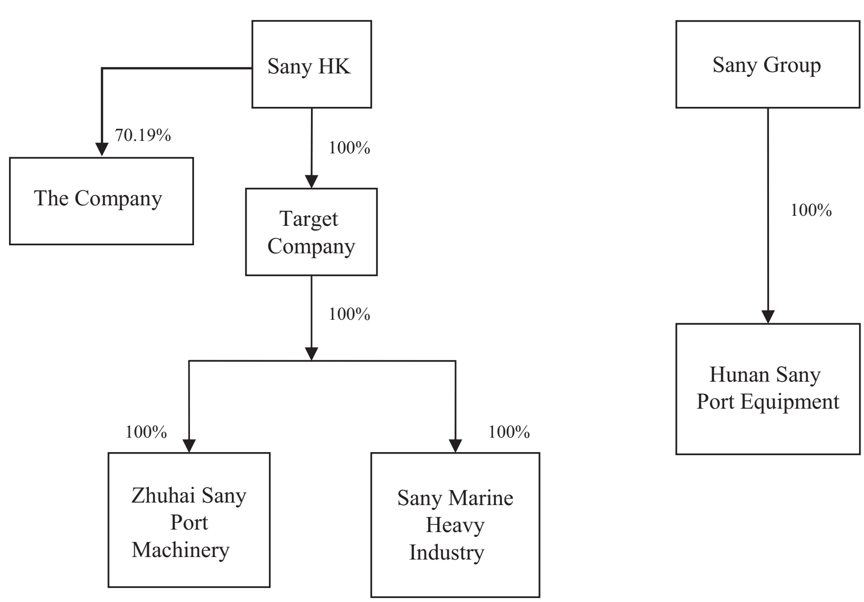
Shareholder	As at the date of the Announcement Number of Shares	Approx. %	Immediately after issue of the Conversion Shares upon conversion of the Convertible Preference Shares in full at the Minimum Issue Price Number of Shares	Approx. %
Sany HK	2,134,580,188	70.19	2,673,512,308	74.68
Public	906,444,812	29.81	906,444,812	25.32
Total	3,041,025,000	100.00	3,579,957,120	100.00

As set out in the paragraph headed "Letter from the Board – Convertible Preference Shares – Conversion Ratio and Conversion Price Adjustment" in this circular, the conversion ratio of the Convertible Preference Shares will be subject to adjustment as a result of certain events. Pursuant to the terms and conditions of the Convertible Preference Shares, no conversion shall take place if, among other things, if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Hong Kong Stock Exchange. Accordingly, any adjustment to the conversion ratio or conversion price of the Convertible Preference Shares will not lead to an increase in the number of Conversion Shares which may result in insufficient public float of the Company.

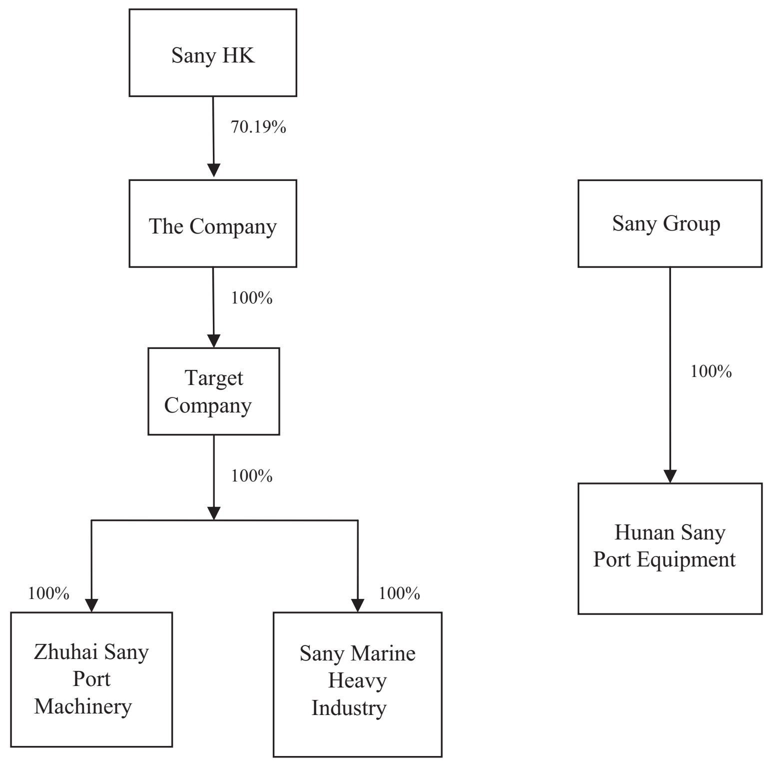
CHANGES IN THE SHAREHOLDING STRUCTURE OF THE TARGET GROUP

The changes in the shareholding structure of the Target Group as a result of the Offshore Acquisition and the Onshore Acquisition are set out below:

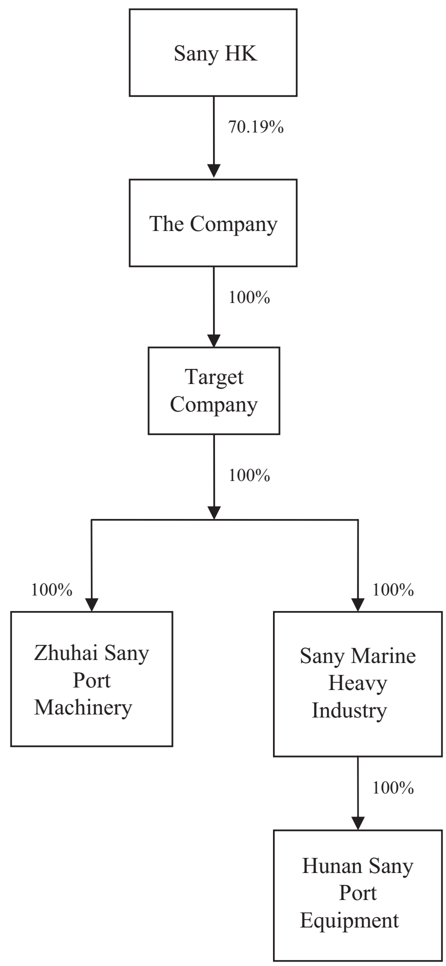
As at the date of this circular



Immediately after completion of the Offshore Acquisition and before conversion of any Convertible Preference Shares



Immediately after completion of the Onshore Acquisition and before conversion of any Convertible Preference Shares



INFORMATION OF THE GROUP

The Group is a major corporation specialising in coal mining and research and development, manufacturing and sale of whole set of roadheaders, mining and transportation vehicles and a leading provider of comprehensive coal mining equipment in China.

INFORMATION ON THE TARGET GROUP

Information on the Target Company and Its Subsidiaries

The Target Company is a company incorporated under the laws of the Cayman Islands with limited liability. It is an investment holding company and the sole shareholder of Sany Marine Heavy Industry and Zhuhai Sany Port Machinery. Upon the completion of the Onshore Acquisition, the Target Company will also be the indirect sole shareholder of Hunan Sany Port Equipment. The Target Group is principally engaged in the design and manufacture of port machinery and marine heavy equipment products, which it sells to its customers who are mainly engaged in port operation business in China and overseas.

Upon the completion of the Offshore Acquisition, the Target Company will become a direct wholly-owned subsidiary of the Company and its financial results will be consolidated into that of the Group. As at 31 May 2014, the issued share capital of the Target Company was one ordinary share with a par value of HK$0.10 and the audited consolidated net liabilities of the Target Company and its subsidiaries was RMB30.5 million.

The total cost of acquiring, incorporation and establishing (as applicable) the Target Company, Sany Marine Heavy Industry and Zhuhai Sany Port Machinery incurred by Sany HK was approximately RMB780.7 million.

According to a valuation report issued by the independent valuer engaged by the Company for the purpose of determining the market value of the Target Company, as at 1 September 2014, the total assets value of the Target Company, including its long-term investments in its subsidiaries, namely, Zhuhai Sany Port Machinery and Sany Marine Heavy Industry, was approximately RMB837.9 million and the total market value of the 100% equity interest in the Target Company was RMB57.0 million.

The audited consolidated net loss before and after tax of the Target Company and its subsidiaries for the year ended 31 December 2013 was approximately RMB1.2 million and RMB4.0 million, respectively. The audited consolidated net loss before and after tax of the Target Company and its subsidiaries for the year ended 31 December 2012 was approximately RMB37.8 million and RMB32.8 million, respectively.

Information on Hunan Sany Port Equipment

Hunan Sany Port Equipment is a company established under the laws of the PRC with limited liability on 26 August 2014 with a registered share capital of RMB13,180,000. The port machinery business of Hunan Sany Port Equipment were owned directly by Sany Group before the establishment of Hunan Sany Port Equipment.

As at the date of this circular, Hunan Sany Port Equipment is wholly-owned by Sany Group. Pursuant to the Equity Transfer Agreement, Sany Marine Heavy Industry, a wholly-owned subsidiary of the Target Company will acquire the entire equity interest in Hunan Sany Port Equipment from Sany Group after the completion of the Offshore Acquisition. Upon the completion of the Onshore Acquisition, Hunan Sany Port Equipment will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into that of the Group. As at 31 May 2014, the audited net asset value of business of Hunan Sany Port Equipment was RMB404.9 million. The total cost of establishing Hunan Sany Port Equipment incurred by Sany Group was approximately RMB528.9 million.

According to a valuation report issued by the independent valuer engaged by the Company for the purpose of determining the market value of Hunan Sany Port Equipment, as at 1 September 2014, the total enterprise value of Hunan Sany Port Equipment was approximately RMB1,499.7 million and the total market value of the 100% equity interest in Hunan Sany Port Equipment was RMB1,040.0 million.

The audited net income before and after tax of the business of Hunan Sany Port Equipment (or its predecessor) for the year ended 31 December 2013 were approximately RMB121.8 million and RMB105.0 million, respectively. The audited net loss before and after tax of the business of Hunan Sany Port Equipment for the year ended 31 December 2012 were approximately RMB69.9 million and RMB61.2 million, respectively.

Business and Products of the Target Group

The Target Group is principally engaged in the design and manufacture of port machinery equipment products, which it sells to its customers who are mainly engaged in port operation business in China and overseas. The current range of products the Target Group produces include, among others, ship-to-shore cranes, also known as quayside gantry cranes (the "STS cranes"), yard cranes, which consists of rail-mounted gantry cranes ("RMGs") and rubber-tyre mounted gantry cranes ("RTGs"), reachstackers and empty container handlers. The following table sets forth the Target Group's revenue and revenue percentage by product for the periods indicated.

Target Business

	Year ended 31 December						Five months ended 31 May	
	2011		2012		2013		2014	
	(RMB'000, except for %)		*(RMB'000, except for %)*		*(RMB'000, except for %)*		*(RMB'000, except for %)*	
Reachstackers	512,367	58.2%	428,264	49.8%	462,329	48.5%	165,028	53.0%
Empty container handlers	147,587	16.7%	163,093	18.9%	105,660	11.1%	58,970	18.9%
Heavy-duty forklift trucks	12,347	1.4%	43,190	5.0%	56,650	5.9%	18,500	5.9%
Jib cranes	34,446	3.9%	47,824	5.6%	136,428	14.3%	–	–
Yard cranes(1)	39,480	4.5%	87,813	10.2%	89,454	9.4%	–	–
STS cranes	77,436	8.8%	–	–	–	–	29,310	9.4%
Others(2)	57,096	6.5%	90,390	10.5%	102,700	10.8%	39,740	12.8%
Total	880,759	100.0%	860,574	100.0%	953,221	100.0%	311,548	100.0%

Notes:

(1) Include RMGs and RTGs.

(2) Include others equipment such as port tyre cranes and machinery accessories.

Target Entities

	Year ended 31 December						Five months ended 31 May	
	2011		2012		2013		2014	
	(RMB'000, except for %)		*(RMB'000, except for %)*		*(RMB'000, except for %)*		*(RMB'000, except for %)*	
Jib cranes	–	–	32,408	35.8%	136,428	54.5%	–	–
Yard cranes(1)	–	–	58,157	64.2%	82,980	33.1%	–	–
STS cranes	–	–	–	–	–	–	29,310	100.0%
Others(2)	–	–	–	–	31,171	12.4%	–	–
Total	–	–	90,565	100.0%	250,579	100.0%	29,310	100.0%

Notes:

(1) Include RMGs and RTGs.

(2) Include others equipment such as port tyre cranes and machinery accessories.

In addition to port machinery, the Target Group's offshore machinery product portfolio includes floating concrete mixers and floating cranes, for which the Target Group has commenced commercial production in January and September 2014, respectively. In addition, the Target Group has commenced trial production of certain types of dredgers, such as cutter suction dredgers, which are expected to be commercially produced in June 2016.

Port Machinery

STS Cranes

STS cranes are generally used to lift containers from the quay and move out along the shore to place the containers on the ship and from the slip to the shore. The uprights have wheels which run in tracks allowing the crane to move along the quay to position the containers at any point on the length of the ship. The Target Group develops the STS cranes in-house. They are equipped with various advanced technologies to distinguish them from similar products manufactured by others competitors. These advanced technologies include the following:

- *gantry travelling mechanism* – incorporates variable-frequency drives that are both energy efficient and environmental friendly. Hydro-pneumatic buffers and wheel clamps are mounted on the sea and land sides of the gantry to ensure stability and reliability of the travelling mechanism;

- *trolley traction mechanism* – utilises an electronic anti-sway device, which allows precise control of the spreader sway;

- *main hoist mechanism* – employs variable-frequency control system that optimises the loading and hoisting speed to achieve efficient energy-saving and works with numerous safety protection features, such as overloading and over-speed protection devices and anti-loose wire rope protective device;

- *hydraulic pressure control system* – prevents damage to the cranes and the ship in the event the containers are accidentally suspended during lift; and

- *crane operating trajectory intelligence control* – uses intelligent memory function to calculate the most efficient and safe lift trajectory to improve operating efficiency.

Yard Cranes

The Target Group develops and manufactures yard cranes, which consist of RMGs and RTGs. RMGs are specialised cranes that travel on rails to stack and load containers in the yard area using a spreader (or twin-lift spreader if needed). RTGs are mobile gantry cranes with rubber tires that are used for stacking containers within the stacking areas such as container terminals or storage yards. The operation of these cranes is fully electrically driven. They are also equipped with auxiliary diesel generators for yard-turning.

The Target Group equips RMGs and RTGs with recent innovations and technologies, including the following:

- *patented hydraulic cylinder jacking yard-turning device* – fully electricity driven, which enhances the stability of the cranes and expands yard coverage;

- *patented four-rope anti-sway technology/mechanical anti-sway mechanism* – prevents the spreader from swaying when stacking the containers;

- *automated container trajectory and lift system* – automatically maps the most efficient lift trajectories by analysing the information contained in the database regarding the containers and the position of certain cranes and thereby, enhancing safety and worker efficiency;

- *independent gear-switching stabilising system* – stabilises the containers during the lift based on a comprehensive analysis of the weight and height of the containers and the length of the lifting steel ropes; and

- *long distance surveillance system* – allows the Target Group's customers to monitor the progress of the lift from afar, eliminates chances of malfunction and avoids any delays caused by such malfunction.

Reachstackers

Reachstackers are vehicles used for handling containers in ports, which can transport containers quickly within a short distance and pile them in an organised manner. These reachstackers are equipped with powerful fully electric EFI controlled diesel engines and advanced transmissions, with pre-installed electronic and hydraulic pressure control systems. Certain advanced technologies utilised include:

- *advanced hydraulic load sensing technology* – optimises energy consumption during the loading of containers so that once the load conditions change, output power is controlled through the load sensor;

- *dual mechanical and electrical anti-rollover protection technology* – provides prompt response and sends out audible and visual signals when the lift is overloaded. If the overturning torque continues, the system would lock the machine and drive the boom and load device backward to balance the torque;

- *bus throttle control technology* – allows the engine to adjust speed under different working conditions to enhance operational efficiency and reduce energy consumption; and

- *automatic malfunction detection and real-time data display function* – displays data on a real-time basis and automatically guides operators and customers to maintain the vehicle and prevent malfunctions.

Empty Container Handlers

Empty container handlers are used for handling empty containers quickly and efficiently. They can stack and transport multiple containers at a time. These container handlers come with advanced diesel engines, manual or automatic transmissions and heavy-lifting drive axels. Similar to the reachstackers, empty container handlers also have pre-installed electronic and hydraulic pressure control systems, and are equipped with advanced hydraulic load sensing technology and bus throttle control technology, among other things. In addition, they utilise patented rotary spreader technology, which makes container catching and hoisting easy and fast by reducing abrasion between the tires and the ground.

Additional port machinery that the Target Group manufactures include, among others, port tyre cranes, jib cranes and heavy-duty forklift trucks. A brief description of each product is set forth below.

- *Port tyre cranes* – The port tyre cranes are generally used for bulk handling, lifting operations, renovation, equipment demolition, installation and other tasks at large ports. They are usually equipped with various core technologies, such as the dual speed rotary technology and intelligent security protection mechanism.

- *Jib cranes* – The jib cranes are primarily used for container lifting operations at ports. The Target Group equips jib cranes with certain technologies, such as the rotary positioning control system, anti-overload protection technology and intelligent fault diagnosis system.

- *Heavy-duty forklift trucks* – The heavy-duty forklift trucks are mainly used for container loading and unloading operations. Technologies used in these forklift trucks include intelligent anti-rollover protection system, throttle control technology and advanced hydraulic load-sensing technology.

Offshore Products

The Target Group's offshore product portfolio includes floating concrete mixers and floating cranes, for which the Target Group has commenced commercial production in January and September 2014, respectively. In addition, the Target Group commenced trial production of certain types of dredgers, such as cutter suction dredgers, which are expected to be commercially produced in June 2016. Brief descriptions of the Target Group's key offshore products are set forth below:

- *Dredgers* – Dredgers are vessels that are used to excavate and remove material from the bottom of a body of water. The Target Group plans to manufacture a variety of dredgers to meet the diverse needs of customers, including grab dredgers, trailing suction hopper dredgers, cutter suction dredgers and dipper dredgers, all of which are equipped with advanced engineering positioning and measurement systems as well as fixed depth control systems to achieve precise positioning and comprehensive control of the dredgers' work condition. All of the major power devices, controlling systems and electrical systems of the dredgers are sourced from leading domestic and international suppliers to ensure their stability and safety.

- *Floating concrete mixers* – The floating concrete mixers are vessels that are generally used for concrete construction in the coast areas or harbours, cross-sea highway construction and island or land reclamation projects. They have sufficient stability and wind resistance to adapt to the potentially harsh operating conditions in the operating areas. The Target Group has also adopted concrete sewage treatment systems onboard the vessels to meet the requirements of the construction area with high environmental protection standards.

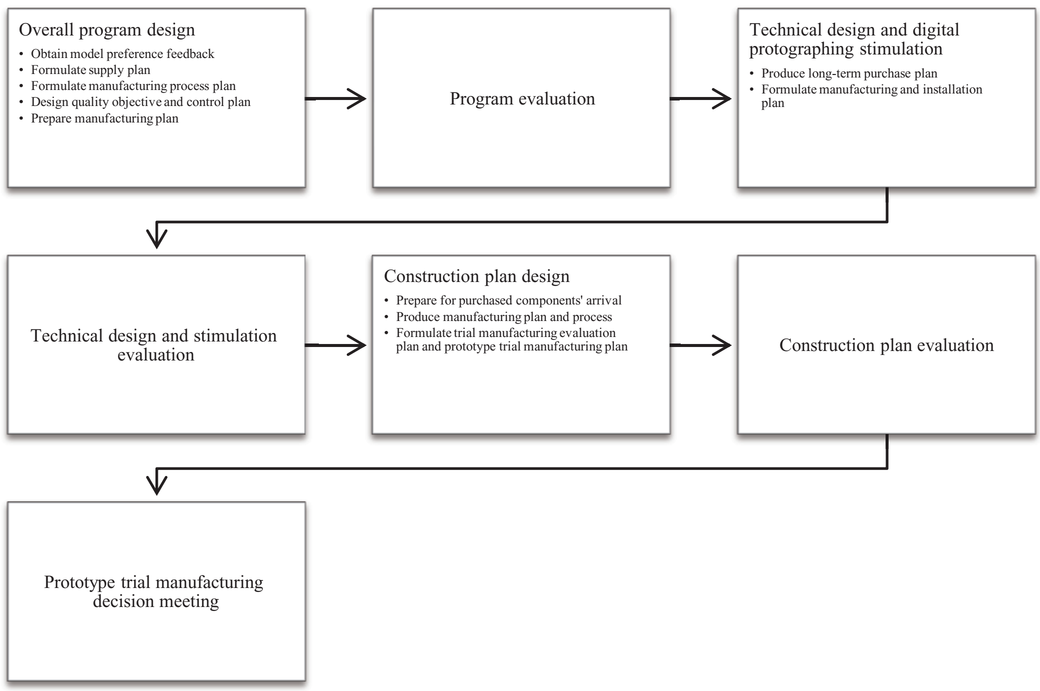
- *Piling jackups* – The piling jackups are typically used for offshore construction projects, such as deepwater docks, cross-sea bridges, offshore wind power construction and offshore oil and gas exploitation and extraction. The Target Group intends to manufacture innovative piling jackups, which are adopted based on a simplified vessel structure, with decks and cabin layout. They are also competitive in functional diversity and adaptability to reduce customers' equipment costs.

- *Floating crane vessels* – The floating crane vessels manufactured by the Target Group include floating crane vessels and revolving floating crane vessels. Both types of floating crane vessels are mainly used for lifting and maintaining offshore platforms, laying seabed oil and gas pipelines and conducting marine salvage operations. These floating crane vessels generally possess strong lifting capacity, low overall gravity for better stability.

- *Jack-up drilling platforms* – Jack-up drilling platforms are key equipment for oil and gas exploration and drilling in shallow waters (usually with depth less than 160 meters). Jacket platforms are currently the predominant type of drilling platforms used for offshore oil and gas exploration and production worldwide, while jack-up drilling platforms are indispensible equipment for jacket platform drilling and construction operations. Therefore, jack-up drilling platforms are among the world's most highly sought after mobile drilling platforms. The advantages of the Target Group's jack-up drilling platforms include, among others, (i) maximum operating depth of approximately 120 meters and drilling depth of approximately 10,000 meters; (ii) adaptability to the operating requirements of different sea areas, such as the North Sea and the South China Sea, among others; (iii) provision of comfortable living facilities that can accommodate up to 120 people; (iv) advanced control technology, which allows the platform to operate more efficiently and conveniently; and (v) innovative offshore platform digital design technology to provide full lifecycle services for each drilling platform.

Product Design and Manufacturing

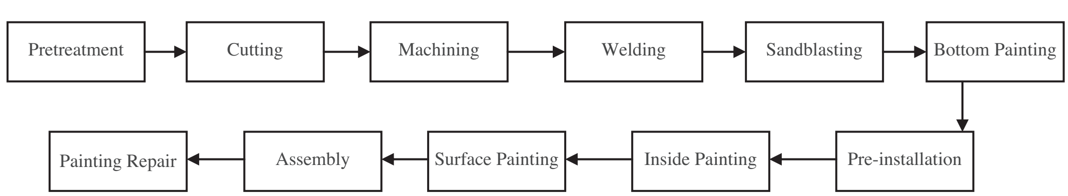
The Target Group's production process generally consists of product research and design, trial production and volume production. For container handling machinery, the Target Group typically commences the production process with pre-production of components and subsequently manufactures limited quantities for sale prior to receiving orders from customers. For container loading/unloading machinery and most of the Target Group's offshore equipment products, after the Target Group receives orders from, or enters into sales contracts with, its customers, it will produce detailed designs pursuant to customers' specifications and agreed technical requirements before commencing quantitative volume production. For jack-up drilling platforms, the Target Group will usually produce prototypes for the customer's review. Once a product prototype is approved by the customer, volume production will subsequently commence. The time required from volume production to deliver of a container loading/unloading machinery is typically approximately eight to 12 months while that of a container handling machinery is usually approximately 45 to 60 days. The following chart illustrates the general design process.



Manufacturing Process

The Target Group's manufacturing department works closely with its design and development department to build products in accordance with customers' specifications, including prototypes. The production process is closely monitored by the Target Group's quality control department to ensure production quality and timely resolution of any technical problems that may arise.

In addition, the Target Group focuses on the concept of EPCI associated with its manufacturing process, which stands for engineering, procurement, construction and installation, and which it expects will be the industry trend going forward. In order to enhance its profitability and competitiveness, the Target Group plans to concentrate on developing advanced engineering and installation capabilities, which it believes will allow it to provide comprehensive equipment solutions to its customers. The diagram below sets forth the manufacturing process of the Target Group's container loading/unloading machinery and container handling machinery.



Production System

The Target Group's production facilities are located in Zhuhai Gaolan Port Economic Technological Development Area in Guangdong Province with respect to Zhuhai Sany Port Machinery (the "Zhuhai Production Facilities"), with an aggregate gross floor area of approximately 78,000 square meters, and in Changsha Economic Technological Development Area in Hunan Province with respect to Hunan Sany Port Equipment (the "Hunan Production Facilities"), with an aggregate gross floor area of approximately 28,500 square meters. As at 31 May 2014, the Zhuhai Production Facilities and Hunan Production Facilities had over 340 and 370 pieces of production equipment, respectively, for which the Target Group carries out regular maintenance. These production equipment were purchased from various suppliers in China and overseas.

The Target Group manufactures its port machinery products based on a lean manufacturing philosophy and only produces the machinery upon receiving orders from its customers. Its production equipment operates on an average of 16 hours per day (consisting of two shifts of eight hours each) for the Hunan Production Facilities and 20 hours per day (consisting of two shifts of ten hours each) for the Zhuhai Production Facilities. The average utilisation rate of our production facilities for the year ended 31 December 2013 was approximately 60%.

The following table sets forth the production volume of the Target Group's principal products and the utilisation rates for the manufacturing such machinery for the periods indicated.

	Year ended 31 December						**Five months ended 31 May**	
	2011		**2012**		**2013**		**2014**	
Products	**Volume** *(units)*	**Utilisation Rate**	**Volume** *(units)*	**Utilisation Rate**	**Volume** *(units)*	**Utilisation Rate**	**Volume** *(units)*	**Utilisation Rate**
Reachstackers	216	75%	192	70%	221	75%	114	80%
Empty container handlers	100	65%	119	75%	78	60%	82	85%
Others	21	50%	47	80%	61	85%	35	85%
Jib cranes	6	35%	17	100%	9	50%	2	30%
Yard cranes[(1)]	13	29%	16	42%	4	18%	11	100%
STS cranes	5	29%	2	15%	2	15%	4	100%

Note:

(1) Include RMGs and RTGs.

Quality Control

The Target Group also implements quality assurance measures throughout the production process. As of 31 October 2014, it had 56 quality control personnel (consisting 27 personnel at Hunan Sany Port Equipment and 29 at Zhuhai Sany Port Machinery). With respect to the internal quality control machanism, the Target Group's quality control measures can be divided into five main stages: (i) raw materials, parts and components quality control; (ii) production process quality control; (iii) assembly, testing and inventory quality control; (iv) finished products quality control and (v) delivery and after-sales service quality control. With respect to external quality control, after port machinery products are delivered to customers for installation and adjustment, a third-party inspector will generally assign a specific equipment department to conduct quality assurance inspection and issue specific equipment inspection certificate. Additionally, the production process of container loading/unloading machinery products is usually under the supervision of a supervisor designated by the customer. As a result of its comprehensive quality assurance measures, the Target Group achieved start-up malfunction rate of zero for its port machinery products in 2013, and has gradually reduced the early-stage malfunction rates for its principal products, such as the reachstackers, STS cranes and yard cranes.

Sales and Marketing

Sales

For the ten months ended 31 October 2014, approximately 60% of the Target Group's products were ultimately sold to end customers in China and the remaining 40% were sold overseas. Historically, all of the port machinery manufactured by the Zhuhai Sany Port Machinery were first sold to Hunan Sany Port Equipment, which, in turn, sold to customers, primarily because Zhuhai Sany Part Machinery relied on the existing sales capability of Hunan Sany Port Equipment to sell its products. Zhuhai Sany Port Machinery did not pay any fees to Hunan Sany Port Equipment for such sales agency services.

On 1 September 2014, Zhuhai Sany Port Machinery and Hunan Sany Port Equipment entered into a sales agency agreement, pursuant to which Hunan Sany Port Equipment will purchase from Zhuhai Sany Port Machinery certain port machinery at the purchase prices stipulated in the relevant sales agreements that Hunan Sany Port Equipment enters into with, or orders it receives from, its customers. Zhuhai Sany Port Machinery agrees to pay transportation, insurance and other related fees and expenses associated with the sale and delivery of the products. In connection with such service, Zhuhai Sany Port Machinery will pay to Hunan Sany Port Equipment a sales agency fee of 4% of the total sales price of each product, to be payable within 30 days after Zhuhai Sany Port Machinery receives payment from Hunan Sany Port Equipment. The sales agency agreement expires on 31 August 2017. As Zhuhai Sany Port Machinery and Hunan Sany Port Equipment are expected to become indirect wholly-owned subsidiaries of the Company on the Closing Date upon completion of the Offshore Acquisition and the Onshore Acquisition, respectively, the transactions contemplated under the sales agency agreement will become intragroup transactions of the Group and will not become continuing connected transactions under the Listing Rules. In the unlikely event that the Offshore Acquisition is completed but the Onshore Acquisition is not completed, the transactions under the sales agency agreement will become continuing connected transactions of the Company, as Hunan Sany Port Equipment, being a subsidiary of Sany Group, will be a connected person of the Company, and the Company will comply with the applicable requirements regarding continuing connected transactions under the Listing Rules in such event.

The Target Group generally formulates and adjusts the prices of its products based on the cost of raw materials, labour costs and other factors such as prices offered by competitors. For domestic sales, the Target Group typically relies on distributions from sales agents and accordingly, enters into standard annual good faith sales contracts with them pursuant to which the sales agents agree to sell products manufactured by the Target Group and/or port machinery-related products. As of 31 October 2014, the Target Group had seven sales agents in the PRC.

The Target Group generally enters into standard product sales contracts with its sales agents and/or customers. Set forth below is a summary of the salient terms and conditions of these contracts.

Performance, delivery and costs. The Target Group generally arranges for delivery within 50 days after the settlement of the initial payment from the purchaser for container handling machinery and eight to 12 months for container loading/unloading machinery. The Target Group is responsible for the transportation, loading and freight costs, in-transit insurance and installation/testing expenses. The purchaser typically provides necessary lifting equipment onsite. The Target Group holds ownership of the products before the full payment is settled.

Settlement. The Target Group typically requires the initial payment as to 30% of the total contract price to be settled within five working days after signing the sales contract, and the second payment as to 65% of the total contract price to be settled within five working days after the receipt and acceptance of the products. The remaining 5% of the total contract price will generally be fully paid within five days after the Target Group issues a bank quality guarantee for the particular product, which generally expires within 30 days after issuance.

Product inspection and dispute mechanism. The purchaser is required to conduct inspection of the products delivered within 12 hours after receipt and provide appropriate record to the Target Group. If product quality inspection is not recorded within the prescribed time, it will be deemed by the Target Group that the products have passed quality inspection.

The products may be deemed to be accepted by the purchaser in the following instances: (i) the purchaser does not provide written dispute within 48 hours after receipt if the products ordered do not match their specifications; or (ii) when the purchaser fails to notify the Target Group before it installs and tests the products within 30 days after receipt.

Liability of breaching the sales contract. In case there should be late delivery due to the cause of the Target Group, except as otherwise negotiated and agreed by the parties, the Target Group is generally required to pay liquidated damages to the purchaser in an amount of 0.03% of the initial payment for each day delivery is overdue. The purchaser has the right to terminate the sales contract and demand compensation from the Target Group for breach of contract when cumulative overdue time reaches 30 days (including the 30th day). However, the total compensation amount will not exceed 5% of the total contract price. On the other hand, if the purchaser breaches the sales contract, it will generally be required to pay liquidated damages to the Target Group in an amount of 0.03% of the initial payment for each day the purchaser fails to take the possession of the product as stipulated in the contract. The Target Group is entitled to terminate the sales contract and demand compensation from the purchaser for breach of contract when the purchaser fails to take possession of the product within 30 days (including the 30th day). However, the total compensation amount will not exceed 5% of the total contract price.

Since some of the Target Group's customers are PRC government entities, they are required to conduct transactions through a public tender process in accordance with applicable PRC laws and regulations. In this case, the Target Group usually engages sales agents to participate in the tender processes and provide required deposits on its behalf. In the event the Target Group is declared a winner by the potential government customer, the customer may enter into a sales contract with the Target Group directly or with the relevant sales agent, which sets forth, among other things, the details of the product(s) to be ordered, the pricing terms, the quality criteria and delivery timeframe. For the year ended 31 December 2013, approximately 20% of the Target Group's total revenue was generated from the sales of its products via the public tender process.

For overseas sales, the Target Group relies on the individual sales and services teams in various jurisdictions. The overseas sales network typically includes sales agents that cover large regions along with local agents that provide coverage in specific areas. Sales are generally made to sales agents and/or directly to end customers in the respective regions and service engineers covering such regions or service personnel of the sales agents typically provide after-sales services. In addition, to promote the Target Group's products overseas, sales agents covering large regions generally collaborate with the Target Group's marketing department to engage in a number of promotional activities, including, among other things, participation in industry exhibitions, business summits and meetings, as well as billboard advertising. With respect to the Target Group's overseas port machinery business, it historically generated a substantial majority of its revenue from Asia Pacific, Africa and the Middle East. However, in 2014, the Target Group began to sell its products to customers in North America, Latin America and Central Asia.

In general, the Target Group delivers the container handling machinery, such as reachstackers, empty container handlers and heavy duty forklift trucks, to its customers within 45 to 60 days after the execution of the sales contracts. For container loading/unloading machinery, such as STS cranes and yard cranes, the products are usually delivered within eight months to one year after the execution of the sales contracts. The Target Group recognises 100% of the revenue as soon as the customer receives the product through delivery and accepts it after conducting quality inspection and signing the inspection and acceptance report.

As of 31 May 2014, the Target Group had 135 container handling machinery (consisting of 90 reachstackers and 45 heavy duty forklift trucks) and 52 container loading/ unloading machinery (including five STS cranes and 23 RMGs/RTGs) for which it has received orders from customers but has not yet delivered.

After-sale Services

After the delivery of its products, the Target Group's service engineers can be present, at the request of the customers, to provide installation services of its products. Typical after-sales services include regular on-site inspection services.

The Target Group offers warranty periods for its products, which vary depending on the products, parts and components. During the warranty period, the Target Group's customers may request that its technical specialists replace or repair defective parts and components free of labour charge in accordance with the terms of the warranty. Unless specifically negotiated with customers, warranty periods for the Target Group's key products generally cover 12 to 24 months after delivery or 2,000 to 4,000 hours of operation, whichever comes earlier. Parts and components have warranty periods ranging from three months and 500 hours of operation to 24 months and 4,000 hours of operation, whichever comes earlier. Following the warranty period, the Target Group provides repair and maintenance services and supply replacement parts and components to its customers for a fee.

Marketing

The Target Group places emphasis on promotion market awareness of its products. To enhance its brand recognition, the Target Group issues product brochures to customers and advertises products on popular industry magazines and periodic publications. In addition, from time to time, it participates in domestic and international heavy machinery and equipment exhibitions, and organises its own product exhibits.

Customers

The Target Group's customers are generally domestic and international ports and port operators. As of 31 May 2014, the Target Group had 669 domestic end-customers and 183 overseas customers. It typically grants to its customers a credit term of 30 to 720 days. For the years ended 31 December 2011, 2012 and 2013 and five months ended 31 May 2014, the five largest customers accounted for approximately 25%, 21%, 26% and 33% of the Target Group's total revenue, respectively, and the sales to its largest customers accounted for approximately 6%, 6%, 9% and 10% of the Target Group's total revenue, respectively.

Research and Development

As of 31 October 2014, the Target Group had 209 research and development personnel (including 105 research personnel from Hunan Sany Port Equipment, 87 personnel from Zhuhai Sany Port Machinery and the remaining 17 personnel from Sany Maritime Heavy Industry), approximately 40% of whom have at least a master's degree. The Target Group generally focuses on the following research and development strategies: (i) develop products based on customer demand from different geographic regions around the world; and (ii) conduct global market research to ensure its products meet the various local quality standards. For the first strategy, the Target Group collects information and documents relating to different international standards and strictly applies them in the design process. With respect to customers from different countries or regions, the Target Group generally designs products based on its analysis of the requirements and concerns of its customers and at the same time, satisfy local regulatory requirements. The Target Group also develops products based on a customer's specific business and operational needs. For example, if the customer is or operates an automated port, the Target Group will design products to be equipped with advanced automation technologies to allow the customer to maximise its operational efficiency.

In addition to the foregoing, the Target Group also manufactures products based on customisations requested by its customers, which are then specifically tailored by the Target Group during the design phase. For example, in 2013, the Target Group custom-designed over 60 RMGs specifically for 31 of its customers, and 12 STS cranes for six customers.

In 2013, Hunan Sany Port Equipment has successfully developed over 20 projects, of which, 11 have resulted in the production and sales of new products. During the same year, Zhuhai Sany Port Machinery advanced eight new research and development projects, all of which have entered into production and sales phases.

As of 31 May 2014, Hunan Sany Port Equipment had 175 patents, of which 44 were invention patents, 121 were utility model patents and the remaining ten were design patents. Zhuhai Sany Port Machinery had 24 patents, of which eight were invention patents and 16 were utility model patents. Zhuhai Sany Port Machinery also had 37 patents pending. In addition, Sany Maritime Heavy Industry owned 28 patents as of 31 May 2014, of which eight were invention patents, 19 were utility model patents and the remaining one was a design patent. In January 2013, Hunan Sany Port Equipment received the First Prize for Hunan Province Science and Technology Advancement Award (湖南省科學技術進步獎).

As the Target Group ramps up commercial production of certain offshore products, it has devoted resources to enhance the research and development efforts for such products, including the utilisation of various proprietary technologies. For further details, please see the section headed "– Offershare Products" in this circular.

Suppliers and Raw Materials

The Target Group procures raw materials primarily from leading suppliers in the PRC and overseas. The raw materials mainly include engines, pumps, gearboxes, standard parts, axles, spreaders, engines, valves, steel, filters, hose fittings and other spare parts. The Target Group also purchases parts and components necessary for the production of its machinery equipment.

Most of the raw materials the Target Group has purchased generally have a credit term of 30 to 180 days. The Target Group historically has maintained good and long-term relationship with its suppliers, who are all independent third parties. As of 31 May 2014, the Target Group had 289 suppliers. For the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014, the five largest suppliers accounted for approximately

39%, 35%, 36% and 31% of the Target Group's total purchases, respectively, and its largest supplier accounted for approximately 13%, 13%, 9% and 8% of the Target Group's total purchases, respectively.

Employees

For the years ended 31 December 2011, 2012 and 2013 and the ten months ended 31 October 2014, the Target Group had 2,075, 1,542, 1,329 and 1,240 employees, respectively, all of whom were located in the PRC. The following table sets forth the total number of our employees by department as of 31 May 2014:

	As of 31 October 2014	
	number of employees	**% of total employees**
Management, administration, quality control, finance and accounting	106	8.5%
Manufacturing	808	65.2%
Sales and marketing	85	6.9%
Research and development and design	209	16.9%
Other	32	2.5%
Total	1,240	100%

Employees and Remuneration Policy

Wages and salaries of the Target Business for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014 were approximately RMB67.9 million, RMB40.1 million, RMB40.2 million and RMB11.8 million, respectively.

Wages and salaries of the Target Entities for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014 were approximately RMB4,000 million, RMB33.1 million, RMB25.3 million and RMB10.0 million, respectively.

Remuneration packages of the Target Group comprised salaries and defined contribution pension fund.

INDUSTRY OVERVIEW

The Outlook of Port Machinery and Marine Industries

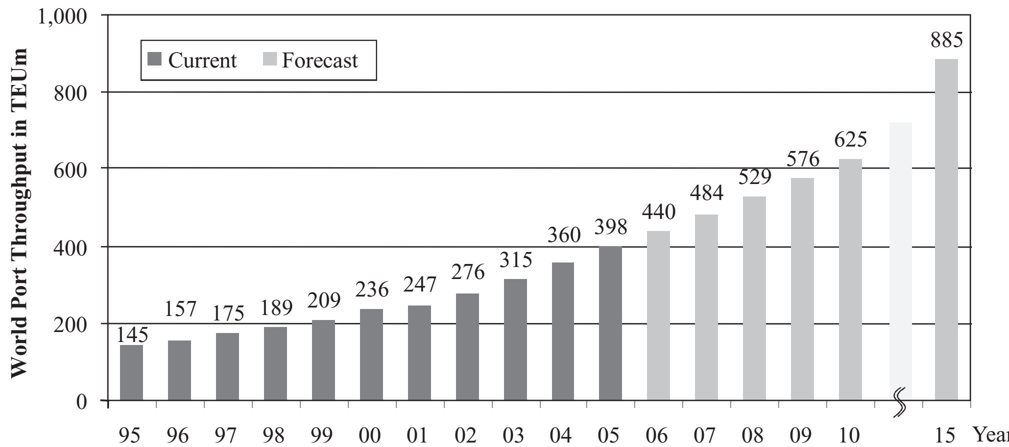
The use of containers in logistics and transportation has become increasingly popular as a measure to enhance efficiency and reduce transportation costs in global trading. According to the 12th Five-Year Plan, the PRC government intends to focus on the development of large, integrated ports in China, and in the meantime, to expand the scale of inland waterway ports and expedite the construction of professional harbour districts, all of which are aimed at establishing a set of professional berths capable of effectively handling containers, vehicle roll-ons/roll-offs and large-scale bulk cargos. Concurrently, according to various published news sources, developing countries in South America, the Middle East, Africa and Asia Pacific are expanding the construction and operation of ports and thereby, increasing global demand for container loading/unloading and container handling machinery.

As modern technologies are being widely applied in the maritime domain, the exploration and development of marine industry have been gradually expanding from coastal waters to open sea. According to IHS, since 2012, the global annual investment for marine development and production has exceeded US$200 billion. According to *2013 China Shipping Industry Economic Operation Analysis** (《2013中國船舶工業經濟運行分析》), China has already become the second largest player in global marine engineering market, and has taken a 29.5% market share of the global marine engineering market, which was more than twice the market share of 13.5% in 2012. In addition, China's maritime industrial output experienced a CAGR of 18.6% from 2001 to 2013, according to ODI*（中國海洋發展指數). This was the result of PRC government's continuous support for the development and application of marine engineering equipment. For example, the 12th Five-Year Plan designated marine oil engineering equipment as a primary developmental focus for the next five years. Similarly, The Shipping Industry Revival Plan of Guangdong Province*（《廣東省船舶振興產業規劃》）and the Summary Guidelines For the Reform Development of Zhujiang River Delta*（《珠江三角洲地區改革發展規劃綱要》）highlighted key governmental focus on (i) the construction of shipping and marine engineering equipment manufacturing bases in Zhuhai, Guangdong, and (ii) the construction of Zhuhai Gaolan Port Industrial Area and marine industrial equipment manufacturing centres.

According to Maritime Safety Administration of the People's Republic of China（中華人民共和國海事局), due to a lack of oil reserves in the PRC, the exploration of oil basins in the South China Sea has increasingly become an urgent endeavour. Consistent with PRC national strategic initiatives, one of the Target Group's customers, China National Offshore Oil Corporation ("CNOOC"), has indicated that it intends to invest over RMB200 billion in the next 10 years to develop and construct oil drilling platforms in the deep waters of South China Sea with an annual aggregate production capacity of approximately 50 million tonnes of oil by 2020. Based on these initiatives, the demand for offshore marine equipment in China is likely to grow.

Global and Domestic Port Machinery Markets

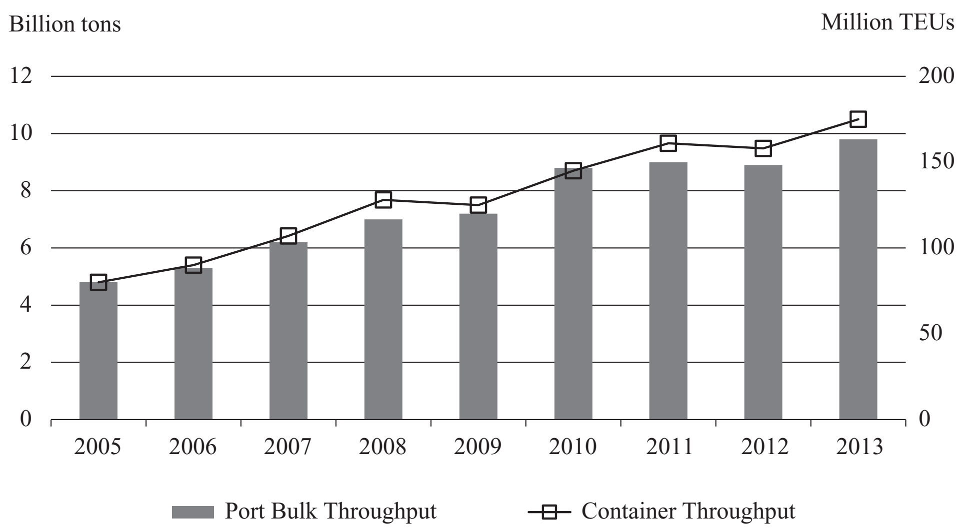
The global container throughput is expected to reach 885 million twenty-foot equivalent units, or TEU, in 2015, according to *Container Terminal Focus 2015* published by OneStone Intelligate GmbH in 2006. The following chart shows the growth in container throughput worldwide from 1995 to 2015.



Source: Container Terminal Focus 2015

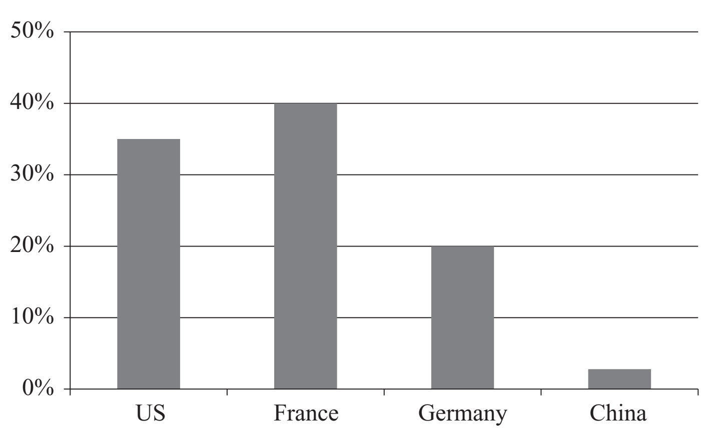
In 2012, the growth in the global container transportation industry experienced a slowdown, which reflected the general weakness in the economic conditions in that year. As a result of improved conditions in 2013, the growth in the industry resumed. According to Shanghai International Shipping Institute, the global cargo throughput in ports is expected to experience an annual growth rate of 6% in 2014, which is likely to foster the demand for the container loading/unloading machinery, such as STS cranes, RMGs and RTGs, in Europe, China and other Asian countries.

According *Container Terminal Focus 2015*, worldwide empty container handing capacity was expected to grow 7.7% from 2010 to 2015. OneStone Intelligence GmbH also estimates that the total global market value of container handling machinery will increase from US$5.7 billion in 2005 to US$10.6 billion in 2015. In China, the total throughput also experienced steady growth over the years, particularly the container throughput, which nurtures robust growth potential. The following chart shows the annual port throughput in recent years in China.



Source: WIND, Guangfa Securities Research and Development Center

More importantly, container application has increasingly been expanded to non-marine industries, such as the railway transportation sector, with China having significantly higher potential compared to some developed countries due to China's vast geography and improving domestic transportation network, according to Haitong Securities Research Department. The following chart illustrates China's container application ratio in railway cargo transportation is far less than certain developed countries in 2012.



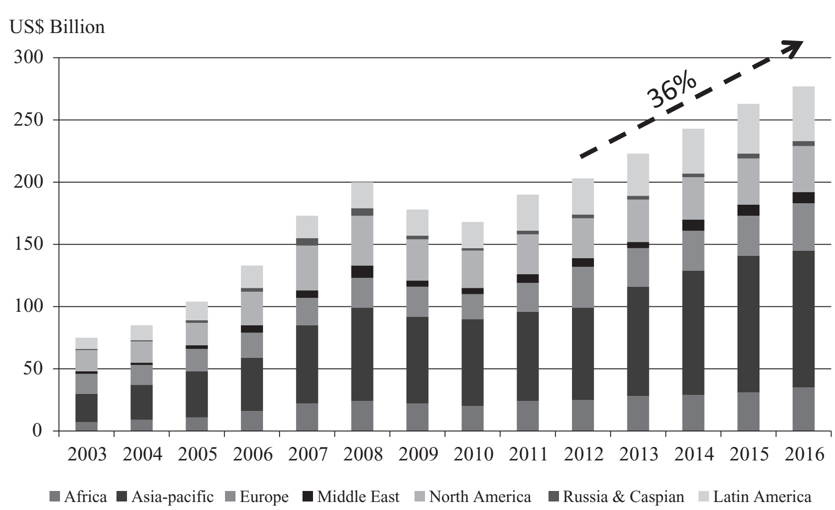
Source: Haitong Securities Research Department

According to the research and analyses conducted by Sany Group, it was estimated that in 2016, the total global market value for the reachstackers, empty container handlers and heavy-duty forklift trucks, in particular, is expected to reach approximately RMB4.0 billion, RMB1.5 billion and RMB5.0 billion, respectively. In addition, Sany Group estimates that the PRC domestic market for reachstackers, empty container handlers and heavy-duty forklift trucks will continue to grow from 2014 to 2016 with an annual growth rate of 9.1%, 11.0% and 10.1%, respectively. This growth is likely to be attributable to increased demand for these equipment products in China in response to PRC government initiatives.

Global and Domestic Marine Markets

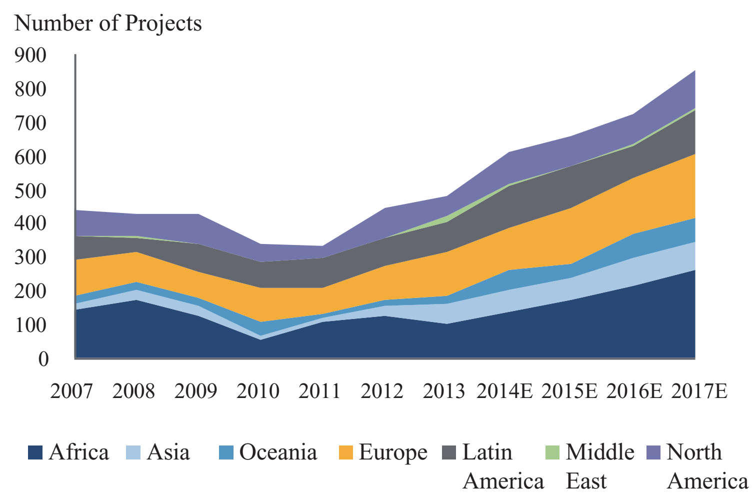
The equipment used in the marine industry includes, among others, equipment used for marine oil and gas exploration and production, such as subsea wells and oil drilling platforms, marine engineering equipment and various floating production, construction, storage and offloading vessels.

The global demand for marine equipment used in offshore oil and gas exploration and production is heavily associated with the global demand for petroleum. Given the increasing demand for energy, the global demand for marine engineering equipment is also expected to rise over time. According to IHS, the total investment for global marine and development will be well above US$250 billion in 2015, and will continue to enjoy robust growth rate from 2015 onwards. The following chart illustrates global investments in marine development from 2003 to 2016.



Source: IHS Upstream Spending Report 2012

The chart below illustrates the historical and estimated demand for marine engineering equipment in various regions of the world in terms of number of projects from 2007 to 2017.



Source: RigZone, Infield

According to *2013 China Shipping Industry Economic Operation Analysis* issued by China Shipping Industry Association* (中國船舶工業行業協會), China has undertaken various marine engineering orders with an aggregate amount surpassing US$16 billion in 2013. China Shipping Industry Association is an association established by enterprises, institutions and other participants in the ship-making industry in the PRC, and is registered under the PRC Ministry of Civil Affairs. As emphasised in the 12th Five-Year Plan, the PRC government has implemented a marine development strategy, pursuant to which the PRC government, through certain of its state-owned enterprises, intends to build offshore oil drilling platforms in the continental shelf or costal water with an annual production capacity of 50 million tonnes of oil. In addition, the PRC government expects to explore and invest in two to three deep water oil and gas reserves and construct approximately 70 oil drilling platforms and 20 floating production, storage and offloading vessels. Therefore, the aggregate amount of state-sponsored investment is expected to be between RMB250 billion to RMB300 billion.

Furthermore, from 2005 to 2010, over 60% of the newly discovered oil reserves in the world are reserves located at sea rather than on land. In China, over 70% of its total marine and natural gas resources are found to be located in the deep sea off its coast. Therefore, according to http://www.chinaIRN.com, marine petroleum is expected to become the main source of oil production globally in the near future. However, as *2014-2019 China Offshore Oil Exploration Industry Research and Investment Strategy Consulting Report* (《2014-2019年中國海上石油勘探產業專項研究及投資策略咨詢報告》) published by Zhiyan Consulting Group (智研諮詢集團), a professional consulting firm in the PRC, in 2014 has indicated, based on data collected from various sources, including the PRC Customs Administration, PRC Minitry of Commerce, PRC Statistics Bureau, and other industry research and surveys, the discovery rate of marine oil and natural gas reserves in China was only 12.3% and 10.9%, respectively, substantially lower than the average global discovery rate of 73.0% and 60.5%, respectively. This implies significant growth potential for the marine industry in China.

Key Growth Drivers

The growth in the port machinery and marine industries is generally propelled by the following factors: (i) customer demand in line with the expansion of global trade, (ii) efficient cost/performance ratio of the port machinery and offshore marine products, (iii) quality of after-sales services, (iv) the ability to customize and tailor the products to customer specifications, (v) brand recognition and reputation, (vi) advancement in, and variation of, technologies, (vii) availability of funds and (viii) government policy support.

Barriers to Entry

Both the port machinery and marine industries share high barriers to entry, primarily due to the following key industry characteristics:

- Capital intensive businesses associated with high production costs, technological sophistication and manufacturing capacity;
- Long turnaround time from product design to delivery, particularly the marine industry where heavy equipment and machinery are generally expected to be delivered two to three years from the time the orders are placed;
- Customised design and production, which may cause frequent delivery delays and changes to product specifications;
- Extensive nationwide customer network with diversified sales channels;
- Reliable supply of core components used in machinery manufacturing; and
- Comprehensive after-sale service capability.

Competitive Landscape

With respect to container loading/unloading machinery, the Target Group mainly competes with ZPMC, Mitsui Group and Liebherr. In China, ZPMC has maintained dominant position as a market leader in the manufacturing of STS cranes and RMGs, having a market share of approximately 67% and 50%, respectively, in terms of revenue for the year ended 31 December 2013, according to STS cranes and yard cranes order surveys conducted by Sany Group.

For the container handling machinery industry in China, the Target Company primarily competes with international manufacturers, such as Kalmar Industries AB, Kone and Hyster Company. The Target Group commenced research, development and design of container handling machinery in 2009. In 2010, it accepted a small number of orders from a limited number of customers for production and sale. The Target Group officially commenced commercial production and sale of container handling machinery in 2011. According to marketing research conducted by Sany Group, for the year ended 31 December 2013, the Target Company had a 54.8% market share of reachstackers in China and a 37.0% market share of empty container handlers, both in terms of sales volume. In addition, the combined global market share for these products reached approximately 15% in terms of revenue for the year ended 31 December 2013, according to *2nd Annual Ship-to-Shore Crane Survey* published by Port Equipment Manufacturers Association in 2013. The following chart shows the market share information of the Target Company's main container handling machinery products in the PRC.

Product	**2011**			**2012**			**2013**		
	Total Sales	**Sales by Target Group**	**Market Share**	**Total Sales**	**Sales by Target Group**	**Market Share**	**Total Sales**	**Sales by Target Group**	**Market Share**
Reachstackers	226	118	52.2%	199	91	45.7%	210	115	54.8%
Empty container handlers	147	62	42.2%	168	85	50.6%	127	47	37.0%
Total	373	180	48.3%	367	176	48.0%	337	162	48.1%

For marine industrial equipment, the Target Group primarily competes with large manufacturers in the United States, Europe and Asia, such as McDermott International Inc., Technip Group, Samsung Heavy Machinery and Hyundai Heavy Machinery.

RISK FACTORS

There are certain risks involved in relation to the Offshore Acquisition and the Onshore Acquisition and the Target Group. These risks can be categorised as (i) risks relating to the Acquisitions and (ii) risks relating to the Target Group. Shareholders should carefully consider all of the information set out in this circular, including the risks and uncertainties described below before making a decision on how to vote on the resolution relating to the Acquisitions and other related matters at the EGM. The business, financial condition and results of operations of the Company and the Target Group could be materially and adversely affected by any of these risks.

Risks Relating to the Acquisitions

There are risks involved in completing the Acquisitions.

Completion of the Offshore Acquisition under the Share Transfer Agreement and the Onshore Acquisition under the Equity Transfer Agreement is subject to the satisfaction of the conditions set out in the respective agreement, not all of which are within the Group's control. Details of those conditions are set out in the sections headed "Letter from the Board – The Share Transfer Agreement" and "Letter from the Board – The Equity Transfer Agreement" in this circular.

Some of the conditions set out in the Share Transfer Agreement and the Equity Transfer Agreement are dependent on the vote of the Independent Shareholders, and with respect to the condition on the issuance of the Convertible Preference Shares under the

Share Transfer Agreement, on the vote of the Independent Shareholders. If any of the conditions are not satisfied, there can be no assurance that the Offshore Acquisition and the Onshore Acquisition will be completed.

The Company may not be successful in integrating the business of the Target Group.

The Company is primarily engaged in the manufacturing of excavation machinery used in connection with coal mining activities, such as roadheaders, continuous mining machines, coal mining concrete pumps and coal loading machines, and integrated coal mining equipment, including the coal mining and loading systems, hydraulic support systems and coal conveying systems. The Target Group, on the other hand, is principally engaged in the design and manufacturing of port machinery equipment, including, among other things, STS cranes, yard cranes, jib cranes, reachstackers and empty container handlers. In addition to port machinery, the Target Group has also commercially produced or in the process of commencing commercial production of certain offshore marine equipment, such as floating concrete mixers, floating cranes and various types of dredgers.

Upon completion of the Offshore Acquisition and the Onshore Acquisition, the business operations of the Company and the Target Group will be integrated and a centralised management structure will be established. The Enlarged Group may face challenges in doing so, particularly taking into account the types of equipment products to be manufactured for different industries. Adjustments and changes required to be made to, among other things, management personnel and financial and information technology systems may not be successfully implemented. Accordingly, there can be no assurance that the Enlarged Group will be able to achieve successful integration of the business operations of the Company with those of the Target Group, and any material delay or obstacle encountered during such integration process may adversely impact the business, results of operations, financial condition and growth prospects of the Enlarged Group.

Risk Relating to the Target Group

The Target Entities have historically experienced operating losses and may not be profitable going forward, and the Target Business had negative operating cash flow for the five months ended 31 May 2014, which may adversely impact the cash flow of the Enlarged Group.

As the Target Entities were in the startup stage of their business life cycle in the past few years, they experienced operating losses of RMB32.8 million, RMB4.0 million and RMB14.1 million for the years ended 31 December 2012 and 2013 and the five months ended 31 May 2014, which reflected high cost of sales, administrative expenses and finance costs as a proportion to revenue. Their profitability is expected to be improved as they gradually develop brand recognition and increase market share in the near future and as they grow within the port equipment and marine equipment industries. However, there is no assurance that the Target Entities will be profitable going forward or at all, in which case the business, results of operations, financial condition and prospects of the Enlarged Group may be adversely affected.

The Target Business had a negative cash flow of RMB57.8 million for the five months ended 31 May 2014, primarily due to an increase in trade receivables from related parties of RMB51.7 million and the settlement of trade payable to Zhuhai Sany Port Machinery of RMb50.0 million. The Target Business usually urged the collection of trade receivables due from related parties at the end of each quarter. The negative cash flow from operating activities was a result of the difference between the timing of the end of the accounting period, which is 31 May 2014, and the usual timing of settlement of balances with related parties, which is the end of each calendar quarter. The Target Business's future liquidity, payment of trade, bills and other payables and the repayment of outstanding debt obligations, if any, as and when they become due, will primarily depend on its ability to maintain adequate cash inflows from operating activities. In the event it cannot generate sufficient cash flows from operations to meet the demand from operating and capital expenditures, the Target Business's operations will be adversely affected. This may negatively impact the Enlarged Group's cash flows and expose it to future liquidity risk.

Risks Relating to the Industries

After completing the Acquisitions, the Enlarged Group will operate in the port machinery and marine industries, which are different from the coal mining machinery industry in which the Company currently operates in. These industries are highly competitive and there is no assurance that the Enlarged Group will be successful.

After completing the Offshore Acquisition and the Onshore Acquisition, the Enlarged Group will operate in the port machinery and marine industries. Since the Company currently operates in the coal mining machinery industry, it did not have any operating history in the port machinery and marine industries, which are subject to general global economic conditions, the PRC government policies, the global demand from petroleum and other factors. Therefore, it may be more susceptible to industry volatility and uncertainty. In addition, the port machinery and marine industries are highly competitive as the Enlarged Group will compete with other domestic and international manufacturers of port machinery and marine equipment. Its primary competitors include ZMPC, Mitsui Group, Liebherr, Kalmar Industries AB, Kone, Hyster Company, McDermott International Inc., Technip Group, Samsung Heavy Machinery and Hyundai Heavy Machinery, among others. Some of these competitors may have better or longer operating track records, larger operations, more well-known brand names and industry reputation, more extensive sales network coverage or greater financial resources than the Enlarged Group. Some of the international competitors also benefit from familiarity of their home jurisdictions, long-lasting customer relationships and the perceived notion that products of international manufacturers are better in terms of technology and quality than PRC-manufactured products. As a result of the foregoing, there is no assurance that the Enlarged Group will remain competitive and be successful operating in the port machinery and marine industries.

Certain facts, estimates and statistics contained in this circular with respect to the industries in which the Target Group operates are derived from the research and analyses conducted by Sany Group and various official or third party sources, and may not be accurate, reliable, complete or up-to-date

Certain facts, estimates and statistics in this circular relating to the industries are derived from the research and analyses conducted by Sany Group and various official or third-party sources. While the Company has exercised reasonable care in compiling and reproducing these facts, estimates and statistics, they have not been independently verified. The Company makes no representation as to the accuracy of such facts, estimates and statistics, which may not be consistent with other information compiled with respect to these industries and may not be complete or up-to-date, and therefore, should not be unduly relied upon.

REASONS AND BENEFITS FOR THE ACQUISITIONS

The Board believes that the Acquisitions represent an excellent opportunity for the Group to add a complementary business activity. The Group's coal mining machinery business and the Target Group's port machinery business are both recognised leaders in China in their respective industry sectors. The Group's coal mining machinery products as well as the Target Company's port machinery products are designed to help customers to perform their operations more efficiently, with increased quality, reliability, safety and lower lifetime costs. The Board believes that a combination of both businesses would enhance the Group's existing focus on developing and manufacturing advanced machinery with leading technologies, and therefore, strengthen its market positions.

The coal energy and port machinery industries are both vital to China's economic development. The Group's management views the development in the marine sector as one of the key priorities of the PRC government over the long-term given the long sea border of the PRC and sees the importance of the increasing demand for goods handling capability at ports in a growing economy. The Company believes that the Acquisitions will provide an ample opportunity for the Group to benefit from the growth in the marine industry in the PRC as well as diversification of business activities, which will enable the Group to enhance the stability of revenues and cash flows and counter the effect of industry and development cycles.

Furthermore, the Acquisitions are in line with the commitment made by the Company at the time of its initial public offering to develop the Group into "an integrated energy equipment platform". The inclusion of port and marine machinery businesses is a natural extension of the Group's product portfolio from manufacturing of advanced machinery for onshore energy industry to manufacturing of advanced machinery for offshore shipping and energy exploration activities as well as ports. This is because the port machinery is a crucial part of the onshore/energy industry, including onshore port logistics and offshore energy and resources production, engineering and transportation. Based on its distinguished strength of manufacturing onshore heavy machinery for coal production, the Company believes it enjoys an advantage in entering into the marine heavy equipment business.

The Board believes that the Target Group's port machinery and offshore marine equipment business will complement the existing business of the Group and provide synergy that enables the Group to capture new opportunities in the coal mining supply chain and enhance its revenue stream.

The Group also plans to rely on the following core competitive strengths in executing the Acquisitions:

- *Group's synergy* – Leveraging on the Group's established brand recognition, its ability to effectively raise capital, the success of its other business segments and its well-maintained relationships with local governments and businesses, the Acquisitions are expected to expedite the integration of the Group's core businesses; and

- *Zhuhai Industrial Park* – Effectively utilising the geographic location and economic and transportation advantages of the Zhuhai Industrial Park and the capability of Zhuhai Gaolan Port Economic Technological Development Area in Guangdong Province, the PRC, to manufacture world-class ships and marine engineering equipment to expand into the marine heavy machinery industry.

The Company plans to achieve synergies in the following manner:

- Achieve further synergies by combining certain research and development, design and engineering functions for both coal mining and port machinery/marine businesses, and by sharing customer base, sales network and system functions such as finance and information technologies;

- Enhanced quality control as the mining and port and marine machinery products are used in harsh environments and thus, have strict requirements in terms of durability, reliability and safety;

- Provision of high quality maintenance and services for the life time of the equipment;

- Delivery of complete systems to help customers improve the overall performance of their operations;

- Achieve superior bargaining power vis-à-vis the Group's suppliers through rationing and better pricing based on larger quantities of raw materials; and

- Diversify revenue stream as a result of the combination of the coal mining and port/marine machinery business, which are exposed to different market drivers and industrial cycles.

The Directors consider that the Acquisitions and the terms of the Share Transfer Agreement (including the Consideration) were based on normal commercial terms and are fair and reasonable, and the Acquisitions have provided an attractive opportunity for the Group's maintenance of its market position in the port machinery industry and further expansion into the marine industry. After completion of the Share Transfer Agreement, the Group would obtain competitive advantage in both domestic and international port machinery industry. Accordingly, the Directors are of the opinion that the Acquisitions and the entering into the Share Transfer Agreement are in the best interests of the Company and the Shareholders as a whole.

To capitalise on the opportunities created by the completion of the Acquisitions, the Enlarged Group intends to pursue the following business strategies and initiatives:

- Solidify its existing market leading position for the container handling machinery business and further expand into offshore equipment business to offer customers a diversified portfolio of products;

- Develop effective promotional strategies for key new equipment and machinery, such as various offshore products that are currently in commercial and trial production; and

- Dedicate sufficient resources to research, develop and design new products that have sustainable long-term customer demand.

FINANCIAL IMPACTS OF THE ACQUISITIONS TO THE GROUP

The financial effects of the Acquisitions (assuming the completion of the Acquisitions had occurred on 30 June 2014) on the Enlarged Group as compared to the financial position of the Group as at 30 June 2014 are illustrated by the "Unaudited Pro Forma Financial Information of the Enlarged Group" set out in Appendix III to this circular.

LISTING RULES IMPLICATIONS

The Connected Persons

As at the date of the Share Transfer Agreement, Sany HK being the beneficial owner of 2,134,580,188 Shares, representing approximately 70.19% of the entire issued share capital of the Company, is a substantial shareholder of the Company. Sany HK is therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Mr. Liang Wengen, who holds 57.12% interest in Sany Group, is a substantial shareholder of the Company by virtue of his 57.12% shareholding in Sany Heavy Equipment Investments Company Limited, which in turn indirectly holds 70.19% of the total issued share capital of the Company. Sany Group is therefore an associate of Mr. Liang Wengen under Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Each of Sany Auto Manufacturing and Sany International Development Limited, being a subsidiary of Sany Group, is an associate of Mr. Liang Wengen pursuant to Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

Accordingly, Offshore Acquisition contemplated under the Share Transfer Agreement constitutes a connected transaction of the Company under the Listing Rules.

Upon completion of the Offshore Acquisition, the Target Company will be a wholly-owned subsidiary of the Company, and hence the Onshore Acquisition contemplated under the Equity Transfer Agreement will be a transaction between the Group and a connected person of the Company and constitute a connected transaction of the Company under Rule 14A.25 of the Listing Rules.

The Acquisitions

Given that the Offshore Acquisition and the Onshore Acquisition are related and the vendor for each of the Offshore Acquisition and the Onshore Acquisition is controlled by Mr. Liang Wengen, the Board considers it appropriate to aggregate the Onshore Acquisition and the Offshore Acquisition for the purpose of determining the requirements applicable to the Company under Chapter 14 and Chapter 14A of the Listing Rules in respect of the Acquisitions.

As each of the applicable percentage ratios (other than the profits ratio) as calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisitions is higher than 5% and the total consideration is more than HK$10,000,000, the Acquisitions are subject to reporting, shareholders' approval and disclosure requirements under of Chapter 14A of the Listing Rules.

In addition, as more than one of the applicable percentage ratios as calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisitions are more than 25% but less than 100%, the Acquisitions constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and hence is subject to notification, publication and shareholders' approval requirements under the Listing Rules.

As each of the Shareholder Loans is provided on normal commercial terms (or better for the Company) and not secured by any assets of the Group, each of the Shareholder Loans will be fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules.

None of the Directors has a material interest in the Share Transfer Agreement, the Equity Transfer Agreement or was otherwise required to abstain from voting on the Board resolution for approving the Share Transfer Agreement or the Equity Transfer Agreement pursuant to the articles of association of the Company, and none of the Directors abstained from voting on the Board resolution approving the Share Transfer Agreement and the Equity Transfer Agreement.

EGM

The EGM will be convened as soon as practicable at which ordinary resolutions will be proposed for the Shareholders to consider, and, if thought fit, to approve the Acquisitions, the creation of the Convertible Preference Shares and re-classification of the authorised share capital of the Company and the Specific Mandate. Pursuant to Rule 14A.36 of the Listing Rules, at the EGM, Sany HK is required to abstain from voting on the ordinary resolution approving the Acquisitions and the Specific Mandate. Voting at the EGM will be conducted by poll.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, and deposit it with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment of it if you so wish.

An announcement will be made by the Company after the EGM regarding the results of the EGM pursuant to the requirements of the Listing Rules.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 56 and 57 of this circular and the letter of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 58 to 80 of this circular in connection with the Share Transfer Agreement, the Equity Transfer Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Acquisitions were on commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution to approve the Share Transfer Agreement, the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM as set out in the notice of the EGM.

Your attention is drawn to additional information set out in the appendices to this circular.

By order of the Board
Sany Heavy Equipment International Holdings Company Limited
Wu Jialiang
Chairman

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)

30 November 2014

To the Independent Shareholders

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF ASSETS

Dear Sir or Madam,

We refer to the circular of the Company dated 30 November 2014 (the "Circular") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Share Transfer Agreement and the Equity Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Anglo Chinese Corporate Finance, Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement and the Equity Transfer Agreement.

Your attention is drawn to the "Letter from the Board" set out on pages 6 to 55 of the Circular which contains, inter alia, information about the terms of the Share Transfer Agreement, and the "Letter from the Independent Financial Adviser" set out on pages 58 to 80 of the Circular which contains its advice in respect of the Share Transfer Agreement and the Equity Transfer Agreement together with the principal factors taken into consideration in arriving at such.

Having considered the terms of the Share Transfer Agreement and the Equity Transfer Agreement and having taken into account the factors and reasons considered by and the advice of the Independent Financial Adviser as stated in their letter dated 30 November 2014, we consider that (i) the entering into of the Share Transfer Agreement and the Equity Transfer Agreement is on normal commercial terms; (ii) the terms of the Share Transfer Agreement and the Equity Transfer Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned; and (iii) the entering into of the Share Transfer Agreement and the Equity Transfer Agreement is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to ratify and approve and the Share Transfer Agreement and the Equity Transfer Agreement.

Yours faithfully,
For and on behalf of
Independent Board Committee

Dr. Ngai Wai Fung	**Mr. Xu Yaxiong**	**Mr. Ng Yuk Keung**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of the letter from Anglo Chinese to the Independent Board Committee and the Independent Shareholders, prepared for the purpose of inclusion in this circular.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.
www.anglochinesegroup.com
英高財務顧問有限公司

To the Independent Board Committee
and the Independent Shareholders

30 November 2014

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
AND CONTINUING CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF 100% EQUITY INTEREST IN
SANY MARINE INDUSTRY HOLDINGS COMPANY LTD.

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Transfer Agreement, the Equity Transfer Agreement and the transactions thereunder, details of which, amongst other things, are set out in the letter from the Board contained in the circular of the Company dated 30 November 2014, of which this letter forms part. Terms defined in this circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 7 November 2014, the Company entered into the Share Transfer Agreement with Sany HK pursuant to which Sany HK conditionally agreed to sell, and the Company conditionally agreed to acquire the entire issued share capital of the Target Company for a consideration of RMB759,978,000 (equivalent to approximately HK$963,880,097) to be settled by the issue of Convertible Preference Shares. As part of the Acquisitions, Sany Marine Heavy Industry, a wholly-owned subsidiary of the Target Company entered into the Equity Transfer Agreement with Sany Group on 7 November 2014 pursuant to which Sany Group conditionally agreed to sell and Sany Marine Heavy Industry conditionally agreed to acquire the entire equity interest in Hunan Sany Port Equipment for a cash consideration of RMB1,040 million (equivalent to approximately HK$1,319 million). The completion of the Onshore Acquisition under the Equity Transfer Agreement is conditional upon, amongst others, the completion of the Offshore Acquisition.

As at the Latest Practicable Date, Sany HK is a substantial shareholder of the Company beneficially interested in 2,134,580,188 Shares, representing 70.19% of the entire issued share capital of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, Sany Group is owned as to 57.12% by Mr. Liang Wengen, a substantial shareholder of the Company and therefore Sany Group is an associate of Mr. Liang Wengen and hence a connected person of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Acquisitions is more than 25% but less than 100%, the Acquisitions constitute a major transaction of the Company and are subject to notification, publication and shareholder's approval requirement under Chapter 14 of the Listing Rules. As both Sany HK and Sany Group are connected persons of the Company, the Acquisitions also constitute a connected transaction under Chapter 14A of the Listing Rules and are subject to the approval by the Independent Shareholders.

An Independent Board Committee comprising all the independent non-executive directors has been formed to advise the Independent Shareholders on Share Transfer Agreement and the Equity Transfer Agreement and the transactions thereunder. Votes of the Independent Shareholders at the EGM shall be taken by poll. Sany HK and its associates will abstain from voting on the ordinary resolutions approving the Acquisitions and the Specific Mandate at the EGM. In addition to the approval by the Independent Shareholders at the EGM, the Acquisitions are also subject to the conditions precedent as set out in sub-sections titled "THE SHARE TRANSFER AGREEMENT – Completion" and "THE EQUITY TRANSFER AGREEMENT – Completion" in the Letter from the Board of this circular.

BASIS OF OPINION

In formulating our opinion and recommendations, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information, statements, opinion and representations contained or referred to in this circular and all information and representations which have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so at the date hereof. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the letter from the Board contained in this circular were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in this circular.

The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of the information contained in this circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material facts or information, which is known to the Company, have been omitted or withheld from the information supplied or opinions expressed in this circular nor to doubt the truth and accuracy of the information and facts, or the reasonableness of the opinions expressed by the Company and the Directors which have been provided to us. We have not, however, carried out any independent verification on the information provided to us by the Directors, nor have we conducted any form of independent in-depth investigation into the business and affairs or the prospects of the Company, the Target Group, Sany HK or any of their respective subsidiaries or associates.

Apart from normal professional fees for our services to the Company in connection with this appointment, no arrangement exists whereby Anglo Chinese will receive any benefits from the Company or any of its associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion to the Independent Board Committee and the Independent Shareholders in relation to Share Transfer Agreement and the Equity Transfer Agreement and the transactions thereunder, we have taken into account the following principal factors:

Information on Sany Group

Sany Group is a company established in the PRC principally engaged in the manufacture and distribution of engineering machinery for construction purposes, machinery leasing, and manufacture of automobile and educational businesses.

Information on the Group

Incorporated on 23 July 2009, the Company was listed on the Main Board of the Stock Exchange on 25 November 2009. The Group is a major corporation specialising in coal mining equipment, involving research and development, manufacturing and sale of whole set of roadheaders, mining and transportation vehicles and a leading provider of comprehensive coal mining equipment in China.

Due to the downward adjustment of the coal price and declining cumulative growth rate in fixed asset investment in coal industry since late 2011, the coal machinery and equipment industry has been facing a challenging environment. To cope with the situation the industry was under, the Group started its transformation strategy in 2013 by leveraging its strong R&D capability to launch more advanced models of roadheaders, hydraulic support system and scrapper conveyors and expanding the non-coal energy machinery business to tap into the natural gas machinery area.

According to the 2014 interim report of the Company, with the ongoing transformation, the Group divided its products into three categories: (i) the coal mining business, which includes roadheaders, coal mining machines (shearer), hydraulic support system, scraper conveyor and centralised control system; (ii) 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 (iii) other non-coal-related business (parts and services).

Set out below is the summary of the audited consolidated financial results of the Group for the three years ended 31 December 2013 as extracted from the Company's annual reports and the unaudited consolidated financial results of the Group for the six months ended 30 June 2013 and 2014 as extracted from the Company's 2014 interim report:

	For the year ended 31 December			For the 6 months ended 30 June	
(RMB'000)	**2011**	**2012**	**2013**	**2013**	**2014**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	3,780,183	3,640,739	3,225,463	1,663,239	1,444,328
Profit before taxation	879,669	592,623	407,585	330,634	244,188
Net profit attributable to owners of the Company	774,355	499,532	356,208	295,064	203,285
Earnings per Share (RMB)	0.25	0.16	0.12	0.10	0.07

	As at 31 December			As at 30 June
(RMB'000)	**2011**	**2012**	**2013**	**2014**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Total assets	7,466,151	7,979,222	8,712,651	9,056,449
Total liabilities	2,092,393	2,283,564	2,885,148	3,019,893
Equity attributable to owners of the Company	5,373,758	5,628,876	5,758,750	5,964,507

The revenue of the Group was on a decreasing trend for the three years ended 31 December 2013 with a compound annual decrease rate of approximately 7.6% and decreased by approximately 13.2% for the six months ended 30 June 2014 comparing to the same period in 2013. The net profit attributable to owners of the Company decreased with a compound annual decrease rate of approximately 32.2% for the three years ended 31 December 2013 and decreased by approximately 31.1% for the six months ended 30 June 2014 comparing to the same period in 2013. Such decreases in revenue and profits were mainly attributable to the lower demand for coal mining equipment as a result of the downturn of the coal industry in China since late 2011.

The total assets, total liabilities and the equity attributable to shareholders of the Group increased steadily during the three years ended 31 December 2013 and the six months ended 30 June 2014. As at the 30 June 2014, the total assets of the Group was RMB9,056,499,000 in which the property, plant and equipment and trade receivables accounts for approximately 70% of the non-current assets of RMB3,102,753,000 and trade receivables accounts for approximately 57% of the current assets of approximately RMB5,953,696,000.

Information on the Target Group

The Target Group comprises the Target Company, Sany Marine Heavy Industry, Zhuhai Sany Port Machinery and Hunan Sany Port Equipment. As at the Latest Practicable Date, the Target Company is an investment holding company and the sole shareholder of Sany Marine Heavy Industry and Zhuhai Sany Port Machinery, and Hunan Sany Port Equipment is a wholly-owned subsidiary of Sany Group. The port machinery business of Hunan Sany Port Equipment was originally a business unit of Sany Group and was disposed to Hunan Sany Port Equipment on 1 September 2014. Upon completion of the Onshore Acquisition, Hunan Sany Port Equipment will become a wholly-owned subsidiary of Sany Marine Heavy Industry and an indirect wholly-owned subsidiary of the Target Company. Upon completion of the Offshore Acquisition and the Onshore Acquisition, the enlarged Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into that of the Group. For further details regarding the changes in the shareholding structure of the Target Group, please refer to section titled "CHANGES IN THE SHAREHOLDING STRUCTURE OF THE TARGET GROUP" in the Letter from the Board of this circular.

The Target Group is principally engaged in the design and manufacture of port machinery and marine heavy equipment products, which it sells to its customers who are mainly engaged in port operation business in China and overseas. The current range of products the Target Group produces include, among others, ship-to-shore cranes, also known as quayside gantry cranes (the "STS Cranes"), yard cranes, which consists of rail-mounted gantry cranes ("RMG") and rubber-tyre mounted gantry cranes ("RTG"), reachstackers and empty container handlers. During the three years ended 31 December 2013 and the five months ended 31 May 2014, approximately half of the revenue of the Target Group were generated from the sales of reachstackers.

In addition to port machinery, the Target Group's offshore machinery product portfolio includes floating concrete mixers and floating cranes, for which the Target Group has commenced commercial production in January and September 2014, respectively. In addition, the Target Group has commenced trial production of certain types of dredgers, such as cutter suction dredgers, which are expected to be commercially produced in June 2016.

Tabulated below is a summary of the audited consolidated financial results of the Target Company for the three years ended 31 December 2013 and five months ended 31 May 2014.

	For the year ended 31 December			For the 5 months ended 31 May	
(RMB'000)	**2011**	**2012**	**2013**	**2013**	**2014**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
Revenue	–	90,565	250,579	93,534	29,310
Profit/(loss) before taxation	(868)	(37,829)	(1,235)	(4,026)	(14,327)
Net profit (loss) attributable to owners	(735)	(33,272)	(2,676)	(4,698)	(12,628)

	As at 31 December			As at 31 May
(RMB'000)	**2011**	**2012**	**2013**	**2014**
	(audited)	*(audited)*	*(audited)*	*(audited)*
Total assets	313,417	1,875,303	1,799,765	1,885,331
Total liabilities	300,000	1,884,273	1,813,966	1,915,790
Net assets (liabilities) attributable to owners	(66)	(22,926)	(32,570)	(47,323)

The Target Company was incorporated in March 2011 and therefore did not have meaningful operations during its initial development stage in 2011. The revenue for the year ended 31 December 2013 increased 177% comparing with the previous year. During the first 5 months of 2014, revenue of the Target Company decreased by 69% compared to the same period 2013 mainly due to the different production and delivery schedule of products. In view of such possible short term volatility in revenue recognition, we consider the financial results of full financial years are more relevant in considering the performance of the Target Company. The Target Company has not recorded any profit since incorporation as the two operating subsidiaries of the Target Company, Sany Marine Heavy Industry and Zhuhai Sany Port Machinery, remain in an early development and growth phase.

Since its incorporation in 2011, although the Target Company has maintained a relatively stable total asset position of approximately RMB1.8 billion, it has remained in a net liability position given its early stage of development. Given (i) the Target Company is an integral part of the port and marine machinery Target Group; (ii) completion of Onshore Acquisition is conditional upon Offshore Acquisition; (iii) overall positive financial effects of the Acquisitions which we further analysed below, we consider the net liability position of the Target Company acceptable.

Tabulated below is a summary of the audited consolidated financial results Hunan Sany Port Equipment for the three years ended 31 December 2013 and five months ended 31 May 2014.

(RMB'000)	For the year ended 31 December 2011	2012	2013	For the 5 months ended 31 May 2013	2014
	(audited)	*(audited)*	*(audited)*	*(unaudited)*	*(audited)*
Revenue	880,759	860,574	953,221	338,762	311,548
Profit before taxation	5,528	69,943	121,753	52,320	64,227
Net profit attributable to owners	8,120	61,223	105,045	44,954	57,692

(RMB'000)	As at 31 December 2011	2012	2013	As at 31 May 2014
	(audited)	*(audited)*	*(audited)*	*(audited)*
Total assets	596,625	591,241	724,690	813,787
Total liabilities	447,216	373,133	384,012	408,919
Net assets	149,409	218,108	340,678	404,868

The revenue of Hunan Sany Port Equipment maintained above RMB860 million during the three years ended 31 December 2013 and recorded a compound annual growth rate of 4%. The revenue for the first 5 months in 2014 dropped by 8% comparing to the same period in 2013, primarily due to a decrease in the sales of container loading/unloading machinery as a result of slower revenue recognition. In view of such possible short term volatility in revenue recognition, we consider the financial results of full financial years are more relevant in considering the performance of the Target Company. The net profit attributable to owners of Hunan Sany Port Equipment recorded a substantial growth during the three years ended 31 December 2013 with a compound annual growth rate of 260% and increased 28% in the 5 months ended 31 May 2014 comparing with the same period of 2013.

The net assets of Hunan Sany Port Equipment increased significantly from approximately RMB149 million as at 31 December 2011 to approximately RMB405 million as at 31 May 2014 while the total liabilities maintained at around RMB400 million during such period.

For further details regarding the Target Group, please refer to the section headed "INFORMATION ON THE TARGET GROUP" in the Letter from the Board and Appendix IIA, IIB and IV to this circular.

Principal terms of the Share Transfer Agreement

Basis of the consideration

The consideration for the Offshore Acquisition under the Share Transfer Agreement is RMB759,978,000 (equivalent to approximately HK$963,880,097). The consideration is determined with reference to the preliminary valuation of the market value of the 100% equity interest in the Target Company of RMB57,000,000 as at 1 September 2014 as appraised by an independent valuer engaged by the Company, which is the same as the final valuation of such market value as set out in Appendix VB in this circular, and the principal amount of the Offshore Shareholder Loan of approximately RMB702,978,000 to be assigned by Sany HK to the Company.

We have noted that the majority of the total assets of the Target Company are represented by the Offshore Shareholder Loan while that represented by equity is relatively small. It is not uncommon for much of funding of private companies to be provided by shareholder's loans rather than shareholder equity. From the Company's perspective, acquiring the benefit of Offshore Shareholder Loan is acquiring an asset which it may convert into equity if it should so wish. Based on the above and considered the Acquisitions as a whole, we are of the view that it is in the Company's interest to conduct the Offshore Acquisition.

Valuation methodology

The Company appointed Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL") to opine on the market value of 100% equity interest in the Target Company as at 1 September 2014. We have reviewed the valuation report as set out in Appendix VB to this circular and discussed with the valuer regarding the method and assumptions in arriving at the valuation. Based on our discussion with JLL, we understood that the income approach was not adopted as it requires subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections needed to arrive at an indication of value are not available. The market approach could not be adopted as there are no market comparables which can be drawn upon as a reference for market approach given the fact that the Target Company is an investment holding company; Sany Marine Heavy Equipment is still under construction; and Zhuhai Sany Port Machinery is in the stage of building up market acknowledgement and has not yet generated any profit. JLL therefore relied solely on the cost approach in the valuation of 100% equity interest in the Target Company as well as Sany Marine Heavy Equipment and Zhuhai Sany Port Machinery. We concur with JLL that the market approach and income approach are not proper for valuation of the Target Company for the reason mentioned above while the cost approach is the proper valuation methodology to adopt for this valuation purpose, and hence did not conduct separate analysis on the valuation of the Target Company or repeat the cost approach valuation and relied only on the valuation on the Target Company prepared by JLL who is a qualified professional valuer. JLL has conducted its valuation in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and with International Valuation Standards issued by International Valuation Standards Council. We consider the assumptions of such valuation report are complete, fair and reasonable.

For our due diligence purpose in respect of the valuation report, we have conducted, amongst others, the following steps: (i) interviewed the working team of JLL regarding its independence and expertise and understood that JLL is independent from the Group and relevant vendors to the Onshore Acquisition and the Offshore Acquisition. (ii) discussed with JLL regarding their report; (iii) inspected the qualification and licenses of the signing person of the valuation report regarding his expertise; (iv) reviewed the terms of engagement particular regarding whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the valuation report, opinion or statement; and (v) assessed whether representations made by the Group and relevant vendors to the Onshore Acquisition and the Offshore Acquisition to the valuer are in accordance with our knowledge.

Payment method

Pursuant to the Share Transfer Agreement, the consideration for the Offshore Acquisition shall be settled by the Company at completion by the issue of such number of Convertible Preference Shares that is equal to RMB759,978,000 divided by the Issue Price (rounded down to the nearest whole number).

The Company has also considered other settlement alternatives for the acquisitions. After taking into consideration of the public float requirement, the current capital structure of the Group and the potential dilution effect on the existing shareholders, the Company believes that the settlement by issuing the Convertible Preference Shares is in the interest of the Company's shareholders. The settlement of the consideration for the Offshore Acquisition by the issue of the Convertible Preference Shares is the result of the arm's length negotiation between the Group and Sany HK, which also reflects the confidence of Sany HK in the long term growth prospect of the Target Group.

We considered that issuing of Convertible Preference Shares is fair and reasonable and in the interest of the Shareholders of the Company since (i) it will not have immediate dilution effect to existing shareholders of the Company or trigger the minimum public float issue as issuing shares; (ii) it will not generate material financial costs as bank borrowings. Our view on the terms of the Convertible Preference Shares is set out in the section headed "Principal terms of the Convertible Preference Shares" below.

Principal terms of the Equity Transfer Agreement

Basis of the consideration

The total consideration for the Onshore Acquisition is RMB1,040 million (equivalent to approximately HK$1,319 million), which is determined with reference to the preliminary valuation of the market value of 100% of the equity interest in Hunan Sany Port Equipment as at 1 September 2014 as appraised by an independent valuer engaged by the Company.

Valuation methodology

We have reviewed the valuation report as set out in Appendix VA to this circular prepared by JLL regarding the market value of 100% equity interest in the Hunan Sany Port Equipment as at 1 September 2014 and discussed with JLL regarding the method and assumptions in arriving at the valuation. We consider the assumptions of such valuation report are complete, fair and reasonable. Since income approach requires subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections needed to arrive at an indication of value are not available, JLL did not adopt income approach. Since cost approach does not directly incorporate information about the economic benefits contributed by the subject business, JLL did not adopt cost approach. Market approach was adopted in the valuation of Hunan Sany Port Equipment due to its simplicity, clarity, speed, the need for few or no assumptions and the objectivity in application as public available inputs are used. 30 June 2014 Enterprise value to earnings before interest expense, income tax and depreciation and amortisation (the "2014.6.30 EV/EBITDA") is selected as a suitable multiple. JLL identified 7 comparable companies which (i) derive considerable amount, if not all, of their revenues from the same or closely related industry of Hunan Sany Port Equipment; (ii) searchable in Bloomberg; (iii) publicly listed; and (iv) sufficient data, including the 2014.6.30 EV/EBITDA, on the companies are available. As the EV/EBITDA multiple of Wuxi Huadong Heavy Machine Company Limited is significantly higher than that of any other comparable companies identified under their selection, JLL has excluded it as an outlier from their valuation. A 20% discount for lack of marketability was applied to arrive at the final valuation of Hunan Sany Port Equipment due to its private nature. JLL has conducted its valuation in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and with International Valuation Standards issued by International Valuation Standards Council. Save for reviewing the valuation report and working documents, discussion with JLL, we conducted a separate analysis on the valuation of Hunan Sany Port Equipment, the summary of which have been set out in the section headed "Comparable Companies Analysis" below.

Payment method

Pursuant to the Equity Transfer Agreement, the consideration for the Onshore Acquisition shall be settled in part by way of setting off any amount due from Sany Group to Sany Marine Heavy Industry as at the Closing Date net of any amount due from Sany Marine Heavy Industry to Sany Group, with the balance settled in cash upon the Equity Transfer Agreement taking effect. The consideration for the Onshore Acquisition will be financed by the Sany Marine Loan, the Group's internal resources, bank borrowings, proceeds from the issue of securities, and/or other sources.

As at 30 September 2014, the amount due from Sany Group to Sany Marine Heavy Industry was approximately RMB622 million, while the amount due to Sany Group from Sany Marine Heavy Industry was nil. Based on the above, the indicative balance to be settled in cash would be approximately RMB418 million.

Sany Group has entered into a loan agreement with Sany Marine Heavy Industry, pursuant to which Sany Group will provide a loan, which is the Sany Marine Loan, up to an aggregate principal amount of RMB1.4 billion to Sany Marine Heavy Industry for general working capital and corporate use for a term of three years from the date of the loan agreement. The Sany Marine Loan is interest free and due upon the end of the three year term of the loan agreement. We consider such arrangement is favourable to the Company.

Comparable Company Analysis

To assess the fairness and reasonableness of the consideration for Hunan Sany Port Equipment, we have searched for publicly listed companies which are engaged in and derived majority of its revenue from the development, manufacture and sale of port machineries. To the best of our knowledge and as far as we are aware of, there are 5 companies that we consider to be comparable to Hunan Sany Port Equipment, which forms an exhaustive list and a fair and representative sample. Such 5 comparable companies identified by us are also part of the 7 comparable companies identified by JLL. For arriving at the valuation of Hunan Sany Port Equipment as the basis to determine the consideration, the other two comparable companies, which are engaged in closely related industry to the port machinery industry, were selected by JLL as comparable companies. However, in conducting our separate analysis on the valuation of Hunan Sany Port Equipment for the purpose of assessing the consideration, we have adopted stricter criteria and only selected companies engaged in the port machinery industry. We have reviewed the EV/EBITDA ratio, which we consider appropriate for this comparison purpose as it is an earning based ratio that would not been affected by the difference of capital structures and reflects the market view on the values of the comparable companies based on their latest available financial performance. Summarised below are the EV/EBITDA ratio of such comparable companies as at 6 November 2014, being the last trading day prior to the date of the Share Transfer Agreement (the "Last Trading Day").

Company Name (Stock Code)	Business Description	EV/EBITDA
Shanghai Zhenhua Heavy Industries Company Limited (600320 CH)	Shanghai Zhenhua Heavy Industries Co. Ltd. designs, manufactures, and markets large-size port handling equipment, engineering vessels, large-size metal structures, and related parts. The company also leases cranes.	34.56
Jiangsu Rainbow Heavy Industries Company Limited (002483 CH)	Jiangsu Rainbow Heavy Industries Company Limited designs, manufactures and sells heavy equipment. The company's main products include hatch covers and lifting equipment.	23.04
Cargotec Oyj (CGCBV FH)	Cargotec Oyj provides cargo-handling solutions for ships, ports, terminals and local distribution. The company through its subsidiaries, provides services that include material handling hubs in ships, ports, terminals, and local distribution centers, on-road load-handling solutions, and the design, delivery and servicing of marine cargo flow solutions.	14.18

Company Name (Stock Code)	**Business Description**	**EV/EBITDA**
Konecranes Oyj (KCR1V FH)	Konecranes Oyj is an engineering group that specializes in overhead lifting equipment and maintenance services. The company's product line includes workstation cranes, industrial cranes, cranes for shipyards and ports, including tailor made products, light lifting systems, and monorail systems. Konecranes Oyj sells to industrial companies, and to harbors and shipyards around the world.	11.81
Maximum		34.56
Minimum		11.81
Median		18.61
Average		20.90
Hunan Sany Port Equipment (Note 1)	Hunan Sany Port Equipment is principally engaged in development, manufacture and sale of port machineries, such as reachstacker, empty container handler, yard crane and ship to shore crane, etc., and related accessories and provision of after-sale service.	11.54

Source: Bloomberg

Note 1: EV/EBITDA multiple as implied by the consideration for the Onshore Acquisition is used.

Note 2: Wuxi Huadong Heavy Machine Company Limited which is engaged in development, manufacture, installation and sale of track cranes, quay cranes and other container handling equipment, is considered as a company that fits our selection criteria. However, as the EV/EBITDA ratio of Wuxi Huadong Heavy Machine Company Limited as at the Last Trading Day was 193.36 times which is significantly higher than that of any other comparable companies identified under our selection criteria, we therefore considered it an outlier and did not include it in the calculation of the statistics of comparable companies.

As shown in the table above, the EV/EBITDA ratio of 11.54 times of Hunan Sany Port Equipment as implied by the consideration for the Onshore Acquisition falls below the minimum of the EV/EBITDA ratios of the comparable companies as at the Last Trading Day. Independent Shareholders should note that the multiples above implied by the prevailing market prices only represent the level of valuation of the comparable companies for a passive investor while such multiples under a takeover situation such as the Acquisitions are generally higher than those as implied by prevailing market prices. Based on the above, we are of the view that the consideration for Hunan Sany Port Equipment under the Onshore Acquisition is fair and reasonable.

Principal terms of the Convertible Preference Shares

The Issue Price

The Issue Price of the Convertible Preference Share shall be the higher of (i) the minimum issue price of HK$1.7885, which is the average of the daily closing prices of the Shares during the last 15 consecutive trading days prior to the date of the Announcement with a premium of 5%; and (ii) the average of the daily closing prices of the Shares from the date of this announcement until the date of the EGM (both dates inclusive).

The issue price was arrived at after arm's length negotiations between the parties to the Share Transfer Agreement after taking into account, among others, the prevailing market price and liquidity of the Shares, the financial performance of the Group and the current market conditions.

Conversion Ratio and Conversion Price Adjustment:

The conversion ratio of the Convertible Preference Shares is determined by the conversion price as stipulated under the terms and conditions of the Convertible Preference Shares. Each Convertible Preference Share shall be convertible into one (1) Share initially. The conversion price of the Convertible Preference Shares is initially equal to the Issue Price and shall from time to time be subject to adjustment in accordance with the following: consolidation or sub-division, capitalisation of profits or reserves, capital distribution, issue of options or warrants with exercise price lower than 80% of market price, issue of convertible or exchangeable securities at lower than 80% of market price, change of effective consideration of convertible or exchangeable securities, repurchase of Shares or securities and issue of Shares at lower than conversion price. Please refer to the sub-section headed "CONVERTIBLE PREFERENCE SHARES – Conversion Ratio and Conversion Price Adjustment" in the Letter from the Board for further details in this regard.

Conversion Period

Any time after the issue of the Convertible Preference Shares, provided that any conversion shall not result in the Company failing to comply with any public float requirement under the Listing Rules.

During the conversion period, subject to the terms and conditions of the Convertible Preference Shares, any holder of Convertible Preference Shares may exercise the conversion right in respect of one or more Convertible Preference Shares held by him by delivering a duly signed and completed conversion notice to the designated office of the Company accompanied by the relevant certificates for the Convertible Preference Shares to be converted and payment of all taxes and stamp, issue and registration duties (if any) arising on conversion. The Company shall, subject to the terms and conditions of the Convertible Preference Shares, allot and issue the Conversion Shares to the holder of the Convertible Preference Shares being converted as soon as practicable, and in any event not later than 14 days after the relevant conversion date.

Preferred distribution

Each Convertible Preference Share shall confer on the holder thereof the right to receive a nominal preferred distribution from the date of the issue of the Convertible Preference Shares at a rate of 0.01% per annum on the Issue Price, payable semi-annually in arrears. Each preferred distribution is non-cumulative. We consider the Company would not suffer from a material financial burden in relation to the payment of the preferred distribution. On the basis of the total issue of Convertible Preference Shares amounting to RMB759,978,000, the total amount of preferred distribution payable per annum would be approximately RMB75,998, which we consider immaterial in the context of the Acquisitions and does not consider the comparison of such 0.01% preferred distribution rate with those of preference shares issued by other listed issuers meaningful for the purpose of assessing the fairness and reasonableness of the Acquisitions. In addition, the Company may, at its sole discretion, elect to defer a preferred distribution as further elaborated below, which gives more flexibility to the Company on the timing of the payment. Based on the above, we are of the view that the preferred distribution rate of 0.01% per annum is fair and reasonable.

Deferral or non-payment of preferred distribution

The Board may, in its sole discretion, elect to defer or not pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not pay a preferred distribution payment, the Company shall not (i) pay any dividends, distributions or make any other payment on any Shares or (ii) redeem, cancel, repurchase or acquire for any consideration any Shares, unless at the same time it pays to the holders of Convertible Preference Shares any deferred or unpaid Preferred Distribution which was scheduled to be paid on a day falling in the same the financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.

Voting rights

The holder(s) of Convertible Preference Shares shall not have the right to attend or vote at any general meeting of the Company (except a general meeting for winding-up of the Company or a resolution is to be proposed which, if passed, would vary or abrogate the rights or privileges of such holder(s)). In relation to the rights or privileges of the holders of the Convertible Preference Shares, the full terms and conditions of the Convertible Preference Shares are set out in ordinary resolution no. 2 in the Notice of EGM set out in this circular (the "Terms"). If the Company proposes any resolution which, if passed, would amend or vary the Terms then under the articles of association of the Company, the written approval of holders of not less than three-fourths in nominal value of the issued Convertible Preference Shares or the sanction of a special resolution passed at a separate general meeting of the holders of the Convertible Preference Shares is required. There is no exhaustive list of matters that may amount to a variation or abrogation of the rights and privileges of the Convertible Preference Shares. Such matters include, for example, any resolution proposed to reduce the amount of Preferred Distribution, to increase the Conversion Price, to remove entitlement to liquidation payments in priority to the Shares or to further restrict the voting rights of the Convertible Preference Shares such as removing the right to vote upon winding up of the Company.

We have reviewed the terms of convertible preference shares issued by other listed issuers and consider the above provision is typical provision for convertible preference shares, and it is fair and reasonable for holders of Convertible Preference Shares to have the rights to vote on a general meeting for winding-up of the Company or a resolution that would vary or abrogate their rights or privileges.

Ranking

On a distribution of assets on liquidation, winding-up or dissolution of the Company or otherwise, the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority:

i. firstly, in paying to the holders of Convertible Preference Shares (pro rata to the aggregate of the Issue Price of the Convertible Preference Shares held by each such holder), pari passu as between themselves as regards repayment of amounts paid-up or credited as paid up on such Convertible Preference Shares, an amount equal to the aggregate of the Issue Price of all of the Convertible Preference Shares;

ii. secondly, the balance of such assets shall be distributed on a pari passu basis among the holders of any class of shares in the capital of the Company other than the Convertible Preference Shares and other than any shares which are not entitled to participate in such assets, by reference to the aggregate nominal amount of the shares held by them respectively and to the extent of an amount equal to the issue price of a Convertible Preference Share for every HK$0.10 in nominal amount of the shares so held; and

iii. the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the Convertible Preference Shares, other than any other shares not entitled to participate in such assets by reference to the aggregate nominal amount of shares held by them respectively.

Assuming that the par value of the Shares and the par value of the Convertible Preference Shares remain as HK$0.10, there will not be other classes of shares in the share capital of the Company and the Company has sufficient assets and funds available, the abovementioned ranking will generally operate such that on distribution of assets on liquidation, winding-up or dissolution of the Company, (i) the holders of the Convertible Preference Shares will first receive a distribution of the Company's assets up to the issue price per Convertible Preference Shares for each Convertible Preference Share held; (ii) then if there is any assets remain in the Company after the distribution described in (i), the holders of the Shares will, based on nominal value of the Shares they held, receive from a distribution of the remaining assets up to the issue price per Convertible Preference Share for each Share held; and (iii) then the remaining balance of the Company's assets will be distributed on a pro rata basis among the holders of Shares and holders of the Convertible Preference Shares.

The Company shall not (unless such sanction has been given by holders of the Convertible Preference Shares) create or issue any shares ranking in priority to the Convertible Preference Shares regarding the order in the participation in the profits of the Company or in the assets of the Company on a winding up or otherwise, but the Company may create or issue, without obtaining the consent of the holders of the Convertible Preference Shares, shares ranking pari passu in all respects (including as to class) with the Convertible Preference Shares and the existing and further ordinary shares of the Company.

We have reviewed the terms of convertible preference shares issued by other listed issuers and consider such provision is not unusual for convertible preference shares, and the distribution mechanism is fair and reasonable for holders of Shares and Convertible Preference Shares and Shares. The Convertible Preference Share does not have a maturity date on which the Company is obligated to redeem or repay. The holders of Convertible Preference Share has the priority to receive a distributable assets up to the issue price per Convertible Preference Share for each Convertible Preference Share; then holders of the Shares (other than the Convertible Preference Shares) has the right to receive distributable assets up to the same level; then the remaining balance of the distributable assets will be distributed on pro rata basis among the holders of Shares and holders of the Convertible Preference Shares. For illustration purpose, in the event surplus distributable assets are available after the first two layers of distribution referred to above, the holder of one Share and the holder of one Convertible Preference Share would end up receiving equal amount in the whole distribution. In addition, the possibility of liquidation, winding-up or dissolution of the Company is low given its current financial position and operation performance, especially taken into account of the positive effect of the Acquisitions.

Optional redemption

The Convertible Preference Shares shall be redeemable at the option of the Company at any time after the third anniversary of the date of the issue of the Convertible Preference Shares at the issue price or the fair market value of the Convertible Preference Share(s) whichever the higher. The fair market value of one Convertible Preference Share on a given date shall be calculated by direct reference to the fair market value (calculated based on the closing price of the Shares on the last trading day immediately prior to such given date) of such number of Shares into which a Convertible Preference Share is convertible to on such given date. As the Convertible Preference Shares may be converted into Shares any time after its issue and the Company has the sole discretion in exercising the rights of redemption, we consider the optional redemption mechanism fair and reasonable.

For further details of the Convertible Preference Shares, please refer to the section headed "CONVERTIBLE PREFERENCE SHARES" in the Letter from the Board and ordinary resolution no. 2 in the Notice of EGM in this circular.

Historical market price of the Shares

The chart below illustrates the minimum issue price, the movement of daily closing price of the Shares and the Hang Seng Index (reset the starting point of Hang Seng Index series to HK$2.3, being the closing price of the Share on 7 November 2013, to show the relative performance of the Hang Seng Index and the price of the Shares since that date) during the period from 7 November 2013, being one year prior to the last trading day prior to the date of the Share Transfer Agreement, and up to the Latest Practicable Date (the "Review Period"):

As shown above, the price of the Shares increased sharply and outperformed Hang Seng Index in the second half of November 2013 as the result of the launching of SRT45, a new model of coal mining transportation vehicles in mid November 2013. The price of the Shares entered a downward adjustment trend in December 2013 and remained largely stagnant during the six months prior to the date of the Share Transfer Agreement due to the continued industry adjustment of the coal industry. During the Review Period, the closing prices of the Shares ranged from HK$2.81 to HK$1.6. The average closing price of the Shares for the Review Period was approximately HK$1.9656. The minimum issue price of HK$1.7885 lies within the range of the closing prices of the Shares.

The Share price increased significantly after the announcement of the Acquisitions, which shows the positive reaction of the market in respect of the Acquisitions. The average of the daily closing prices of the Shares from the date of the announcement of Company regarding the Acquisitions until the Latest Practicable Date is approximately HK$2.0331, which is within the range of the closing prices of the Shares and is higher than the average closing price of the Shares of approximately HK$1.9656 during the Review Period.

As the Issue Price of the Convertible Preference Share shall be the higher of (i) the minimum issue price of HK$1.7885 and (ii) the average of the daily closing prices of the Shares from the date of this announcement until the date of the EGM (both dates inclusive), which is in line with the prevailing market performance of the Shares, we are of the view that the Issue Price is fair and reasonable.

Comparison of the issue price of the Convertible Preference Shares

The minimum issue price of HK$1.7885 of the Convertible Preference Shares represents:

(i) a discount of approximately 10.6% to the closing price of HK$2.0000 per Share as quoted on the Stock Exchange on 28 November 2014, being the Latest Practicable Date;

(ii) a discount of approximately 3.8% to the closing price of HK$1.8600 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 1.8% to the average closing price of approximately HK$1.8220 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 3.9% over the average closing price of approximately HK$1.7220 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 3.2% over the average closing price of approximately HK$1.7333 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day.

In view of the minimal 0.01% preferred distribution per annum, pari passu entitlement to dividend as Shares and the fact that the Convertible Preference Shares can be converted any time after its issue, we consider economic value of the Convertible Preference Shares broadly similar to the Shares and meanwhile provide the flexibility to the Company to avoid the potential public float issue from time to time as there is restriction on the conversion of the Convertible Preference Shares. The distribution rights and voting rights attached to the Convertible Preference Shares are typical provisions of convertible preference shares and are in line with the market practice. The issue price should be considered in the light of the prevailing market price of the Shares. According to the pricing mechanism of the Issue Price and Conversion Price, the Conversion Price will not be lower than HK$1.7885 per share, which represents a 5% premium over the average of the daily closing prices of the Shares during the last 15 consecutive trading days prior to the date of the Share Transfer Agreement. We consider the terms of the Convertible Preference Shares fair and reasonable.

Change in shareholding structure of the Company

Assuming that the Conversion Price will be fixed at HK$1.7885 per Convertible Preference Shares, a total of 538,932,120 Convertible Preference Shares will be issued upon completion of the Offshore Acquisition. Upon conversion in full of such Consideration Preference Shares, the Conversion Shares will represent: (i) approximately 17.7% of the issued share capital of the Company at the Latest Practicable Date; and (ii) approximately 15.1% of the issued share capital of the Company as enlarged by the issue of 538,932,120 Conversion Shares upon full conversion of the Convertible Preference Shares.

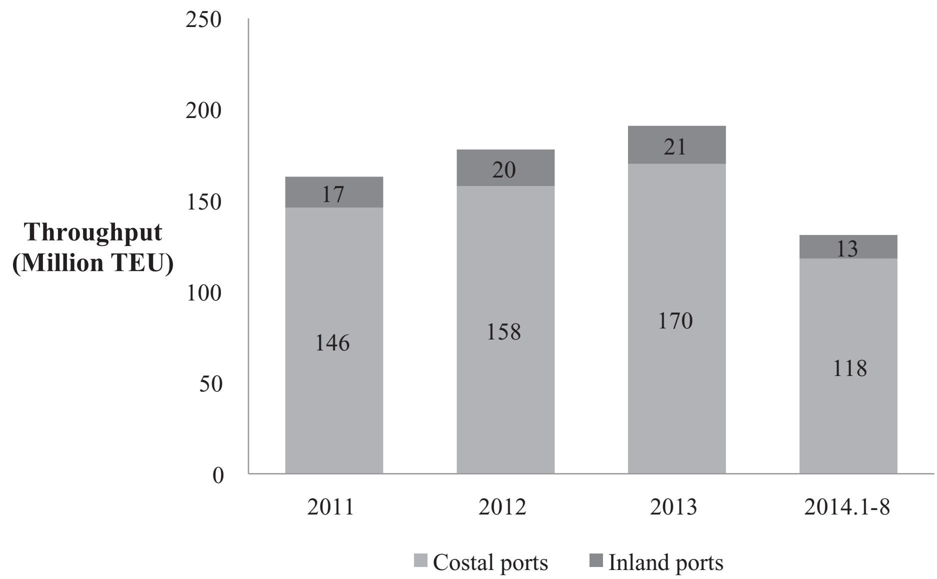
Assuming there is no change in the issued share capital of, and the shareholding in the Company from the Latest Practicable Date other than issue of the issue of the Conversion Shares upon conversion of the Convertible Preference Shares in full at the Minimum Issue Price, immediately after such conversion, Sany HK will be interested in approximately 74.68% of the issued share capital of the Company, as enlarged by the issue of the Conversion Shares, and the public float will decrease to 25.32%. For further details of the potential change in the shareholding structure of the Company, please refer to the section titled "SHAREHOLDING STRUCTURE" of this circular.

Industry overview

PRC has good natural environment for the development of the marine port industry and a sizeable market for port machineries. The mainland of PRC has a long sea coastline that go across 11 provinces. According to the National Administration of Surveying, Mapping and Geoinformation of PRC, the total length of the mainland coastline is approximately 18,000 kilometers. As published by the Ministry of Transportation of PRC, there were 31,760 productive berths in PRC as at the end of 2013 in which 5,675 are located at ports along the seacoast and the remaining are located at inland ports. The number of major berths with ten thousand tonne or more loading capacity as at the end of 2013 was 2,001 in which 1,607 are located at ports along the seacoast and the remaining are located at inland ports.

Set out below is the volume of throughput of containers at major ports with handling capacity over 2 million TEU measured in number of twenty-foot equivalent unit (TEU) since 2011 as published by the Ministry of Transportation of PRC.

Volumes of Throughput – Containers



The total volume of throughput of containers increased by 17.17% from 2011 to 2013 and increased 5.6% for the first eight months in 2014 comparing to the same period in 2013. According to the PRC's "Twelfth Five-year Plan", it is the strategy to optimise the industry structure and geographical distribution of the ports, expedite the development of the major cargo transportation ports and reinforce the development of port infrastructure facilities. It is planned that 440 new deep water berths be built and 58 million TEU new container handling capacity be added during the twelfth five-year of 2011 to 2015. The above facts indicate there is significant demand for container handling capability and the potential growth in port machinery and marine industries which the Target Group is engaged in.

Reasons for and benefits of entering into the Acquisitions

The Acquisitions provided an opportunity for the Group to expand its business to cover a wide spectrum of heavy machinery equipment products which will enable the Group to counter the effect of industry and development cycles in different sub-sectors. The Group's top management believed the development in the marine sector is one of the key focuses of the PRC government in the next few decades. Given the long sea border of the PRC and that demand for goods handling capability at shores is naturally associated with a country's marine development, the Acquisitions will allow the Group to benefit from the growth in the marine industry in the PRC as well as diversification of growth opportunities.

The Acquisitions are in line with the commitment made by the Company at the time of its initial public offering to develop the Group into "an integrated energy equipment platform". The inclusion of port and marine machinery is the natural extension of the Group's product portfolio from equipment and machinery for onshore energy production to offshore energy exploration, oil field services. Port machinery is a crucial part of the onshore/offshore logistics flow, while marine heavy equipment is the construction tool for offshore activities including energy and resources production. Based on its distinguished strength in onshore heavy machinery, the Company believes it enjoys an advantage in entering into the marine heavy equipment business, and development of marine heavy equipment business will in turn nurture the Group's expertise required in offshore BOT projects, paving a path for the Group to further expand its capabilities as "an integrated energy equipment platform".

In addition, it is believed the Target Group's port machinery could complement and create synergy with the existing business. The Company plans to achieve synergies in the following manners: (i) by combining certain research and development, design and engineering functions for both coal mining and port machinery/marine businesses; (ii) by sharing customer base, sales network and system functions such as finance and information technologies; (iii) enhancing quality control as the mining and port and marine machinery products are used in harsh environments and thus, have strict requirements in terms of durability, reliability and safety; (iv) provision of high quality maintenance and services for the life time of the equipments; (v) delivery of complete systems to help customers improve the overall performance of their operations; (vi) achieving superior bargaining power against the Group's suppliers through rationing and better pricing based on larger quantities of raw materials; and (vii) diversifying revenue stream as a result of the combination of the coal mining and port/marine machinery business, which are exposed to different market drivers and industrial cycles. The Acquisitions could also potentially attract more investor attention and increase the investment value of the Company taken into account of the growth prospects of the port and marine machinery sub-sectors.

We have noted that the Onshore Acquisition and the Offshore Acquisition are not inter-conditional. The completion of the Onshore Acquisition is conditional upon the completion of the Offshore Acquisition but the Offshore Acquisition is not conditional upon the completion of the Onshore Acquisition. However, the relevant parties of the Acquisitions expect that the completion of the Offshore Acquisition to be the last condition precedent to be satisfied under the Equity Transfer Agreement, and intend that the Onshore Acquisition will complete immediately after the completion of the Offshore Acquisition. We understand that parties have considered other option arrangements, including Sany Marine Heavy Industry first acquiring Hunan Sany Port Equipment, followed the Company acquiring the Target Company, and taking into consideration of the complexity of regulatory approval, taxation, as well as the overall schedule of the strategic planning of the Company, the current arrangement is in the best interest of entire shareholder base of the Company. Given that both vendors to the Acquisitions are ultimately controlled by Sany Group and the objective of the Acquisitions is to effect the injection of port machinery business held under the Target Group by Sany Group into the Company, we consider it is reasonable to consider the Acquisitions as a whole, although the Onshore Acquisition and Offshore Acquisitions are technically not inter-conditional.

Having considered the above, we consider that the Acquisitions will enable the Group to enlarge its business scale and enhance its revenue stream. Therefore, we concur with the Directors that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

Potential financial effects of the Acquisitions on the Group

The following analysis is based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2014, the audited financial statements of the Target Business for the year ended 31 December 2013 and the five months ended 31 May 2014 as set out in Appendix IIA to this Circular, the audited financial statements of the Target Company for the year ended 31 December 2013 and the five months ended 31 May 2014 as set out in Appendix IIB to this Circular, and the unaudited pro forma consolidated statements of the Enlarged Group as set out in Appendix III to this Circular. Upon completion of the Acquisitions, the Target Company as enlarged by the Onshore Acquisition will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

Effects on net asset value

The equity attributable to owners of the Company as at 30 June 2014 was approximately RMB5,965 million. According to the unaudited pro forma consolidated statements of the Enlarged Group, the equity attributable to owners of the Enlarged Group as at 30 June 2014 would have been approximately RMB6,718 million assuming the completion of the Acquisitions had taken place on 31 May 2014. The Acquisitions would therefore increase the Group's net asset value.

The equity attributable to owners of the Company per Share as at 30 June 2014 of was approximately RMB1.96. Assuming there is no change in the issued share capital of, and the shareholding in, the Company from the 30 June 2014 and there is no conversion of the Convertible Preference Shares, immediately after completion of the Acquisitions, equity attributable to owners of the Company per Share would increase to approximately RMB2.21. However, assuming the Convertible Preference Shares were fully converted, equity attributable to owners of the Company per Share would decrease slightly to approximately RMB1.88.

Effects on earnings

The Group recorded net profit attributable to Shareholder of approximately RMB356 million for the year ended 31 December 2013. For indicative purpose only, the combined net profit attributable to owners of the Target Group, calculated as the sum of net profit attributable to owners of Hunan Sany Port Equipment and the net loss attributable to owners of Target Company for the year ended 31 December 2013, was approximately RMB102 million. The entering into the Transaction Agreements would on this basis improve the Group's profitability if the financial results of the Target Group were consolidated under the Group's financial statements.

The earnings per Share of the Group was approximately RMB0.12 for the year ended 31 December 2013. Using the weighted average number of ordinary shares for the year ended 31 December 2013 and assuming there is no change in the issued share capital of, and the shareholding in, the Company from then and there is no conversion of the Convertible Preference Shares, immediately after completion of the Acquisitions, earnings per Share would increase to approximately RMB0.15. Assuming the weighted average number of ordinary shares for the year ended 31 December 2013 increased by the fully conversion of the Convertible Preference Shares, earnings per Share would be approximately RMB0.13.

Effects on gearing and working capital

The total borrowings of the Group as at 30 June 2014 was approximately RMB449 million and the gearing ratio, being total liabilities divided by total assets, was approximately 33.3%. According to the unaudited pro forma consolidated statements of the Enlarged Group, the total borrowings comprising of the Enlarged Group would have been approximately RMB1,620 million and the gearing ratio would have been approximately 46.7% as at 30 June 2014.

The total cash and working capital of the Group as at 30 June 2014 were approximately RMB353 million and RMB3,349 million respectively, according to the unaudited pro forma consolidated statements of the Enlarged Group, the total cash and working capital of the Enlarged Group would have been approximately RMB631 million and RMB2,580 million respectively as at 30 June 2014.

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the present financial resources available to the Enlarged Group, including internally generated revenue and funds of the Enlarged Group, and Sany Group Co., Ltd.'s commitment as described above, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular.

RECOMMENDATION

We have considered the above principal factors and reasons and particularly (i) the terms of the Share Transfer Agreement and the Equity Transfer Agreement; (ii) the strategic rationale of entering into the Acquisitions; and (iii) the possible financial effects to the Group. Based on the above principal factors and reasons, we consider that the terms of Share Transfer Agreement and the Equity Transfer Agreement are on normal commercial terms, and the entering of the Acquisitions is in the ordinary and usual course of business of the Company, fair and reasonable and in the interest of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we also recommend, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisitions.

Yours faithfully,
for and on behalf of
Anglo Chinese Corporate Finance, Limited
Dian Deng
Assistant Director

Note: Ms Dian Deng is a licensed person registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and has over six years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk):

- the annual report of the Company for the year ended 31 December 2011 dated 26 March 2012 (pages 46 to 115);
- the annual report of the Company for the year ended 31 December 2012 dated 25 February 2013 (pages 48 to 111);
- the annual report of the Company for the year ended 31 December 2013 dated 24 March 2014 (pages 50 to 121); and
- the interim report of the Company for the six months ended 30 June 2014 dated 29 August 2014 (pages 27 to 58).

2. INDEBTEDNESS STATEMENT OF THE ENLARGED GROUP

Borrowings

At the close of business on 30 September 2014, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding unsecured bank borrowings of approximately RMB193.9 million, secured bank borrowings of approximately RMB200.0 million and amounts due to related parties which are unsecured and non-trade nature of approximately RMB1,496.7 million.

Contingent liabilities

The Target Business enters into sales agreements with the end-user customers directly on the sales of port machinery. The end-user customers usually enter into equipment mortgage loan agreements with banks to obtain funding to pay for the port equipment, using the port equipment as collateral. As the seller, the Target Business is usually required to enter into a separate agreement with banks under which it has the obligation to repay the outstanding loan from relevant banks if the end-user customers default loan repayments. This is because, under the equipment mortgage loan arrangements, a bank typically requests an initial guarantee from a third party guarantor and a secondary guarantee from the construction machinery manufacturer, which it believes to have sufficient industry knowledge, good relationship with the end-user customer and ability to resell the machinery in the event of customer default. At the close of business on 30 September 2014, the Enlarged Group had outstanding contingent liabilities in respect of outstanding guarantees to buy-back the loans granted to customers of approximately RMB116.5 million.

The Target Business sells port machineries directly to end-user customers and the end-user customers can seek assistance from two fellow subsidiaries namely China Kangfu Finance Lease Co., Ltd. (中國康富國際租賃有限公司, "Kangfu Leasing") or Hunan Zhonghong Finance Lease Co., Ltd. (湖南中宏融資租賃有限公司, "Hunan Zhonghong") to obtain financing from certain third party finance lease companies (the "Leasing Companies").

Also, the Target Business, the Leasing Companies and Kangfu Leasing or Hunan Zhonghong will enter into an agreement (the "Agreement"). Pursuant to the terms of the Agreement:

- Kangfu Leasing or Hunan Zhonghong and The Target Business are obliged to pay to the Leasing Companies if the end-user customers defaulted on repayments to the Leasing Companies in the manner as specified in the Agreement; and,

- The Target Business is obliged to repurchase the unsettled leased amounts due by the end-user customers to the Leasing Companies, if the above parties do not fulfil their obligations in the manner as specified in the Agreement. Under such circumstances, the Target Business is also liable for costs and related expenses.

At the close of business on 30 September 2014, the Enlarged Group had outstanding contingent liabilities in respect of outstanding guarantee to buy-back the unsettled lease receivables of approximately RMB92.9 million.

The accumulated amounts paid by the Target Business due to the end-user customers' default recognised as amounts receivables from the end-use customers included in trade and bills receivables account were RMB6.6 million, RMB10.0 million, RMB38.2 million and RMB48.8 million, respectively, as of 31 December 2011, 2012 and 2013 and 31 May 2014. The Target Business generally recovers its payments to banks on behalf of customers in default when its customers make repayments to it or upon the resale of the machinery. Under such sales arrangement, when the Target Business repays the outstanding mortgage loan to the bank on behalf of the end-user customer, the Target Business will have the right to repossess the machinery. Based on the Company's due diligence, the Target Business performs a strict credit assessment of its customers in determining the appropriate payment method options in negotiating a sale of machinery with its customers and continues to monitor their performance and compliance with the sales contracts to control its credit risk.

Taking into account that the receivables are secured by collaterals including the products sold to the relevant customers and other assets of such customers where necessary, which the Target Business can enforce to obtain payment of the relevant outstanding receivables in full, and that the defaults in payment are expected to be of a temporary nature, the Directors are of the view that the Enlarged Group will be reasonably protected against the risks associated with the contingent liability of the Target Business arising from potential default of payments by its customers.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 30 September 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL OF THE ENLARGED GROUP

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the present financial resources available to the Enlarged Group, including a loan facility of RMB1.4 billion from Sany Group Co., Ltd. as detailed in the section headed "The Sany Marine Loan" in this circular, internally generated revenue and funds of the Enlarged Group, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular.

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.

EY 安永

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 November 2014

The Board of Directors
Sany Heavy Equipment International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of the port machinery businesses of Sany Group Co., Ltd. (the "Target Business"), comprising the statements of profit or loss and total comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014 (the "Relevant Periods"), and the statements of financial position of the Target Business as at 31 December 2011, 2012 and 2013, and 31 May 2014, together with the notes thereto (the "Financial Information"), and the statements of profit or loss and total comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Business for the five months ended 31 May 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Sany Heavy Equipment International Holdings Company Limited (the "Company") dated 30 November 2014 (the "Circular") in connection with the proposed acquisition of the Target Business by the Company.

The Target Business was a business unit of Sany Group Co., Ltd. which is a company with limited liability in the People's Republic of China (the "PRC"). The Target Business is located in Changsha, Hunan Province, the PRC. Excluding the Target Business, other business of Sany Group Co., Ltd. will be retained in Sany Group Co., Ltd. (the "Remaining Company").

The Target Business is principally engaged in development, manufacture and sale of port machineries, such as reachstacker, empty container handler, yard crane and ship to shore crane, etc., and related accessories and provision of after-sale service.

As at the date of this report, no statutory financial statements have been prepared for the Target Business, as the Target Business is a business unit of Sany Group Co., Ltd. and it is not subject to statutory audit requirements under the relevant rules and regulations in the PRC. The statutory financial statements of Sany Group Co., Ltd. for the years ended 31 December 2011 and 2012 were audited by Hunan Da Xin CPA LLP (湖南大信有限責任會計師事務所), and the statutory financial statements of Sany Group Co., Ltd. for the year ended 31 December 2013 were audited by Beijing Xinghua CPA LLP (北京興華會計師事務所有限責

任公司), respectively, all of which were certified public accountants registered in the PRC. The statutory audited financial statements of Sany Group Co., Ltd. were prepared in accordance with the PRC accounting standards and financial regulations.

For the purpose of this report, the directors of Sany Group Co., Ltd. (the "Directors") have prepared the financial statements of the Target Business (the "Underlying Financial Statements") in accordance with the International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013, and the five months ended 31 May 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Business as at 31 December 2011, 2012 and 2013, and 31 May 2014, and of the results and cash flows of the Target Business for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	*6*	880,759	860,574	953,221	338,762	311,548
Cost of sales		(660,370)	(648,064)	(724,530)	(253,385)	(217,992)
Gross profit		220,389	212,510	228,691	85,377	93,556
Other income and gains	*6*	1,591	9,493	25,073	10,939	5,745
Selling and distribution expenses		(115,000)	(87,933)	(90,909)	(30,055)	(22,904)
Administrative expenses		(86,886)	(48,201)	(39,838)	(13,067)	(11,363)
Other expenses		(7,981)	(4,011)	(958)	(688)	(683)
Finance costs	*8*	(6,585)	(11,915)	(306)	(186)	(124)
PROFIT BEFORE TAX	*7*	5,528	69,943	121,753	52,320	64,227
Income tax expense	*11*	2,592	(8,720)	(16,708)	(7,366)	(6,535)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		8,120	61,223	105,045	44,954	57,692
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD ATTRIBUTABLE TO:						
Owner of the Target Business		8,120	61,223	105,045	44,954	57,692

STATEMENTS OF FINANCIAL POSITION

	Notes	2011	31 December 2012	2013	31 May 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	111,735	74,292	42,018	39,631
Intangible assets	*15*	–	–	–	8,116
Available-for-sale investments	*16*	228	2,128	2,128	2,470
Deferred tax assets	*17*	6,878	5,634	6,451	6,414
Total non-current assets		118,841	82,054	50,597	56,631
CURRENT ASSETS					
Inventories	*18*	184,612	119,874	146,941	157,312
Trade and bills receivables	*19*	199,488	234,153	271,945	358,794
Prepayments, deposits and other receivables	*20*	85,000	152,139	109,316	147,018
Amounts due from the Remaining Company	*29(c)*	–	–	124,291	94,030
Cash and cash equivalents	*21*	8,684	3,021	21,600	2
Total current assets		477,784	509,187	674,093	757,156
CURRENT LIABILITIES					
Trade and bills payables	*22*	59,148	67,585	183,654	133,460
Amounts due to the Remaining Company	*29(c)*	248,855	130,399	–	–
Other payables and accruals	*23*	139,213	173,537	200,358	268,976
Interest-bearing bank borrowings	*24*	–	1,612	–	6,483
Total current liabilities		447,216	373,133	384,012	408,919
NET CURRENT ASSETS		30,568	136,054	290,081	348,237
TOTAL ASSETS LESS CURRENT LIABILITIES		149,409	218,108	340,678	404,868
Net assets		149,409	218,108	340,678	404,868
EQUITY					
Reserves	*25*	149,409	218,108	340,678	404,868
Total equity		149,409	218,108	340,678	404,868

STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Business		
	Other reserve*	**Retained profits***	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2011	–	140,447	140,447
Profit for the year	–	8,120	8,120
Deemed current income tax on the Target Business	842	–	842
At 31 December 2011 and 1 January 2012	842	148,567	149,409
Profit for the year	–	61,223	61,223
Deemed current income tax on the Target Business	7,476	–	7,476
At 31 December 2012 and 1 January 2013	8,318	209,790	218,108
Profit for the year	–	105,045	105,045
Deemed current income tax on the Target Business	17,525	–	17,525
At 31 December 2013 and 1 January 2014	25,843	314,835	340,678
Profit for the period	–	57,692	57,692
Deemed current income tax on the Target Business	6,498	–	6,498
At 31 May 2014	32,341	372,527	404,868
At 31 December 2012 and 1 January 2013	8,318	209,790	218,108
Profit for the period (unaudited)	–	44,954	44,954
Deemed current income tax on the Target Business	4,849	–	4,849
At 31 May 2013 (unaudited)	13,167	254,744	267,911

* These reserve accounts comprise the reserves of RMB149,409,000, RMB218,108,000, RMB340,678,000 and RMB404,868,000 in the statement of financial position as at 31 December 2011, 2012 and 2013, and as at 31 May 2014, respectively.

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
	Notes	**2011**	**2012**	**2013**	**2013**	**2014**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		5,528	69,943	121,753	52,320	64,227
Adjustments for:						
Interest income on loans to the Remaining Company	*6*	–	–	(9,099)	(1,629)	(5,132)
Loss on disposal of items of property, plant and equipment	*7*	278	12	258	195	–
Finance costs	*8*	6,585	11,915	306	186	124
Depreciation	*14*	8,335	10,800	9,328	3,594	2,799
Amortisation	*15*	–	–	–	–	580
Provision against slow-moving and obsolete inventories	*18*	5,558	568	668	–	462
Impairment/(write-back of impairment) of trade receivables	*19*	1,417	2,483	(2,598)	(2,788)	278
Impairment/(write-back of impairment) of prepayment, deposits and other receivables	*20*	1,957	(173)	(696)	(1,130)	168
		29,658	95,548	119,920	50,748	63,506
(Increase)/decrease in inventories		(27,277)	64,170	(27,735)	(49,714)	(10,833)
Increase in trade and bills receivables		(142,933)	(37,148)	(35,194)	(111,604)	(87,127)
Decrease/(increase) in prepayments, deposits and other receivables		(46,113)	(76,963)	41,662	(9,988)	(37,837)
Decrease in amounts due from the Remaining Company		–	–	28,152	–	3,368
(Decrease)/increase in trade and bills payables		15,521	8,437	116,069	149,334	(50,194)
(Decrease)/increase in other payables and accruals		(29,326)	31,607	27,193	132,230	61,363
Increase/(decrease) in amounts due to the Remaining Company		42,579	17,541	–	(3,080)	–
Cash (used in)/generated from operations		(157,891)	103,192	270,067	157,926	(57,754)
Income tax paid		–	–	–	–	–
Net cash flows (used in)/generated from operating activities		(157,891)	103,192	270,067	157,926	(57,754)

	Notes	Year ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	Five months ended 31 May 2013 RMB'000 (unaudited)	2014 RMB'000
Net cash flows (used in)/generated from operating activities		(157,891)	103,192	270,067	157,926	(57,754)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(53,813)	(3,093)	(1,556)	(524)	(2,688)
Loans to the Remaining Company		–	(146,366)	(273,743)	(155,294)	–
Receipt of loans to the Remaining Company		–	–	–	–	32,026
Proceeds from disposal of items of property, plant and equipment		68	42,193	25,729	–	801
Purchase of available-for-sale investments		(228)	(1,900)	–	–	(342)
Net cash flows generated from/(used in) investing activities		(53,973)	(109,166)	(249,570)	(155,818)	29,797
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		4,901	9,036	–	–	6,853
Repayment of bank loans		(4,901)	(7,424)	(1,612)	(1,583)	(370)
Borrowings from the Remaining Company		218,080	–	–	–	–
Interest paid		(467)	(1,301)	(306)	(186)	(124)
Net cash flows generated from/(used in) financing activities		217,613	311	(1,918)	(1,769)	6,359
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,749	(5,663)	18,579	339	(21,598)
Cash and cash equivalents at beginning of year/period		2,935	8,684	3,021	3,021	21,600
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		8,684	3,021	21,600	3,360	2

II NOTES TO THE FINANCIAL INFORMATION

1. TARGET BUSINESS INFORMATION

The Target Business was a business unit of Sany Group Co., Ltd. and is located in Xingsha Economic and Technological Development Area, Changsha city, Hunan province, the People's Republic of China (the "PRC"). The Target Business is principally engaged in development, manufacture and sale of port machineries, such as reachstacker, empty container handler, yard crane and ship to shore crane, etc., and related accessories and provision of after-sale service.

For management purposes, the Target Business operates in one business unit based on its products, and has one reportable operating segment.

Sany Group Co., Ltd. is held by 15 individual shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, Wang Zuochun, Zhai Xian, Liang Linhe, Zhai Chun, Duan Dawei and Huang Jianlong, who hold 57.12%, 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 1.00%, 0.60%, 0.50%, 0.40%, 0.30% and 0.08% of the equity interests in Sany Group Co, Ltd., respectively.

2.1 BASIS OF PRESENTATION AND PREPARATION

The Target Business had not been registered as a separate legal entity in the Relevant Periods. For the purpose of this report, the Financial Information is presented as if the Target Business had been in place as a stand-alone entity throughout the periods presented. Income taxes have been determined as if the Target Business had been a separate taxable entity for all the periods presented.

The Financial Information has been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. For the purpose of the Financial Information, the Target Business has adopted, at the beginning of the Relevant Periods, all new and revised IFRSs applicable to the Target Business throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Target Business has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information:

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 11 Amendments	Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations[2]
IFRS 14	*Regulatory Deferred Accounts*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41 *Bearer Plants*[2]
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
IAS 27 Amendments	Amendments to IAS 27 *Equity Method in Separate Financial Statements*[2]
IFRSs Amendments	*Annual Improvements to IFRSs 2010-2012 Cycle*[1]
IFRSs Amendments	*Annual Improvements to IFRSs 2011-2013 Cycle*[1]

1 Effective for annual periods beginning on or after 1 July 2014

[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and total comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of such an impairment loss is credited to the statement of profit or loss and total comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Target Business if:

(a) *the party is a person or a close member of that person's family and that person*

(i) has control or joint control over the Target Business;

(ii) has significant influence over the Target Business; or

(iii) is a member of the key management personnel of the Target Business or of a parent of the Target Business;

or

(b) *the party is an entity where any of the following conditions applies:*

(i) the entity and the Target Business are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Business are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Business or an entity related to the Target Business; the entity is controlled or jointly controlled by a person identified in (a); and

(vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and total comprehensive income in the period in which it is incurred. In situations the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Business recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and annual rates used for this purpose are as follows:

	Estimated useful lives	**Annual rates**
Plant and machinery	10 years (120 months)	9.7%
Office and other equipment	8.3 years (100 months)	11.7%
Motor vehicles	8.3 years (100 months)	11.7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each end of the reporting period.

An item of property, plant and equipment including, any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss and total comprehensive income in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

All research costs are charged to the statement of profit or loss and total comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target Business can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Business is the lessor, assets leased by the Target Business under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss and total comprehensive income on the straight-line basis over the lease terms. Where the Target Business is the lessee, rentals payable under operating leases are charged to the statement of profit or loss and total comprehensive income on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Business commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss and total comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and total comprehensive income in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss and total comprehensive income as other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and total comprehensive income in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss and total comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Target Business evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Target Business is unable to trade these financial assets due to inactive markets, the Target Business may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Target Business has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Target Business has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and total comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Business's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Business has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Target Business has transferred substantially all the risks and rewards of the asset, or (b) the Target Business has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Business has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Business continues to recognise the transferred asset to the extent of the Target Business's continuing involvement. In that case, the Target Business also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Business has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Business could be required to repay.

Impairment of financial assets

The Target Business assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Business first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Business determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and total comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss and total comprehensive income.

Available-for-sale financial investments

For available-for-sale financial investments, the Target Business assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss and total comprehensive income, is removed from other comprehensive income and recognised in the statement of profit or loss and total comprehensive income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and total comprehensive income – is removed from other comprehensive income and recognised in the statement of profit or loss and total comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss and total comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Business's financial liabilities include trade and bills payables, amounts due to the Remaining Company, other payables and accruals and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and total comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and total comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Target Business are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Business measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and total comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate portion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Business's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and total comprehensive income.

Provisions for product warranties granted by the Target Business on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Business operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Business and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Business maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(c) rental income, on a time proportion basis over the lease terms.

Employee benefits

Pension schemes

The Target Business has joined a number of defined contribution pension schemes, including pension schemes, medical insurance, unemployment insurance and housing fund, organised by the relevant principal and municipal social insurance management bodies of the PRC government for those employees who are eligible to participate in the schemes. The Target Business and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salary during the year. The contributions payable are charged as an expense to the statement of profit or loss and total comprehensive income as incurred. The assets of the schemes are held separately from those of the Target Business in independently administered funds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Financial Information is presented in RMB, which is the functional and presentation currency of the Target Business. Transactions in foreign currencies are translated into the functional currency of the Target Business using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and total comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

The Target Business estimates the provisions for impairment of trade receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires management's judgement and estimates. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the actual outcome or further expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables, doubtful debt expenses and write-back of trade receivables in the period in which the estimate has been changed. The Target Business reassesses the provisions at the end of the reporting period. Further details are included in note 19 to the Financial Information.

Useful lives and residual values of items of property, plant and equipment

In determining the useful life and residual value of an item of property, plant, the Target Business has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Target Business with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant is different from the previous estimation. Useful lives and residual values are reviewed at each Relevant Periods end based on changes in circumstances. Further details are included in note 14 to the Financial Information.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates on market conditions. Where the actual outcome or further expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down charge/write-back of inventories in the period in which the estimate has been changed. Further details are included in note 18 to the Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There were no unrecognised tax losses as at 31 December 2011, 2012 and 2013, and as at 31 May 2014. Further details are included in note 17 to the Financial Information.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 3 to the Financial Information. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Further details are included in note 15 to the Financial Information.

Provision for product warranties

The Target Business provides warranties for a period of 2 years or 4,000 hours (whichever is earlier) on the products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

5. OPERATING SEGMENT INFORMATION

During the Relevant Periods, the Target Business is principally engaged in development, manufacture and sale of port machineries, such as reachstacker, empty container handler, yard crane and ship to shore crane, etc., and related accessories and provision after-sale service. For management purposes, the Target Business 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.

Geographical information

As over 90% of the Target Business's revenue is derived from customers based in Mainland China and most of the Target Business's identifiable assets and liabilities are located in Mainland China, no geographical information is presented in accordance with IFRS 8 *Operating Segments*.

Information about a major customer

The revenue derived from sales to a major customer from whom the revenue individually exceeded 10% of the total revenue of the Target Business is set out below:

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sany International Development Limited	153,850	159,331	219,438	46,030	108,365

Sany International Development Limited is a fellow subsidiary of the Target Business (note 29).

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Business's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the Relevant Periods and the five months ended 31 May 2013.

Analyses of revenue and other income and gains are as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue					
Sales of goods	880,759	860,574	953,221	338,762	311,548
Other income and gains					
Interest income on loans to the Remaining Company	–	–	9,099	1,629	5,132
Profit from the sale of scrap materials	–	6,577	9,426	4,931	–
Proceeds from repairs & maintenance service	6	1,039	1,267	14	24
Rental income	673	760	–	–	–
Write-back of impairment of trade receivables	–	–	2,598	2,788	–
Write-back of impairment of other receivables	–	173	696	1,130	–
Others	912	944	1,987	447	589
	1,591	9,493	25,073	10,939	5,745

7. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2011 RMB'000	2012 RMB'000	2013 RMB'000	Five months ended 31 May 2013 RMB'000 (unaudited)	2014 RMB'000
Cost of inventories sold		660,370	648,064	724,530	253,385	217,992
Depreciation	*14*	8,335	10,800	9,328	3,594	2,799
Amortisation	*15*	–	–	–	–	580
Minimum lease payments under operating lease:						
– Building		3,756	2,121	1,657	508	758
– Equipment		1,104	1,029	40	30	8
		4,860	3,150	1,697	538	766
Staff costs						
– Wages and salaries		67,930	40,047	40,226	13,044	11,751
– Staff welfare and other expenses		15,290	11,113	7,944	3,467	2,710
		83,220	51,160	48,170	16,511	14,461
Provision for warranties*		9,617	8,416	6,799	3,376	3,644
Research and development costs**		56,422	26,143	23,051	7,410	7,119
Provision against slow-moving and obsolete inventories***	*18*	5,558	568	668	–	462
Impairment/(write-back of impairment) of trade receivables, net****	*19*	1,417	2,483	(2,598)	(2,788)	278
Impairment/(write-back of impairment) of other receivables, net****	*20*	1,957	(173)	(696)	(1,130)	168
Loss on disposal of items of property, plant and equipment****		278	12	258	195	–
Finance costs	*8*	6,585	11,915	306	186	124
Foreign exchange loss/(gain), net****		4,297	1,498	645	462	(268)

* Included in "Selling and distribution expenses" in the statement of profit or loss and total comprehensive income.

** Included in "Administrative expenses" in the statement of profit or loss and total comprehensive income.

*** Included in "Cost of sales" in the statement of profit or loss and total comprehensive income.

**** Included in "Other income" or "Other expenses" in the statement of profit or loss and total comprehensive income.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on bank borrowings wholly repayable within five years	272	1,173	125	125	–
Interest on a loan from the Remaining Company	6,118	10,614	–	–	–
Finance costs on bills discounted	195	128	181	61	124
	6,585	11,915	306	186	124

9. DIRECTORS' REMUNERATION

There was no directors' remuneration paid by the Target Business during the Relevant Periods and five months ended 31 May 2013.

10. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five highest paid employees for the Relevant Periods and the five months ended 31 May 2013 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	1,579	1,638	2,657	927	967
Others	438	477	661	–	–
	2,017	2,115	3,318	927	967

The number of the above non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
Nil to HK$1,000,000 (RMB795,780)	4	4	4	4	4
HK$1,000,001 to HK$1,500,000 (RMB795,780 to RMB1,193,670)	1	1	1	1	1
	5	5	5	5	5

11. INCOME TAX

The provision for Mainland China current income tax is deemed based on statutory rate of 25% of the assessable profit of the Target Business as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008. Meanwhile, the Target Business was recognised as a high-tech enterprise by the PRC tax authority in 2011 with an effective period for three years from November 2011 to November 2014 and was entitled to a 15% enterprise income tax rate for the years ended 31 December 2011, 2012 and 2013 and five months ended 31 May 2013. The Target Business has applied to renew its high-tech enterprise accreditation for the next three years. Therefore, the Target Business calculated its income tax based on enterprise income tax rates of 15% for five months ended 31 May 2014.

The major components of the income tax expense for the Relevant Periods and the five months ended 31 May 2013 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current	842	7,476	17,525	4,849	6,498
Deferred	(3,434)	1,244	(817)	2,517	37
Total tax (credited)/charged for the year/period	(2,592)	8,720	16,708	7,366	6,535

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Target Business is domiciled to the tax expense at the effective tax is as follows:

	Year ended 31 December						Five months ended 31 May			
	2011		2012		2013		2013		2014	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Profit before tax	5,528		69,943		121,753		52,320		64,227	
Tax at the statutory tax rate	1,382	25	17,486	25	30,438	25	13,080	25	16,057	25
Lower tax rate enacted by local authority	(553)	(10)	(6,994)	(10)	(12,175)	(10)	(5,232)	(10)	(6,423)	(10)
Effect of change in tax rate on the opening balance of deferred tax assets	–	–	–	–	–	–	–	–	(2,565)	(4.0)
Income not subject to tax	(3,833)	(69.4)	(1,938)	(2.8)	(1,668)	(1.4)	(535)	(1)	(570)	(0.9)
Expenses not deductible for tax	412	7.5	166	0.2	113	0.1	53	0.1	36	0.1
Tax (credit)/charge at the Target Business's effective tax rate	(2,592)	(46.9)	8,720	12.4	16,708	13.7	7,366	14.1	6,535	10.2

There was no unrecognised deferred tax asset arose from taxable losses as at 31 December 2011, 2012 and 2013, and 31 May 2014.

12. DIVIDENDS

No dividend has been paid or declared by the Target Business in the Relevant Periods and five months ended 31 May 2013.

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNER OF THE TARGET BUSINESS

Earnings per share information are not presented as the Target Business is not a stand-alone entity and had no issued and outstanding shares during the Relevant Periods and five months ended 31 May 2013.

14. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011, net of accumulated depreciation	43,096	6,450	5,790	346	55,682
Additions	51,122	7,126	5,916	570	64,734
Disposals	(337)	(9)	–	–	(346)
Depreciation provided during the year	(6,185)	(1,175)	(975)	–	(8,335)
Transfers	346	–	–	(346)	–
At 31 December 2011 and 1 January 2012, net of accumulated depreciation	88,042	12,392	10,731	570	111,735
Additions	13,688	1,195	924	–	15,807
Disposals	(33,586)	(1,539)	(7,080)	(245)	(42,450)
Depreciation provided during the year	(8,335)	(1,647)	(818)	–	(10,800)
Transfers	325	–	–	(325)	–
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	60,134	10,401	3,757	–	74,292
Additions	1,042	1,916	–	83	3,041
Disposals	(20,182)	(4,110)	(1,695)	–	(25,987)
Depreciation provided during the year	(7,343)	(1,490)	(495)	–	(9,328)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	33,651	6,717	1,567	83	42,018
Additions	1,053	160	–	–	1,213
Disposals	–	(125)	(676)	–	(801)
Depreciation provided during the period	(2,197)	(494)	(108)	–	(2,799)
At 31 May 2014, net of accumulated depreciation	32,507	6,258	783	83	39,631

	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2011 and 1 January 2012					
Cost	100,186	14,443	12,381	570	127,580
Accumulated depreciation	(12,144)	(2,051)	(1,650)	–	(15,845)
Net carrying amount	88,042	12,392	10,731	570	111,735
At 31 December 2012 and 1 January 2013					
Cost	76,456	13,810	5,433	–	95,699
Accumulated depreciation	(16,322)	(3,409)	(1,676)	–	(21,407)
Net carrying amount	60,134	10,401	3,757	–	74,292
At 31 December 2013 and 1 January 2014					
Cost	52,040	9,876	3,088	83	65,087
Accumulated depreciation	(18,389)	(3,159)	(1,521)	–	(23,069)
Net carrying amount	33,651	6,717	1,567	83	42,018
At 31 May 2014					
Cost	55,105	9,846	2,000	83	67,034
Accumulated depreciation	(22,598)	(3,588)	(1,217)	–	(27,403)
Net carrying amount	32,507	6,258	783	83	39,631

All of the PP&E owned by the Target Business are located in the Mainland China.

15. INTANGIBLE ASSETS

	Deferred development costs RMB'000
Cost at 31 December 2013 and 1 January 2014, net of accumulated amortisation	–
Additions	8,696
Amortisation provided during the period	(580)
At 31 May 2014	8,116

16. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 May 2014 RMB'000
Unlisted equity investments, at cost	228	2,128	2,128	2,470

The unlisted equity investments of the Target Business are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The Target Business does not intend to dispose of the investment in the near future.

17. DEFERRED TAX ASSETS

The movements in deferred tax assets during the Relevant Periods are as follows:

			31 December		31 May
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January		3,444	6,878	5,634	6,451
Deferred tax credited/(charged) to the statements of profit or loss and total comprehensive income during the year/period	*11*	3,434	(1,244)	817	(37)
Deferred tax assets at end of year/period		6,878	5,634	6,451	6,414

Deferred tax assets recognised:

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision against slow-moving and obsolete inventories	834	202	302	619
Impairment of trade receivables	475	847	458	832
Impairment of prepayments, deposits and other receivables	294	268	163	303
Accruals	5,275	4,317	5,528	4,660
Deferred tax assets at end of year/period	6,878	5,634	6,451	6,414

18. INVENTORIES

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	50,174	22,471	54,113	57,556
Work in progress	95,903	36,224	39,459	49,153
Finished goods	44,093	62,524	55,382	53,078
	190,170	121,219	148,954	159,787
Less: Provision against slow-moving and obsolete inventories	(5,558)	(1,345)	(2,013)	(2,475)
	184,612	119,874	146,941	157,312

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

		31 December			31 May
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January		–	5,558	1,345	2,013
Charge for the year/period	*7*	5,558	568	668	462
Amount written off		–	(4,781)	–	–
At end of year/period		5,558	1,345	2,013	2,475

19. TRADE AND BILLS RECEIVABLES

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	202,658	239,803	274,997	337,037
Impairment	(3,170)	(5,650)	(3,052)	(3,330)
	199,488	234,153	271,945	333,707
Bills Receivables	–	–	–	25,087
	199,488	234,153	271,945	358,794

Trade and bills receivables are mainly from sales of port machinery and related products. The Target Business generally grants 30 days to 180 days credit term to third-party customers and no fixed credit term was granted to related parties. The Target Business also allows certain customers with appropriate credit standing to make payments in equal monthly instalments over a maximum period of 24 months ("instalment payment method"). Target Business seeks to maintain strict control over its outstanding receivables and keeps close monitoring on them to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Business's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Business does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at end of each reporting period, based on the invoice date, is as follows:

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	99,519	95,574	53,835	114,358
31 to 90 days	43,154	21,914	34,190	23,862
91 to 180 days	19,852	43,053	48,451	71,002
181 to 365 days	28,223	53,776	82,412	55,471
Over 1 year	8,740	19,836	53,057	69,014
	199,488	234,153	271,945	333,707

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

		Year ended 31 December			Five months ended 31 May
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		1,753	3,170	5,650	3,052
Impairment losses recognised/ (reversed)	7	1,417	2,483	(2,598)	278
Amount written off as uncollectible		–	(3)	–	–
At end of year/period		3,170	5,650	3,052	3,330

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

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	184,017	206,157	161,367	186,227
Past due but not impaired:				
Less than 180 days past due	11,104	18,939	82,941	72,997
180 to 365 days past due	1,964	3,337	15,225	36,370
Over 1 year past due	2,403	5,720	12,412	38,113
	199,488	234,153	271,945	333,707

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Business. Based on past experience, the Directors of the Target Business 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 Target Business does not hold any collateral or other credit enhancements over these balances.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	53,048	119,735	43,021	75,611
Deferred expenses	4,862	5,668	113	110
Deposits and other receivables	19,756	25,411	64,586	70,310
Staff advances	9,291	3,109	2,684	2,198
Impairment	(1,957)	(1,784)	(1,088)	(1,211)
	85,000	152,139	109,316	147,018

The movements in the provision for impairment of prepayment, deposits and other receivables are as follows:

			Year ended 31 December		Five months ended 31 May
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		–	1,957	1,784	1,088
Impairment recognised/(reversed)	7	1,957	(173)	(696)	168
Amount written off as uncollectible		–	–	–	(45)
At end of year/period		1,957	1,784	1,088	1,211

Financial assets included in the above balances relate to receivables for which there was no recent history of default.

The carrying amounts of the other receivables approximate to their fair values.

21. CASH AND CASH EQUIVALENTS

		31 December		31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	8,684	3,021	21,600	2

At the end of the reporting period, the Target Business's cash and bank balances were denominated in RMB, US$, Euro and HK$. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Business is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

22. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at 31 December 2011, 2012 and 2013, and 31 May 2014, based on the invoice date, is as follows:

		31 December		31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	37,337	37,532	109,658	62,794
31 to 90 days	18,873	22,286	62,554	44,367
91 to 180 days	1,862	5,662	9,347	10,285
181 to 365 days	437	912	756	14,157
Over 1 year	639	1,193	1,339	1,857
	59,148	67,585	183,654	133,460

The trade payables are non-interest-bearing and are normally with credit terms of 30 days to 120 days.

The carrying amounts of the trade payables approximate to their fair values.

23. OTHER PAYABLES AND ACCRUALS

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	82,231	134,317	153,888	228,700
Accruals	22,425	14,983	17,262	12,508
Other payables	12,542	12,480	14,650	21,474
Payroll payable	22,015	11,684	14,346	6,130
Other taxes payable	–	73	212	164
	139,213	173,537	200,358	268,976

The other payables are non-interest-bearing and are due within one year. The carrying amounts of other payables approximate to their fair values.

24. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	31 December 2011 *RMB'000*	2012 *RMB'000*	2013 *RMB'000*	31 May 2014 *RMB'000*
Current						
Bank loans – unsecured	3.77	2013	–	1,612	–	–
Bank loans – unsecured	3.08-3.29	2014	–	–	–	6,483
			–	1,612	–	6,483

All borrowings are denominated in United States dollars.

25. RESERVES

The amounts of the Target Business's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Target Business.

26. CONTINGENT LIABILITIES

(a) The Target Business enters into sales agreements with the end-user customers directly on the sales of port machinery. The end-user customers usually enter into equipment mortgage loan agreements with banks to obtain funding to pay for the port equipment, using the port equipment as collateral. As the seller, the Target Business is usually required to enter into a separate agreement with banks under which it has the obligation to repay the outstanding loan from relevant banks if the end-user customers default loan repayments.

At the end of the reporting periods, contingent liabilities not provided for in the financial statements were as follows:

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with loans granted to customers	74,933	110,510	204,646	197,856

(b) The Target Business sells port machineries directly to end-user customers and the end-user customers can seek assistance from two fellow subsidiaries namely China Kangfu Finance Lease Co., Ltd. (中國康富國際租賃有限公司, "Kangfu Leasing") or Hunan Zhonghong Finance Lease Co., Ltd. (湖南中宏融資租賃有限公司, "Hunan Zhonghong") to obtain financing from certain third party finance lease companies (the "Leasing Companies").

Also, the Target Business, the Leasing Companies and Kangfu Leasing or Hunan Zhonghong will enter into an agreement (the "Agreement"). Pursuant to the terms of the Agreement:

- Kangfu Leasing or Hunan Zhonghong and The Target Business are obliged to pay to the Leasing Companies if the end-user customers defaulted on repayments to the Leasing Companies in the manner as specified in the Agreement; and,
- The Target Business is obliged to repurchase the unsettled leased amounts due by the end-user customers to the Leasing Companies, if the above parties do not fulfil their obligations in the manner as specified in the Agreement. Under such circumstances, the Target Business is also liable for costs and related expenses.

At the end of the reporting periods, the unsettled lease receivables due by the end-customers under these arrangements are as follows:

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to Leasing Companies in connection with the unsettled lease amounts due from customers	125,198	89,015	108,580	101,383

In the opinion of the Directors, the fair values of these financial guarantee contracts of the Target Business are insignificant at initial recognition and the Directors consider that the probability of defaults by most of the parties involved is remote, accordingly, no provision has been made at the inception of the guarantee contracts and at the end of each reporting year/period.

27. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Business leases certain of its plant under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2011, 2012 and 2013, and 31 May 2014, the Target Business had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	470	594	290	1,082
In the second to fifth years, inclusive	594	–	–	–
	1,064	594	290	1,082

28. COMMITMENTS

The Target Business had no material capital commitments as at 31 December 2011, 2012 and 2013, and 31 May 2014.

29. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Major related parties

For the Relevant Periods, the following parties have been identified as related parties to the Target Business and their respective relationships are set out below:

Name of related parties	Relationship
三一集團有限公司 Sany Group Co., Ltd. ("Sany Group")	Owner of the Target Business
三一國際發展有限公司 Sany International Development Limited ("Sany International")	Fellow subsidiary
珠海三一港口機械有限公司 Zhuhai Sany Port Machinery Co., Ltd. ("Zhuhai Sany")	Fellow subsidiary
三一重工股份有限公司 Sany Heavy Industry Co., Ltd. ("Sany Heavy Industry")	Fellow subsidiary
三一德國有限公司 Sany Germany GmbH	Fellow subsidiary
三一印尼機械有限公司 Sany Heavy Industry (Indonesia) Co., Ltd. ("Sany (Indonesia)")	Fellow subsidiary
三一汽車製造有限公司 Sany Automobile Manufacturing Co., Ltd. ("Sany Automobile")	Fellow subsidiary
湖南三一路面機械工廠 Hunan Sany Road Machinery Co., Ltd. ("Sany Road Machinery")	Fellow subsidiary
婁底市中興液壓件有限公司 Loudi ZhongXing Hydraulic Components Co., Ltd. ("Zhongxin Hydraulic")	Fellow subsidiary
三一重機有限公司（昆山挖機） Sany Heavy Machinery Co., Ltd. ("Sany Heavy Machinery")	Fellow subsidiary
湖南汽車製造有限公司 Hunan Automobile Manufacturing Co., Ltd. ("Hunan Auto")	Fellow subsidiary
三一汽車起重機械有限公司（寧鄉） Sany Automobile Hoisting Machinery Co.,Ltd. ("Sany Automobile Hoisting")	Fellow subsidiary
婁底中源新材料有限公司 Loudi Zhongyuan New Material Co., Ltd. ("Zhongyuan New Material")	Fellow subsidiary
湖南三一智能控制設備有限公司 Hunan Sany Intelligent Control Equipment Co., Ltd. ("Sany Intelligent Control")	Fellow subsidiary
常德市三一機械有限公司 Changde Sany Machinery Co.,Ltd. ("Changde Sany")	Fellow subsidiary
湖南中成機械有限公司 Hunan Zhongcheng Machinery Co., Ltd. ("Hunan Zhongcheng")	Fellow subsidiary

Name of related parties	Relationship
三一海洋重工有限公司 Sany Marine Heavy Industry Co., Ltd. ("Sany Marine")	Fellow subsidiary
上海三一科技有限公司 Shanghai Sany Technology Co., Ltd. ("Sany Technology")	Fellow subsidiary
索特傳動設備有限公司 Suote Transmission Equipment Co.,Ltd. ("Suote Transmission")	Fellow subsidiary
浙江三一裝備有限公司 Zhejiang Sany Equipment Co., Ltd. ("Zhejiang Sany Equipment")	Fellow subsidiary
上海三一重機有限公司 Shanghai Sany Machinery Co., Ltd. ("Shanghai Sany Heavy")	Fellow subsidiary
三一重型裝備有限公司 Sany Heavy Equipment Co., Ltd. ("Sany Heavy Equipment")	Fellow subsidiary
杭州力龍液壓有限公司 Hangzhou Lilong Hydraulic Co., Ltd. ("Hangzhou Lilong")	Fellow subsidiary
湖南新裕鋼鐵有限公司 Hunan Xinyu Steel Co., Ltd. ("Hunan Xinyu")	Fellow subsidiary
北京市三一重機有限公司 Beijing Sany heavy Machinery Co., Ltd. ("Beijing Sany Heavy")	Fellow subsidiary
上海三一精機有限公司 Shanghai Precision Machinery Co., Ltd. ("Shanghai Precision")	Fellow subsidiary
三一電氣有限責任公司 Sany General Electric Co., Ltd. ("Sany General Electric")	Fellow subsidiary
湖南三一物流有限責任公司 Hunan Sany Logistics Co., Ltd. ("Sany Logistics")	Fellow subsidiary
中國康富國際租賃有限公司 China Kangfu Finance Lease Co., Ltd. ("Kangfu Leasing")	Fellow subsidiary
湖南中宏融資租賃有限公司 Hunan Zhonghong Finance Lease Co., Ltd. ("Hunan Zhonghong")	Fellow subsidiary
湖南中發資產管理有限公司 Hunan Zhongfa Asset Management Limited ("Zhongfa Asset Management")	Fellow subsidiary
三一比利時控股有限公司 Sany Belgium Financial Corporation ("Sany Belgium")	Fellow subsidiary

(b) In addition to the transactions set out in note 26 in this Financial Information, the Target Business had the following transactions with related parties during the Relevant Periods and five months ended 31 May 2013:

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of products to:					
Sany International	153,850	159,331	219,438	46,030	108,365
Zhuhai Sany	–	30,285	–	–	–
Sany Heavy Industry	–	5,465	32,880	32,880	–
Sany Automobile	–	3,986	2,248	–	–
Sany Germany GmbH	–	–	–	–	5,841
Sany (Indonesia)	–	–	–	–	1,347
	153,850	199,067	254,566	78,910	115,553

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of raw materials to:					
Sany Automobile	22,151	26,656	11,168	3,909	3,457
Sany Heavy Industry	8,478	4,057	19	19	–
Sany Road Machinery	2,632	1,550	1,147	457	218
Zhongxin Hydraulic	2,410	2,267	1,412	358	99
Sany Automobile Hoisting	1,154	1,180	542	278	69
Sany Heavy Machinery	656	169	–	–	–
Hunan Auto	168	17	186	–	2
Zhongyuan New Material	18	16	–	–	59
Sany Intelligent Control	17	10	–	–	–
Changde Sany	7	19	55	55	
Hunan Zhongcheng	1	274	185	41	232
Zhuhai Sany	–	96,601	4,599	3,043	706
Sany Technology	–	987	–	–	–
Suote Transmission	–	8	–	–	30
Zhejiang Sany Equipment	–	–	396	265	–
Shanghai Sany Machinery	–	–	68	–	–
Sany Heavy Equipment	–	–	1	–	–
Hangzhou Lilong	–	–	–	–	3
	37,692	133,811	19,778	8,425	4,875
Purchase of products from:					
Zhuhai Sany	–	44,864	246,558	93,534	29,310
Purchase of raw materials from:					
Zhongxin Hydraulic	35,148	34,315	40,124	14,887	11,504
Sany Automobile	31,839	37,203	30,746	16,991	8,707
Sany Intelligent Control	4,642	5,296	4,919	2,357	1,662
Zhongyuan New Material	4,561	3,847	4,301	1,583	1,341
Sany Automobile Hoisting	3,160	1,687	2,122	622	671
Sany Road Machinery	2,105	2,518	3,745	2,843	345
Suote Transmission	889	1,589	2,869	1,091	1,149
Hunan Auto	791	13	7	–	199
Sany Heavy Industry	444	2,083	3,032	3,032	–
Sany Heavy Machinery	87	456	232	–	407
Zhuhai Sany	–	5,771	1,963	351	813
Beijing Sany Heavy	–	352	127	127	–
Hunan Zhongcheng	–	25	9,566	3,380	4,068
Sany Technology	–	20	–	–	–
Zhejiang Sany Equipment	–	–	1,418	88	794
Sany Heavy Equipment	–	–	596	–	–
Shanghai Sany Heavy	–	–	789	–	–
Changde Sany	–	–	–	–	6
	83,666	95,175	106,556	47,352	31,666

	Year ended 31 December			Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales of fixed assets to:					
Zhuhai Sany	–	34,307	37,282	–	–
Suote Transmission	–	9,324	–	–	–
Sany Automobile	–	–	–	–	824
	–	43,631	37,282	–	824
Service fees received from:					
Sany Automobile	332	87	67	–	8
Sany Heavy Industry	99	1	22	–	–
Sany Road Machinery	103	105	48	–	62
Hunan Zhongcheng	178	12	–	–	19
ZhongXing Hydraulic	–	9	112	–	–
Hunan Xinyu	–	3	–	–	–
	712	217	249	–	89
Purchase of service from:					
Sany Automobile	–	398	532	–	–
Sany Road Machinery	–	26	39	–	14
	–	424	571	–	14
Rental fees received from:					
Suote Transmission	–	2,279	–	–	–
Rental fee paid to:					
Sany Heavy Industry	1,770	995	1,500	484	705
Usage income of property, plant and equipment from:					
Zhuhai Sany	–	1,731	2,792	1,396	–
Interest expense/(income) to/(from):					
Sany Group	6,118	10,614	(9,099)	(5,132)	(1,629)

In the opinion of the Directors, the above transactions with related parties were conducted in the ordinary course of business and at prices and conditions as mutually agreed by the respective parties.

(c) Outstanding balances with related parties:

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from the Remaining Company	–	–	124,291	94,030
Amounts due to the Remaining Company	248,855	130,399	–	–
Trade receivables				
Sany International	51,426	24,006	9,498	61,001
Sany Marine	12,486	–	–	–
Sany Heavy Industry	10,051	89	–	–
Sany General Electric	3	–	–	–
Sany Road Machinery	–	136	–	43
Hunan Zhongcheng	–	–	168	168
Sany (Indonesia)	–	–	4,095	5,442
Zhuhai Sany	–	54,975	1,901	–
ZhongXing Hydraulic	–	–	2	159
Sany Automobile	–	–	99	488
Zhongyuan New Material	–	–	–	69
Suote Transmission	–	–	–	49
Sany Automobile Hoisting	–	–	–	80
Hunan Auto	–	–	–	3
	73,966	79,206	15,763	67,502
Other receivables				
Sany Automobile	–	–	388	2,322
Sany Marine	920	5,693	130	129
Kangfu Leasing	116	–	–	13
Zhuhai Sany	–	93,768	136	60,738
	1,036	99,461	654	63,202

	31 December			31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
Sany Automobile Hoisting	362	6	2,429	3,896
Zhejiang Sany Equipment	–	88	–	1,015
Sany Technology	17	–	–	–
Sany Road Machinery	202	204	438	340
Zhuhai Sany	–	–	61,633	–
Sany Heavy Industry	–	5,674	–	–
Beijing Sany Heavy	178			
Hunan Zhongcheng	–	–	3,879	4,060
Sany Germany GmbH	–	–	27	27
Shanghai Sany Heavy	–	–	616	615
ZhongXing Hydraulic	–	475	13,719	13,914
Suote Transmission	–	–	1,703	946
Sany Intelligent Control	–	2	8	783
Changde Sany	–	–	–	7
Sany Automobile	287	3,738	11,095	13,830
Sany Heavy Machinery	–	–	327	–
Zhongyuan New Material	–	–	1,323	375
	1,046	10,187	97,197	39,808
Other payables and accruals				
Sany International	–	–	1,311	8,843
Sany Belgium	–	630	630	630
Sany Germany GmbH	–	–	1,120	9,961
Sany Auto	–	–	149	272
Sany Logistics	–	–	136	929
Zhongfa Asset Management	–	–	–	304
Shanghai Precision	–	1,224	–	–
Sany General Electric	18	18	18	18
	18	1,872	3,364	20,957

Amounts due from/to the Remaining Company are unsecured, bear interest at prevailing market interest rate and have no fixed terms of repayment.

Except for amounts due from/to the Remaining Company, amounts due from/to other related parties are of trade nature, unsecured, interest-free and repayable on demand.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting period are as follows:

Financial assets

Available-for-sale investments

		31 December			31 May
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments, at cost	*16*	228	2,128	2,128	2,470

Loans and receivables

		31 December			31 May
		2011	**2012**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	*19*	199,488	234,153	271,945	358,794
Financial assets included in prepayments, deposits and other receivables	*20*	19,756	25,411	64,586	70,310
Amounts due from the Remaining Company	*29(c)*	–	–	124,291	94,030
Cash and cash equivalents	*21*	8,684	3,021	21,600	2
		227,928	262,585	482,422	523,136

Financial liabilities

Financial liabilities at amortised cost

		31 December			31 May
		2011	**2012**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	*22*	59,148	67,585	183,654	133,460
Financial liabilities included in other payables and accruals	*23*	12,542	12,480	14,650	21,474
Interest-bearing bank borrowings	*24*	–	1,612	–	6,483
Amounts due to the Remaining Company	*29(c)*	248,855	130,399	–	–
		320,545	212,076	198,304	161,417

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Business's financial instruments are as follows:

	Carrying amounts				Fair values			
	31 December			31 May	31 December			31 May
	2011	2012	2013	2014	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets								
Available-for-sale investments	228	2,128	2,128	2,470	228	2,128	2,128	2,470
Trade and bills receivables	199,488	234,153	271,945	358,794	199,488	234,153	271,945	358,794
Financial assets included in prepayments, deposits and other receivables	19,756	25,411	64,586	70,310	19,756	25,411	64,586	70,310
Amount due from the Remaining Company	–	–	124,291	94,030	–	–	124,291	94,030
Cash and cash equivalents	8,684	3,021	21,600	2	8,684	3,021	21,600	2
	228,156	264,713	484,550	525,606	228,156	264,713	484,550	525,606
Financial liabilities								
Trade payables	59,148	67,585	183,654	133,460	59,148	67,585	183,654	133,460
Financial liabilities included in other payables and accruals	12,542	12,480	14,650	21,474	12,542	12,480	14,650	21,474
Interest-bearing bank borrowings	–	1,612	–	6,483	–	1,612	–	6,483
Amounts due to the Remaining Company	248,855	130,399	–	–	248,855	130,399	–	–
	320,545	212,076	198,304	161,417	320,545	212,076	198,304	161,417

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to the Remaining Company and interest-bearing bank borrowings approximate to their carrying amounts as at the end of the Relevant Periods largely due to the short term maturities of these instruments.

Fair value hierarchy

The Target Business did not have any financial assets and financial liabilities measured at fair value during the Relevant Periods.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Business's principal financial instruments comprise interest-bearing bank loans and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Target Business's operations. The Target Business has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Business's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Target Business does not have any written risk management policies and guidelines. Generally, the Target Business introduces prudent strategies on its risk management. The management of the Target Business reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Management does not anticipate any significant impact resulting from the changes in interest rates because most of the Target Business's loans as at the end of each of the reporting periods were at fixed interest rates which have no significant impact on cash flow interest rate risk.

Foreign currency risk

The Target Business's businesses are located in Mainland China and most of the transactions are conducted in RMB. Most of the Target Business's assets and liabilities are denominated in RMB, except for certain monetary assets and liabilities denominated in the Euro, HK$ and US$. The Target Business has not adopted any financial instruments for hedging purposes. Fluctuations of the exchange rates of RMB against foreign currencies do not have significant effects on the Target Business's results. The Target Business has not hedged its foreign exchange rate risk.

A reasonably possible change of 5% in the exchange rate between the Euro, US$ and HK$ and RMB would have no material impact on the Target Business's profit or loss during the Relevant Periods and there would have been no material impact on the Target Business's equity.

Credit risk

The Target Business trades only with recognised and creditworthy third parties. It is the Target Business's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Business's exposure to bad debts is not significant.

The credit risk of the Target Business's other financial assets, which comprise cash and cash equivalents, prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Target Business trades only with recognised and creditworthy third parties, there is no requirement for collateral. There is no significant concentration of credit risk within the Target Business.

Liquidity risk

The Target Business's objective is to maintain sufficient cash and cash equivalents and have available funding through operation and financial support from bank borrowings.

The maturity profile of the Target Business's financial liabilities at the end of each of the reporting period, based on the contracted undiscounted payments, is as follows:

	31 December 2011			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	59,148	–	59,148
Financial liabilities included in other payables and accruals	12,542	–	–	12,542
Amounts due to the Remaining Company	248,855	–	–	248,855
	261,397	59,148	–	320,545

	31 December 2012			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	67,585	–	67,585
Financial liabilities included in other payables and accruals	12,480	–	–	12,480
Interest-bearing bank borrowings	–	1,612	–	1,612
Amounts due to the Remaining Company	130,399	–	–	130,399
	142,879	69,197	–	212,076

	31 December 2013			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	183,654	–	183,654
Financial liabilities included in other payables and accruals	14,650	–	–	14,650
	14,650	183,654	–	198,304

	31 May 2014			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	133,460	–	133,460
Financial liabilities included in other payables and accruals	21,474	–	–	21,474
Interest-bearing bank borrowings	–	6,483	–	6,483
	21,474	139,943	–	161,417

33. EVENTS AFTER THE REPORTING PERIOD

On 1 September 2014, the Target Business was disposed by Sany Group Co., Ltd. to its newly set up wholly owned subsidiary, namely Hunan Sany Port Equipment Co., Ltd. for a cash consideration of RMB515,760,000.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Business in respect of any period subsequent to 31 May 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 November 2014

The Board of Directors
Sany Heavy Equipment International Holdings Company Limited

Dear Sirs,

We set out below our report on the financial information of Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Industry" or the "Target Company") and its subsidiaries (hereinafter collectively referred to as the "Target Group"), comprising the consolidated statements of profit or loss and total comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the period from 30 March 2011 (date of incorporation) to 31 December 2011, the years ended 31 December 2012 and 2013, and the five months ended 31 May 2014 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2011, 2012 and 2013, and 31 May 2014, together with the notes thereto (the "Financial Information"), and the consolidated statements of profit or loss and total comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the five months ended 31 May 2013 (the "Interim Comparative Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Sany Heavy Equipment International Holdings Company Limited (the "Company") dated 30 November 2014 (the "Circular") in connection with the proposed acquisition of the Target Group by the Company.

The Target Company was incorporated as a company with limited liability on 30 March 2011 in the Cayman Islands.

As at the date of this report, no statutory financial statements have been prepared for the Target Company, as the Target Company is an investment holding company and it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Target Company has direct interests in the subsidiaries set out in note 1 of Section II below. All companies now comprising the Target Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the sole director of the Target Company (the "Director") has prepared the consolidated financial statements of the Target Group (the "Underlying Financial Statements") in accordance with the International Financial Reporting Standards (the "IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the period from 30 March 2011 (date of incorporation) to 31 December 2011, the years ended 31 December 2012 and 2013, and the five months ended 31 May 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Director's responsibility

The Director of the Target Company is responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Director determines is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Group and the Target Company as at 31 December 2011, 2012 and 2013 and 31 May 2014, and of the results and cash flows of the Target Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

		Period from 30 March 2011 (date of incorporation) to 31 December	Year ended 31 December		Five months ended 31 May	
		2011	2012	2013	2013	2014
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	*6*	–	90,565	250,579	93,534	29,310
Cost of sales		–	(84,108)	(239,379)	(87,796)	(23,438)
Gross profit		–	6,457	11,200	5,738	5,872
Other income and gains	*6*	10	25,423	54,128	16,290	16,603
Selling and distribution expenses		(14)	(2,690)	(3,364)	(1,759)	(923)
Administrative expenses		(487)	(42,745)	(33,404)	(12,422)	(22,761)
Other expenses		(27)	(438)	(388)	(473)	–
Finance costs	*8*	(350)	(23,836)	(29,407)	(11,400)	(13,118)
LOSS BEFORE TAX	*7*	(868)	(37,829)	(1,235)	(4,026)	(14,327)
Income tax expense	*11*	116	5,030	(2,775)	(285)	194
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		(752)	(32,799)	(4,010)	(4,311)	(14,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD ATTRIBUTABLE TO:						
Owners of the Target Company	*13*	(735)	(33,272)	(2,676)	(4,698)	(12,628)
Non-controlling interests	*16*	(17)	473	(1,334)	387	(1,505)
		(752)	(32,799)	(4,010)	(4,311)	(14,133)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2011 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 May 2014 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	12,486	57,033	108,014	174,155
Prepayment	15	–	791,714	791,714	791,714
Deferred tax assets	17	441	249,950	248,416	253,075
Total non-current assets		12,927	1,098,697	1,148,144	1,218,944
CURRENT ASSETS					
Inventories	18	1,758	206,779	168,690	234,558
Trade receivables	19	–	48,669	104,286	13,925
Bills receivable	19	–	1,039	2,591	6,687
Prepayments, deposits and other receivables	20	439	36,046	31,197	36,491
Amounts due from a non-controlling shareholder	29(c)	–	478,341	340,720	374,672
Cash and cash equivalents	21	298,293	5,732	4,137	54
Total current assets		300,490	776,606	651,621	666,387
CURRENT LIABILITIES					
Trade and bills payables	22	–	81,165	66,238	67,694
Amounts due to the immediate holding company	29(c)	284,216	491,815	491,800	491,798
Amounts due to a non-controlling shareholder	29(c)	13,442	–	–	–
Other payables and accruals	23	2,017	91,442	34,836	110,741
Tax payable		325	244,804	246,045	250,510
Total current liabilities		300,000	909,226	838,919	920,743
NET CURRENT ASSETS/(LIABILITIES)		490	(132,620)	(187,298)	(254,356)
TOTAL ASSETS LESS CURRENT LIABILITIES		13,417	966,077	960,846	964,588
NON-CURRENT LIABILITIES					
Government grants	24	–	975,047	975,047	995,047
Total non-current liabilities		–	975,047	975,047	995,047
Net assets/(liabilities)		13,417	(8,970)	(14,201)	(30,459)
EQUITY					
Equity attributable to owner of the Target Company					
Issued capital	25	–	–	–	–
Reserves	26	(66)	(22,926)	(32,570)	(47,323)
		(66)	(22,926)	(32,570)	(47,323)
Non-controlling interests	16	13,483	13,956	18,369	16,864
Total equity/(deficiency in assets)		13,417	(8,970)	(14,201)	(30,459)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Group					
	Issued capital	Share premium*	Other reserve*	Accumulated losses*	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 25)				*(note 16)*	
At 30 March 2011 (date of incorporation)	–	–	–	–	–	–
Issue of shares	–	319	–	–	–	319
Loss for the period	–	–	–	(735)	(17)	(752)
Capital contribution from a non-controlling shareholder	–	–	–	–	13,500	13,500
Equity-contributed reserve	–	–	350	–	–	350
At 31 December 2011 and 1 January 2012	–	319	350	(735)	13,483	13,417
Profit/(loss) for the year	–	–	–	(33,272)	473	(32,799)
Deemed dividend	–	–	–	(13,424)	–	(13,424)
Equity-contributed reserve	–	–	23,836	–	–	23,836
At 31 December 2012 and 1 January 2013	–	319	24,186	(47,431)	13,956	(8,970)
Loss for the year	–	–	–	(2,676)	(1,334)	(4,010)
Capital contribution from a non-controlling shareholder	–	621	–	–	5,747	6,368
Deemed dividend	–	–	–	(36,996)	–	(36,996)
Equity-contributed reserve	–	–	29,407	–	–	29,407
At 31 December 2013 and 1 January 2014	–	940	53,593	(87,103)	18,369	(14,201)
Loss for the period	–	–	–	(12,628)	(1,505)	(14,133)
Deemed dividend	–	–	–	(15,243)	–	(15,243)
Equity-contributed reserve	–	–	13,118	–	–	13,118
At 31 May 2014	–	940	66,711	(114,974)	16,864	(30,459)
At 31 December 2012 and 1 January 2013	–	319	24,186	(47,431)	13,956	(8,970)
Profit/(loss) for the period (unaudited)	–	–	–	(4,698)	387	(4,311)
Deemed dividend	–	–	–	(15,536)	–	(15,536)
Equity-contributed reserve	–	–	11,400	–	–	11,400
At 31 May 2013 (unaudited)	–	319	35,586	(67,665)	14,343	(17,417)

* These reserve accounts comprise the consolidated negative reserves of RMB66,000, RMB22,926,000, RMB32,570,000 and RMB47,323,000 in the consolidated statement of financial position as at 31 December 2011, 2012 and 2013, and as at 31 May 2014, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Five months ended 31 May 2013	Five months ended 31 May 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(868)	(37,829)	(1,235)	(4,026)	(14,327)
Adjustments for:						
Finance costs	*8*	350	23,836	29,407	11,400	13,118
Interest income	*6*	–	(13,424)	(36,996)	(15,536)	(15,243)
Depreciation	*14*	–	3,600	4,718	2,239	4,056
Impairment of trade receivable	*19*	–	422	391	137	(459)
Impairment/ (write-back of impairment) of prepayment, deposits and other receivables	*20*	23	12	(21)	5	2
		(495)	(23,383)	(3,736)	(5,781)	(12,853)
Decrease/(increase) in inventories		(1,758)	(205,021)	34,231	20,467	(65,868)
Decrease/(increase) in trade receivables		–	(49,091)	(56,008)	(5,438)	90,820
Increase in bills receivable		–	(1,039)	(1,552)	(5,090)	(4,096)
Increase/(decrease) in amounts due to a non-controlling shareholder		956	(956)	–	–	–
Decrease/(increase) in prepayments, deposits and other receivables		(462)	(34,805)	5,393	(6,468)	(1,165)
Increase/(decrease) in trade and bills payables		–	81,165	(14,927)	(37,292)	1,456
Increase/(decrease) in other payables and accruals		2,017	35,756	(68,581)	(14,072)	53,619
Increase/(decrease) in due to the immediate holding company		–	–	(15)	3	(2)
Cash (used in)/generated from operation		258	(197,374)	(105,195)	(53,671)	61,911
Income tax paid		–	–	–	–	–
Net cash flows (used in)/generated from operating activities		258	(197,374)	(105,195)	(53,671)	61,911

	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December		Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net cash flows (used in)/generated from operating activities	258	(197,374)	(105,195)	(53,671)	61,911
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	–	(59,735)	(34,021)	(2,044)	(52,042)
Prepayment of other non-current asset	–	(791,714)	–	–	–
Loans to a non-controlling shareholder	–	(426,384)	–	–	(33,952)
Receipt of loans to a non-controlling shareholder	–	–	137,621	55,100	–
Receipt of government grants	–	975,047	–	–	20,000
Net cash flows generated from/(used in) investing activities	–	(302,786)	103,600	53,056	(65,994)
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings from the immediate holding company	284,216	207,599	–	–	–
Issue shares	319	–	–	–	–
Cash received from a non-controlling shareholder upon investments in a subsidiary	13,500	–	–	–	–
Net cash flows generated from financing activities	298,035	207,599	–	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	298,293	(292,561)	(1,595)	(615)	(4,083)
Cash and cash equivalents at beginning of year/period	–	298,293	5,732	5,732	4,137
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	298,293	5,732	4,137	5,117	54

II NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Target Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KYI-1111, Cayman Islands.

The principal activity of the Target Company is investment holding. The Target Company has direct interest in its subsidiaries, all of which are private companies with limited liabilities, the particulars of which are set out below:

Name	Date of registration	Place of registration and business	Nominal value of registered capital	Percentage of equity attributable to the Target Company (Direct)	Principal activities
Sany Marine Heavy Industry Co., Ltd. ("Sany Marine Heavy")	8 June 2011	PRC	RMB713,180,000	90.5%	Under construction
Zhuhai Sany Port Machinery Co., Ltd. ("Zhuhai Sany")	10 February 2012	PRC	RMB63,180,000	91%	Development, manufacture and sale of large-size port machineries, such as Gantry Crane, Ship to Shore Crane and Yard Crane, etc.

The statutory financial statements of Sany Marine Heavy for the year ended 31 December 2011, 2012 and 2013, and the statutory financial statements of Zhuhai Sany for the year ended 31 December 2012 and 2013 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP Zhuhai Branch (珠海立信會計師事務所).

The immediate holding company of the Target Company is Sany Hongkong Group Ltd., a company incorporated in the Hong Kong.

In the opinion of the Director, the Target Group is ultimately held by 15 individual shareholders: Liang Wengen, Tang Xiuguo, Xiang Wenbo, Mao Zhongwu, Yuan Jinhua, Zhou Fugui, Wang Haiyan, Yi Xiaogang, Zhao Xiangzhang, Wang Zuochun, Zhai Xian, Liang Linhe, Zhai Chun, Duan Dawei and Huang Jianlong, who directly hold 57.12%, 8.75%, 8.00%, 8.00%, 4.75%, 3.50%, 3.00%, 3.00%, 1.00%, 1.00%, 0.60%, 0.50%, 0.40%, 0.30% and 0.08% of the equity interests in Sany Group Co, Ltd., a non-controlling shareholder of the Target Group, respectively.

2.1 BASIS OF PRESENTATION AND PREPARATION

The Financial Information has been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. For the purpose of the Financial Information, the Target Group has adopted, at the beginning of the Relevant Periods, all new and revised IFRSs applicable to the Target Group throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 May 2014, the Target Group had net current liabilities and deficiency in assets of RMB254,356,000 and RMB30,459,000, respectively. The immediate holding company of the Target Group will provide continuous financial support and adequate funds to the Target Group to enable the Target Group to meet its liabilities when they fall due.

The Director has reviewed the Target Group's cash flow projections prepared by management. The cash flow projections cover a period of twelve months from the end of the reporting period. The Director is of the opinion that, the Target Group will have sufficient working capital for its present requirements. In the opinion of the Director, the Target Group should be able to continue as a going concern in the foreseeable future notwithstanding the net current liabilities and deficiency in assets position. Hence the Financial Information has been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Target Group for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Target Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information:

The Target Business has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Financial Information:

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 11 Amendments	Amendments to IFRS 11 Accounting for Acquisitions of *Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferred Accounts*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41 *Bearer Plants*[2]
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]

IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
IAS 27 Amendments	Amendments to IAS 27 *Equity Method in Separate Financial Statements*[2]
IFRSs Amendments	*Annual Improvements to IFRSs 2010-2012 Cycle*[1]
IFRSs Amendments	*Annual Improvements to IFRSs 2011-2013 Cycle*[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company and/or its other subsidiaries. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss and total comprehensive income to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal estimated useful lives and annual rates used for this purpose are as follows:

	Estimated useful lives	Annual rates
Plant and machinery	10 years (120 months)	9.7%
Office and other equipment	8.3 years (100 months)	11.7%
Motor vehicles	8.3 years (100 months)	11.7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each end of the reporting period.

An item of property, plant and equipment including, any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss income on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group' statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group' continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade and bills payables, amounts due to the immediate holding company and other payables and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate portion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and total comprehensive income.

Provisions for product warranties granted by the Target Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to government grants and is released to the statement of profit or loss and total comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The Target Group has joined a number of defined contribution pension schemes, including pension schemes, medical insurance, unemployment insurance and housing fund, organised by the relevant principal and municipal social insurance management bodies of the PRC government for those employees who are eligible to participate in the schemes. The Target Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salary during the year. The contributions payable are charged as an expense to the statement of profit or loss as incurred. The assets of the schemes are held separately from those of the Target Group in independently administered funds.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Financial Information is presented in RMB, which is the functional and presentation currency of the Target Group. Transactions in foreign currencies are translated into the functional currency of the Target Group using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

The Target Group estimates the provisions for impairment of trade receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires management's judgement and estimates. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the actual outcome or further expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables, doubtful debt expenses and write-back of trade receivables in the period in which the estimate has been changed. The Target Group reassesses the provisions at the end of the reporting period. Further details are included in note 19 to the Financial Information.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Target Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Target Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at each Relevant Periods end based on changes in circumstances. Further details are included in note 14 to the Financial Information.

Write-down of inventories to net realisable value

Write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. The assessment of the write-down required involves management's judgement and estimates on market conditions. Where the actual outcome or further expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down charge/write-back of inventories in the period in which the estimate has been changed. Further details are included in note 18 to the Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There were no unrecognised tax losses as at 31 December 2011, 2012 and 2013, and as at 31 May 2014. Further details are contained in note 17 to the Financial Information.

Provision for product warranties

The Target Business provides warranties for a period of 2 years or 4000 hours (whichever is earlier) on the products sold to its customers, under which faulty products are repaired or replaced. The amount of the warranty provision is estimated based on the sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

5. OPERATING SEGMENT INFORMATION

During the Relevant Periods, the Target Group is principally engaged in development, manufacture and sale of large-size port machineries, such as Gantry Crane, Ship to Shore Crane and Yard Crane, etc., and related accessories and provision after-sale service. For management purposes, the Target 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.

Geographical information

All external revenue of the Target Group during the Relevant Periods was attributable to customers established in the PRC. All non-current assets of the Target Group are located in the PRC.

Information about a major customer

The revenue derived from sales to a major customer from whom the revenue individually exceeded 10% of the total revenue of the Target Group is set out below:

	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December		Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sany Group Co., Ltd.	–	44,864	246,558	93,534	29,310

Sany Group Co., Ltd. is a non-controlling shareholder of the Target Group (see note 29).

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the Relevant Periods and the five months ended 31 May 2013.

Analyses of revenue and other income and gains are as follows:

	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Five months ended 31 May 2013	Five months ended 31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue					
Sales of goods	–	90,565	250,579	93,534	29,310
Other income and gains					
Subsidies	–	7,630	10,884	225	–
Profit from the sale of scrap materials	–	4,180	1,463	509	1,356
Deemed interest income	–	13,424	36,996	15,536	15,243
Design fee	–	–	4,717	–	–
Others	10	189	68	20	4
	10	25,423	54,128	16,290	16,603

7. LOSS BEFORE TAX

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

	Notes	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Five months ended 31 May 2013	Five months ended 31 May 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of inventories sold		–	84,108	239,379	87,796	23,438
Depreciation	*14*	–	3,600	4,718	2,239	4,056
Minimum lease payments under operating lease:						
– Building		–	2,414	1,929	820	1,025
Staff costs						
– Wages and salaries		4	33,131	25,324	10,163	10,019
– Staff welfare and other expenses		69	6,181	6,328	2,365	2,424
		73	39,312	31,652	12,528	12,443
Provision for warranties*		–	254	702	262	82
Research and development costs**		206	25,833	16,803	6,703	6,814
Impairment of trade receivables, net***	*19*	–	422	391	137	(459)
Impairment of other receivables, net***	*20*	23	12	(21)	5	2
Finance costs	*8*	350	23,836	29,407	11,400	13,118

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

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

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Period from 30 March 2011 (date of incorporation) to 31 December	Year ended 31 December		Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Deemed interest on a loan from the immediate holding company	350	18,469	15,836	6,598	6,598
Deemed interest on a loan from a non-controlling shareholder	–	5,367	13,571	4,802	6,520
	350	23,836	29,407	11,400	13,118

9. DIRECTOR'S REMUNERATION

There was no director's remuneration paid by the Target Group during the Relevant Periods and five months ended 31 May 2013.

10. FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the highest paid employees for the Relevant Periods and the five months ended 31 May 2013 are as follows:

	Period from 30 March 2011 (date of incorporation) to 31 December	Year ended 31 December		Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	1,670	1,770	1,870	730	770

The number of the above non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	2013	Five months ended 31 May 2013	2014
Nil to HK$1,000,000 (RMB795,780)	5	5	5	5	5
HK$1,000,001 to HK$1,500,000 (RMB795,780 to RMB1,193,670)	0	0	0	0	0
	5	5	5	5	5

11. INCOME TAX

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

The Target Company, which was incorporated in the Cayman Islands, is not subjected to income tax.

The provision for Mainland China current income tax is based on statutory rate of 25% of the assessable profit of Sany Marine Heavy and Zhuhai Sany as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008.

Pursuant to the New Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. For the Target Group, the applicable rate is 10%. The Target Group is therefore liable to withholding taxes on dividends distributed by Sany Marine Heavy and Zhuhai Sany in respect of earnings generated from 1 January 2008.

At 31 May 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Target Group's subsidiaries in Mainland China. In the opinion of the Director, it is not probable that the subsidiaries will distribute such earnings in the foreseeable future.

The major components of the income tax expense for the Relevant Periods and the five months ended 31 May 2013 are as follows:

Target Group

	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	2013	Five months ended 31 May 2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current – Mainland China	325	244,479	1,241	–	4,465
Deferred	(441)	(249,509)	1,534	285	(4,659)
Total tax (credited)/charged for the year/period	(116)	(5,030)	2,775	285	(194)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Target Company and its subsidiaries are principally domiciled to the tax expense at the effective tax is as follows:

Target Group

	Period from 30 March 2011 (date of incorporation) to 31 December		Year ended 31 December				Five months ended 31 May			
	2011		**2012**		**2013**		**2013**		**2014**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*unaudited*)	%	*RMB'000*	%
Loss before tax	(868)		(37,829)		(1,235)		(4,026)		(14,327)	
Tax at the statutory tax rate of 25%	(217)	25	(9,457)	25	(309)	25	(1,006)	25	(3,582)	25
Income not subject to tax	–	–	(5,424)	14.3	(10,516)	851	(4,472)	111	(2,824)	19.7
Expenses not deductible for tax	101	(12)	6,474	(17.1)	8,400	(680)	2,938	(73)	1,737	(12.1)
Tax losses not recognised	–	–	3,377	(9)	5,200	(421)	2,825	(70)	4,475	(31.2)
Tax (credit)/charge at the Target Group' effective tax rate	(116)	13	(5,030)	13	2,775	(225)	285	(7)	(194)	1.4

There was no unrecognised deferred tax asset arose from taxable losses as at 31 December 2011, 2012 and 2013, and 31 May 2014.

12. DIVIDENDS

No dividend has been paid or declared by the Target Group in the Relevant Periods and five months ended 31 May 2013.

13. LOSS ATTRIBUTABLE TO OWNERS OF THE TARGET COMPANY

The consolidated loss attributable to the owner of the Target Company for the years ended 31 December 2011, 2012 and 2013 and five months ended 31 May 2014 includes losses of RMB735,000, RMB33,272,000, RMB2,676,000 and RMB12,628,000, respectively, which has been dealt with in the financial statements of the Target Company (note 26(b)).

14. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

Target Group

	Plant and machinery *RMB'000*	Office and other equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 1 January 2011, net of accumulated depreciation	–	–	–	–	–
Additions	–	–	–	12,486	12,486
At 31 December 2011 and 1 January 2012, net of accumulated depreciation	–	–	–	12,486	12,486
Additions	27,897	6,795	4,223	11,046	49,961
Depreciation provided during the year	(2,981)	(277)	(342)	–	(3,600)
Transfers	10,672	–	–	(10,672)	–
Other transfer out to input value added tax	–	–	–	(1,814)	(1,814)
At 31 December 2012 and 1 January 2013, net of accumulated depreciation	35,588	6,518	3,881	11,046	57,033
Additions	27,514	6,563	1,627	19,995	55,699
Depreciation provided during the year	(3,243)	(917)	(558)	–	(4,718)
At 31 December 2013 and 1 January 2014, net of accumulated depreciation	59,859	12,164	4,950	31,041	108,014
Additions	5,144	5	–	65,048	70,197
Depreciation provided during the period	(3,043)	(690)	(323)	–	(4,056)
At 31 May 2014, net of accumulated depreciation	61,960	11,479	4,627	96,089	174,155
At 31 December 2011 and 1 January 2012					
Cost	–	–	–	12,486	12,486
Accumulated depreciation	–	–	–	–	–
Net carrying amount	–	–	–	12,486	12,486
At 31 December 2012 and 1 January 2013					
Cost	38,569	6,794	4,224	11,046	60,633
Accumulated depreciation	(2,981)	(276)	(343)	–	(3,600)
Net carrying amount	35,588	6,518	3,881	11,046	57,033
At 31 December 2013 and 1 January 2014					
Cost	66,083	13,357	5,851	31,041	116,332
Accumulated depreciation	(6,224)	(1,193)	(901)	–	(8,318)
Net carrying amount	59,859	12,164	4,950	31,041	108,014

	Plant and machinery	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 May 2014					
Cost	71,227	13,362	5,851	96,089	186,529
Accumulated depreciation	(9,267)	(1,883)	(1,224)	–	(12,374)
Net carrying amount	61,960	11,479	4,627	96,089	174,155

All of the PP&E owned by the Target Group are located in the Mainland China.

15. PREPAYMENT

Target Group

	31 December 2011	2012	2013	31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment for acquisition two pieces of leasehold land	–	791,714	791,714	791,714

On 22 February 2012, the Target Group entered into an agreement with China Zhuhai Government to purchase two pieces of land at a total consideration of RMB791,714,000 (the "Agreement"). The leasehold land are situated in Mainland China and held under a medium term lease.

As at 31 May 2014, the Target Group has received one parcel of land with carrying amount of approximately RMB247,049,000. On 1 July 2014, the land use right certificate was acquired by the Target Group. Another parcel of land has not yet been provided to the Target Group by China Zhuhai Government up to the date of this report.

According to the Agreement, the total investment on these two pieces of land shall be no less than RMB5.1 billion in 2 years after the land are provided. In the event that the Target Group fails to meet such investment commitment, the Target Group should bear a penalty for breach of contract which is calculated based on the actual shortage in percentage of the total investment multiplied by the total consideration for the land of RMB791,714,000. In the point of the Director, the Target Group strictly abides by the terms of the Agreement and no breach of any term in the Agreement was noted up to the date of this report.

16. INVESTMENT IN SUBSIDIARIES

Target Company

	31 December 2011	2012	2013	31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	284,500	491,994	491,994	491,994

A non-controlling shareholder of the Target Company's subsidiaries is Sany Group Co., Ltd., which is a fellow subsidiary of the Target Group. Details of the Target Company's subsidiaries that have non-controlling interests are set out below:

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Percentage of equity interest held by the non-controlling interests:				
Sany Marine Heavy	9.5%	9.5%	9.5%	9.5%
Zhuhai Sany	–	–	9.0%	9.0%

	Period from 30 March 2011 (date of incorporation) to 31 December	**Year ended 31 December**		**Five month ended 31 May**
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) for the year/period allocated to non-controlling interests:				
Sany Marine Heavy	(17)	473	1,208	416
Zhuhai Sany	–	–	(2,542)	(1,921)
	(17)	473	(1,334)	(1,505)

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated balances of non-controlling interests at the reporting dates:				
Sany Marine Heavy	13,483	13,956	15,164	15,580
Zhuhai Sany	–	–	3,205	1,284
	13,483	13,956	18,369	16,864

The following table illustrates the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company elimination:

Sany Marine Heavy

	Period from 8 June 2011 (date of registration) to 31 December 2011	Year ended 31 December		Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Total expenses	501	4,420	5,734	2,524	1,706
Profit and total comprehensive income for the year/period	375	15,697	40,076	12,840	13,808
Current assets	300,481	629,043	623,719	625,527	598,331
Non-current assets	12,927	1,046,496	1,066,530	1,042,998	1,136,400
Current liabilities	(15,784)	(250,593)	(262,224)	(246,276)	(288,140)
Non-current liabilities	–	(975,047)	(975,047)	(975,047)	(995,047)
Net cash flows from/(used in) operating activities	284	(179,553)	9,995	(2,275)	(4,339)
Net cash flows from/(used in) investing activities	–	(263,056)	(11,868)	1,611	550
Net cash flows from financing activities	298,000	150,000	–	–	–
Net increase/(decrease) in cash and cash equivalents	298,284	(292,609)	(1,873)	(664)	(3,789)

Zhuhai Sany

	Period from 10 February 2012 (date of registration) to 31 December 2012	Year ended 31 December 2013	Five months ended 31 May 2013	2014
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Total expenses	52,407	53,423	20,224	28,412
Loss and total comprehensive income for the year/period	29,934	28,244	10,549	21,345
Current assets	147,542	27,903	10,689	68,057
Non-current assets	52,202	81,613	45,312	82,544
Current liabilities	(166,817)	(84,894)	(28,822)	(140,804)
Net cash flows from/(used in) operating activities	(17,727)	(115,169)	(51,395)	66,200
Net cash flows from/(used in) investing activities	(39,730)	115,468	51,445	(66,494)
Net cash flows from financing activities	57,493	–	–	–
Net increase/(decrease) in cash and cash equivalents	36	299	50	(294)

17. DEFERRED TAX

Target Group

The movements in deferred tax assets during the Relevant Periods are as follows:

		31 December 2011	2012	2013	31 May 2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		–	441	249,950	248,416
Deferred tax credited/(charged) to the statements of profit or loss during the year/period	*11*	441	249,509	(1,534)	4,659
Deferred tax assets at end of year/period		441	249,950	248,416	253,075

Deferred tax assets recognised:

	2011	31 December 2012	2013	31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Impairment of trade receivables	–	105	203	88
Impairment of prepayments, deposits and other receivables	5	9	4	4
Government grants	–	243,762	243,762	248,762
Tax losses	–	5,019	3,466	3,466
Accruals	436	1,055	981	755
Deferred tax assets at end of year/period	441	249,950	248,416	253,075

18. INVENTORIES

	2011	31 December 2012	2013	31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	120	30,200	20,741	45,369
Work in progress	1,638	56,123	110,634	103,896
Finished goods	–	120,456	37,315	85,293
	1,758	206,779	168,690	234,558

19. TRADE AND BILLS RECEIVABLES

	2011	31 December 2012	2013	31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	49,091	105,099	14,279
Impairment	–	(422)	(813)	(354)
Trade receivables, net	–	48,669	104,286	13,925
Bills receivables	–	1,039	2,591	6,687

Trade and bills receivables are mainly from sales of port machinery and related products. The Target Group generally grants 30 days to 90 days credit term to third party customers. The trade receivable from Sany Group Co. Ltd., a non-controlling shareholder, has no fixed term of repayment (note 29).

The Target Group seeks to maintain strict control over its outstanding receivables and keeps close monitoring on them to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at end of each reporting period, based on the invoice date, is as follows:

	31 December			31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	–	7,600	79,678	–
31 to 90 days	–	4,767	–	374
91 to 180 days	–	32,534	–	–
181 to 365 days	–	3,768	200	–
Over 1 year	–	–	24,408	13,551
	–	48,669	104,286	13,925

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

		Period from 30 March 2011 (date of incorporation) to 31 December	Year ended 31 December		Five months ended 31 May
		2011	2012	2013	2014
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		–	–	422	813
Impairment losses recognised/ (reversed)	*7*	–	422	391	(459)
At end of year/period		–	422	813	354

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

	31 December			31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	–	22,172	85,842	3,255
Past due but not impaired:				
Less than 180 days past due	–	26,299	7,664	–
180 to 365 days past due	–	198	197	6,632
Over 1 year past due	–	–	10,583	4,038
	–	48,669	104,286	13,925

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 Target Group. Based on past experience, the Director of the Target Group is 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 Target Group does not hold any collateral or other credit enhancements over these balances.

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

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within six months	–	1,039	2,591	6,687

As 31 May 2014, no bills receivable were pledged to secure the issuance of bills payable.

Transferred financial assets that are derecognised in their entirety

The Target 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 RMB18,106,000, RMB17,999,000 and RMB30,684,000 at 31 December 2012 and 2013, and 31 May 2014, respectively.

The Derecognised Bills had a maturity of one to six months 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 Target Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Director, the Target Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Target Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills equals to their carrying amounts. In the opinion of the Director, the fair values of the Target Group's Continuing Involvement in the Derecognised Bills are not significant.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Target Group

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	–	7,658	9,204	13,147
Deposits and other receivables	462	4,031	1,661	1,016
Other tax receivables	–	24,392	20,346	22,344
Impairment	(23)	(35)	(14)	(16)
	439	36,046	31,197	36,491

The movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

		Year ended 31 December			Five months ended 31 May
		2011	**2012**	**2013**	**2014**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		–	23	35	14
Impairment losses recognised/ (reversed)	7	23	12	(21)	2
At end of year/period		23	35	14	16

The balances of other receivables as at 31 December 2011, 2012 and 2013, and 31 May 2014 were unsecured, interest-free and repayable on demand.

The carrying amounts of the other receivables approximate to their fair values.

21. CASH AND CASH EQUIVALENTS

Target Group

		31 December		31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	298,293	5,732	4,137	54

At the end of each reporting year/period, the cash and bank balances of the Target Group were denominated in RMB, US$ and HK$. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and cash equivalents approximate to their fair values.

22. TRADE AND BILLS PAYABLES

Target Group

An aged analysis of the trade and bills payables as at 31 December 2011, 2012 and 2013, and 31 May 2014, based on the invoice date, is as follows:

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	–	58,288	40,802	21,940
31 to 90 days	–	15,433	15,519	31,196
91 to 180 days	–	7,193	7,778	10,657
181 to 365 days	–	251	1,339	3,121
Over 1 year	–	–	800	780
	–	81,165	66,238	67,694

The trade payables are non-interest-bearing and are normally with credit terms of 30 days to 120 days.

The carrying amounts of the trade payables approximate to their fair values.

23. OTHER PAYABLES AND ACCRUALS

Target Group

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	–	72,968	–	60,534
Accruals	1,085	–	–	–
Other payables	120	13,524	29,609	45,809
Payroll payable	658	4,222	3,922	3,019
Other taxes payable	154	728	1,305	1,379
	2,017	91,442	34,836	110,741

The other payables are non-interest-bearing and are due within one year. The carrying amounts of other payables approximate to their fair values.

24. GOVERNMENT GRANTS

Target Group

	Note	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	2013	Five months ended 31 May 2014
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		–	–	975,047	975,047
Grants recognised during the year/period		–	982,677	10,884	20,000
Recognised as income during the year/period	6	–	(7,630)	(10,884)	–
At end of year/period		–	975,047	975,047	995,047

25. ISSUED CAPITAL

Target Group

	31 December 2011	2012	2013	31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:				
3,800,000 ordinary shares of HK$0.10 each	319	319	319	319
Issued and fully paid:				
One ordinary share of HK$0.10	–	–	–	–

The Target Company was incorporated in the Cayman Islands with limited liabilities on 30 March 2011 and is wholly owned by Sany Hongkong Group Ltd., a company incorporated in Hong Kong. Upon the incorporation of the Target Company, one ordinary share of HK$0.10 was issued at par for a total cash consideration of HK$0.10. On 30 August 2011, the Target Company received cash capital injection of US$50,000 (equivalent to RMB319,000) from Sany Hongkong Group Ltd.

26. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods and five months ended 31 May 2013 are presented in the consolidated statements of changes in equity set out in Section I of the Financial Information.

Pursuant to the relevant PRC laws and regulations, each wholly-owned foreign enterprise registered in the PRC is required to allocate not less than 10% of its profit after tax, as determined in accordance with generally accepted accounting principles in the PRC, to its reserve fund, until the balance of the fund reaches 50% of the registered capital of that company. The fund is restricted as to use.

(b) Target Company

	Share premium *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Period from 30 March 2011 (date of incorporation) to 31 December 2011	–	–	–
Issue of shares	319	–	319
Loss for the period	–	(377)	(377)
At 31 December 2011 and 1 January 2012	319	(377)	(58)
Loss for the year	–	(18,561)	(18,561)
At 31 December 2012 and 1 January 2013	319	(18,938)	(18,619)
Loss for the year	–	(15,842)	(15,842)
At 31 December 2013	319	(34,780)	(34,461)
Loss for the period	–	(6,596)	(6,596)
At 31 May 2014	319	(41,376)	(41,057)

27. OPERATING LEASE ARRANGEMENTS

As lessee

The Target Group leases certain of its plant, dormitories, warehouses and office spaces under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 31 December 2011, 2012 and 2013, and 31 May 2014, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		31 December		31 May
	2011 *RMB'000*	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000*
Within one year	6,070	5,052	5,263	3,207
In the second to fifth years, inclusive	8,366	4,046	–	–
	14,436	9,098	5,263	3,207

28. COMMITMENTS

In addition to the operating lease commitments as set out in note 27 above, the Target Group had the following capital commitments as at the end of the reporting period:

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Plant and machinery	5,450	4,318,848	4,298,853	4,233,805

29. RELATED PARTY TRANSACTIONS

(a) Major related parties

For the Relevant Periods, the following parties are identified as related party to the Target Group and the respective relationships are set out below:

Name of related parties*	**Relationship**
三一集團有限公司 Sany Group Co., Ltd.	Non-controlling shareholder
三一重工股份有限公司 Sany Heavy Industry Co., Ltd. ("Sany Heavy Industry")	Fellow subsidiary
湖南三一路面機械有限公司 Hunan Sany Road Machinery Co., Ltd. ("Sany Road Machinery")	Fellow subsidiary
三一汽車製造有限公司 Sany Automobile Manufacturing Co., Ltd. ("Sany Automobile")	Fellow subsidiary
婁底市中興液壓件有限公司 Loudi ZhongXing Hydraulic Components Co., Ltd. ("Zhongxin Hydraulic")	Fellow subsidiary
三一重機有限公司 Sany Heavy Machinery Co., Ltd. ("Sany Heavy Machinery")	Fellow subsidiary
湖南汽車製造有限公司 Hunan Automobile Manufacturing Co., Ltd. ("Hunan Auto")	Fellow subsidiary
三一汽車起重機械有限公司 Sany Hoisting Machinery Co., Ltd. ("Sany Hoisting Machinery")	Fellow subsidiary
婁底中源新材料有限公司 Loudi Zhongyuan New Material Co., Ltd. ("Zhongyuan New Material")	Fellow subsidiary
湖南三一智能控制設備有限公司 Hunan Sany Intelligent Control Equipment Co., Ltd. ("Sany Intelligent Control")	Fellow subsidiary
北京三一增速機設備有限責任公司 Beijing Sany Booster Engine Equipment Co., Ltd. ("Beijing Booster Engine")	Fellow subsidiary
湖南中成機械有限公司 Hunan Zhongcheng Machinery Co., Ltd. ("Zhongcheng Machinery")	Fellow subsidiary
上海三一科技有限公司 Shanghai Sany Technology Co., Ltd. ("Sany Technology")	Fellow subsidiary
索特傳動設備有限公司 Suote Transmission Equipment Co., Ltd. ("Suote Transmission")	Fellow subsidiary
浙江三一裝備有限公司 Zhejiang Sany Equipment Co., Ltd. ("Zhejiang Sany Equipment")	Fellow subsidiary
上海三一重機有限公司 Shanghai Sany Machinery Co., Ltd. ("Shanghai Sany Heavy")	Fellow subsidiary
三一重型裝備有限公司 Sany Heavy Equipment Co., Ltd. ("Sany Heavy Equipment")	Fellow subsidiary
湖州三一礦機有限公司 Huzhou Sany Mining Machinery Co., Ltd.("Huzhou Sany")	Fellow subsidiary
常德三一機械有限公司 Changde Sany Machinery Co., Ltd. ("Changde Machinery")	Fellow subsidiary

(b) The Target Group had the following transactions with related parties during the Relevant Periods and five months ended 31 May 2013:

	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Five months ended 31 May 2013	Five months ended 31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of products to:					
Sany Group Co., Ltd.	–	44,864	246,558	93,534	29,310
Sany Heavy Industry	–	31,709	–	–	–
	–	76,573	246,558	93,534	29,310
Sales of raw materials to:					
Sany Group Co., Ltd.	–	5,771	1,963	351	813
Sany Road Machinery	–	476	2,052	438	–
Shanghai Sany Heavy	–	279	68	–	–
Zhejiang Sany Equipment	–	272	1,587	449	20
Sany Hoisting Machinery	–	–	1,005	845	1
Sany Automobile	–	239	2	1	–
Sany Technology	–	139	–	–	–
Changde Machinery	–	–	537	395	–
Zhongcheng Machinery	–	–	248	248	69
Sany Heavy Equipment	–	–	–	–	12
Suote Transmission	–	–	1	–	2
ZhongXing Hydraulic	–	–	3	–	–
Beijing Booster Engine	–	–	17	–	–
Hunan Auto	–	241	817	400	–
	–	7,417	8,300	3,127	917

	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Five months ended 31 May 2013	Five months ended 31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Purchase of raw materials from:					
Sany Group Co., Ltd.	–	96,601	4,599	3,043	706
Sany Automobile	–	78	2,312	2,136	36
Zhongcheng Machinery	–	34	–	–	–
Sany Intelligent Control	–	28	7	7	–
Changde Machinery	–	17	4	–	–
Hunan Auto	–	10	228	228	–
Sany Road Machinery	–	–	768	567	–
Zhejiang Sany Equipment	–	–	675	–	13
Sany Heavy Equipment	–	–	525	–	–
Sany Heavy Machinery	–	–	497	–	156
Suote Transmission	–	–	350	154	122
Shanghai Sany Heavy	–	–	339	76	134
Zhongyuan New Material	–	–	166	–	–
Sany Hoisting Machinery	–	–	16	–	–
	–	96,768	10,486	6,211	1,167
Purchase of products from:					
Sany Group Co., Ltd.	–	30,697	–	–	–
Sany Road Machinery	–	671	–	–	–
Sany Automobile	–	526	–	–	–
Sany Hoisting Machinery	–	324	–	–	–
Hunan Auto	–	25	–	–	–
	–	32,243	–	–	–
Rental fee paid to:					
Sany Group Co., Ltd.	–	6,342	6,481	2,896	1,537

In the opinion of the Director, the above transactions with related parties were conducted in the ordinary course of business and at prices and conditions as mutually agreed by the respective parties.

(c) Outstanding balances with related parties:

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to the immediate holding company	284,216	491,815	491,800	491,798
Amounts due from/(to) a non-controlling shareholder	(13,442)	478,341	340,720	374,672
Trade receivables				
Sany Group Co., Ltd.	–	6,906	79,505	–
Zhejiang Sany Equipment	–	–	169	192
Huzhou Sany	–	–	–	101
Zhongcheng Machinery	–	–	–	81
Sany Hoisting Machinery	–	–	–	1
ZhongXing Hydraulic	–	–	3	–
Suote Transmission	–	–	1	–
Beijing Booster Engine	–	–	2	–
	–	6,906	79,680	375
Trade payables				
Sany Group Co., Ltd.	–	49,383	18,623	1,150
Sany Intelligent Control	–	7	–	–
Beijing Booster Engine	160	–	–	–
Sany Heavy Machinery	–	–	156	352
Suote Transmission	–	–	–	142
Shanghai Sany Heavy	–	–	–	157
Sany Hoisting Machinery	–	–	–	175
Zhejiang Sany Equipment	–	–	27	34
	160	49,390	18,806	2,010
Other receivables				
Sany Automobile	–	–	–	52
Other payables and accruals				
Sany Group Co., Ltd.	–	51,957	132	53,658

Amounts due from/to related parties are of trade nature, unsecured, interest-free and repayable on demand.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the reporting period are as follows:

Financial assets

Loans and receivables

			31 December		31 May
		2011	**2012**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	*19*	–	48,669	104,286	13,925
Bills receivable	*19*	–	1,039	2,591	6,687
Financial assets included in prepayments, deposits and other receivables	*20*	462	4,031	1,661	1,016
Amounts due from a non-controlling shareholder	*29(c)*	–	478,341	340,720	374,672
Cash and cash equivalents	*21*	298,293	5,732	4,137	54
		298,755	537,812	453,395	396,354

Financial liabilities

Financial liabilities at amortised cost

			31 December		31 May
		2011	**2012**	**2013**	**2014**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	*22*	–	81,165	66,238	67,694
Financial liabilities included in other payables and accruals	*23*	120	13,524	29,609	45,809
Amounts due to a non-controlling shareholder	*29(c)*	13,442	–	–	–
Amounts due to the immediate holding company	*29(c)*	284,216	491,815	491,800	491,798
		297,778	586,504	587,647	605,301

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Target Group's financial instruments are as follows:

	Carrying amounts				Fair values			
	31 December			31 May	31 December			31 May
	2011	2012	2013	2014	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets								
Trade receivables	–	48,669	104,286	13,925	–	48,669	104,286	13,925
Bills receivable	–	1,039	2,591	6,687	–	1,039	2,591	6,687
Financial assets included in prepayments, deposits and other receivables	462	4,031	1,661	1,016	462	4,031	1,661	1,016
Amount due from a non-controlling shareholder	–	478,341	340,720	374,672	–	478,341	340,720	374,672
Cash and cash equivalents	298,293	5,732	4,137	54	298,293	5,732	4,137	54
	298,755	537,812	453,395	396,354	298,755	537,812	453,395	396,354
Financial liabilities								
Trade and bills payables	–	81,165	66,238	67,694	–	81,165	66,238	67,694
Financial liabilities included in other payables and accruals	120	13,524	29,609	45,809	120	13,524	29,609	45,809
Amounts due to a non-controlling shareholder	13,442	–	–	–	13,442	–	–	–
Amounts due to the immediate holding company	284,216	491,815	491,800	491,798	284,216	491,815	491,800	491,798
	297,778	586,504	587,647	605,301	297,778	586,504	587,647	605,301

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Management has assessed that the fair values of cash and cash equivalents, trade receivables, bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to a non-controlling shareholder and amounts due to the immediate holding company approximate to their carrying amounts as at the end of the Relevant Periods largely due to the short term maturities of these instruments.

Fair value hierarchy

The Target Group did not have any financial assets and financial liabilities measured at fair value during the Relevant Periods.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Target Group does not have any written risk management policies and guidelines. Generally, the Target Group introduces prudent strategies on its risk management. The management of the Target Group reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Target Group's businesses are located in Mainland China and most of the transactions are conducted in RMB. Most of the Target Group's assets and liabilities are denominated in RMB, except for certain monetary assets and liabilities denominated in the HK$ and US$. The Target Group has not adopted any financial instruments for hedging purposes. Fluctuations of the exchange rates of RMB against foreign currencies do not have significant effects on the Target Group's results. The Target Group has not hedged its foreign exchange rate risk.

A reasonably possible change of 5% in the exchange rate between the US$ and HK$ and RMB would have no material impact on the Target Group's profit or loss during the Relevant Periods and there would have been no material impact on the Target Group's equity.

Credit risk

The Target Group trades only with the non-controlling shareholder and recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Group's exposure to bad debts is not significant.

The credit risk of the Target Group's other financial assets, which comprise cash and cash equivalents, prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Target Group trades only with the non-controlling shareholder and recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. At the end of the reporting period, the Target Group had certain concentration of credit risk as 14%, 76% and nil of the Target Group's trade receivables were due from the Target Group's largest customer, Sany Group Co., Ltd., as at 31 December 2012 and 2013, and 31 May 2014, respectively.

Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Financial Information.

Liquidity risk

The Target Group's objective is to maintain sufficient cash and cash equivalents and have available funding through operation and financial support from bank borrowings.

The maturity profile of the Target Group's financial liabilities at the end of each of the reporting period, based on the contracted undiscounted payments, is as follows:

	31 December 2011			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	120	–	–	120
Amounts due to a non con-controlling shareholder	13,442	–	–	13,442
Amounts due to the immediate holding company	284,216	–	–	284,216
	297,778	–	–	297,778

	31 December 2012			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	81,165	–	81,165
Financial liabilities included in other payables and accruals	13,524	–	–	13,524
Amounts due to the immediate holding company	491,815	–	–	491,815
	505,339	81,165	–	586,504

	31 December 2013			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	66,238	–	66,238
Financial liabilities included in other payables and accruals	29,609	–	–	29,609
Amounts due to the immediate holding company	491,800	–	–	491,800
	521,409	66,238	–	587,647

	31 May 2014			
	On demand	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	67,694	–	67,694
Financial liabilities included in other payables and accruals	45,809	–	–	45,809
Amounts due to the immediate holding company	491,798	–	–	491,798
	537,607	67,694	–	605,301

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

33. EVENTS AFTER THE REPORTING PERIOD

On 15 August 2014 and 18 August 2014, the Target Company and Sany Group Co., Ltd. completed the capital injection into Sany Marine Heavy with cash of RMB211,180,000 and RMB54,000,000, respectively. After the capital injection, the issued capital of Sany Marine Heavy increased from RMB448,000,000 to RMB713,180,000, which was held by the Target Company and Sany Group Co., Ltd. as to 90.5% and 9.5%, respectively.

On 1 September 2014, the Target Company entered into the agreements with Sany Group Co., Ltd, to acquire the 9.5% non-controlling interests of Sany Marine Heavy for a cash consideration of RMB68,680,000.

On 1 September 2014, the Target Company entered into the agreements with Sany Group Co., Ltd, to acquire the 9% non-controlling interests of Zhuhai Sany for a cash consideration of RMB8,800,000.

After the above transaction, the Target Company holds 100% equity interests of Sany Marine Heavy and Zhuhai Sany as at the date of this report.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 May 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set out in this appendix does not form part of the accountants' reports prepared by the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, set out in Appendix IIA and IIB "Financial Information of the Target Business" and "Financial Information of the Target Company and its subsidiaries" to this circular, respectively, and are included to herein for information only. Terms defined herein apply to this appendix only.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The accompanying unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of Sany Heavy Equipment International Holdings Company Limited (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group"), Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Industry") and its subsidiary (hereafter collectively referred to as the "Target Group") and port machinery businesses of Sany Group Co., Ltd. (the "Target Business") (the Group, the Target Group and the Target Business are hereafter collectively referred to as the "Enlarged Group"), comprising the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2014, has been prepared by the Directors in accordance with rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisitions of the Target Business and the Target Group (the "Acquisition") to the Group.

The preparation of the unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on (i) the unaudited consolidated statement of financial position of the Group as at 30 June 2014 which has been extracted from the unaudited interim financial statements of the Group for the six months ended 30 June 2014 dated 29 August 2014; (ii) the audited statement of financial position of the Target Business as at 31 May 2014, which has been extracted from the accountants' reports as set out in Appendix IIA to this Circular; and (iii) the audited consolidated statement of financial position of the Target Group as at 31 May 2014, which has been extracted from the accountants' reports as set out in Appendix IIB to this Circular, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the Acquisition had been completed on 30 June 2014.

A narrative description of the pro forma adjustments of the Acquisition that are directly attributable to the transactions and factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, it may not purport to describe the financial positions of the Enlarged Group had the Acquisition been completed as at the respective dates to which it is made up to or at any future dates. Furthermore, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial positions. The

Unaudited Pro Forma Financial Information of the Enlarged Group should be read in the conjunction with the financial information on the Group as set out in Appendix I to this Circular, the published unaudited interim report of the Company for the six months ended 30 June 2014 dated 29 August 2014, the financial information of each of the Target Business and the Target Group as set out in Appendix IIA and IIB, respectively, to this Circular and other financial information included elsewhere in this Circular. The Unaudited Pro Forma Financial Information of the Enlarged Group does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2014

	The Group as at 30 June 2014	**The Target Group as at 31 May 2014**	**The Target Business as at 31 May 2014**	**Pro forma adjustments**		**Pro forma Enlarged Group as at 30 June 2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	(unaudited) *(note 1)*	*(note 2)*	*(note 2)*		*Notes*	
NON-CURRENT ASSETS						
Property, plant and equipment	2,175,092	174,155	39,631			2,388,878
Prepaid land lease payments	460,387	–	–			460,387
Intangible assets	88,881	–	8,116			96,997
Available-for-sale investments	10,636	–	2,470			13,106
Non-current prepayments	207,100	791,714	–			998,814
Goodwill	–	–	–	1,137,712	*5*	1,242,035
				104,323	*6*	
Deferred tax assets	160,657	253,075	6,414			420,146
Total non-current assets	3,102,753	1,218,944	56,631			5,620,363
CURRENT ASSETS						
Inventories	883,510	234,558	157,312			1,275,380
Trade and bills receivables	3,757,603	20,612	358,794			4,137,009
Prepayments, deposits and other receivables	401,082	36,491	147,018	(60,867)	*7*	523,724
Amounts due from a fellow subsidiary	–	–	94,030	(94,030)	*7*	–
Amounts due from a non-controlling shareholder	–	374,672	–	(374,672)	*7*	–
Investment deposits	300,000	–	–			300,000
Pledged deposits	47,916	–	–			47,916
				265,180	*3*	
Cash and cash equivalents	352,879	54	2	13,180	*5*	631,295
	5,742,990	666,387	757,156			6,915,324
Non-current assets classified as held for sale	210,706	–	–			210,706
Total current assets	5,953,696	666,387	757,156			7,126,030

	The Group as at 30 June 2014	The Target Group as at 31 May 2014	The Target Business as at 31 May 2014	Pro forma adjustments		Pro forma Enlarged Group as at 30 June 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
	(unaudited) *(note 1)*	*(note 2)*	*(note 2)*		*Notes*	
CURRENT LIABILITIES						
Trade and bills payables	1,220,698	67,694	133,460			1,421,852
Amounts due to the immediate holding company	–	491,798	–	211,180	*3*	–
	–	–	–	(702,978)	*6*	
Amounts due to a fellow subsidiary	–	–	–	77,480	*4*	1,164,538
	–	–	–	1,555,760	*5*	
	–	–	–	(374,672)	*7*	
	–	–	–	(94,030)	*7*	
Other payables and accruals	761,145	110,741	268,976	(60,867)	*7*	1,075,531
				(4,464)	*7*	
Interest-bearing bank borrowings	448,967	–	6,483			455,450
Tax payable	110,581	250,510	–			361,091
Provision for warranties	48,017	–	–	4,464	*7*	52,481
Government grants	15,561	–	–			15,561
Total current liabilities	2,604,969	920,743	408,919			4,546,504
NET CURRENT ASSETS/(LIABILITIES)	3,348,727	(254,356)	348,237			2,579,526
TOTAL ASSETS LESS CURRENT LIABILITIES	6,451,480	964,588	404,868			8,199,889
NON-CURRENT LIABILITIES						
Deferred tax liabilities	8,392	–	–			8,392
Government grants	406,532	995,047	–			1,401,579
Total non-current liabilities	414,924	995,047	–			1,409,971
Net assets/(liabilities)	6,036,556	(30,459)	404,868			6,789,918
EQUITY						
Equity attributable to shareholders of the Company						
Issued capital	264,366	–	–	–		264,366
Convertible preference shares	–	–	–	759,978	*6*	759,978
Reserves	5,700,141	(47,323)	404,868	(6,616)	*4*	5,693,525
				(404,868)	*5*	
				47,323	*6*	
	5,964,507	(47,323)	404,868			6,717,869
Non-controlling interests	72,049	16,864	–	54,000	*3*	72,049
				(70,864)	*4*	
Total equity/(deficiency in assets)	6,036,556	(30,459)	404,868			6,789,918

Notes:

1. The unaudited interim financial information of the Group as at 30 June 2014 was extracted from the published interim report of the Company dated 29 August 2014.

2. The audited consolidated statements of financial position of the Target Group and the audited statements of financial position of the Target Business as at 31 May 2014 were extracted from the accountants' report on the Target Business and the Target Group as set out in Appendix IIA and Appendix IIB, respectively, to this Circular.

3. The pro forma adjustments reflects the capital injection to Sany Marine Heavy by the Target Company and Sany Group Co., Ltd. amounting to RMB211,180,000 and RMB54,000,000 on 15 August 2014 and 18 August 2014, respectively. Sany Group Co., Ltd. was the only non-controlling shareholder of the Target Group. The Target Company borrowed RMB211,180,000 from the immediate holding company, Sany Hongkong Group Ltd. ("Sany Hongkong") for this capital injection and is adjusted as payable to the immediate holding Company.

4. In accordance with the agreement dated 1 September 2014 entered into between the Target Company and Sany Group Co., Ltd., the Target Company acquired all the remaining equity interest of its subsidiaries from the non-controlling shareholder, Sany Group Co., Ltd., at a consideration of RMB77,480,000 and is adjusted as payable to a fellow subsidiary. The difference between the consideration and the carrying amount of non-controlling interest is recorded in equity.

5. Hunan Sany Port Equipment is a company established under the laws of the PRC with limited liability on 26 August 2014 with a registered share capital of RMB13,180,000.

   On 1 September 2014, an agreement entered into between Hunan Sany Port Equipment and Sany Group Co., Ltd. to acquire the Target business from Sany Group Co., Ltd. at a total consideration of RMB515,759,638.

   In accordance with the Equity Transfer Agreement (as defined in this Circular), the Target Company will acquire Hunan Sany Port Equipment at a consideration of RMB1,040,000,000.

   Under International Financial Reporting Standard 3 (Revised) Business Combinations issued by the International Accounting Standards Board (the "IASB"), the Group will apply the purchase method to account for the acquisition of the Target Business in the consolidated financial statements of the Group. The goodwill arising from the acquisition of the Target Business is calculated as follows:

	RMB'000
Consideration for the acquisition of Hunan Sany Port Equipment	1,040,000
Payable to Sany Group Co., Ltd. for the acquisition of the Target Business	515,760
Total consideration for acquisition of the Target Business	1,555,760
Less: Receipt of capital injection	13,180
Less: Carrying amount of the net assets of the Target Business	404,868
Goodwill arising from the acquisition of the Target Business	1,137,712

   The pre-acquisition reserves of the Target Business amounting to RMB404,868,000 is eliminated.

6. In accordance with the Share Transfer Agreement (as defined in this Circular), the Company will acquire the Target Group and settle the loan payable to the immediate holding company of the Target Company, Sany Hongkong, will be assigned to the Company at a total consideration of RMB759,978,000 by issuance of Convertible Preference Shares to Sany Hongkong that is equal to RMB759,978,000. Since the fair value

of Convertible Preference Shares as at the date of completion of the Acquisition may be different from its fair value used in the preparation of this unaudited pro forma consolidated statement of financial position of the Enlarged Group, the actual amount of Convertible Preference Shares may be different.

Under International Financial Reporting Standard 3 (Revised) Business Combinations issued by the International Accounting Standards Board (the "IASB"), the Group will apply the purchase method to account for the acquisition of the Target Group in the consolidated financial statements of the Group. The goodwill arising from the acquisition of the Target Group is calculated as follows:

	RMB'000
Total consideration	759,978
Less: Payable to Sany Hongkong to be assigned to the Company	702,978
Total consideration for acquisition of the Target Group	57,000
Less: Carrying amount of net assets of the Target Group	(47,323)
Goodwill arising from the acquisition of the Target Group	104,323

The aggregate pre-acquisition reserves of the Target Group amounting to RMB47,323,000 are eliminated.

7. The pro forma adjustments reflect: i) the elimination of intragroup assets and liabilities between entities of the Enlarged Group; and ii) the offseting of the carrying amounts due from/to Sany Group Co., Ltd. by entities of the Enlarged Group.

8. For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, in the opinion of the Directors, the fair values of the assets and liabilities of the Target Business and the Target Group being acquired is subject to changes upon completion of the acquisition because the fair value of the assets and liabilities being acquired shall be assessed on the date of completion.

   Since this Unaudited Pro Forma Financial Information of the Enlarged Group is prepared solely for illustrative purposes, the Directors had used the carrying values of all identifiable assets and liabilities of the Target Business and the Target Group as at 31 May 2014, extracted from the accountants' reports on the Target Business and the Target Group as set out in Appendix IIA and Appendix IIB of this Circular, respectively, in the calculation of the estimated goodwill arising from the Acquisition. The subsequent changes from 31 May 2014 to the date of completion and the possible changes to fair values of the assets and liabilities of the Target Business and the Target Group being acquired were not reflected in the Unaudited Pro Forma Financial Information of the Enlarged Group.

   Upon the completion, the fair values of all identifiable assets and liabilities of the Target Business and the Target Group and Convertible Preference Shares as at the date of completion of the Acquisition may be different from their respective fair values used in the preparation of the above unaudited pro forma statement of financial position of the Enlarged Group, the actual amount of goodwill may be materially different from that in the calculation above. The recognition of the estimated goodwill of approximately RMB1,242,035,000 arising from the acquisition on the basis that no impairment charges concerning the above estimated goodwill is considered necessary.

   For the purpose of this Unaudited Pro Forma Financial Information, the Company has ensured the steps taken on the assessment of impairment on intangible assets (including goodwill), property, plant and equipment has been properly performed in accordance with International Accounting Standard 36 "Impairment of Assets" which is consistent with the accounting policies of the Company. On that basis, the Company concluded that no impairment in the valuation of goodwill and property, plant and equipment is considered necessary.

   The Company will adopt consistent accounting policies for impairment tests in future. The Company's auditor will review the Company's assessment on impairment of goodwill in accordance with International Standards on Auditing at the end of each reporting period for the purposes of its audit in future.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountant, Hong Kong, for the purpose of incorporation in this Circular.

EY 安永

22/F CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

30 November 2014

To the board of directors
Sany Heavy Equipment International Holdings Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sany Heavy Equipment International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 May 2014, and related notes as set out on pages III-1 to III-5 of the circular issued by the Company dated 30 November 2014 (the "Circular") (collectively, the "Unaudited Pro Forma Financial Information") in connection with the proposed acquisition as defined in the Circular (the "Proposed Acquisition"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-5 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 May 2014 as if the Proposed Acquisition had taken place at 31 May 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited financial statements for the six months ended 30 June 2014 as set out in the interim report of the Company dated 29 August 2014.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the Proposed Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

This discussion of the financial condition and results of operations of the Target Business and the Target Entities is based upon and should be read in conjunction with the Accountant's Reports set out in Appendix IIA and Appendix IIB to this circular. Please also refer to Appendix III "*Pro Forma Financial Information of the Enlarged Group*" to this circular.

1. FINANCIAL INFORMATION OF THE TARGET BUSINESS

Summary Financial Information of the Target Business

The following table sets forth a summary of the statements of comprehensive income of the Target Business for the financial years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2013 and 2014. This financial information has been derived from the audited financial statements of the Target Business for the same periods and the related notes thereto, which are included in the Accountant's Report set out in Appendix IIA to this circular.

Statements of Profit or Loss and Total Comprehensive Income

	Year ended 31 December			Five months ended 31 May	
	2011	**2012**	**2013**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	880,759	860,574	953,221	338,762	311,548
Cost of sales	(660,370)	(648,064)	(724,530)	(253,385)	(217,992)
Gross profit	220,389	212,510	228,691	85,377	93,556
Other income and gains	1,591	9,493	25,073	10,939	5,745
Selling and distribution expenses	(115,000)	(87,933)	(90,909)	(30,055)	(22,904)
Administrative expenses	(86,886)	(48,201)	(39,838)	(13,067)	(11,363)
Other expenses	(7,981)	(4,011)	(958)	(688)	(683)
Finance costs	(6,585)	(11,915)	(306)	(186)	(124)
PROFIT BEFORE TAX	5,528	69,943	121,753	52,320	64,227
Income tax expense	2,592	(8,720)	(16,708)	(7,366)	(6,535)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	8,120	61,223	105,045	44,954	57,692
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD ATTRIBUTABLE TO:					
Owner of the Target Business	8,120	61,223	105,045	44,954	57,692

Principal Income Statement Components

Set out below is a discussion of the historical operating results of the Target Business for the financial years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2013 and 2014.

Revenue

Revenue represents net invoiced value of goods sold by the Target Business, after allowances for returns and trade discounts, during the financial years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2013 and 2014. Due to the historical sales agency arrangement between the Target Business and Zhuhai Sany Port Machinery, the Target Business's revenue reflected revenue generated from the sales of port machinery manufactured by Zhuhai Sany Port Machinery to the Target Business.

Cost of Sales

The cost of sales of the Target Business include cost for raw materials, direct labor costs, production overhead and other miscellaneous expenses, as well as the cost of sales of Zhuhai Sany Port Machinery as a result of the historical sales agency arrangement. Because the purchase price paid by the Target Business for certain port machinery from Zhuhai Sany Port Machinery and the subsequent sales prices of such port machinery by the Target Business to its customers were the same, the Target Business did not generate any gross profit margin from such sales agency arrangement for the three years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014.

Gross Profit

For the financial years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2013 and 2014, the gross profit of the Target Business was approximately RMB220.4 million, RMB212.5 million, RMB228.7 million, RMB85.4 million and RMB93.6 million, respectively.

Other Income and Gains

Other income and gains primarily consist of deemed interest income, government subsidies and profit from the sale of scrap materials, which include steel remnants and other waste materials generated from the manufacturing process.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprise transportation and logistics costs, salaries, benefits and commissions for sales employees, delivery insurance costs for products sold to overseas customers and after-sales service expenses.

Administrative Expenses

Administrative expenses primarily consist of salaries, benefits and other remuneration of non-sales and non-manufacturing employees, research and development expenses and depreciation and amortisation.

Other Expenses

Other expenses primarily consist of foreign exchange gains or losses.

Finance Costs

Finance costs mainly comprise deemed interest on a loan from the immediate holding company and deemed interest on a loan from non-controlling shareholder.

Income Tax Expenses

The provision for Mainland China current income tax is based on statutory rate of 25% of the assessable profit of the Target Business. The Target Business is recognised as a high-tech enterprise the PRC tax authority in 2011 with an effective period of three years ending in November 2014, and was entitled to a 15% enterprise income tax rate for the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014. It applied to renew its high-tech enterprise accreditation for the next three years. Income tax for the year/period comprises current tax and movements in deferred tax.

Period to Period Comparison of Results of Operations

Five months ended 31 May 2014 compared against five months ended 31 May 2013

Revenue

Revenue decreased by RMB27.2 million from RMB338.8 million for the five months ended 31 May 2013 to RMB311.5 million for the five months ended 31 May 2014, primarily due to a decrease in the sales from Zhuhai Sany Post Machinery because container loading/unloading machinery are large, highly customised products and their production and delivery time was largely based on customer orders and their specific terms, which resulted in fewer deliveries and acceptances in the first five months of 2014 compared to the same period in 2013.

Cost of Sales

Cost of sales decreased by RMB35.4 million from RMB253.4 million for the five months ended 31 May 2013 to RMB218.0 million for the five months ended 31 May 2014, primarily due to (i) a decrease in the sales of container loading/unloading machinery and (ii) a change in the product mix of the Target Business as it focused more on manufacturing products with higher gross profit margins, such as reachstackers.

Gross Profit

As a result of the foregoing, the gross profit of the Target Business increased from RMB85.4 million for the five months ended 31 May 2013 to RMB93.6 million for the five months ended 31 May 2014.

Other Income and Gains

Other income and gains decreased from RMB10.9 million for the five months ended 31 May 2013 to RMB5.7 million for the five months ended 31 May 2014, primarily due to a decrease of RMB4.9 million in profits from the sale of scrap materials, partially offset an increase of RMB3.5 million in deemed interest income on loans to Sany Group.

Selling and Distribution Expenses

Selling and distribution expenses decreased by RMB7.2 million from RMB30.1 million for the five months ended 31 May 2013 to RMB22.9 million for the five months ended 31 May 2014, primarily due to a decrease in the number of sales staff as a result of a shift of the policy to promote sales through reliance on external sales agents instead of sales staff.

Administrative expenses

Administrative expenses decreased by RMB1.7 million from RMB13.1 million for the five months ended 31 May 2013 to RMB11.4 million for the five months ended 31 May 2014, mainly due to a decrease in salary and benefits payable to employees as a result work force optimisation that cause a reduction in the number of employees from 841 as at 31 May 2013 to 769 as at 31 May 2014.

Other Expenses

Other expenses remained relatively stable for the five months ended 31 May 2014 compared to the same period in 2013.

Finance Costs

Finance costs decreased slightly from RMB186,000 for the five months ended 31 May 2013 to RMB124,000 for the five months ended 31 May 2014.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income increased by RMB12.7 million from RMB45.0 million for the five months ended 31 May 2013 to RMB57.7 million for the five months ended 31 May 2014.

Financial Year ended 31 December 2013 compared against Financial Year ended 31 December 2012

Revenue

Revenue increased by RMB92.6 million from RMB860.6 million for the year ended 31 December 2012 to RMB953.2 million for the year ended 31 December 2013, primarily due to an increase in the sales of container loading/unloading machinery.

Cost of Sales

Cost of sales increased by RMB76.4 million from RMB648.1 million for the year ended 31 December 2012 to RMB724.5 million for the year ended 31 December 2013, primarily due to an increase in the sales of container loading/unloading machinery, which are generally more costly to manufacture.

Gross Profit

As a result of the foregoing, the gross profit of the Target Business increased by RMB16.2 million from RMB212.5 million for the year ended 31 December 2012 to RMB228.7 million for the year ended 31 December 2013.

Other Income and Gains

Other income and gains increased by RMB15.6 million from RMB9.5 million for the year ended 31 December 2012 to RMB25.1 million for the year ended 31 December 2013, primarily due to an increase in deemed interest income of RMB9.1 million, primarily due to increased loans to Sany Group, an increase of RMB2.8 million in profit from the sale of scrap materials, and a write-back of impairment of trade receivables of RMB2.6 million.

Selling and Distribution Expenses

Selling and distribution expenses increased from by RMB3.0 million from RMB87.9 million for the year ended 31 December 2012 to RMB90.9 million for the year ended 31 December 2013, primarily due to an increase in the sales of container loading/unloading machinery.

Administrative expenses

Administrative expenses decreased by RMB8.4 million from RMB48.2 million for the year ended 31 December 2012 to RMB39.8 million for the year ended 31 December 2013, mainly due to (i) a decrease in salary and benefits payable to employees as a result of an increase in efficiency of labour that caused a reduction in the number of employees, and (ii) a decrease in research and development expenses as the Target Business implemented measures to control costs and initiatives to optimise work force by reducing the number of research and development personnel.

Other Expenses

Other expenses decreased from RMB4.0 million for the year ended 31 December 2012 to RMB958,000 for the year ended 31 December 2013, primarily as a result of a decrease in foreign exchange losses due to changes in foreign currency exchange rates.

Finance Costs

Finance costs decreased by RMB11.6 million from RMB11.9 million for the year ended 31 December 2012 to RMB306,000 for the year ended 31 December 2013, primarily because of a decrease of RMB10.6 million in interest on a loan from Sany Group, which was paid in 2012.

Income tax

Income tax expense increased by RMB8.0 million from RMB8.7 million for the year ended 31 December 2012 to RMB16.7 million for the year ended 31 December 2013, primarily due to a substantial increase in profit before tax.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income for the year ended 31 December 2013 increased by RMB43.8 million from RMB61.2 million for the year ended 31 December 2012 to RMB105.0 million for the year ended 31 December 2013.

Financial Year ended 31 December 2012 compared against Financial Year ended 31 December 2011

Revenue

Revenue decreased by RMB20.2 million from RMB880.8 million for the year ended 31 December 2011 to RMB860.6 million for the year ended 31 December 2012, primarily due to a decrease of approximately RMB17.0 million in the sales from container loading/unloading machinery as a result of reduced demand commensurate with then existing global market conditions.

Cost of Sales

Cost of sales decreased by RMB12.3 million from RMB660.4 million for the year ended 31 December 2011 to RMB648.1 million for the year ended 31 December 2012, primarily due to a decrease in revenue from the sales of container loading/unloading machinery, which are generally more costly to manufacture.

Gross Profit

As a result of the foregoing, the gross profit of the Target Business decreased by RMB7.9 million from RMB220.4 million for the year ended 31 December 2011 to RMB212.5 million for the year ended 31 December 2012.

Other Income and Gains

Other income and gains increased by RMB7.9 million from RMB1.6 million for the year ended 31 December 2011 to RMB9.5 million for the year ended 31 December 2012, primarily due to an increase of RMB6.6 million in profit from the sale of scrap materials, and an increase of RMB1.0 million in proceeds from repairs and maintenance.

Selling and Distribution Expenses

Selling and distribution expenses decreased from by RMB27.1 million from RMB115.0 million for the year ended 31 December 2011 to RMB87.9 million for the year ended 31 December 2012, primarily due to to a decrease in the number of sales staff as a result of the implementation of a shift of policy to promote sales through reliance on external sales agents instead of sales staff.

Administrative expenses

Administrative expenses decreased by RMB38.7 million from RMB86.9 million for the year ended 31 December 2011 to RMB48.2 million for the year ended 31 December 2012, mainly due to (i) a decrease in salary and benefits payable to employees as a result work force optimisation that cause a reduction in the number of employees, and (ii) a decrease in research and development expenses as the Target Business implemented measures to control costs and initiatives to optimise work force efficiency by reducing the number of research and development personnel from 235 as at 31 December 2011 to 163 as at 31 December 2012.

Other Expenses

Other expenses decreased from RMB8.0 million for the year ended 31 December 2011 to RMB4.0 million for the year ended 31 December 2012, primarily as a result of a decrease in foreign exchange losses.

Finance Costs

Finance costs increased by RMB5.3 million from RMB6.6 million for the year ended 31 December 2011 to RMB11.9 for the year ended 31 December 2012, primarily because of an increase of RMB4.5 million in interest on a loan from Sany Group.

Income tax

The Target Business had an income tax expense of RMB8.7 million for the year ended 31 December 2012 compared to an income tax credit of RMB2.6 million for the year ended 31 December 2011, primarily due to an increase in profit before tax in 2012 and the fact that there were operating losses before 2010 and such losses were partially made up in 2011.

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income for the year ended 31 December 2013 increased by RMB53.1 million from RMB8.1 million for the year ended 31 December 2011 to RMB61.2 million for the year ended 31 December 2012.

Liquidity and Capital Resources

The Target Business's primary uses of cash are to satisfy its working capital needs and capital expenditure requirements. The Target Business's working capital needs and capital expenditure requirements have historically been financed through a combination of shareholders' equity, cash generated from operations and bank borrowings.

Cash Flows from Operating Activities

The Target Business derives cash inflow from operations primarily from the receipt of payments from the sales of its products. Its cash outflow used in operations is principally for the purchase of raw materials and wages for employees.

For the five months ended 31 May 2014, cash used in operating activities amounted to RMB57.8 million, primarily due to cash inflows from operating activities before movements in working capital of RMB63.5 million, as positively adjusted by increase in other payables and accruals of RMB61.4 million, mainly due to an increase in customer prepayments; offset by an increase in trade and bills receivables of RMB87.1 million as a result of an increase in overseas sales and a decrease in trade and bills payable of RMB50.2 million, primarily due to the settlement of payables to Zhuhai Sany Port Machinery. In addition, due to the Target Business's practice to collect payments from its related parties as at the end of each quarter, most of the sales to related parties that occurred in the second quarter of 2014 have not been settled up to 31 May 2014, which led to an increase of RMB51.7 million in the balance of trade receivables and contributed to negative operating cash flow for the five months ended 31 May 2014.

For the year ended 31 December 2013, cash generated from operating activities amounted to RMB270.1 million, primarily due to cash inflows from operating activities before movements in working capital of RMB119.9 million, as positively adjusted by an increase in trade and bills payables of RMB116.1 million, primarily due to an increase in payables to Zhuhai Sany Port Machinery as a result of increased sales, and an increase in other payables and accruals of RMB27.2 million, as a result of an increase in customer prepayments; partially offset by an increase in trade and bills receivables of RMB35.2 million, mainly due to increased sales of container loading/unloading machinery to domestic and overseas customers, and an increase in inventories of RMB27.7 million primarily consisting of increases in raw materials.

For the year ended 31 December 2012, cash generated from operating activities amounted to RMB103.2 million, primarily due to cash inflows from operating activities before movements in working capital of RMB95.5 million, as positively adjusted by a decrease in inventories of RMB64.2 million, primarily due to a decrease in work in progress reflecting a slight decrease in customer demand during the year, and an increase in other payables and accruals of RMB31.6 million, as a result of an increase in customer prepayments; partially offset by increase in prepayments, deposits and other receivables of RMB77.0 million, mainly due to increased prepayments as a result of an increase in production orders, and an increase in trade and bills receivables of RMB37.1 million, as a result of an increase in receivables from customers due to increased sales.

For the year ended 31 December 2011, cash used in operating activities amounted to RMB157.9 million, primarily due to cash inflows from operating activities before movements in working capital of RMB29.7 million, as positively adjusted by an increase in trade and bills payables of RMB15.5 million, primarily due to an increase in payments to suppliers, and a decrease in other payables and accruals of RMB29.3 million, as a result of an increase in customer prepayments; offset by an increase in trade and bills receivables of RMB142.9 million, as a result of an increase in receivables from customers due to increased sales, and an increase in prepayments, deposits and other receivables of RMB46.1 million, primarily due to increased prepayments relating to construction projects.

Cash Flows from Investing Activities

The Target Business's cash outflow used in investing activities is primarily used for the purchase of property, plant and equipment in connection with its manufacturing operations and loans to Sany Group. It derives cash inflow from investing activities mainly from proceeds from the disposal of property, plant and equipment and receipt of loans from Sany Group.

For the five months ended 31 May 2014, cash generated from investing activities amounted to RMB29.8 million, primarily due to receipt of loans from Sany Group of RMB32.0 million, primarily used as investment in upgrading manufacturing plants and equipment.

For the year ended 31 December 2013, cash used in investing activities amounted to RMB249.6 million, primarily due to loans to Sany Group.

For the year ended 31 December 2012, cash used in investing activities amounted to RMB109.2 million, primarily due to loans to Sany Group.

For the year ended 31 December 2011, cash used in investing activities amounted to RMB54.0 million, primarily due to purchases of manufacturing plant and equipment in the amount of RMB53.8 million.

Cash Flows from Financing Activities

The Target Business derives cash inflow from financing activities mainly from bank loans and borrowings from Sany Group. It derives cash outflow from financing activities mainly from repayment of bank loans and interest payments.

For the five months ended 31 May 2014, cash generated from financing activities amounted to RMB6.4 million, primarily due to new bank loans of RMB6.9 million, primarily used as import documentary credit.

For the year ended 31 December 2013, cash used in financing activities amounted to RMB1.9 million, primarily due to repayment of bank loans of RMB1.6 million.

For the year ended 31 December 2012, cash generated financing activities amounted to RMB311,000, primarily due to new bank loans of RMB9.0 million; partially offset by repayment of bank loans of RMB7.4 million and interest payment of RMB1.3 million.

For the year ended 31 December 2011, cash generated from financing activities amounted to RMB217.6 million, primarily from borrowings from Sany Group of RMB218.1 million.

Indebtedness

Historically, the indebtedness of the Target Business consisted of bank loans and loans from Sany Group. The Target Business had short-term unsecured bank loans of RMB1.6 million as at 31 December 2012 with an effective interest rate of 3.77%, and RMB6.5 million as at 31 May 2014 with an effective interest rate ranging from 3.08% to 3.29%. These loans were part of the letters of credit granted by the bank lender to Sany Group, which were specifically designated to be used for the operations of the Target Business in accordance with their terms. They mature in 2013 and 2014, respectively. For further details of the indebtedness of the Target Business, please refer to notes 24 and 29(c) in the Accountant's Report set out in Appendix IIA to this circular.

Gearing Ratio

For the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014, the Target Business's gearing ratio, which equals total debt divided by total equity as at the end of the year/period, was 166.6%, 60.5%, nil and 1.6%, respectively.

Material Acquisition

On 1 September 2014, the assets of the Target Business were transferred by Sany Group to its newly set up wholly owned subsidiary, namely Hunan Sany Port Equipment for a consideration of approximately RMB515.8 million.

Capital Expenditure

Capital expenditure consists primarily of payments for plant, machinery and equipment used in connection with the production of port machinery. In 2011, 2012 and 2013 and the five months ended 31 May 2014, the Target Business incurred capital expenditure in the amount of RMB64.7 million, RMB15.8 million, RMB3.0 million and RMB1.2 million, respectively. The following table sets out the Target Business's capital expenditure in the periods indicated.

	Year ended 31 December			Five months ended 31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Plant, machinery and equipment	58,248	14,883	2,958	1,213
Motor vehicles	5,916	924	–	–
Construction in progress	570	–	83	–
Total capital expenditure	**64,734**	**15,807**	**3,041**	**1,213**

Certain Balance Sheet Items

Non-current Assets

Non-current assets primarily include property, plant and equipment, intangible assets and deferred tax assets. Non-current assets of the Target Business decreased from RMB118.8 million as at 31 December 2011 to RMB82.1 million as at 31 December

2012, primarily because certain equipment in the amount of RMB35.2 million were transferred from the Target Business to Zhuhai Sany Port Machinery after the latter was incorporated. The non-current assets further decreased to RMB50.6 million as at 31 December 2013 mainly because additional property, plant and equipment in the amount of RMB33.6 million were transferred to Zhuhai Sany Port Machinery. In addition, non-current assets increased to RMB56.6 million as at 31 May 2014, primarily due to an increase in intangible assets as a result of the successful application of a design patent for reachstackers and empty container handlers in Germany.

Inventories

Inventories were one of the key components of the Target Business's current assets. The business of the Target Business depends on its ability to effectively manage and control inventory levels. The value of its inventories accounted for approximately 38.6%, 23.5%, 21.8% and 20.8% of its total current assets as at 31 December 2011, 2012, and 2013 and 31 May 2014, respectively. The following table sets forth the summary of balance of inventories as at the respective reporting dates.

	As at 31 December			As at 31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	50,174	22,471	54,113	57,556
Work in progress	95,903	36,224	39,459	49,153
Finished goods	44,093	62,524	55,382	53,078
	190,170	121,219	148,954	159,787
Less: Provision against slow-moving and obsolete inventories	(5,558)	(1,345)	(2,013)	(2,475)
	184,612	119,874	146,941	157,312

The Target Business's inventories increased approximately 7.1% from RMB146.9 million as at 31 December 2013 to RMB157.3 million as at 31 May 2014, primarily due to an increase in work in progress. Inventories increased approximately 22.5% from RMB119.9 million as at 31 December 2012 to RMB146.9 million as at 31 December 2013, primarily due to an increase in raw materials used in connection with increased production. Inventories decreased approximately 35.1% from RMB184.6 million as at 31 December 2011 to RMB119.9 million as at 31 December 2012, primarily because of decreases in raw materials and work in progress as a result of an enhancement of inventory management and turnover.

Trade and Bills Receivables

The following tables sets out the trade and bills receivables of the Target Business at the respective reporting dates.

	As at 31 December			As at 31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	202,658	239,803	274,997	337,037
Impairment	(3,170)	(5,650)	(3,052)	(3,330)
Trade receivables, net	199,488	234,153	271,945	333,707
Bills receivables	–	–	–	25,087

The Target Business's trade and bills receivables primarily relate to sales of port machinery and related products. It recognises revenue from the sales of port machinery and related products when the customers take possession of the products. The Target Business's trade and bills receivables increased from RMB271.9 million as at 31 December 2013 to RMB358.8 million as at 31 May 2014, primarily due to an extension of payment period from the sales to related parties, resulting in an increase of trade receivables of approximately RMB51.7 million. The Target Business generally urged the collection of amount due from related parties as at the end of each quarter. Therefore, most of the receivables derived from the sales to related parties occurred in the second quarter of 2014 have not been settled up to 31 May 2014, which led to the increase in the balance of trade receivables. In addition, bills receivable increased by RMB25.1 million, which has not been discounted or utilised to settle payables as at 31 May 2014. The trade and bills receivables increased from RMB234.2 million as at 31 December 2012 to RMB271.9 million as at 31 December 2013, primarily due to increased sales. The trade and bills receivables increased from RMB199.5 million as at 31 December 2012 to RMB234.2 million as at 31 December 2013, mainly due to increased sales.

The Target Business typically requires its customers to comply with the credit policy and its finance department carries out regular reconciliations of outstanding balances. The management team of the Target Business monitors the receivable balances on an ongoing basis and will make appropriate assessment on a timely basis as to whether or not a bad debt provision will need to be made. The following table sets forth the aging analysis of trade receivables as at the dates indicated.

	As at 31 December			As at 31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	99,519	95,574	53,835	114,358
31 to 90 days	43,154	21,914	34,190	23,862
91 to 180 days	19,852	43,053	48,451	71,002
181 to 365 days	28,223	53,776	82,412	55,471
Over 1 year	8,740	19,836	53,057	69,014
	199,488	234,153	271,945	333,707

Trade and Bills Payables

The following table sets forth the aging analysis of the Target Business's trade and bills payables at the respective balance sheet dates.

	As at 31 December			As at 31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	37,337	37,532	109,658	62,794
31 to 90 days	18,873	22,286	62,554	44,367
91 to 180 days	1,862	5,662	9,347	10,285
181 to 365 days	437	912	756	14,157
Over 1 year	639	1,193	1,339	1,857
	59,148	67,585	183,654	133,460

The Target Business's trade and bills payables decreased from RMB183.7 million as at 31 December 2013 to RMB133.5 million as at 31 May 2014, primarily due to fewer products purchased from Zhuhai Sany Port Machinery during the first five months of 2014. The trade and bills payables increased substantially from RMB67.6 million as at 31 December 2012 to RMB183.7 million as at 31 December 2013, mainly as a result of the purchase of certain units of port machinery from Zhuhai Sany Port Machinery towards the end of 2013. The trade and bills payables increased from RMB59.1 million as at 31 December 2011 to RMB67.6 million as at 31 December 2012, primarily due to longer credit periods offered by suppliers.

Other Payables and Accruals

Other payables and accruals increased by approximately 24.7%, 15.5% and 34.2% from 31 December 2011 to 31 May 2014, primarily due to increases in advances from customers.

Cash and Cash Equivalents

Cash and cash equivalents were RMB8.7 million, RMB3.0 million, RMB21.6 million and RMB2,000 as at 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014. Cash and cash equivalents decreased substantially from 31 December 2013 to 31 May 2014 primarily due to the existing centralised fund management within Sany Group pursuant to which Sany Group borrows funds from banks and lends to its subsidiaries and its subsidiaries subsequently transfer the surplus cash on hand to Sany Group on a monthly basis. As at 31 May 2014, the Target Business deposited approximately RMB94.0 million to Sany Group in accordance with this arrangement, which was recognised as amounts due from the Sany Group in the financial statements of the Target Business. Upon completion of the Acquisitions, such centralised fund management will no longer apply to the Target Group, which will be managed under the Group's treasury management system, and any amount due from Sany Group to Hunan Sany Port Equipment as at the Closing Date will be set off in full against the amount due to Sany Group from Hunan Sany Port Equipment. Please refer to the section headed "Letters from the Board – Intercompany Balances" in this circular for details.

Contingent Liabilities

The Target Business enters into sales agreements with the end-user customers directly on the sales of port machinery. The end-user customers usually enter into equipment mortgage loan agreements with banks to obtain funding to pay for the port equipment, using the port equipment as collateral. As the seller, the Target Business is usually required to enter into a separate agreement with banks under which it has the obligation to repay the outstanding loan from relevant banks if the end-user customers default loan repayments.

Under the existing finance lease arrangement, the Target Business sells port machinery directly to end-user customers and the end-user customers can seek assistance from two of its subsidiaries to obtain financing from certain third party finance lease companies. For further details on contingent liabilities of the Target Business for 2011, 2012 and 2013 and the five months ended 31 May 2014, please refer to note 26 in the Accountant's Report set out in Appendix IIA to this circular.

Foreign Exchange Exposure

The Target Business's operations are located in China and most of the transactions are conducted in Renminbi. Most of the its assets and liabilities are denominated in Renminbi, except for certain monetary assets and liabilities denominated in Hong Kong dollars and U.S. dollars. Therefore, the Target Business's operations are not exposed to significant foreign currency risk.

2. FINANCIAL INFORMATION OF THE TARGET ENTITIES

Summary Financial Information of the Target Entities

The following table sets forth a summary of the statements of comprehensive income of the Target Entities for the period from 30 March 2011 (date of incorporation) to 31 December 2011, the financial years ended 31 December 2012 and 2013 and the five months ended 31 May 2013 and 2014. This financial information has been derived from the audited financial statements of the Target Entities for the same periods and the related notes thereto, which are included in the Accountant's Report set out in Appendix IIB to this circular.

Consolidated Statements of Profit or Loss and Total Comprehensive Income

	Period from 30 March 2011 (date of incorporation) to 31 December	Year ended 31 December		Five months ended 31 May	
	2011	2012	2013	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	–	90,565	250,579	93,534	29,310
Cost of sales	–	(84,108)	(239,379)	(87,796)	(23,438)
Gross profit	–	6,457	11,200	5,738	5,872
Other income and gains	10	25,423	54,128	16,290	16,603
Selling and distribution expenses	(14)	(2,690)	(3,364)	(1,759)	(923)
Administrative expenses	(487)	(42,745)	(33,404)	(12,422)	(22,761)
Other expenses	(27)	(438)	(388)	(473)	–
Finance costs	(350)	(23,836)	(29,407)	(11,400)	(13,118)
LOSS BEFORE TAX	(868)	(37,829)	(1,235)	(4,026)	(14,327)
Income tax expense	116	5,030	(2,775)	(285)	194
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	(752)	(32,799)	(4,010)	(4,311)	(14,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD ATTRIBUTABLE TO:					
Owners of the Target Company	(735)	(33,272)	(2,676)	(4,698)	(12,628)
Non-controlling interests	(17)	473	(1,334)	387	(1,505)
	(752)	(32,799)	(4,010)	(4,311)	(14,133)

Principal Income Statement Components

Set out below is a discussion of the historical operating results of the Target Entities for the period from 30 March 2011 (date of incorporation) to 31 December 2011, the financial years ended 31 December 2012 and 2013 and the five months ended 31 May 2013 and 2014.

Revenue

Revenue represents net invoiced value of goods sold, after allowances for trade discounts, during the period from 30 March 2011 (date of incorporation) to 31 December 2011, the financial years ended 31 December 2012 and 2013 and the five months ended 31 May 2013 and 2014.

Cost of Sales

The cost of sales of the Target Entities include cost for raw materials, direct labor costs, production overhead and other miscellaneous expenses.

Gross Profit

For the period from 30 March 2011 (date of incorporation) to 31 December 2011, the financial years ended 31 December 2012 and 2013 and the five months ended 31 May 2013 and 2014, the gross profit of the Target Entities was approximately nil, RMB6.5 million, RMB11.2 million, RMB5.7 million and RMB5.9 million, respectively.

Other Income and Gains

Other income and gains primarily consist of deemed interest income, government subsidies and profit from the sale of scrap materials, which include steel remnants and other waste materials generated from the manufacturing process.

Selling and Distribution Expenses

Selling and distribution expenses primarily comprise transportation and logistics costs, salaries, benefits and commissions for sales employees, delivery insurance costs for products sold to overseas customers and after-sales service expenses.

Administrative Expenses

Administrative expenses primarily consist of salaries, benefits and other remuneration of non-sales and non-manufacturing employees, research and development expenses and depreciation and amortisation.

Other Expenses

Other expenses primarily consist of foreign exchange gains or losses and bank service charges.

Finance Costs

Finance costs mainly comprise deemed interest on a loan from the immediate holding company and deemed interest on a loan from non-controlling shareholder.

Income Tax Expenses

The Target Company, which was incorporated in the Cayman Islands, is not subjected to income tax. The provision for Mainland China current income tax is based on statutory rate of 25% of the assessable profit of Sany Marine Heavy Industry and Zhuhai Sany Port Machinery. Income tax for the year/period comprises current tax and movements in deferred tax.

Period to Period Comparison of Results of Operations

Five months ended 31 May 2014 compared against five months ended 31 May 2013

Revenue

Revenue decreased by RMB64.2 million from RMB93.5 million for the five months ended 31 May 2013 to RMB29.3 million for the five months ended 31 May 2014, primarily due to a decrease in the sales of container loading/unloading machinery from Zhuhai Sany Port Machinery because of fewer deliveries and acceptances of such products in the first five months of 2014 compared to the same period in 2013 as a result of the time required for production, which is largely based on the specific terms of the customer orders, and delivery, primarily due to sophisticated customisation requirements from customers.

Cost of Sales

Cost of sales decreased by RMB64.4 million from RMB87.8 million for the five months ended 31 May 2013 to RMB23.4 million for the five months ended 31 May 2014, primarily due to a substantial decrease in revenue.

Gross Profit

As a result of the foregoing, the gross profit of the Target Entities increased slightly from RMB5.7 million for the five months ended 31 May 2013 to RMB5.9 million for the five months ended 31 May 2014.

Other Income and Gains

Other income and increased slightly from RMB16.3 million for the five months ended 31 May 2013 to RMB16.6 million for the five months ended 31 May 2014, primarily due to an increase in profits from the sale of scrap materials, partially offset by a slight decrease in deemed interest income.

Selling and Distribution Expenses

Selling and distribution expenses decreased from RMB1.8 million for the five months ended 31 May 2013 to RMB923,000 for the five months ended 31 May 2014, primarily due to a reduction in project bonuses due to a decrease in sales commissions resulting from a decrease in sales.

Administrative expenses

Administrative expenses increased by RMB10.4 million from RMB12.4 million for the five months ended 31 May 2013 to RMB22.8 million for the five months ended 31 May 2014, mainly due to an increase research and development expenses.

Other Expenses

Other expenses decreased from RMB473,000 for the five months ended 31 May 2013 to nil for the five months ended 31 May 2014, primarily due to a decrease in foreign exchange losses as a result of changes in foreign currency exchange rates.

Finance Costs

Finance costs increased by RMB1.7 million from RMB11.4 million for the five months ended 31 May 2013 to RMB13.1 million for the five months ended 31 May 2014, primarily due to an increase in interest as a result of an increase in loan amount from Sany Group of RMB1.7 million for the five months ended 31 May 2014 compared to the same period in 2013.

Income Tax

The Target Entities received an income tax credit of RMB194,000 for the five months ended 31 May 2014, compared to income tax expense of RMB285,000 for the five months ended 31 May 2013, primarily due to an increase in before-tax operating losses.

Loss and Total Comprehensive Income for the Period

As a result of the foregoing, loss and total comprehensive income for the five months ended 31 May 2014 increased by RMB9.8 million from RMB4.3 million for the five months ended 31 May 2013 to RMB14.1 million for the five months ended 31 May 2014.

Financial Year ended 31 December 2013 compared against Financial Year ended 31 December 2012

Revenue

Revenue increased by RMB160.0 million from RMB90.6 million for the year ended 31 December 2012 to RMB250.6 million for the year ended 31 December 2013, primarily because revenue generated from the sales made in 2012 was recognised in 2013 as a result of a delay in product quality inspection and acceptance by customers.

Cost of Sales

Cost of sales increased by RMB155.3 million from RMB84.1 million for the year ended 31 December 2012 to RMB239.4 million for the year ended 31 December 2013, primarily due to an increase in revenue as a result of higher demand for the Target Entities' products in China and overseas.

Gross Profit

As a result of the foregoing, the gross profit of the Target Entities increased from RMB6.5 million for the year ended 31 December 2012 to RMB11.2 million for the year ended 31 December 2013.

Other Income and Gains

Other income and gains increased from RMB25.4 million for the year ended 31 December 2012 to RMB54.1 million for the year ended 31 December 2013, primarily due to an increase in deemed interest income from RMB13.4 million for the year ended 31 December 2012 to RMB37.0 million for the year ended 31 December 2013, and an increase in government subsidies from RMB7.6 million for the year ended 31 December 2012 to RMB10.9 million for the year ended 31 December 2013; partially offset by a decrease in profit from the sale of scrap materials from RMB4.2 million for the year ended 31 December 2012 to RMB1.5 million for the year ended 31 December 2013.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB2.7 million for the year ended 31 December 2012 to RMB3.4 million for the year ended 31 December 2013, primarily due to an increase in sales commissions.

Administrative expenses

Administrative expenses decreased by RMB9.3 million from RMB42.7 million for the year ended 31 December 2012 to RMB33.4 million for the year ended 31 December 2013, mainly due to a decrease in the number of administrative staff as a result of the Target Company's initiative to optimise its work force and improve labour efficiency.

Other Expenses

For the year ended 31 December 2013, other expenses remained stable compared to the year ended 31 December 2012.

Finance Costs

Finance costs increased by RMB5.6 million from RMB23.8 million for the year ended 31 December 2012 to RMB29.4 million for the year ended 31 December 2013, primarily because deemed interest on a loan from Sany Group increased by RMB8.2 million for the year ended 31 December 2013 compared to the same period in 2012, as a result of an increase in loan amount from Sany Group; partially offset by a reduction of RMB2.6 million in deemed interest on a loan from the immediate holding company.

Income tax

The Target Entities received an income tax expense of RMB2.8 million for the year ended 31 December 2013, compared to income tax credit of RMB5.0 million for the year ended 31 December 2012, primarily due to operating losses before tax incurred in 2012 resulting in an income tax credit whereas the operating loss was less significant in 2013.

Loss and Total Comprehensive Income for the Period

As a result of the foregoing, loss and total comprehensive income for the year ended 31 December 2013 decreased by RMB28.8 million from RMB32.8 million for the year ended 31 December 2012 to RMB4.0 million for the year ended 31 December 2013.

Financial Year ended 31 December 2012 compared against the Period from 30 March 2011 (date of incorporation) until 31 December 2011

The Target Company was incorporated in March 2011 and did not have significant business operations in the remainder of 2011. Therefore, it is not meaningful to compare the results of operations for the year ended 31 December 2012 with the period from March 2011 until 31 December 2011.

Liquidity and Capital Resources

The Target Entities' primary uses of cash are to satisfy their working capital needs and their capital expenditure requirements. Since the establishment, their working capital needs and capital expenditure requirements have been financed through a combination of shareholders' equity, cash generated from operations and bank borrowings.

Cash Flows from Operating Activities

The Target Entities derive cash inflow from operations primarily from the receipt of payments from the sales of its products. Its cash outflow used in operations is principally for the purchase of raw materials and wages for employees.

For the five months ended 31 May 2014, cash generated from operating activities amounted to RMB61.9 million, primarily due to cash outflows from operating activities before movements in working capital of RMB12.9 million, as positively adjusted by decrease in trade receivables of RMB90.8 million, mainly due to a decrease in sales made to the Target Business pursuant to the existing sales agency arrangement; partially offset by an increase in inventories of RMB65.9 million mainly due to an increase in customer orders.

For the year ended 31 December 2013, cash used in operating activities amounted to RMB105.2 million, primarily due to cash outflows from operating activities before movements in working capital of RMB3.7 million, as positively adjusted by a decrease in inventories of RMB34.2 million, primarily due to a reduction in ready-to-ship finished products because of increased sales based on higher customer demand, which resulted in faster turnaround time to ship out finished products; offset by a decrease in other payables and accruals of RMB68.6 million, mainly due to loan repayments made to Sany Group, and an increase in trade receivables of RMB56.0 million from the Target Business from the sales made pursuant to the existing sales agency arrangement.

For the year ended 31 December 2012, cash used in operating activities amounted to RMB197.4 million, primarily due to cash outflows from operating activities before movements in working capital of RMB23.4 million, as positively adjusted by an increase in trade and bills payables of RMB81.2 million, primarily due to increased payables to suppliers; partially offset by an increase in inventories of RMB205.0 million, mainly due to increases in ready-to-ship finished products and work in progress, an increase in trade receivables of RMB49.1 million, primarily as a result of an increase in sales made to the Target Business pursuant to the existing sales agency arrangement, and an increase of RMB34.8 million in prepayments, deposits and other payables.

Cash Flows from Investing Activities

The Target Entities' cash outflow used in investing activities is primarily used for the purchase of property, plant and equipment in connection with its manufacturing operations and loans to Sany Group. It derives cash inflow from investing activities mainly from the receipt of government grants and loans from Sany Group.

For the five months ended 31 May 2014, cash used in investing activities amounted to RMB66.0 million, primarily due to RMB52.0 million of prepayment for the construction of a temporary production facility, and a loan of RMB34.0 million made to Sany Group; partially offset by a receipt of government grant in an amount of RMB20.0 million.

For the year ended 31 December 2013, cash generated from investing activities amounted to RMB103.6 million, primarily due to receipt of loans of RMB137.6 million from Sany Group; partially offset by purchases of property, plant and equipment of RMB34.0 million.

For the year ended 31 December 2012, cash used in investing activities amounted to RMB302.8 million, primarily due to prepayment of RMB791.7 million made to Zhuhai Gaolan Land and Resources Bureau in connection with the construction of the production facilities in Zhuhai Gaolan Port Economic Development Area and loans of RMB426.4 million to Sany Group; partially offset by receipts of grant of RMB975.0 million from Zhuhai Gaolan Port Economic Development Area Management Committee in connection with the construction work.

Cash Flows from Financing Activities

The Target Entities derive cash inflow from financing activities mainly from borrowings from the immediate holding company..

There were no cash flows used in or generated from financing activities for the year ended 31 December 2013 and the five months ended 31 May 2014.

For the year ended 31 December 2012, cash generated from financing activities amounted to RMB207.6 million, primarily due to borrowings from the immediate holding company.

For the year ended 31 December 2011, cash generated from financing activities amounted to RMB298.0 million, primarily from borrowings from the immediate holding company of RMB284.2 million and loans of RMB13.5 million received from Sany Group in connection with the investments in Sany Marine Heavy Industry.

Indebtedness

Historically, the indebtedness of the Target Entities consisted of loans from the immediate holding company and from a non-controlling shareholder. For further details of the indebtedness of the Target Entities, please refer to note 29(c) in the Accountant's Report set out in Appendix IIB to this circular.

Gearing Ratio

For the year ended 31 December 2011, the Target Entities' gearing ratio, which equals total debt divided by total equity as at the end of the year/period, was approximately 2218.5%. For the years ended 31 December 2012, 2013 and the five months ended 31 May 2014, the gearing ratio was not applicable because there was a deficiency in assets for those years/period.

Material Acquisition

On 1 September 2014, the Target Company entered into the agreements with Sany Group to acquire the 9.5% non-controlling interests of Sany Marine Heavy Industry for a consideration of RMB68,680,000, upon the completion of which Sany Marine Heavy Industry became a direct wholly-owned subsidiary of the Target Company.

On 1 September 2014, the Target Company entered into the agreements with Sany Group to acquire the 9% non-controlling interests of Zhuhai Sany Port Machinery for a consideration of RMB8,800,000, upon the completion of which Zhuhai Sany Port Machinery became a direct wholly-owned subsidiary of the Target Company.

Capital Expenditure

Capital expenditure consists primarily of payments for plant, machinery and equipment used in connection with the production of port machinery and construction of Zhuhai Gaolan Port Economic Development Area. In 2011, 2012 and 2013 and the five months ended 31 May 2014, the Target Entities incurred capital expenditure in the amount of RMB12.5 million, RMB50.0 million, RMB55.7 million and RMB70.2 million, respectively. The following table sets out the Target Entities' capital expenditure in the periods indicated.

	Period from 30 March 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013	Five months ended 31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Plant, machinery and equipment	–	34,692	34,077	5,149
Motor vehicles	–	4,223	1,627	–
Construction in progress	12,486	11,046	19,995	65,048
Total capital expenditure	**12,486**	**49,961**	**55,699**	**70,197**

Certain Balance Sheet Items

Inventories

Inventories were one of the key components of the Target Entities' current assets. The business of the Target Entities depends on its ability to effectively manage and control inventory levels. The value of its inventories accounted for approximately 0.6%, 26.6%, 25.9% and 35.2% of its total current assets as at 31 December 2011, 2012, and 2013 and 31 May 2014, respectively. The following table sets forth the summary of the balance of inventories as at the respective reporting dates.

	As at 31 December 2011	As at 31 December 2012	As at 31 December 2013	As at 31 May 2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Inventory Type				
Raw materials	120	30,200	20,741	45,369
Work in progress	1,638	56,123	110,634	103,896
Finished goods	–	120,456	37,315	85,293
Total	1,758	206,779	168,690	234,558

The Target Entities' inventories increased approximately 39.0% from RMB168.7 million as at 31 December 2013 to RMB234.6 million as at 31 May 2014 primarily due to an increase in finished goods, primarily because container loading/unloading machinery are generally made from customer specifications and require longer time to manufacture and delivery compared to container handling machinery. Inventories decreased approximately 18.4% from RMB206.8 million as at 31 December 2012 to RMB168.7 million as at 31 December 2013 primarily because of a substantial decrease in finished goods as finished products are generally delivered to customers at year end.

Inventories increased substantially from RMB1.8 million as at 31 December 2011 to RMB206.8 million as at 31 December 2012, primarily because the Target Company was incorporated in March 2011 and did not have significant production and operations in 2011.

Trade and Bills Receivables

The following tables sets out the trade and bills receivables of the Target Entities at the respective reporting dates.

	31 December			31 May
	2011	**2012**	**2013**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	49,091	105,099	14,279
Impairment	–	(422)	(813)	(354)
Trade receivables, net	–	48,669	104,286	13,925
Bills receivables	–	1,039	2,591	6,687

The Target Entities' trade and bills receivables primarily relate to sales of port machinery and related products. The Target Entities recognise revenue from the sales of port machinery and related products when the customers take possession of the products. The trade and bills receivables increased from RMB49.7 million as at 31 December 2012 to RMB106.9 million as at 31 December 2013, primarily due to the fact products manufactured by Zhuhai Sany Port Machinery were first sold to the Target Business as part of the existing sales agency arrangement, which were then sold to customers, and there were extensions in the payment periods from the Target Business. The Target Entities' trade and bills receivables decreased from RMB106.9 million as at 31 December 2013 to RMB20.6 million as at 31 May 2014, primarily because centralised payments from the Target Business for the products manufactured by Zhuhai Sany Port Machinery increased.

The Target Entities typically require customers to comply with the credit policy and its finance department carries out regular reconciliations of outstanding balances. The management team of the Target Entities monitors the receivable balances on an ongoing basis and will make appropriate assessment on a timely basis as to whether or not a bad debt provision will need to be made. The following table sets forth the aging analysis of trade receivables as at the dates indicated.

	31 December			31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	–	7,600	79,678	–
31 to 90 days	–	4,767	–	374
91 to 180 days	–	32,534	–	–
181 to 365 days	–	3,768	200	–
Over 1 year	–	–	24,408	13,551
	–	48,669	104,286	13,925

Trade and Bills Payables

The following table sets forth the aging analysis of the Target Entities' trade and bills payables at the respective balance sheet dates.

	31 December			31 May
	2011	2012	2013	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	–	58,288	40,802	21,940
31 to 90 days	–	15,433	15,519	31,196
91 to 180 days	–	7,193	7,778	10,657
181 to 365 days	–	251	1,339	3,121
Over 1 year	–	–	800	780
	–	81,165	66,238	67,694

The Target Entities' trade and bills payables remained relatively stable as at 31 May 2014 compared to 31 December 2013. The trade and bills payables decreased from RMB81.2 million as at 31 December 2012 to RMB66.2 million as at 31 December 2013, primarily due to payments from Zhuhai Sany Port Machinery for certain raw materials it purchased through the Target Business.

Other Payables and Accruals

Other payables and accruals decreased by RMB56.6 million from RMB91.4 million as 31 December 2012 to RMB34.8 million as at 31 December 2013 and subsequently increased by RMB75.9 million to RMB110.7 million as at 31 May 2014, primarily due to fluctuations in advances from customers, which was nil as at 31 December 2013 and increased to RMB60.5 million as at 31 May 2014. The Target Entities requested down payment for the sales of large-size port machinery during the second quarter of 2014. As at 31 May 2014, since the sales did not meet the revenue recognition criteria, RMB60.5 million of advances from customers was recorded in other payables and accruals account. Nil balance as at 31 December 2013 was mainly due to the fact that all advances from customers were recorded as revenue.

Cash and Cash Equivalents

Cash and cash equivalents were RMB298.3 million, RMB5.7 million, RMB4.1 million and RMB54,000 as at 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014. Cash and cash equivalents decreased substantially from 31 December 2013 to 31 May 2014 primarily due to the existing centralised fund management within Sany Group pursuant to which Sany Group borrows funds from banks and lends to its subsidiaries and its subsidiaries subsequently transfer the surplus cash on hand to Sany Group on a monthly basis. As at 31 May 2014, the Target Entities deposited approximately RMB374.7 million to Sany Group in accordance with this arrangement, which was recognised as amounts due from Sany Group in the financial statements of the Target Entities. Upon completion of the Acquisitions, such centralised fund management will no longer apply to the Target Group, which will be managed under the Group's treasury management system. As at 30 September 2014, the amount due from Sany Group to the Target Company, Zhuhai Sany Port Machinery and Sany Marine Heavy Industry were nil, nil and RMB622.4 million respectively. Any amount due from Sany Group to Sany Marine Heavy Industry as at the Closing Date will be set off in full against part of the consideration for the Onshore Acquisition payable by Sany Marine Heavy Industry to Sany Group. Please refer to the section headed "Letters from the Board – Intercompany Balances" in this circular for details. The Target Entities can operate on a going concern basis notwithstanding of their net liabilities position as at 31 May 2014 as their immediate holding company, Sany HK has provided continuous financial support and adequate funds to the Target Entities to enable them to meet their liabilities when they fall due during the years ended 31 December 2011, 2012 and 2013 and the five months ended 31 May 2014. In addition, after the completion of the Offshore Acquisition, the Offshore Shareholder Loan owed by the Target Company to Sany HK of RMB703 million will be capitalised to equity, which will be substantially greater than the net liability of RMB30.5 million as at 31 May 2014.

Contingent Liabilities

As at 31 December 2011, 2012 and 2013 and 31 May 2014, the Target Entities did not have any contingent liabilities.

Foreign Exchange Exposure

The Target Entities' businesses are located in China and most of the transactions are conducted in Renminbi. Most of the its assets and liabilities are denominated in Renminbi, except for certain monetary assets and liabilities denominated in Hong Kong dollars and U.S. dollars. Therefore, the Target Entities' operations are not exposed to significant foreign currency risk.

The following is the text of a letter prepared for inclusion in this circular, received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent business valuer, in connection with the valuation as at 1 September 2014 of the market value in Hunan Sany Port Equipment.

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30 November 2014

The Board of Directors
Sany Heavy Equipment International Holdings Company Limited

Dear Sirs,

In accordance with the instructions from Sany Heavy Equipment International Holdings Company Limited (the "Sany Heavy Equipment"), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the market value of the 100 percent equity interest in Hunan Sany Port Equipment Co., Ltd. (the "Hunan Sany Port Equipment"), as at 1 September 2014 (the "Valuation Date"), for acquisition reference. This letter summarizes the principal conclusions stated in our valuation report dated 30 November 2014 (the "Report Date").

Our valuation was carried out on a market value basis. Market value is defined as *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*.

INTRODUCTION

As a subsidiary of Sany Group Co., Ltd. (the "Sany Group"), Hunan Sany Port Equipment is principally engaged in the research, development, manufacturing and sales of port machine such as reachstacker, empty container handler, yard crane and ship to shore crane, etc., and related accessories and provision of after-sale service.

Sany Heavy Equipment is an investment holding company. Sany Heavy Equipment and its subsidiaries are engaged in the manufacture and sale of roadheaders, combined coal mine units (CCMUs) and coal mine transportation vehicles in Mainland China. The company's products include underground coal mining equipment, including CCMUs, semi-coal rock roadheaders, full-rock roadheaders, coal mine transportation vehicles and concrete pumps for coal mines.

In 2014, Sany Marine Heavy Industry Company Limited which is indirectly owned by Sany Heavy Equipment entered into a negotiation with Sany Group to acquire the 100 percent equity interest in Hunan Sany Port Equipment owned by Sany Group.

BASIS OF OPINION

We have conducted our valuation in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and with International Valuation Standards issued by International Valuation Standards Council ("IVSC"). The valuation procedures employed include a review of legal status and economic condition of Hunan Sany Port Equipment and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of Hunan Sany Port Equipment. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of Hunan Sany Port Equipment;
- Market-driven investment returns of companies engaged in similar lines of business;
- Financial and business risk of the business including continuity of income and the projected future results;
- Consideration and analysis on the micro and macro economy affecting the subject assets;
- Analysis on tactical planning, management standard and synergy of the subject assets; and
- Assessment of the leverage and liquidity of the subject assets.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on Hunan Sany Port Equipment.

VALUATION METHODOLOGY

Given the unique characteristics of the asset, there are substantial limitations for the income approach and the cost approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive. Detailed operational information and long-term financial projections are also needed to arrive at an indication of value but such information is not available as at the Valuation Date. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject business.

In view of the above, we have adopted the market approach for the valuation. The market approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used.

In this valuation exercise, the market value of the 100% equity interest in Hunan Sany Port Equipment was developed through the application of the market approach technique known as the guideline public company method. This method requires the research of comparable companies' benchmark multiples and proper selection of a suitable multiple to derive the market value of the 100 percent equity interest in Hunan Sany Port Equipment. In order to reflect Hunan Sany Port Equipment's latest financial performance and given the availability of operational details for the earnings before interest expense, income tax and depreciation and amortization (the "EBITDA") attributable to owners during the period of 1 June 2013 to 31 May 2014, it is considered that the suitable multiple in this valuation is the 30 June 2014 enterprise value to EBITDA ("2014.6.30 EV/EBITDA Ratio"), which is defined as the current market price to 30 June 2014 trailing 12 months EBITDA attributable to owners of Hunan Sany Port Equipment in this case.

The entire business enterprise value in Hunan Sany Port Equipment is produced based on the 30 June 2014 trailing 12 months EBITDA attributable to owners of the Hunan Sany Port Equipment and the 2014.6.30 EV/EBITDA Ratio. In accordance with the management of Hunan Sany Port Equipment, 30 June 2014 trailing 12 months EBITDA attributable to owners of the Hunan Sany Port Equipment has no material difference compared to 31 May 2014 trailing 12 months EBITDA attributable to owners of the Hunan Sany Port Equipment which is RMB130,000,000. The market value of 100 percent equity interest in Hunan Sany Port Equipment is then derived by adding Cash and Cash Equivalents, Amount due from related parties and other excess assets, and subtracting the debt and consideration due to related parties.

SOURCES OF INFORMATION

In conducting our valuation of the 100 percent equity interest in Hunan Sany Port Equipment, we have reviewed information from several sources, including, but not limited to:

- Background of Hunan Sany Port Equipment and relevant corporate information;
- Historical financial information of Hunan Sany Port Equipment;
- Business licenses of Hunan Sany Port Equipment; and

- Other operation and market information in relation to Hunan Sany Port Equipment's business.

We have held discussions with management of Hunan Sany Port Equipment, conducted research from public sources and carried out site inspection to assess the reasonableness and fairness of information provided. We assumed such information to be reliable and legitimate; and we have relied to a considerable extent on the information provided in arriving at our opinion of value.

VALUATION ASSUMPTIONS

In determining the market value of the 100 percent equity interest in Hunan Sany Port Equipment, we have made the following key assumptions. These assumptions have, where appropriate, been re-evaluated and validated in order to provide a more accurate and reasonable basis for our assessed value.

General Assumptions

- According to the management of Hunan Sany Port Equipment, there is no material difference between 31 May 2014 trailing 12 months EBITDA attributable to owners of the Hunan Sany Port Equipment and 30 June 2014 trailing 12 months EBITDA attributable to owners of the Hunan Sany Port Equipment;

- In order to realize the growth potential of the business and maintain a competitive edge, additional manpower, equipment and facilities are necessary to be employed;

- For this valuation exercise, we have assumed that the facilities and systems proposed are sufficient for future expansion;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Hunan Sany Port Equipment, since 30 June 2014 to the Valuation Date and thereafter;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

- We have assumed the accuracy of the financial and operational information provided to us by Hunan Sany Port Equipment and relied to a considerable extent on such information in arriving at our opinion of value;

- We have assumed the capital structure of Hunan Sany Port Equipment will not change; and

- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

MARKET MULTIPLES

In determining the financial multiple, a list of comparable companies was identified. The selection criteria include the followings:

- The companies derive a considerable amount, if not all, of their revenues from the same or closely related industry of Hunan Sany Port Equipment;

- The comparable companies are searchable in Bloomberg;

- The comparable companies are publicly listed; and

- Sufficient data, including 2014.6.30 EV/EBITDA, on the companies are available.

The comparable companies satisfying the above criteria are:

Company Name	Stock Code	2014.6.30 EV/EBITDA
Wuxi Huadong Heavy Machine Company Limited	002685.CH	158.42
Shanghai Zhenhua Port Machinery Co., Ltd	600320.CH	25.86
JS Rainbow Heavy Industries Co., Ltd.	002483.CH	16.32
China International Marine Containers Ltd	000039.CH	13.74
Singamas Container Holdings Limited	716.HK	12.22
Cargotec Oyj	CGCBV.FH	15.09
Konecranes Abp	KCR1V.FH	11.64

We noticed that the EV/EBITDA multiple of Wuxi Huadong Heavy Machine Company Limited is significantly higher than that of any other comparable companies identified under our selection. We have therefore determined that this company is an outlier and should not be included in our valuation. We believe that the remaining six comparable companies form an exhaustive and representative list.

The median of the 2014.6.30 EV/EBITDA ratio is then calculated at 14.42 and adopted as the 2014.6.30 EV/EBITDA Ratio for Hunan Sany Port Equipment.

ADDITIONAL CONSIDERATION

Discount for Lack of Marketability (DLOM)

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this investment using put option method. The concept is that when comparing a public share and a private share, holder of a public share has the ability to sell the shares (i.e. a put option) to the stock market right away. As the time to a liquidity event getting shorter, the degree of the DLOM becomes smaller.

We have adopted Black Scholes Option Pricing Model with the following parameters to estimate the Discount for Lack of Marketability.

Parameters	1 September 2014	Remarks
Option Type	European Put	
Spot Price	1	Refer to Note 1
Exercise Price	1	Refer to Note 1
Risk Free Rate	4.03%	Yield Rate on 3-Year CNY China Government BFV Curve
Volatility	40.35%	With reference to comparable companies
Maturity	3 year	Refer to Note 2
Implied DLOM	20%	

Note

Note 1: Here the "1" means 100%. A put option with a spot price of 1 and a strike price of 1 grants the holder the right to sell its underlying asset at its 100% percent.

Note 2: It is assumed that a liquidity event will occur 3 year after the Valuation Date for the purpose of the valuation as per discussion with the management of Hunan Sany Port Equipment. A liquidity event is an event, such as IPO, merger or sales, from which the subject asset will have marketability. The assumption of occurrence of a liquidity event is our normal approach to determine the maturity. The type of the liquidity event is not relevant for the purpose of determining the parameter used.

Applying the DLOM at 20% to the 2014.6.30 EV/EBITDA Ratio at 14.42 results in an effective 2014.6.30 EV/EBITDA ratio at 11.54 (the "Effective 2014.6.30 EV/EBITDA Ratio").

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that as at 1 September 2014 the market value of the 100 percent equity interest in Hunan Sany Port Equipment is reasonably stated at the amount of **RMB1,040,000,000 (RENMINBI ONE BILLION AND FORTY MILLION).**

LIMITING CONDITIONS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Hunan Sany Port Equipment and Jones Lang LaSalle Corporate and Appraisal Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of Hunan Sany Port Equipment over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Regional Director

Note: Mr. Simon M.K. Chan is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of CPA Australia. He is also a Certified Valuation Analyst and a member of The International Association of Consultants, Valuers and Analysts (IACVA). He oversees the business valuation services of JLL and has over 15 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States.

APPENDIX – SUMMARY OF VALUE

Hunan Sany Port Equipment Co., Ltd.	**Unit: RMB'000**
2014.6.30 Trailing 12 Months EBITDA	130,000
Effective 2014.6.30 EV/EBITDA Ratio	11.54
Enterprise Value	1,499,680
Add: Cash and Cash Equivalents, Amount due from related parties and other excess assets	68,657
Less: Debt and Consideration due to Sany Group	532,756
100% Equity Value (Rounded)	1,040,000

The following is the text of a letter prepared for inclusion in this circular, received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent business valuer, in connection with the valuation as at 1 September 2014 of the market value in the Target Company.

JLL
仲量聯行

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Company Licence No: C-030171

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公司牌照號碼：C-030171

30 November 2014

The Board of Directors
Sany Heavy Equipment International Holdings Company Limited

Dear Sirs,

In accordance with the instructions from Sany Heavy Equipment International Holdings Company limited (the "Sany Heavy Equipment"), we have undertaken a valuation exercise which requires Jones Lang LaSalle Corporate Appraisal and Advisory Limited to express an independent opinion of the market value of the 100 percent equity interest in Sany Marine Industry International Holdings Co., Ltd. (the "Target Company"), as at 1 September 2014 (the "Valuation Date"), for acquisition reference. This letter summarizes the principal conclusions stated in our valuation report dated 30 November 2014 (the "Report Date").

Our valuation was carried out on a market value basis. Market value is defined as *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"*.

INTRODUCTION

The Target Company was incorporated as a company with limited liability on 30 March 2011 in the Cayman Islands. The Target Company, through its subsidiaries, is engaged in the design, manufacture and sale of port machinery and marine heavy equipment products. The subsidiaries of the Target Company, namely Zhuhai Sany Port Machinery Co., Ltd. (the "Zhuhai Sany Port Machinery") and Sany Marine Heavy Industry Co., Ltd. (the "Sany Marine Heavy Industry") were both headquartered in Zhuhai, Guangdong Province, the PRC. As at the Valuation Date, both companies are 100% owned by the Target Company.

Sany Heavy Equipment is an investment holding company. Sany Heavy Equipment and its subsidiaries are engaged in the manufacture and sale of roadheaders, combined coal mine units (CCMUs) and coal mine transportation vehicles in Mainland China. The company's products include underground coal mining equipment, including CCMUs, semi-coal rock roadheaders, full-rock roadheaders, coal mine transportation vehicles and concrete pumps for coal mines.

In 2014, Sany Heavy Equipment (as the "Purchaser") entered into a negotiation with Sany Hongkong Group Ltd. (as the "Vendor") to acquire the 100 percent equity interest in the Target Company owned by Sany Hongkong Group Ltd.

BASIS OF OPINION

We have conducted our valuation in accordance the International Financial Reporting Standards issued by the International Accounting Standards Board and with International Valuation Standards issued by International Valuation Standards Council ("IVSC"). The valuation procedures employed include a review of legal status and economic condition of the Target Company and an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Company. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;
- The nature of business and history of the operation concerned;
- The financial condition of the Target Company;
- Financial and business risk of the business including continuity of income;
- Consideration and analysis on the micro and macro economy affecting the subject assets;
- Analysis on tactical planning, management standard and synergy of the subject assets; and
- Assessment of the leverage and liquidity of the subject assets.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the Target Company.

VALUATION METHODOLOGY

Given the fact that the Target Company is an investment holding company, Sany Marine Heavy Equipment is still under construction, and Zhuhai Sany Port Machinery is in the stage of building up market acknowledgement and has not yet generated any profit, we have relied solely on the cost approach in the valuation of 100 percent equity interest in the Target Company as well as Sany Marine Heavy Equipment and Zhuhai Sany Port Machinery.

In this valuation exercise, we had considered the types of assets and liabilities and their conditions when arriving at the market values of the subject items. We adopted appropriate valuation methodology for each different class of assets and liabilities.

Assets	**Valuation Approach & Methodology**
Cash and cash equivalents	Based on the book values.
Long-term investment	Based on the production of 100 percent equity interest of the invested companies and corresponding holding percent in each company
Liabilities	
Amount due to shareholder	Based on the book values.
Consideration due to Sany Group	Based on the Share Purchase Agreement.

Note: The book values are all based on the management account as at 31 August 2014.

Valuation Methodology for Long-term Investments

100 percent equity interest in Zhuhai Sany Port Machinery

With reference to the management account of Zhuhai Sany Port Machinery as at 31 August 2014, we adopted appropriate valuation methodology for the identifiable tangible and intangible assets and liabilities belonging to Zhuhai Sany Port Machinery, which are summarized in the table below.

Assets	**Valuation Approach & Methodology**
Cash and cash equivalents	Based on the book values which have been confirmed by bank statements.
Notes receivable, Account receivable, Prepayment and Other receivable	Based on the economic realities with due consideration paid to their collectability, aging records, reputation and financial positions of the debtors which could result in provision of bad debts. Confirmation by checking to subsequent receipts on sampling basis.
Inventories	Based on the quantities and conditions of the inventories as at the date of valuation provided by the Company, the Market Value as at the date of valuation were derived by multiplying their quantities with their corresponding market prices close to the date of valuation.

Assets	Valuation Approach & Methodology
Fixed assets, Construction in process and Project material	Market approach was primarily utilized for Fixed assets where an active secondary market exists. For all other assets without active secondary market, relied on the cost approach, where an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilization.
Identifiable intangible assets – Know-how (Off-Balance Sheet)	Based on the expenditure to obtain these intangible assets.
Deferred tax assets and Other long-term assets	Based on the book values.
Liabilities	
Notes payable, Accounts payable, Advance, other payable, Salary payable and Tax payable	Based on book values. Checking of original contracts and/or invoices on sampling basis. Checking of subsequent settlements.

Note: The book values are all based on the management account as at 31 August 2014.

100 percent equity interest in Sany Marine Heavy Equipment

With reference to the management account of Sany Marine Heavy Equipment as at 31 August 2014, we adopted appropriate valuation methodology for the identifiable tangible and intangible assets and liabilities belonging to Sany Marine Heavy Equipment, which are summarized in the table below.

Assets	Valuation Approach & Methodology
Cash and cash equivalents	Based on the book values which have been confirmed by bank statements.
Prepayment and Other receivable	Based on the economic realities with due consideration paid to their collectability, aging records, reputation and financial positions of the debtors which could result in provision of bad debts. Confirmation by checking to subsequent receipts on sampling basis.

Assets	**Valuation Approach & Methodology**
Construction in progress	Based on the valuation report of the property interests.
Intangible assets – Land	Based on the valuation report of the property interests.
Identifiable intangible assets – Know-how (Off-Balance Sheet)	Based on the expenditure to obtain these intangible assets.
Deferred tax assets and other long-term assets	Based on the book values.
Liabilities	
Tax payable and Salary payable	Based on book values. Checking of subsequent settlements
Other payable	Based on book values. Checking of original contracts and/or invoices on sampling basis. Checking of subsequent settlements.
Other non-current liabilities	Based on book values.

Note: The book values are all based on the management account as at 31 August 2014.

SOURCES OF INFORMATION

In conducting our valuation of the Target Company, we have reviewed information from several sources, including, but not limited to:

- Background of the Target Company and relevant corporate information;
- Management account of the Target Company as at 31 August 2014;
- Management account of Sany Marine Heavy Equipment as at 31 August 2014;
- Management account of Zhuhai Sany Port Machinery as at 31 August 2014;
- Business licenses of the Target Company; and
- Other operation and market information in relation to the Target Company's business.

We have held discussions with management of Target Company, conducted research from public sources and carried out site inspection to assess the reasonableness and fairness of information provided. We assumed such information to be reliable and legitimate; and we have relied to a considerable extent on the information provided in arriving at our opinion of value.

VALUATION ASSUMPTIONS

In determining the market value of the 100 percent equity interest in the Target Company, we have made the following key assumptions. These assumptions have, where appropriate, been re-evaluated and validated in order to provide a more accurate and reasonable basis for our assessed value.

General Assumptions

- We have assumed the accuracy of the financial and operational information provided to us by the Target Company, including the management account of the Target Company, Zhuhai Sany Port Machinery and Sany Marine Heavy Equipment as at 31 August 2014, and relied to a considerable extent on such information in arriving at our opinion of value;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value; and

- We have assumed that there are no hidden or unexpected conditions associated with the asset valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that as at 1 September 2014 the market value of the 100 percent equity interest in the Target Company is reasonably stated at the amount of **RMB57,000,000 (RENMINBI FIFTY SEVEN MILLION).**

LIMITING CONDITIONS

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company and Jones Lang LaSalle Corporate and Appraisal Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Regional Director

Note: Mr. Simon M.K. Chan is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of CPA Australia. He is also a Certified Valuation Analyst and a member of The International Association of Consultants, Valuers and Analysts (IACVA). He oversees the business valuation services of JLL and has over 15 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in China, Hong Kong, Singapore and the United States.

APPENDIX – SUMMARY OF VALUES

Value of Zhuhai Sany Port Machinery

Zhuhai Sany Port Machinery Co., Ltd.	**Value (RMB'000)**
Total Assets	**524,262**
Cash and cash equivalents	534
Notes receivable	6,300
Accounts receivable	13,812
Prepayment	13,874
Other receivable	34,991
Inventories	272,076
Fixed assets	75,208
Construction in process	207
Project material	827
Identifiable intangible assets – Know-how (Off-Balance Sheet)	102,000
Deferred tax assets	4,271
Other long-term assets	162
Total Liabilities	**415,461**
Notes payable	20,295
Account payable	39,617
Advances	110,694
Salary payable	19
Tax payable	797
Other current liabilities	244,039
100% Equity Value (Rounded)	**108,801**

Value of Sany Marine Heavy Industry

Sany Marine Heavy Industry Co., Ltd.	**Value (RMB'000)**
Total Assets	**2,020,190**
Cash and cash equivalents	205,041
Prepayment	1
Other receivable	630,087
Construction in progress	125,404
Intangible assets – Land	254,461
Identifiable intangible assets – Know-how (Off-Balance Sheet)	13,000
Deferred tax assets	248,804
Other long-term assets	543,392
Total Liabilities	**1,291,101**
Salary payable	-3
Tax payable	252,835
Other payable	44,494
Other non-current liabilities	993,775
Net Assets	**729,089**

Value of the Target Company

Sany Marine Industry International Holdings Co., Ltd.	**Value (RMB'000)**
Total Assets	**837,892**
Cash and cash equivalents	2
Long-term investment in Zhuhai Sany Port Machinery	108,801
Long-term investment in Sany Marine Heavy Equipment	729,089
Total Liabilities	**780,458**
Amount due to shareholder	702,978
Consideration due to Sany Group	77,480
Net Assets (Rounded)	**57,000**

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 1 September 2014 of the property interests to be acquired by the Company.

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30 November 2014

The Board of Directors
Sany Heavy Equipment International Holdings Company Limited
Room 1301, 13th Floor, Jubilee Centre,
18 Fenwick Street, Wanchai
Hong Kong

Dear Sirs,

Sany Heavy Equipment International Holdings Company Limited (the "**Company**") intends to acquire 100% equity interest of Sany Marine Industry International Holding Company Ltd. (the "**Target Company**"). Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**" or "**we**") is instructed by the Company to provide valuation service on the property interests held by Sany Marine Heavy Industry Co., Ltd. ("**Sany Marine Heavy Industry**", a wholly-owned subsidiary of the Target Company) for disclosure purpose. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interests as at 1 September 2014 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest in Group I which is currently under development, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by Sany Marine Heavy Industry. In arriving at our opinion of the value, we have considered the market value of the land of the development as at the existing use, and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. In arriving at our opinion of the land market value, we have adopted the comparison approach by making reference to comparable sales as available in the relevant market.

We have attributed no commercial value to the property interest in Group II, which has not been assigned to Sany Marine Heavy Industry as at the valuation date, thus the titles of the property are not vested in the Group.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by Sany Marine Heavy Industry, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including Real Estate Title Certificate, State-owned Land Use Rights Grant Contract, Construction Work Planning Permit and Construction Work Commencement Permit and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – Jingtian & Gongcheng Law Firm, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 9 September 2014 by Jack Ye, who is a Certified Public Valuer, and has more than 8 years' experience in the valuation of properties in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also sought confirmation from Sany Marine Heavy Industry that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 20 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interest held under development by Sany Marine Heavy Industry

No.	Property	Market value in existing state as at 1 September 2014 *RMB*
1.	A parcel of land and 5 buildings and ancillary structures under construction located at Equipment Manufacturing North Zone Gaolan Port Economic Area Zhuhai City Guangdong Province The PRC	260,416,000
	Sub-total:	260,416,000

Group II – Property interest contracted to be acquired by Sany Marine Heavy Industry

No.	Property	Market value in existing state as at 1 September 2014 *RMB*
2.	A parcel of land located at Equipment Manufacturing North Zone Gaolan port Economic Area Zhuhai City Guangdong Province The PRC	No commercial value
	Sub-total:	Nil
	Grand total:	260,416,000

VALUATION CERTIFICATE

Group I – Property interest held under development by Sany Marine Heavy Industry

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 1 September 2014 *RMB*
1.	A parcel of land and 5 buildings and ancillary structures under construction located at Equipment Manufacturing North Zone Gaolan Port Economic Area Zhuhai City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 514,686.09 sq.m. and 5 buildings and ancillary structures which were being constructed thereon as at the valuation date (the "CIP"). The CIP is scheduled to be completed in 2015. Upon completion, the buildings will include 2 industrial buildings, an office building, a canteen building and a dormitory building with a total gross floor area of approximately 95,720.70 sq.m. The total construction cost of the CIP is estimated to be approximately RMB260,770,000, of which RMB125,400,000 had been paid up to the valuation date. The land use rights of the property have been granted for a term of 50 years expiring on 29 June 2062 for industrial use.	The property is currently under construction.	260,416,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract and a supplementary contract, the land use rights of 2 parcels of land with a total site area of approximately 1,649,404.50 sq.m. (including the land site of property no. 1 and property no. 2) were contracted to be granted to Sany Marine Heavy Industry for industrial use. The total land premium was RMB791,714,160.

2. Pursuant to a Real Estate Title Certificate – Yue Fang Di Quan Zheng Zhu Zi No. 0400004529, the land use rights of a parcel of land with a site area of approximately 514,686.09 sq.m. have been granted to the Sany Marine Heavy Industry for a term of 50 years expiring on 29 June 2062 for industrial use.

3. Pursuant to two Construction Work Planning Permits – Jian Zi Di No. (Gaolan port) 2014-036 and Jian Zi Di No. (Gaolan port) 2014-055 in favour of Sany Marine Heavy Industry, 5 buildings of CIP of the property with a total gross floor area of approximately 95,720.70 sq.m. have been approved for construction.

4. Pursuant to a Construction Work Commencement Permit – 440411201410230101 in favour of Sany Marine Heavy Industry, 2 buildings of CIP of the property with a total gross floor area of approximately 8,511.34 sq.m. have been approved for construction.

5. For the remaining 3 buildings of the CIP with a total gross floor area of approximately 87,209.36 sq.m., we have not been provided with any construction permits.

6. A summary of major certificates/approvals is shown as follows:

a)	State-owned Land Use Rights Grant Contract	Yes
b)	Real Estate Title Certificate	Yes
c)	Construction Work Planning Permit	Yes
d)	Construction Work Commencement Permit	Portion

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a) The State-owned Land Use Rights Grant Contract and supplementary contract mentioned in note 1 are legal and valid;

   b) Sany Marine Heavy Industry is entitled to occupy, use, transfer, lease and mortgage the land use rights of the property in accordance with the valid term stipulated in the Real Estate Title Certificate and the Laws;

   c) The Construction Work Planning Permits mentioned in note 3 and Construction Work Commencement Permit mentioned in note 4 are valid and legal; and

   d) As advised by Sany Marine Heavy Industry, they are now applying for the relevant construction permits for the remaining 3 buildings of the CIP (mentioned in note 5) and there should have no material impediment in obtaining the relevant construction permits.

8. In the valuation of this property, we have attributed no commercial value to portion of the CIP (mentioned in note 5) which have not proper construction permit. However, for reference purpose, we are of the opinion that the depreciated replacement cost of this portion of the CIP (excluding the land) as at the valuation date would be RMB119,449,000 assuming all relevant construction permits have been obtained, and this portion of the CIP could be freely transferred.

9. The property contributes a significant portion of revenue to Sany Marine Heavy Industry, we are of the view that the property is the material property held by Sany Marine Heavy Industry:

   Details of the material property

(a)	General description of location of the property	:	The property is located at Equipment Manufacturing North Zone of Gaolan Port Economic Area in Zhuhai City. Gaolan Port Economic Development Area, also known as Zhuhai Economic and Technology Development Area, is a National economic area, clustered with many manufacturing, petrochemical and logistics companies. Gaolan Port Economic Development Area is about 40 kilometers from the urban area of Zhuhai and about 20 kilometers from Zhuhai Jin Wan Airport. Three highways including Gaolan Port Highway, Xibu Yanhai Highway and the Airport Expressway are near to the property.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	The property is not subject to any mortgage or pledges.

(c)	Environmental Issue	:	No environmental impact assessment has been carried out.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Sany Marine Heavy Industry has not obtained the Construction Work Commencement Permit of those 3 buildings under construction (see note 4).
(e)	Future plans for construction, renovation, improvement or development of the property	:	The CIP is scheduled to be completed in 2015, the total construction cost of the CIP is estimated to be approximately RMB260,770,000.

VALUATION CERTIFICATE

Group II – Property interest contracted to be acquired by Sany Marine Heavy Industry

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 1 September 2014 *RMB*
2.	A parcel of land located at Equipment Manufacturing North Zone Gaolan Port Economic Area Zhuhai City Guangdong Province The PRC	The property comprises a parcel of land with a site area of approximately 1,134,717.41 sq.m.	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract and a supplementary contract, the land use rights of 2 parcels of land with a total site area of approximately 1,649,404.50 sq.m. (including this property and the land site of property no. 1) were contracted to be granted to Sany Marine Heavy Industry for industrial use. The total land premium was RMB791,714,160.

2. A summary of major certificates/approvals is shown as follows:

a)	State-owned Land Use Rights Grant Contract	Yes
b)	Real Estate Title Certificate	No
c)	Construction Work Planning Permit	N/A
d)	Construction Work Commencement Permit	N/A

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, the following:

    a) The State-owned Land Use Rights Grant Contract and supplementary contract mentioned in note 1 are legal and valid.

4. As at the valuation date, the property has not been assigned to Sany Marine Heavy Industry and thus the title of the property has not been vested in Sany Marine Heavy Industry. Therefore, we have attributed no commercial value to the property.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the interests of the directors, the chief executives and their associates, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

Long positions

Name of Director	Nature of Interest	Number of share interested	Percentage of issued share capital
Mr. Mao Zhongwu *(Note 1)*	Beneficial owner	404,000	0.01%

Note:

(1) Mr. Mao Zhongwu is deemed to be interest in 404,000 shares which may be issued to him upon exercise of the share options granted to him on 26 February 2013.

Long positions in shares of Sany Heavy Equipment Investments Company Limited ("Sany BVI") (being the ultimate holding company of the Company)

Name of Director	Nature of interest	Number of shares held	Percentage of issued share capital
Mr. Mao Zhongwu *(Note)*	Beneficial owner	800	8.00%
Mr. Xiang Wenbo *(Note)*	Beneficial owner	800	8.00%

Note: Each of Mr. Mao Zhongwu and Mr. Xiang Wenbo holds 8.00% and 8.00% of the issued share capital of Sany BVI, respectively, which in turn holds the entire issued share capital of Sany Hongkong Group Limited ("Sany HK", a controlling shareholder of the Company). Sany HK holds 2,134,580,188 shares of the Company.

Save as disclosed above, none of the Directors, the chief executive and their associates, had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies as at the Latest Practicable Date.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, other than the interests of certain directors as disclosed under the section headed "Directors' and chief executives' interests in shares and underlying shares" above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under section 336 of the SFO were as follows:

Long positions

Name of Shareholder	Capacity	Number of shares held	Approximate percentage of issued share capital
Sany HK	Beneficial owner	2,134,580,188	70.19%
Sany BVI *(Note 1)*	Interest of a controlled corporation	2,134,580,188	70.19%
Mr. Liang Wengen *(Note 2)*	Interest of a controlled corporation	2,134,580,188	70.19%

Notes:

1. Sany BVI owns 100% of the issued share capital of Sany HK. Sany BVI is therefore deemed to be interested in all the shares of the Company held by Sany HK under the SFO.

2. Mr. Liang Wengen is interested in 57.12% of Sany BVI. Mr. Liang Wengen is therefore deemed to be interested in all the shares of the Company held by Sany HK under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective associates has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited accounts of the Company were made up.

6. LITIGATION

As at the Latest Practicable Date, none of the Company or any of its subsidiaries has received notice of any litigation or arbitration proceedings pending or threatened against the Company or any of the subsidiaries of the Company.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

8. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the members of the Group within two years preceding the Latest Practicable Date and are or may be material:

(1) the Share Transfer Agreement;

(2) the Equity Transfer Agreement.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who had given opinion or advice which is contained in this circular:

Name	Qualifications
Anglo Chinese Corporate Finance, Limited	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
The Hongkong and Shanghai Banking Corporation Limited	A corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Jingtian & Gongcheng	PRC legal advisers
Ernst & Young	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent professional valuer

As at the Latest Practicable Date, Anglo Chinese Corporate Finance, Limited, HSBC, Jingtian & Gongcheng, Ernst & Young and Jones Lang LaSalle Corporate Appraisal and Advisory Limited have given and has not withdrawn their written consent to the issue of this circular with the inclusion herein of their letters and references to their name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Anglo Chinese Corporate Finance, Limited, HSBC, Jingtian & Gongcheng, Ernst & Young and Jones Lang LaSalle Corporate Appraisal and Advisory Limited do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Anglo Chinese Corporate Finance, Limited, HSBC, Jingtian & Gongcheng, Ernst & Young and Jones Lang LaSalle Corporate Appraisal and Advisory Limited do not have any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

(1) The registered office of the Company is at Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands.

(2) The principal place of business of the Company in Hong Kong is Room 1301, 13th Floor, Jubilee Centre, 18 Fenwick Street, Wanchai Hong Kong.

(3) The Company's share registrar and transfer office in Hong Kong is at Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(4) The joint company secretaries of the Company are Mr. Hu Tao (William Hu) and Ms. Kam Mei Ha (Wendy), a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Charted Secretaries and Administrators in the United Kingdom.

(5) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Drrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date of the EGM (and any adjournment thereof):

(1) the memorandum and articles of association of the Company;

(2) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(3) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 56 and 57 of this circular;

(4) the letter from the Independent Financial Adviser, the text of which is set out on pages 58 to 80 of this circular;

(5) the accountants' report on the Target Business, the text of which is set out in Appendix IIA of this circular;

(6) the accountants' report on the Target Company and its subsidiaries, the text of which is set out in Appendix IIB of this circular;

(7) the written consents referred to under the section headed "Experts and Consents" in this Appendix;

(8) the annual reports of the Company for each of the three years ended 31 December 2011, 2012 and 2013;

(9) the interim report of the Company for the six months ended 30 June 2014; and

(10) this circular.

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)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Sany Heavy Equipment International Holdings Company Limited (the Company) will be held at Harbour View Ballroom, 4/F Four Seasons Hotel Hong Kong, 8 Finance Street, Central, Hong Kong on 19 December 2014 at 9:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary and special resolutions. Terms defined in the circular of the Company dated 30 November 2014 shall have the same meanings when used in this notice unless otherwise stated.

AS ORDINARY RESOLUTIONS

1. "**THAT**

(a) the Share Transfer Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) any of the Directors be and is/are hereby authorised to do all other acts and things and execute all documents which he/they consider(s) necessary, desirable or expedient for the implementation of and giving effect to the Share Transfer Agreement and the transactions contemplated thereunder with any changes as such Director(s) may consider necessary, desirable and expedient;

(c) the Equity Transfer Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(d) any of the Directors be and is/are hereby authorised to do all other acts and things and execute all documents which he/they consider(s) necessary, desirable or expedient for the implementation of and giving effect to the Equity Transfer Agreement and the transactions contemplated thereunder with any changes as such Director(s) may consider necessary, desirable and expedient;

(e) subject to the passing of the ordinary resolution no. 2 as set out in the notice (the "**Notice**") convening this Extraordinary General Meeting, the allotment and issue of such number of Convertible Preference Shares (as defined in resolution no. 2 in the Notice) as to be determined in accordance with the terms of the Share Transfer Agreement credited as fully paid up to Sany HK up to a maximum of 538,932,120 Convertible Preference Shares and the allotment and issue of such number of ordinary shares in the share capital of the Company of par value HK$0.10 each ("**Ordinary Shares**") credited as fully paid up on exercise of the conversion right attaching to the Convertible Preference Shares in accordance with its terms of issue and are hereby approved; and

(f) the Board of Directors be and is/are hereby authorised to allot and issue Convertible Preference Shares and Ordinary Shares in the share capital of the Company and to take all steps necessary, desirable or expedient in his/their opinion to implement and/or give and/or give effect to the allotment and issue of such shares."

2. "**THAT** subject to the passing of the ordinary resolution no. 1 above:–

(A) 538,932,120 limited-voting convertible preference shares of HK$0.10 par value each of the Company (the "**Convertible Preference Shares**") having the rights, benefits and subject to the restrictions set out in paragraph (C) be created and the authorised share capital of the Company shall be re-classified and re-designated so that the authorised share capital of the Company of HK$500,000,000 divided into 5,000,000,000 shares of HK$0.10 par value each shall comprise of 4,461,067,880 ordinary shares of par value HK$0.10 each (the "**Ordinary Shares**") and 538,932,120 Convertible Preference Shares (the "**Re-classification**");

(B) all of the existing shares in issue of the Company shall be re-designated as Ordinary Shares;

(C) the Convertible Preference Shares shall carry equal rights and rank pari passu with one another and each Convertible Preference Share shall have the rights and benefits and subject to the restrictions as follows:–

1. INTERPRETATION

In these Terms, unless the context otherwise requires, the following expressions which apply exclusively to these Terms shall have the following meanings:

"Articles" means the articles of association for the time being adopted by the Company and as amended from time to time;

"Auditors" means the auditors of the Company for the time being;

"Business Day" means a day (excluding a Saturday) on which banks in Hong Kong are open for business in Hong Kong throughout their normal business hours;

"Certificate" means a certificate issued by the Company in the name of the Convertible Preference Shareholder in respect of his holding of one or more Convertible Preference Shares;

"Closing Price" means the closing price per Ordinary Share on the Relevant Stock Exchange, as published by the Relevant Stock Exchange for one or more board lots of Ordinary Shares or, in the absence of any such published closing price, the last published closing price;

"Code" means the Hong Kong Code on Takeovers and Mergers;

"Company" means Sany Heavy Equipment International Holdings Company Limited;

"Conversion Date" means, subject to paragraph 5(G), 12:00 noon on the Business Day immediately following the date of the surrender of the relevant Certificate and delivery of the Conversion Notice therefor accompanied by the documents referred to in paragraph 5(B);

"Conversion Notice" means a notice, in such form as the Directors may from time to time specify, stating that a Convertible Preference Shareholder wishes to exercise the Conversion Right in respect of one or more Convertible Preference Shares;

"Conversion Number" means, in relation to any Convertible Preference Share, such number of Ordinary Shares as may, upon exercise of the Conversion Right, be converted at the Conversion Price in force on the relevant Conversion Date;

"Conversion Period" means, in respect of any Convertible Preference Share, any time commencing from 3:00 p.m. (Hong Kong time) on the Business Day immediately after the date of issue of such Conversion Preference Share and up to 4:00 p.m. (Hong Kong time) on the date of all Convertible Preference Shares being converted or purchased in full (or such earlier date as may be required under the Statutes);

"Conversion Price" means the price at which each Ordinary Share will be allotted and issued upon an exercise of the Conversion Right, initially being the Issue Price, subject to any adjustment in accordance with these Terms;

"Conversion Right" means the right, subject to the provisions of the Terms, the Statutes and to any other applicable fiscal or other laws or regulations to convert at any time during the Conversion Period any Convertible Preference Share at the Conversion Price;

"Conversion Share(s)" means Ordinary Share(s) to be issued upon an exercise of the Conversion Rights;

"Convertible Preference Shares" means the Convertible Preference Shares of par value HK$0.10 each in the share capital of the Company, the rights of which are set out in these Terms;

"Convertible Preference Shareholder" means a person or persons who is or are registered in the Preference Register as a holder or jointholders of Convertible Preference Shares;

"Converting Shareholder" means a Convertible Preference Shareholder all or some of whose Convertible Preference Shares are being or have been converted;

"Dealing Day" means a day on which the Relevant Stock Exchange is open for business and on which trading in the Ordinary Shares or other relevant securities is not suspended;

"Directors" means the board of directors of the Company or the directors present at a meeting of directors at which a quorum is present;

"Dividend" means any dividend payable or distribution made pursuant to paragraph 2;

"Equity Share Capital" means issued share capital excluding any part thereof which neither as respect dividends nor as respects capital carries any right to participate beyond a specified amount in a distribution;

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China;

"Hong Kong Stock Exchange" means The Stock Exchange of Hong Kong Limited;

"Issue Date" means, in respect of any Convertible Preference Share, the date on which the Convertible Preference Share was allotted and issued;

"Issue Price" means the price at which each Convertible Preference Share was initially issued;

"Listing Rules" means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;

"Ordinary Shares" means fully paid ordinary shares of HK$0.10 each (or of such other nominal value in which such ordinary shares are for the time being denominated following any consolidation or sub-division which gives rise to an adjustment to the Conversion Price in accordance with paragraph 7) in the Company of the class listed on the Hong Kong Stock Exchange or, where the context so requires, shares resulting from the re-designation or re-classification of all the Ordinary Shares outstanding, provided that if all of the Ordinary Shares are replaced by other securities (all of which are identical), the expression "Ordinary Shares" shall thereafter refer to those other securities;

"outstanding" means in relation to the Convertible Preference Shares, all the Convertible Preference Shares issued other than:

(A) those in respect of which Conversion Rights have been exercised and which have been cancelled; or

(B) those which have been purchased and cancelled as provided in paragraph 9;

"Preference Register" means the register of Convertible Preference Shareholders required to be maintained by the Company pursuant to paragraph 17(B);

"Record Date" means the date and time by which a subscriber or transferee of securities of the class in question would have to be registered in order to participate in the relevant distribution or rights;

"Designated Office" means the Company's head office in the People's Republic of China, or such office of such person or such other person as the Company may from time to time designate;

"Relevant Convertible Preference Shares" means a Convertible Preference Share which is to be converted pursuant to a Conversion Notice;

"Relevant Jurisdiction" means a jurisdiction in which the Company or any of its subsidiaries is incorporated, carries on business or holds any assets;

"Relevant Stock Exchange" means (A) the stock exchange on which the Ordinary Shares are at the relevant time principally traded, as determined by the Company, or (B) if, for the purposes of paragraph 7, the consideration at which any shares or securities are or are to be issued or transferred, or the relevant exercise, exchange or subscription price, if any, for such shares or securities, is to be fixed by reference to the price of such shares or securities on a particular stock exchange, that stock exchange;

"Statutes" means the Companies Law, Chapter 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended from time to time, and every other act of the legislature of Hong Kong or the Cayman Islands for the time being in force applying to or affecting the Company and/or its memorandum of association and/or the Articles;

"Terms" means the terms of issue, rights and privileges of the Convertible Preference Shares and the restrictions to which they are subject as set out herein and as may be amended from time to time; and

"Hong Kong dollars" or "HK$" means the lawful currency of Hong Kong.

In these Terms, references to:

"companies" include references to any bodies corporate however and wherever incorporated;

"distribution" include references to any dividend or other distribution (including a distribution in specie) or capitalisation issue;

"paragraphs" are references to the paragraphs of these Terms;

"property" include references to shares, securities, cash and other assets or rights of any nature;

"dates" and "times" are to dates and times in Hong Kong; and

a "gender" include any other gender.

2. INCOME, DIVIDEND AND OTHER DISTRIBUTIONS

(A) Preferred Distribution

Each Convertible Preference Share shall confer on the holder thereof the right to receive a preferred distribution ("**Preferred Distribution**") from the Issue Date of the Convertible Preference Share at a rate of 0.01% per annum on the Issue Price, payable semi-annually in arrears. Each Preferred Distribution is non-cumulative.

The Board may, in its sole discretion, elect to defer or not pay a Preferred Distribution. No interest accrues on any unpaid Preferred Distribution. If the Board elects to defer or not pay a Preferred Distribution payment, the Company shall not (i) pay any dividends, distributions or make any other payment on any Ordinary Shares or (ii) redeem, cancel, repurchase or acquire for any consideration any Ordinary Shares, unless at the same time it pays to the holders of Convertible Preference Shares any deferred or unpaid Preferred Distribution which was scheduled to be paid on a day falling in the same the financial year in respect of which payment of such dividends, distributions or other payments is made or during which such redemption, cancellation, repurchase or acquisition occurs.

(B) Dividend

In addition to the Preferred Distribution, each outstanding Convertible Preference Share shall confer, in case of any dividend or distribution being declared and paid by the Company to holders of the Ordinary Shares, in addition to the Preferred Distribution, on the holder thereof the same entitlement to dividend or distribution as holder of the number of Ordinary Shares into which such Convertible Preference Share may be converted upon exercise of Conversion Rights attached thereto.

3. CAPITAL

On a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of Convertible Preference Shares or any repurchase by the Company of Convertible Preference Shares or Ordinary Shares), the assets and funds of the Company available for distribution among the members of the Company shall, subject to applicable laws, be applied in the following priority:

(A) firstly, in paying to the Convertible Preference Shareholders, pari passu as between themselves as regards payment of amounts paid-up or credited as paid-up on such Convertible Preference Shares, an amount equal to the aggregate Issue Price of all the Convertible Preference Shares held by them;

(B) the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares other than the Convertible Preference Shares and any other shares not entitled to participate in such assets, by reference to the aggregate nominal amount of shares held by them respectively and to the extent of an amount equal to the Issue Price of a Convertible Preference Share for every HK$0.10 in nominal amount of shares so held; and

(C) the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the Convertible Preference Shares, other than any other shares not entitled to participate in such assets by reference to the aggregate nominal amount of shares held by them respectively.

4. RANKING AND REDEMPTION

(A) Ranking

The Company shall not (unless such sanction has been given by the Convertible Preference Shareholders as would be required for a variation of the special rights attaching thereto or unless otherwise provided in the Articles) create or issue any shares ranking as regards order in the participation in the profits of the Company or in the assets of the Company on a winding up or otherwise in priority to the Convertible Preference Shares, but the Company may create or issue, without obtaining the consent of the Convertible Preference Shareholders, shares ranking pari passu in all respects (including as to class) with the Convertible Preference Shares and the existing and further Ordinary Shares.

(B) Redemption

The Convertible Preference Shares shall be non-redeemable at the option of the holders thereof but shall be redeemable at the option of the Company at any time after the third anniversary of the Issue Date of the Convertible Preference Shares at the Issue Price or the fair market value of the Convertible Preference Shares whichever the higher, provided that for the purpose of this paragraph, the fair market value of one Convertible Preference Share on a given date shall be equal to the fair market value (calculated based on the closing price of one Ordinary Share on the Relevant Stock Exchange on the last Dealing Day preceding such given date) of such number of Ordinary Shares into which a Convertible Preference Share is convertible on such given date based on the then applicable Conversion Price.

5. CONVERSION

(A) Each Convertible Preference Share shall confer on the holder thereof the Conversion Right.

(B) Subject to paragraph 5(D), any Convertible Preference Shareholder may exercise the Conversion Right in respect of one or more Convertible Preference Shares held by him at any time during the Conversion Period subject to the provisions of the Statutes and any other applicable fiscal and other laws and regulations by delivering a duly signed and completed Conversion Notice to the Designated Office accompanied by:

(1) the Certificates in respect of the Relevant Convertible Preference Shares and such other evidence (if any) as the Directors may reasonably require to prove the title of the

person exercising such right (or, if such Certificates have been lost or destroyed, such evidence of title and such indemnity as the Directors may reasonably require); and

(2) banker's cashier orders or similar instruments payable to the Company in respect of all taxes and stamp, issue and registration duties (if any) arising on conversion.

A Conversion Notice shall not be effective if:

(i) it is not accompanied by the Certificates in respect of the Relevant Convertible Preference Shares and such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right (or, if such Certificates have been lost or destroyed, such evidence of title and such indemnity as the Directors may reasonably require);

(ii) it is not accompanied by banker's cashier orders or similar instruments payable to the Company in respect of all taxes and stamp, issue and registration duties (if any) arising on conversion; and

(iii) it does not include a declaration and confirmation that the beneficial owner of the Relevant Convertible Preference Shares, and of the Conversion Shares, is not a resident or national of any foreign jurisdiction where the exercise of the Conversion Rights attached to the Relevant Convertible Preference Shares is prohibited by any law or regulation of that jurisdiction or where compliance with such laws or regulations would require filing or other action by the Company; or that delivery of the Relevant Convertible Preference Shares or Conversion Shares will not result in a breach of any exchange control, fiscal or other laws or regulations for the time being applicable.

(C) The number of Conversion Shares to be issued on each conversion shall be determined by dividing the aggregate Issue Price of the Relevant Convertible Preference Shares by the Conversion Price applicable on the Conversion Date provided that no fraction of an Ordinary Share arising on conversion shall be allotted and all fractional entitlements shall be dealt with in accordance with paragraph 12.

(D) Conversion of the Convertible Preference Shares shall be effected in such manner as the Directors shall subject to these Terms, the Articles, the Statutes and to any other applicable law and regulations, from time to time determine provided that no conversion shall take place if (1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable Conversion Date; (2) to the extent that following such exercise, the relevant Convertible Preference Shareholder and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30 per cent. or more of the entire issued Ordinary Shares or otherwise trigger a mandatory offer obligation under Rule 26 of the Code; or (3) if immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Hong Kong Stock Exchange; or (4) the Directors are of the opinion that such conversion is or would result in the non-compliance of any of the Terms. For the avoidance of doubt, the Company shall have the right not to issue any Conversion Share(s) to such holder(s) of the Convertible Preference Share(s) exercising the Conversion Rights in any of the circumstances specified in (1), (2), (3) or (4) above in this paragraph 5(D).

Without prejudice to the generality of the foregoing, any Convertible Preference Share may be converted by repurchase on the relevant Conversion Date out of:

(a) the capital paid up on the Relevant Convertible Preference Shares; or

(b) the funds available for dividend or distribution of the Company; or

(c) the proceeds of a fresh issue of shares made for the purpose; or

(d) the share premium account of the Company; or

(e) any combination of (a), (b), (c) and (d),

and in the case of any premium payable on such a repurchase, out of the Company's funds available for dividend or distribution or the Company's share premium account, out of capital or a combination of the foregoing. Any repurchase out of capital must be made on the basis that the Company shall be able to pay its debt as it falls due in the ordinary course of business. Each Conversion Notice shall be deemed to authorise and instruct the Directors to retain any repurchase moneys otherwise payable to the Converting Shareholder and, in respect of the Relevant Convertible Preference Share, to apply the same in the subscription on such Converting Shareholder's behalf of the Conversion Shares (subject to the treatment of fractions described in paragraph 12) and, to the extent that conversion shall be effected out of the proceeds of a fresh issue of shares, where appropriate, each Conversion Notice shall be deemed:

(i) to appoint any person selected by the Directors as such Converting Shareholder's agent with authority to apply an amount equal to the repurchase moneys in respect of the Relevant Convertible Preference Shares in subscribing on such Converting Shareholder's behalf for the Conversion Shares (subject to the treatment of fractions described in paragraph 12); and

(ii) to authorise and instruct the Directors following the allotment of such Conversion Shares to pay the said repurchase moneys to such agent who shall be entitled to retain the same for his own benefit without being accountable therefor to such Converting Shareholder;

provided that if the Converting Shareholder has a registered address in any territory where in the absence of a registration statement or any other special formalities the allotment or delivery of any Conversion Shares would or might in the opinion of the Directors be unlawful or impracticable under the laws of such territory or any Relevant Jurisdiction, the Company shall as soon as reasonably practicable after the receipt of the relevant Conversion Notice allot the Conversion Number of the Ordinary Shares to the Converting Shareholder or to one or more third parties selected by the Company and on behalf of the Converting Shareholder sell the same to one or more third parties selected by the Company for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following any such allotment and sale, the Company shall pay the Converting Shareholder an amount equal to the consideration received by it.

(E) Each Convertible Preference Shareholder irrevocably authorises the Company to effect the transactions required by paragraph 5(D) and for this purpose the Company may appoint any person to execute transfers, renunciations or other documents on behalf of the Convertible Preference Shareholder and generally may make all arrangements which appear to it to be necessary or appropriate in connection therewith.

(F) The Company shall allot and issue the Conversion Shares or, as the case may be, send the amount to which he is entitled pursuant to paragraph 5(D) to the Converting Shareholder and shall procure that certificates in respect of the Conversion Shares, together with a new Certificate for any unconverted Convertible Preference Shares comprised in the Certificate(s) surrendered by the

Converting Shareholder, are issued as soon as practicable and in any event not later than 14 days after the relevant Conversion Date.

(G) If and whenever any conversion takes place after the occurrence of any event falling within any sub-provision of paragraph 7(A) but before the amount of the relevant adjustment to the Conversion Price (if any) shall have been calculated in accordance with the provisions of paragraph 7(A), the Conversion Date shall be deemed to fall on the Business Day after the date the adjustment made to the Conversion Price in respect of the relevant event has become effective.

(H) In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company at the same time it despatches such notice to each member of the Company shall give notice thereof to all Convertible Preference Shareholders (together with a notice of the existence of the provisions of this paragraph 5(H)) and thereupon, each Convertible Preference Shareholder shall be entitled to exercise all or any of his Conversion Rights at any time not later than two Business Days prior to the date of the general meeting of the Company by providing the Company a Conversion Notice duly completed and executed together with the Certificates, cashier orders and, where appropriate, other items listed in paragraphs 5(B)(1) and (2) whereupon the Company shall, subject to the Statutes, as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the general meeting, allot the Conversion Shares to the Relevant Convertible Preference Shareholders credited as fully paid. There shall not be any issuance of Conversion Shares and/or alteration in the status of the members of the Company after the commencement of winding up unless permitted under the Statutes.

6. CONVERSION SHARES

The Conversion Shares shall, save as provided for in these provisions, rank pari passu in all respects with the Ordinary Shares in issue at the time the Conversion Shares are issued, and shall, subject to the proviso of this paragraph 6, entitle the holders thereof to all distributions paid or made on the Ordinary Shares by reference to a Record Date falling after the Conversion Date, provided that if a Record Date after the Conversion Date is in respect of any distribution in respect of any financial period of the Company ended prior to such Conversion Date, the holders of the Conversion Shares will not be entitled to such distribution.

7. ADJUSTMENTS TO THE CONVERSION PRICE

(A) Subject as hereinafter provided, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and so that if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of sub-paragraphs (1) to (7) inclusive of this paragraph 7, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs:

(1) If and whenever there shall be an alteration in the nominal value of the Ordinary Shares by reason of any consolidation or sub-division, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal value of one Ordinary Share immediately after such alteration and of which the denominator shall be the nominal value of one Ordinary Share immediately before such alteration and such adjustment shall become effective on the date on which such alteration takes effect.

(2) If and whenever the Company shall capitalise any amount of profits or reserves (including any share premium account or contributed surplus account) and apply the same in paying up in full the nominal value of any Ordinary Shares (other than any Ordinary Shares credited as fully paid out of distributable profits or reserves (including any share premium account or contributed surplus account) and issued in lieu of the whole or any part of a cash dividend or specie distribution which the holders of the Ordinary Shares concerned would or could otherwise have received and which would not have constituted a Capital Distribution (as defined in paragraph 7(B))), the Conversion Price in force immediately prior to the Record Date therefor shall be adjusted by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such issue and of which the denominator shall be the aggregate nominal amount of the issued Ordinary Shares immediately after such issue. Such adjustment shall be effective immediately after the Record Date for such issue.

(3) If and whenever the Company shall make any Capital Distribution, the Conversion Price in force immediately prior to such distribution shall be adjusted by multiplying it by the following fraction:

$$(K - L) \div K$$

where:

K is the Closing Price of one Ordinary Share on the Dealing Day immediately preceding the date on which the Capital Distribution is announced or (failing any such announcement), the Dealing Day immediately preceding the Record Date for the Capital Distribution;

L is the fair market value on the date of such announcement or (as the case may require) the Dealing Day immediately preceding the Record Date for the Capital Distribution, as determined in good faith by an approved merchant bank (selected at the option of the Company) or the Auditors of the portion of the Capital Distribution which is attributable to one Ordinary Share.

Provided that:

(a) if in the opinion of the relevant approved merchant bank or the Auditors (as the case may be), the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed accordingly) the amount of the said Closing Price which should properly be attributed to the value of the Capital Distribution; and

(b) the provisions of this sub-paragraph (3) shall not apply in relation to the issue of Ordinary Shares paid out of profits or reserves and issued in lieu of a cash dividend nor to a purchase by the Company of its own Ordinary Shares in accordance with the provisions of the Statutes.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the Record Date for the Capital Distribution.

(4) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Ordinary Shares, at a price which is less than 80 per cent. of the market price (as defined in paragraph 7(B)) at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by the following fraction:

where: $(K + L) \div M$

K is the number of Ordinary Shares in issue immediately before the date of such announcement;

L is the number of Ordinary Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Ordinary Shares comprised therein would purchase at such market price; and

M is the number of Ordinary Shares in issue immediately before the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription or comprised in the options or warrants.

Such adjustment shall become effective (if appropriate retroactively) from the commencement of the day next following the Record Date for the offer or grant.

(5) (a) If and whenever the Company or any other company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Ordinary Shares and the total Effective Consideration (as defined below) per Ordinary Share initially receivable for such securities is less than 80 per cent. of the price which is the market price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$(K + L) \div (K + M)$$

where:

K is the number of Ordinary Shares in issue immediately before the date of the issue;

L is the number of Ordinary Shares which the total Effective Consideration receivable for the securities issued would purchase at such market price; and

M is the maximum number of new Ordinary Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day immediately preceding whichever is the earlier of the date on which the issue is announced and the date on which the issuer determines the conversion or exchange rate or subscription price.

(b) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (a) of this sub-paragraph (5) are modified so that the total Effective Consideration per Ordinary Share initially receivable for such securities shall be less than 80 per cent. of the price which is the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$(K + L) \div (K + M)$$

where:

K is the number of Ordinary Shares in issue immediately before the date of such modification;

L is the number of Ordinary Shares which the total Effective Consideration receivable for the securities issued at the modified conversion or exchange price would purchase at the market price at the date of the announcement of such proposal; and

M is the maximum number of new Ordinary Shares to be issued upon full conversion or exchange of, or the exercise in full of the subscription rights conferred by, such securities at the modified conversion or exchange rate or subscription price.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this sub-paragraph (5), the "total Effective Consideration" receivable for the securities issued shall be deemed to be the consideration receivable by the issuer for the issue of any such securities plus the additional minimum consideration (if any) to be received by the issuer and/or the Company (if not the issuer) upon (and assuming) the full conversion or exchange thereof or the exercise in full of such subscription rights and the Effective Consideration per Ordinary Share initially receivable for such securities shall be such aggregate consideration divided by the number of Ordinary Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(6) If and whenever the Company shall purchase any Shares or securities issued by the Company or any of its subsidiaries which are convertible into or exchangeable for Ordinary Shares or any rights to acquire Ordinary Shares (other than on the Relevant Stock Exchange) and the Directors of the Company cancel such Ordinary Shares, securities convertible into or exchangeable for Shares or rights to acquire Ordinary Shares, the Directors of the Company may if they consider it appropriate make an adjustment to the Conversion Price, provided that the Directors of the Company shall have appointed an approved merchant bank to consider whether, for any reason whatever as a result of such purchases, an adjustment should be made to the Conversion Price fairly and appropriately to reflect the relative interests of the persons affected by such purchases by the Company and, if such approved merchant bank shall consider in its opinion that it is appropriate to make an adjustment to the Conversion Price, the Directors of the Company shall make an adjustment to the Conversion Price in such manner as such approved merchant bank shall certify to be, in its opinion, appropriate. Such adjustment shall become effective

(if appropriate retroactively) from the close of business in Hong Kong on the Business Day immediately preceding the date on which such purchases by the Company are made.

(7) If and whenever the Company shall issue wholly for cash any Shares (other than Shares issued to employees, including directors of the Company or any of its Subsidiaries, or their personal representatives, pursuant to an employee share scheme) at a price per Ordinary Share which is less than the Conversion Price current at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the issue would purchase at the Conversion Price current at the date of the announcement of the terms of such issue and the denominator is the number of Ordinary Shares in issue immediately before the date of such announcement plus the number of Ordinary Shares so issued. Such adjustment shall become effective on the date of the issue.

(B) For the purposes of paragraph 7(A):

"announcement" shall include the releases of an announcement to the press or the delivery or transmission by telephone, telex or otherwise of an announcement to the Relevant Stock Exchange and "date of announcement" shall mean the date on which the announcement is first so released, delivered or transmitted;

"Capital Distribution" means any distribution paid or made by the Company on Ordinary Shares to the extent that the amount of such distribution exceeds the amount calculated by reference to P – D where:

P is the aggregate of the net consolidated profits less the aggregate of the net consolidated losses of the Company and its subsidiaries after taxation and minority interests but before extraordinary items in respect of the financial period ending on 31 December 2013 and each subsequent financial period in respect of which an audited consolidated profit and loss account of the Company and its subsidiaries (or, if it has at the relevant time no subsidiaries, an audited profit and loss account of the Company) has been published, as shown by such profit and loss account(s);

D is the aggregate amount of all distributions then already paid or made by the Company on Ordinary Shares in respect of any and all financial periods ending on or after 31 December 2013; provided that if such amount is greater than "P", then "D" shall be deemed to be equal to "P";

"market price" means the average of the closing prices of one Ordinary Share on the Relevant Stock Exchange in respect of dealings in board lots for the five consecutive Dealing Days ending on the last Dealing Day preceding the day on or as of which the market price is to be ascertained.

(C) The provisions of sub-paragraphs (2), (3), (4), (5), (6) and (7) of paragraph 7(A) shall not apply to:

(1) an issue of fully paid Ordinary Shares upon the exercise of any conversion rights attached to securities convertible into Ordinary Shares or upon exercise of any rights (including the Conversion Rights attaching to the Convertible Preference Shares) to acquire Ordinary Shares;

(2) an issue of Ordinary Shares or other securities of the Company or any subsidiary of the Company wholly or partly convertible into, or rights to acquire, Ordinary Shares to directors or employees of the Company or any of its subsidiaries or their personal representatives pursuant to an employee share scheme;

(3) an issue by the Company of Ordinary Shares or by the Company or any other subsidiary of the Company of securities wholly or partly convertible into or rights to acquire Ordinary Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;

(4) an issue of Ordinary Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Ordinary Shares so issued is capitalised and the market value of such Ordinary Shares is not more than 110 per cent. of the amount of the dividend which holders of the Ordinary Shares could elect to or would otherwise receive in cash, for which purpose the "market value" of an Ordinary Share shall mean the average of the closing prices on the Relevant Stock Exchange for five (or more) consecutive Dealing Days falling within the period of one month ending on the last day on which holders of Ordinary Shares may elect to receive or (as the case may be) not to receive the relevant dividend in cash; or

(5) the issue of the Convertible Preference Shares.

(D) In no event shall any adjustment (otherwise than upon the consolidation of Ordinary Shares into Ordinary Shares of a larger nominal amount) involve an increase in the Conversion Price. In addition to any determination which may be made by the Directors of the Company every adjustment to the Conversion Price shall be certified either (at the option of the Company) by the Auditors or by an approved merchant bank.

(E) Notwithstanding anything contained in these Terms, no adjustment shall be made to the Conversion Price in any case if the result of which is to reduce the Conversion Price to below the par value of an Ordinary Share.

(F) If the Company or any of its subsidiaries shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Ordinary Shares, the Company shall appoint an approved merchant bank to consider whether any adjustment to the Conversion Price is appropriate (and if such approved merchant bank shall certify that any such adjustment is appropriate the Conversion Price shall be adjusted accordingly).

(G) Notwithstanding the provisions of paragraph 7(A), in any circumstances where the Directors of the Company shall consider that an adjustment to the Conversion Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the said provisions, the Directors of the Company may appoint an approved merchant bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation making an adjustment calculated on a different basis) as shall be certified by such approved merchant bank to be in its opinion appropriate.

(H) Whenever the Conversion Price is adjusted as herein provided, the Company shall give notice to the Convertible Preference Shareholders that the Conversion Price has been adjusted (setting forth the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof) and shall at all times thereafter so long as any of the Conversion Rights remains exercisable make available for inspection at the principal place of business for the time being of the Company and the Designated Office prior to all the Convertible Preference Shares being converted or purchased in full a signed copy of the said certificate of the Auditors or (as the case may be) of the relevant approved merchant bank and a certificate signed by a Director of the Company setting out the brief particulars of the event giving rise to the adjustment, the Conversion Price in effect prior to such adjustment, the adjusted Conversion Price and the effective date thereof.

8. UNDERTAKINGS

So long as any Convertible Preference Share remains capable of being converted into Ordinary Shares:

(1) the Company will use its best endeavours (a) to maintain a listing for all the issued Ordinary Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing on the Hong Kong Stock Exchange for all Conversion Shares issued on the exercise of the Conversion Rights;

(2) the Company shall procure that there shall be sufficient authorised but unissued share capital available for the purposes of satisfying the requirements of any Conversion Notice as may be given and the terms of any other securities for the time being in issue which are convertible into or have the right to subscribe for shares in the Company;

(3) the Company shall not, without the consent of the Convertible Preference Shareholders as a class (obtained in the manner provided in the Articles and these Terms) or unless otherwise permitted pursuant to these provisions:

(a) modify, vary, alter or abrogate the rights attaching to the Ordinary Shares as a class, which (for the avoidance of doubt) shall not be deemed to be so modified, varied, altered or abrogated by the creation or issue of any shares or securities contemplated by these provisions; or

(b) change the date to which its annual accounts are made up; or

(c) effect any payment in respect of the Convertible Preference Shares otherwise than as provided for in these provisions; or

(d) issue any shares (other than Ordinary Shares or shares ranking pari passu in all respects (including as to class) with the Convertible Preference Shares) constituting Equity Share Capital of the Company;

(4) except in such manner as may be permitted by the Articles or the Statutes, the Company shall not reduce its share capital or any uncalled liability in respect thereof or any share premium account;

(5) if during such time when there are any Convertible Preference Shares outstanding an offer is made to the holders of Ordinary Shares (or all such shareholders other than the offeror and/or any company controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any part of the Ordinary Shares and the Company becomes aware that the rights to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons aforesaid, the Company shall (subject to any restrictions under any applicable laws, regulations, codes and/or rules) give notice to all Convertible Preference Shareholders of such vesting or future vesting within 7 days of its becoming so aware;.

9. PURCHASE

Subject to the Statutes and agreement of the relevant Convertible Preference Shareholders, the Company or any of its subsidiaries may at any time purchase any of the Convertible Preference Shares (by means available to all Convertible Preference Shareholders alike) at any price to be mutually agreed between the Company or such subsidiary of the Company and such Convertible Preference Shareholder(s). Any Convertible Preference Shares so purchased or otherwise acquired by the Company or any of its subsidiaries may not be resold and in case such Convertible Preference Shares are purchased or otherwise acquired by the Company, such Convertible Preference Shares are to be cancelled, provided that nothing in this paragraph shall prohibit transfers of Convertible Preference Shares from any subsidiary of the Company to any other subsidiary of the Company, subject to the Statutes.

10. MEETINGS

(A) The Convertible Preference Shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, a general meeting of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or a resolution is to be proposed which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights or privileges of the Convertible

Preference Shareholders, in which event the Convertible Preference Shares shall confer on the holder thereof the right to receive notice of, and to attend and vote at, that general meeting, save that such holders may not vote upon any business dealt with at such general meeting except the election of a chairman, any motion for adjournment or relating to the proceedings of the general meeting and the resolution for winding up or the resolution which if passed would (subject to any consents required for such purpose being obtained) so vary or abrogate the rights and privileges of the Convertible Preference Shareholders.

(B) If the Convertible Preference Shareholders are entitled to vote on any resolution, then at the relevant general meeting or separate general meeting of the Convertible Preference Shareholders, all resolutions put to the vote at the general meeting must be decided by way of poll and every Convertible Preference Shareholder who is present in person or by proxy or attorney or (being a corporation) by a duly authorised representative shall have one vote for each Conversion Share which would have been issued to him/it had he/it exercised the Conversion Right 48 hours preceding the date of such general meeting or separate general meeting of the Convertible Preference Shareholders.

11. PAYMENTS

(A) Unless any other manner of payment is agreed between the Company and any Convertible Preference Shareholder, payment of Dividends, other cash distributions and moneys due on conversion or any repurchase permitted by these Terms to such Convertible Preference Shareholder shall be made by the Company posting a cheque in Hong Kong dollars (or in the case of payments which are to be made in another currency, such other currency) addressed to that Convertible Preference Shareholder at his registered address appearing on the Preference Register as at the relevant Record Date and at his own risk.

(B) Subject to paragraph 11(A), where any property (including Conversion Shares and Certificates in respect of them) is to be allotted, transferred or delivered to any Convertible Preference Shareholder the Company may make such arrangements with regard to such allotment, transfer or delivery as it may deem appropriate and in particular, without limitation, may appoint any person on behalf of that Convertible Preference Shareholder to execute any transfers, renunciations or other document and may make arrangements for the delivery of any document or property to that Convertible Preference Shareholder at his/its risk. All share certificates and other documents of title to which any person is entitled shall be posted to him/it by the Company addressed to him/it at his/its registered address appearing on the Preference Register as at the relevant Record Date or, if none, the date of posting and at his/its risk.

(C) All payments or distributions with respect to Convertible Preference Shares held jointly by two or more persons shall be paid or made to whichever of such persons is named first in the Preference Register and the making of any payment or distribution in accordance with this sub-provision shall discharge the liability of the Company in respect thereof.

12. FRACTIONS

No fraction of an Ordinary Share arising on conversion shall be allotted to the holder of the Relevant Convertible Preference Share(s) otherwise entitled thereto but such fractions will, when practicable, be aggregated and sold and the net proceeds of sale will then be distributed pro rata among such holders unless in respect of any holding of Relevant Convertible Preference Shares the amount to be so distributed would be less than HK$100, in which case such amount will not be so distributed but will be retained for the benefit of the Company. Unless otherwise agreed between the Company and a Converting Shareholder, if more than one Convertible Preference Share shall fall to be converted pursuant to any one Conversion Notice, the number of Ordinary Shares to be issued upon conversion shall be calculated on the basis of the aggregate Issue Prices of the Relevant Convertible Preference Shares. For the purpose of implementing the provisions of this paragraph 12, the Company may appoint some person to execute transfers, renunciations or other documents on behalf of persons entitled to any such fraction and generally may make all arrangements which appear to it to be necessary or appropriate for the settlement and disposal of fractional entitlements.

13. TAXATION

(A) All payments of amounts equal to the Issue Price, nominal amounts, premium (if any) and Dividends in respect of Convertible Preference Shares shall be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Cayman Islands or Hong Kong or any authority therein or thereof (other than any withholding or deduction on account of any income tax, capital gains tax or other tax or duties of a similar nature) unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, subject to the Company having sufficient profits available for distribution, the Company shall pay such additional amounts as may be necessary in order that the net amounts received by the Convertible Preference Shareholders after such withholding or deduction shall equal the respective amounts of the Issue Price, premium (if any) and Dividend which would have been receivable in respect of the Convertible Preference Shares in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Convertible Preference Shareholder:

(1) who is liable to such taxes, duties, assessments or governmental charges in respect of any Convertible Preference Share by reason of such holder having some connection with The Cayman Islands or Hong Kong, as the case may be, other than by virtue of being a Convertible Preference Shareholder; or

(2) receiving such payment in The Cayman Islands or Hong Kong, as the case may be, and who would be able to avoid such withholding or deduction by satisfying any statutory requirements or by making a declaration or non-residence or other similar claim for exemption to The Cayman Islands or Hong Kong tax authority, as the case may be, but fails to do so.

(B) To the extent that the Company shall have insufficient profits available for distribution in order to permit it to pay all or any of such additional amounts as aforesaid the amount of any shortfall shall be treated for all purposes as arrears of Dividend only in circumstances when the Company has sufficient profits or distributable reserves available for distribution.

14. RESTRICTED HOLDERS

No Convertible Preference Shares may be allotted and issued to any individual or entity who shall as a result become, and no Conversion Rights may be exercised by any Convertible Preference Shareholder who is, a Restricted Holder (as hereinafter defined). The exercise of any Conversion Rights by a Convertible Preference Shareholder shall constitute a confirmation, representation and warranty by the Converting Shareholder to the Company that such Converting Shareholder is not a Restricted Holder and that all necessary governmental, regulatory or other consents or approvals and all formalities have been obtained and observed by such Converting Shareholder to enable him to exercise legally and validly the relevant Conversion Rights, to hold the Conversion Shares allotted and issued upon exercise of the Conversion Rights and the Company to legally and validly allot the Conversion Shares. For the purposes of this paragraph 14, a "Restricted Holder" means a Convertible Preference Shareholder who is a resident or national of any jurisdiction other than Hong Kong under the laws and regulations of which an exercise of Conversion Rights by such Convertible Preference Shareholder or the performance by the Company of the obligations expressed to be assumed by it under these Terms or the allotment and issue and holding of the Convertible Preference Shares and/or the Conversion Shares cannot be carried out lawfully or cannot be carried out lawfully without the Company first having to take certain actions in such jurisdiction.

15. REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the Designated Office upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company may reasonably require and on payment of such fee not exceeding HK$50 as the Company may determine. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

16. NOTICES

Subject to the Statutes, except in the case of a Conversion Notice, a notice given pursuant to these provisions may be revoked with the consent in writing of the Company. Notices to Convertible Preference Shareholders shall be given in accordance with the Articles.

17. TRANSFERS AND CERTIFICATES

(A) The provisions of the Articles relating to the transfer of shares and share certificates shall apply in relation to the Convertible Preference Shares, subject to these provisions.

(B) The Company shall maintain and keep a full and complete register at such location in the Cayman Islands (but not in Hong Kong) as it shall from time to time determine of the Convertible Preference Shares and the Convertible Preference Shareholders from time to time, such register shall contain details of conversion and/or cancellation of any Convertible Preference Shares and the issue of any replacement Certificates issued in substitution for any mutilated, defaced, lost, stolen or destroyed Certificates and of sufficient identification details of all Convertible Preference Shareholders from time to time (or, to the extent reasonably requested by the principal registrar of the Company in the Cayman Islands and agreed by the Company, such lesser details and/or information in relation to the Convertible Preference Shares as maintained by the principal registrar of the Company in the Cayman Islands).

(C) Where any Convertible Preference Share is intended to be transferred to a connected person (as defined in the Listing Rules) of the Company, such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Hong Kong Stock Exchange (if any).

18. PRESCRIPTION

Any Convertible Preference Shareholder who has failed to claim distributions or other property or rights within six years of their having been made available to him will not thereafter be able to claim such distributions or other property or rights which shall be forfeited and reverted to the Company. The Company shall retain such distributions or other property or rights but shall not at any time be a trustee in respect of any such distributions or other property or rights nor accountable for any income or other benefits derived therefrom.

18. LISTING

No application will be made for the listing of the Convertible Preference Shares on the Hong Kong Stock Exchange or any other stock exchange.

19. SEVERABILITY

If at any time one or more provisions hereof is or becomes invalid, illegal, unenforceable or incapable of performance in any respect under the laws of any Relevant Jurisdiction, the validity, legality, enforceability or performance in that jurisdiction of the remaining provisions hereof or the validity, legality, enforceability or performance under the laws of any other Relevant Jurisdiction of these or any other provisions hereof shall not thereby in any way be affected or impaired."

By Order of the Board
Mr. Wu Jialiang
Chairman

Hong Kong, 30 November 2014

Notes:

(1). A member entitled to attend and vote at the above meeting may appoint one or, if he holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

(2). Where there are joint holders of any Share, any one of such joint holder may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(3). In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The proxy form will be published on the website of the Stock Exchange.

(4). The register of members of the Company will be closed from 17 December 2014 to 19 December 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the entitlement to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 16 December 2014.

(5). The completion of a form of proxy will not preclude you from attending and voting at the EGM in person should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

(6). Shareholders of the Company whose names appear on the Register of Members on 19 December 2014 are entitled to attend and vote at the EGM or any adjourned meetings.

As at the date of this notice, the executive Directors are Mr. Wu Jialiang and Mr. Lu Ben, the non-executive Directors are Mr. Tang Xiuguo, Mr. Mao Zhongwu and Mr. Xiang Wenbo, and the independent non-executive Directors are Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung.