SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED
三 一 重 裝 國 際 控 股 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 631)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board ("**Board**") of directors (the "**Directors**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, referred to as the "**Group**") for the year ended 31 December 2014, together with comparative figures for the preceding financial year ended 31 December 2013. These annual results have been reviewed by the audit committee of the Company (the "**Audit Committee**"), comprising solely the independent non-executive Directors, one of whom chairs the Audit Committee.

FINANCIAL SUMMARY

- For the year ended 31 December 2014, the Group recorded revenue of approximately RMB2,175.2 million (2013: approximately RMB3,225.5 million), representing a decrease of approximately 32.6% as compared with the year ended 31 December 2013. The decrease was mainly attributable to (1) weak demand in coal market, resulting in the shrinking in demand in coal machineries. In particular, the market demand was weakened since the second half of the year of 2014, as such the sales income of coal mining equipment of the Group decreased as compared to the same period of the year of 2013, and the revenue attributable to conventional roadheaders even decreased by approximately 46.7%; and (2) the sales of coal mining transportation vehicles declined in the second half of the year due to relocation from the Group's old manufacturing plant to the new one located in Shenyang, China. Given the current market conditions, the Group actively develop the after-sales services market, and revenue from the sales of spare parts and after-sales services increased to approximately RMB493.8 million, which was almost the same during the reporting period as compared to the same period of 2013. Meanwhile, with the successive introduction of the new models, the product mix focus of the Group will gradually shift to non-coal and new energy sector. Those changes will lay a solid foundation for the Group's long-term development.

- For the year ended 31 December 2014, the Group's gain on disposal of non-current assets classified as held for sale was RMB240.6 million (2013: Nil). Such gain was mainly attributable to the disposal of a piece of land at Yansaihu Street, which used to be the Group's old manufacturing plant and the immovable attached thereto to the local government (for details, please refer to note 10 below). This forward-looking decision was made by the management by responding to trends, which not only brought substantial revenue and contributed to sources of profits, but also secured the source of capital after the new investment in the acquisition of Sany Marine Industry International Holdings Company Ltd. ("Sany Marine Industry"). Moreover, it facilitated to lower the fixed costs and breakeven point for the future operation of the Group, which will stimulate the active and prudential operation of the Group.

- The Group's current assets were approximately RMB6,928.0 million as at 31 December 2014 (31 December 2013: approximately RMB5,613.9 million). The Group's total assets were approximately RMB12,753.2 million as at 31 December 2014 (31 December 2013: approximately RMB8,712.7 million).

- As of 31 December 2014, the cash and cash equivalents, investment deposits and time deposits with maturity of three months or more were approximately RMB791.1 million.

- The Group obtained 89 new patents, of which 41 were patented inventions during the year ended 31 December 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	4	**2,175,237**	3,225,463
Cost of sales		**(1,466,023)**	(2,062,410)
Gross profit		**709,214**	1,163,053
Other income and gains	4	**137,105**	168,675
Gain on disposal of non-current assets classified as held for sale	10	**240,553**	–
Selling and distribution expenses		**(312,886)**	(500,675)
Administrative expenses		**(358,689)**	(359,264)
Other expenses		**(209,371)**	(47,024)
Finance costs	6	**(30,616)**	(17,180)
PROFIT BEFORE TAX	5	**175,310**	407,585
Income tax expense	7	**(5,424)**	(49,406)
PROFIT FOR THE YEAR		**169,886**	358,179
Attributable to:			
Owners of the parent		**168,270**	356,208
Non-controlling interests		**1,616**	1,971
		169,886	358,179
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB Yuan)	9	**0.06**	0.12
Diluted (RMB Yuan)	9	**0.06**	0.12

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**169,886**	358,179
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Reclassification adjustments to the consolidated statement of profit or loss	–	95,145
Income tax effect	–	(15,699)
	–	79,446
Exchange differences on translation of foreign operations	**95**	613
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**95**	80,059
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**95**	80,059
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**169,981**	438,238
Attributable to:		
Owners of the parent	**168,365**	436,267
Non-controlling interests	**1,616**	1,971
	169,981	438,238

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,685,917**	2,151,073
Prepaid land lease payments		**709,754**	466,145
Goodwill		**1,129,520**	–
Intangible assets		**75,973**	101,789
Available-for-sale investments		**12,536**	10,636
Non-current prepayments		**752,836**	209,647
Deferred tax assets		**458,719**	159,456
Total non-current assets		**5,825,255**	3,098,746
CURRENT ASSETS			
Inventories	*11*	**1,573,416**	691,337
Trade receivables	*12*	**3,248,784**	2,715,876
Bills receivable	*12*	**353,142**	659,198
Prepayments, deposits and other receivables		**910,657**	287,746
Due from the immediate holding company		–	184,947
Investment deposits		**400,000**	300,000
Time deposits		**112,884**	126,934
Pledged deposits		**50,864**	106,757
Cash and cash equivalents		**278,241**	330,404
		6,927,988	5,403,199
Non-current assets classified as held for sale		–	210,706
Total current assets		**6,927,988**	5,613,905
CURRENT LIABILITIES			
Trade and bills payables	*13*	**1,411,794**	867,681
Other payables and accruals		**2,424,487**	749,811
Interest-bearing bank borrowings		**351,819**	676,974
Tax payable		**344,555**	83,991
Provision for warranties		**33,966**	43,682
Government grants		**15,555**	19,980
Total current liabilities		**4,582,176**	2,442,119

	Notes	**2014**	2013
		RMB'000	*RMB'000*
NET CURRENT ASSETS		**2,345,812**	3,171,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,171,067**	6,270,532
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**9,299**	5,343
Government grants		**1,399,972**	437,686
Total non-current liabilities		**1,409,271**	443,029
Net assets		**6,761,796**	5,827,503
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	**302,214**	264,366
Reserves		**6,389,213**	5,494,384
		6,691,427	5,758,750
Non-controlling interests		**70,369**	68,753
Total equity		**6,761,796**	5,827,503

1. CORPORATE INFORMATION

Sany Heavy Equipment International Holdings Company Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 23 July 2009. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and the head office and principal place of business of the Company is located at No.25, 16 Kaifa Road, Economic and Technological Development Area, Shenyang City, Liaoning Province, the People's Republic of China (the "PRC"). During the year, the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of roadheader, combined coal mining unit ("CCMU"), mining transport equipment (including underground and surface), port machinery, spare parts and the provision of related service in Mainland China. On 31 December 2014, the Group acquired Sany Marine Industry International Holdings Co., Ltd. ("Sany Marine Industry") and its subsidiaries, which are mainly engaged in port machinery business.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance.These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with traditional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Auditors" which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. Non-current assets held for sale are stated at the lower of their carrying amounts and fair value less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the 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 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 Group are eliminated in full on consolidation.

The 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 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 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 Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10 IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

1 Effective from 1 July 2014

The adoption of the revised standards and new interpretation has had no significant effect on these financial statements.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferred Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Amendments to IAS 1	*Disclosure Inititative*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[2]

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
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after1 January 2016 and therefore is not applicable to the Group

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

In addition, the new Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in two business units based on its products, and has two reportable operating segments as follows:

(a) Coal mining equipment segment

The coal mining equipment segment engages in the production and sale of roadheader, CCMU, mining transport equipment (including underground and surface), spare parts and the provision of related services; and

(b) Port machinery segment

The port machinery segment engages in the production and sale of large-size port machinery (including gantry crane, ship to shore crane and yard crane) and small-size port machinery (including reach stacker, empty container handler and heavy duty forklift truck), spare parts and the provision of related services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, dividend income, as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, investment deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, deferred tax liabilities, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Coal mining equipment *RMB'000*	Port machinery *RMB'000*	Total *RMB'000*
Year ended 31 December 2014			
Segment revenue			
Sales to customers	2,175,237	–	2,175,237
Other revenue	377,658	–	377,658
Revenue from operations	2,552,895	–	2,552,895
Segment results	203,385	–	203,385
Interest income			2,541
Finance costs			(30,616)
Profit before tax			175,310
Income tax expense			(5,424)
Profit for the year			169,886
Segment assets	7,307,302	4,145,233	11,452,535
Reconciliation:			
Corporate and other unallocated assets			1,300,708
Total assets			12,753,243
Segment liabilities	1,710,836	3,574,938	5,285,774
Reconciliation:			
Corporate and other unallocated liabilities			705,673
Total liabilities			5,991,447
Other segment information:			
Depreciation and amortisation	154,124	–	154,124
Capital expenditure*	290,668	618,273	908,941
Gain on disposal of non-current assets classified as held for sale	240,553	–	240,553
Loss on disposal of items of property, plant and equipment	(956)	–	(956)
Impairment losses recognised in profit or loss	211,612	–	211,612

* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments including assets from the acquisition of subsidiaries.

Since the Group operated in one business unit and has one reportable operating segment-coal mining equipment segment for the year ended 31 December 2013, no operating segment information was presented.

Geographical information

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

Information about a major customer

Revenue of approximately RMB578,988,000 (2013: RMB648,314,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**2,114,718**	3,175,096
Rendering of services	**60,519**	50,367
	2,175,237	3,225,463
Other income		
Bank interest income	**2,541**	5,650
Profit from sale of scrap materials	**18,241**	47,226
Government grants	**81,538**	96,608
Foreign exchange differences, net	**4,158**	–
Others	**15,904**	4,860
	122,382	154,344
Gains		
Gains from investment deposits	**14,723**	14,331
	137,105	168,675

5. PROFIT BEFORE TAX

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

		Group	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**1,410,130**	1,998,181
Cost of services provided		**52,696**	46,858
Depreciation		**117,439**	110,728
Amortisation of land lease prepayments**		**10,869**	9,899
Amortisation of intangible assets**		**25,816**	26,162
Auditors' remuneration		**3,460**	2,400
Provision for warranties*		**10,048**	29,180
Research and development costs**		**169,174**	177,694
Minimum lease payments under operating leases:			
Dormitories for staff		**–**	29
Warehouses		**6,631**	4,286
Office equipment		**38**	287
		6,669	4,602
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages and salaries		**252,825**	263,519
Equity-settled share option expense		**3,936**	3,331
Employee retirement benefits		**31,181**	33,706
Other staff welfare		**15,142**	18,165
		303,084	318,721
Foreign exchange differences, net***		**(4,158)**	3,685
Impairment of trade and other receivables***		**208,415**	42,621
Provision against slow-moving and obsolete inventories****	*11*	**3,197**	17,371
Gain on disposal of items of non-current assets classified as held for sale	*10*	**(240,553)**	–
Loss on disposal of items of property, plant and equipment***		**956**	718

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

**** Included in "Cost of sales" in the consolidated statement of profit or loss.

6. FINANCE COSTS

	Group	
	2014	2013
	RMB'000	*RMB'000*
Interest on interest-bearing bank borrowings wholly repayable within five years	**24,437**	12,919
Interest on documentary bills	**815**	231
Interest on discounted bills	**5,364**	4,030
	30,616	17,180

7. INCOME TAX

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatments available to a certain subsidiary operating in Mainland China, the companies of the Group which operate in Mainland China were subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the year ended 31 December2014.

One of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司) ("Sany Heavy Equipment"), obtained the high technology enterprise accreditation and was therefore subject to CIT at a rate of 15% in 2014 (2013: 15%).

	Group	
	2014	2013
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**39,638**	60,029
Deferred	**(34,214)**	(10,623)
Total tax charge for the year	**5,424**	49,406

A reconciliation of the income tax expense applicable to profit before tax using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Group			
	2014		2013	
	RMB'000	%	*RMB'000*	%
Profit before tax	**175,310**		407,585	
Tax at the statutory tax rate	**43,828**	**25**	101,896	25.0
Entities subject to lower statutory income tax rates	**(18,849)**	**(10.8)**	(38,277)	(9.4)
Expenses not deductible for tax	**463**	**0.3**	1,268	0.3
Tax losses utilised from previous periods	**(1,952)**	**(1.1)**	–	–
Different tax rate when temporary difference is realised	**11,396**	**6.5**	(1,967)	(0.5)
Super-deduction of research and development costs	**(13,377)**	**(7.6)**	(12,212)	(3.0)
Adjustments in respect of current tax of previous periods	**(17,444)**	**(10.0)**	–	–
Income not subject to tax	**(2,578)**	**(1.4)**	(3,891)	(1.0)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**2,490**	**1.4**	260	0.1
Tax losses not recognised	**1,447**	**0.8**	2,329	0.6
Tax charge at the Group's effective tax rate	**5,424**	**3.1**	49,406	12.1

8. DIVIDEND

The board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share is based on the profit for the year ended 31 December 2014 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (2013: 3,064,886,334) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year ended 31 December 2014 attributable to ordinary equity holders of the parent, adjusted to reflect the preferred distribution on convertible preference shares. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**168,270**	356,208
Preferred distribution to the convertible preference shares	**–**	–
Earnings attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**168,270**	356,208

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,041,025,000**	3,064,886,334
Effect of dilution-convertible preference shares	**1,314,469**	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,042,339,469**	3,064,886,334

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. Non-Current Assets Classified as Held for Sale

On 12 July 2013, as required by the government of Shenyang City ("the local government"), the Group agreed to sell a piece of land at Yansaihu Street and the immovable attached thereto ("the Property") to the local government. According to the agreement entered into between the Group and the local government dated 20 February 2014, the consideration for the Property was RMB605 million, which was determined based on the fair value of the Property valued by a PRC independent appraiser, and the transaction would be subject to the completion of the open bidding for the Property and the approval of the Company's board of directors. On 14 November 2014, Shenyang Economic and Technology Development Zone Land Reserve Trading Centre (the "Land Trading Centre") completed the open bidding for the Property and Jindi Group (Shenyang) Real Estates Co., Ltd. won the tender. On 5 December 2014, the Company's board of directors approved the transfer of the Property to the Land Trading Centre for a consideration of RMB605 million. The consideration of RMB200 million has been settled as at 31 December 2014 and the rest of the RMB405 million will be settled by 15 June 2015.

	2014
	RMB'000
Assets held for sale:	
Property, plant and equipment	**184,855**
Prepaid land lease payments	**25,851**
	210,706
Amount reclassified to property, plant and equipment	**(8,722)**
Net non-current assets classified as held for sale disposed of	**201,984**
Relocation and disposal expenses already incurred	**33,698**
Accrued additional relocation and disposal expenses	**128,765**
Gain on disposal of non-current assets classified as held for sale	**240,553**
	605,000
Satisfied by:	
Cash	**605,000**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of non-current assets classified as held for sale is as follows:

	RMB'000
Cash consideration	**605,000**
Less: Unsettled amount included in other receivables	**(405,000)**
Relocation and disposal expenses paid	**(7,637)**
Net inflow of cash and cash equivalents included in cash flows used in investing activities	**192,363**

No interest-bearing bank borrowings were secured by the Group's leasehold land which had been classified as non-current assets held for sale as at 31 December 2014 (31 December 2013: RMB25,851,000).

11. INVENTORIES

	Group 2014 RMB'000	Group 2013 RMB'000
Raw materials	**543,270**	336,013
Work in progress	**380,653**	117,079
Finished goods	**663,731**	248,243
	1,587,654	701,335
Less: Provision against slow-moving and obsolete inventories	**(14,238)**	(9,998)
	1,573,416	691,337

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

	Note	Group 2014 RMB'000	Group 2013 RMB'000
At 1 January		**9,998**	13,562
Charge for the year	*5*	**3,197**	17,371
Acquisition of subsidiaries		**1,856**	–
Amount written off		**(813)**	(20,935)
At 31 December		**14,238**	9,998

12. TRADE AND BILLS RECEIVABLES

	Group 2014 RMB'000	Group 2013 RMB'000
Trade receivables	**3,545,409**	2,799,257
Impairment	**(296,625)**	(83,381)
Trade receivables, net	**3,248,784**	2,715,876
Bills receivable	**353,142**	659,198

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with a good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 30% (2013: 32%) of the Group's trade receivables were due from the Group's largest customer, including a group of entities which are known to be under common control with that customer. Trade receivables are non-interest-bearing.

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
Within 180 days	**1,251,472**	1,639,966
181 to 365 days	**1,006,395**	363,222
1 to 2 years	**757,906**	457,990
2 to 3 years	**215,977**	210,744
Over 3 year	**17,034**	43,954
	3,248,784	2,715,876

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
At 1 January	**83,381**	42,077
Impairment losses recognised	**208,311**	42,621
Acquisition of subsidiaries	**6,335**	–
Amount written off as uncollectible	**(1,402)**	(1,317)
At 31 December	**296,625**	83,381

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB296,625,000 (2013: RMB83,381,000) with a carrying amount before provision of RMB296,625,000(2013: RMB83,381,000).

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

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

			Past due but not impaired		
Group	**Total**	**Neither past due nor impaired**	**within 1 year**	**1 to 2 years**	**Over 2 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014	3,248,784	2,227,113	750,645	240,501	30,525
31 December 2013	2,715,876	2,003,188	457,990	210,744	43,954

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 Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Within six months	**332,154**	548,494
Over six months	**20,988**	110,704
	353,142	659,198

Included in the bills receivable was an amount of approximately RMB1,000,000(2013: RMB10,840,000)which were pledged to secure the issuance of bills payable.

Included in the bills receivable was an amount of RMB2,000,000 as at 31 December 2014 (2013: RMB26,400,000) which was endorsed to a fellow subsidiary for purchasing raw materials by the Group.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB53,879,000 (2013: RMB17,202,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB53,879,000 (2013: RMB17,202,000) as at 31 December 2014.

Transferred financial assets that are derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB236,710,000 (2013: RMB133,433,000). 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 Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the 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 Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

13. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Within30 days	**260,870**	487,452
31 to 90 days	**523,754**	208,828
91 to 180 days	**500,105**	136,865
181 to 365 days	**74,948**	26,425
Over 1 year	**52,117**	8,111
	1,411,794	867,681

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

The bills payable are all due within 180 days.

Included in the trade and bills payable was an amount of RMB140,891,000 as at 31 December 2014 (2013: RMB69,454,000) payable to fellow subsidiaries for purchasing raw materials by the Group.

14. SHARE CAPITAL

	2014	2013
	HK$'000	*HK$'000*
Authorised:		
4,461,067,880 ordinary shares (2013: 5,000,000,000 ordinary shares) of HK$0.10 each	**446,107**	500,000
538,932,120 convertible preference shares (2013: Nil) of HK$0.10 each	**53,893**	–
Total authorised capital	**500,000**	500,000
Issued and fully paid:		
3,041,025,000 ordinary shares (2013: 3,041,025,000 ordinary shares) of HK$0.10 each	**304,103**	304,103
479,781,034 convertible preference shares (2013: Nil) of HK$0.10 each	**47,978**	–
Total issued and fully paid capital	**352,081**	304,103
Equivalent to RMB'000	**302,214**	264,366

Pursuant to a special resolution passed in the extraordinary general meeting of the shareholders of the Company held on 19 December 2014, the authorised share capital of the Company was re-classified and re-designated so that the authorised share capital of the Company now comprises of 4,461,067,880 ordinary shares of HK$0.10 each and 538,932,120 convertible preference shares ("CPS") of HK$0.10 each. The Company issued 479,781,034 CPS of HK$0.10 each at an issue price of HK$2.009 per share (the "Issue Price") for a total consideration of HK$963,880,000 (equivalent to approximately RMB760,376,000). Each CPS is convertible into one ordinary share of the Company at any time after issuance (subject to standard anti-dilution adjustments) and has the same right to receive dividends and other distributions as ordinary shares. The CPS are redeemable by the Company at any time after the third anniversary of the date of the issue of the CPS at the Issue Price or the fair market value of the CPS whichever the higher. The holders of the CPS are entitled to a preferred distribution at the rate of 0.01% per annum on the Issue Price.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2014, the coal mining machinery market remained sluggish without any clear sign of recovery, and the industry was in a grimmer situation in the second half of 2014. In this key moment when the whole industry facing challenges, the Group actively responded and continued to transform its business. The Group consolidated the market position of raw coal machine and actively expanded the non-coal sector and new energy sector at the same time and brought new impetus to the steady growth of the Group through the acquisition of port machinery and marine engineering business.

Major products

With the ongoing transformation, the business of the Group gradually expanded, and the new products gradually became the main contributor of the Group's growth. Up to now, the Group divided its products into three categories, namely (1) the coal mining business, which included roadheaders (including cantilever roadheader, driving and anchor roadheader and continuous mining machinery), CCMU (including coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer) and coal plough), coal mine transportation vehicles (including SRT95C, SRT55D coal mine vehicles, SAT40 articulated bus and SES12 power shovel), (2) the non-coal related business (including EBS630, EBS330 non-coal mining excavation equipment) and (3) new energy business sector (including LNG60 refueling station and LNG30 refueling station). In the meantime, the Company acquired 100% equity interests in Sany Marine Industry so that the Group's product line is expanded to port machinery and marine engineering businesses, the main products of which include reachstackers, empty container handlers and quayside gantry cranes.

Research and development capability

As a leading enterprise spearheading the industry's technological advances, the Group considered research and development ("R&D") as one of its most important competitive strengths and a main drive to provide customers with products different from those of its peers in the industry, products that were of higher quality at a more reasonable price. During the year under review, the Group achieved remarkable achievements in its R&D and successively launched new product models that led the development direction of the industry. The Group successfully produced the Series 400B Shearer and achieved revenue, successfully produced the smart scraper conveyor and light intelligent remote hydraulic support system and completed the technology upgrade of the traditional roadheader products. In the meantime, the Group increased the efforts in the R&D of new products, and successfully produced new coal mine transportation vehicles such as SAT40 articulated bus and SES12 power shovel, which laid a solid foundation for the improvement of the results of coal mining transportation vehicle products. The Group also successfully launched the new roadheader (EBS330) based on the non-coal double-arm large-height mining roadheader (EBS630). The natural gas refueling station series LNG30 and LNG60 are produced successfully and launched, and have currently achieved mass production. The Group also actively developed the major components, conducted R&D for automation products, and currently the shearer converters were all self-produced. During the year ended 31 December 2014, the Group had obtained 89 new patents, including 41 patented inventions.

Production and manufacturing

During the year under review, the Group completed the integration of two main production bases in the industrial areas in respect of the coal machinery business as well as the consolidation of the mining transport equipment business, subsequent to which, the Group's production has been concentrated in the new industrial park in No.25, 16 Kaifa Road, Shenyang Economic & Technological Development Zone, Shenyang, Liaoning, China. The park has eight plants with a total area of 629,000 sq.m. The integration of the production bases will facilitate to streamline the Group's manufacturing resources, improve the operation efficiency of the Group and reduce the management costs. In the meantime, the Group focused on enhancement of processing technology and assembly technology with a view to further lower production cost and to enhance efficiency and product quality through diversifying the products offered.

During the year under review, the Group completed the capacity-building and enhancement of the national leading transmission experiment, and completed the construction of four test beds for CCMU and automated products. The Group's experimental testing system can fully meet the testing requirements of the internal experiment, undertake all types of internal pilot testing and digital analysis of the R&D projects, the testing system is of the highest standard in the industry, which will guarantee the credibility of products from the Group.

Distribution and service

The Group will adhere to its service philosophy of "All For Customers, All From Innovations", by providing first-class service and highly efficient response to make every effort in meeting customers' needs and raising customers' satisfaction and to address any concerns of our customers. The Group's superior product quality, attentive after-sales service and efficient response have achieved a high degree of recognition from our customers.

Financial Review

Revenue

For the year ended 31 December 2014, the Group recorded revenue of approximately RMB2,175.2 million (2013: approximately RMB3,225.5 million), representing a decrease of approximately 32.6% as compared with the year ended 31 December 2013. The decrease was mainly attributable to (1) weak demand in coal market, resulting in the shrinking in demand in coal machineries. In particular, the market demand was weakened since the second half of the year of 2014, as such the sales income of coal mining equipment of the Group decreased as compared to the same period of the year of 2013, and the revenue attributable to conventional roadheaders even decreased by approximately 46.7%; and (2) due to the relocation from the old manufacturing plant to the new one as mentioned in "Production and manufacturing", the production of coal mining transportation vehicles declined in the second half of the year, and the sales declined accordingly. Given the current market conditions, the Group actively develop the after-sales services market, revenue from the sales of spare parts and after-sales services increased to approximately RMB493.8 million, which was almost the same during the reporting period as compared to the same period of 2013. Meanwhile, with the successive introduction of the new models, the product mix focus of the Group will gradually shift to non-coal sector and new energy sector. Those changes will lay a solid foundation for the Group's long-term development.

For the year ended 31 December 2014, the Group's gain on disposal of non-current assets classified as held for sale was of RMB240.6 million (2013: Nil). Such gain was mainly attributable to the disposal of a piece of land at Yansaihu Street, which used to be the Group's old manufacturing plant and the immovable attached thereto to the local government (for details, please refer to note 10). This forward-looking decision was made by the management by responding to trends, which not only brought substantial revenue and contributed to sources of profits, but also secured the source of capital after the new investment in the acquisition of Sany Marine Industry. Moreover it facilitated to lower the fixed costs and breakeven point for the future operation of the Group, which will stimulate the active and prudential operation of the Group.

Other income and gains

For the year ended 31 December 2014, the Group's other income and gains was approximately RMB137.1 million (2013: approximately RMB168.7 million), representing a year-on-year decrease of approximately 18.7%. The decrease was mainly attributable to (1) a decrease in government grants received, and (2) the revenue generated from the sale of scrap materials decreased.

Cost of sales

For the year ended 31 December 2014, the Group's cost of sales was approximately RMB1,466.0 million (2013: approximately RMB2,062.4 million), representing a decrease of approximately 28.9%. The change was mainly due to the decrease on revenue for the year and stricter cost control measures.

Gross profit and gross margin

For the year ended 31 December 2014, the gross profit of the Group was approximately RMB709.2 million (2013: approximately RMB1,163.1 million), representing a year-on-year decline of approximately 39.0%. Gross margin was approximately 32.6% (2013: approximately 36.1%), representing a decrease of approximately 3.5 percentage points year-on-year. Such changes were mainly due to the gross margin attributable to the non-coal-related products is lower than that of traditional roadheader products. However, the gross profit margin of coal mining transportation vehicles is of approximately 34%, improved as compared with 2013. The Directors believe that with the maturation of new products and expansion of the sales scale of the group, the Group's gross profit margin will gradually improve. The Group has been gradually improving the gross profit margin of the CCMU via improvements in product design, processing technology and production process.

Profit margin before tax

For the year ended 31 December 2014, the Group's profit margin before tax was approximately 8.1%, representing a decrease of approximately 4.5 percentage points as compared to approximately 12.6% for the year ended 31 December 2013. The decrease was mainly due to (1) the input of more resources of the Group into R&D and (2) the increase in administrative expenses (excluding R&D expenses), details of which have been disclosed in the section "Administrative expenses" below.

Selling and distribution expenses

For the year ended 31 December 2014, the selling and distribution expenses were approximately RMB312.9 million (2013: approximately RMB500.7 million), representing a decrease of approximately 37.5%. Such changes were mainly due to the decrease in sales revenue. For the year ended 31 December 2014, the ratio of the Group's selling and distribution expenses to revenue was approximately 14.4% (2013: 15.5%), representing a decrease of approximately 1.1 percentage points as compared to 2013. Such changes were due to the Group strengthened the control on sales expenses.

Research and development expenses

For the year ended 31 December 2014, the research and development expenses of the Group were approximately RMB169.2 million, and its ratio to revenue was approximately 7.8%, representing an increase of approximately 2.3 percentage points from approximately 5.5% of 2013. Such increase was mainly attributable to the increased input of resources into the business transformation, the development of new products and the expanded application of new products such as coal-mining transportation vehicles, natural gas equipment, automation equipment and core parts and components, creating a new source of profit growth for the Group. Also, the Group has been continuously improving the R&D or product upgrade of its CCMU and roadheader products to further enhance its products' credibility and stability.

Administrative expenses

For the year ended 31 December 2014, administrative expenses of the Group were approximately RMB358.7 million. The administrative expenses excluding research and development expenses were approximately RMB189.5 million, representing an increase in the proportion of sales revenue of approximately 3.1 percentage points from approximately 5.6% of 2013 to 8.7%. Such changes were mainly attributable to (1) the new manufacturing plant had completed full operation in 2014, which resulted in the increase in all types of fees, land use tax and property tax; (2) sales fell due to the shrinking demand in market, though the Company had exercised many measures of strict control over expenses, which had not taken effect in full by 2014. In 2015, the Company will adopt measures such as "Energy conservation and consumption reduction", "streamline organizational structure" to strictly control costs.

Finance costs

For the year ended 31 December 2014, finance costs of the Group were approximately RMB30.6 million (2013: approximately RMB17.2 million), mainly due to bank loans drawn down by the Group.

Taxation

Sany Heavy Equipment Co., Ltd., a wholly-owned subsidiary of the Group, is a National High New Technology Enterprise in Liaoning Province and is entitled to preferential tax treatments. The Group's effective tax rate in 2014 was approximately 3.1% (2013: effective tax rate of approximately 12.1%). For details regarding income tax, please refer to note 7.

Profit attributable to owners of the parent

For the year ended 31 December 2014, the Group's profit attributable to owners of the parent decreased to approximately RMB168.3 million (2013: approximately RMB356.2 million), representing a decrease of approximately 52.8%. For the main reason of the decrease, please refer to the above paragraphs titled "Revenue", "Gross profit and gross margin" and "Profit margin before tax".

Liquidity and financial resources

As at 31 December 2014, current assets of the Group were approximately RMB6,928.0 million (31 December 2013: approximately RMB5,613.9 million). As at 31 December 2014, current liabilities of the Group were approximately RMB4,582.2 million (31 December 2013: approximately RMB2,442.1 million). The change in current assets and current liabilities of the Group was mainly attributable to the Group's acquisition of 100% equity interests in Sany Marine Industry, including its subsidiaries. The assets and liabilities of such company and its subsidiaries are incorporated to the Group.

As at 31 December 2014, total assets of the Group were approximately RMB12,753.2 million (31 December 2013: approximately RMB8,712.7 million), and total liabilities were approximately RMB5,991.4 million (31 December 2013: approximately RMB2,885.1 million). As at 31 December 2014, the gearing ratio (the asset to liability ratio) of the Group was approximately 47.0% (31 December 2013: approximately 33.1%). Such change was mainly attributable to the Group's acquisition of 100% equity interests in Sany Marine Industry and the gearing ratio (the assets to liability ratio) recorded on the acquisition of port machinery and marine engineering business is high, which resulted in the increase in the overall gearing ratio of the Group as compared with that of 2013.

Trade and bills receivables

As at 31 December 2014, the Group's trade and bills receivables were approximately RMB3,601.9 million, representing an increase of approximately 6.7% from approximately RMB3,375.1 million as at 31 December 2013, of which trade receivables were approximately RMB3,248.8 million, representing an increase of approximately 19.6% from approximately 2,715.9 million as at 31 December 2013 and bills receivable were approximately RMB353.1 million, representing a decrease of approximately 46.4% from approximately RMB659.2 million as at 31 December 2013. Such change was mainly due to (1) the acquisition of Sany Marine Industry which contributed to the increase of RMB370.9 million; (2) coal enterprise capital chain is generally tight at present, and the time taken for collection of receivables of products increase accordingly. In addition, in order to maintain long-term strategic cooperation with high-quality customers, the Group extended the credit period of certain state-owned customers with good reputation. In order to minimize the risks of trade receivables, the Group had established a comprehensive four-level management framework of "marketing company, supervisors, general manager of agency, responsible marketing representative" for the collection of receivables. In addition, the Group also formulated the "one client one credit policy" for the outstanding loans, and formulated a detailed and targeted plan for the collection of the receivables pursuant to the characteristics and nature of the respective customers, established a management and control system which strictly monitors pre, amid and post process of loan, ensure effective and timely repayment of loans so as to minimise the credit risk. Since coal enterprise capital chain is generally tight, the Group adhered to the principle of prudence and provided bad debt provision of RMB208.3 million (2013: RMB42.6 million) for the year ended 31 December 2014, which is included in "Other expenses".

Cash flow

As at 31 December 2014, cash and cash equivalents of the Group, investment deposits and time deposits with maturity of three months or more were approximately RMB791.1 million in total.

For the year ended 31 December 2014, the net cash inflow of the Group from operating activities was approximately RMB92.3 million (2013: net cash outflow of approximately RMB223.6 million), which improved significantly as compared with 2013.

For the year ended 31 December 2014, the net cash inflow from investing activities was approximately RMB155.4 million (2013: net cash outflow of approximately RMB450.8 million). Such change was mainly for the financial products of approximately RMB300.0 million purchased has matured.

For the year ended 31 December 2014, the net cash outflow of the Group from financing activities was approximately RMB301.2 million (2013: net cash inflow of approximately RMB152.4 million). Such change was mainly because that the Group repaid part of the bank loan.

Turnover days

The Group's average turnover days of inventory were approximately 281.9 days in 2014, representing an increase of approximately 144.6 days from 137.3 days in 2013, mainly because of (1) the decline in sales revenue and the increase in inventory brought by the coherence of operation due to the downturn of coal market, (2) the sales of conventional roadheaders and coal mining transportation vehicles declined due to relocation from the Group's old manufacturing plant to the new one which resulted in the increase in finished products, and (3) the Company had adopted the "one stock one policy" strategy in respect of commerce, sales and production so as to strongly reduce the inventory and strictly control the increase in inventory.

The turnover days of trade and bills receivables in 2014 were approximately 617.2 days, representing an increase of approximately 287.1 days from approximately 330.1 days in 2013. Please refer to the above paragraph titled "Trade and bills receivables" for the reasons of such increase.

Turnover days of trade and bills payables increased by approximately 143.0 days from approximately 140.8 days in 2013 to approximately 283.8 days in 2014. The change is mainly due to the strengthening management of suppliers.

Contingent liabilities

As at 31 December 2014, the Group had contingent liability of RMB264.6 million, being the financial guarantee provided by Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment", a subsidiary acquired by the Group in 2014) (2013: Nil).

Capital commitment

As at 31 December 2014, the contracted capital commitments of the Group which are not provided for in the financial statements were approximately RMB4,493.4 million (31 December 2013: approximately RMB228.2 million).

Employees and remuneration policy

The Group persists in training and developing talents. Accordingly, it provides internal training, external training and correspondence courses to its staff according to their ranking and at different times with an aim to self-improving and enhancing their skills relevant to work as well as strengthening their senses of belonging. In addition, the Group paid year-end bonuses to staff to reward them for their contributions and dedication to the Group. The remuneration of the directors of the Group was determined with reference to their positions, responsibilities and experience and prevailing market conditions.

Material acquisition and disposal

On 7 November 2014, the Company entered into a share transfer agreement with Sany Hongkong Group Limited, pursuant to which the Company acquired the entire equity interests of Sany Marine Industry and payables in a principal amount of RMB703.0 million owned by Sany Marine Industry at a consideration of RMB760,376,000. The Company issued convertible preference shares as settlement of such consideration. On the same date, Sany Marine Heavy Industry Co., Ltd., a wholly-owned subsidiary of Sany Marine Industry entered into an equity transfer agreement with Sany Group Limited to acquire the entire equity interests in Hunan Sany Port Equipment at a consideration of approximately RMB1,040,000,000. The Group acquired the port machinery and heavy marine machinery business of Sany Group Limited upon the completion of such share transfer agreement and the equity transfer agreement. Such acquisition constituted a major acquisition under Chapter 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and a connected transaction subject to the approval of the independent shareholders under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 7 November 2014 and the circular of the Company dated 30 November 2014. On 19 December 2014, the acquisition was approved by the shareholders of the Company in the extraordinary general meeting of the Company, please refer to the announcement of the Company date on 19 December 2014 for details.

Saved as disclosed above, there was no other material acquisition or disposal conducted by the Group for the year ended 31 December 2014.

Pledge on assets

As at 31 December 2014, pledged deposits and pledged bills with aggregate value of approximately RMB51.9 million (31 December 2013: approximately RMB117.6 million), which were for the purpose of issuing bills payable. As at 31 December 2014, none of the Group's bank loans were secured by property, plant and equipment and prepaid land lease payments (31 December 2013: RMB510.2 million).

Foreign exchange risk

As at 31 December 2014, the Group's cash and bank balances denominated in HK$ and US$ were equivalent to approximately RMB7.2 million. The Group will monitor the risk exposures and may consider hedging against material currency risk if required.

Social responsibility

The Group promotes that "contribution to the country is more important than the profit of an enterprise" and fulfills its social responsibility by making notable contribution to economic and social development. The Group also treats the development of teenagers and children with utmost importance. In October 2014 when the Chung Yeung festival was coming, the Group formed a team of volunteers who paid a visit to a children's asylum and donated necessities such as clothes, toys and books to the children. The Group persisted in the principle of "enabling staff's success" by visiting staff with family difficulties and providing them with consolation money and items, while also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

DIVIDENDS

The Board does not recommend any final dividend for the year ended 31 December 2014.

CORPORATE GOVERNANCE

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

Except for the code provision A.2.1, the Company has complied with the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Listing Rules from 1 January 2014 to 31 December 2014. In accordance with code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. From 28 September 2014 to 31 December 2014, the Company did not separate the roles of chairman of the Board and the chief executive officer, and Mr. Wu Jialiang acted as the chairman of the Board and the chief executive officer during such period. The Board considers vesting the role of both the chairman of the Board and the chief executive officer in Mr. Wu Jialiang providing the Company with consistent leadership, facilitates effective and efficient planning and implementation of business decisions and strategies. The Board believes that this structure did not impair the balance of power and authority between the Board and the management of the Company. As the Board comprises of experienced and quality calibres (including sufficient number of independent non-executive Director), balance between duty and right can be assured.

For good corporate governance purpose, on 18 March 2015, Mr. Wu Jialiang resigned as the chief executive officer and Mr. Mei Yonghua was appointed as the chief executive officer on the same date.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 12 June 2015. A notice convening the annual general meeting will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 9 June 2015 to Friday, 12 June 2015, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to attend and vote at the annual general meeting is Friday, 12 June 2015. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 12 June 2015, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 8 June 2015.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company. (During 2013, the Company repurchased 64,110,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at a total amount of approximately HK$186.9 million (approximately RMB150.4 million)).

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Specific enquiries have been made with all Directors, who have confirmed that, during the period under review, they were in compliance with the required provisions set out in the Model Code. All Directors declared that they had complied with the Model Code for the year ended 31 December 2014.

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in place in compliance with the Corporate Governance Code. The Audit Committee consists of three members, namely Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung, all of whom are independent non-executive directors. Dr. Ngai Wai Fung, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated annual results of the Group for the full year ended 31 December 2014, including the accounting principles and standard practices adopted by the Group and selection and appointment of the external auditors.

FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2014, but represents an extract from those accounts.

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company had maintained sufficient public float throughout the year ended 31 December 2014.

PUBLICATION OF INFORMATION ON THE WEBSITES

The annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at http://www.sanyhe.com in due course.

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

Hong Kong, 24 March 2015

As at the date of this announcement, the executive Directors are Mr. Wu Jianliang and Mr. Lu Ben, the non-executive Directors are Mr. Tang Xiuguo, Mr. Xiang Wenbo and Mr. Mao Zhongwu, and the independent non-executive Directors are Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung.