SANY HEAVY EQUIPMENT INTERNATIONAL HOLDINGS COMPANY LIMITED
三 一 重 裝 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 631)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board ("**Board**") of directors (the "**Directors**") of Sany Heavy Equipment International Holdings Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2015. These interim results have been reviewed by the audit committee of the Company (the "**Audit Committee**"), comprising solely the independent non-executive Directors, one of whom chairs the Audit Committee.

FINANCIAL SUMMARY

- For the six months ended 30 June 2015, the Group recorded revenue of approximately RMB1,212.2 million, representing a decrease of approximately 16.1% as compared with the six months ended 30 June 2014. The main reason for the decline was that the adjustment in the price of coal and the absence of a trend of rebound in coal production and fixed asset investments in the coal industry affected the sales of the coal machinery products. Although the Group's revenue decreased for the six months ended 30 June 2015, it is expected that the gradual introduction of new models non-coal products of the Group to the market and the increase in the proportion of the sales of marine engineering products and mining vehicles will contribute to new profit growth. The change in product restructure of the Group is still continuing.

- For the six months ended 30 June 2015, the Group's profit margin before tax was approximately 6.2%, decreased by approximately 10.7 percentage points as compared to 16.9% in the corresponding period in 2014. Such decrease is mainly due to (1) the drop in revenue of products; (2) the drop in the gross profit margin of products; (3) the increase in research and development ("**R&D**") expenses due to the increase in the inputs to the development of new products; and (4) the increase in provision for impairment of receivables. As the Group achieved sales breakthrough successively in the fields of non-coal and natural gas, together with the increase in the sales of mining vehicle products and the development of port machinery business, it is expected that the profit will gradually be improved.

- For the six months ended 30 June 2015, the R&D expenses of the Group were approximately RMB95.9 million (six months ended 30 June 2014: approximately RMB73.6 million). The ratio of R&D expenses to revenue increased by 2.8 percent points to 7.9% as compared with that of approximately 5.1% in the corresponding period in 2014. The rise in R&D expenses was mainly due to the increase in inputs to the R&D of new products as to adapt to the strategic transformation of the Company. It was mainly used in the research such as energy saving technology of port machinery products, man-machine engineering and intelligent control technology as well as strengthening the research of non-coal products, mining vehicle products and natural gas equipment to create new profit growth.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**1,212,195**	1,444,328
Cost of sales		**(823,593)**	(895,176)
Gross profit		**388,602**	549,152
Other income and gains	*4*	**168,787**	98,082
Selling and distribution expenses		**(130,958)**	(163,925)
Administrative expenses		**(196,877)**	(162,783)
Other expenses		**(149,334)**	(61,952)
Operating profit		**80,220**	258,574
Finance costs	*6*	**(4,644)**	(14,386)
Profit before tax	*5*	**75,576**	244,188
Income tax expense	*7*	**(26,463)**	(37,607)
PROFIT FOR THE PERIOD		**49,113**	206,581
Attributable to:			
Owners of the parent		**48,758**	203,285
Non-controlling interests		**355**	3,296
		49,113	206,581
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	*9*	**0.02**	0.07
Diluted (RMB)	*9*	**0.01**	0.07

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**49,113**	206,581
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(255)**	524
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(255)**	524
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(255)**	524
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**48,858**	207,105
Attributable to:		
Owners of the parent	**48,503**	203,809
Non-controlling interests	**355**	3,296
	48,858	207,105

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	**30 June 2015 *RMB'000* (Unaudited)**	31 December 2014 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,987,935**	2,685,917
Prepaid land lease payments		**701,828**	709,754
Goodwill		**1,129,520**	1,129,520
Intangible assets		**63,064**	75,973
Available-for-sale investment		**12,536**	12,536
Non-current prepayments		**755,058**	752,836
Deferred tax assets		**479,766**	458,719
Total non-current assets		**6,129,707**	5,825,255
CURRENT ASSETS			
Inventories	*10*	**1,377,617**	1,573,416
Trade receivables	*11*	**3,462,039**	3,248,784
Bills receivable	*11*	**169,452**	353,142
Prepayments, deposits and other receivables		**984,305**	910,657
Investment deposits		–	400,000
Time deposits		**7,524**	112,884
Pledged deposits		**24,342**	50,864
Cash and cash equivalents		**101,567**	278,241
Total current assets		**6,126,846**	6,927,988

	Notes	**30 June 2015** *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,097,263**	1,411,794
Other payables and accruals		**2,344,088**	2,424,487
Interest-bearing bank borrowings		**185,102**	351,819
Tax payable		**387,840**	344,555
Provision for warranties		**16,702**	33,966
Government grants		**20,645**	15,555
Total current liabilities		**4,051,640**	4,582,176
NET CURRENT ASSETS		**2,075,206**	2,345,812
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,204,913**	8,171,067
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**10,017**	9,299
Government grants		**1,382,302**	1,399,972
Total non-current liabilities		**1,392,319**	1,409,271
Net assets		**6,812,594**	6,761,796
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*13*	**302,214**	302,214
Reserves		**6,439,656**	6,389,213
		6,741,870	6,691,427
Non-controlling interests		**70,724**	70,369
Total equity		**6,812,594**	6,761,796

1. Corporate Information

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

In the opinion of the directors of the Company (the "Directors"), as at the date of these interim condensed consolidated financial statements, the immediate holding company and 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

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs") and Interpretations that the Group has adopted for the first time for the current period as disclosed below.

IFRS 19 Amendments	*Defined benefit plans: Employee Contribution*
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*

The adoption of these new and revised IFRSs has no significant effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 Issued But not Yet Effective IFRSs

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferred Accounts*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Amendments to IAS 1	*Disclosure Inititative*[1]
Amendments to IAS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IAS 9 and IFRS 7	*Mandatory effective date of HKFRS 9 and transition disclosures*[3]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 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, but is not in a position to state whether these new and revised IFRSs will have a significant impact on the Group's results of operations and financial position.

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 handle 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.

	Coal mining equipment	**Port machinery**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Period ended 30 June 2015 (Unaudited)			
Segment revenue			
Sales to customers	586,488	625,707	1,212,195
Other revenue	47,116	121,671	168,787
Revenue from operations	633,604	747,378	1,380,982
Segment results	(90,849)	167,235	76,386
Interest income	3,239	595	3,834
Finance costs	(4,509)	(135)	(4,644)
Profit before tax	(92,119)	167,695	75,576
Income tax expense	14,197	(40,660)	(26,463)
Profit for the period	(77,922)	127,035	49,113
Segment assets	6,583,221	4,357,154	10,940,375
Reconciliation:			
Corporate and other unallocated assets			1,316,178
Total assets			12,256,553
Segment liabilities	1,283,223	3,577,777	4,861,000
Reconciliation:			
Corporate and other unallocated liabilities			582,959
Total liabilities			5,443,959
Other segment information:			
Depreciation and amortisation	78,086	12,257	90,343
Capital expenditure*	91,129	290,746	381,875
Loss on disposal of items of property, plant and equipment	(552)	–	(552)
Impairment losses recognised in profit or loss	144,962	3,820	148,782

* 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 only has one business unit and reportable operating segment-coal mining equipment segment for the period ended 30 June 2014, no operating segment information was presented.

Information about a major customer

Revenue of approximately RMB174,552,000 (six months ended 30 June 2014: approximately RMB351,164,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4. Revenue, Other Income and Gains

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

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,188,092**	1,423,571
Rendering of services	**24,103**	20,757
	1,212,195	1,444,328
Other income and gains		
Interest income	**3,834**	9,547
Profit from sale of scrap materials	**5,983**	16,056
Government grants	**152,327**	66,519
Exchange gain	**3,316**	–
Others	**3,327**	5,960
	168,787	98,082

5. Profit before Tax

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**805,158**	879,782
Cost of services provided	**18,435**	15,394
Depreciation	**69,688**	51,284
Amortisation of land lease prepayments	**7,746**	5,758
Amortisation of intangible assets	**12,909**	12,908
Auditors' remuneration	**480**	980
(Reversal)/provision of warranties, net*	**(10,193)**	17,227
Research and development costs**	**95,860**	73,605
Minimum lease payments under operating leases:		
Dormitories for staff	**230**	38
Warehouses	**3,239**	2,024
	3,469	2,062
Employee benefit expenses:		
Wages and salaries	**184,746**	124,647
Share-based payment	**1,940**	1,948
Pension scheme contributions	**15,651**	15,403
Other staff welfare	**8,485**	7,597
	210,822	149,595
Foreign exchange differences, net***	**(3,316)**	1,266
Impairment of trade receivables***	**147,865**	60,459
Impairment of other receivables***	**917**	–
Write-down of inventories to net realisable value#	**2,354**	3,197
Loss on disposal of items of property, plant and equipment***	**552**	227

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

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

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

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

6. Finance Costs

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on discounted bills	**1,462**	503
Interest on interest-bearing bank borrowings	**3,053**	13,350
Interest on documentary bills	**129**	533
	4,644	14,386

7. Income Tax

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

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

Pursuant to the PRC Income Tax Law and the respective regulations, except for certain preferential tax treatment available to certain subsidiaries operating in Mainland China, the companies of the Group which operate in Mainland China are subject to Corporate Income Tax ("CIT") at a rate of 25% on their respective taxable income for the period ended 30 June 2015. One of the Group's principal operating companies, Sany Heavy Equipment Co., Ltd. (三一重型裝備有限公司), prepaid CIT at a rate of 15% for the period ended 30 June 2015 as Sany Heavy Equipment Co., Ltd. has obtained the high technology enterprise accreditation.

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**46,792**	35,759
Deferred	**(20,329)**	1,848
Total tax charge for the period	**26,463**	37,607

8. Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

9. Earnings per Share attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share is based on the profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,041,025,000 (six months ended 30 June 2014: 3,041,025,000) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible preference shares, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**48,758**	203,285
Preferred distribution to the convertible preference shares	**–**	–
Earnings attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**48,758**	203,285

	Number of shares	
	30 June 2015	30 June 2014
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,041,025,000**	3,041,025,000
Effect of dilution – convertible preference shares	**479,781,034**	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,520,806,034**	3,041,025,000

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2015 and the six months ended 30 June 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

10. Inventories

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Raw materials	**482,325**	543,270
Work in progress	**366,185**	380,653
Finished goods	**545,699**	663,731
	1,394,209	1,587,654
Provision against slow-moving and obsolete inventories	**(16,592)**	(14,238)
	1,377,617	1,573,416

11. Trade and Bills Receivables

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**3,906,505**	3,545,409
Impairment	**(444,466)**	(296,625)
Trade receivables, net	**3,462,039**	3,248,784
Bills receivable	**169,452**	353,142

The Group generally requires its customers to make payments at various stages of the sales transactions, however, the Group grants certain credit periods to old customers with good payment history. The credit periods of individual customers are considered on a case-by-case basis and are set out in the sales contracts, as appropriate. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. At 30 June 2015, the Group had certain concentrations of credit risk as 25% (31 December 2014: 30%) of the Group's trade receivables were due from the Group's largest customer, including a group of entities which are known to be under common control with that customer. Trade receivables are non-interest-bearing.

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 180 days	**909,425**	1,251,472
181 to 365 days	**985,466**	1,006,395
1 to 2 years	**1,122,132**	757,906
2 to 3 years	**348,339**	215,977
Over 3 years	**96,677**	17,034
	3,462,039	3,248,784

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**296,625**	83,381
Impairment losses recognised	**147,865**	208,311
Acquisition of subsidiaries	**–**	6,335
Amount written off as uncollectible	**(24)**	(1,402)
At 30 June/31 December	**444,466**	296,625

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**1,875,111**	2,227,113
Past due but not impaired:		
Within 1 year past due	**1,117,522**	750,645
1 to 2 years past due	**338,976**	240,501
Over 2 years past due	**130,430**	30,525
Total	**3,462,039**	3,248,784

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

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:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**167,452**	332,154
Over 6 months	**2,000**	20,988
	169,452	353,142

As at 30 June 2015, there was no amount included in the bills receivable which was pledged to secure the issuance of bills payable (31 December 2014: RMB1,000,000).

Included in the bills receivable was an amount of RMB34,385,844 as at 30 June 2015 (31 December 2014: RMB2,000,000) which was endorsed to a fellow subsidiary for purchasing raw materials by the Group.

Transfer of financial assets that are not derecognised in their entirety

At 30 June 2015, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB47,321,000 (31 December 2014: RMB53,879,000) 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 RMB47,321,000 (31 December 2014: RMB53,879,000) as at 30 June 2015.

Transfer of financial assets that are derecognised in their entirety

At 30 June 2015, 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 RMB285,699,000 (31 December 2014: RMB236,710,000). 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.

12. Trade and Bills Payables

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

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**264,207**	260,870
31 to 90 days	**389,687**	523,754
91 to 180 days	**296,516**	500,105
181 to 365 days	**113,600**	74,948
Over 1 year	**33,253**	52,117
	1,097,263	1,411,794

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 payables was an amount of RMB86,048,000 as at 30 June 2015 (31 December 2014: RMB140,891,000) payable to fellow subsidiaries for purchasing raw materials by the Group.

13. Share Capital

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised:		
4,461,067,880 ordinary shares (31 December 2014: 4,461,067,880 ordinary shares) of HK$0.10 each	**446,107**	446,107
538,932,120 convertible preference shares (31 December 2014: 538,932,120) of HK$0.10 each	**53,893**	53,893
Total authorised capital	**500,000**	500,000
Issued and fully paid:		
3,041,025,000 ordinary shares (31 December 2014: 3,041,025,000 ordinary shares) of HK$0.10 each	**304,103**	304,103
479,781,034 convertible preference shares (31 December 2014: 479,781,034) of HK$0.10 each	**47,978**	47,978
Total issued and fully paid capital	**352,081**	352,081
Equivalent to RMB'000	**302,214**	302,214

14. Commitments

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

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Contracted, but not provided for:		
Buildings	**77,752**	369,648
Plant and machinery	**3,878,316**	4,123,777
	3,956,068	4,493,425

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The coal industry was still experiencing a period of consolidation. Despite the gradual stabilization of coal demand, there was no rebound in the demand for coal machinery products in the first half of the year. During the critical period for the industry in face of challenges, the Group continued to actively implement strategic transformation and expand the markets of mining vehicles, mining and excavation equipment and natural gas equipment while consolidating its absolute competitive advantages on original coal machinery products, putting efforts to create new streams of profit growth. Meanwhile, we are confident that the establishment and commencement of operation of Zhuhai Industrial Park which owns a coastal dock will drive the comprehensive development of marine engineering products of the Group.

Major Products

With the ongoing transformation, the Group divided its products into four categories, namely the coal mining business, which includes roadheaders (all types of soft rock, hard rock roadheader, EBS630 mining roadheader and drilling machinery) and CCMU (coal mining machines (shearer), hydraulic support system, scraper conveyor (Armored-Face Conveyer) and centralized control system); the noncoal-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 excavation equipment (tunnel series, potash mine series and drilling series equipment); the marine engineering business, which includes port machinery products (reach stacker, empty-container handler and quayside gantry crane) and offshore heavy machineries; and the new energy equipment business, which mainly includes natural gas equipment (full-line products of filling station and gasification station).

Development of New Products

The Group successfully launched the third generation roadheaders (EBZ132S, EBZ160S, EBZ200S); completed the research, development and design of SYR200Z, EBZ260Z tunnel roadheaders; realized the technological upgrading of mining vehicle with SAT40 articulator and SES12 power shovel and performing industrial tests; and successfully developed the emulsifier security system full set equipment, maintaining its leading position in the industry in terms of products and technology. The second generation modularized and smart design of products of the natural gas LNG-CNG co-built station and various gasification stations was carried out. Research of port machinery in the aspects such as energy-saving technology, man-machine engineering and smart control technology was completed and the automaticity of products was drastically enhanced. In the first half of 2015, the Group obtained 14 invention patents, 23 utility model patents and 1 exterior design patent. The Group has also obtained 5 science and technology awards from Shenyang, Liaoning Province.

Production and Manufacturing

Currently, the Group has production and manufacturing bases in Shenyang, Changsha and Zhuhai respectively. There are eight plants in the coal machinery industrial park located in the Economic and Technological Development Zone of Shenyang with a total area of approximately 629,000 sq.m. The industrial park for small port equipment is located in the Changsha industrial city with an area of approximately 100,000 sq.m., having several plants and commissioning fields. The industrial park for large port machinery commenced operation on 6 May 2015. Phase 1 of the project occupies an area of 800 mu, equipped with a deep-water dock with a coastline of 3.5 km which has currently acquired the production capability of full range large-scale port machinery. The Group focused on enhancement of processing and assembly techniques, adopted various measures to cut production costs, and continued to push forward cost reduction measures in R&D and all business systems. In the first half of the year, the Group had a total of 36 cost reduction projects of manufacturing and completed a total of 32 projects. Meanwhile, the Group adopted production quota control to lower the production costs. In addition, the Group increased the self-manufacturing of key components, ensured the manufacturing quality of products and shortened the production lead time.

Marketing and Service

The Group will adhere to its operation philosophy of "All For Customers, All From Innovations", and make every effort to provide first-class service and highly efficient response to meet customers' needs and raise customers' satisfaction and address any concerns of our customers. The Group has 69 service outlets and 56 spare parts warehouses through the country. In order to adapt to the strategic transformation of the Company, the sales and service modle should be transformed as well. The Group actively optimized the sales system of port products and natural gas equipment and actively promoted the distribution of international sales network. Meanwhile, the Group planned to explore the after-sales markets of components and integrated mining full set equipment in order to bring new sources of profit growth while meeting customers' demand.

Financial Review

Sales Revenue

For the six months ended 30 June 2015, the Group recorded revenue of approximately RMB1,212.2 million, representing a decrease of approximately 16.1% as compared with the six months ended 30 June 2014. The main reason for the decline was that the adjustment in the price of coal and the absence of a trend of rebound in coal production and fixed asset investments in the coal industry affected the sales of the coal machinery products. Although the Group's revenue decreased for the six months ended 30 June 2015, it is expected that the gradual introduction of new models of the Group to the market and the increase in the proportion of the sales of marine engineering products and mining vehicles will contribute to new profit growth. The change in product restructure of the Group is still continuing.

Other income and gains

For the six months ended 30 June 2015, the Group's other income and gains was approximately RMB168.8 million (six months ended 30 June 2014: approximately RMB98.1 million), representing an increase of approximately 72.1%. Such change was mainly due to the increase in the government subsidies obtained.

Cost of sales

For the six months ended 30 June 2015, the Group's cost of sales decreased to approximately RMB823.6 million (six months ended 30 June 2014: approximately RMB895.2 million), representing a decrease of approximately 8.0% over the same period in 2014. The change was mainly due to the decrease in revenue and the changes in product structure resulting from the implementation of strategic transformation by the Group.

Gross profit and gross margin

For the six months ended 30 June 2015, the Group's gross margin was approximately 32.1%, decreased by approximately 6.0 percentage points as compared to the same period in 2014. Such decrease was mainly due to the lower gross profit of port machinery products as compared with the gross profit of coal machinery products, after the merge of port machineries. As such the Group will continue to push forward the cost reduction projects in all production processes such as product R&D and design, processing technology, commercial procurement and manufacturing to raise the level of gross profit margin of products.

Profit margin before tax

For the six months ended 30 June 2015, the Group's profit margin before tax was approximately 6.2%, decreased by approximately 10.7 percentage points as compared to 16.9% in the corresponding period in 2014. Such decrease is mainly due to (1) the drop in revenue of products; (2) the drop in the gross profit margin of products; (3) the increase in R&D expenses due to the increase in the inputs to the development of new products; and (4) the increase in provision for impairment of receivables. As the Group achieved sales breakthrough successively in the fields of non-coal and natural gas equipment, together with the increase in the sales of mining vehicle products and the development of port machinery business, it is expected that the profit will gradually be improved.

Selling and distribution expenses

For the six months ended 30 June 2015, the selling and distribution expenses decreased by approximately 20.1% to approximately RMB131.0 million as compared with the same period of 2014 (six months ended 30 June 2014: approximately RMB163.9 million). For the six months ended 30 June 2015, the ratio of the Group's selling and distribution costs to revenue decreased by approximately 0.5 percentage point to approximately 10.8% as compared to the same period in 2014 (six months ended 30 June

2014: approximately 11.3%). The decrease was mainly due to the decrease in selling expenses resulting from the adjustment of allocation structure of sales resources by the Group after the changes in market situations.

Research and development expenses

For the six months ended 30 June 2015, the R&D expenses of the Group were approximately RMB95.9 million (six months ended 30 June 2014: approximately RMB73.6 million). The ratio of R&D expenses to revenue increased 2.8 percent points to 7.9% as compared with that of approximately 5.1% in the corresponding same period in 2014. The increase in R&D expenses was mainly due to (1) the increase in inputs to the R&D of new products as to adapt to the strategic transformation of the Company. It was mainly used in the research such as energy saving technology of port machinery products, man-machine engineering and intelligent control technology as well as strengthening the research of non-coal products, mining vehicle products and natural gas equipment to create new profit growth. (2) The drop in revenue of the Group, which made the proportion of R&D expenses increased accordingly.

Other administrative expenses

For the six months ended 30 June 2015, the Group's administrative expenses (excluding R&D expenses) were approximately RMB101.0 million (six months ended 30 June 2014: approximately RMB89.2 million), representing an increase of approximately 13.2% from that of the same period in 2014. The increase was mainly due to the increase in other administrative expenses of Sany Marine Industry International Holding Company Ltd., and its subsidiaries acquired by the Group in December 2014.

Finance costs

For the six months ended 30 June 2015, the Group's finance costs were approximately RMB4.6 million (six months ended 30 June 2014: approximately RMB14.4 million), and the drop in finance cost was mainly due to the decrease in bank borrowings.

Taxation

For the six months ended 30 June 2015, the Group's effective tax rate was approximately 35.0% (six months ended 30 June 2014: effective tax rate was approximately 15.4%). For a breakdown of the income tax, please refer to Note 7 on page 12 to this announcement.

Profit attributable to owners of the parent

For the six months ended 30 June 2015, the Group's profit attributable to owners of the parent decreased to approximately RMB48.8 million (six months ended 30 June 2014: approximately RMB203.3 million), representing a decrease of approximately 76.0%. For the main reason of the decrease, please refer to the above paragraphs titled "Revenue", "Gross profit and gross profit margin" and "Profit margin before tax".

Liquidity and financial resources

As of 30 June 2015, total current assets of the Group were approximately RMB6,126.8 million (as of 31 December 2014: RMB6,928.0 million). As of 30 June 2015, total current liabilities of the Group were approximately RMB4,051.6 million (as of 31 December 2014: RMB4,582.2 million).

As of 30 June 2015, total assets of the Group were approximately RMB12,256.6 million (as of 31 December 2014: approximately RMB12,753.2 million), total liabilities were approximately RMB5,444.0 million (as of 31 December 2014: approximately RMB5,991.4 million). The assets to liabilities ratio was approximately 44.4% as of 30 June 2015 (as of 31 December 2014: 47.0%).

Trade and bills receivables

The Group's trade receivables and bills receivable as of 30 June 2015 recorded an increase of approximately 0.8% to RMB3,631.5 million as compared to those as of 31 December 2014. The increase was mainly due to: (1) the relatively longer repayment time of products as compared with the past resulting from the general tight capital chain of the coal companies; and (2) for maintaining a long-term strategic cooperation with high-quality state-owned customers, the Group extended the credit period of certain state-owned customers with good reputation.

Adhering to the principle of prudence, the management carried out the "one client one credit policy" for the receivables. The Group analyzed according to the bad debt situations actually occurred in the past and the operation background of the customers as well as analyzed each customer's payment records and current financial situations of customers and made impairment provision for the receivables of 193 customers who have higher risk of repayment.

In order to control the receivables, the Group adopted the following measures: (1) ensuring effective and timely repayment of loans through a management and control system which strictly monitors pre, amid and post process of loan so as to minimise the credit risk; (2) utilizing mining service business to solve the problem of overdue inventory; (3) strengthening the risk control of finance loans; (4) the Company establishing a special team for payment collection called "Sunshine Action" and commencing the "100%" repayment initiative.

Cash flow

As of 30 June 2015, the cash and cash equivalents, investment deposits and time deposits with maturity of three months or more were approximately RMB109.1 million.

For the six months ended 30 June 2015, the net cash outflow from operating activities was approximately RMB498.6 million (six months ended 30 June 2014: the net cash outflow from operating activities of the Group was approximately RMB30.3 million). Such change was mainly due to the increase in trade and bills receivables and the decrease in trade and bills payables.

For the six months ended 30 June 2015, the net cash inflow from investing activities of the Group was approximately RMB467.6 million (six months ended 30 June 2014: the net cash inflow from investing activities was approximately RMB235.8 million), mainly because of the amounts received from due investment deposits.

For the six months ended 30 June 2015, the net cash outflow from financing activities of the Group was approximately RMB145.4 million (six months ended 30 June 2014: the net cash outflow from financing activities was approximately RMB183.6 million), it was mainly because of the repayment of bank borrowings by the Group.

Turnover days

During the period under review, the turnover days of the inventory of the Group recorded an increase from approximately 162.8 days as of 30 June 2014 to approximately 330.4 days as of 30 June 2015. Such was mainly due to the increase in inventory resulted from the drop in revenue. We have conducted impairment tests on our existing inventory (such as base machine, raw materials and spare parts) and the gross profit margin of coal machinery products is still positive and there is certain versatility in the existing inventory of raw materials, for instance, the inventory of steel can be used in the production and sales of new business such as mining vehicles, excavators, automation, natural gas equipment and port machinery and there is no sign of impairment. In addition, the Group established an inventory control committee to control the project inputs and lower risks of sluggish inventory from the sources and at the same time adopts the way of factoring to actively manage backlog inventory.

The turnover days of the trade and bills receivables recorded an increase from approximately 465.0 days as of 30 June 2014 to approximately 600.3 days as of 30 June 2015. For the main reason of the increase, please refer to the above paragraph titled "Trade and bills receivables".

The turnover days of the trade and bills payables recorded an increase from approximately 212.9 days as of 30 June 2014 to approximately 278.0 days as of 30 June 2015. Such change is mainly due to the strengthening of the management of suppliers by the Group.

Contingent liabilities

As at 30 June 2015, the Group had contingent liability of RMB149.5 million, being the financial guarantee provided by Hunan Sany Port Equipment Co., Ltd. ("Hunan Sany Port Equipment") under financing lease arrangement (31 December 2014: RMB264.6 million).

Capital commitment

As at 30 June 2015, the contracted capital commitments of the Group which are not provided in the financial statements were approximately RMB3,956.1 million (31 December 2014: approximately RMB4,493.4 million).

Employees and remuneration policy

The Group is committed to training and developing talents. Accordingly, it provides regular internal training, external training and correspondence courses for its staff according to their seniority with an aim to enhance their relevant skills as well as strengthen their loyalty to the Group. In addition, the Group distributes year-end bonus as an encouragement to employees for their contribution and efforts. The remuneration of directors of the Group is determined with reference to their duties, responsibilities, experience and the prevailing market conditions etc.

Material acquisition and disposal

For the six months ended 30 June 2015, neither the Company nor its subsidiaries had any material acquisition or disposal.

Pledge of assets

As at 30 June 2015, the Group had pledged deposits and pledged bills with aggregate value of approximately RMB24.3 million (31 December 2014: approximately RMB50.9 million), which were pledged for the purpose of obtaining bank facility granted to the Group.

Social responsibility

The Group promotes good values of fraternity and mutual assistance and selfless contribution, it advocates more people to get involved in charity activities with love and care. During the Spring Festival, the Group launched activities to give warmth and help staff with financial stress. The management visited staff with family difficulties and provided them with consolation money and items; presented family package insurance to 2,436 staff; organized staff health check and gave out souvenirs to female staff on the International Women's Day. The Group also gave every staff member a pack of holiday gift during Chinese New Year and it also raised funds for staff requiring assistance and spread love and care to staff who are in need of support.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the code provisions under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") from 1 January 2015 to 30 June 2015.

On 6 August 2015, Mr. Wu Jialiang resigned as an executive Director and chairman of the Board and Mr. Mei Yonghua resigned as the chief executive officer of the Company. On the same date, Mr. Qi Jian was appointed as an executive Director, chairman of the Board and the chief executive officer of the Company.

In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Further, the division of responsibilities between the chairman and chief executive officer should be clearly established. The Board considers vesting the role of both the chairman of the Board and the chief Executive officer of the Company in Mr. Qi Jian because Mr. Qi Jian has in-depth knowledge in the business of the Company and can make appropriate decisions promptly and efficiently. The Board will continue to review the effectiveness of the Company's corporate governance structure to assess whether the separation of the positions of chairman of the Board and chief executive officer of the Company is necessary.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Audit Committee was established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Dr. Ngai Wai Fung, Mr. Xu Yaxiong and Mr. Ng Yuk Keung, all of whom are independent non-executive Directors. Dr. Ngai Wai Fung, who has appropriate professional qualifications and experiences in the field of accounting, and was appointed as the chairman of the Audit Committee. The Audit Committee has held meetings to discuss the auditing, internal controls and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2015.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The interim financial results for the six months ended 30 June 2015 have not been audited or reviewed by the Company's external auditor.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the six months ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed securities of the Company (for the year ended 31 December 2014: nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on information available to the Company and within the knowledge of the Directors, the Company had maintained sufficient public float throughout the six months ended 30 June 2015.

PUBLICATION OF INFORMATION ON THE WEBSITES

The interim report of the Company for the six months ended 30 June 2015 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of The Stock Exchange of Hong Kong Limited and the website of the Company at www.sanyhe.com in due course.

By the Order of the Board
Sany Heavy Equipment International Holdings Company Limited
Qi Jian
Chairman

Hong Kong, 19 August 2015

As at the date of this announcement, the executive Directors are Mr. Qi Jian, Mr. Fu Weizhong and Mr. Xiao Huishu, 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.