You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set forth in "Appendix I — Accountant's Report" to this document. The consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements including those discussed and elsewhere in this document, particularly in "Risk Factors."

OVERVIEW

We are the largest construction machinery manufacturing company in China and one of the largest construction machinery manufacturing companies in the world, based on sales revenue in 2010. We principally rely on our own product development and innovation capabilities to grow our business and were ranked sixth among the Top 50 Global Construction Machinery Manufacturers by Yengst Associates based on sales revenue in 2010.

We are principally engaged in the development, manufacturing and sale of construction machinery, including concrete machinery, excavators, crawler cranes, truck cranes, pile driving machinery and road machinery. As a market leader in the construction machinery industry, we believe we are at the forefront of setting industry standards and we strive to not only meet, but exceed the expectations of our customers. As of the Latest Practicable Date, we produced more than 300 models of construction machinery across our six main product lines.

We are the largest concrete machinery manufacturer in the world based on sales revenue in 2010, according to Yengst Associates, and we are a leader in most of our product lines in China. According to China Construction Machinery Business Online, we were, in terms of sales volume:

- the largest concrete machinery manufacturer in China in 2010;
- the largest domestic manufacturer of hydraulic excavators in China in 2010;
- the largest manufacturer of crawler cranes in China in 2010; and
- the largest manufacturer of hydraulic rotary drilling rigs in China in 2010.

Our "SANY" brand enjoys strong brand recognition in Asia and we have received a series of awards for a various aspects of our operations such as the quality and reliability of our products and our after-sales services. In 2011, we were included in the FT Global 500 by the Financial Times based on our market capitalization. In 2010, we were named by the China Centre for Market Value Management as a company with the Greatest Potential for Growth among companies listed in China (最具持續成長能力上市公司). In 2010, we were also awarded a Five Star Field in the China Field Management Star-Rating Assessment (全國現場管理星級評價五星級現場) by the China Association For Quality for our exemplary quality control processes. In 2009, we were named one of the Top 10 Listed Companies in China Based on Competitiveness and Public Trust (上市公司競爭力公信力Top10) by Sina.com and Chinese Securities Journal.

Our headquarters are in Changsha, Hunan Province, China. Our manufacturing facilities are located in China and India to support our global expansion. We have nine domestic manufacturing facilities in China, six of which are located in Hunan Province and one in each of Jiangsu Province, Beijing and Shanghai. We also have one overseas manufacturing facility in Pune (India). We have an aggregate worldwide manufacturing facility with a gross floor area of 1,739,423 square meters of which 1,713,993 square meters are in China and 25,430 square meters are in India.

To meet the demand for our products, we have undertaken significant capital expansion and investment projects for the year ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011. We expanded our existing manufacturing facilities and also built new manufacturing facilities, research and development facilities and service centers in China and overseas utilizing cash generated from operations and existing bank borrowings.

We invest heavily in research and development. As of the Latest Practicable Date, our research and development team comprised more than 5,000 employees, with over half of the team members holding master's or doctorate degrees. Our research and development expenses for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, were RMB267.2 million, RMB428.4 million, RMB700.4 million and RMB319.1 million, respectively. We also invested RMB400.0 million, RMB429.4 million, RMB883.2 million and RMB406.8 million in the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively, on prototype development and made investments in fixed assets, primarily equipment used in our research and development activities, in the amounts of RMB61.9 million, RMB94.0 million, RMB114.8 million and RMB24.8 million in the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. These prototype developments and investments in fixed assets were made in addition to our research and development expenses and are accounted for as cost of sales and as property, plant and equipment in our financial statements, respectively. We have created a multidisciplinary scientific research and development system and have been recognized as a State-Accredited Enterprise Technology Center jointly by the National Development and Reform Commission, or NDRC, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation. In China, we have four research and development centers in Changsha, Kunshan, Shanghai and Beijing. We also have research and development teams located overseas in India, the United States and Germany. Our international research and development teams utilize a global virtual design platform focused on research and development to better enable us to incorporate newly developed and advanced technologies from around the world into our products. Our research and development efforts have led to numerous awards. We were awarded the "2010 National Science and Technology Progress Award (Second Prize) in China" for our Sany Construction Machinery Technology Innovation Platform, a multidisciplinary approach that incorporates human and technology resources and is applied systemically to support innovation throughout our Company and our subsidiaries. We were among a select group in China that received this award in recognition of our outstanding innovation and economic and social achievement in, and contributions to, the development of industrial technology. In 2010, we were also awarded the "PRC Patent Golden Award" by the State Intellectual Property Office of the PRC for our invention patent relating to an energy-saving control method for concrete pumps and were recognized as a key high-growth and new technology enterprise in China by the Ministry of Science and Technology of the PRC. In 2009, we were recognized as an "Innovation-Oriented Enterprise" jointly by the Ministry of Science and Technology, State-Owned Assets Supervision and Administration Commission of the State Council, and All-China Federation of Trade Unions. In 2009, we were also awarded the "National Enterprises and Public Institutions Intellectual Property Demonstration Unit" in recognition of our model behavior with respect to intellectual property by the State Intellectual Property Office of the PRC. In 2005, we were awarded the "National Science and Technology Progress Award (Second Prize)" by the State Council. As of the Latest Practicable Date, we had [821] registered patents and received notices of acceptance for [748] patent registration applications, which were pending registration with the State Intellectual Property Office of the PRC.

Since 2008, we have developed more than 250 new products across all six of our product lines, many of which utilize intelligent and energy-saving technologies that are, we believe, increasingly important features to our end-user customers. Of these new products, more than 50 were introduced into the market in 2009 and more than 150 were introduced into the market in 2010 and the three months ended March 31, 2011. We plan to continue developing new products and enhancing existing products to maintain and expand our competitive advantage and market presence.

To maintain and enhance our brand image and cultivate end-user customer loyalty, we also provide extensive after-sales services. Through a comprehensive service network, [which we believe is one of the largest among all construction machinery manufacturers in China], we offer services to our end-user customers such as installation, assembly, training and maintenance. We timely respond to customer queries and maintain a 24-hour service hotline in China for our customers to request spare parts, components and other technical assistance.

We believe that "Quality Changes The World" ("品質改變世界") and we devote significant time and effort to quality control procedures at every stage of our manufacturing process, conducting performance and reliability tests. We believe our quality control standards are higher than current industry standards in China, and we strive to manufacture products that not only meet, but exceed the expectations of our end-user customers.

Our manufacturing and assembly operations are highly integrated. In 2008, we adopted the Sany Production System, an integrated production system that we apply to our manufacturing and assembly processes, logistics, and interactions with suppliers and end-user customers focusing on product quality, cost control, reliable delivery, high standards and customer service. We aim to utilize common components and materials within and across product lines, providing us with a scalable and efficient operating structure. To further reduce costs, increase operational efficiencies and protect our key technologies, we also produce certain core components in-house.

We expect our operations to grow with the forecasted increase in the construction machinery market in China. For example, since 2009, the PRC Government approved a number of regional planning initiatives affecting 19 key metropolitan areas in central, western and northeastern China. Under these initiatives the PRC Government plans to commit resources to fund infrastructure projects to expand these key metropolitan areas to be on par with Beijing, Shanghai and Guangzhou. In addition, according to the Ministry of Land and Resources, the PRC Government allocated approximately 185,000 hectares of land in 2010 for the construction of all types of residential housing, compared to 76,000 hectares in 2009. These plans to stimulate the economy are expected to fuel continued demand for advanced construction machinery in China.

Similarly, we intend to expand our overseas operations as demand from emerging markets is projected to increase. We expect the recent rapid economic development in India, Brazil and Africa will lead to continued demand for construction machinery internationally. We also expect demand from developed nations in North America and Europe will also increase as these nations recover from the recent global financial crisis. According to Yengst Associates, construction machinery markets in North America and Europe are projected to increase at a CAGR of 13.4% and 11.4%, respectively, from 2010 to 2014.

Our revenue increased by 33.2% from RMB14,243.6 million in 2008 to RMB18,975.8 million in 2009 and by 78.9% to RMB33,954.9 million in 2010. For the three months ended March 31, 2011, our revenue increased by 90.8% from RMB7,329.6 million for the three months ended March 31, 2010 to RMB13,988.4 million. Our profit for the year increased by 86.5% from RMB1,620.6 million in 2008 to RMB3,022.4 million in 2009 and by 103.9% to RMB6,164.0 million in 2010. For the three months ended March 31, 2011, our profit also increased by 130.5% from RMB1,227.3 million for the three months ended March 31, 2010 to RMB2,828.8 million. For the year ended December 31, 2010, concrete machinery, excavators, crawler cranes, truck cranes, pile driving machinery and road machinery accounted for approximately 52.5%, 18.4%, 4.8%, 7.5%, 5.9% and 3.8% of our revenue, respectively. For the three months ended March 31, 2011, concrete machinery, excavators, crawler cranes, truck cranes, pile driving machinery and road machinery accounted for approximately 49.4%, 28.8%, 2.2%, 6.4%, 4.4% and 2.7% of our revenue, respectively.

We believe our profit margins have increased during the Track Record Period as a result of our business strategy to produce premium quality products and our focus on controlling costs. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our gross profit margins were 33.6%, 35.5%, 36.9% and 37.5%, respectively. We intend to continue focusing on manufacturing and selling technologically-advanced, high margin products, enhancing our in-house production of certain core parts and components, improving economies of scale and striving to maintain and improve our gross margins.

SELECTED FINANCIAL STATEMENT INFORMATION

The following table sets forth selected information regarding our consolidated statements of comprehensive income during the periods indicated. We have derived the consolidated financial information for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2010 and 2011, from our consolidated financial statements set forth in the Accountant's Report in Appendix I to this document.

Selected Information from Consolidated Statements of Comprehensive Income

	Year Ended December 31,			Three Months Ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**
		(in thousands)		**(Unaudited)**	
Revenue	14,243,616	18,975,815	33,954,939	7,329,597	13,988,363
Cost of sales/services	(9,464,740)	(12,232,084)	(21,441,838)	(4,664,965)	(8,745,229)
Gross profit	4,778,876	6,743,731	12,513,101	2,664,632	5,243,134
Other income	130,462	71,303	159,969	35,521	50,225
Other gains, losses and expenses	(402,955)	(163,666)	(249,120)	(221,987)	(74,642)
Selling expenses	(1,522,783)	(2,041,583)	(3,204,830)	(622,479)	(1,011,799)
Administrative expenses	(1,011,568)	(1,102,934)	(2,093,819)	(407,238)	(802,216)
Share of results of associates	1,625	6,634	17,063	7,586	(24,373)
Share of results of a jointly controlled entity	(328)	(488)	(638)	(197)	—
Finance costs	(250,815)	(156,484)	(203,480)	(35,860)	(88,569)
Profit before taxation	1,722,514	3,356,513	6,938,246	1,419,978	3,291,760
Income tax expense	(101,877)	(334,077)	(774,218)	(192,638)	(462,936)
Profit for the year/period	1,620,637	3,022,436	6,164,028	1,227,340	2,828,824
Attributable to:					
Owners of the Company	1,318,607	2,472,856	5,586,691	1,106,832	2,663,070
Non-controlling interests	302,030	549,580	577,337	120,508	165,754
Other Selected Financial Information					
Adjusted EBITDA[1]	2,578,565	4,004,809	7,853,322	1,766,985	3,626,470

(1) Adjusted EBITDA represents profit before interest and taxes, plus depreciation expenses for property, plant and equipment and amortization expenses for intangible assets plus other gains, losses and expenses. Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered in isolation or construed as an alternative to cash flows, net profit or any other measures of performance or as an indicator of our operating performance,

liquidity, profitability or cash flows generated by operating, investing or financing activities. Adjusted EBITDA does not take into account any fluctuation or legal requirements of the business that may require us to conserve and allocate funds for purposes other than debt services for funding of capital expenditure. Adjusted EBITDA presented in this document may not be comparable to similarly titled measures of other companies.

The following table sets forth a reconciliation of adjusted EBITDA to its most direct IFRS measures and profit for the periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	RMB	RMB	RMB	RMB	RMB
		(in thousands)		(Unaudited)	
Profit for the year/period	1,620,637	3,022,436	6,164,028	1,227,340	2,828,824
Income tax expense	101,877	334,077	774,218	192,638	462,936
Interest expense	250,815	156,484	203,480	35,860	88,569
Interest income	(50,184)	(28,520)	(33,152)	(7,738)	(12,172)
EBIT	1,923,145	3,484,477	7,108,574	1,448,100	3,368,157
Depreciation and amortization	252,465	356,666	495,628	96,898	183,671
Other gains, losses and expenses	402,955	163,666	249,120	221,987	74,642
Adjusted EBITDA	2,578,565	4,004,809	7,853,322	1,766,985	3,626,470

Selected Information from Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
		(in thousands)		
Current assets	12,483,022	14,404,254	20,473,737	33,316,354
Cash and cash equivalents	3,066,089	3,840,688	4,873,153	8,624,190
Other current assets	9,416,933	10,563,566	15,600,584	24,692,164
Non-current assets	5,458,587	7,243,434	10,867,027	12,396,953
Total assets	17,941,609	21,647,688	31,340,764	45,713,307
Current liabilities	7,717,981	9,648,583	17,621,215	26,542,716
Non-current liabilities	3,327,573	2,351,743	1,801,026	4,444,993
Total liabilities	11,045,554	12,000,326	19,422,241	30,987,709
Net assets	6,896,055	9,647,362	11,918,523	14,725,598
Equity				
Equity attributable to owners of the Company	6,372,233	8,571,001	11,350,319	13,991,755
Non-controlling interests	523,822	1,076,361	568,204	733,843
Total equity	6,896,055	9,647,362	11,918,523	14,725,598

Selected Information of Consolidated Statements of Cash Flow

The following table sets forth selected information from our consolidated statements of cash flows during the periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	RMB	RMB	RMB	RMB	RMB
		(in thousands)		(Unaudited)	
Cash flows data:					
Net cash generated from (used in) operating activities	558,574	4,717,022	6,749,124	(871,159)	(3,193,742)
Net cash used in investing activities	(1,310,199)	(2,164,504)	(4,155,243)	(944,087)	(1,656,225)
Net cash generated from (used in) financing activities	1,298,682	(1,778,472)	(1,551,150)	1,197,611	8,622,717
Net increase (decrease) in cash and cash equivalents	547,057	774,046	1,042,731	(617,635)	3,772,750
Cash and cash equivalents at the beginning of the year/period	2,531,157	3,066,089	3,840,688	3,840,688	4,873,153
Effect of foreign exchange rate changes	(12,125)	553	(10,266)	4,818	(21,713)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	3,066,089	3,840,688	4,873,153	3,227,871	8,624,190

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with IFRS. Our financial statements have been prepared on a historical basis, except for certain financial instruments which are measured at fair value.

In 2010, we acquired the following entities from Mr. Liang Wengen and other non-controlling shareholders and Sany Group, an entity controlled by Mr. Liang Wengen:

(a) Sany Heavy Machinery Investment and its subsidiaries;

(b) Sany Automobile Manufacturing and its subsidiaries; and

(c) Hunan Automobile Manufacturing.

The above business combinations have been accounted for using the principle of merger accounting as we, Sany Heavy Machinery Investment, Sany Automobile Manufacturing and Hunan Automobile Manufacturing were under common control of Mr. Liang Wengen during the Track Record Period. As a result, our consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of these acquired companies as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment, whichever is shorter. Our consolidated statements of financial position as of December 31, 2008, 2009 and 2010 and March 31, 2011, have been prepared to present the assets and liabilities of these companies we have acquired as at the respective dates as if the current group structure had been in existence at those dates.

PRINCIPAL FACTORS AFFECTING OUR FINANCIAL PERFORMANCE

We believe that the following factors affect our financial performance:

Increasing Demand for Construction Machinery

The continued growth in demand for construction machinery in China and overseas affects our financial performance. The growth in the construction machinery industry in China is driven by several factors, including (1) growth in China's GDP, (2) increases in fixed asset investment, (3) the demand for and substantial investment in transportation infrastructure, (4) investment in real estate development as a result of increasing industrialization and urbanization, (5) the growth in the surface mining industry as a result of increased demand for natural resources, and (6) the development of energy infrastructure to meet the growing demand for energy resources. These factors also contribute to the growth in demand for construction machinery in overseas emerging markets. Demand for construction machinery in developed countries, such as countries in Western Europe and North America, is typically driven by maintaining and restoring existing infrastructure.

To facilitate economic development in China, the PRC Government has set forth a series of medium to long term plans in recent years to further enhance the development of its infrastructure, such as the construction of water engineering projects, roadways, urban transportation, railways and nuclear power plants. We believe that these planned investments in infrastructure by the PRC Government will further increase the market demand for our construction machinery products. Because of this investment in infrastructure development and the acceleration of urbanization and industrialization, we believe that the demand for the construction industry and in turn the demand for our construction machinery products will maintain growth. We plan to further expand our product offerings as well as enhance the competitiveness of our products, to increase our market share. Adverse changes in economic conditions in the PRC or a continued downturn in the global economy, however, may have an adverse effect on the demand for construction machinery products.

Fluctuations in the Prices of our Raw Materials, Parts and Components

Our operations require substantial amounts of a variety of raw materials, parts and components. Certain raw materials, particularly steel, are susceptible to fluctuations in price and availability. Our externally purchased parts and components include chassis, hydraulics and diesel engines, the costs of which fluctuate year to year. Significant increases in raw materials and components prices have a direct and negative impact on our gross profits. We attempt to control the cost of raw materials, parts and components by expanding in-house production of major parts and components, centralizing procurement to improve economies of scale and reducing raw material component consumption per unit through our research and development efforts.

Research and Development of New Products

We believe that the research and development of new and improved products has been an important factor in our operational growth. Through advanced technology, we believe our research and development capabilities have allowed us to maintain a leading position in the development of construction machinery. As of the Latest Practicable Date, we had [821] registered patents and received notices of acceptance for [748] patent registration applications, which were pending for registration with the State Intellectual Property office of the PRC. Since 2008, we have developed more than [250] new products across all six of our product lines, many of which utilize intelligent and energy-saving technologies that are, we believe, increasingly important features to our end-user customers. Of these new products, more than 50 were introduced into the market in 2009 and more than [150] were introduced into the market in 2010 and the three months ended March 31, 2011. Our research and development capabilities have been widely recognized. We were awarded a number of state and provincial awards, including the 2010 National Science and Technology Progress Award (Second Prize) by the State Council. We were among a select group that received this award in recognition of outstanding innovation, economic and social achievements and contributions to the development of industrial technology. We intend to continue focusing on developing our research and development capabilities, by fully utilizing our domestic and international research and development centers and teams and expanding our cooperation with external research institutions. Our future growth in revenue will be affected by our ability to improve and diversify our product offerings through research and development in order to respond to customer preferences and meet industry demand.

Product Quality and Differentiated Market Positioning

Differentiated market positioning is a key factor to our success. We continue to improve product quality through consistently improving research and development capabilities and introduce more advanced products, which has strengthened the competitiveness of our products and has enabled them to differ from those of our competitors. We have also expanded our sales network and increased the quality and coverage of our service network in order to meet the demands of our customers, remain competitive in our service offerings and broaden our potential customer base. However, the construction machinery industry in China is highly competitive. We face intense competition in each product line, particularly the road machinery category. Therefore, our financial performance is subject to the success of our differentiated market positioning, which in turn depends, to a large extent, on the functionality of our products, quality control, product coverage and service quality. In particular, as part of our strategy, we intend to continue expanding our service network and introducing high-quality advanced construction machinery products in order to maintain our differentiated market positioning.

Change in Product Mix

Our gross margins vary by product line and product. Generally, our concrete machinery and pile driving machinery have higher gross margins than our excavators, crawler cranes, truck cranes and road machinery. Within the concrete machinery product line, our truck-mounted concrete pumps have higher gross margins than our trailer-mounted concrete pump products. In addition, some of our product lines may experience higher rates of growth than other categories, affecting our product mix and revenue mix. Changes in our product mix and revenue mix may affect our overall gross margins and subsequently other aspects of our business performance. We plan to continue our investment in research and development to improve the quality of our products as well as develop technologically advanced products to improve our gross margins and optimize our product mix.

Change in our Production Capacity

Our future growth depends on our ability to expand our production capacity to meet increasing market demand. We intend to build new manufacturing facilities and expand our existing production capacity to increase the overall production capacity of our manufacturing facilities and equipment. Our major capital expenditure projects include the expansion and construction of manufacturing facilities used in the production of our crawler cranes, concrete machinery, truck cranes, hydraulic rotary drilling rigs, hydraulic excavators and road machinery in Shanghai, Changsha in Hunan Province, Ningxiang in Hunan Province, Beijing, Kunshan in Jiangsu Province, Shaoyang in Hunan Province, Huzhou in Zhejiang Province and Changde in Hunan Province in China, and the construction of overseas production, research and development bases in Sao Paolo (Brazil), Georgia (U.S.) and Bedburg (Germany). We believe that by expanding our production capacity we will be able to capitalize on increasing market demand and broaden our market share in the relevant markets, thereby improving our economies of scale.

RECENT DEVELOPMENTS

Acquisition of Kunshan Synnium Machinery Company

As of February 28, 2011, Kunshan Synnium Machinery Company ("Kunshan Synnium") became a wholly owned subsidiary of our Company. Kunshan Synnium provides machinery maintenance and recycling services for machinery parts, primarily for excavators. We paid RMB111.6 million to acquire a 100% interest in Kunshan Synnium from Shanghai Synnium and Yuan Yue (袁躍). We completed the acquisition in May 2011. The table below sets forth certain details regarding the acquisition.

Fair value of assets acquired and liabilities recognised at the date of acquisition

	RMB (in thousands)
Current assets	
Cash and cash equivalents	52,191
Trade and other receivables	26,224
Inventory	108,539
Prepaid lease payment	1,375
Non-current assets	
Property, plant and equipment	23,141
Prepaid lease payment	67,379
Deferred tax assets	70
Current liabilities	
Trade and other payables	(48,298)
Obligation under finance lease	(63,396)
Non-current liabilities	
Obligations under finance lease	(55,653)
	111,572

Net cash outflow on acquisition of Kunshan Synnium

	RMB (in thousands)
Consideration paid in cash	111,572
Less: cash and cash equivalent balances acquired	(52,191)
	59,381

As a result of the acquisition, we attributed RMB15.4 million in revenue and RMB10.5 million in profit from Kunshan Synnium to our revenue and profit, respectively, for the three months ended March 31, 2011.

If this acquisition had been effective as of January 1, 2011, our revenue and profit would have been RMB13,995.9 million and RMB2,829.9 million, respectively for the three months ended March 31, 2011. See also Note 37 of the Accountants' Report in Appendix I of this document.

COMPONENTS OF REVENUE AND EXPENSES

Revenue

We derive substantially all of our revenue from sales of our concrete machinery, excavators, crawler cranes, truck cranes, pile driving machinery and road machinery. For our direct sales to end-user customers, sales to distributors and sales to finance lease companies, we recognize revenue upon delivery of the construction machinery and after we obtain the signature of the customer acknowledging receipt. For sales through sales contractors to end-user customers, we recognize revenue upon product delivery to the end-user customer and after we obtain the signature of the end-user customer acknowledging receipt. Concrete machinery was the largest contributing product line for our total revenue for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, and accounted for approximately 47.7%, 49.9%, 52.5% and 49.4%, respectively, of our total revenue.

A breakdown of our revenue, by product lines and as a percentage of revenue, is set forth below:

	Year Ended December 31,						Three Months Ended March 31,			
	2008		2009		2010		2010		2011	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
	(in thousands, except percentages)						(Unaudited)			
Product Lines:										
Concrete machinery	6,790,778	47.7%	9,474,898	49.9%	17,827,002	52.5%	3,723,682	50.8%	6,907,800	49.4%
Excavators	1,736,964	12.2%	2,988,946	15.8%	6,235,199	18.4%	1,666,808	22.7%	4,032,757	28.8%
Crawler cranes	1,844,812	12.9%	1,710,025	9.0%	1,631,507	4.8%	328,806	4.5%	311,920	2.2%
Truck cranes	668,364	4.7%	1,349,568	7.1%	2,555,858	7.5%	502,851	6.9%	891,557	6.4%
Pile driving machinery	926,936	6.5%	1,117,100	5.9%	1,999,095	5.9%	465,441	6.4%	620,363	4.4%
Road machinery	764,734	5.4%	690,501	3.6%	1,289,142	3.8%	279,526	3.8%	372,397	2.7%
Other products	1,452,507	10.2%	1,584,373	8.4%	2,310,376	6.8%	345,413	4.7%	829,668	5.9%
Services:										
Machinery rental income	58,521	0.4%	60,404	0.3%	106,760	0.3%	17,070	0.2%	21,901	0.2%
Total	14,243,616	100.0%	18,975,815	100.0%	33,954,939	100.0%	7,329,597	100.0%	13,988,363	100.0%

Concrete Machinery. We derive our concrete machinery revenue primarily from the sale of truck-mounted concrete pumps, trailer-mounted concrete pumps, concrete batching plants, truck mixers, bitumen-cement mortar semitrailers, truck-mounted stationary concrete pumps and placing booms. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our concrete machinery category accounted for approximately 47.7%, 49.9%, 52.5% and 49.4% of our revenue, respectively. We derived RMB4,451.5 million, or 64.4%, of our total machinery revenue in the three months ended March 31, 2011 from our truck-mounted concrete pumps. We derived RMB10,448.2 million, or 58.6%, of our total concrete machinery revenue in 2010 from the sale of our truck-mounted concrete pumps.

Excavators. For the years ended December 31, 2008, 2009, 2010 and the three months ended March 31, 2011, our excavators accounted for approximately 12.2%, 15.8%, 18.4% and 28.8% of our revenue, respectively.

Crawler cranes. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our crawler cranes accounted for approximately 12.9%, 9.0%, 4.8% and 2.2% of our revenue, respectively.

Truck cranes. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our truck cranes accounted for approximately 4.7%, 7.1%, 7.5% and 6.4% of our revenue, respectively.

Pile Driving Machinery. We derive substantially all of our pile driving machinery revenue from the sale of hydraulic rotary drilling rigs. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our pile driving machinery category accounted for approximately 6.5%, 5.9%, 5.9% and 4.4% of our revenue, respectively. Of the RMB620.4 million of revenue derived from pile driving machinery for the three months ended March 31, 2011, we derived RMB604.3 million, or 97.4%, from the sale of hydraulic rotary drilling rigs. Of the RMB1,999.1 million of revenue derived from pile driving machinery in 2010, we derived RMB1,926.2 million, or 96.4%, from the sale of hydraulic rotary drilling rigs.

Road Machinery. We derive substantially all of our road machinery revenue from the sale of asphalt pavers, asphalt rollers, fully hydraulic motor graders, asphalt batching plants and asphalt cutters. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our road machinery category accounted for approximately 5.4%, 3.6%, 3.8% and 2.7% of our revenue, respectively. Of the RMB372.4 million of revenue derived from road machinery for the three months ended March 31, 2011, we derived RMB337.4 million, or 90.6%, from the sales of asphalt pavers, asphalt rollers and fully hydraulic motor graders. Of the RMB1,289.1 million of revenue derived from road machinery in 2010, we derived RMB1,139.2 million, or 88.4%, from the sales of asphalt pavers, asphalt rollers and fully hydraulic motor graders.

Other Products. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we derived 10.2%, 8.4%, 6.8% and 5.9% of our revenue from sales of spare parts, as well as the re-sale of port machinery to customers and raw materials to affiliates. Our revenue generated from sales of other products for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, was RMB1,452.5 million, RMB1,584.4 million, RMB2,310.4 million and RMB829.7 million, respectively. Sales of spare parts and raw materials was RMB1,675.5 million and RMB503.7 million, or 72.5% and 60.7% of the RMB2,310.4 million and RMB829.7 million for the year ended December 21, 2010 and the three months ended March 31, 2011 in total revenue from other products.

Machinery Rental Income. We derive rental income from the rental of construction machinery, primarily trailer-mounted concrete pumps and truck-mounted concrete pumps, through our subsidiary, Marent Pte. Ltd. For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our rental income was RMB58.5 million, RMB60.4 million, RMB106.8 million and RMB21.9 million, respectively.

Our revenue was primarily derived from domestic sales during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011.

A breakdown of our revenue, by geographical area, is set forth below:

	Year Ended December 31,						Three Months Ended March 31,			
	2008		2009		2010		2010		2011	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
							(Unaudited)			
	(in thousands, except percentages)									
Domestic	10,779,819	75.7%	17,616,786	92.8%	31,823,873	93.7%	7,063,547	96.4%	13,611,485	97.3%
International	3,463,797	24.3%	1,359,029	7.2%	2,131,066	6.3%	266,050	3.6%	376,878	2.7%
Total	14,243,616	100.0%	18,975,815	100.0%	33,954,939	100.0%	7,329,597	100.0%	13,988,363	100.0%

For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our sales to customers in China represented 75.7%, 92.8%, 93.7% and 97.3% of our revenue, respectively. Our revenue from international markets is mainly derived from our operations in and the sale of our products to regions and countries such as Hong Kong, India, Belgium, the United States, Nigeria, Spain, South Africa, Japan and Singapore.

We have an extensive sales network through which we are able to provide quality services to our end-user customers. We make sales according to purchase orders or short-term agreements. In 2008, 2009 and 2010 and the three months ended March 31, 2011, no single end-user customer, distributor or finance lease company accounted for more than 10% of our revenue.

Cost of Sales/Services

Our cost of sales/services consists primarily of the cost of components, parts and raw materials, salaries and related manufacturing personnel expenses and depreciation costs for plant and equipment used for production purposes. Our cost of sales/services were RMB9,464.7 million, RMB12,232.1 million, RMB21,441.8 million and RMB8,745.2 million in 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively.

A breakdown of our cost of sales/services, by product lines and as a percentage of revenue, is set forth below.

	Year Ended December 31,						Three Months Ended March 31,			
	2008		2009		2010		2010		2011	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
							(Unaudited)			
	(in thousands, except percentages)									
Concrete machinery	4,251,077	62.6%	5,538,855	58.5%	10,395,866	58.3%	2,186,737	58.7%	3,832,772	55.5%
Excavators	1,268,020	73.0%	2,153,002	72.0%	4,343,304	69.7%	1,168,504	70.1%	2,815,112	69.8%
Crawler cranes	1,213,929	65.8%	1,122,660	65.7%	1,130,747	69.3%	233,363	71.0%	206,390	66.2%
Truck cranes	536,009	80.2%	1,089,393	80.7%	1,823,361	71.3%	375,323	74.6%	642,620	72.1%
Pile driving machinery	394,898	42.6%	542,151	48.5%	1,060,922	53.1%	230,535	49.5%	311,488	50.2%
Road machinery	549,783	71.9%	496,543	71.9%	825,989	64.1%	188,648	67.5%	236,625	63.5%
Others	1,251,024	82.8%	1,289,480	78.4%	1,861,649	77.0%	281,855	77.8%	700,222	82.2%
Total	9,464,740	66.4%	12,232,084	64.5%	21,441,838	63.1%	4,664,965	63.6%	8,745,229	62.5%

The key raw materials, parts and components used in the manufacturing of our products include steel, hydraulics, diesel engines, electric components and chassis. We purchase a portion of key raw materials such as steel, from local Chinese suppliers whereas some of our parts and components such as chassis and undercarriages, hydraulics, diesel engines and certain electric components are purchased from overseas producers. Some of our parts and components, such as oil pumps, are purchased from Chinese subsidiaries of foreign suppliers or local suppliers close to our manufacturing facilities, each of whom manufactures these components in China. Also, an increasing portion of our key parts and components are produced in-house, such as the crane booms for our truck cranes and crawler cranes, lifting arms for excavators and the booms and control systems for our truck-mounted concrete pumps. As a result of our transition to the in-house production of certain key parts and components, we believe our cost base is competitive.

Gross Profit

Our overall gross profit in 2008, 2009 and 2010 and the three months ended March 31, 2011, were RMB4,778.9 million, RMB6,743.7 million, RMB12,513.1 million and RMB5,243.1 million, respectively.

A breakdown of our gross profit and gross profit margins, by product line, is set forth below:

	Year Ended December 31,						Three Months Ended March 31,			
	2008		2009		2010		2010		2011	
	RMB	Gross profit margin	RMB	Gross profit margin	RMB	Gross profit margin	RMB	Gross profit margin	RMB	Gross profit margin
							(Unaudited)			
	(in thousands, except percentages)									
Concrete machinery	2,539,701	37.4%	3,936,043	41.5%	7,431,136	41.7%	1,536,945	41.3%	3,075,028	44.5%
Excavators	468,944	27.0%	835,944	28.0%	1,891,895	30.3%	498,304	29.9%	1,217,645	30.2%
Crawler cranes	630,883	34.2%	587,365	34.3%	500,760	30.7%	95,443	29.0%	105,530	33.8%
Truck cranes	132,355	19.8%	260,175	19.3%	732,497	28.7%	127,528	25.4%	248,937	27.9%
Pile driving machinery	532,038	57.4%	574,949	51.5%	938,173	46.9%	234,906	50.5%	308,875	49.8%
Road machinery	214,951	28.1%	193,958	28.1%	463,153	35.9%	90,878	32.5%	135,772	36.5%
Others	260,004	17.2%	355,297	21.6%	555,487	23.0%	80,628	22.2%	151,347	17.8%
Total	4,778,876	33.6%	6,743,731	35.5%	12,513,101	36.9%	2,664,632	36.4%	5,243,134	37.5%

Change in our product mix is one of the most important factors affecting our overall gross profit. For example, increased sales of our leading products with higher profit margins such as our truck-mounted concrete pumps, will positively affect our gross profit.

Other Income

Our other income consists primarily of government subsidies and interest income. Other income also includes, among others, administrative fees we charge our customers in connection with the equipment mortgage loan agreements that they enter into with banks for machinery purchases. Other income in 2008, 2009 and 2010 and the three months ended March 31, 2011, was RMB130.5 million, RMB71.3 million, RMB160.0 million and RMB50.2 million, respectively. We receive subsidies from central, provincial and municipal government authorities from time to time primarily because we operate in an industry that is encouraged by the PRC Government. Most of these subsidies are one-time subsidies in the form of government discounts, grants awarded in connection with participation of certain projects and, at times, bonus payments. We receive most of our subsidies because we satisfy the relevant prerequisites, and we generally are not subject to further conditional requirements after receipt of the subsidies. We receive interest income from bank deposits, such as time deposits, structured deposits and principal protected deposits. For example, in 2009, we deposited RMB60 million in principal protected deposits, which generated interest income of RMB0.3 million. In 2010, we deposited RMB3,750 million in principal protected deposits, which generated interest income of RMB2.7 million. For the three months ended March 31, 2011, we deposited RMB1,395.5 million in principal protected deposits, which generated interest income of RMB1.6 million.

The following table sets forth our other income:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	RMB	RMB	RMB	RMB	RMB
				(Unaudited)	
			(in thousands)		
Government subsidies	65,480	29,960	95,233	19,832	27,625
Interest income	50,184	28,520	33,152	7,738	12,172
Others	14,798	12,823	31,584	7,951	10,428
	130,462	71,303	159,969	35,521	50,225

Other Gains, Losses and Expenses

Our other gains, losses and expenses mainly comprise gains or losses from asset impairment provisions, gains or losses arising from changes in fair value, gains or losses on asset disposals and exchange gains or losses. In 2008, 2009 and 2010 and the three months ended March 31, 2011, other net gains, losses and expenses represented a net loss of RMB403.0 million, a net loss of RMB163.7 million, a net loss of RMB249.1 million and a net loss of RMB74.6 million. When our receivables, inventories, property, plant and equipment and other financial assets are impaired as a result of the fluctuation of their recoverable amounts, we will make corresponding impairment provisions which lead to asset impairment loss. During the Track Record Period, we invested in held-for-trading financial assets, and derivatives in the form of foreign exchange instruments. These instruments are measured at fair value, and changes in the fair value of these assets and instruments result in gains or losses. Our available-for-sale financial assets are measured at cost less any identified impairment losses at the end of the reporting period. Gains or losses on asset disposals arise out of our sale and disposal of financial assets and property, plant and equipment. Our sales and purchases settled in foreign currency amounts and our assets and liabilities denominated in foreign currency amounts generate exchange gains or losses due to fluctuations in exchange rates.

The following table set forth our other gains, losses and expenses:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	RMB	RMB	RMB	RMB (Unaudited)	RMB
			(in thousands)		
Impairment loss on:					
Doubtful trade and other receivables	(112,361)	(108,353)	(102,559)	(170,083)	(219,229)
Allowance on inventories	(6,277)	(17,270)	(47,427)	1,043	(12,605)
Property, plant and equipment	—	—	(1,894)	—	—
Fair value increase (decrease) and gain (loss) on disposal of:					
Held-for-trading financial assets(1)	(298,191)	321	(132)	—	—
Derivatives(2)	(76,830)	45,152	50,347	1,564	(9,618)
Available-for-sale financial assets(3)	1,591	—	(50)	—	—
Property, plant and equipment	(2,024)	(2,187)	3,857	3,259	(2,027)
Prepaid lease payment	—	—	4,177	—	—
Associates	—	798	(798)	—	—
Jointly controlled entity	—	—	(245)	—	—
Gain (loss) on settlement of derivative instruments	49,469	(80,294)	25,943	(8,803)	26,219
Net exchange gain (loss)(4)	61,232	27,376	(86,917)	(25,571)	154,298
Provisions under guarantee buy-back arrangements	(8,521)	(16,930)	(48,930)	(14,825)	(4,304)
Others	(11,043)	(12,279)	(44,492)	(8,571)	(7,376)
	(402,955)	(163,666)	(249,120)	(221,987)	(74,642)

(1) Held-for-trading financial assets represents our investments in equity securities listed in the PRC and mutual funds, the majority of which were disposed of in 2008. The significant loss on held-for-trading financial assets in 2008 mainly represented fair value loss on equity securities listed in the PRC as a result of the global financial crisis.

(2) Increase (decrease) in the fair value of derivatives mainly represent the change in the fair value of forward foreign exchange contracts.

(3) Available-for-sale financial assets represents our investments in certain unlisted companies established in the PRC in which we hold an equity interest of less than 20%. The gain (loss) in 2008 and 2010 represented gain (loss) on disposal of available-for-sale financial assets.

(4) During the year ended December 31, 2010, we experienced a loss of RMB86.9 million primarily resulting from foreign exchange loss on accounts payable for suppliers denominated in foreign currency, primarily Yen.

As of the Latest Practicable Date, the fair value of our held-for-trading and derivative financial assets were [●] and [●], respectively. The fair value gained amounted to [●].

Management of Our Investments

During the Track Record Period, our investments comprised held-for-trading financial assets, derivatives and available-for-sale financial assets.

We undertake our investments in held-for-trading financial assets and derivatives under the approval of our Board of Directors. Our financial markets team within our finance department is responsible for the execution of approved investment decisions and reporting to the Board of Directors on a regular basis regarding the status of our investments. Our financial markets team also analyzes market information, proposes investment plans, prepares reports for submission to applicable department management for preliminary approval and reporting to the Board of Directors for final approval. Our financial markets team oversees these investments and comprises eight personnel, five of whom have master's degrees. Half of the team has at least two years of experience relating to risk management of foreign exchange instruments.

For information on the management of our available-for-sale financial assets, see "— Components of Revenue and Expenses — Other Gains, Losses and Expenses — Available-for-sale Financial Assets."

Held-for-trading Financial Assets

Our held-for-trading financial assets comprised securities that we hold for short-term investment. In order to strengthen our risk management practices, we revised our investment policy in 2008 and discontinued our investments in short-term securities. As a result, we disposed of the majority of our short-term investments in securities in 2008 and we do not intend to invest in held-for-trading financial assets after [●].

Derivatives

We hold derivatives in the form of foreign exchange instruments primarily to hedge against foreign exchange risks as part of our normal business operations, and expect to continue investing in derivatives to meet this objective after [●]. We do not hold derivatives for speculative purposes, nor do we intend to do so after [●]. Certain details of our derivatives, including the realized and unrealized gains and losses, are set forth in the tables below for the periods indicated.

	Three Months Ended March 31, 2011			
	Realized Gains	**Realized Losses**	**Unrealized Gains**	**Unrealized Losses**
	RMB	**RMB**	**RMB**	**RMB**
		(in thousands)		
Foreign exchange sale in Euro	—	(360)	(50,477)	(1,314)
USD exchange settlement	24,217	—	42,173	—
NDF trading (BRC)	2,362	—	—	—
Total	26,579	(360)	(8,304)	(1,314)

	Year Ended December 31, 2010			
	Realized Gains	**Realized Losses**	**Unrealized Gains**	**Unrealized Losses**
	RMB	**RMB**	**RMB**	**RMB**
		(in thousands)		
USD exchange settlement	20,350	—	50,750	(207)
Yen purchase	10,670	—	—	—
NDF purchase	9,630	(398)	—	—
Euro forward purchase contract	5,500	(13,450)	—	—
Euro structural forward purchase contract	2,450	(8,930)	—	—
Others	121	—	—	(196)
Total	48,721	(22,778)	50,750	(403)

	Year Ended December 31, 2009			
	Realized Gains	Realized Losses	Unrealized Gains	Unrealized Losses
	RMB	RMB	RMB	RMB
		(in thousands)		
USD sale to purchase RMB NDF	—	(14,793)	—	(13,266)
USD sale to purchase INR NDF	—	(1,399)	—	(354)
USD exchange settlement	—	(51,930)	48,008	—
USD exchange purchase	—	(8,450)	7,286	—
Forward arbitrage	—	(3,198)	3,478	—
Bills of exchange	—	(408)	—	—
Others	—	(116)	—	—
Total	—	(80,294)	58,772	(13,620)

	Year Ended December 31, 2008			
	Realized Gains	Realized Losses	Unrealized Gains	Unrealized Losses
	RMB	RMB	RMB	RMB
		(in thousands)		
USD sale to purchase RMB NDF	—	—	6,633	—
USD exchange settlement	75,919	(25,228)	19,341	(101,793)
USD exchange purchase	—	—	10,423	(1,933)
Bills of Exchange	—	(1,222)	—	(4,463)
Others	—	—	—	(5,038)
Total	75,919	(26,450)	36,397	(113,227)

Available-for-sale Financial Assets

Our available-for-sale financial assets represent our long-term investments in certain unlisted companies established in the PRC in which we hold an equity interest of less than 20%. We invest in these types of assets primarily to manage our relationships with our distributors and suppliers and to capture long-term investment opportunities in China. Our investments in available-for-sale financial assets are not a separate principal business, and investments in these types of assets are funded with unutilized cash only if such investments would not materially affect our principal business. Prior to [●], we did not utilize bank borrowings to fund these types of investments, nor do we intend to do so after [●]. Our investment decisions in available-for-sale financial assets are based on a review by our department of investments and either the approval of our Board of Directors or the approval of our Shareholders depending on the size of the potential investment. We expect to maintain these long-term investments after [●].

Selling Expenses

Our selling expenses primarily comprise sales commissions, employee salary and benefits for our sales and marketing staff, promotional and advertising expenses, product transportation expenses and other expenses incurred for sales and marketing activities. Other expenses include exhibition fees, travel expenses, repair costs, entertainment costs (including expenses for meals and accommodation relating to customer hospitality activities), depreciation fees, rent charges, low value consumables, communication fees and office expenses. Our other expenses has steadily increased in line with our growth. For example, our meetings fees and business travel related expenses increased each year during the Track Record Period. The following table sets forth a breakdown of our selling expenses for the periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	RMB	RMB	RMB	RMB (Unaudited)	RMB
			(in thousands)		
Sales commissions	348,505	675,189	1,197,983	256,356	383,678
Salary and benefits	121,482	178,515	400,230	98,934	135,902
Promotional and advertising expenses	68,000	95,294	125,287	18,273	22,314
Product transportation expenses	336,914	263,795	394,649	43,321	88,376
Other[(1)]	647,882	828,790	1,086,681	205,595	381,529
Total	1,522,783	2,041,583	3,204,830	622,479	1,011,799

(1) Our Directors confirm that our other expenses are not related to the allegations of misconduct that arose in April 2011. For information regarding these allegations, see "Business — Legal Proceedings, Material Claims and Compliance — Allegations of Misconduct Relating to our Sales Practices."

Administrative Expenses

Our administrative expenses consist primarily of employee salary and benefits for our management, finance and administrative staff, depreciation and amortization, maintenance and repair expenses, research and development expenses and other expenses with respect to equipment used for general corporate purposes. Other expenses include travel expenses, fees paid to our advisors such as auditors and consultants, rent charges, land use taxes, vehicle fees, office expenses, entertainment costs (including expenses for meals and accommodation relating to customer hospitality activities), property taxes, utility fees, communication fees and stamp taxes. Our other expenses have consistently increased in line with our business growth. The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	RMB	RMB	RMB	RMB (Unaudited)	RMB
			(in thousands)		
Salary and benefits	349,598	222,179	525,592	118,946	196,520
Depreciation and amortization expenses	96,924	116,891	204,908	30,218	44,300
Maintenance and repair expenses	21,478	29,315	113,720	16,229	37,738
Research and development expenses	267,208	428,378	700,426	189,124	319,130
Other[(1)]	276,360	306,171	549,173	52,721	204,528
Total	1,011,568	1,102,934	2,093,819	407,238	802,216

(1) Our Directors confirm that our other expenses are not related to the allegations of misconduct that arose in April 2011. For information regarding these allegations, see "Business — Legal Proceedings, Material Claims and Compliance — Allegations of Misconduct Relating to our Sales Practices."

Share of Results of Associates

Our share of results of associates comprise the profits and losses from companies in which we hold between a 20% to 45% equity interest. The following table sets forth our associate companies and our equity interest in these entities:

	As of December 31,			As of March 31,	
	2008	2009	2010	2010	2011
Beijing Urban Construction Far East Investment Group Limited	20.0%	20.0%	20.0%	20.0%	20.0%
Beijing Sany Construction Machinery Limited	45.0%	45.0%	45.0%	45.0%	45.0%
Hubei Huazhong Sany Machinery and Equipment Co., Ltd.	45.0%	45.0%	45.0%	45.0%	45.0%
Shaanxi Sany Engineering Machinery Limited	—	45.0%	45.0%	45.0%	45.0%
Anhui Sany Construction Equipment Limited	—	45.0%	45.0%	45.0%	45.0%
Henan Sany Construction Machinery Limited	—	45.0%	45.0%	45.0%	45.0%
Inner Mongolia Sany Mengxiang Construction Equipment Limited	—	45.0%	45.0%	45.0%	45.0%
Shandong Huadong Sany Construction Machinery Limited	—	45.0%	45.0%	45.0%	45.0%
Hunan Sany Construction Machinery Limited	—	45.0%	45.0%	45.0%	45.0%
Sany Sudan Concrete Leasing Limited(1)	30.0%	30.0%	—	30.0%	—
Shanghai Sany Construction Machinery Limited	—	—	45.0%	45.0%	45.0%
Shanxi Sany Jinxiang Construction Machinery Limited	—	—	45.0%	—	45.0%
Guangxi Sany Construction Machinery Limited	—	—	45.0%	—	45.0%
Wuhan Jiuzhoulong Construction Machinery Limited	—	—	40.0%	10.0%	40.0%
Hunan Zizhuyuan Real Estate Co., Ltd(1)	20.0%	20.0%	—	20.0%	—
Shanghai Synnium Leasing Co., Ltd(2)	20.0%	—	—	—	—
Jiangsu Sany Construction Equipment Limited(3)	—	—	—	—	35%
Guangdong Huanan Sany Machinery Limited(3)	—	—	—	—	35%

(1) We disposed of our equity interests in these two companies in 2010.

(2) We disposed of our equity interests in Shanghai Synnium Leasing Co., Ltd in 2009.

(3) Established in 2011.

Share of Results of A Jointly Controlled Entity

Our share of results from a jointly controlled entity consists of the profit or loss from Sino-Arabic Sany Leasing (Jordan) Limited, in which we held a 50% equity interest in 2008 and 2009. We disposed of our equity interest in this company in 2010.

Finance Costs

Our finance costs primarily comprise interest on bank loans wholly repayable within five years and interest from debentures. As of December 31, 2008, 2009 and 2010 and March 31, 2011, our bank borrowings amounted to RMB4,825.7 million, RMB3,819.7 million, RMB7,239.0 million and RMB16,208.8 million. As of December 31, 2008, 2009 and 2010 and March 31, 2011, our outstanding debenture amounted to RMB485.7 million, RMB487.1 million, RMB488.6 million and RMB488.9 million.

Income Tax Expense

During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we had income tax expenses of RMB101.9 million, RMB334.1 million, RMB774.2 million and RMB462.9 million, respectively. Our effective tax rates were 5.9%, 10.0%, 11.2% and 14.1% for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively.

China

Our income tax expense primarily comprises enterprise income tax ("EIT") paid to the PRC Government and deferred tax. Pursuant to the PRC Enterprise Income Tax Law promulgated on March 16, 2007 (the "New PRC Income Tax Laws"), the PRC enterprise income tax for both domestic and foreign-invested enterprises has been unified at the enterprise income tax rate of 25% effective as of January 1, 2008.

Since January 1, 2000, the Company's EIT rate was reduced to 15% according to Circular No. 38 [1998] issued by the Changsha Local Taxation Bureau in 1998. The PRC Government, in order to promote and encourage more businesses to enter into high technology sectors decreased the EIT rate for high technology enterprises. As the Company and certain of our subsidiaries were designated as high technology enterprises during the Track Record Period, the PRC income tax rate for those entities was reduced from 25% to 15% during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011.

In addition, according to the relevant PRC tax rules and regulations, certain of our subsidiaries are entitled to other types of preferential tax rates. For instance, our sino-foreign equity joint ventures, wholly owned foreign enterprises and Sino-foreign contractual joint ventures that operate in China are entitled to an exemption from EIT for their first two profit-making years, followed by a 50% reduction in EIT for the following three years. During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, the applicable EIT for these Chinese subsidiaries until the expiry of the exemption ranged from 7.5% to [15]%.

The following sets forth the preferential tax treatment for us and our principal subsidiaries for the periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	%	%	%	%	%
The Company	15	15	15	15	15
Hunan Sany Pump Machinery Co., Ltd	15	15	15	15	—(1)
Shanghai Sany Technology	15	15	15	15	15
Beijing Sany Heavy Machinery(2)	7.5	15	15	15	15
Shanghai Gaoli Technology Investment Ltd	18	20	22	22	24
Hunan Automobile Manufacturing	15	15	15	15	15
Loudi Zhongxing(3)	12.5	12.5	12.5	12.5	15
Loudi Zhongyuan(3)	12.5	12.5	12.5	12.5	15
Sany Automobile Manufacturing	15	15	15	15	15
Sany Heavy Machinery(3)	9	10	11	11	15
Hunan Sany Road Machinery(3)	—	10	11	11	12
Kunshan Sany Machinery(3)	—	10	11	11	12
Hunan Zhongcheng(3)	9	10	15	15	15

(1) As the result of our merger with Hunan Sany Pump Machinery Co., Ltd. in November 2010, we assumed all of its assets and liabilities. Upon completion of the merger, Hunan Sany Pump Machinery Co., Ltd. was deregistered as an enterprise in China.

(2) Applicable tax rate was below 15% in 2008 as it was eligible for a 15% tax rate as a "New Technology Enterprise" located in the Science and Technology Park in Changping District, Beijing and also entitled to an exemption from EIT for its first three years in operation, followed by a 50% reduction in EIT for the following three-year period, which ended in 2008.

(3) Applicable tax rate was below 15% tax rate during the Track Record Period as it was designated as a high technology enterprise and entitled to an exemption from EIT for its first two profit-making years, followed by a 50% reduction in EIT for the following three years.

During the Track Record Period, the entities that primarily contributed to our taxable profit were us, Hunan Sany Pump Machinery Co., Ltd, Sany Heavy Machinery Co., Ltd, Hunan Sany Road Machinery Co., Ltd, Beijing Sany Heavy Machinery Co., Ltd, Kunshan Sany Machinery Co., Ltd, Hunan Automobile Manufacturing and Sany Automobile Manufacturing.

Our PRC legal advisor, Hunan Qiyuan Law Firm, advised that as of the Latest Practicable Date, the preferential tax rates were approved by the appropriate competent tax authorities of the PRC.

Our PRC legal advisor, Hunan Qiyuan Law Firm, has advised us that as of the Latest Practicable Date we have made all the required tax filings, paid all outstanding tax liabilities to the relevant tax authorities, and that we are not subject to any disputes or potential dispute with the tax authorities.

Overseas

During the Track Record Period, our overseas subsidiaries experienced a tax loss of RMB22.4 million, RMB103.6 million, RMB256.0 million and RMB343.1 million for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. The income tax expense that we incur from operating or earning revenue in other countries is calculated based on the applicable tax rates of the relevant countries. We have operations in 37 overseas jurisdictions. We set forth below the applicable tax rate details for each of the jurisdictions in which we have significant operations, namely those in which we recorded annual revenue of more than RMB50 million for the year ended December 31, 2010 or in which we have established or are in the process of establishing manufacturing facilities. As advised by our legal advisors in the relevant jurisdictions, we have complied with the applicable tax laws in the jurisdictions described below.

Algeria

The primary taxes and tax rates applicable to our operations in Algeria are listed below.

Type of Tax	Tax Rates
Value-added Tax	17%
TAP	2%
IBS	25%
Payroll	2%

Belgium

The applicable income tax rate in Belgium is 33.99% of taxable profit.

Brazil

The primary taxes and tax rates applicable to our operations in Brazil are listed below.

Type of Tax	Tax Rates
ICMS (varies according to the state)	18%, 12% or 7%. [The base for ICMS will be above total invoice]
PIS (varies according to the NMC code of the product)	1.65%; 2%; or 2.3%. [The base for PIS can be above the total amount (for spare parts) and above 59.1% of the total amount (some machines).]
COFINS (varies according to the NMC code of the product)	7.6%; 9.6% or 10.8%. [The base for COFINS can be above the total amount (for spare parts) and above 59.1% of the total amount (some machines).]
IPI (applicable just for our spare parts)	5%, 7%, 8%, 10%, 12%, 15%, 18%. [The IPI tax is above the total amount of the invoice.]
II	12%, 14% or 16%. [The II is calculated on the DI (Importation).]

Germany

The primary taxes and tax rates applicable to our operations in Germany are listed below.

Type of Tax	Tax Rates
Corporation Tax	15% of retained and distributed profits
Solidarity Surcharge	5.5% of the corporation tax
Trade Tax	currently 15.75% of the remaining trade earnings
Value-added Tax	19% (and reduced rate of 7%) of taxable turnover
Real Property Tax	as applicable

Hong Kong

The applicable income tax rate for our operations in Hong Kong during each year of the Track Record Period was 16.5%.

India

The primary sales taxes and tax rates applicable to our operations in India are listed below.

Type of Tax	Tax Rates (including Cess and surcharge, if any)
Income Tax	33.99%
Wealth Tax	1%
Custom Duty	
- For import of machines -	23.55%
- For import of [spare parts]	26.50%
Excise Duty	10.30%
Service Tax	10.30%
VAT	
- Delhi	5.00% to 12.50%
- Maharashtra	12.50% to 12.50%
- Karnataka	5.00% to 13.50%
- Tamilnadu	12.50% to 12.50%
- Andhra Pradesh	14.50% to 14.50%
- West Bengal -	4.00% to 12.50%

South Africa

The primary taxes and tax rates applicable to our operations in Germany are listed below.

Type of Tax	Tax Rates
Value-added Tax	14%
Income Tax	28%
Secondary Tax on Companies (STC)	10% on any dividends declared
Pay As You Earn (PAYE) Tax	Not applicable as employees are taxed in China under applicable PRC tax rates

United States

The primary taxes and tax rates applicable to our operations in the United States are listed below.

Type of Tax	Tax Rates
Federal Income Tax	35%
Georgia Income Tax	6%
Georgia Sales and Use Tax	7%
Federal Payroll Tax - Employer's share of FICA tax	6.2% of wages up to US$106,800
Federal Payroll Tax - Employer's share of Medicare tax	1.45% of wages

CRITICAL ACCOUNTING POLICIES

We prepare financial statements in conformity with IFRS, which requires us to make estimates and assumptions that affect the amounts reported in our combined and consolidated financial statements and related notes. We periodically evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in Appendix I of this document.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;
- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of income can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is recognized when the services are provided.

Rental income from lease is recognized over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

In general, we recognize revenue upon the delivery of the construction machinery and the customer's signature acknowledging receipt. We accepted payment through four different payment methods for sales of construction machinery during the Track Record Period and each method may result in uncertainty on the recovery of the outstanding receivables. Before revenue is recognized, we determine whether revenue is recognized upon delivery of goods and acceptance by customers, or whether it is more appropriate to defer recognition until a later stage or not at all. In making our determination, we have considered the detailed criteria for the recognition of revenue from the sale of goods set out in applicable accounting standards and in particular, whether it is probable that the economic benefits associated with the sales transaction will flow to us. We have taken into account the relatively low historical default rate of these receivables and consider appropriate the full recognition of the fair value of the sales amount as revenue.

We review and closely monitor the default rate from time to time. Should there be any significant increase in default rate or it becoming not probable that the economic benefits associated with the sales transaction will flow to us, revenue recognition may be deferred or revenue may not be recognized.

See also "Business — Payment Methods and Credit Terms — Revenue Recognition."

Impairment, Useful Lives and Residual Values of Property, Plant and Equipment

Our Directors assess whether there are any indicators of impairment for an asset at the end of each financial reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When there is an indication of impairment, our Directors estimate the recoverable amount of the asset to be determined on impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

As of December 31, 2008, 2009 and 2010 and March 31, 2011, the accumulated impairment losses on our property, plant and equipment amounted to RMB6.43 million, RMB6.43 million, RMB7.92 million and RMB7.79 million, respectively.

Useful lives and residual values are reviewed by our Directors at the end of each financial reporting period. In determining the useful life and residual value of an item of property, plant and equipment, our directors consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in market demand for a product or service, output of an asset, expected use of asset, expected physical wear and tear, the care and maintenance of asset, and legal or similar limits on the use of an asset. Estimating useful life of an asset is based on our experience with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful life and/or the residual value of property, plant and equipment are different from previous estimates.

As of December 31, 2008, 2009 and 2010 and March 31, 2011, the net book value of property, plant and equipment was RMB4,144.0 million, RMB5,605.3 million, RMB8,233.3 million and RMB9,396.9 million, respectively. Any change in our Directors' assessment on impairment, useful lives and residual values of property, plant and equipment will affect the depreciation and the impairment loss to be charged in the profit or loss.

Impairment on Doubtful Receivables

In determining whether there is objective evidence of impairment loss on doubtful receivables, our Directors consider the aging analysis of trade and other receivables and amounts due from related parties and estimate future cash flows to be recovered from these receivables. A considerable amount of judgment is required in assessing the eventual realization of these receivables, including the current creditworthiness and the past collection history of each customer or debtor. The amount of the impairment on doubtful receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate, or the effective interest rate computed at initial recognition. Where the actual future cash flows are less than expected, an impairment on doubtful receivables may arise. At December 31, 2008, 2009 and 2010 and March 31, 2011, allowance on doubtful receivables amounted to RMB307.2 million, RMB392.0 million, RMB487.1 million and RMB703.4 million, respectively. As of December 31, 2008, 2009 and 2010 and March 31, 2011, our total outstanding receivables and amounts due from related parties net of impairment amounted to RMB5,247.7 million, RMB6,136.9 million, RMB8,702.2 million and RMB15,999.0 million, respectively.

Allowance on Inventories

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

Write-down of inventories to net realizable value is made based on the estimated net realizable value of the inventories. The assessment of the write-down required involves management's judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have impact on the carrying amounts of inventories and the write-down charge/write-back in the period in which such estimate has been changed. We recognized during the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, allowance on inventories of RMB27.5 million, RMB42.0 million, RMB72.3 million and RMB84.9 million, respectively. As of December 31, 2008, 2009 and 2010 and March 31, 2011, the carrying amount of our inventories was RMB3,917.8 million, RMB3,992.9 million, RMB5,687.3 million and RMB7,266.5 million, respectively.

We review the inventories on a product-by-product basis at the end of each reporting period to identify obsolete and slow-moving inventory items that are no longer suitable for use in production. We also estimate the net realizable value for finished goods, work-in progress and raw materials based primarily on current market conditions and the historical experience of manufacturing and selling products of similar nature and make allowance if the net realizable value is lower than the cost. These estimates could change significantly as a result of changes in customer preferences and market competition in response to industry cycles.

Provision Relating to Equipment Mortgage Loan Agreements

We make a provision for our sales of equipment through equipment mortgage loan agreements when we are required to enter into buy-back arrangements with the respective banks. See "— Management of Cash Flows and Capital Commitments — Contingent Liabilities — Equipment Mortgage Loan Agreements." The amount of the provision takes into account the best estimate of the expected expenses to be incurred based on past operating experience, prior rates of default and a weighing of all possible outcomes against their associated probabilities. Historical claim or default experiences, however, may not be indicative of future claims, and any increase or decrease in the provision would affect profit or loss in future years. For additional information, see Note 34 of the Accountants Report in Appendix I of this document.

RESULTS OF OPERATIONS

The following table sets forth selected data from our consolidated statements of income for the periods indicated, in Renminbi and as a percentage of revenue:

	Year Ended December 31,						Three Months Ended March 31,			
	2008		2009		2010		2010		2011	
	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue	RMB	% of revenue
							(Unaudited)			
	(in thousands, except percentages)									
Revenue	14,243,616	100.0%	18,975,815	100.0%	33,954,939	100.0%	7,329,597	100.0%	13,988,363	100.0%
Cost of sales/services	(9,464,740)	66.4%	(12,232,084)	64.5%	(21,441,838)	63.1%	(4,664,965)	63.6%	(8,745,229)	62.5%
Gross profit	4,778,876	33.6%	6,743,731	35.5%	12,513,101	36.9%	2,664,632	36.4%	5,243,134	37.5%
Other income	130,462	0.9%	71,303	0.4%	159,969	0.5%	35,521	0.5%	50,225	0.4%
Other gains, losses and expenses	(402,955)	2.8%	(163,666)	0.9%	(249,120)	0.7%	(221,987)	3.0%	(74,642)	0.5%
Selling expenses	(1,522,783)	10.7%	(2,041,583)	10.8%	(3,204,830)	9.4%	(622,479)	8.5%	(1,011,799)	7.2%
Administrative expenses	(1,011,568)	7.1%	(1,102,934)	5.8%	(2,093,819)	6.2%	(407,238)	5.6%	(802,216)	5.7%
Share of results of associates	1,625	0.0%	6,634	0.0%	17,063	0.1%	7,586	0.1%	(24,373)	0.2%
Share of results of a jointly controlled entity	(328)	0.0%	(488)	0.0%	(638)	0.0%	(197)	0.0%	—	—
Finance costs	(250,815)	1.8%	(156,484)	0.8%	(203,480)	0.6%	(35,860)	0.5%	(88,569)	0.6%
Profit before taxation	1,722,514	12.1%	3,356,513	17.7%	6,938,246	20.4%	1,419,978	19.4%	3,291,760	23.5%
Income tax expense	(101,877)	0.7%	(334,077)	1.8%	(774,218)	2.3%	(192,638)	2.6%	(462,936)	3.3%
Profit for the year /period	1,620,637	11.4%	3,022,436	15.9%	6,164,028	18.2%	1,227,340	16.7%	2,828,824	20.2%
Attributable to:										
Owners of the Company	1,318,607	9.3%	2,472,856	13.0%	5,586,691	16.5%	1,106,832	15.1%	2,663,070	19.0%
Non-controlling interests	302,030	2.1%	549,580	2.9%	577,337	1.7%	120,508	1.6%	165,754	1.2%

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Revenue

Our revenue increased by RMB6,658.8 million, or 90.8%, from RMB7,329.6 million in the three months ended March 31, 2010 to RMB13,988.4 million in the three months ended March 31, 2011 with revenue increasing in most of our product lines. This increase in revenue was mainly attributable to continued investment by the PRC Government in infrastructure projects resulting in an increase in demand for construction machinery, the introduction of new products particularly in our concrete machinery, excavators and road machinery product lines, an increase in demand for our products due to quality enhancements and technology upgrades and an increase in our production capacity, specifically for concrete machinery, excavators and truck cranes, which contributed to higher sales volume during the first quarter of 2011. In addition, we strengthened our sales and marketing efforts, including increasing our advertising campaigns and our participation in exhibitions as well as expanding our sales and distribution network. We experienced higher revenue growth in excavators, concrete machinery and truck cranes for which revenue increased by 141.9%, 85.5% and 77.3%, respectively, from the three months ended March 31, 2010 to the three months ended March 31, 2011.

The following table sets forth information regarding our revenue and sales volume of our products and their respective growth rates for the three months ended March 31, 2010 and 2011.

	Three Months Ended March 31,					
Product Category	2010 Revenue	2011 Revenue	% change	2010 Sales Volume	2011 Sales Volume	% change
	RMB (Unaudited)	RMB				
	(in thousands)			(units)		
Concrete machinery	3,723,682	6,907,800	85.5%	3,460	5,855	69.2%
Excavators	1,666,808	4,032,757	141.9%	3,029	7,973	163.2%
Crawler cranes	328,806	311,920	(5.1)%	96	64	(33.3)%
Truck cranes	502,851	891,557	77.3%	601	1,016	69.1%
Pile driving machinery	465,441	620,363	33.3%	153	180	17.6%
Road machinery	279,526	372,397	33.2%	294	426	44.9%
Total	6,967,114	13,136,794	88.6%	7,633	15,514	103.2%

By Product

Concrete Machinery. Revenue for our concrete machinery category increased by RMB3,184.1 million, or 85.5%, from RMB3,723.7 million for the three months ended March 31, 2010 to RMB6,907.8 million for the three months ended March 31, 2011. This increase was primarily due to the introduction of a new series of truck-mounted concrete pumps with advanced technologies in January 2011, which accounted for a large portion of our concrete machinery sales during the three months ended March 31, 2011. Moreover, in order to ease our production capacity constraints, we increased production capacity in the first quarter of 2011, at Changsha Industrial Park, which contributed to higher sales volume for concrete machinery. In addition, the planned investment by the PRC Government in the construction of social housing increased market demand for concrete machinery, specifically, our truck-mounted concrete pumps as well as our concrete batching plant and truck mixer product suites. For more information regarding the investment plans of the PRC Government with respect to housing, see "Industry Overview — Overview of the Chinese Construction Machinery Industry — Factors Driving the Growth of the Construction Machinery Industry in China — Investment in the Real Estate Industry."

Excavators. Revenue for our excavators increased by RMB2,366.0 million, or 141.9%, from RMB1,666.8 million for the three months ended March 31, 2010 to RMB4,032.8 million for the three months ended March 31, 2011. This increase was primarily due to an increase in market demand for excavators as a result of spending by the PRC Government on infrastructure development and increasing urbanization. We also experienced a growth in sales in our small excavators as end-user customers were incentivized to purchase certain of our small excavators due to subsidies offered by local governments. Specifically, in September 2010, we successfully applied for certain of our small excavators to be classified as agricultural machinery in order for end-user customers to be eligible for subsidies and for our distributors, sales contractors and us to be eligible for tax incentives upon the sale of these excavators. We also introduced a new model of medium-sized excavator in January 2011 with stronger excavating capacity, larger bucket volume and a higher fuel efficiency rate, which contributed to an increase in our sales volume during the three months ended March 31, 2011. In addition, our efforts to expand and strengthen our distribution network contributed to the increase in revenue. Our distribution outlets increased from approximately 450 at the end of the first quarter of 2010 to approximately 850 at the end of the first quarter of 2011.

Crawler Cranes. Revenue for our crawler cranes decreased slightly by RMB16.9 million, or 5.1%, from RMB328.8 million for the three months ended March 31, 2010 to RMB311.9 million for the three months ended March 31, 2011. This decrease was primarily due to a decrease in sales of our lower-priced, smaller-tonnage crawler cranes.

Truck Cranes. Revenue for our truck cranes increased by RMB388.7 million, or 77.3%, from RMB502.9 million for the three months ended March 31, 2010 to RMB891.6 million for the three months ended March 31, 2011. This increase was due to an increase in market demand for truck cranes resulting from increased spending by the PRC Government on infrastructure development. In addition, we believe our quality enhancements and technology upgrades on our truck cranes, particularly with respect to our medium to large-sized truck cranes, contributed to increased customer recognition of our products and a corresponding increase in revenue. We also increased our marketing efforts, including organising a large-scale trade exhibition in December 2010, which contributed to sales revenue in the three months ended March 31, 2011.

Pile Driving Machinery. Revenue for our pile driving machinery increased by RMB155.0 million, or 33.3%, from RMB465.4 million for the three months ended March 31, 2010 to RMB620.4 million for the three months ended March 31, 2011. This increase was due to an increase in market demand resulting from increased spending by the PRC Government on the construction of high speed railways and in the domestic industrial and civil engineering market. Moreover, we experienced a growth in sales of certain pile driving machinery models that we introduced at the end of 2010 as we expanded pre-sale technical services for these models. As part of our pre-sale technical consulting services, we provide support to customers in evaluating construction sites and advising on the appropriate machinery to be used in their projects. In addition, we believe our quality enhancements and technology upgrades on our products also contributed to increased sales.

Road Machinery. Revenue for our road machinery category increased by RMB92.9 million, or 33.2%, from RMB279.5 million for the three months ended March 31, 2010 to RMB372.4 million in 2011. This increase was primarily in response to plans by the PRC Government to increase infrastructure spending, particularly on development plans for western China, water engineering projects and the development and construction of roadways in rural areas. In addition, we introduced a new series of products, including hydraulic motor graders, asphalt rollers and asphalt pavers, with greater functionality and energy efficient features in the first quarter of 2011, which contributed to our revenue growth. Moreover, we believe our increased marketing and advertising efforts for our road machinery product line in the first quarter of 2011 also had an impact on the increase in our sales.

By Geographical Area

Domestic. Revenue derived from our sales in China for the three months ended March 31, 2011 increased by RMB6,548.0 million, or 92.7%, from RMB7,063.5 million for the three months ended March 31, 2010 to RMB13,611.5 million for the three months ended March 31, 2011. This increase was primarily due to continued increased demand in the domestic market, an increase in the competitiveness of our products as a result of quality enhancements and technology upgrades, particularly with respect to our excavators and truck cranes, the introduction of new products and increased marketing efforts.

International. Revenue derived from our international sales increased by RMB110.8 million, or 41.6%, from RMB266.1 million for the three months ended March 31, 2010 to RMB376.9 million for the three months ended March 31, 2011. This increase was primarily due to the continued recovery of the international markets from the global financial crisis. In addition, we increased our pre-sale and after-sale service capabilities in our overseas markets, which contributed to an increase in revenue.

Cost of Sales/Services

Our cost of sales/services increased by RMB4,080.2 million, or 87.5%, from RMB4,665.0 million for the three months ended March 31, 2010 to RMB8,745.2 million for the three months ended March 31, 2011. This increase was primarily due to an increase in our procurement costs for raw materials and components resulting from an increase in our product sales and production scale.

As a percentage of revenue, the cost of sales/services decreased from 63.6% for the three months ended March 31, 2010 to 62.5% for the three months ended March 31, 2011. This decrease was primarily due to changes in the product mix, improvements in the production process and economies of scale in our manufacturing process as a result of increased production and sales volume.

Concrete Machinery. Our cost of sales for our concrete machinery increased by RMB1,646.1 million, or 75.3%, from RMB2,186.7 million for the three months ended March 31, 2010 to RMB3,832.8 million for the three months ended March 31, 2011. As a percentage of revenue, the cost of sales for our concrete machinery decreased from 58.7% for the three months ended March 31, 2010 to 55.5% for the three months ended March 31, 2011. This decrease was primarily due to an increase in sales of our higher margin concrete machinery, such as our truck-mounted concrete pumps with long booms. In addition, we benefitted from an import tax exemption in 2011 for certain purchases of key high-technology components, such as chassis parts. Moreover, through improved product design as a result of our research and development efforts, we reduced our raw materials requirements, such as steel, in the production of our concrete batching plants, thereby decreasing our unit costs.

Excavators. Our cost of sales for our excavators increased by RMB1,646.6 million, or 140.9%, from RMB1,168.5 million for the three months ended March 31, 2010 to RMB2,815.1 million for the three months ended March 31, 2011. As a percentage of revenue, the cost of sales for our excavators decreased slightly from 70.1% for the three months ended March 31, 2010 to 69.8% for the three months ended March 31, 2011. This decrease was primarily due to a change in our product mix, namely, a slight increase in sales of higher margin excavator models.

Crawler Cranes. Our cost of sales for our crawler cranes decreased by RMB27.0 million or 11.6%, from RMB233.4 million for the three months ended March 31, 2010 to RMB206.4 million for the three months ended March 31, 2011. As a percentage of revenue, the cost of sales for our crawler cranes decreased from 71.0% for the three months ended March 31, 2010 to 66.2% for the three months ended March 31, 2011. This decrease was primarily due to an increase in the gross margin for smaller-tonnage cranes, as we introduced new models with higher margins, while the profit margin for our large-tonnage crawler cranes remained relatively stable. We also discontinued manufacturing one of our crawler crane models with the lowest profit margin.

Truck cranes. Our cost of sales for our truck cranes increased by RMB267.3 million, or 71.2%, from RMB375.3 million for the three months ended March 31, 2010 to RMB642.6 million for the three months ended March 31, 2011. As a percentage of revenue, the cost of sales for our truck cranes decreased from 74.6% for the three months ended March 31, 2010 to 72.1% for the three months ended March 31, 2011. This decrease was primarily due to an increase in sales of our higher margin larger-tonnage truck cranes in proportion to our overall sales of truck cranes.

Pile Driving Machinery. Our cost of sales for our pile driving machinery increased by RMB81.0 million, or 35.1%, from RMB230.5 million for the three months ended March 31, 2010 to RMB311.5 million for the three months ended March 31, 2011. As a percentage of revenue, the cost of sales for our pile driving machinery increased from 49.5% for the three months ended March 31, 2010 to 50.2% for the three months ended March 31, 2011. This increase in cost of sales as a percentage of revenue was primarily due to an increase in sales of our lower margin pile driving machinery models in proportion to our overall sales of pile driving machinery.

Road Machinery. Our cost of sales for our road machinery increased by RMB48.0 million, or 25.5%, from RMB188.6 million for the three months ended March 31, 2010 to RMB236.6 million for the three months ended March 31, 2011. As a percentage of revenue, the cost of sales for our road machinery decreased from 67.5% for the three months ended March 31, 2010 to 63.5% for the three months ended March 31, 2011. This decrease in cost of sales as a percentage of revenue was primarily due to an increase in sales of our higher margin road machinery products, including new models of asphalt pavers, in proportion to our overall sales of road machinery, as well as increased production efficiency due to our continued research and development efforts. In addition, our unit production costs decreased as we increased our in-house manufacturing of certain parts and components.

Gross Profit

As a result of the factors above, our gross profit increased by RMB2,578.5 million, or 96.8%, from RMB2,664.6 million for the three months ended March 31, 2010 to RMB5,243.1 million for the three months ended March 31, 2011. Our gross profit margin increased from 36.4% for the three months ended March 31, 2010 to 37.5% for the three months ended March 31, 2011.

Concrete Machinery. Our gross profit for our concrete machinery increased by RMB1,538.1 million, or 100.1%, from RMB1,536.9 million for the three months ended March 31, 2010 to RMB3,075.0 million for the three months ended March 31, 2011. Our gross profit margin for our concrete machinery increased from 41.3% for the three months ended March 31, 2010 to 44.5% for the three months ended March 31, 2011.

Excavators. Our gross profit for our excavators increased by RMB719.3 million, or 144.4%, from RMB498.3 million for the three months ended March 31, 2010 to RMB1,217.6 million for the three months ended March 31, 2011. Our gross profit margin for our excavators increased from 29.9% for the three months ended March 31, 2010 to 30.2% for the three months ended March 31, 2011.

Crawler cranes. Gross profit for our crawler cranes increased by RMB10.1 million, or 10.6%, from RMB95.4 million for the three months ended March 31, 2010 to RMB105.5 million for the three months ended March 31, 2011. Our gross profit margin for our crawler cranes increased from 29.0% for the three months ended March 31, 2010 to 33.8% for the three months ended March 31, 2011.

Truck cranes. Gross profit for our truck cranes increased by RMB121.4 million, or 95.2%, from RMB127.5 million for the three months ended March 31, 2010 to RMB248.9 million for the three months ended March 31, 2011. Our gross profit margin for our truck cranes increased from 25.4% for the three months ended March 31, 2010 to 27.9% for the three months ended March 31, 2011.

Pile Driving Machinery. Our gross profit for our pile driving machinery increased by RMB74.0 million, or 31.5%, from RMB234.9 million for the three months ended March 31, 2010 to RMB308.9 million for the three months ended March 31, 2011. Our gross profit margin for our pile driving machinery decreased from 50.5% for the three months ended March 31, 2010 to 49.8% for the three months ended March 31, 2011.

Road Machinery. Our gross profit for our road machinery increased by RMB44.9 million, or 49.4%, from RMB90.9 million for the three months ended March 31, 2010 to RMB135.8 million for the three months ended March 31, 2011. Our gross profit margin for our road machinery increased from 32.5% for the three months ended March 31, 2010 to 36.5% for the three months ended March 31, 2011.

Other Income

Other income increased by RMB14.7 million, or 41.4%, from RMB35.5 million for the three months ended March 31, 2010 to RMB50.2 million for the three months ended March 31, 2011. This increase was primarily due to subsidies from the PRC and local governments, including a subsidy provided by the Kunshan local government for the development of our business operations.

Other Gains, Losses and Expenses

Other gains, losses and expenses decreased by RMB147.4 million, or 66.4%, from losses of RMB222.0 million for the three months ended March 31, 2010 to losses of RMB74.6 million recorded for the three months ended March 31, 2011. This decrease was primarily due to a net exchange gain of RMB154.3 million for the three months ended March 31, 2011 compared to a net exchange loss of RMB25.6 million for the three months ended March 31, 2010. The net exchange gain was primarily due to the impact of the depreciation of the U.S. dollar against the Renminbi on our accounts payables to suppliers and foreign currency-denominated bank borrowings during the three months ended March 31, 2011. The net exchange gain for the three months ended March 31, 2011 was partially offset by an increase in the impairment loss we recorded for doubtful trade and other receivables.

Selling Expenses

Selling expenses increased by RMB389.3 million, or 62.5%, from RMB622.5 million for the three months ended March 31, 2010 to RMB1,011.8 million for the three months ended March 31, 2011. This increase was primarily due to an increase in sales commissions, travel expenses and exhibition fees due to our growth in operations. Selling expenses as a percentage of revenue decreased from 8.5% for the three months ended March 31, 2010 to 7.2% for the three months ended March 31, 2011.

Administrative Expenses

Administrative expenses increased by RMB395.0 million, or 97.0%, from RMB407.2 million for the three months ended March 31, 2010 to RMB802.2 million for the three months ended March 31, 2011. This increase was primarily due to an increase in our research and development expenses and our salary and benefits resulting from the growth in our operations.

Share of Results of Associates

Share of profits of associates decreased by approximately RMB32.0 million, from RMB7.6 million for the three months ended March 31, 2010 to a loss of RMB24.4 million for the three months ended March 31, 2011. The decrease was primarily due to unrealized profit from our associates, primarily our distributors in which we hold an equity interest, whose inventory for confirmed orders had yet to be delivered by the end of the first quarter of 2011.

Share of Results of A Jointly Controlled Entity

Share of results of a jointly controlled entity was a loss of RMB0.2 million for the three months ended March 31, 2010. We did not record a gain or loss for the three months ended March 31, 2011 as we disposed of our interest in our jointly controlled entity, Sino-Arabic Sany Leasing (Jordan) Limited, in October 2010.

Finance Costs

Finance costs increased by RMB52.7 million, or 146.8%, from RMB35.9 million for the three months ended March 31, 2010 to RMB88.6 million for the three months ended March 31, 2011. This increase was primarily due to an increase in our bank borrowings. Our weighted average lending rate increased from 1.83% for the three months ended March 31, 2010 to 3.64% for the three months ended March 31, 2011.

Income Tax Expense

Income tax expense increased by RMB270.3 million, or 140.3%, from RMB192.6 million for the three months ended March 31, 2010 to RMB462.9 million for the three months ended March 31, 2011. This increase was primarily due to the increase in profit before taxation from RMB1,420.0 million for the three months ended March 31, 2010 to RMB3,291.8 million for the three months ended March 31, 2011. In addition, some of our subsidiaries experienced increases in tax rates based on their respective preferential tax treatment schedules. Our effective tax rate increased from 13.6% for the three months ended March 31, 2010 to 14.1% for the three months ended March 31, 2011.

Profit for the Period

As a result of the foregoing, profit for the period increased by RMB1,601.5 million, or 130.5%, from RMB1,227.3 million for the three months ended March 31, 2010 to RMB2,828.8 million for the three months ended March 31, 2011.

Year ended December 31, 2010 Compared To Year Ended December 31, 2009

Revenue

Our revenue increased by RMB14,979.1 million, or 78.9%, from RMB18,975.8 million in 2009 to RMB33,954.9 million in 2010 with revenue increasing in each of our product lines. This increase in revenue was mainly attributable to the continued investment in infrastructure projects by the PRC Government since the second half of 2009, resulting in continued growth in the demand for construction machinery. We also experienced increased sales for those products that we introduced in 2009, specifically, long boom truck-mounted concrete pumps and large-tonnage truck cranes. In addition, we continued to expand our sales network and organized exhibitions for our truck cranes and excavators, which we believe contributed to increased brand awareness of these products. We experienced higher revenue growth in excavators, truck cranes and concrete machinery for which revenue increased by 108.6%, 89.4% and 88.1%, respectively, from 2009 to 2010.

The following table sets forth below information regarding our revenue and sales volume of our products and their respective growth rates for the years ended December 31, 2009 and 2010.

	Year Ended December 31,					
Product Category	**2009 Revenue**	**2010 Revenue**	**% change**	**2009 Sales Volume**	**2010 Sales Volume**	**% change**
	RMB (in thousands)	**RMB (in thousands)**		**(units)**	**(units)**	
Concrete machinery	9,474,898	17,827,002	88.1%	9,163	16,824	83.6%
Excavators	2,988,946	6,235,199	108.6%	5,285	10,844	105.2%
Crawler cranes	1,710,025	1,631,507	(4.6)%	281	474	68.7%
Truck cranes	1,349,568	2,555,858	89.4%	1,507	2,806	86.2%
Pile Driving machinery	1,117,100	1,999,095	79.0%	370	627	69.5%
Road machinery	690,501	1,289,142	86.7%	740	1,462	97.6%
Total	17,331,038	31,537,803	82.0%	17,346	33,037	90.5%

By Product

Concrete Machinery. Revenue for our concrete machinery category increased by RMB8,352.1 million, or 88.1%, from RMB9,474.9 million in 2009 to RMB17,827.0 million in 2010. This increase was primarily due to continued investment in infrastructure projects by the PRC Government, which contributed to increased market demand for our products, as well as our promotional efforts to increase customer awareness of our more advanced concrete machinery products. We continued to experience growth in sales of our concrete batching plant and truck mixer product suite as a result of our technical enhancements and quality upgrades for these products as well as the continuous implementation of the PRC environmental policies prohibiting the mixing of concrete at construction sites across China. We also continued to experience growth in the sales of our long-boom truck-mounted concrete pumps, which we introduced in 2009, due to increasing market acceptance of the added flexibility and expanded performance capabilities of these products and increasing market demand from the construction of bridges and high-rise buildings in 2010, particularly in northern China. In addition, we also increased our marketing efforts, including facilitating more equipment mortgage loan arrangements for customers with good credit quality, widening the scope of our sales network and organizing product fairs at our 6S service centers in order to improve brand awareness of our products and grow our sales volume.

Excavators. Revenue for our excavators increased by RMB3,246.3 million, or 108.6%, from RMB2,988.9 million in 2009 to RMB6,235.2 million in 2010. This increase was primarily due to increasing market demand for construction machinery, largely as a result of continued urbanization in China, and a more comprehensive array of products that we offer to customers such as our 40-tonne, 70-tonne and 85-tonne excavators. We also expanded and improved distribution and service network to facilitate sales. Our distribution outlets increased by [121] from [427] at the end of 2009 to [548] at the end of 2010. In strengthening the distribution network in 2010, all [548] distribution outlets now offer technical service assistance to customers. In addition, we embarked on a nationwide marketing strategy and participated in organized trade exhibitions during 2010 to increase market recognition and brand awareness. Specifically, we sent service vehicles to strategic locations across China to improve the accessibility of the services that we offer, which contributed to an increase in our sales volume.

Crawler cranes. Revenue for our crawler cranes decreased slightly by RMB78.5 million, or 4.6%, from RMB1,710.0 million in 2009 to RMB1,631.5 million in 2010. This decrease was primarily due to a decrease in the sales of higher-price, larger-tonnage crawler cranes, resulting from a decrease in demand, largely in the wind power and nuclear power markets, due to market saturation. However, this decrease was partially offset by an increase in sales of our smaller tonnage crawler cranes as a result of increasing demand from the domestic industrial and civil engineering markets propelled by the PRC Government's RMB4.0 trillion stimulus package, which led to an increase in our overall sales volume for crawler cranes from 218 in 2009 to 474 in 2010.

Truck cranes. Revenue for our truck cranes increased by RMB1,206.3 million, or 89.4%, from RMB1,349.6 million in 2009 to RMB2,555.9 million in 2010. This increase was due to our strengthened promotional efforts including cooperation with our sales contractors to hold large-scale exhibitions of our truck crane product line across China to promote our truck cranes. We also introduced new products, such as 75-tonne, 100-tonne and 220-tonne truck cranes, and made continuous improvements in the quality of our products, such as our hydraulic systems and vehicle frames, which contributed to an increase in the sales volume as well as sales prices for some of our products. We also strengthened our service network through an increase in service personnel and service outlets, from 112 service outlets at the end of 2009 to 241 at the end of 2010, and strengthened training efforts, which contributed to the growth in sales.

Pile Driving Machinery. Revenue for our pile driving equipment category increased by RMB882.0 million, or 79.0%, from RMB1,117.1 million in 2009 to RMB1,999.1 million in 2010. This increase was due to an increase in sales for markets that we entered in 2009, namely, the domestic industrial and civil engineering market and the construction of high speed railways. We also experienced a continuous increase on sales of large-scale rotary drilling rigs, used for drilling on hard rock surfaces, which we introduced in 2009. In addition, our product upgrades and enhancements also contributed to our sales growth.

Road Machinery. Revenue for our road machinery category increased by RMB598.6 million, or 86.7%, from RMB690.5 million in 2009 to RMB1,289.1 million in 2010. This increase was primarily due to growth in demand resulting from the significant investment by the PRC Government in transportation infrastructure construction and maintenance. We also experienced increased sales of our road machinery products, primarily asphalt pavers and asphalt batching plants, as a result of our product improvement. In addition, we continued to strengthen our sales and service to customers by expanding our sales network, holding trade fairs throughout China to increase brand recognition, hiring additional service personnel and initiating service calls with customers, which contributed to the increase in sales revenue.

By Geographical Area

Domestic. Revenue derived from our sales in China in 2010 increased by RMB14,207.1 million, or 80.6%, from RMB17,616.8 million in 2009 to RMB31,823.9 million in 2010. This increase was primarily due to a continued increase in demand in the domestic market, an increase in the competitiveness of our products as a result of product enhancements and upgrades, the introduction of new products and the strengthening of our marketing efforts.

International. Revenue derived from our international sales in 2010 increased by RMB772.1 million, or 56.8%, from RMB1,359.0 million in 2009 to RMB2,131.1 million in 2010. This increase was primarily due to the gradual recovery of the international markets from the global financial crisis and expansion of our sales, distribution and service network to cover broader overseas markets.

Cost of Sales/Services

Our cost of sales/services increased by RMB9,209.7 million, or 75.3%, from RMB12,232.1 million in 2009 to RMB21,441.8 million in 2010. This increase was primarily due to the increase in the volume of our products sold during the year, contributing to the increase in consumption of raw materials and components across all of our product lines as our revenue increased by 78.9% from 2009 to 2010.

As a percentage of revenue, the cost of sales/services decreased from 64.5% in 2009 to 63.1% in 2010. This decrease was primarily due to changes in the product mix, improvements in the production process and economies of scale in our manufacturing process as a result of increased production and sales volume.

Concrete Machinery. Our cost of sales for our concrete machinery increased by RMB4,857.0 million, or 87.7%, from RMB5,538.9 million in 2009 to RMB10,395.9 million in 2010. As a percentage of revenue, the cost of sales for our concrete machinery decreased from 58.5% in 2009 to 58.3% in 2010. This decrease was primarily due to economies of scale, and an increase in sales of our higher margin long-boom truck-mounted concrete pumps in the year ended December 31, 2010. However, this increase in sales of higher margin truck-mounted concrete pumps was partially offset by increased sales of our relatively lower margin concrete batching plant and truck mixer product suites and decreased sales of our higher margin bitumen-cement mortar semitrailers. As a result, the overall impact of changes in our product mix contributed to a slight increase in our gross profit margin for the year ended December 31, 2010.

Excavators. Our cost of sales for our excavators increased by RMB2,190.3 million, or 101.7%, from RMB2,153.0 million in 2009 to RMB4,343.3 million in 2010. As a percentage of revenue, the cost of sales for our excavators decreased from 72.0% in 2009 to 69.7% in 2010. This decrease was primarily due to a decrease in the procurement costs of some of our parts and components, specifically, pumps, motors and diesel engines and increased in-house production of certain parts and components. In addition, economies of scale led to decreased unit costs of our excavators. At the same time, the average unit sales price of our excavators increased slightly due to an increase in demand for our higher-priced, larger models of excavators.

Crawler Cranes. Our cost of sales for our crawler cranes increased by RMB8.0 million or 0.7%, from RMB1,122.7 million in 2009 to RMB1,130.7 million in 2010. As a percentage of revenue, the cost of sales for our crawler cranes increased from 65.7% in 2009 to 69.3% in 2010. This increase was primarily due to increased sales of small tonnage low-margin crawler cranes. This increase was partially offset by increased efficiency in the use of raw materials, parts and components, and more efficient production processes, partly due to the increased in-house production of certain parts and components.

Truck Cranes. Our cost of sales for our truck cranes increased by RMB734.0 million or 67.4%, from RMB1,089.4 million in 2009 to RMB1,823.4 million in 2010. As a percentage of revenue, the cost of sales for our truck cranes decreased from 80.7% in 2009 to 71.3% in 2010. This decrease was primarily due to a change in the product mix sold during this period namely, we sold a greater proportion of higher-margin large tonnage truck cranes during 2010 compared to 2009. We also experienced a decrease in procurement costs due to preferential pricing for increased purchase volumes of components such as diesel engines used in the production of truck cranes, we continued our efforts to improve and optimize the production process, we experienced economies of scale and we increased the sales prices of our truck crane products.

Pile Driving Machinery. Our cost of sales for our pile driving machinery increased by RMB518.7 million, or 95.7%, from RMB542.2 million in 2009 to RMB1,060.9 million in 2010. As a percentage of revenue, the cost of sales for our pile driving machinery increased from 48.5% in 2009 to 53.1% in 2010. This increase in cost of sales as a percentage of revenue was primarily due to the increased sales of products to the domestic industrial and civil engineering market, which required relatively lower margin pile driving machinery. In addition, in order to enhance our product quality, we increased the use of higher priced imported parts and components in the manufacturing process, resulting in an increase in procurement costs for parts and components.

Road Machinery. Our cost of sales for our road machinery increased by RMB329.5 million, or 66.4%, from RMB496.5 million in 2009 to RMB826.0 million in 2010. This increase in cost of sales was primarily due to the increase in sales volume of road machinery during the year ended 31 December 2010. As a percentage of revenue, the cost of sales for our road machinery decreased from 71.9% in 2009 to 64.1% in 2010. This decrease in cost of sales as a percentage of revenue was primarily due to a change in the product mix sold during this period, specifically, increased sales of our higher margin products, such as our asphalt pavers. In addition, we reduced unit production costs for our road machinery through enhancements in product design, increased efficiency in the utilization of raw materials, parts and components and improvements in the utilization rate of our manufacturing facilities, and economies of scale.

Gross Profit

As a result of the factors above, our gross profit increased by RMB5,769.4 million, or 85.6%, from RMB6,743.7 million in 2009 to RMB12,513.1 million in 2010. Our gross profit margin increased from 35.5% in 2009 to 36.9% in 2010.

Concrete Machinery. Our gross profit for our concrete machinery increased by RMB3,495.1 million, or 88.8%, from RMB3,936.0 million in 2009 to RMB7,431.1 million in 2010. Our gross profit margin for our concrete machinery increased from 41.5% in 2009 to 41.7% in 2010.

Excavators. Our gross profit for our excavators increased by RMB1,056.0 million, or 126.3%, from RMB835.9 million in 2009 to RMB1,891.9 million in 2010. Our gross profit margin for our excavators increased from 28.0% in 2009 to 30.3% in 2010.

Crawler cranes. Gross profit for our crawler cranes decreased by RMB86.6 million, or 14.7%, from RMB587.4 million in 2009 to RMB500.8 million in 2010. Our gross profit margin for our crawler cranes decreased from 34.3% in 2009 to 30.7% in 2010.

Truck cranes. Gross profit for our truck cranes increased by RMB472.3 million, or 181.5%, from RMB260.2 million in 2009 to RMB732.5 million in 2010. Our gross profit margin for our truck cranes increased from 19.3% in 2009 to 28.7% in 2010.

Pile Driving Machinery. Our gross profit for our pile driving machinery increased by RMB363.3 million, or 63.2%, from RMB574.9 million in 2009 to RMB938.2 million in 2010. Our gross profit margin for our pile driving machinery decreased from 51.5% in 2009 to 46.9% in 2010.

Road Machinery. Our gross profit for our road machinery increased by RMB269.2 million, or 138.8%, from RMB194.0 million in 2009 to RMB463.2 million in 2010. Our gross profit margin for our road machinery increased from 28.1% in 2009 to 35.9% in 2010.

Other Income

Other income increased by RMB88.7 million, or 124.4%, from RMB71.3 million in 2009 to RMB160.0 million in 2010. This increase was primarily due to subsidies from the PRC and local governments, including a subsidy of RMB20.2 million for new product development from the local government authority in Changsha, Hunan Province and a subsidy of RMB35.0 million awarded to Kunshan Sany Heavy Machinery from the Kunshan local governmental authority which we received because we operate in government-supported industries.

Other Gains, Losses and Expenses

Other gains, losses and expenses increased by RMB85.4 million, or 52.2%, from losses of RMB163.7 million in 2009 to losses of RMB249.1 million recorded in 2010. This increase in losses was primarily due to a net exchange loss of RMB86.9 million in 2010 compared to a net exchange gain of RMB27.4 million in 2009. We had a loss of RMB72.8 million in 2010 resulting from foreign exchange loss on accounts payable for suppliers denominated in foreign currency, which was partially offset by our gains relating to our forward foreign exchange contracts hedging transactions. We also increased our provisions under the guarantee buy back arrangements due to an increase in the outstanding guarantees to buy back the loans resulting from an increase in sales volume in 2010. In addition, we also made a net realizable value provision on inventories of RMB47.4 million in 2010.

Selling Expenses

Selling expenses increased by RMB1,163.2 million, or 57.0%, from RMB2,041.6 million in 2009 to RMB3,204.8 million in 2010. This increase was primarily due to an increase in sales commissions, resulting from the growth in our sales volume and revenue and an increase in transportation expenses. Selling expenses as a percentage of revenue decreased from 10.8% in 2009 to 9.4% in 2010.

Administrative Expenses

Administrative expenses increased by RMB990.9 million, or 89.8%, from RMB1,102.9 million for the in 2009 to RMB2,093.8 million in 2010. This increase was primarily due to an increase in salary and benefits and research and development expenses as a result of our expanding operation.

Share of Results of Associates

Share of profits of associates increased by approximately RMB10.5 million, or 159.1%, from RMB6.6 million in 2009 to RMB17.1 million in 2010. The increase was primarily due to the increase in the number of our associates from 11 in 2009 to 13 in 2010.

Share of Results of A Jointly Controlled Entity

Share of results of a jointly controlled entity was a loss of RMB0.5 million in 2009 compared to a loss of RMB0.6 million in 2010. This change was due to a decrease in the operating profit of our jointly controlled entity, Sino-Arabic Sany Leasing (Jordan) Limited.

Finance Costs

Finance costs increased by RMB47.0 million, or 30.0%, from RMB156.5 million in 2009 to RMB203.5 million in 2010. This increase was primarily due to an increase in our bank borrowings. Our weighted average lending rate decreased from 3.35% in 2009 to 2.47% in 2010.

Income Tax Expense

Income tax expense increased by RMB440.1 million, or 131.7%, from RMB334.1 million in 2009 to RMB774.2 million in 2010. This increase was primarily due to the increase in profit before taxation from RMB3,356.5 million in 2009 to RMB6,938.2 million in 2010. In addition, some of our subsidiaries experienced increases in tax rates based on their respective preferential tax treatment schedules. Our effective tax rate increased from 10.0% in 2009 to 11.2% in 2010.

Profit for the Year

As a result of the foregoing, profit for the year increased by RMB3,141.6 million, or 103.9%, from RMB3,022.4 million in 2009 to RMB6,164.0 million in 2010.

Year Ended December 31, 2009 Compared To Year Ended December 31, 2008

Revenue

Our revenue increased by RMB4,732.2 million, or 33.2% from RMB14,243.6 million in 2008 to RMB18,975.8 million in 2009 as a result of our continued efforts to offer new and improved product offerings, diversify our growth strategy and expand our sales and service networks. In addition, the implementation of the RMB4.0 trillion stimulus plan announced by the PRC Government in the fourth quarter of 2008 for large-scale infrastructure projects created new demand in China for construction machinery products in 2009.

Specifically, the increase in our revenue in 2009 was primarily due to an increase in demand for our concrete machinery. Our revenue in 2009 from concrete machinery increased by RMB2,684.1 million, or 39.5%, compared to 2008, and comprised 56.7% of our total revenue increase in 2009. During 2009, we introduced new products such as long boom truck-mounted concrete pumps and bitumen-cement mortar semitrailers. Our comprehensive concrete machinery product offerings have enhanced our total sales for construction machinery, particularly our concrete mixers and concrete batching plants. We also received increased demand for our products from customers in Tier 2 and Tier 3 cities in China in addition to demand from customers in larger Tier 1 cities.

The following table sets forth information regarding our revenue and sales volume of our products and their respective growth rates for the years ended December 31, 2008 and 2009.

	Year Ended December 31,					
Product Category	**2008 Revenue**	**2009 Revenue**	**% change**	**2008 Sales Volume**	**2009 Sales Volume**	**% change**
	RMB	**RMB**				
	(in thousands)			**(units)**		
Concrete machinery . . .	6,790,778	9,474,898	39.5%	5,957	9,163	53.8%
Excavators	1,736,964	2,988,946	72.1%	2,619	5,285	101.8%
Crawler cranes.	1,844,812	1,710,025	(7.3)%	429	281	(34.5)%
Truck cranes	668,364	1,349,568	101.9%	736	1,507	104.8%
Pile driving machinery .	926,936	1,117,100	20.5%	291	370	27.1%
Road machinery	764,734	690,501	(9.7)%	990	740	(25.3)%
Total	12,732,588	17,331,038	36.1%	11,022	17,346	57.4%

Revenue for excavators and truck cranes experienced the highest growth among all six product lines in 2009. Our revenue growth for excavators and truck cranes was 72.1% and 101.9%, respectively, primarily due to the technological improvement of these products and the expansion of our sales and service networks in 2009.

Our revenue in 2009 increased by 36.1% compared to 2008 with an increase in sales volume of 57.4%. The higher growth rate in sales volume compared to revenue growth was primarily due to an increase in sales of lower-priced products such as our mini-excavators and our truck mixers.

Our revenue growth rate in 2009 was affected by a significant decrease in our sales from international sales, as a result of the global financial crisis. We sold a higher proportion of our fully hydraulic motor graders, one of our road machinery products, and crawler cranes to international markets compared to our other products. Our revenue from crawler cranes decreased by 7.3% from the year ended December 31, 2008 to the year ended December 31, 2009.

By Product

Concrete Machinery. Revenue from our concrete machinery increased by RMB2,684.1 million, or 39.5%, from RMB6,790.8 million in 2008 to RMB9,474.9 million in 2009. The increase in revenue was primarily due to changes in certain PRC Government policies pertaining to the concrete machinery industry and our expanded product offerings. Since July 1, 2009, the PRC Government expanded the scope of regulations prohibiting contractors from mixing concrete at construction sites in large and medium cities to apply to all cities across China. As a result, demand for pre-mixed concrete increased rapidly in the second half of 2009, which, in turn, increased demand for concrete machinery. We improved the structure of certain of our truck-mounted concrete pumps to make them more compact in weight and size by reducing the number of axles on the chassis of certain of our products. In addition, we believe enhancements and improvements in product quality and reliability, contributed to an increase in demand for our products, in particular, our concrete batching plants and truck mixers. We also launched a variety of new models in 2009, including truck-mounted concrete pumps that are capable of pumping at higher volumes. We promoted product suites, such as a suite including truck-mounted concrete pumps and concrete batching plants, which contributed to an increase in our sales volume. Moreover, we received a national certification in 2009 for our bitumen-cement mortar semitrailer products, which are used in the construction of high-speed railway projects. We believe the receipt of this certificate contributed to a boost to our revenue in 2009.

Excavators. Revenue from our excavators increased by RMB1,251.9 million, or 72.1%, from RMB1,737.0 million in 2008 to RMB2,988.9 million in 2009. This increase in revenue was primarily due to an increase in market demand for and sales of our improved hydraulic excavators. As a result of our continuous research and development efforts, we introduced new models of medium-sized, energy-saving hydraulic excavators, which are easier to use, more energy-efficient and environmentally-friendly. We also expanded our distribution network by building more distribution outlets from 277 at the end of 2008 to 427 at the end of 2009, allowing us to reach a larger customer base. We also opened 134 new service centers in 2009, from 209 at the end of 2008 to 343 at the end of 2009 to strengthen and expand our service network.

Crawler Cranes. Revenue from our crawler cranes decreased slightly by RMB134.8 million, or 7.3% from RMB1,844.8 million in 2008 to RMB1,710.0 million in 2009. The increase in domestic sales of our crawler cranes in 2009 was primarily due to increased investment in large-scale utility infrastructure projects in China. In response to such demand, we introduced a 280-tonne crawler crane model designed for use specifically in wind power generation and other heavy construction activities. However, the increase in domestic sales of our crawler cranes was offset by a decrease in sales in the overseas markets, primarily due to the lingering effects of the global financial crisis.

Truck Cranes. Revenue from our truck cranes increased by RMB681.2 million, or 101.9%, from RMB668.4 million in 2008 to RMB1,349.6 million in 2009. The increase in revenue was primarily due to our improvements in product quality and performance, particularly for our truck cranes that can lift up to 20 tonnes, 25 tonnes and 50 tonnes. In addition, we expanded our network of sales contractor outlets from 24 at the end of 2008 to 62 at the end of 2009, increased training for our sales contractors and increased our service outlets from 78 at the end of 2008 to 112 at the end of 2009, which allowed us to better address customer needs and contributed to our sales growth.

Pile Driving Machinery. Revenue from our pile driving machinery increased by RMB190.2 million, or 20.5% from RMB 926.9 million in 2008 to RMB 1,117.1 million in 2009. This increase was primarily due to an increase in demand as a result of large-scale infrastructure projects announced by the PRC Government. In particular, we experienced an increased demand for our hydraulic rotary drilling rigs as a result of increased construction activity for high-speed railways projects in China. In addition, we developed and introduced to the market two models of large-scale rotary drilling rigs, with improved drilling ability and better workmanship. In an effort to increase our share of the pile driving machinery market, we also entered into the industrial and civil engineering market in 2009, supplying machinery for commercial and residential projects.

Road Machinery. Revenue from our road machinery decreased by RMB74.2 million, or 9.7%, from RMB764.7 million in 2008 to RMB690.5 million in 2009. This decrease was primarily due to a decrease in overseas demand for our road machinery and, in particular, our motor graders, as a result of the global financial crisis. This decrease was slightly offset by an increase in domestic demand as we experienced an increase in sales of our asphalt pavers in China in response to national highway construction projects announced by the PRC Government.

By Geographical Area

Domestic. Our sales revenue in China increased by RMB6,837.0 million, or 63.4%, from RMB10,779.8 million in 2008 to RMB17,616.8 million in 2009. This increase in revenue from domestic sales was primarily due to our increased market share in the concrete machinery market in China as a result of our increased product competitiveness. In addition, the increased spending on the construction of large-scale infrastructure following the implementation of the RMB4.0 trillion stimulus package the PRC Government announced in 2008 also contributed to an increase in domestic demand for construction machinery.

International. Our sales revenue from the international market decreased by RMB2,104.8 million, or 60.8%, from RMB3,463.8 million in 2008 to RMB1,359.0 million in 2009. The decrease was primarily due to the decrease in international market demand caused by the global financial crisis.

Cost of Sales/Services

Our cost of sales/services increased by RMB2,767.4 million, or 29.2%, from RMB9,464.7 million in 2008 to RMB12,232.1 million in 2009. The increase in our cost of sales/services was primarily due to increased sales of our products during this period, contributing to the increased consumption of raw materials and components. Our cost of sales/services as a percentage of revenue decreased from 66.4% to 64.5% from 2008 to 2009. This was primarily due to a higher proportion of our sales of higher gross profit margin products such as truck-mounted concrete pumps and bitumen-cement mortar semitrailers and effective cost controls.

Concrete Machinery. Our cost of sales for concrete machinery increased by RMB1,287.8 million, or 30.3%, from RMB4,251.1 million in 2008 to RMB5,538.9 million in 2009. As a percentage of revenue, the cost of sales of concrete machinery decreased from 62.6% in 2008 to 58.5% in 2009. The decrease was primarily due to (1) an improved product mix, specifically, an increased proportion in sales of high gross margin truck-mounted concrete pumps with 60m booms, large-capacity, high-margin concrete truck mixers and bitumen-cement mortar semitrailers, (2) an improved production process with better utilization of raw materials, and (3) an increase in the production of lighter weight products, which reduced the cost of components in the manufacturing of our products, such as the chassis.

Excavators. The cost of sales of our excavators increased by RMB885.0 million, or 69.8%, from RMB1,268.0 million in 2008 to RMB2,153.0 million in 2009. The cost of sales of our excavators as a percentage of revenue decreased slightly from 73.0% in 2008 to 72.0% in 2009. The decrease was primarily due to decreased unit costs as we consolidated our sources by establishing partnerships with several of our major suppliers, including our cooperation with Kawasaki of Japan for hydraulic parts in 2009. We also adopted the Sany production system, a lean manufacturing model, in 2008 to reduce inventory levels of both our raw materials and finished products, and the full implementation of the system in 2009 contributed to decreased inventory costs per unit as our production capacity increased.

Crawler Cranes. Cost of sales for our crawler cranes decreased slightly by RMB91.2 million, or 7.5%, from RMB1,213.9 million in 2008 to RMB1,122.7 million in 2009, while the cost of sales as a percentage of revenue decreased slightly from 65.8% to 65.7%.

Truck Cranes. Our cost of sales for truck cranes increased by RMB553.4 million, or 103.2%, from RMB536.0 million in 2008 to RMB1,089.4 million in 2009, primarily due to an increase in sales of our truck cranes from 736 units in 2008 to 1,507 units in 2009, leading to increased consumption of raw materials and spare parts. The cost of sales as a percentage of revenue increased from 80.2% to 80.7%, primarily due to a change in product mix sold.

Pile Driving Machinery. The cost of sales of our pile driving machinery increased by RMB147.3 million, or 37.3%, from RMB394.9 million in 2008 to RMB542.2 million in 2009. The cost of sales of our pile driving machinery as a percentage of revenue increased from 42.6% in 2008 to 48.5% in 2009. The increase was primarily due to a change in the product mix resulting from an increase in demand for lower gross margin models used in engineering and civil construction projects.

Road Machinery. The cost of sales/services of our road machinery decreased by RMB53.3 million, or 9.7%, from RMB549.8 million in 2008 to RMB496.5 million in 2009. The cost of sales/services of our road machinery as a percentage of revenue remained unchanged from 2008 to 2009.

Gross Profit

As a result of the above factors, our gross profit increased by RMB1,964.8 million, or 41.1%, from RMB4,778.9 million in 2008 to RMB6,743.7 million in 2009. Our gross profit margin increased from 33.6% in 2008 to 35.5% in 2009.

Concrete Machinery. The gross profit of our concrete machinery increased by RMB1,396.3 million, or 55.0%, from RMB2,539.7 million in 2008 to RMB3,936.0 million in 2009. The gross profit margin increased from 37.4% in 2008 to 41.5% in 2009.

Excavators. The gross profit of our excavators increased by RMB367.0 million, or 78.3%, from RMB468.9 million in 2008 to RMB835.9 million in 2009. The gross profit margin increased from 27.0% in 2008 to 28.0% in 2009.

Crawler cranes. Gross profit for our crawler cranes decreased by RMB43.5 million, or 6.9%, from RMB630.9 million in 2008 to RMB587.4 million in 2009. The gross profit margin for our crawler cranes increased slightly from 34.2% in 2008 to 34.3% in 2009.

Truck cranes. Gross profit for our truck cranes increased by RMB127.8 million, or 96.5%, from RMB132.4 million in 2008 to RMB260.2 million in 2009. The gross profit margin for our truck cranes decreased from 19.8% in 2008 to 19.3% in 2009.

Pile Driving Machinery. The gross profit of our pile driving machinery increased by RMB42.9 million, or 8.1%, from RMB532.0 million in 2008 to RMB574.9 million in 2009. The gross profit margin decreased from 57.4% in 2008 to 51.5% in 2009.

Road Machinery. The gross profit of our road machinery decreased by RMB21.0 million, or 9.8%, from RMB215.0 million in 2008 to RMB194.0 million in 2009. The gross profit margin remained the same at 28.1%.

Other Income

Other income decreased by RMB59.2 million, or 45.4%, from RMB130.5 million in 2008 to RMB71.3 million in 2009. The decrease was primarily due to a decrease in government subsidies for the year ended December 31, 2009. In addition, our interest income decreased due to a reduction in our average bank deposits.

Other Gains, Losses and Expenses

Other gains, losses and expenses decreased by RMB239.3 million, or 59.4%, from losses of RMB403.0 million recorded in 2008 to losses of RMB163.7 million recorded in 2009. The decrease in losses was mainly attributable to a fair value gain of RMB0.321 million on our held-for-trading financial assets that we recorded in 2009. In comparison, we recorded a loss of RMB298.2 million in 2008 from changes in fair value of our held-for-trading financial assets, of which most of them were disposed of in 2008. This significant fair value loss in 2008 was mainly attributable to the global financial crisis in 2008.

Selling Expenses

Selling expenses increased by RMB518.8 million, or 34.1%, from RMB1,522.8 million in 2008 to RMB2,041.6 million in 2009. The increase was primarily due to the increase in our market penetration, resulting in increases in sales commissions, salaries and benefits for sales staff as well as an increase in marketing expenses.

Selling expenses as a percentage of revenue remained virtually unchanged at 10.7% in 2008 and 10.8% in 2009.

Administrative Expenses

Administrative expenses increased by RMB91.3 million, or 9.0%, from RMB1,011.6 million in 2008 to RMB1,102.9 million in 2009. This increase was primarily due to expenses associated with the increase in our operating scale and increased investment in research and development. In addition, in response to the global financial crisis, our management requested and initiated a salary reduction and implemented effective cost control measures which partially offset the increase in research and development expenses and other costs.

Administrative expenses as a percentage of revenue decreased from 7.1% in 2008 to 5.8% in 2009. The decrease in the percentage of administrative expenses was mainly attributable to the increase in economies of scale and effective cost controls.

Share of Results of Associates

The share of profits of associates increased by RMB5.0 million, or 312.5%, from RMB1.6 million in 2008 to RMB6.6 million in 2009. This increase was primarily due to the growth in results for certain of our associates, namely, The Third Urban Construction Development Co., Ltd., Beijing Sany Construction Machinery Limited and Hubei Huazhong Sany Machinery and Equipment Co., Ltd. from 2008 to 2009.

Share of Results of A Jointly Controlled Entity

The share of results of a jointly controlled entity was a loss of RMB 0.3 million in 2008 compared to a loss of RMB0.5 million in 2009. The change was due to a decrease in the operating profit of our jointly controlled entity (Sino-Arabic Sany Leasing (Jordan) Limited) as a result of the global financial crisis.

Finance Costs

Finance costs decreased by RMB94.3 million, or 37.6%, from RMB250.8 million in 2008 to RMB156.5 million in 2009. The decrease was primarily due to a decrease in total bank borrowings and a decrease in the weighted average lending rate from 4.79% in 2008 to 3.35% in 2009.

Finance costs as a percentage of revenue decreased from 1.8% in 2008 to 0.8% in 2009.

Income Tax Expense

Income tax expenses increased by RMB232.2 million, or 227.9%, from RMB101.9 million in 2008 to RMB334.1 million in 2009. This increase was primarily due to an increase in our profits before tax by 94.9% year-on-year as well as adjustments in the applicable tax rates for certain of our subsidiaries, such as Sany Heavy Machinery, Hunan Sany Road Machinery, Hunan Zhongcheng, Beijing Sany Heavy Machinery and Kunshan Sany Machinery. Therefore, our effective tax rate increased from 5.9% in 2008 to 10.0% in 2009.

Profit for the Year

As a result of the foregoing, profit for the year increased by RMB1,401.8 million, or 86.5%, from RMB1,620.6 million in 2008 to RMB3,022.4 million in 2009.

LIQUIDITY AND CAPITAL RESOURCES

For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we financed our operations primarily through cash from our operating activities and bank borrowings. For our current level of borrowing, see the discussion below on our existing bank borrowings under "— Indebtedness." There are no seasonal fluctuations in our borrowing demand. We expect that our capital expenditures for the years 2011 and 2012 will primarily be used for the construction of new manufacturing facilities and production lines in China and overseas, as well as improvements to our existing manufacturing facilities and production lines and research and development capabilities and the establishment of new "6S" centers and overseas training centers.

Working Capital

The following table sets forth the liquidity and capital resources as of the dates indicated.

	As of December 31,			As of March 31, 2011
	2008	2009	2010	
	RMB	RMB	RMB	RMB
		(in thousands)		
Current assets				
Inventory	3,917,771	3,992,918	5,687,266	7,266,528
Trade and bill receivables	3,394,108	4,269,489	6,164,245	12,472,509
Other receivables, deposits and prepayments	829,634	899,081	1,847,274	1,999,380
Amounts due from related parties	1,045,766	984,688	714,437	1,544,876
Prepaid lease payment	13,021	15,639	36,984	36,995
Held-for-trading financial assets	3,758	2,490	2,387	2,387
Derivative financial assets	10,685	195	50,749	42,446
Restricted bank deposits	202,190	399,066	1,097,242	1,327,043
Bank balance and cash	3,066,089	3,840,688	4,873,153	8,624,190
Total current assets	12,483,022	14,404,254	20,473,737	33,316,354
Current liabilities				
Trade and other payables	3,120,391	5,041,564	9,902,972	12,311,382
Amounts due to related parties	2,160,978	2,085,530	987,851	693,987
Provisions	21,312	38,242	87,172	91,476
Bank borrowings — due within one year	2,164,109	2,159,986	6,026,780	12,372,758
Income tax payable	191,750	323,261	613,174	1,005,194
Deferred income — current portion	3,085	—	3,059	2,781
Derivative financial liabilities	56,356	—	207	1,523
Obligations under finance lease	—	—	—	63,615
Total current liabilities	7,717,981	9,648,583	17,621,215	26,542,716
Net current assets	4,765,041	4,755,671	2,852,522	6,773,638

As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had total current assets of RMB12,483.0 million, RMB14,404.3 million, RMB20,473.7 million and RMB33,316.4 million. As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had total current liabilities of RMB7,718.0 million, RMB9,648.6 million, RMB17,621.2 million and RMB26,542.7 million.

The increase in our total current assets from 2008 to 2009 was primarily due to an increase in trade and bill receivables of RMB875.4 million, and bank balance and cash of RMB774.6 million primarily due to increase in sales.

The increase in our total current liabilities from 2008 to 2009 was primarily due to an increase in trade and other payables. Trade and other payables increased by RMB1,921.2 million in 2009 as compared to 2008, as purchases increased in line with the increase in our production scale and sales volume.

The increase in our current assets from 2009 to 2010 was primarily due to the increase in trade and bill receivables, inventory, restricted bank deposits and other receivables, deposits and prepayments as a result of the increase in our sales revenue. The increase in restricted bank deposits was primarily due to an increase in the amount of guarantees for which we entered into agreements with banks for the equipment mortgage loans of our customers as growth in our sales volume led to an overall increase in these types of loans held by our end-user customers. The increase in other receivables, deposits and prepayments was largely due to an increase in advances to suppliers as a result of our increased operations.

The increase in our current liabilities from 2009 to 2010 was primarily due to an increase in trade and other payables, as a result of our increased production scale. Our bank borrowings - due within one year also increased during 2010, as we obtained foreign currency denominated bank borrowings in 2010 to take advantage of the favorable RMB exchange rate to make payments for certain imported components.

The increase in our current assets from December 31, 2010 to March 31, 2011 was primarily due to the increase in trade and bill receivables, inventory and bank balances and cash. The increase in trade and bills receivables and inventory was primarily due to an increase in our sales revenue and production scale. The increase in bank balances and cash was largely due to an increase in our financing activities.

The increase in our current liabilities from December 31, 2010 to March 31, 2011, was primarily due to an increase in our bank borrowings - due within one year and trade and other payables. Our bank borrowings - due within one year increased primarily due to our increased working capital needs resulting from our growth in production scale. Trade and other payables increased due to the growth of our production scale.

Taking into account internally generated funds, bank borrowings and the estimated net proceeds available to us from the [●], our Directors are of the opinion that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this [●].

Sources and Uses of Cash

As of December 31, 2008, 2009 and 2010 and March 31, 2011, we had cash and cash equivalents of RMB3,066.1 million, RMB3,840.7 million, RMB4,873.2 million and RMB8,624.2 million, respectively.

The following table sets forth cash flows data for the periods indicated:

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
	RMB	RMB	RMB	RMB (Unaudited)	RMB
			(in thousands)		
Cash flows data:					
Net cash generated from (used in) operating activities	558,574	4,717,022	6,749,124	(871,159)	(3,193,742)
Net cash used in investing activities	(1,310,199)	(2,164,504)	(4,155,243)	(944,087)	(1,656,225)
Net cash generated from (used in) financing activities	1,298,682	(1,778,472)	(1,551,150)	1,197,611	8,622,717
Net increase (decrease) in cash and cash equivalents	547,057	774,046	1,042,731	(617,635)	3,772,750
Cash and cash equivalents at the beginning of the year/period	2,531,157	3,066,089	3,840,688	3,840,688	4,873,153
Effect of foreign exchange rate changes	(12,125)	553	(10,266)	4,818	(21,713)
Cash and cash equivalents at the end of the year/period represented by bank balance and cash	3,066,089	3,840,688	4,873,153	3,227,871	8,624,190

Net Cash Inflow/Outflow From Operating Activities

For the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, our cash inflow from operating activities mainly came from our receipt of product sales payments. Our cash outflow from operating activities was mainly used for purchasing steel products, parts and components and other raw materials and paying staff salaries, tax expenses, research and development expenses, administrative expenses and marketing and distribution expenses of products.

For the three months ended March 31, 2011, net cash flow used in our operating activities was RMB3,193.7 million, primarily due to profit before taxation of RMB3,652.4 million (after adjustments for income statement items with non-cash effect of RMB360.6 million) and an outflow of RMB6,686.1 million for working capital adjustments. Our general working capital adjustments included:

- an increase in trade and bill receivables of RMB6,494.2 million, primarily due to an increase in sales volume;
- an increase in trade and other payables of RMB2,363.9 million, primarily due to an increase in our production scale, resulting in a corresponding increase in the purchases of materials; and
- an increase in inventories of RMB1,483.6 million, primarily due to an increase in the scale of our operations.

For the three months ended March 31, 2010, net cash flow used in our operating activities was RMB871.2 million, primarily due to profit before taxation of RMB1,758.5 million (after adjustments for income statement items with non-cash effect of RMB338.6 million) and an outflow of RMB2,402.6 million for working capital adjustments. Our general working capital adjustments included:

- an increase in trade and bill receivables of RMB4,008.6 million, primarily due to an increase in sales revenue; and
- an increase in trade and other payables of RMB2,830.9 million, primarily due to an increase in our production scale, resulting in a corresponding increase in the purchases of materials.

In 2010, net cash flow generated from our operating activities was RMB6,749.1 million, primarily due to profit before taxation of RMB7,813.0 million (after adjustments for income statement items with non-cash effect of RMB874.8 million) and an outflow of RMB1,063.9 million for working capital adjustments. Our general working capital adjustments included:

- an increase in trade and other payables of RMB4,551.6 million, primarily due to an increase in our production scale, resulting in a corresponding increase in the purchases of materials;
- an increase in trade and bill receivables of RMB2,108.9 million, primarily due to an increase in sales revenue; and
- an increase in inventories of RMB1,741.8 million, primarily due to the growth in the scale of our operations.

In 2009, net cash flow generated from our operating activities was RMB4,717.0 million, primarily due to profit before taxation of RMB4,012.9 million (after adjustments for income statement items with non-cash effect of RMB656.4 million) and the inflow of RMB704.1 million for working capital adjustments. Our general working capital adjustments included:

- an increase in trade and other payables of RMB1,711.5 million, primarily due to increase in production scale which led to increased procurement of raw materials and key components;
- an increase in trade and bill receivables of RMB981.9 million, primarily due to business expansion and revenue growth; and
- an increase in inventories of RMB92.4 million, primarily due to business expansion and revenue growth.

In 2008, net cash inflow generated from our operating activities was RMB558.6 million, primarily due to profit before taxation of RMB2,591.3 million (after adjustments for income statement items with non-cash effect of RMB868.8 million) and the outflow of RMB2,032.7 million for working capital adjustments. Our general working capital adjustments included:

- an increase in inventories of RMB1,156.7 million, primarily due to substantial growth in sales revenue and the corresponding increase in inventory reserves; and
- an increase in trade and bills receivables of RMB1,113.8 million, primarily due to business expansion and revenue growth.

Net Cash Inflow/Outflow From Investing Activities

For the three months ended March 31, 2011, net cash outflow from our investing activities was RMB1,656.2 million, primarily due to RMB1,272.0 million paid for the acquisition or construction of property, plant and equipment, a deposit paid for acquisition of property, plant and equipment of RMB138.0 million and an increase in restricted bank deposits of RMB229.8 million. Cash outflow used for the acquisition or construction of property, plant and equipment was primarily related to construction of our manufacturing facilities and procurement of equipment. The deposit paid for acquisition of property, plant and equipment was primarily related to prepayments for purchasing equipment to be used to expand production capacity at the Kunshan Industrial Park, Ningxiang Industrial Park and Changsha Industrial Park. The increase in restricted bank deposits was primarily due to an increase in equipment mortgage loans used by our customers as a payment method, and the related increase in security deposits we paid as guarantees under these equipment mortgage loan agreements.

For the three months ended March 31, 2010, net cash outflow from our investing activities was RMB944.1 million, primarily due to RMB580.2 million paid for the acquisition or construction of property, plant and equipment, a payment for land use rights of RMB193.0 million and a deposit paid for acquisition of property, plant and equipment of RMB161.6 million. Cash outflow used for the acquisition or construction of property, plant and equipment was primarily related to construction of our manufacturing facilities and procurement of equipment. We made land use rights payments primarily for the land used in the development of our manufacturing facilities in China. The deposit paid for acquisition of property, plant and equipment was primarily related to prepayments for purchasing equipment to be used to expand production capacity at the Kunshan Industrial Park and Ningxiang Industrial Park.

In 2010, net cash outflow from our investing activities was RMB4,155.2 million, primarily due to RMB3,282.5 million paid for the acquisition or construction of property, plant and equipment, a deposit paid for acquisition of property, plant and equipment of RMB653.5 million, an increase in restricted bank deposits of RMB698.2 million and repayments from related parties of RMB550.1 million. Cash outflow used for the acquisition or construction of property, plant and equipment was primarily related to construction of our manufacturing facilities and procurement of equipment. The deposit paid for acquisition of property, plant and equipment was primarily related to prepayments for purchasing equipment to be used to expand production capacity at the Kunshan Industrial Park and Ningxiang Industrial Park. The increase in restricted bank deposits was primarily due to an increase in the sales volume, which led to an increase in equipment mortgage loans, and a related increase in security deposits we paid as guarantees under these equipment mortgage loan agreements. The decrease in amounts due from related parties was related to an amount payable from Sany Group to Hunan Automobile Manufacturing, which we acquired in 2010. Sany Group paid the amount to us, thereby reducing the amount due from related parties.

In 2009, net cash outflow from our investing activities was RMB2,164.5 million, mainly reflecting RMB1,670.7 million paid for the acquisition and construction of property, plant and equipment, increased restricted bank deposits in cash of RMB196.9 million, and RMB170.6 million in cash for prepaid lease payments related to land use rights. Cash outflow used for the acquisition or construction of property, plant and equipment was primarily related to construction of our manufacturing facilities and procurement of equipment. The increase in restricted bank deposits in cash was related to increased mortgage sales, bills payable and letters of credit. Cash outflows for prepaid lease payments paid for the land use rights was primarily related to acquisition of land use rights.

In 2008, net cash outflow from our investing activities was RMB1,310.2 million, mainly reflecting RMB1,462.4 million paid for the acquisition or construction of property, plant and equipment; decreased restricted bank deposits in cash of RMB345.9 million, and RMB182.1 million in cash for prepaid lease payments related to land use rights. Cash outflow used for the acquisition or construction of property, plant and equipment was primarily related to construction of our manufacturing facilities and procurement of equipment. Decrease in restricted bank deposits in cash was related to decreased mortgage sales, bills payable and letters of credit. Cash outflows for prepaid lease payments paid for the land use rights was primarily related to acquisition of land use rights.

Net Cash Inflow/Outflow Generated From Financing Activities

For the three months ended March 31, 2011, net cash inflow generated from our financing activities was RMB8,622.7 million, primarily due to new bank loans of RMB10,965.4 million, which was partially offset by the repayment of bank loans of RMB1,958.8 million, dividends paid out to equity owners of the Company of RMB219.3 million and repayment to related parties of RMB72.3 million. Cash inflow from new bank loans was primarily for the expansion of our business operations, including the procurement of raw materials and parts for our manufacturing requirements, for the three months ended March 31, 2011. Our repayment to related parties was in relation to amounts paid to Sany Group for payables incurred by Sany Automobile Manufacturing, which we acquired in 2010.

For the three months ended March 31, 2010, net cash inflow generated from our financing activities was RMB1,197.6 million, primarily due to new bank loans of RMB2,171.8 million, which was partially offset by the repayment of bank loans of RMB593.8 million and repayment to related parties of RMB325.1 million. Cash inflow from new bank loans was primarily for the expansion of our business operations in the three months ended March 31, 2010. Our repayment to related parties was in relation to amounts paid to Sany Group for payables incurred by Sany Automobile Manufacturing and Sany Heavy Machinery, both of which we acquired in 2010.

In 2010, net cash outflow used in our financing activities was RMB1,551.2 million, primarily due to the repayment of bank loans of RMB3,451.5 million, a distribution to the shareholder upon restructuring of RMB2,280.2 million and repayment to related parties of RMB1,554.6 million which was partially offset by new bank loans raised of RMB6,874.5 million. Cash inflow from new bank loans was primarily for the expansion of our business operations in 2010. The distribution to the shareholder upon restructuring represents cash consideration paid for interest in the carrying amounts of assets, liabilities and contingent liabilities of the subsidiaries, Sany Automobile Machinery and Hunan Automobile Manufacturing, acquired from Sany Group with common controlling shareholders being considered as deemed distribution of reserves to Sany Group upon the group reorganization.

In 2009, net cash outflow used in our financing activities was RMB1,778.5 million, primarily including repayment of bank loans of RMB4,378.2 million, which was partially offset by new bank loans of RMB3,372.2 million.

In 2008, net cash inflow generated from our financing activities was RMB1,298.7 million, primarily including new bank loans of RMB4,288.5 million, which was partially offset by repayment of bank loans of RMB2,990.6 million.

MANAGEMENT OF CASH FLOWS AND CAPITAL COMMITMENTS

We seek to effectively manage our cash flow and capital commitments. Our objective in capital management is to ensure the maintenance of healthy capital ratios to support our business and to maximize shareholder value. Our management monitors our capital commitments and makes adjustments for changes in economic conditions. We mainly use gearing ratio, which represents total bank and other borrowings divided by total assets, to monitor our capital. Our gearing ratios are set forth below for the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands, except in percentages)			
Bank borrowings	4,825,673	3,819,670	7,239,013	16,208,804
Debenture	485,749	487,097	488,561	488,928
Total bank and other borrowings	5,311,422	4,306,767	7,727,574	16,697,732
Total assets	17,941,609	21,647,688	31,340,764	45,713,307
Gearing ratio	29.6%	19.9%	24.7%	36.5%

Capital Commitments

We have entered into several contracts to construct property, plant and equipment. The following table sets forth the total amount of our capital commitments as at the balance sheet dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands)			
Contracted but not provided for[(1)]:				
Property, plant and equipment	597,637	476,225	948,775	1,399,232
Not contracted but authorized capital expenditure	903,332	906,494	1,919,059	2,010,448

(1) Contracts were signed but the contracted items have not been delivered as at each balance sheet date.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated (on an accrual basis).

	Year Ended December 31,			Three Months Ended March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands)			
Buildings	26,192	8,117	214,277	116,736
Freehold land	69,485	—	19,164	96,204
Plant and equipment	251,189	177,940	514,092	129,670
Motor vehicles	52,659	56,193	87,194	10,499
Machinery and equipment held for operating leasing	137,242	305,931	215,598	51,930
Office and other equipment	155,354	104,365	122,870	32,869
Construction in progress	1,196,968	1,245,983	2,279,052	954,387
Total	1,889,089	1,898,529	3,452,247	1,392,295

Our capital expenditures for the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, (on an accrual basis) were RMB1,889.1 million, RMB1,898.5 million, RMB3,452.2 million and RMB1,392.3 million, respectively.

For the three months ended March 31, 2011, our capital expenditures were primarily used for the purchase of equipment and the expansion of Kunshan Industrial Park, Ningxiang Industrial Park and Changsha Industrial Park to increase the production capacity of excavators, truck cranes and concrete machinery, respectively, and the construction of "6S" service centers. In 2010, our capital expenditures were primarily used for the purchase of equipment and the expansion of Kunshan Industrial Park and Ningxiang Industrial Park to increase the production capacity of excavators and truck cranes, respectively, as well as the construction of our planned manufacturing facilities in Georgia (U.S.) for the production of crawler cranes, off-road cranes, fully hydraulic motor graders and hydraulic excavators and the construction of "6S" service centers. In 2009, our capital expenditures were primarily used for projects in progress and lease of machinery and equipment held for operations as well as the purchase of equipment and expansion of our manufacturing and other facilities, including the Ningxiang Industrial Park to expand our production capacity for truck cranes, "6S" service centers for marketing services and the Plant No. 18 in Changsha Industrial Park to increase our production capacity for truck-mounted concrete pumps. For 2008, our capital expenditures were primarily used for projects in progress, the purchase of new equipment and expansion of manufacturing facilities, including the Chakan Industrial Park (India) to expand production capacity for excavators and to produce construction machinery to meet the demand of the local market in India.

We expect our capital expenditures for the years ending December 31, 2011 and 2012 will be approximately RMB9,024.0 million and RMB6,443.0 million, respectively. We anticipate that approximately RMB9,263.0 million of our estimated future capital expenditures for 2011 and 2012 will be used to improve and expand current manufacturing facilities and build new manufacturing facilities to increase production capacity for our machinery products in China and overseas. We also expect to use approximately RMB1,254.2 million on increasing manufacturing capacity for our in-house production of parts and components. In addition, we intend to use approximately RMB2,711.3 million for the construction of our research and development platform and to build overseas training centers, and RMB1,798.2 million for the establishment of additional "6S" centers in China and overseas. We expect our capital expenditures to be financed by the net proceeds from the [●], the cash flow from operating activities and bank borrowings. We may also from time to time offer debt and equity securities to finance our capital expenditures and the expansion of our global service networks, including establishing storage logistics centers, component service centers, training service centers and maintenance service centers.

Our plan with respect to future capital expenditures is subject to change based on the evolution of our business plan, including potential acquisitions, the progress of our capital projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures. In addition, our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, financial condition and cash flows, economic, political and other conditions in China and Hong Kong, and the PRC Government's policies relating to foreign currency borrowings.

Contingent Liabilities

Our contingent liabilities primarily consist of our obligations relating to the following: (1) equipment mortgage loan agreements, (2) finance lease arrangements, and (3) endorsed bills receivable.

Equipment Mortgage Loan Agreements

We enter into sales agreements directly with end-user customers in relation to sales of construction machinery. End-user customers may choose to enter into mortgage loan agreements with banks to secure financing for construction machinery purchases using construction machinery as collateral. Under the equipment mortgage loan arrangements, the bank will typically request two guarantees: an initial guarantee from a third party guarantor, and a secondary guarantee from the construction machinery manufacturer. As a result, we enter into an agreement with the bank, under which we provide a guarantee to repay the outstanding balance of the loan in the event of default by the end-user customer. Our obligation to repurchase the outstanding balance of the loan arises only if the initial guarantor does not fulfill its obligation to pay the guarantee and after the expiration of a "grace period" following the customer default. See "Business — Payment Methods and Credit Terms — Equipment Mortgage Loan Agreements — Guarantee Arrangements."

We engage credit rating agencies to assess customers' credit ratings, and we enter into such sales agreements only with creditworthy customers. Our Directors have determined that the fair value of our financial guarantees were insignificant at their initial recognition, and that the possibility of default by most of the end-user customers is remote.

However, to manage our risks relating to the equipment mortgage loan guarantees, we make a general provision for the outstanding guaranteed loan amounts as well as an allowance for bad debts from the accounts receivable arising from these arrangements. We generally make provisions of 0.5%

of the outstanding guaranteed equipment mortgage loan amounts. Certain information regarding the guarantees we made under the equipment mortgage loan agreements during the Track Record Period is set forth below.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in millions)			
Equipment mortgage loan amounts for which guarantees were provided	4,262.3	7,624.3	17,434.3	18,295.1
Provisions made with respect to guaranteed equipment mortgage loan amounts	21.3	38.2	87.2	91.5

During the Track Record Period, our payments to banks, including mortgage installment payments and the repurchase of loans, when customers defaulted on their bank payments, was RMB192.8 million, RMB191.6 million, RMB138.3 million and RMB77.3 million in 2008, 2009 and 2010 and for the three months ended March 31, 2011, respectively, which accounted for 7.5%, 4.5%, 1.8% and 1.6% (annualized) of the total amounts for which we provided guarantees as of the end of the corresponding preceding year, namely, December 31, 2007, 2008, 2009 and 2010, respectively.

We also set aside allowances for bad debts arising from customers failing to make payments to us after we have made payments to banks on behalf of these customers. These allowances are based on an aging analysis consistent with the analysis performed on our other accounts receivable. Details regarding our accounts receivable relating to the equipment mortgage loan agreements are set forth below.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in millions)			
Accounts receivable relating to equipment mortgage loans	382.7	574.3	712.6	789.9
Allowances with respect to accounts receivable relating to equipment mortgage loans	74.7	117.0	157.6	177.7

During the Track Record Period, the actual bad debt loss of the account receivables arising from customers who defaulted was RMB2.5 million, RMB3.1 million and RMB3.0 million in 2008, 2009 and 2010, representing 0.7%, 0.5% and 0.4%, respectively, of the year-end accounts receivable balance for customers in default. During the three months ended March 31, 2011, we did not record any bad debt loss for these account receivables.

We are also able to resell the construction machinery under certain conditions. Specifically, we may repossess and subsequently resell the machinery if the end-user customer is unable to make payments to the bank or to us after we have repaid the loan to the bank on their behalf. Generally, the difference between the amount we pay to the bank for a customer in default and the resale price of the repossessed machinery is no greater than five percent. During the Track Record Period, the price difference between our repayment of equipment mortgage loans and the resale price was nil, a gain of RMB0.2 million, a loss of RMB0.1 million and nil in 2008, 2009 and 2010 and the three months ended March 31, 2011, respectively. See "Business — Payment Methods and Credit Terms — Equipment Mortgage Loan Agreements — Recoverability."

As of the Latest Practicable Date, we provided guarantees for an aggregate outstanding equipment mortgage loan amounts of RMB[●] million and we made provisions with respect of these contingent liabilities of RMB[●] million. We paid RMB[●] million to banking institutions for equipment mortgage loans and our allowance for bad debt was RMB[●] as of the Latest Practicable Date. For additional information on the equipment mortgage loan agreements, see "Business — Payment Methods and Credit Terms — Equipment Mortgage Loan Agreements."

Finance Lease Arrangements

During the Track Record Period, we sold construction machinery to Kangfu Leasing, a member of Sany Group and a provider of finance lease services. Kangfu Leasing then entered into finance lease arrangements with end-user customers who purchase construction machinery through finance leases. Subsequently, Kangfu Leasing could choose to sell these lease receivables to independent third party banks. Upon such an event, we entered into four-party contracts with Kangfu Leasing, Sany Group and such banks, under which (1) after Kangfu Leasing sold the lease receivables to a bank, Kangfu Leasing was obligated to buy back the outstanding lease receivable from the bank if the end-user customers defaulted on their payments to the banks; (2) Sany Group provided a financial guarantee to the bank on all lease receivables sold to the bank under the agreement; and (3) if Kangfu Leasing was unable to honor its obligation to buy back such receivables upon default by the customer and Sany Group could not provide the relevant financial guarantee, we had the obligation to buy back the finance lease receivables and subsequently repossess the machinery from the customer. We would also be liable for related costs and expenses.

We intend to discontinue our involvement in this type of finance lease arrangement with Kangfu Leasing with respect to new purchases by end-user customers prior to [●]. However, our obligations with respect to existing customers under any four-party contracts with Kangfu Leasing will not be affected. To increase the independent nature of these finance lease arrangements, we have started to collaborate, since the first quarter of 2011, with independent finance lease companies that offer finance lease services to our end-user customers. See "Business — Payment Methods and Credit Terms — Finance Lease Arrangements."

During the Track Record Period, our outstanding guarantees to buy back the unsettled lease receivables under all buy-back arrangements as of December 31, 2008, 2009 and 2010 and March 31, 2011, amounted to RMB790.2 million, RMB2,119.9 million, RMB3,642.2 million and RMB3,905.2 million, respectively. Although the majority of these outstanding guarantees during the Track Record Period were made under the four-party contracts with Kangfu Leasing, the guarantees we made as of March 31, 2011 also included guarantees made under finance lease arrangements with independent finance lease companies, which started in the first quarter of 2011.

We did not make provisions for our obligations relating to these four-party contracts during the Track Record Period. Our Directors considered the likelihood of our being obligated to buy back the finance lease receivables to be remote. Our accounts receivable during the Track Record Period consisted solely of sales revenue delayed in transfer from the finance lease companies to us and did not include amounts owed to us by end-user customers. In addition, we generally perform a strict credit assessment of our customers in determining the appropriate payment method options in negotiating a sale of machinery with our customers. Moreover, we are not the initial guarantors under these arrangements.

During the Track Record Period, there were no instances in which our end-user customers were in default under the finance lease arrangements and for which our obligations to repay their finance lease receivables were triggered. As a result, we did not have accounts receivable arising from customer default under the finance lease arrangements. However, for the year ended December 31, 2009, we initiated a repayment of finance lease receivables on behalf of one end-user customer under special circumstances. Although the end-user customer had defaulted on lease receivable payments, our obligation to repay the finance lease receivables had not yet been triggered. We elected to voluntarily repay the finance lease receivables of approximately RMB1.5 million in 2009 and repossess the machinery in order to resell the machinery to fulfill the urgent purchase order of a new customer. We resold the machinery for a profit of RMB0.08 million in that particular transaction.

As of the Latest Practicable Date, the amount of finance lease receivable that we guaranteed under the buy-back arrangements was RMB[●] million. For additional information on the finance lease arrangements, see "Business — Payment Methods and Credit Terms — Finance Lease Arrangements."

Endorsed Bills Receivable

We have endorsed bills receivable for the settlement of trade and other payables. In the event that endorsed bills receivable are dishonored, we are subject to payment obligations. As these endorsed bills receivable have been guaranteed by banks within China, the Directors consider the possibility of default in payment of the endorsed bills receivables to be low. Therefore, as of December 31, 2008, 2009 and 2010 and March 31, 2011, we did not make provisions relating to the endorsed bills receivable. As of December 31, 2008, 2009 and 2010 and March 31, 2011, the endorsed bills receivable amounted to RMB846.6 million, RMB886.0 million, RMB1,730.6 million and RMB2,871.7 million, respectively.

Operating Lease Arrangements

We lease certain plants, dormitories and warehouses under operating lease arrangements. The following table sets forth our minimum lease payments under non-cancellable operating leases as of the dates indicated.

	As of December 31,			As of March 31,
	2008	**2009**	**2010**	**2011**
	RMB	**RMB**	**RMB**	**RMB**
		(in thousands)		
Within one year	22,192	28,893	32,736	21,103
In the second to fifth years, inclusive	11,971	18,228	32,878	13,565
After five years	1,074	680	460	1,027
Total	35,237	47,801	66,074	35,695

Obligations Under Finance Leases

As a result of our acquisition of Kunshan Synnium in February 2011, we acquired certain obligations under finance leases for manufacturing equipment used in the maintenance and recycling of parts for excavators. The average lease term under the these finance leases is two and a half years. The interest rate underlying all of the obligations under these finance leases is fixed at respective contract dates at 7.32% per annum. We have the option to purchase the equipment for a nominal amount at the end of the lease terms. For additional information regarding the acquisition of Kunshan Synnium, see "— Recent Developments — Acquisition of Kunshan Synnium Machinery Company."

We have not entered into arrangements for contingent rental payments.

	Minimum lease payments	Present value of minimum
	March 31, 2011	March 31, 2011
	RMB	RMB
	(in thousands)	
Amounts payable under finance leases:		
Within one year	69,934	63,615
In more than one year and not more than five years	55,578	51,271
In more than five years	—	—
	125,512	114,886
Less: future finance charges	(10,626)	n/a
Present value of lease obligations	114,886	114,886
Less: Amount due for settlement within 12 months (shown under current liabilities)		63,615
Amount due for settlement after 12 months		51,271

Foreign Exchange Forward Contracts

We purchase foreign exchange forward contracts to hedge against risks relating to foreign exchange exposure. As of December 31, 2008, 2009 and 2010 and March 31, 2011, the amounts recognized for foreign exchange forward contracts in our consolidated income statements amounted to a loss of RMB76.8 million, gain of RMB45.2 million, gain of RMB50.3 million and a loss of RMB9.6 million, respectively.

As of December 31, 2008, 2009 and 2010 and March 31, 2011, the fair value of financial assets with respect of our foreign exchange forward contracts amounted to RMB10.7 million, RMB0.2 million, RMB50.7 million and RMB42.4 million, respectively, and the fair value of financial liabilities with respect of our foreign exchange forward contracts amounted to RMB56.4 million, nil, RMB0.2 million and RMB1.5 million, respectively.

As of the Latest Practicable Date, the maturity date of our foreign exchange forward contracts was [●] and the maximum loss which may arise as a result of unfavorable exchange rate movements was [●].

INDEBTEDNESS

The following table sets forth our total bank and other borrowings as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands)			
Bank borrowings:				
Secured	2,856,180	3,211,063	2,856,520	7,736,753
Unsecured	1,969,493	608,607	4,382,493	8,472,051
	4,825,673	3,819,670	7,239,013	16,208,804
Unsecured debenture	485,749	487,097	488,561	488,928
	5,311,422	4,306,767	7,727,574	16,697,732
Bank borrowings repayable:				
Within 1 year	2,164,109	2,159,986	6,026,780	12,372,758
In second year	2,319,834	539,428	1,106,270	2,115,647
Over 2 years but less than 5 years	341,730	1,120,256	105,963	1,720,399
	4,825,673	3,819,670	7,239,013	16,208,804
Unsecured debenture repayable over 5 years	485,749	487,097	488,561	488,928
	5,311,422	4,306,767	7,727,574	16,697,732

Our bank and other borrowings decreased from RMB5,311.4 million as of December 31, 2008 to RMB4,306.8 million as of December 31, 2009 primarily due to the repayment of RMB4,378.2 million of bank borrowings repayable within one year, while long term loans increased by RMB3,372.2 million. Our bank and other borrowings increased from RMB4,306.8 million as of December 31, 2009 to RMB7,727.6 million as of December 31, 2010 primarily due to an increase in foreign currency bank loans that we obtained to take advantage of the favorable RMB exchange rate to make payments for our overseas purchases. We also obtained additional bank loans to make advance inventory purchases of strategic materials, such as imported parts and steel, in anticipation of our forecast demand for the peak season during 2011. Our peak season generally falls between March to June of each year. Our bank and other borrowings increased from RMB7,727.6 million as of December 31, 2010 to RMB16,697.7 million as of March 31, 2011, primarily due to our increased working capital needs in preparation for the production peak periods.

STATEMENT OF INDEBTEDNESS

As of the Latest Practicable Date, our bills payable amounted to RMB[●], amounts due to related parties in non-trade nature were RMB[●], bank borrowings were RMB[●] (of which the bank borrowings of RMB [●] were secured and bank borrowings of RMB [●] were unsecured), unsecured debenture was RMB[●], remaining guarantees provided for banks in respect of customers' bank borrowings were RMB[●] and remaining endorsed but not yet due bank acceptance bill, for the purpose of making payment to suppliers, were RMB[●].

As of [date], assets secured for bank loans or other banking facilities comprises building balance amounted to RMB[●], land use rights balance amounted to RMB[●], bank deposits balance amounted to RMB[●] and bank acceptance bill receivables amounted to RMB[●].

In addition, certain amounts of credit facilities were secured by guarantees provided by Sany Group or its related parties and these guarantees will be released after our [●].

Except as disclosed above, as of [date], being the latest practicable date for publishing this [●], we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, finance leases, hire purchase commitments or other material contingent liabilities.

Our Directors have confirmed that there has not been any material change in our indebtedness and contingent liabilities since [date].

CONTRACTUAL OBLIGATIONS

As of March 31, 2011, our contractual obligations amounted to approximately RMB55,301.6 million, primarily arising from trade and other payables, bank borrowings, debentures, amounts due to related parties, financial guarantee contracts, operating lease arrangements, capital commitments for property, plant and equipment and obligations under finance leases. The following table sets forth our contractual obligations as of March 31, 2011:

	Payment Due by Period			
	Total	Less than 1 year	1 to 5 years	Over 5 years
	RMB	RMB	RMB	RMB
	(in thousands)			
Trade and other payables	10,480,471	10,480,471	—	—
Bank borrowings	16,841,218	12,754,161	4,087,057	—
Debentures	662,500	26,000	104,000	532,500
Amounts due to related parties	684,849	684,849	—	—
Financial guarantee contracts	25,072,122	25,072,122	—	—
Operating lease arrangements	35,695	21,103	13,565	1,027
Capital commitments for property, plant and equipment	1,399,232	1,399,232	—	—
Obligations under finance leases	125,512	69,934	55,578	—
Total	55,301,599	50,507,872	4,260,200	533,527

ANALYSIS OF CERTAIN BALANCE SHEET ITEMS

Inventory Analysis

The following table sets forth our inventories as of the dates indicated and average inventory turnover days as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands, except for number of days)			
Raw materials	1,596,016	1,531,136	1,687,752	2,646,313
Work in progress	859,525	1,010,221	1,315,147	1,982,130
Finished goods	1,462,230	1,451,561	2,684,367	2,638,085
Total	3,917,771	3,992,918	5,687,266	7,266,528
Average inventory turnover days [(1)]	128.9	118.0	82.4	66.7

(1) Average inventory is derived by adding inventory at the beginning of the year/period plus inventory as at the end of the year/period and dividing the sum by two. Average inventory turnover days for a given year is derived by dividing average inventory by cost of sales and multiplying by 365. Average inventory days for a given period of three months is derived by dividing average inventory by cost of sales and multiplying by 90.

Our average inventory turnover days decreased from 128.9 days in 2008 to 118.0 days in 2009 to 82.4 days as of December 31, 2010, and further to 66.7 days as of March 31, 2011, primarily due to continued improvements in the management of our production planning and inventory management system. We also continued to improve production processes to increase the turnover rate of work in progress.

Analysis of Trade and Bills Receivables

We record trade and bills receivables upon the recognition of revenue from sales of our machinery. We generally recognize revenue upon the delivery of the customer machinery and obtaining the signature of the customer acknowledging receipt, regardless of the payment method selected by the customer. For details regarding revenue recognition under each of our four payment methods, see "Business — Payment Methods and Credit Terms — Revenue Recognition." For general information regarding each of the four payment methods including credit terms, see "Business — Payment Methods and Credit Terms."

The following table sets forth the total amounts of our trade and bills receivables as of the dates indicated and our average trade and bills receivables turnover days as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands, except number of days)			
Trade receivables, net of allowance	3,201,419	4,009,684	5,129,513	11,696,882
Bills receivables	192,689	259,805	1,034,732	775,627
Subtotal	3,394,108	4,269,489	6,164,245	12,472,509
Trade receivables from related parties	234,989	438,761	676,838	1,500,458
Total	3,629,097	4,708,250	6,841,083	13,972,967
Average trade and bills receivables turnover days[(1)]	78.4	80.2	62.1	67.0

(1) Average trade and bills receivable turnover days are calculated above based on trade receivables including transactions with related parties. Average trade and bills receivables is derived by adding trade and bills receivables (before impairment) at the beginning of the year plus trade and bills receivables (before impairment) at the end of the year and dividing the sum by two. Average trade and bills receivables turnover days for a given year is derived by dividing average trade and bills receivables by revenue and multiplying by 365. Average trade and bills receivables turnover days for a given period of three months is derived by dividing average trade and bills receivables by revenue and multiplying by 90.

The following table sets forth an aging analysis of our total trade and bills receivables, excluding transactions with related parties, analyzed by invoice date as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
		(in thousands)		
Within 90 days	1,411,260	1,649,666	3,143,580	6,826,945
91 to 180 days	317,211	318,938	367,647	654,264
181 to 365 days	286,408	261,121	255,824	665,802
1 to 2 years	291,345	406,698	353,296	424,049
2 to 3 years	104,184	192,308	244,898	336,086
Over 3 years	64,131	86,077	120,612	129,568
	2,474,539	2,914,808	4,485,857	9,036,714
Receivables not yet due under the installment payment method	919,569	1,354,681	1,678,388	3,435,795
Total trade and bills receivables (excluding transactions with related parties)	3,394,108	4,269,489	6,164,245	12,472,509

The following table sets forth an aging analysis of our total trade receivables due from our related parties as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
		(in thousands)		
Within 90 days	230,387	434,186	594,560	1,371,200
91 to 180 days	4,602	4,575	25,366	49,650
181 to 365 days	—	—	9,569	29,850
1 to 2 years	—	—	47,343	14,279
2 to 3 years	—	—	—	35,480
Over 3 years	—	—	—	—
Total	234,989	438,761	676,838	1,500,459

Our average trade and bills receivables turnover days increased from 78.4 days in 2008 to 80.2 days in 2009 primarily due to a proportional increase in sales under the installment payment method, which has a longer payment term compared to other payment methods. Our average trade and bills receivables turnover days decreased from 80.2 days in 2009 to 62.1 days in 2010 primarily due to our efforts to strengthen the management and oversight of our trade and bills receivables. In particular, we strengthened our credit and risk assessment procedures for each customer and broadened our efforts to assist customers in fulfilling their payment obligations under our "One Customer, One Policy" payment collection system. For additional information on our customized payment solutions, see "Business — Payment Methods and Credit Terms — Credit and Risk Assessment". Our average trade and bills receivables turnover days increased from 62.1 days as of December 31, 2010 to 67.0 days as of March 31, 2011, primarily due to the seasonality of trade and bills receivables, which generally decrease at the end of the fiscal year and increase by the end of the first quarter of the following year.

As of the Latest Practicable Date, our trade and bill receivables were RMB[●] million.

The following table sets forth information relating to our accounts receivable arising from the amounts we pay to banks for end-user customers in default on their equipment mortgage loans. For additional information regarding our equipment mortgage loan agreements, see "Business — Payment Methods and Credit Terms - Equipment Mortgage Loan Agreements" and "— Management of Cash Flows and Capital Commitments — Contingent Liabilities - Equipment Mortgage Loan Agreements."

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands)			
Aging analysis				
0-90 days	—	—	—	—
91-180 days	—	—	—	—
181-365 days	82,385	75,013	113,657	139,836
1-2 years	132,083	219,777	199,662	193,618
2-3 years	88,987	161,630	225,635	255,281
Over 3 years	79,222	117,832	173,623	200,556
Total	382,677	574,252	712,577	789,291
Less: Bad debt provision	74,736	116,971	157,587	177,688
Net of impairment	307,941	457,281	554,990	611,603
Movement of Allowance for Bad Debt				
At the beginning of the year	35,805	74,736	116,971	157,588
Recognized during the year	41,435	45,366	43,627	20,100
Write off	(2,504)	(3,131)	(3,010)	—
At the end of the year	74,736	116,971	157,588	177,688

Analysis of Prepayments, Deposits and Other Receivables

The following table sets forth our prepayments, deposits and other receivables as of the balance sheet dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands)			
Advances to suppliers	629,170	671,135	1,278,810	1,225,729
Other receivables, net of impairment(1)	178,679	211,610	544,740	755,878
Prepayments	21,112	16,336	23,724	17,773
Dividend receivable	673	—	—	—
Total	829,634	899,081	1,847,274	1,999,380

(1) Other receivables of the Company refer to receivables arising from non-trading activities. Specifically, other receivables include advances to our employees, such as petty cash for travel expenses and association membership fees, payments on behalf of our employees and other companies and receivables of the current account arising from non-trading activities between us and our related parties. These are stated net of impairment, which include provisions for bad debts by aging analysis and specific identification.

Our prepayments, deposits and other receivables increased from RMB829.6 million as of December 31, 2008 to RMB899.1 million as of December 31, 2009, primarily due to the yearly increase in our production scale and sales volume. Prepayments, deposits and other receivables increased from RMB899.1 million as of December 31, 2009 to RMB1,847.3 million as of December 31, 2010 primarily due to an increase in advances to suppliers, resulting from an increase in our purchases of raw materials, parts and components to correspond with our increase in scale of production and sales. Our prepayments, deposits and other receivables increased from RMB1,847.3 million as of December 31, 2010 to RMB1,999.4 million as of March 31, 2011, primarily due to an increase in other receivables, net of impairment. The increase in other receivables was primarily due to our increased scale of operations, and included deposits made to guarantee payment for certain supply contracts and amounts posted as security deposits during bid tenders.

Analysis of Trade and Bills Payables

Our trade and bills payables are set forth below as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
	(in thousands, except number of days)			
Trade payables	1,539,630	2,251,966	4,316,943	5,530,215
Bills payable	532,509	1,202,901	2,272,957	2,701,473
Subtotal	2,072,139	3,454,867	6,589,900	8,231,688
Trade payables to related parties	788	91,803	75,844	98,565
Total	2,072,927	3,546,670	6,665,744	8,330,253
Average trade and bills payable turnover days [(1)]	71.6	83.8	86.9	77.2

(1) Average trade and bills payable days are calculated above based on trade payables including transactions with related parties. Average trade and bills payable is equal to trade and bills payable at the beginning of the year plus trade and bills payable at the end of the year divided by two. Average trade and bills payable turnover days for a given year is equal to average trade and bills payable divided by cost of sales and multiplied by 365. Average trade and bills payable turnover days for a given period of three months is equal to average trade and bills payable divided by cost of sales and multiplying by 90.

The following table sets forth an aging analysis of our trade and bills payable, excluding transactions with related parties analyzed by the invoice date as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
		(in thousands)		
Within 90 days	1,500,392	2,239,761	4,843,490	6,181,623
91 to 180 days	408,421	1,032,434	1,388,059	1,289,871
181 to 365 days	96,071	134,499	250,874	526,795
1 to 2 years	53,545	32,717	92,186	211,851
2 to 3 years	4,101	11,877	12,764	17,752
Over 3 years	9,609	3,579	2,527	3,796
Total	2,072,139	3,454,867	6,589,900	8,231,688

The following table sets forth an aging analysis of our trade payables due to our related parties as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
		(in thousands)		
Within 90 days	788	56,702	16,484	36,750
91 to 180 days	—	34,615	—	4,388
181 to 365 days	—	486	35,293	—
1 to 2 years	—	—	24,066	54,533
2 to 3 years	—	—	—	2,894
Over 3 years	—	—	—	—
Total	788	91,803	75,843	98,565

Our average trade and bills payable turnover days increased from 71.6 days in 2008 to 83.8 days in 2009, and further increased to 86.9 days in 2010 primarily as a result of extending our contract payment periods with our suppliers. Our average trade and bills payable turnover days decreased from 86.9 days as of December 31, 2010 to 77.2 days as of March 31, 2011, primarily due to payments we made on a timely basis for raw materials in accordance with the payment periods that became due during the first quarter of 2011 under the relevant supplier contracts.

Our suppliers grant us a variety of credit payment periods for the payment of suppliers. Our suppliers typically request payment within one to three months of delivery. However, certain of our suppliers may request payment upon delivery while other suppliers may request letters of credit to be drawn upon within six months.

As of the Latest Practicable Date, our trade and bill payables were RMB[●] million.

Other Payables and Accruals

The following table sets forth a breakdown of our sales advances received from customers and other payables and accruals as of the dates indicated.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
		(in thousands)		
Sales advances received from customers	400,108	490,856	918,744	1,207,771
Other payables and accruals	648,144	1,095,841	2,394,328	2,871,923
Total	1,048,252	1,586,697	3,313,072	4,079,694

The total of other payables and accruals as of December 31, 2008, 2009 and 2010 and March 31, 2011, amounted to RMB1,048.3 million, RMB1,586.7 million, RMB3,313.1 million and RMB4,079.7 million, respectively.

Sales advances received from customers increased from RMB400.1 million as of December 31, 2008 to RMB490.9 million as of December 31, 2009 and to RMB918.7 million as of December 31, 2010 and further to RMB1,207.8 million as of March 31, 2011 primarily due to an increase in demand, an increase in deposits received from certain customers to facilitate faster delivery of their product orders and the expansion of our business operations.

Other payables and accruals include accrued expenses, salaries payables, taxes other than income taxes, accrued interest and other miscellaneous payables. Accrued expenses within other payables and accruals includes utility fees, advertising costs, and freight costs payable. Other payables and accruals increased from RMB648.1 million as of December 31, 2008 to RMB1,095.8 million as of December 31, 2009 primarily due to an increase in payables due to non-related parties as well as an increase in other accrued charges. In addition, our other payables and accruals increased from RMB1,095.8 million as of December 31, 2009 to RMB2,394.3 million as of December 31, 2010 primarily due to an increase in other payables due to non-related parties, and other accruals, including payables for the purchase of machinery, construction costs payable, other tax payables, withheld sales commissions and employee salary expenses. Our other payables and accruals increased from RMB2,394.3 million as of December 31, 2010 to RMB2,871.9 million as of March 31, 2011, primarily due to an increase in other taxes and accrued expenses, resulting from the increase in sales revenue and the growth in our scale of operations.

	As of December 31,			As of March 31,
	2008	2009	2010	2011
	RMB	RMB	RMB	RMB
		(in thousands)		
Accrued expenses	131,200	255,384	370,554	623,140
Salaries payables	60,150	87,274	313,634	235,715
Other taxes[(1)]	51,669	57,876	123,615	420,336
Accrued interest	37,228	18,920	20,769	28,394
Other payables due to non-related parties[(2)]	367,897	676,385	1,565,758	1,564,338
Deferred VAT	14,025	209,875	244,335	376,907
Commissions payable to employees	79,487	166,916	341,111	372,514
Bonus payable	7,984	13,924	32,567	37,438
Reimbursements payable	11,108	34,657	159,320	34,758
Construction in progress payable	65,659	107,249	313,938	472,996
Equipment payable	70,809	56,516	242,934	64,485
Transportation, maintenance fees and advertising payable fees	118,825	87,248	231,553	205,240
Total other payables and accruals	648,144	1,095,839	2,394,330	2,871,923

(1) Other taxes refers to taxes other than income taxes, such as VAT, business tax and consumer tax.

(2) The increase in other payables due to non-related parties from RMB367.9 million as of December 31, 2008 to RMB676.4 million as of December 31, 2009 was primarily due to an increase in deferred VAT as a result of increased machinery sales. The increase in other payables due to non-related parties from RMB676.4 million as of December 31, 2009 to RMB1,565.8 million as of December 31, 2010 was primarily due to an increase in equipment payables, largely of a one-time nature, as a result of an increase in equipment purchases for our manufacturing facilities due to the rapid growth of our operations. The decrease in other payables due to non-related parties from RMB1,565.8 million as of December 31, 2010 to RMB1,564.3 million as of March 31, 2011 was primarily due to a decrease in equipment payable and reimbursements payable as a result of payments we made for purchased equipment and reimbursements payable. This decrease was partially offset by an increase in deferred VAT and construction in progress payables.

SEASONALITY

Certain of our products and services are subject to cyclicality. For example, we generally experience two peak seasons, one from March through June and the other from October through December. Accordingly, we believe it is not meaningful to rely on the comparison of the revenue and results of operation across different periods of a given year as an indicator of our performance.

OFF-BALANCE SHEET ARRANGEMENTS

Save for the disclosed contingent liabilities, we did not have any off-balance sheet arrangements during the Track Record Period.

RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

During the years ended December 31, 2008, 2009 and 2010 and the three months ended March 31, 2011, we incurred certain related party transactions. For a description of our related party transactions, see "Our History and Corporate Structure" and "Relationship with our Controlling Shareholders" and "Connected Transactions". In addition, see Note 43 of the Accountant's Report in Appendix I.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests as of May 31, 2011 and is of the opinion that the commercial value of our interest on this date was equal to an aggregate amount of RMB[7,427] million. The full text of the letter, summary of values and valuation certificates in connection with our property interests are set out in Appendix IV to this document.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

The Directors have prepared the forecast of consolidated profit of the Group attributable to owners of our Company for the year ending December 31, 2011 based on the audited consolidated results of us for the three months ended March 31, 2011, the unaudited consolidated results of the Group for the three months ended June 30, 2011 and a forecast of the consolidated results of us for the remaining six months ending December 31, 2011. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those accounting policies currently adopted by us and set out in the Accountants' Report in Appendix I to this document and the assumptions set out in Appendix III to this document.

Forecast consolidated profit attributable to the owners of our Company [1][2]	Not less than RMB[●] million (HK$[●] million)
Unaudited forecast earnings per Share [2]	
(a) Pro forma basis [3]	Not less than RMB[●] cents (HK$[●] cents)
(b) Weighted average basis [4]	Not less than RMB[●] cents (HK$[●] cents)

Notes:

(1) The above profit forecast has been prepared on the bases and assumptions set out in Appendix III to this document.

(2) Solely for your convenience, forecast earnings per Share are converted into Hong Kong dollars at the exchange rate of HK$1.00 to RMB[●]. You should not construe such conversion as a representation that the Renminbi amounts could actually be converted into HK dollar amounts at the rate indicated or at all.

DIVIDEND POLICY

After completion of this [●], our Shareholders will be entitled to receive dividends declared by us. The proposal of payment and the amount of our dividends will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any dividend distribution shall also be subject to the approval of our Shareholders in the shareholders' meeting.

Under the PRC Company Law and our Articles of Association, we will pay dividends out of our after-tax profit only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory reserve fund equivalent to 10.0% of our after-tax profit; and
- allocations, if any, to a discretionary reserve fund approved by the Shareholders in a shareholders' meeting.

When the statutory reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required. Our profit distributable for the above-mentioned allocations and our dividend distribution shall be our after-tax profit as determined by PRC GAAP or IFRS, whichever is lower. All of our Shareholders have equal rights to dividends and distributions in the form of stock or cash. For holders of our [●], cash dividend payments, if any, will be declared by our Board in Renminbi and paid in Hong Kong dollars.

As we are a domestic PRC company, dividends declared by us are not subject to any dividend tax.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to cash flow interest rate risk due to fluctuations in interest rates on our bank borrowings and cash on hand and bank deposits. We are also exposed to fair value interest rate risk on our fixed rate investment in a trust fund, amounts due from associates, restricted bank deposits, amount due to a non-controlling shareholder of a subsidiary, bank borrowings and debentures.

As of December 31, 2008, 2009 and 2010 and March 31, 2011, if interest rates on our bank borrowings were lower/higher by 100 basis points, with all other variables held constant, our profit would have increased/decreased by approximately RMB49.6 million, RMB39.6 million, RMB37.1 million and RMB145.5 million, respectively. In addition, if interest rates on our bank deposits were lower/higher by 10 basis points as of December 31, 2008, 2009 and 2010 and March 31, 2011, with all other variables held constant, our profit would have decreased/increased by approximately RMB2.8 million, RMB3.6 million, RMB5.1 million and RMB8.5 million, respectively.

Additional increases in interest rates could potentially result in an increase in our cost of borrowing, which could negatively affect our business and results of operations. The PBOC regulates the interest rates of our Renminbi-denominated borrowings. On October 28, 2004, the PBOC raised both its benchmark lending and deposit interest rates by 0.27% to 5.58% for one-year Renminbi loans and 2.25% for one-year deposits, respectively, with effect from October 29, 2004. This increase was the first time lending and deposit interest rates had been raised since July 1995 and July 1993, respectively. The PBOC has since adjusted its benchmark lending interest rates for one-year Renminbi loans several times, most recently in February 2011. As of the Latest Practicable Date, the current lending interest rate for one-year Renminbi loans was [6.31]% per year. The PBOC published benchmark one-year lending rates in China as of December 31, 2008, 2009 and 2010 and March 31, 2011, were 5.31%, 5.31%, 5.81% and 6.06%, respectively.

We currently do not use any derivative financial instruments to hedge against our exposure to interest rate risk, although we will consider hedging significant interest rate exposure as necessary.

Foreign Exchange Risk

The functional currency of most of our subsidiaries is Renminbi and most of the transactions are settled in Renminbi. However, several of our subsidiaries have foreign currency sales and purchases which exposes us to foreign exchange risk.

The following table sets forth our sensitivity to a 1% increase and decrease in Renminbi against the relevant foreign currencies. The sensitivity rate of 1% represents our management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the indicated year end for a 1% change in foreign currency rates.

	At December 31,			As of March 31, 2011
	2008	2009	2010	
	RMB	RMB	RMB	RMB
		(in thousands)		
Increase (decrease) in profit for the year				
If RMB weakens against foreign currencies:				
USD	(16,614)	(15,998)	(40,532)	(43,861)
EUR	3,658	1,432	(487)	706
JPY	(842)	(1,979)	(20,839)	(24,730)
SGD	33	37	—	—
GBP	1	—	(1)	—
HKD	1,148	9	76	(785)
If RMB strengthens against foreign currencies:				
USD	16,614	15,998	40,532	43,861
EUR	(3,658)	(1,432)	487	(706)
JPY	842	(1,979)	20,839	24,730
SGD	(33)	(37)	—	—
GBP	(1)	—	1	—
HKD	(1,148)	(9)	(76)	785

Although the conversion of Renminbi is highly regulated in China, the value of Renminbi against the value of the U.S. dollar (or any other currency) may fluctuate and be affected by, among other things, changes in China's political and economic conditions. Under the currency policy in effect in China today, Renminbi is permitted to fluctuate in value within a narrow band against a basket of certain foreign currencies. China is currently under significant international pressures to liberalize this currency policy, and if such liberalization occurs, the value of Renminbi could appreciate or depreciate against the U.S. dollar. We anticipate our foreign currency risk will continue to increase in connection with the expansion of our business overseas.

Credit Risk

We have a credit policy in place and will perform credit evaluations on all customers requiring credit over a certain amount. Our management evaluates the credit-worthiness of our existing and prospective customers and ensures that the customers have adequate financing for the projects as well as the source of financing. We believe our customers have good credit-worthiness. In order to minimize credit risk, we carry out monitoring procedures to ensure that follow up action is taken to recover overdue debts.

We regularly review the recoverable amount of each individual trade, other receivables and amounts due from related parties at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The amounts presented in the consolidated statement of financial positions are net of allowances for bad and doubtful debts, estimated by our management based on prior experience and their assessment of the current economic environment.

Substantially all of our cash and cash equivalents are held in banks with high credit ratings assigned by international credit rating agencies or state-owned banks located in China, which our management believes are of high credit quality. We have policies in place that spread our credit risk exposure over a number of major financial institutions and customers.

In addition, our customers often enter into equipment mortgage loan agreements with banks to obtain funding to pay for purchases of construction machinery from us. See "— Management of Cash Flows and Capital Commitments — Contingent Liabilities." As the seller of the construction machinery, we simultaneously enter into an agreement with the lending bank to buy back the outstanding loan from the bank should the customer default on the loan. However, we believe our credit risk is significantly reduced with respect to the equipment loan agreements as the equipment mortgage loans are secured by the construction machinery, the market price is typically higher than the guaranteed loan amount as the equipment mortgage loans to customers do not exceed 70% of the purchase price of the machinery and the term of the loans is generally 18 months to three years, with a maximum payment term of five years.

Inflation

Inflationary factors, such as increases in the cost of our products and overhead costs, could impair our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross profit and selling, general and administrative expenses as a percentage of income if the selling prices of our products do not increase with these increased costs.

Liquidity Risk

Our liquidity risk is primarily dependent on our ability to maintain adequate cash inflows from our operations to meet our debt obligations as they become due, and our ability to obtain external financing to meet our committed future capital expenditures. We finance our working capital requirements through a combination of funds generated from operations and bank and other borrowings. We aim to maintain flexibility in funding by keeping credit lines available. We had obtained banking facilities of approximately RMB76,457.2 million from various reputable commercial banks in China and overseas as of March 31, 2011 of which an amount of approximately RMB35,386.0 million was not utilized, and our cash outflows from investing activities were less than RMB4,300 million in each of the periods in the Track Record Period. As of the Latest Practicable Date, we had RMB[43,247.2] million in unutilized banking facilities.

DISTRIBUTABLE RESERVES

As of March 31, 2011, our distributable reserves amounted to RMB[●] million.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE [●]

We confirm that neither we nor our Directors are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the [●].

MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this [●], there has been no material adverse change in our financial or trading position since [●] (being the date on which our latest consolidated audited financial results were prepared) and there is no event since [●] which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

SUBSEQUENT EVENTS

On April 8, 2011, our Shareholders approved the distribution of dividends for the year ended December 31, 2010. We subsequently issued five bonus shares for every ten existing shares held by holders of our A shares as of April 21, 2011. We also issued a cash dividend of RMB0.06 per share (inclusive of withholding tax).