

**We Create and  
Extend Advantage**

# Interim Report 2011

**Haitian International Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**Stock Code: 1882**

 **TIANJIAN**  
PLASTICS MACHINERY



 **HAITIAN**  
PLASTICS MACHINERY



 **ZHAFIR**  
PLASTICS MACHINERY





**A D V A N T A G E**

advanced technology    dependable machinery    value engineered    accessible support    new vision    team spirit    around the globe    growth driven    excellent price-performance ratio



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## Highlights

	Six months ended 30 June		
	2011 RMB' million	2010 RMB' million	Increase %
Sales	<b>3,709.9</b>	3,231.5	14.8
Gross profit	<b>1,113.3</b>	939.5	18.5
Profit attributable to equity holders of the Company	<b>600.9</b>	453.0	32.7
Basic Earnings per share (expressed in RMB per share)	<b>0.38</b>	0.28	32.7
Dividend per share (expressed in HK\$ per share)			
Proposed interim dividend	<b>0.16</b>	0.15	6.7

- Recorded a growth of 14.8% in revenue compared with the same period in 2010 amid tightening measures and uncertain outlook in the China market
- Gross profit margin improved from 29.1% for the same period in 2010 to 30.0% during the Reported Period
- With stable gross profit margin and benefiting from economy of scale, net profit margin improved from 14.0% for the same period in 2010 to 16.2% during the Reported Period
- Profit attributable to equity holders of the Company during the Reported Period reached RMB600.9 million, representing an increase of 32.7% compared with RMB453.0 million during the corresponding period in 2010
- Nearly 15,000 units of PIMMs sold during the Reported Period
- The Board proposed an interim dividend of HK16.0 cents per share
- Net cash of RMB2,077.3 million to support continuous input in research and development and business expansion for future success

# Company Profile and Corporate Information

## Executive Directors

Mr. ZHANG Jingzhang (*Chairman*)  
Mr. ZHANG Jianming (*Chief Executive Officer*)  
Prof. Helmut Helmar FRANZ  
Mr. ZHANG Jianguo  
Mr. ZHANG Jianfeng  
Mr. GUO Mingguang  
Mr. LIU Jianbo  
Ms. CHEN Ningning

## Non-Executive Director

Mr. HU Guiqing

## Independent Non-Executive Directors

Mr. PAN Chaoyang  
Mr. GAO Xunxian  
Mr. DAI Xiangbo  
Dr. Steven CHOW

## Company Secretary

Mr. SUEN Wai Yu

## Registered Office

Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman KY1-1111  
Cayman Islands

## Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*

## Principal Place of Business

*China*  
No. 32–35, Central Jiangnan Road  
Ningbo 315821, Zhejiang  
China

*Hong Kong*  
Unit 1105, Level 11  
Metroplaza, Tower 2  
223 Hing Fong Road  
Kwai Fong, N.T.  
Hong Kong

## Principal Bankers

Agricultural Bank of China  
Bank of China  
Shenzhen Development Bank  
Industrial and Commercial Bank of China  
Industrial Bank Co. Limited  
Shanghai Pudong Development Bank Co., Ltd.

# Investor Information

## Listing Information

Listing: Hong Kong Stock Exchange  
Stock code: 1882

## Key Dates

22 August 2011 – Interim Result  
Announcement  
9 – 16 September 2011 – Closure of register of  
members  
23 September 2011 – Payment date of  
or before interim dividend

## Share Information

Board lot size: 1,000 shares

Shares outstanding as  
at 30 June 2011: 1,596,000,000 shares

Market Capitalisation as  
at 30 June 2011: HK\$16,088 million

Earnings per share for  
30 June 2011: RMB0.38

Interim Dividend per share  
for six months ended  
30 June 2011: HK16 cents

## Share Registrar Transfer Offices

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## Enquiries Contact

Investor Relations Department  
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E-mail: andy@mail.haitian.com  
Add: No. 32, Jiangnan Road Central,  
Beilun District, Ningbo,  
Zhejiang Province, China  
Postal code: 315821

## Website

<http://www.haitian.com>

# Management Discussion and Analysis

## Business Review

Continued with strong momentum of market demand in 2010, we recorded healthy growths of 14.8% in revenue of RMB3,709.9 million and 32.7% in net profit of RMB600.9 million for the six months ended 30 June 2011 (the "Reported Period") compared with the same period in 2010. Even though the Reported Period had witnessed tightening measures in the China market adopted by the PRC Government and uncertain outlook in global economy, we were still able to achieve sales and net profits which are comparable to historical high in the history of our Group. As a market leader in the global plastic injection moulding machineries ("PIMMs") industry with well-recognized brand reputation, Haitian is still the preferred choice among major customers in China and our major overseas markets and this is particularly important when the market demand is returning from overheated growth to a normal growth rate. We do notice mild drops of 3.0% and 1.4% in the revenue and net profits during the Reported Period compared with the revenue and net profits in the second half of 2010 respectively but this is mainly a result of the traditionally lower sales during the Lunar Chinese New Year in the first half of 2011.

The sales in overseas markets and of our Venus series all-electric PIMMs have been encouraging. During the Reported Period, our export sales had continued its strong performance and recorded a sales of RMB988.0 million, representing a growth of 24.7% compared with the first half of 2010 and its contribution to our total sales during the Reported Period had increased to 26.6% from 24.5% in same period of 2010. The sales of our high-end Venus series all-electric PIMMs had also reached RMB148.7 million during the Reported Period, representing a growth of 78.7% over the first half of 2010. We believe the export sales and sales of all-electric PIMMs will be our growth drivers for the second half of 2011 and will increase their contribution to the performance of our Group.

The raw material prices had seen a mild increase during the Reported Period in line with inflation but we have been able to partially off-set such increase by raising the selling prices of most of our products at the end of the first quarter of this year. We therefore were able to raise the gross margin from 29.1% during the same period in 2010 to 30.0% during the Reported Period while raising the net profit margin from 14.0% during the same period in 2010 to 16.2% during the Reported Period.

## Domestic and export sales

The Group's sales by geographic areas are summarized in the following table:

(RMB million)	1st half of 2011	%	1st half of 2010	%	1H2011 vs 1H2010
Domestic Sales	<b>2,638.2</b>	<b>71.1%</b>	2,383.3	73.8%	10.7%
Export Sales	<b>988.0</b>	<b>26.6%</b>	792.3	24.5%	24.7%
Parts	<b>83.7</b>	<b>2.3%</b>	55.9	1.7%	49.7%
Total	<b>3,709.9</b>	<b>100.0%</b>	3,231.5	100.0%	14.8%

# Management Discussion and Analysis (Continued)

## Business Review (Continued)

### Domestic and export sales (continued)

After two years of robust growth in demand in the domestic market in China, together with the impact of tightening financial measures adopted by the PRC Government, we observed a mild slowdown of the growth momentum in Chinese market but this in our opinion is a more healthy development for the PIMM industry of China from a long-term perspective. During the Reported Period, our domestic sales recorded a satisfactory growth of 10.7% compared with the same period in 2010.

In line with our 2011 strategy to strengthen export sales including developing new markets and expanding the export product mix, our sales in overseas markets continued to gain momentum and increase its contribution to our total sales. Sales growth in export markets such as South East Asia and East Europe had been encouraging during the Reported Period. For the Reported Period, we recorded export sales of RMB988.0 million, representing an increase of 24.7% compared with the first half in 2010.

### Small and medium-to-large tonnage sales

The Group's sales by small tonnage and medium-to-large tonnage plastic injection moulding machines are summarized in the following table:

(RMB million)	1st half of 2011		1st half of 2010		1H2011 vs 1H2010
		%		%	
Small tonnage	2,323.6	62.6%	2,104.9	65.2%	10.4%
Medium-to-large tonnage	1,302.6	35.1%	1,070.7	33.1%	21.7%
Parts	83.7	2.3%	55.9	1.7%	49.7%
<b>Total</b>	<b>3,709.9</b>	<b>100.0%</b>	<b>3,231.5</b>	<b>100.0%</b>	<b>14.8%</b>

The domestic market in China has seen a faster slowdown in the growth of small tonnage PIMM sales which are traditionally more sensitive to macroeconomic changes. During the Reported Period, our sales of small tonnage PIMMs recorded a growth of 10.4% in sales compared with the same period in 2010 while our sales of medium-to-large tonnage PIMMs recorded a growth of 21.7% in sales compared with the same period in 2010. The slowdown in sales of small tonnage PIMMs was partly compensated by the strong growth in sales of all-electric PIMMs which are usually small or small-to-medium tonnages PIMMs.

### Mars and Venus series

The Group's sales of PIMMs with Mars technology (which are the Group's self-developed PIMMs with strong energy saving features) are summarized in the following table:

(RMB million)	1st half of 2011	Percentage to total sales	1st half of 2010	Percentage to total sales	1H2011 vs 1H2010
Mars	2,814.0	75.9%	2,098.4	64.9%	34.1%



# Management Discussion and Analysis (Continued)

## Business Review (Continued)

### Mars and Venus series (continued)

During the Reported Period, the sales of Mars series energy-saving PIMMs continued its growth and we recorded sales of RMB2,814.0 million during the Reported Period which represented a growth of 34.1% compared with the same period in 2010. The sales of Mars series have increased its contribution to our total sales to 75.9% during the Reported Period from 64.9% in the same period in 2010.

The Group's sales of Venus series PIMMs (which are the Group's all-electric PIMMs) are summarized in the following table:

(RMB million)	1st half of 2011	Percentage to total sales	1st half of 2010	Percentage to total sales	1H2011 vs 1H2010
Venus	148.7	4.0%	83.2	2.6%	78.7%

The sales of our Venus series PIMMs have been continuously accelerating after its launch and reached RMB148.7 million during the Reported Period, representing a growth of 78.7% when compared with the same period in 2010. The high price-to-performance ratio of our Venus series has received well recognition by our customers and will be particularly attractive to customers who now have different options to choose and to face the uncertain demand in end market.

## Prospects

During the Reported Period, the inflation in China and corresponding austerity measures adopted by the PRC Government, together with the Europe and US debt crisis, had affected the growth momentum in Chinese market and the recovery in the economies in Europe and US, leading to uncertainty and volatility in the global economic performance and outlook. Notwithstanding the aforesaid, we were still able to maintain a high level of sales, achieve new records in export sales and make further break-through into the high-end all-electric PIMM market. Despite the volatile external environment, we will sustain the growth momentum from 2010 through achieving impressive progress in terms of global market expansion, product innovation, efficiency improvement and brand building. We will continue to dedicate efforts in our product diversification strategy to address different customer needs. In view of the enormous demand of PIMM in China and other emerging markets, we plan to continue strengthening our penetration in these regions while enhancing our leadership position in existing markets. Our sustainable competitive advantage of strong research and development and design capabilities will continue to support our leadership position in the large-tonnage and energy-saving PIMM market and further develop in the fast-growing high-end all-electric PIMM market.

We observed certain uncertainties in the global economy which may shake fixed assets investment confidence and affect end-user demand. Our performance will be subject to short term fluctuation and unpredictable changes in the direction or extent of such movement. However, the foundation of the Chinese economy remains strong and global economy is in the process of recovery albeit slower than expected. We are confident and optimistic in long term development of PIMM industry. We will take a cautious approach for remaining of year 2011 and are ready to face the challenge and seize the opportunities which arise.

### Prospects (Continued)

Notwithstanding the adverse macroeconomic environment mentioned above, we will continue to implement our strategy for 2011 to strengthen our export sales which demonstrate strong momentum and recorded a satisfactory growth over the record high level of sales in the second half of 2010. We will provide additional support for new overseas markets and new customers in existing overseas markets and our newly acquired factory in Ningbo Export Processing Zone and our new factory in Vietnam will provide the additional capacity for our development of such overseas markets. The sales of our Venus series high-end all-electric PIMMs is accelerating and is expected to continue raising our market share in the high-end segment of the PIMM industry. Its high price-to-performance ratio will continue to attract potential customers. To replace high-energy consumption and low value-added traditional PIMMs with all-electric PIMMs which are energy efficient with high value-added technological features would become a trend and it will lay a strong foundation for the development of all-electric PIMMs. We intend to expand the size of our personnel in research and development, marketing and sales, metal processing and assembly for all-electric PIMMs from current scale significantly. Through this, we intend to seize more market share in the domestic and international all-electric PIMM markets. We believe our correct strategy of focusing on export sales and timely launch of innovative products with leading technologies would help us navigate through the remaining of 2011.

Our next generation of energy-saving servo-hydraulic PIMMs, Pallas series, will be officially launched for sales to the domestic market in China in the second half of this year and we have received positive response from our customers after their initial testing and trial operation. We have also received orders for our top-end all-electric PIMMs, Mercury series. Although their sales are not expected to have substantial contribution in 2011, their successful launch and acceptance by customers have laid an important foundation for our long-term growth for 2012 and after.

Also in line with our 2011 strategy to strengthen our after-sale services and support to existing and potential customers, we have arranged our after-sales staff to visit our existing customers during the Reported Period and provided free checking and maintenance. This arrangement has been well received by our customers and will continue to build the bondage between our customers and us.

### Financial Review

#### Sales

We recorded a revenue of RMB3,709.9 million during the Reported Period, representing a growth of 14.8% compared with the first half of 2010 and a mild drop of 3.0% compared with the second half of 2010. Despite the slowdown in growth in PRC domestic sales, the continuous growth in export sales and sales of high-end all-electric PIMMs had countered such slowdown and enabled us to maintain a stable revenue flow.

## Financial Review (Continued)

### Gross Profit

During the Reported Period, we recorded gross profit of approximately RMB1,113.3 million, representing an increase of 18.5% compared with the first half of 2010. Overall gross margin maintained at 30.0% in the Reported Period.

During the Reported Period, the cost of raw materials, especially steel and related components which accounted for over 40% of our product cost, had been relatively stable. Other raw materials, parts and components had gradually increased along with inflation but we have been able to manage such increase with our economy of scale and improvement in product mix with higher level of export sales and sales of medium-to-large tonnage PIMMs, which had higher margin than domestic and small tonnage PIMM sales.

### Selling and administrative expenses

The selling and administrative expenses increased by 7.6% from RMB392.8 million in the corresponding period in 2010 to RMB422.5 million in the Reported Period, primarily due to (i) the increase in sales commission expenses and transportation charges resulting from high level of sales during the Reported Period, and (ii) the increase in employee costs resulting from high level production during the Reported Period and (iii) increase in research and development expenses with continuing effort for next generation products and other R&D projects.

### Other income

Other income mainly consists of government subsidy and increased by 133.3% from approximately RMB7.8 million for the corresponding period in 2010 to approximately RMB18.2 million during the Reported Period.

### Other losses, net

We recorded other net losses of RMB1.0 million during the Reported Period, representing a decrease of 91.9% in net losses compared with the corresponding period in 2010. The net losses mainly represented exchange losses resulting from appreciation of Renminbi against foreign currencies, mainly including US dollars and Euro and we recorded less loss during the Reported Period in view of the appreciation of Euro during such period.

## Financial Review (Continued)

### Finance income – net

Finance income, net increased by almost five times from RMB3.3 million in the corresponding period in 2010 to RMB21.8 million in the Reported Period mainly as a result of the increase in net cash balances and interest rate and exchange gain from bank loan denominated in US dollar and HK dollar.

### Income tax expenses

Income tax expenses increased by 39.7% from RMB92.6 million in the corresponding period in 2010 to RMB129.4 million in the Reported Period. The increase was mainly resulted from (i) the increase in operating profit, (ii) the provision of 5% dividend withholding tax for the profit to be distributed by the Chinese subsidiaries and (iii) increase in effective tax rate resulted from the expiration of tax free incentive of certain operating subsidiaries.

### Acquisition

On 7 April 2011, our Group acquired 100% interests in Ningbo Export Processing Zone Haitian Precision Machinery Co., Ltd., which major assets are a land and a factory building located in Ningbo Export Processing Zone, for an aggregate consideration of approximately RMB185.2 million. The acquisition enables us to expand our production capacity for export sales promptly and seize the growth opportunity in the export markets during the recovery of international demand.

### Liquidity and Financial Resources

The gearing ratio is defined as total borrowings divided by shareholders' equity. As at 30 June 2011, our Group was in a strong financial position with a net cash position amounting to RMB2,077.3 million (31 December 2010: RMB2,025.6 million). Accordingly, no gearing ratio is presented.

### Charges on Group Assets

As at 30 June 2011, our Group had pledged deposits of RMB520.6 million (31 December 2010: RMB354.0 million) as collaterals against bank borrowings.

## Financial Review (Continued)

### Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 26.6% of its products to international markets. Such sales were denominated in U.S. dollars or other foreign currencies, while our Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of our total purchases. Our Group did not use any forward contracts or other means to hedge its foreign currency exposure. Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts. During the Reported Period, our Group borrowed a U.S. dollars-denominated bank loan amounted to RMB137.8 million and a HK-dollar denominated bank loan which amounted to RMB236.3 million to hedge the exchange risk of U.S. dollar denominated receivable arising from export sales.

### Contingent Liabilities

As at 30 June 2011, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB664.3 million (31 December 2010: RMB523.7 million).

## Employees

As at 30 June 2011, our Group had a total workforce of approximately 4,500 employees. Most of our employees were located in China. We offered our staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and our performance. We are committed to nurturing a learning culture in our organization.

## Other Information

### Proposed Interim Dividend

The Board had resolved to recommend the payment of an interim dividend of HK\$0.16 per share for the six months ended 30 June 2011 which is expected to be paid on or before 23 September 2011 to our shareholders whose names appear on the register of members at the close of business on 8 September 2011.

### Closure of Register of Members

The register of members of the Company will be closed from 9 September 2011 to 16 September 2011 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 8 September 2011.

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2011, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

#### Long position in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding in the Company
Mr. Zhang Jingzhang	Corporate Interest <sup>(1)</sup>	1,036,853,370	64.97%
Mr. Zhang Jianming	Corporate Interest <sup>(1)</sup>	1,036,853,370	64.97%
	Personal Interest	5,000,000	0.31%
Prof. Helmut Helmar Franz	Personal Interest	206,000	0.01%

Note:

- (1) Mr. Zhang Jingzhang and Mr. Zhang Jianming are deemed under the SFO to be interested in 1,036,853,370 shares of the Company held by Sky Treasure Capital Limited.

## Other Information (Continued)

### Long position in shares and underlying shares of associated corporations of the Company

Name of Director	Name of association corporation <sup>(1)</sup>	Capacity/Nature of interest	Approximate percentage of shareholding in the associated corporations
Mr. Zhang Jingzhang	Sky Treasure Capital Limited ("Sky Treasure")	Corporate <sup>(2)</sup>	14.08%
		Corporate <sup>(3)</sup>	54.81%
Mr. Zhang Jianming	Sky Treasure	Corporate <sup>(2)</sup>	9.55%
		Corporate <sup>(3)</sup>	54.81%
Mr. Hu Guiqing	Sky Treasure	Corporate <sup>(2)</sup>	6.92%
Mr. Zhang Jianguo	Sky Treasure	Corporate <sup>(2)</sup>	5.72%
Mr. Zhang Jianfeng	Sky Treasure	Corporate <sup>(2)</sup>	5.37%
Ms. Chen Ningning	Sky Treasure	Corporate <sup>(2)</sup>	2.98%
Mr. Guo Mingguang	Sky Treasure	Beneficiary under a trust <sup>(4)</sup>	1.79%
Prof. Helmut Helmar Franz	Sky Treasure Zhafir Plastics Machinery GmbH ("Zhafir")	Corporate <sup>(2)</sup>	0.55%
		Personal	9%
Mr. Liu Jianbo	Sky Treasure	Beneficiary under a trust <sup>(4)</sup>	1.49%

#### Notes:

- (1) As at 30 June 2011, Sky Treasure is the holder of 64.97% of the issued share capital of the Company and Zhafir is a non-wholly owned subsidiary of the Company and both are associated corporations under the SFO.
- (2) Such Directors are deemed under the SFO to be interested in shares of Sky Treasure which are held by their wholly-owned investment holding companies.
- (3) Mr. Zhang Jingzhang and Mr. Zhang Jianming are separately entitled to exercise or control the exercise of one third or more voting power in the general meetings of Cambridge Management Consultants (PTC) Ltd. and Premier Capital Management (PTC) Ltd. which are respectively the trustee of the Haitian Employee Fixed Equity Trust and Haitian Employee Discretionary Equity Trust which are interested in 14.17% and 40.64% shares in Sky Treasure respectively. Accordingly, they are deemed under SFO to be interested in such shares in Sky Treasure.
- (4) Such Directors are beneficiaries under a trust which is interested in 14.17% shares of Sky Treasure.

## Other Information (Continued)

Save as disclosed above, as at 30 June 2011, none of the directors and chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company and the Stock Exchange pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code. At no time during the Reported Period was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

### Interests and Short Positions of Shareholders

As at 30 June 2011, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding
Sky Treasure Capital Limited	Beneficial owner	1,036,853,370 (L)	64.97%
Premier Capital Management (PTC) Ltd.	Interest in a controlled corporation <sup>(1)</sup>	1,036,853,370 (L)	64.97%

(L) denotes a long position

Note:

(1) Premier Capital Management (PTC) Ltd. is deemed under the SFO to be interested in 1,036,853,370 shares held by Sky Treasure Capital Limited as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

### Compliance With the Code on Corporate Governance Practices (the "Code")

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphasizes on maintaining a Board with balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the Directors, the Company complied with all the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules during the Reported Period.



### Purchases, Sale Or Redemption of Shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reported Period under review.

### Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the period ended 30 June 2011, including the accounting principles adopted by the Group, with the Company's management.

### Model Code for Securities Transactions by Directors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors, who have confirmed that they had complied with the required standard set out in the Model Code for the Reported Period.

By Order of the Board  
**Haitian International Holdings Limited**  
**ZHANG Jingzhang**  
*Chairman*

Hong Kong, 29 August 2011

# Condensed Consolidated Income Statement

(Amounts expressed in RMB'000 unless otherwise stated)

## UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Haitian International Holdings Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010 as follows:

	Note	Unaudited Six months ended 30 June	
		2011	2010
Sales	4	<b>3,709,873</b>	3,231,509
Cost of sales		<b>(2,596,585)</b>	(2,291,988)
<b>Gross profit</b>		<b>1,113,288</b>	939,521
Selling and marketing expenses		<b>(291,058)</b>	(273,186)
General and administrative expenses		<b>(131,471)</b>	(119,583)
Other income		<b>18,168</b>	7,825
Other losses – net		<b>(1,007)</b>	(12,327)
<b>Operating profit</b>	5	<b>707,920</b>	542,250
Finance income	6	<b>18,040</b>	8,910
Finance costs	6	<b>(3,324)</b>	(1,650)
Exchange gain/(loss) on bank borrowings	6	<b>7,079</b>	(3,940)
Finance income – net	6	<b>21,795</b>	3,320
Share of results of an associate		<b>660</b>	59
<b>Profit before income tax</b>		<b>730,375</b>	545,629
Income tax expense	7	<b>(129,439)</b>	(92,658)
<b>Profit for the period</b>		<b>600,936</b>	452,971
<b>Attributable to:</b>			
Equity holders of the Company		<b>600,936</b>	452,971
<b>Dividends</b>	8	<b>209,395</b>	208,853
<b>Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)</b>			
– Basic	9	<b>0.38</b>	0.28
– Diluted		<b>N/A</b>	N/A

## Condensed Consolidated Statement of Comprehensive Income

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2011	2010
<b>Profit for the period</b>	<b>600,936</b>	452,971
<b>Other comprehensive income for the period</b>		
Currency translation differences	<b>3,148</b>	(7,339)
<b>Total comprehensive income for the period</b>	<b>604,084</b>	445,632
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b>604,084</b>	445,632

# Condensed Consolidated Balance Sheet

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	<b>30 June 2011 Unaudited</b>	31 December 2010 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		<b>278,530</b>	236,703
Property, plant and equipment		<b>1,475,170</b>	1,349,737
Intangible assets		<b>2,450</b>	3,501
Investments in an associate		<b>3,734</b>	3,074
Deferred income tax assets		<b>30,419</b>	34,498
		<b>1,790,303</b>	1,627,513
<b>Current assets</b>			
Inventories		<b>1,502,802</b>	1,263,230
Trade and bills receivables	11	<b>1,814,161</b>	1,697,043
Prepayments and other receivables		<b>188,579</b>	228,779
Entrusted loans		<b>127,492</b>	–
Pledged bank deposits		<b>520,581</b>	353,954
Cash and cash equivalents		<b>2,007,600</b>	2,016,748
		<b>6,161,215</b>	5,559,754
<b>Total assets</b>		<b>7,951,518</b>	7,187,267
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	12	<b>160,510</b>	160,510
Reserves		<b>4,235,624</b>	3,873,703
<b>Total equity</b>		<b>4,396,134</b>	4,034,213

## Condensed Consolidated Balance Sheet (Continued)

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	<b>30 June 2011 Unaudited</b>	31 December 2010 Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		<b>43,299</b>	41,892
Deferred income tax liabilities		<b>76,424</b>	56,909
		<b>119,723</b>	98,801
<b>Current liabilities</b>			
Trade and bills payables	13	<b>1,885,513</b>	1,688,602
Accruals and other payables		<b>1,028,625</b>	959,163
Current income tax liabilities		<b>70,607</b>	61,428
Bank borrowings	14	<b>450,916</b>	345,060
		<b>3,435,661</b>	3,054,253
<b>Total liabilities</b>		<b>3,555,384</b>	3,153,054
<b>Total equity and liabilities</b>		<b>7,951,518</b>	7,187,267
<b>Net current assets</b>		<b>2,725,554</b>	2,505,501
<b>Total assets less current liabilities</b>		<b>4,515,857</b>	4,133,014

## Condensed Consolidated Statement of Changes in Equity

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited Attributable to equity holders of the Company		Total
	Share capital	Reserves	
<b>Balance at 1 January 2010</b>	160,510	3,163,877	3,324,387
Profit for the period	–	452,971	452,971
2009 Final dividend	–	(140,379)	(140,379)
Currency translation differences	–	(7,339)	(7,339)
<b>Balance at 30 June 2010</b>	160,510	3,469,130	3,629,640
Profit for the period	–	609,588	609,588
2010 interim dividend	–	(208,853)	(208,853)
Currency translation differences	–	3,838	3,838
<b>Balance at 31 December 2010</b>	160,510	3,873,703	4,034,213
Profit for the period	–	600,936	600,936
2010 final dividend	–	(242,163)	(242,163)
Currency translation differences	–	3,148	3,148
<b>Balance at 30 June 2011</b>	160,510	4,235,624	4,396,134

# Condensed Consolidated Cashflow Statement

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited Six months ended 30 June	
	2011	2010
<b>Cash flows from operating activities:</b>		
Net cash generated from operating activities	<b>588,734</b>	391,845
<b>Cash flows from investing activities:</b>		
Net cash used in investing activities	<b>(291,624)</b>	(241,178)
<b>Cash flows from financing activities:</b>		
Net cash used in financing activities	<b>(306,258)</b>	(164,082)
<b>Net decrease in cash and cash equivalents</b>	<b>(9,148)</b>	(13,415)
Cash and cash equivalents at beginning of period	<b>2,016,748</b>	1,696,118
<b>Cash and cash equivalents at end of period</b>	<b>2,007,600</b>	1,682,703

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

## 1. General Background

Haitian International Holdings Limited (the "Company") was incorporated on 13 July 2006, as an exempted company with limited liability under the Companies Law, Cap. 22, (Law 3 of 1961, as combined and revised) of the Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 22 December 2006 and its registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111 Cayman Islands.

The Company and its subsidiaries (the "Group") is principally engaged in the manufacturing and sale of plastic injection moulding machines (the "Plastic Injection Moulding Machines Business").

In the opinion of the directors, the ultimate holding company of the Company is Sky Treasure Capital Limited, a company incorporated in the British Virgin Islands.

This unaudited condensed consolidated interim financial information was approved for issue on 22 August 2011.

## 2. Basis of Presentation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34, "Interim financial reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

## 3. Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.



### 3. Significant Accounting Policies (Continued)

#### (a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The changes in accounting policy only results in additional disclosures.

#### (b) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.
- Amendment to HKFRS 1 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' is effective for annual periods beginning on or after 1 July 2010. This is not applicable to the Group, as it is not a first-time adopter of HKFRS.
- HKFRIC – Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments.
- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011

(Amount expressed in RMB'000 unless otherwise stated)

### 3. Significant Accounting Policies (Continued)

#### (b) Standards, amendments and interpretations to existing standards effective in 2011 but not relevant to the Group (continued)

It also clarifies and simplifies the definition of a related party.

- Amendment to HKFRIC – Int-14 ‘Prepayments of a minimum funding requirement’ is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 ‘Interim financial reporting’ as disclosed in note 3(a), all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

#### (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2011 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 9	Financial Instruments	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 4. Sales and Segment Information

	Six months ended 30 June	
	2011	2010
Sales of plastic injection moulding machine and related products	<b>3,709,873</b>	3,231,509

The Group is mainly engaged in the manufacturing and the sale of plastic injection moulding machines business. The internal reporting for the chief operating decision-maker is provided on a whole-entity basis. Accordingly the Group only has one reportable segment and no further segment information is provided.

The Group is domiciled in Mainland China. The result of its sales from external customers in different countries is as follows:

	Six months ended 30 June	
	2011	2010
Mainland China	<b>2,703,523</b>	2,426,259
Hong Kong and other overseas countries	<b>1,006,350</b>	805,250
	<b>3,709,873</b>	3,231,509

The total of non-current assets other than deferred income tax assets located in different countries are as follows:

	As at 30 June 2011	As at 31 December 2010
Total non-current assets other than deferred income tax assets		
– Mainland China	<b>1,646,091</b>	1,484,253
– Hong Kong and other overseas countries	<b>113,793</b>	108,762
Deferred income tax assets	<b>30,419</b>	34,498
Total non-current assets	<b>1,790,303</b>	1,627,513

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 5. Operating Profit

Operating profit is stated after (crediting)/charging the following:

	Six months ended 30 June	
	2011	2010
Depreciation and amortisation	48,912	43,633
Provision for warranty	2,711	6,952
Provision for/(reversal of) bad and doubtful debts	1,421	(545)
Reversal of write-down of obsolete inventories	(2,916)	(4,443)
Raw materials and consumables used	2,349,909	2,099,654
Exchange loss	1,700	16,955
Loss/(gain) on disposal of property, plant and equipment	186	(53)

### 6. Finance Income, Net

	Six months ended 30 June	
	2011	2010
Finance costs:		
Interest expense on bank borrowings	(3,324)	(1,650)
Net foreign exchange gains/(losses) on borrowings	7,079	(3,940)
Finance income:		
Interest income on short-term bank deposits	18,040	8,910
Finance income, net	21,795	3,320

### 7. Income Tax Expense

	Six months ended 30 June	
	2011	2010
Current income tax		
– Mainland China Corporate Income Tax	98,508	79,353
– Overseas tax	–	3,287
Deferred taxation	30,931	10,018
	129,439	92,658

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 8. Dividends

At a meeting held on 22 August 2011, the directors declared an interim dividend of HKD16.0 cents (equivalent to RMB13.1 cents) per share. This proposed dividend is not reflected as a dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2011.

### 9. Earnings Per Share

The calculation of basic earnings per share for the period is based on the profit attributable to the equity holders of the Company of approximately RMB600,936,000 (2010: RMB452,971,000) and on the weighted average number of approximately 1,596,000,000 shares (2010: 1,596,000,000 shares) ordinary shares in issue during the period.

Diluted earnings per share is not presented as there were no dilutive ordinary shares.

### 10. Capital Expenditure

	Six months ended 30 June	
	2011	2010
Land use rights	–	24,178
Property, plant and equipment	<b>67,970</b>	98,499
Acquisition from a subsidiary		
Land use rights	<b>46,965</b>	–
Property, plant and equipment	<b>102,899</b>	–
	<b>217,834</b>	122,677

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 11. Trade and Bills Receivables

	As at 30 June 2011	As at 31 December 2010
Trade and bills receivables	<b>1,844,634</b>	1,726,094
Less: provision for impairment	<b>(30,473)</b>	(29,051)
Trade and bills receivables-net	<b>1,814,161</b>	1,697,043

The carrying amounts of trade and bills receivables approximated their fair values.

Customers are generally granted with credit terms ranging from 15 days to 24 months. Ageing analysis of trade and bills receivables is as follows:

	As at 30 June 2011	As at 31 December 2010
0 to 6 months	<b>1,543,165</b>	1,520,486
6 months to 1 year	<b>212,499</b>	136,837
1 year to 2 years	<b>69,340</b>	51,293
Over 2 years	<b>19,630</b>	17,478
	<b>1,844,634</b>	1,726,094

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 12. Share Capital

	Authorised share capital		
	Number of shares '000	HKD'000	RMB'000
As at 1 January and 30 June 2011 (Shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid up		
	Number of shares '000	HKD'000	RMB'000
As at 1 January and 30 June 2011 (Shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

### 13. Trade and Bills Payables

Ageing analysis of trade and bills payables is as follows:

	As at 30 June 2011	As at 31 December 2010
0 to 6 months	1,882,144	1,686,195
6 months to 1 year	1,892	350
1 year to 2 year	440	1,637
Over 2 years	1,037	420
	<b>1,885,513</b>	1,688,602

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 14. Bank Borrowings

	<b>As at 30 June 2011</b>	As at 31 December 2010
Current bank borrowings	<b>450,916</b>	345,060

Movements in borrowings are analysed as follows:

#### **Six months ended 30 June 2010**

Opening amount as at 1 January 2010	237,188
New borrowings	272,893
Repayments of borrowings	(136,540)
Exchange differences	3,940

**Closing amount as at 30 June 2010** 377,481

#### **Six months ended 30 June 2011**

Opening amount as at 1 January 2011	345,060
New borrowings	347,703
Repayments of borrowings	(234,768)
Exchange differences	(7,079)

**Closing amount as at 30 June 2011** 450,916



## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 15. Commitments

#### (a) Capital commitments

	As at 30 June 2011	As at 31 December 2010
Contracted but not provided for: Acquisition of property, plant and equipment	<b>130,362</b>	99,173

#### (b) Operating lease commitments

The Group leases certain of its office premises, plant and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2011	As at 31 December 2010
Not later than 1 year	<b>1,294</b>	636
Later than 1 year and not later than 5 years	<b>686</b>	230
	<b>1,980</b>	866

### 16. Contingent Liabilities

As at 30 June 2011, contingent liabilities not provided for in the condensed consolidated interim financial information was as follows:

	As at 30 June 2011	As at 31 December 2010
Guarantee given to the banks in connection with facilities granted to the customers	<b>664,337</b>	523,681

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 17. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The Group is controlled by Sky Treasure Capital Limited (the immediate holding company), a company incorporated in the British Virgins Islands, which owns 64.97% of the Company's shares. The Company's directors regard Sky Treasure as being the ultimate holding company.

The following companies are considered to be related parties of the Group:

Company name	Relationships
Hangzhou Keqiang Intelligence Control System Co., Ltd. ("Hangzhou Keqiang") (杭州科強智能控制系統有限公司)	Associate of the Group
Ningbo Anson CNC Technique Co., Ltd. (“Ningbo Anson”) (寧波安信數控技術有限公司)	Controlled by directors of the Group
Ningbo Haitian Precision Machinery Co., Ltd. (“Haitian Precision”) (寧波海天精工機械有限公司)	Controlled by directors of the Group
Ningbo Haitian Property Co., Ltd. (“Haitian Property”) (寧波海天置業有限公司)	Controlled by directors of the Group
Anson Asia (Hong Kong) Limited (“Anson Asia”)	Controlled by directors of the Group
Ningbo Haitian Co., Ltd. (“Ningbo Haitian”) (寧波海天股份有限公司)	Controlled by directors of the Group

#### (a) Transactions with related parties

The following material transactions were carried out with related parties:

	Six months ended 30 June	
	2011	2010
Purchases of goods from:		
Hangzhou Keqiang	7,862	6,575
Ningbo Anson	374,171	257,654
Purchase equipment from:		
Haitian Precision	12,901	56,600
Acquisition of a subsidiary:		
Ningbo Haitian	129,605	–
Anson Asia	55,545	–

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 17. Related Party Transactions (Continued)

#### (a) Transactions with related parties (continued)

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.

#### (b) Balances with related parties

The Group had the following significant balances with its related parties:

	As at 30 June 2011	As at 31 December 2010
Due from related parties		
Non-trade related		
– Haitian Precision	–	1,745
– Mr. Zhang Jianming	187	174
– Mr. Zhang Jianfeng	190	155
– Haitian Property	90	83
	<b>467</b>	2,157
Due to related parties		
Trade related		
– Ningbo Anson	73,906	98,399
– Hangzhou Keqiang	3,424	2,456
Non-trade related		
– Haitian Precision	3,300	–
Non-trade related arising from acquisition of a subsidiary		
– Anson Asia	52,902	–
	<b>133,532</b>	100,855

Balances with related parties were unsecured, non-interest bearing, and had no pre-determined repayment terms.

## Notes to the Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2011  
(Amount expressed in RMB'000 unless otherwise stated)

### 17. Related Party Transactions (Continued)

#### (c) Key management compensation

Key management includes directors, general managers of certain subsidiaries, Chief Financial Officer, Investment Relations Manager and the Head of Human Resources and Administration. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2011	2010
Salaries and bonus	3,993	3,884
Other benefits	106	103
	<b>4,099</b>	3,987