

2013 Annual Report



communication



innovation



efficiency



Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1882



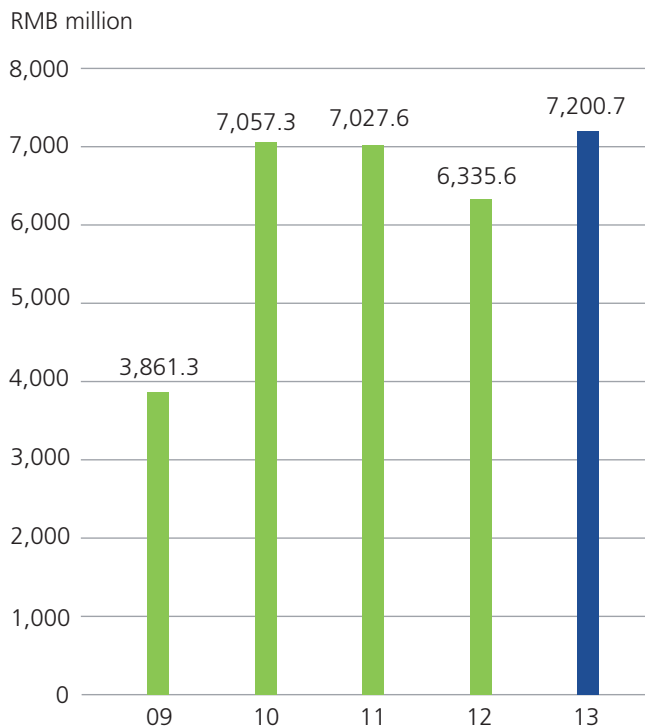
CONTENTS

2	Financial Highlights
3	Company Profile and Corporate Information
4 - 7	Chairman's Statements
8 - 12	CEO's Report
13 - 19	Directors and Senior Management
20	Investor Information
21 - 27	Corporate Governance Report
28 - 36	Report of the Directors
37 - 38	Independent Auditor's Report
39 - 40	Consolidated Balance Sheet
41	Balance Sheet
42	Consolidated Income Statement
43	Consolidated Statement of Comprehensive Income
44	Consolidated Statement of Changes in Equity
45	Consolidated Statement of Cash Flow
46 - 99	Notes to the Consolidated Financial Statements
100	Financial Summary

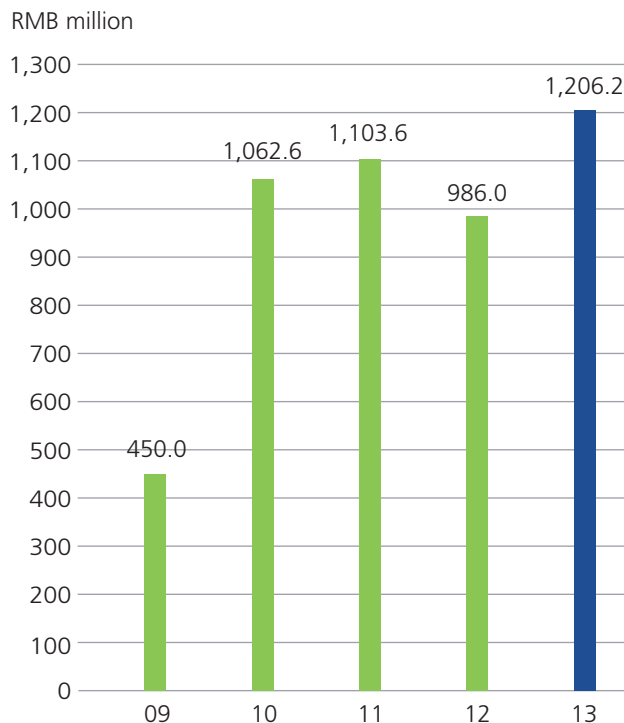


Financial Highlights

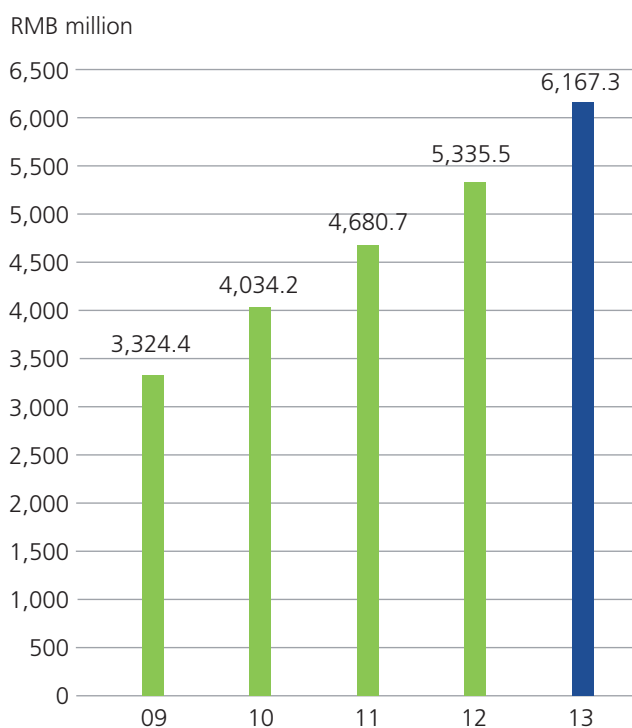
Revenue



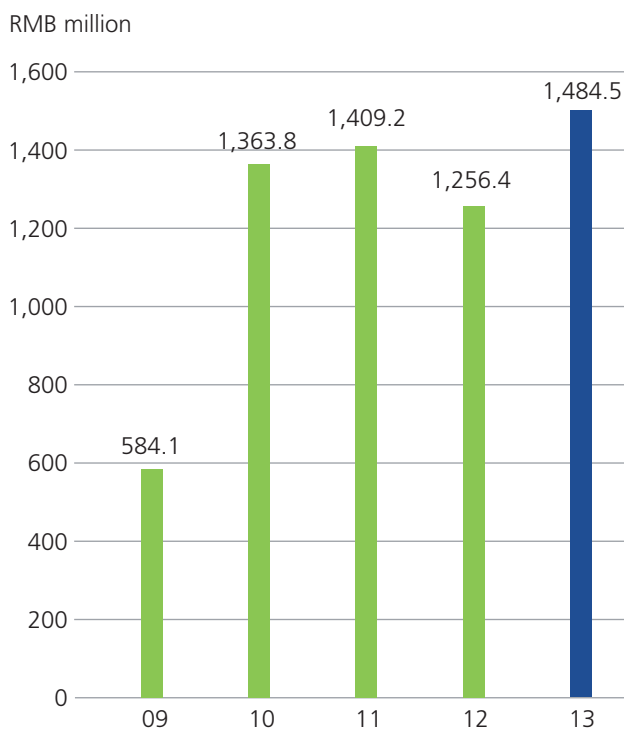
Profit attributable to the shareholders of the Company



Capital and reserves attributable to shareholders of the Company



EBITDA



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
Ms. CHEN Ningning

Non-Executive Directors

Mr. Guo Mingguang
Mr. Liu Jianbo

Independent Non-Executive Directors

Mr. Gao Xunxian
Mr. Lou Baijun
Dr. Steven Chow
Mr. Jin Hailiang

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. 1688 Haitian Road
Beilun District, Ningbo
Zhejiang Province, China
315800

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

Principal Bankers

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

Hong Kong
Hang Seng Bank
Oversea – Chinese Banking Corporation
Standard Chartered Bank (Hong Kong)
The Hongkong and Shanghai Banking Corporation



Dear Shareholders,

On behalf of Haitian International Holdings Limited, (“Haitian” or the “Company”), with its subsidiaries (together, the “Group”), I am pleased to present the Group’s annual results for the year ended 31 December 2013.

CHAIRMAN’S STATEMENTS

Business Review

2013 continued to be a challenging year for the machine manufacturing industry but it was also a year of achievements for Haitian. In 2013, we achieved both record revenue and profit. This sensational achievement evidences our committed efforts in maintaining our industry leadership in terms of revenue, technology innovation and operational efficiency.

In 2013, China continued to experience a mild slowdown in economic growth. Although the domestic operating environment stabilized, the PIMM market is still far from full recovery. The global economy performance is also mixed. We observed gradual recovery in the US economy and stabilization of the Europe sovereign debt issues. In contrast, many emerging markets experience a slow-down of economic growth and currency depreciation issues in view of US’s quantitative easing measures approaching the end, which affect investment confidence in these markets. Faced with complicated and volatile operating environments, we adhered to our core development strategy of commitment to product innovation to address customer need. With our launch of second generation (“Generation 2”) of existing product lines since 2nd half of 2012, the Generation 2’s features of high precision, reliability and price-performance ratio continue to attract customers and induce them to invest in new Haitian machines even under the relatively sluggish market environment. Once again, we outperformed the industry peers and achieved the highest-ever revenue in our history. We recorded revenue of RMB7,200.7 million for the year ended 31 December 2013 (the “Reported Period”) increased by 13.7% compared to 2012, continuing to maintain the leading position in our industry.

With better cost position and margin of Generation 2, and accompanied with improved operational efficiency, benefit of economic of scale and relatively stable steel related component costs, we continued to improve the gross profit margin to 31.6% (2012: 30.1%) and net profit margin to 16.8% (2012: 15.6%). As a result, the Group’s profit attributable to shareholders for the Reported Period increased to RMB1,206.2 million, representing an increase of 22.3% when compared to 2012, achieving a new record in our history.

Chairman's Statements

The Board of Directors has declared a second interim dividend of HK\$0.16 per share for the year ended 31 December 2013 (2012: final dividend: HK\$0.15), bringing the total dividend for 2013 to HK\$0.31 per share (2012: HK\$0.27).

Domestic and export sales

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

<i>(RMB million)</i>	2013		2012		2013 Vs 2012
		%		%	
Domestic Sales	4,975.9	69.1%	4,189.7	66.1%	18.8%
Export Sales	2,061.3	28.6%	1,990.0	31.4%	3.6%
Parts (both domestic and export)	163.5	2.3%	155.9	2.5%	4.9%
Total	7,200.7	100%	6,335.6	100.0%	13.7%

The domestic PIMM market had experienced a softening in the past two years and the market has started to move from stagnation to slight recovery, driven by the continuous increase in plastic products consumption and stabilizing economic environment. Customers start to resume capital expenditure in PIMMs in view of a more clear business outlook. With our highly competitive Generation 2, we are in a prime position to capitalise on the growing demand from this positive momentum and raise our market share in the industry. Our domestic sales recorded an increase of 18.8% from RMB4,189.7 million in 2012 to RMB4,975.9 million in 2013.

Through our strategy of strengthening export sales including developing new markets, setting up a Vietnam manufacturing base and enhancing the pre-sales and after-sales services, we made an impressive double digit growth in certain markets like Southeast Asia, Middle East, Africa and North America. By offering high-end machines with reasonable price-performance and technology to the point, we also made a remarkable progress in increasing the market share in certain developed and high-technology-requirement countries, which evidenced the increasing recognition of Haitian as a world-class brand. In 2013, we recorded a strong increase in sales to United States and South Korea and United States has become our third largest single export market. Meanwhile, the sales of certain emerging countries like Brazil and Turkey dropped in 2013 due to their suffering from slow-down of economic growth, currency depreciation and political instability. As a result of the above-mentioned reasons, our export sales recorded an increase of 3.6% from RMB1,990.0 million in 2012 to RMB2,061.3 million in 2013, reaching another new record for our export business.



Chairman's Statements

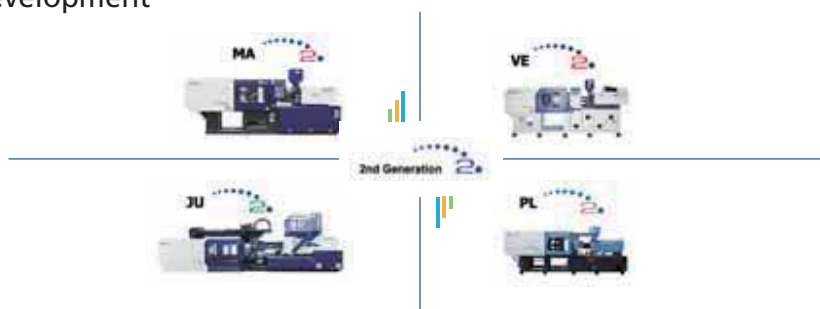
Small and medium-to-large tonnage sales

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

(RMB million)	2013		2012		2013 Vs 2012
		%		%	
Small tonnage	4,545.5	63.1%	3,747.0	59.1%	21.3%
Medium-to-large tonnage	2,491.7	34.6%	2,432.7	38.4%	2.4%
Parts	163.5	2.3%	155.9	2.5%	4.9%
Total	7,200.7	100%	6,335.6	100.0%	13.7%

In general, the sales of small tonnage PIMM are more sensitive and response faster to changes of market situation and economic performance. Matching the initial recovery of domestic PIMM markets in China, the sales of the small tonnage PIMMs increased to RMB4,545.5 million in 2013, representing an increase of 21.3% when compared to the sales in 2012. The sales of medium-to-large tonnage PIMMs remain at high level even during the previous industry slow down because of relatively low sensitivity to sluggish market environment. With the continuous increase in the application of large PIMM machines to various industries, we recorded a stable sales of medium-to-large tonnage PIMMs which amounted to RMB2,491.7 million in 2013, representing a stable growth of 2.4% when compared to the sales in 2012.

Research and Development



Sustainable success in innovation is founded upon bringing new technology consistently meeting the demand of customers. Fundamentally, this means each new technology must bring the customers new advantages and concrete benefits exactly to the point with justified costs. Therefore we developed our Generation 2 machines with a target to expand the potential of standardized processes and optimize the cost position and profitability of customers to achieve a perfect symbiosis of the greatest possible economic efficiency and the best possible performance.

With several patented new features such as optimized injection, new mechanical clamping systems and new software for enhanced applications, Generation 2 offers higher precision, reliability, speed and price-performance to our customers. The market response to Generation 2 is extremely positive: the sales of Mars, Venus and Jupiter series increased by 18%, 22% and 39% respectively in 2013. Currently, our sales are mainly attributable to Generation 2 machines.

Our efforts in R&D and innovation are well reflected in our Haitian brand. In the "2013 value evaluation results of Chinese independent brands in manufacturing industry" conducted by CCTV together with China National Institute of Standardization, China Association for Brand Construction Promotion, China Council for the Promotion of International Trade and China Appraisal Society, our Haitian brand achieved a brand value of RMB7.3 billion and brand strength of 83.13%, being one of the top 10 brand value in the machinery manufacturing industry. Our prestigious brand value is the evidence of our long term commitment in attentive customer services, customer-orientated innovation and rigorous quality. We will continue our striving as a world-class brand.

Chairman's Statements

Prospect

Notwithstanding the fact that Chinese PIMM market is still far from full recovery and only showed a mild recovery in 2013, we still achieved a record level of revenue and profit. Unlike the overheated level in 2010 which was distorted by the release of suppressed CAPEX after the financial crisis in 2008 and 2009, we believe the growth of demand in PIMMs will be in a more sustainable way which is driven by continuous increase in plastics consumption and new plastic application, on-going urbanization and rising personal income levels in China. Accordingly, we plan to expand our production capacity to meet the further growth along with increasing our flexibility by adopting a temporarily stretched production plans using working over time and outsourcing production. In order to further increase our production capacity, raise our efficiency through modernization of the production process and upgrading vertical production capabilities, we are in the progress of constructing two new factories in Ningbo which will be completed and ready for operation in 2014. This also coincides with our strategies of the full-scale development of our Zhafir brand high-end series of full electric PIMMs and upgrading the medium-to-large size PIMMs towards manufacturing large size two-platen PIMMs.

In order to maintain our competitive advantages to be sustainable in the future, we see communication, innovation and efficiency as the three most important pillars for joint success. We will continue to actively communicate with our customers, employees and suppliers to exchange information and experience, obtain the feedback and then deal with their demand. Through the active communication, we can also achieve innovation that offers meaningful benefits to customers in the plastic processing process and also efficiency in our operation to further increase the profitability. In November 2013, our key management and major departments (including domestic and export sales, R&D, IT and administrative department etc.) were relocated to our new centralised headquarter building in Ningbo which further enhances our communication and efficiency. The new headquarter building set another milestone for Haitian to reach next height.

With the ambition in sustainable steady development of our business, we cannot disregard that there remains some fragility in the economic outlook and we need to be cautious in considering such uncertainties, including possible impact of scale down of US quantitative easing polices, recent slow-down of China's manufacturing sector as indicated from China PMI falling below 50 since January 2014, the possibility of further currency depreciation in certain emerging countries and latest development in Ukraine's situation etc. We will continue to increase our flexibility to tackle the challenges and react quickly to the market dynamics amidst uncertain economic environment through our long term committed strategies in speeding up product innovation, providing technological product to the point by addressing customers' needs, carefully adjusting our production plan to achieve optimized utilization of production capacity, launching quality assurance campaign and enhancing our pre-sales and after-sales services. Leveraging on our prestigious brand, outstanding price-to-performance ratio, self-developed core technology and efficient production scale, we are confident to maintain our industry-leading position, deliver solid performance in 2014 and bring satisfactory returns to our shareholders.

Appreciation

Finally, on behalf of the Board of Directors, I would like to thanks all staff members for their contribution in the past year and at the same time, I would also like to express our gratitude towards our shareholders, customers, suppliers and business partners for their continued confidence in and support to our Group.

Mr. Zhang Jingzhang

Chairman

2 April 2014



CEO'S REPORT

Highlights

	2013 RMB' million	2012 RMB' million	Increase %
Revenue	7,200.7	6,335.6	13.7
Gross profit	2,273.7	1,907.3	19.2
Profit attributable to shareholders of the Company	1,206.2	986.0	22.3
Basic Earnings per share (expressed in RMB per share)	0.76	0.62	22.3
Dividend per share (expressed in HK\$ per share)			
Second interim (in lieu of the final)	0.16	—	N/A
Proposed final	—	0.15	N/A
Full year (including interim)	0.31	0.27	14.8

- Achieved record revenue and profit attributable to shareholders during the year
- Currently, our sales are substantially attributable to our second generation (“Generation 2”) of existing product lines
- Benefiting from the successful launch of Generation 2 and modest recovery of Chinese PIMM market in 2013, our sales increased to RMB7,200.7 million, representing an increase of 13.7% compared to 2012
- Continuous improvement in gross profit margin to 31.6% (2012: 30.1%) resulting from the launch of Generation 2, raise of operational efficiency, benefiting from economic of scale and lower cost of raw materials
- Profit attributable to shareholders increased to RMB1,206.2 million, representing an increase of 22.3% when compared to 2012
- The Board declared a second interim dividend (in lieu of the final) of HK\$0.16 per share, together with interim dividend paid constitute a total dividend of HK\$0.31 per share (2012: HK\$0.27 per share)

CEO's Report



Financial Review

Revenue

Benefiting from the successful launch of our Generation 2 of existing product lines and modest recovery of Chinese PIMM market in 2013, revenue increased to RMB7,200.7 million, representing an increase of 13.7% compared to 2012. The increase was mainly attributable to the 18.8% increase of domestic sales to RMB4,975.9 million compared to 2012. In addition, our export sales reached a new record of RMB2,061.3 million in 2013, representing a growth of 3.6% when compared to the sales in 2012.

Gross Profit

In 2013, we recorded gross profit of approximately RMB2,273.7 million, representing an increase of 19.2% compared to 2012. Overall gross margin had increased from 30.1% in 2012 to 31.6% in 2013. The increase of gross margin is attributable to better gross margin for Generation 2, improvement in operational efficiency, benefiting from economic of scale and relatively stable and low steel related component costs.



CEO's Report

Selling and administrative expenses

The selling and administrative expenses increase by 17.9% from RMB830.2 million in 2012 to RMB978.5 million in 2013. The increase of expense is roughly in line with sales which i) primarily due to the increase in sales commission expenses and transportation charges resulting from higher level of sales in 2013 ii) increase in administrative expense related to business expansion and implementation of Lean Manufacturing process to raise operational efficiency and iii) increase in R&D for further production innovation.

Other income

Other income mainly consists of government subsidy and increased by 61.7% from RMB43.6 million in 2012 to RMB70.5 million in 2013.

Other losses – net

Other losses mainly consists of exchange losses from US dollars denominated export receivables result from RMB appreciation.

We have borrowed certain amounts of US dollars or Hong Kong dollars denominated loans to reduce the above exchange risk of US denominated export receivables. The respective exchange gain will be classified as the finance income-net in accordance with accounting requirements.

Finance income – net

Finance income, net increased by 86.2% from RMB61.4 million in 2012 to RMB114.4 million in 2013. The increase is mainly attributable to i) an exchange gain of RMB32.3 million recorded from foreign currencies denominated loans and cash balance ii) increase of interest income resulted from increase in average bank balances and enhance efficiency in treasury management.

Income tax expenses

Income tax expenses increased by 29.4% from RMB208.1 million in 2012 to RMB269.3 million in 2013. Our effective tax rate increased from 17.4% in 2012 to 18.3% in 2013.

Events after the balance sheet date

The Company issued USD denominated 2% convertible bonds of USD200 million (the "bonds") on 13 February 2014. The bonds will mature five years from the issue date and are convertible into shares at the holder's option on or after 26 March 2014 to the close of business on the date falling seven days prior to 13 February 2019. The conversion price was initially HKD24.6740 per share with a fixed rate of exchange on conversion of HKD7.7544 = USD1.00, subject to adjustment.

Capital Expenditure

In 2013, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB516.4 million (2012: 258.0 million).

CEO's Report

Liquidity and Financial Resources

The gearing ratio is defined as total borrowings divided by shareholders' equity. As at 31 December 2013, our Group was in a strong financial position with a net cash position amounting to RMB1,606.7 million (2012: RMB2,261.5 million). Accordingly, no gearing ratio is presented.

Restricted Deposits

As at 31 December 2013, the bank deposits of RMB130.2 million (2012: of RMB79.1 million) of our Group were restricted.

Charges on Group Assets

As at 31 December 2013, our Group had no pledge of assets.

Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 29.2% of its products to international markets. Such sales were denominated in US dollars or other foreign currencies, while our Group's purchases denominated in US dollars or other foreign currencies accounted for less than 10.0% of our total purchases. Our Group used certain forward contracts means to reduce 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 US-dollar denominated bank loans amounted to RMB609.7 million to hedge the exchange risk of US-dollar denominated receivables arising from export sales.

Financial guarantees

As at 31 December 2013, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB960.2 million (2012: RMB861.6 million).

Employees

As at 31 December 2013, our Group had a total workforce of approximately 5,000 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. Total staff costs for 2013 amounted to RMB592.6 million, representing an increase of 20.6% compared with RMB491.2 million in 2012.

Payment of second interim dividend (in lieu of final dividend) for 2013

The Board has resolved to change the current practice from paying an interim dividend and a final dividend for a financial year to paying two interim dividends (i.e. first interim dividend and second interim dividend) with effect from the financial year ended 31 December 2013.

Accordingly, the Board has declared a second interim dividend for the year ended 31 December 2013 of HK\$0.16 per share (2012 final dividend: HK\$0.15 per share), which, together with the interim dividend of HK\$0.15 per share paid in September 2013 will constitute a total dividend of HK\$0.31 per share (2012: HK\$0.27 per share) for the full year.

The second interim dividend will be paid on or about 25 April 2014 in cash to shareholders whose names appear on the register of members at the close of business on 11 April 2014.

CEO's Report

Closure of Register of Members

(a) Entitlement to the Second Interim Dividend

The registers of members of the Company for entitlement of second interim dividend will be closed from 14 April 2014 to 17 April 2014 (both days inclusive). All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Registrar of Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 11 April 2014, for registration.

(b) Entitlement to Attend and Vote at the AGM

The registers of members of the Company to attend the AGM will be closed from 19 May 2014 to 26 May 2014 (both days inclusive). All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Registrar of Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 16 May 2014, for registration.

Zhang Jianming

Chief Executive Officer

2 April 2014

Communication

DIRECTORS AND SENIOR MANAGEMENT



Directors and Senior Management

Executive Directors



Mr. Zhang Jingzhang (張靜章), aged 77, is an executive Director and the Chairman of the Group. He is responsible for the overall business development strategy of the Group and has in-depth knowledge of, and more than 45 years of experience in, the plastic processing machinery industry. Mr. Zhang was the factory manager of Zhenhai Plastic Injection Moulding Machinery Factory (鎮海塑料機械廠), the predecessor of Ningbo Haitian Group Co., Ltd (寧波海天股份有限公司) (“Ningbo Haitian”) from 1970 to 1994. He was named an excellent model worker of Ningbo (寧波市特等勞模) in 1988 by the Ningbo Municipal People’s Government, and was also awarded the title of an “Outstanding Factory Manager and Manager of Industrial Enterprise of Ningbo” (寧波市工業企業優秀廠長、經理) by the Ningbo Municipal Committee of Communist Party of China for Economic Affairs and Ningbo Economic Committee in 1993. In July 1994, Mr. Zhang founded the Group and was appointed as the chairman of the Group. Mr. Zhang was named as an economist by the Ningbo Municipal People’s Government (寧波市人民政府) in 1994, an outstanding worker in the national plastic processing machinery industry (全國塑料機械行業先進工作者) by the China Plastic Processing Machinery Industry Association in 1996 and an outstanding township entrepreneur in Zhejiang (浙江省優秀鄉鎮企業家) by the Zhejiang Township Enterprise Bureau. In December 2002, Mr. Zhang was awarded the title of New Millennium Star Entrepreneur of the National Machinery Industry (新世紀首屆全國機械工業明星企業家) by the China Machinery Industry Federation (中國機械工業聯合會), an entrepreneur of China (全國鄉鎮企業家) and outstanding factory manager (manager and chairman) of China (全國優秀鄉鎮企業廠長) and was also elected as a deputy to the People’s Congress of Ningbo and Beilun District (寧波市和北侖區人大代表) in both 1988 and 1999. He was named an outstanding entrepreneur of Zhejiang (浙江省優秀創業家) in 2006. Mr. Zhang currently serves as the honorary chairman of the China Plastic Machine Industry Association (中國塑料機械協會).

Mr. Zhang is the father of Mr. Zhang Jianming and Mr. Zhang Jianfeng and the father-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are directors of the Company. He is also a director of Sky Treasure Capital Limited (“Sky Treasure”) and Premier Capital Management (PTC) Ltd. (“Premier Capital”), which interests in the Company have been detailed under the paragraph headed “Interests and Short Positions of Shareholders” in the Directors’ report.

Directors and Senior Management



Mr. Zhang Jianming (張劍鳴), aged 51, is an executive Director and the Chief Executive Officer of the Group and is responsible for the overall daily operations of the Group such as production, sales and marketing. By introduction of Mr. Zhang Jingzhang, Mr. Zhang joined the Group in August 1977 as worker and has gained extensive exposure in various departments of the Group. With over 35 years of experience in the plastic processing machinery industry, Mr. Zhang is experienced in all facet of the overall operation of the Group. He obtained a master in business administration from the Management College of Fudan University (復旦大學管理學院) in July 2002. Mr. Zhang has been appointed as the chief executive officer of the Group since April 2000. Mr. Zhang served as a member of the National Committee of the Chinese People's Political Consultative Conference in Beilun District (北侖區政協委會) in 1996 and as a director of the Quality Management Association of Beilun District of Ningbo (寧波市北侖區質量管理協會) from 1990 to 2000. In January 2006, Mr. Zhang was also selected as a representative of Ningbo's private enterprises to attend the National Science and Technology Conference. Currently, he is the chairman of Ningbo Plastic Machine Industry Association (寧波市塑料機工業協會). Mr. Zhang was also elected a deputy to the People's Congress of Beilun District (北侖區人大代表) in 2012. Mr. Zhang Jianming is the elder son of Mr. Zhang Jingzhang, the elder brother of Mr. Zhang Jianfeng and the brother-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.



Prof. Helmut Helmar Franz, aged 64, is an executive Director and the Chief Strategic Officer of the Group. He joined the Group in September 2007 and has over 40 years of experience in the plastic processing machinery industry. Prof. Franz obtained a degree in engineering specialising in plastic machinery and processes and joined Plastmaschinenwerk Schwerin in the former German Democratic Republic in 1972. At Plastmaschinenwerk, Prof. Franz worked as a senior executive in research and development and marketing. In 1985, he joined WWW Import-Export in Berlin, Germany where he served as the managing director for WWW Import-Export's sales and services in Iraq, Egypt and Russia. In 1991, he joined Demag Ergotech (previously known as Mannesmann Demag Kunststofftechnik) ("Demag"), initially as the managing director for Demag's sales and services branch in Moscow, Russia. From 1995 until 1999, he served as the managing director for Demag's manufacturing plant for small machines in Wiehe, Germany. He was then promoted to Demag's chairman in 1999 and held the office until 2005. Prof. Franz had been a member of the board of the VDMA (the German Engineering Federation) association of German plastics machinery manufacturers for many years. He served as the chairman of the board of the VDMA from July 2003 until April 2005. Since December 2005, Prof. Franz has been the sole managing director of Zhafir Plastics Machinery GmbH, a German limited liability company which is engaged in the research and development of plastic injection moulding machineries. The Group acquired a 91% equity interest in Zhafir Plastics Machinery GmbH in August 2007 and Prof. Franz is interested in the remaining 9% equity interest in Zhafir Plastics Machinery GmbH.

Directors and Senior Management



Mr. Zhang Jianguo (張建國), aged 58, is an executive Director and the senior vice president of research and development of the Group. Mr. Zhang joined the Group in January 1974 and has more than 35 years of experience in the plastic processing machinery industry. He obtained a diploma in electrical and mechanical engineering from Zhejiang Radio TV University (浙江省廣播電視大學) in 1987. Mr. Zhang joined the Group in January 1974 initially working in the quality control division. He was subsequently promoted to the head of quality control in 1996. He has been appointed as the senior vice president of research and development of the Group since 1999. He has contributed to the Group in developing and improving its products including the HTFX series, the HTFW series and the HTK series. He was named as an outstanding technological worker in a township enterprise at provincial level (省級鄉鎮企業優秀科技工作者) in 1990 and twice named as a professional technician with outstanding contributions to the Ningbo region (區級有突出貢獻專業人員) by the People's Government of Ningbo Beilun district in 1990 and 1997. In 1999, Mr. Zhang was awarded by the Ningbo Municipal People's Government the titles of outstanding professional technician of (寧波市優秀專業技術人員) and pioneer in technological innovations in Ningbo (寧波市首屆科技創新功臣). He was also named an excellent labour model of Ningbo (寧波市特等勞動模範) in April 2000. In 2001, Mr. Zhang obtained a "Great Achievement in the World Technology" award (世界科學技術發展成就獎) from the Hong Kong International EXPO Organising Committee for Patented Technology. Mr. Zhang is a director of Sky Treasure and Premier Capital.



Mr. Zhang Jianfeng (張劍峰), aged 44, is an executive Director and the senior vice president of sales and marketing of the Group. Mr. Zhang joined the Group in October 1985 and has more than 25 years of experience in the plastic processing machinery industry. He was promoted to the deputy head of the Group's sales division in the sales and marketing department in 1997. He has been appointed as the senior vice president of sales and marketing of the Group since 2002. Mr. Zhang is the younger son of Mr. Zhang Jingzhang, the younger brother of Mr. Zhang Jianming and the brother-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.



Ms. Chen Ningning (陳寧寧), aged 51, is an executive Director and the vice president of finance of the Group. Ms. Chen is a qualified accountant in China. Ms. Chen first joined the Group in May 1984. Ms. Chen served as the deputy head of the finance and accounting department, and the head of the accounting division, the cost division and the inventory division of the Group from 1999 to 2003. Since 2004, Ms. Chen has served as the vice president of finance of the Group. Since 2003, Ms. Chen has been appointed as a director of the Accounting Association of Ningbo Beilun District. She was named as an outstanding accountant of Ningbo in 2005. Ms. Chen is a director of Sky Treasure and Premier Capital.

Directors and Senior Management

Non-Executive Directors



Mr. Guo Mingguang (郭明光), aged 47, is a non-executive Director. Mr. Guo joined the Group in January 1983 and has more than 25 years of experience in the plastic processing machinery industry. In 1985, he was transferred to the Group's customer services department, and was transferred again in 1989 to the Group's engineering department. From 1994 to 1999, he served as the deputy general manager of Ningbo Zongtian Plastic Processing Machinery Manufacturing Co., Ltd. From 1999 to 2002, he served as the general manager of factory of the Group. In 2003, he was appointed as the deputy head of production of the Group and was promoted to the vice president of production of the Group in 2004. Mr. Guo was re-designated from an executive Director to a non-executive Director on 1 June 2012. Mr. Guo is a son-in-law of Mr. Zhang Jingzhang, the brother-in-law of Mr. Zhang Jianming, Mr. Zhang Jianfeng and Mr. Liu Jianbo, all of whom are Directors of the Company and he is also a director of Sky Treasure and Premier Capital.



Mr. Liu Jianbo (劉劍波), aged 45, is a non-executive Director. Mr. Liu joined the quality assurance department of the Group in November 1986 and was appointed as a quality control manager in 1997. In 2000, he qualified as an internal auditor under the ISO9001:2000 certification system and since then has been responsible for the Company's internal quality control audit. He has been the Company's vice president of quality control since February 2004 and the Company's vice president of customer service since July 2004. Mr. Liu was re-designated from an executive Director to a non-executive Director on 1 June 2012. Mr. Liu is a son-in-law of Mr. Zhang Jingzhang and the brother-in-law of Mr. Zhang Jianming, Mr. Zhang Jianfeng and Mr. Guo Mingguang, all of whom are Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.

Independent Non-Executive Directors

Mr. Gao Xunxian (高訓賢), aged 67, joined the Group in August 2006 as an independent non-executive Director. He is a qualified accountant and a tax agent in China. During 1972 to 1980, he worked with the Taxation Bureau of Zhenhai (鎮海縣財政部稅務局) and the Taxation Bureau of Chengguan (城關財稅所) as the secretary and administrator. In 1984, he was appointed as the vice director of the Taxation Bureau of Zhenhai and from 1985 to 1987, he served as the vice director of the Finance and Taxation Bureau of Ningbo Beilun District (寧波市北侖區財政稅務局) and the general manager of Cai Zheng XinYong Investment Ltd. (財政信用投資公司). In 1987, he was promoted as the director of the Finance and Taxation Bureau of Ningbo Beilun District. From February 1998 to June 2006, he served as the vice chairman of Ningbo Beilun District Committee of the Chinese People's Politics Consultation Conference (寧波北侖政協).

Directors and Senior Management

Dr. Steven Chow (周志文), aged 69, joined the Group in September 2007 as an independent non-executive Director. He is a licensed investment advisor and has over 30 years of experience in banking and investment. He received his Bachelor of Science Degree from Bishop's University and his Master's Degree in Business Administration and PhD degree (in Economics) from Boston University. Dr. Chow is a senior representative for a European bank as well as a managing director of its local company providing wealth management services for high net worth clients in Asia. Dr. Chow served as independent non-executive director of CNT Group Ltd. during the last three years, which shares are listed on the Main Board of the Stock Exchange. He was a member of the Chinese People's Political Consultative Commission, Ningbo from 1989 to 2011.

Mr. Lou Baijun (樓百均), aged 50, joined the Group in March 2012 as an independent non-executive Director. He is currently the Head of Modern Logistics School of Zhejiang Wanli University. Mr. Lou is a member of the Chinese Institute of Certified Public Accountants since 1996. Mr. Lou was appointed deputy director and deputy professor of Faculty of Financial Management of Jiangxi University of Finance and Economics between 1985 and 2001 and commenced teaching at Zhejiang Wanli University since 2001. Mr. Lou obtained a master degree in management and engineering from Wuhan University of Technology in 2006. Mr. Lou has been an independent non-executive director of Ningbo Veken Elite Group Co., Ltd. (stock code: 600152) since 19 June 2008 and was an independent non-executive director of HIT. Shouchuang Technology Co., Ltd. (stock code: 600857) between 24 June 2005 and 24 March 2012, the shares of which are both listed on the Shanghai Stock Exchange.

Mr. Jin Hailiang (金海良), aged 60, joined the Group in March 2013 as an independent non-executive Director. He is currently the Chairman and General Manager of Ningbo Xinlong Real Estate Company Limited. Mr. Jin is also a councilor of the Ningbo Real Estate Association, the President of Ningbo Beilun Real Estate Association, a committee member of the Beilun Committee of Ningbo City of the Chinese People's Political Consultative Conference. Mr. Jin was appointed to a number of roles at Housing Management Bureau of Zhenhai and Chaiqiao Counties Municipal Government including deputy director and deputy director of statistics office between 1971 and 1985. Mr. Jin was appointed as director and party-chief of Housing Management Bureau of Beilun District and its Development Zone since 1985 and assumed the role of director and party-chief of Beilun Construction Quality Supervision Station in 1997. He was appointed to his current position of the Chairman and General Manager of Ningbo Xinlong Real Estate Company Limited since 1999. Mr. Jin obtained a diploma in real estate management from Zhejiang University of Technology in 1994.

Senior Management

Mr. Yu Wenxian (虞文賢), aged 44, is the vice president of human resources and administration of the Group. Mr. Yu graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in mechanical engineering in 1991. He joined the Group in May 1993 as an engineer. Since 1997, Mr. Yu has been working in the areas of administration and human resources and served various managerial roles in those areas. He has been appointed as the vice president of human resources and administration of the Group since 2003 and had been serving as the executive assistant to the chief executive officer of the Group between 2004 and 2010.

Mr. Bei Haibo (貝海波), aged 47, is the vice president of domestic sales of the Group. Mr. Bei joined the Group in January 1983 and has more than 25 years of experience in the plastic processing machinery industry. He was appointed as a manager responsible for after-sales services in 1997 and was promoted to deputy general manager of the Group's sales department in 1998.

Mr. Chen Weiqun (陳蔚群), aged 42, is the general manager of Haitian Huayuan, the export arm of the Group. Mr. Chen graduated from Huadong Yejin College (華東冶金學院) with a bachelor's degree in mechanics in August 1993. In 2005, he obtained a master's degree in business administration from the University of Zhejiang. He joined the research and development department of the Group in 1993. In 1994, he joined the international sales team of the sales department. He was appointed as an assistant to the chief executive officer in 2000 and as the deputy general manager of international sales in 2003. He has been appointed as the deputy general manager responsible for the Group's international sales since 2004. He was also appointed as the general manager of Haitian Huayuan in 2004.

Mr. Shi Huajun (施華均), aged 42, is the general manager of the internal control and investor relation department of the Group. Mr. Shi graduated from Zhejiang Finance Economics College with a bachelor's degree in economics in 1994. He obtained a master's degree in business administration from the Open University of Hong Kong in 2003. Mr. Shi has in-depth knowledge of, and over 20 years of experience in, auditing, accounting and finance and is a certified accountant, certified valuer and registered tax agent in China. Prior to joining the Group, Mr. Shi was a partner with a local accounting firm. He was named an outstanding certified accountant in Zhejiang (浙江省優秀註冊會計師) by the Zhejiang Certified Accountants Association in 2003.

Directors and Senior Management

Mr. Suen Waiyu (孫懷宇), aged 36, is the Company Secretary of the Company and joined the Group in November 2010.

Mr. Suen graduated from the University of Hong Kong with a bachelor degree in laws in 2000 and he is a solicitor admitted to practice laws in Hong Kong. Prior to joining the Group, Mr. Suen was previously working in an international law firm advising companies on corporate transactions, capital market transactions and listing companies compliance related work.

Mr. Lo Chi Chiu (盧志超), aged 40, is the Group's Chief Financial Officer and joined the Group in August 2006. Mr. Lo graduated from the University of Hong Kong with a bachelor's degree in business administration. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he has obtained over 15 years of auditing, accounting and financing experience including six years with major international accounting firms and four years in senior accounting positions in various industries.

Investor Information

Listing Information

Listing: Hong Kong Stock Exchange
Stock code: 1882

Key Dates

26 March 2014	—	Result Announcement of 2013
14 – 17 April 2014	—	Closure of register of members (entitlement to second interim dividend)
about 25 April 2014	—	Paid date of second interim dividend
19 – 26 May 2014	—	Closure of register of members (Annual General Meeting)
26 May 2014	—	Annual General Meeting

Share Information

Board lot size: 1,000 shares

Shares outstanding as at 31 December 2013:
1,596,000,000 shares

Market Capitalisation as at 31 December 2013:
HK\$27,962 million

Earnings per share for 2013: RMB0.76

Dividend per share for 2013	
Interim dividend	HK15.0 cents
Second interim dividend	HK16.0 cents

Total	HK31.0 cents
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Hong Kong Share Registrar Transfer Office

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

Enquires Contact

Investor Relations Department
Tel (China): 86-574-86182786
Tel (Hong Kong): 852-24282999
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E-mail: andy@mail.haitian.com
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Website

<http://www.haitianinter.com>
<http://www.haitian.com>

Innovation

**CORPORATE
GOVERNANCE
REPORT**



Corporate Governance Report

Haitian International Holdings Limited (the “Company”) recognises the importance of good corporate governance to its healthy growth and has therefore devoted much efforts into formulating the best corporate governance practices that agree with its business needs. The Company has applied the principles set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) by adopting the relevant code provisions. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG code. Save as set out below, the directors of the Company (“Directors”) consider that the Company complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2013:

Deviation from CG Code

Attendance at annual general meeting: the Chairman and two Non-Executive Directors were not able to attend the annual general meeting held in year 2013. Please refer to paragraphs headed “Investor Relations and Shareholders’ Communication” for details.

Board of Directors

The Board of Directors (the “Board”) comprises 6 Executive Directors, 2 Non-executive Directors and 4 Independent Non-executive Directors.

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Jingzhang (*Chairman*)
Mr. Zhang Jianming (*Chief Executive Officer*)
Prof. Helmut Helmar Franz
Mr. Zhang Jianguo
Mr. Zhang Jianfeng
Ms. Chen Ningning

Non-executive Directors

Mr. Guo Mingguang
Mr. Liu Jianbo

Independent Non-executive Directors

Mr. Gao Xunxian
Mr. Lou Baijun
Dr. Steven Chow
Mr. Jin Hailiang (appointed on 28 March 2013)
Mr. Dai Guowah (resigned on 28 March 2013)

Corporate Governance Report

The Board has a balance of skill, experience and diversity of perspectives that are essential to and would promote the business of the Group. It also has a balanced composition of Executive and Non-Executive Directors and is responsible to formulate overall strategy of the Group, monitor its operational and financial performance and oversight of the management of the Company's business and affairs. The Board, especially the Independent Non-Executive Directors, is also responsible to decide on acquisitions or disposals where there is conflict of interests for any Director(s). The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company. The biographies and relevant relationships amongst them are set out in the Directors and Senior Management Section of this annual report.

The Chairman and the Chief Executive Officer of the Company are Mr. Zhang Jingzhang and Mr. Zhang Jianming respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

The Non-executive Directors, with diversified industry expertise but not involved in the day-to-day management of the Group, serve the important function of advising the Board on strategic development of the Group, and ensure that the Board maintains high standards of financial and other mandatory reporting as well as provide adequate checks and balances for safeguarding the interests of the Company and the shareholders of the Company as a whole. The Company has received confirmations of independence from all existing Independent Non-executive Directors and considers them independent, in accordance with the Rule 3.13 of the Listing Rules. All Directors have a term of office of three years and are required to retire and, being eligible, can offer themselves for re-election in accordance with the articles of association of the Company.

Board Meetings

It is intended that the Board should meet regularly so that all directors are kept updated with the business development of the Group. Special meetings the Board will be convened if the situation requires so. For the year ended 31 December 2013, the Board convened a total of four Board meetings and the individual attendance record of the Directors is tabulated as follows:

Attendance

Executive Directors

Mr. Zhang Jingzhang (<i>Chairman</i>)	4/4
Mr. Zhang Jianming (<i>Chief Executive Officer</i>)	4/4
Professor Helmut Helmar Franz	4/4
Mr. Zhang Jianguo	3/4
Mr. Zhang Jianfeng	4/4
Ms. Chen Ningning	4/4

Non-executive Directors

Mr. Guo Mingguang	4/4
Mr. Liu Jianbo	4/4

Independent Non-executive Directors

Mr. Gao Xunxian	4/4
Mr. Lou Baijun	4/4
Dr. Steven Chow	1/4
Mr. Jin Hailiang ⁽¹⁾	2/2
Mr. Dai Guowah ⁽²⁾	2/2

Notes:

⁽¹⁾ Mr. Jin Hailiang was appointed as independent non-executive director on 28 March 2013 and attended the two board meetings held after his appointment.

⁽²⁾ Mr. Dai Guowah resigned as independent non-executive director on 28 March 2013 and attended the two board meetings held prior to his resignation.

Corporate Governance Report

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that the Directors complied with the required standard set out in the Model Code throughout the year ended 31 December 2013.

Relationship of the Directors

Among the members of the Board, Mr. Zhang Jingzhang, the Chairman, is the father of Mr. Zhang Jianming and Mr. Zhang Jianfeng and the father-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are also directors of the Company. Mr. Zhang Jianming is also the Chief Executive Officer of the Company.

Nomination Committee

The Board had set up its Nomination Committee to, among others, review the structure, size and composition of the Board and make recommendations to the Board on the appointment of Directors. The Nomination Committee has also adopted a policy of diversity for memberships of the Board which aims to achieve diversity in the Board against a range of different perspectives, including but not limited to professional and industry experience, skills and knowledge, cultural and educational background. These criteria will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. In reviewing and assessing the composition of the Board, the Nomination Committee will consider all different perspectives, including the aforesaid criteria, in order to maintain a diverse Board. And in recommending new appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria including the ones set out above, with due regard for the benefits of diversity of the Board.

The composition of the Nomination Committee and the attendance of the one meeting of the Nomination Committee during year 2013 are set out below:

Attendance

Mr. Zhang Jingzhang (<i>Chairman of Committee</i>)	1/1
Mr. Gao Xunxian	1/1
Mr. Dai Guowah*	1/1
Mr. Jin Hailiang*	*

* *Mr. Dai Guowah resigned as an independent non-executive director and a member of the Nomination Committee on 28 March 2013. Mr. Jin Hailiang was appointed as an independent non-executive director and a member of the Nomination Committee on 28 March 2013 and therefore did not attend the relevant meeting of the Nomination Committee.*

The Nomination Committee had reviewed the structure, size and composition of the Board, adopted the policy of diversity for memberships of the Board and assessed the background and qualifications of new Director appointed to the Board in 2013.

Audit Committee

The Company has set up an audit committee 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 three independent non-executive directors of the Company.

The Audit Committee has reviewed the Group's condensed consolidated financial information for the year ended 31 December 2013, including the accounting principles adopted by the Group, with the Company's management. The audit committee, together with the management and the external auditors, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

Corporate Governance Report

The composition of the Audit Committee and the attendance of the two meetings of the Audit Committee during year 2013 are set out below:

Attendance

Mr. Lou Baijun (<i>Chairman of Committee</i>)	2/2
Mr. Gao Xunxian	2/2
Mr. Dai Guowah*	1/1
Mr. Jin Hailiang*	1/1

* *Mr. Dai Guowah resigned on 28 March 2013 as an independent non-executive director and a member of the Audit Committee while Mr. Jin Hailiang was appointed on the same date as an independent non-executive director and a member of the Audit Committee. Accordingly, each of them attended the one Audit Committee meeting during their term.*

The Audit Committee met two times during year 2013. During the meetings, the Audit Committee considered the annual results of the Group for the year ended 31 December 2012 and the interim results of the Group for the six months ended 30 June 2013 as well as reports prepared by the external auditors relating to accounting and internal control issues and major findings in the course of audit/review.

Remuneration Committee

The Remuneration Committee is responsible to review the policy for remuneration of the Directors and other senior management of the Group and to make recommendations to the Board on the remuneration packages of each Director and senior management. The Group's policy for remuneration (including basic salary and performance bonus) of the Directors and other senior management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice.

The composition of the Remuneration Committee and the attendance of the one meeting of the Remuneration Committee during year 2013 are set out below:

Attendance

Mr. Dai Guowah (<i>Ex-Chairman of the Committee</i>)*	1/1
Mr. Jin Hailiang (<i>Chairman of the Committee</i>)*	*
Mr. Zhang Jianming	1/1
Mr. Gao Xunxian	1/1

* *Mr. Dai Guowah resigned on 28 March 2013. Mr. Jin Hailiang was appointed as an independent non-executive director and chairman of the Remuneration Committee on the same date and did not attend the relevant meeting.*

The Remuneration Committee had concluded that the packages of the Directors and senior management are in line with market standards for companies in the industry which the Group belongs to.

Training and Support for Directors

The Company recognizes the importance of keeping the Directors updated with latest information of duties and obligations of a director of a company which shares are listed on the Stock Exchange of Hong Kong Limited and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed Director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. The Company would also provide regular updates in relation to the latest developments regarding Listing Rules and other applicable regulations.

During year 2013, the Directors had participated in the following types of continuous professional development:

	Type of continuous professional development
Executive Directors	
Mr. Zhang Jingzhang	A, B
Mr. Zhang Jianming	A, B
Prof. Helmut Helmar Franz	A, B
Mr. Zhang Jianfeng	A, B
Mr. Zhang Jianguo	A, B
Ms. Chen Ningning	A, B
Non-executive Directors	
Mr. Guo Mingguang	A, B
Mr. Liu Jianbo	A, B
Independent Non-executive Directors	
Mr. Gao Xunxian	A, B
Mr. Lou Baijun	A, B
Dr. Steven Chow	A, B
Mr. Jin Hailiang	A, B
Mr. Dai Guowah (resigned on 28 March 2013)	B
A:	<i>attending seminars and/or in-house trainings relating to duties of directors of listed companies</i>
B:	<i>reading guidance notes and updates relating to regulatory requirements for listed companies and obligations of their directors</i>

Corporate Governance Report

Internal Control and Corporate Governance

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control and corporate governance. In 2013, the Board has conducted a review with the management of the effectiveness of the system of internal control and corporate governance of the Company and its subsidiaries and considered that the internal control system and corporate governance measures are effective.

Directors' and Auditor's Acknowledgement

The Board acknowledges its responsibility for preparing the accounts of the Company are in accordance with statutory requirements and applicable accounting standards. The management provides all relevant information and records to the Board, which enable it to prepare the accounts and to make above assessments. The statement of the auditor of the Company on its reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on pages 37 and 38.

Auditor's Remuneration

During the year, the auditor of the Company, PricewaterhouseCoopers, charged RMB3,150,000 for audit services.

Investor Relations and Shareholders' Communication

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings, road shows, participating in investors' conferences and making corporate presentations during the conferences, arranging company visits to the Company and maintaining regular meetings with institutional shareholders and analysts. The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting

and related papers are sent to shareholders at least 20 business days before the meeting and will also be made available on the Stock Exchange's website. The Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting. All votings at the annual general meeting will be conducted by poll and poll results will be posted on the website of the Stock Exchange on the business day following the annual general meeting. As a channel to further promote effective communication, the Company maintains a website (www.haitianinter.com) to disseminate the Company's announcements and other relevant financial and non-financial information electronically on a timely basis.

The annual general meeting held in year 2013 was held on 21 May 2013 and the attendance record of the Directors at the meeting is set out below:

Executive Directors

Mr. Zhang Jinzhang (<i>Chairman</i>)	–
Mr. Zhang Jianming (<i>Chief Executive Officer</i>)	–
Prof. Helmut Helmar Franz	–
Mr. Zhang Jianguo	Attended
Mr. Zhang Jianfeng	–
Ms. Chen Ningning	–

Non-executive Directors

Mr. Guo Mingguang	–
Mr. Liu Jianbo	–

Independent Non-executive Directors

Mr. Gao Xunxian	Attended
Mr. Lou Baijun	Attended
Dr. Steven Chow	Attended
Mr. Jin Hailiang	Attended

The Chairman of the Board, Mr. Zhang Jingzhang, and two non-executive Directors, Mr. Guo Mingguang and Mr. Liu Jianbo, were unable to attend the annual general meeting of the Company held on 21 May 2013 due to other important engagement. This was not in compliance with the following Code Provisions:

Code Provision A.6.7: independent non-executive directors and other non-executive directors shall attend general meetings.

Code Provision E.1.2: the chairman of the board should attend the annual general meeting.

Corporate Governance Report

Shareholders' Rights

How shareholders can convene an extraordinary general meeting

Any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to make a written requisition to the Board or the Company Secretary to convene an extraordinary general meeting pursuant to article 58 of the Company's articles of association. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the shareholder(s) who make the requisition may convene the extraordinary general meeting.

Procedures by which enquiries regarding business or operation of the Company can be made

Shareholders can contact the Investor Relations Department for enquiries in relation to the business or other operations of the Company. The contact information of the Investor Relations Department is set out in the "Investor Information" on page 20 of this report. Shareholders are also encouraged to attend the annual general meeting of the Company to express their view and make enquiries on the business or operation operations of the Company.

Procedures for putting forward proposals at general meeting

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands governing shareholder's rights to put forward proposals at an annual general meeting. Shareholders who wish to put forward proposals may however follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.



Efficiency



**REPORT OF
THE DIRECTORS**



Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2013.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 7(a) to the financial statements. An analysis of the Group's performance for the year by business segments and geographical segments are set out in note 23 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 42. The directors declared an interim dividend of HK15.0 cents per share, totalling RMB190,478,000 which was paid on 25 September 2013. The directors recommended the payment of a second interim dividend of HK16.0 cents per share, totalling approximately RMB202,273,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 17 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to RMB690,154.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 6 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 16 to the financial statements.

Distributable Reserves

The Company's reserves available for distribution represent the share premium, contributed surplus and retained earnings which in aggregate amounted to RMB2,306.7 million as at 31 December 2013. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution or payment of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Financial Summary

A summary of the results for the year ended and of the assets and liabilities of the Group as at 31 December 2013 and for the previous four financial years are set out on page 100.

Report of the Directors

Share Option Scheme

The Company adopted a share option scheme (the "Scheme") on 25 October 2007 after approval of the shareholders in an extraordinary general meeting held on the same day.

(i) Purpose

The purpose of the Scheme is to provide incentives or rewards to Eligible Person (as defined below) for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest.

(ii) Qualifying Participants

Any employee or proposed employee of any member of the Group including director, manager and officer of the Group, any business partner, agent, consultant or representative of the Group (collectively referred to as "Eligible Person") and any associates (as defined in the Listing Rules) of an Eligible Person.

(iii) Maximum Number of Shares

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes must not exceed 30% of the shares in issue from time to time. Subject to the aforesaid limit, the total number of shares available for issue under options which may be granted under the Scheme and any other schemes must not, in aggregate, exceed 10% of the shares in issue.

As at 31 December 2013, the number of shares available for issue under the Scheme is 159,600,000 shares representing 10% of the issued share capital of the Company and no share options were granted and remained outstanding.

(iv) Limit for Each Participant

No option may be granted to any one person such that the total number of shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

(v) Option Period

The period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option. The Board has the authority to determine the minimum period for which an option must be held before it can be exercised. The Scheme itself does not specify any minimum holding period.

(vi) Payment on Application and Acceptance

An offer of the grant of an option shall remain open for acceptance for a period of 30 days from the date of offer (or such other period as the Board may specify in the offer and acceptance letter). HK\$1 is payable by the grantee to the Company on acceptance of the offer.

Report of the Directors

(vii) Exercise Price

The exercise price shall be decided by the Board in its absolute discretion but shall not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

(viii) Remaining Life of the Scheme

The Board may at any time within 10 years commencing on 25 October 2007 make offers for the grant of options under the Scheme. No share option was granted or outstanding during the year ended.

Directors

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Zhang Jingzhang (*Chairman*)

Mr. Zhang Jianming (*Chief Executive Officer*)

Prof. Helmut Helmar Franz

Mr. Zhang Jianguo

Mr. Zhang Jianfeng

Ms. Chen Ningning

Non-executive Directors

Mr. Guo Mingguang

Mr. Liu Jianbo

Independent Non-executive Directors

Mr. Gao Xunxian

Mr. Lou Baijun

Dr. Steven Chow

Mr. Jin Hailiang (appointed on 28 March 2013)

Mr. Dai Guowah (resigned on 28 March 2013)

In accordance with Article 87(1) of the Company's Articles of Association, Prof. Helmut Helmar Franz, Mr. Gao Xunxian, Dr. Steven Chow and Mr. Lou Baijun will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Company has received from each independent non-executive director a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

Report of the Directors

Directors' Service Contracts

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under Continuing Connected Transactions stated below and note 36 to the financial statements.

Biographical Details of Directors and Senior Management

Brief biographical details of the directors and senior management are set out on pages 13 to 19.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2013, 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 ⁽¹⁾	958,844,006 (L)	60.08%
Mr. Zhang Jianming	Corporate Interest ⁽¹⁾	958,844,006 (L)	60.08%

(L) denotes a long position

Note:

(1) Mr. Zhang Jingzhang and Mr. Zhang Jianming are deemed under the SFO to be interested in 958,844,006 shares of the Company held by Sky Treasure Capital Limited.

Report of the Directors

Long Position in Shares and Underlying Shares of Associated Corporations of the Company

Name of Director	Name of association corporation ⁽¹⁾	Capacity/Nature of interest	Approximate percentage of shareholding in the associated corporations
Mr. Zhang Jingzhang	Sky Treasure Capital Limited ("Sky Treasure")	Corporate ⁽²⁾	14.28%
		Corporate ⁽³⁾	54.23%
Mr. Zhang Jianming	Sky Treasure	Corporate ⁽²⁾	9.68%
		Corporate ⁽³⁾	54.23%
Mr. Zhang Jianguo	Sky Treasure	Corporate ⁽²⁾	5.80%
Mr. Zhang Jianfeng	Sky Treasure	Corporate ⁽²⁾	5.45%
Ms. Chen Ningning	Sky Treasure	Corporate ⁽²⁾	3.02%
Mr. Guo Mingguang	Sky Treasure	Beneficiary under a trust ⁽⁴⁾	1.90%
Prof. Helmut Helmar Franz	Sky Treasure Zhafir Plastics Machinery GmbH ("Zhafir")	Corporate ⁽²⁾	0.51%
		Personal	9%
Mr. Liu Jianbo	Sky Treasure	Beneficiary under a trust ⁽⁴⁾	1.58%

Notes:

- (1) As at 31 December 2013, Sky Treasure is the holder of 60.08% 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. Premier Capital Management (PTC) Ltd. is the trustee of the Haitian Employee Discretionary Equity Trust which is interested in 34.62% equity interests in Sky Treasure while Cambridge Management Consultants (PTC) Ltd. is the trustee of the Haitian Employee Fixed Equity Trust and the Haitian Employee Fixed Equity Trust II which collectively are interested in 19.61% equity interests in Sky Treasure. 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 15.01% shares of Sky Treasure.

Save as disclosed above, as at 31 December 2013, 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 year 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.

Report of the Directors

Interests and Short Positions of Shareholders

As at 31 December 2013, 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	958,844,006 (L)	60.08%
Premier Capital Management (PTC) Ltd.	Interest in a controlled corporation ⁽¹⁾	958,844,006 (L)	60.08%

(L) denotes a long position

Note:

(1) Premier Capital Management (PTC) Ltd. is deemed under the SFO to be interested in 958,844,006 shares held by Sky Treasure Capital Limited as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, 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.

Management Contracts

During the year, the Company did not enter into any contract in respect of the management or administration of the entire business or any significant business of the Group nor any such contract subsisting.

Major Customers and Suppliers

During the year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year. Save as disclosed under "Continuing Connected Transactions" below, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers at all times.

Report of the Directors

Competing Business

None of the directors of the Company had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2013.

Each member of the Haitian Management (as defined in the prospectus of the Company dated 11 December 2006), if applicable, has confirmed to the Company that he/she has complied with the non-competiton undertaking as disclosed in the prospectus of the Company dated 11 December 2006.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 36 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and are ongoing for which relevant information had been disclosed in the Company's announcement dated 22 November 2011.

Purchase of Servo Systems and Components

On 28 October 2011, the Group entered into the Purchase Framework Agreement with Ningbo Haitian Drive Systems Co., Ltd. (formerly known as Ningbo Haitian Electric Machinery Co., Ltd.) ("HDS") relating to the purchase of servo systems, linear motion guides, ball screws and hydraulic motors for a term of three years commencing from the 1 January 2012 and ending on 31 December 2014, whereby the Group agreed to purchase these systems and components from HDS and its related companies at the price no less favourable than the terms at which HDS offers to independent third parties for the same or similar products. HDS was an associate of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo, each of them a director of the Company and therefore are connected persons by virtue of Rule 14A.11(4) of the Listing Rules.

During the year, the Group's purchase of these systems and components from HDS and its related companies amounted to RMB639.7 million.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; and
- (3) in accordance with the agreement entered into on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his conclusions in respect of the continuing connected transactions disclosed by the Group in page 96 of the annual report in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

Report of the Directors

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of the Company's Listed Shares

The Company has not redeemed any of its listed shares during the Reported Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the Reported Period.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

Public Float

As at the date of this report, based on information available to the Company and within the knowledge of the Directors, 39.9% of the issued share capital of the Company was held by the public.

On behalf of the Board

Zhang Jianming

Chief Executive Officer

2 April 2014

Independent Auditor's Report



羅兵咸永道

**TO THE SHAREHOLDERS OF
HAITIAN INTERNATIONAL HOLDINGS LIMITED**
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Haitian International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 99, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com



羅兵咸永道

**TO THE SHAREHOLDERS OF
HAITIAN INTERNATIONAL HOLDINGS LIMITED (Continued)**

(incorporated in Cayman Islands with limited liability)

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 2 April 2014

Consolidated Balance Sheet

As at 31 December 2013
(Amounts expressed in RMB)

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Land use rights	5	325,410	242,623
Property, plant and equipment	6	1,862,452	1,568,770
Investment in an associate	8	10,868	6,315
Deferred income tax assets	22	50,578	34,552
Other receivables	11	16,691	20,361
		2,265,999	1,872,621
Current assets			
Inventories	9	1,611,536	1,417,376
Trade and bills receivables	10	2,285,968	2,048,193
Prepayments, deposits and other receivables	11	168,353	240,034
Available-for-sale financial assets	12	1,469,294	180,000
Derivative financial instruments	13	—	6,297
Financial assets at fair value through profit or loss	14	32,000	78,000
Restricted bank deposits	15	130,210	79,053
Cash and cash equivalents	15	2,112,640	2,610,551
		7,810,001	6,659,504
Total assets		10,076,000	8,532,125
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	16	160,510	160,510
Share premium	17	1,331,913	1,331,913
Other reserves	17	640,943	529,228
Retained earnings			
— Proposed final dividend	33	—	193,433
— Others		4,033,890	3,120,384
Total equity		6,167,256	5,335,468

Consolidated Balance Sheet (Continued)

As at 31 December 2013
(Amounts expressed in RMB)

	Note	2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	21	12,442	12,644
Deferred income tax liabilities	22	111,593	96,157
		124,035	108,801
Current liabilities			
Trade and bills payables	18	1,895,875	1,481,115
Accruals and other payables	19	1,169,246	1,105,301
Current income tax liabilities		80,384	73,292
Bank borrowings	20	636,188	428,148
Derivative financial instruments	13	3,016	—
		3,784,709	3,087,856
Total liabilities		3,908,744	3,196,657
Total equity and liabilities		10,076,000	8,532,125
Net current assets		4,025,292	3,571,648
Total assets less current liabilities		6,291,291	5,444,269

The accompanying notes on pages 46 to 99 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 2 April 2014 and were signed on its behalf by:

Zhang Jianming
Director

Chen Ningning
Director

Balance Sheet

As at 31 December 2013
(Amounts expressed in RMB)

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	7(a)	778,077	778,077
Due from subsidiaries	7(b)	77,002	876,009
		855,079	1,654,086
Current assets			
Due from subsidiaries	7(c)	1,887,491	1,356,203
Cash and cash equivalents	15	77	58
		1,887,568	1,356,261
Total assets		2,742,647	3,010,347
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the Company			
Ordinary shares	16	160,510	160,510
Share premium	17	1,331,913	1,331,913
Other reserves	17	314,789	314,789
Retained earnings			
— Proposed final dividend	33	—	193,433
— Others		659,977	267,613
Total equity		2,467,189	2,268,258
LIABILITIES			
Current liabilities			
Due to subsidiaries	7(c)	274,738	741,352
Other payables		720	737
Total liabilities		275,458	742,089
Total equity and liabilities		2,742,647	3,010,347
Net current assets		1,612,110	614,172
Total assets less current liabilities		2,467,189	2,268,258

The accompanying notes on pages 46 to 99 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 2 April 2014 and were signed on its behalf by:

Zhang Jianming
Director

Chen Ningning
Director

Consolidated Income Statement

For the year ended 31 December 2013

(Amounts expressed in RMB)

	Note	2013 RMB'000	2012 RMB'000
Revenue	23	7,200,653	6,335,642
Cost of sales	24	(4,926,988)	(4,428,321)
Gross profit		2,273,665	1,907,321
Selling and marketing expenses	24	(606,277)	(527,876)
General and administrative expenses	24	(372,242)	(302,280)
Other income	25	70,495	43,600
Other (losses)/gains — net	26	(9,719)	9,515
Operating profit		1,355,922	1,130,280
Finance income	29	127,990	79,983
Finance costs	29	(13,566)	(18,539)
Finance income — net	29	114,424	61,444
Share of profit of an associate	8	5,192	2,370
Profit before income tax		1,475,538	1,194,094
Income tax expense	30	(269,302)	(208,068)
Profit for the year		1,206,236	986,026
Attributable to:			
Shareholders of the Company		1,206,236	986,026
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
— basic	32	0.76	0.62
Dividends	33	392,751	350,169

The accompanying notes on pages 46 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013
(Amounts expressed in RMB)

	2013 RMB'000	2012 RMB'000
Profit for the year	1,206,236	986,026
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in value of available-for-sale financial assets	12,294	—
Currency translation differences	(2,831)	586
Total comprehensive income for the year	1,215,699	986,612
Total comprehensive income attributable to:		
Shareholders of the Company	1,215,699	986,612

The accompanying notes on pages 46 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

(Amounts expressed in RMB)

	Note	Attributable to owners of the Company				Total RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000		
Balance at 1 January 2012		160,510	1,331,913	436,191	2,752,061	4,680,675	4,680,675
Comprehensive income							
Profit for the year		—	—	—	986,026	986,026	986,026
Other comprehensive income							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Currency translation differences		—	—	586	—	586	586
Total comprehensive income for the year ended 31 December 2012		—	—	586	986,026	986,612	986,612
Transactions with owners							
Dividend paid							
— 2011 final		—	—	—	(175,083)	(175,083)	(175,083)
— 2012 interim	33	—	—	—	(156,736)	(156,736)	(156,736)
Appropriations		—	—	92,451	(92,451)	—	—
Total transactions with owners		—	—	92,451	(424,270)	(331,819)	(331,819)
Balance at 31 December 2012		160,510	1,331,913	529,228	3,313,817	5,335,468	5,335,468
Balance at 1 January 2013		160,510	1,331,913	529,228	3,313,817	5,335,468	5,335,468
Comprehensive income							
Profit for the year		—	—	—	1,206,236	1,206,236	1,206,236
Other comprehensive income							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Change in value of available-for-sale financial assets		—	—	12,294	—	12,294	12,294
Currency translation differences		—	—	(2,831)	—	(2,831)	(2,831)
Total comprehensive income for the year ended 31 December 2013		—	—	9,463	1,206,236	1,215,699	1,215,699
Transactions with owners							
Dividend paid							
— 2012 final	33	—	—	—	(193,433)	(193,433)	(193,433)
— 2013 interim	33	—	—	—	(190,478)	(190,478)	(190,478)
Appropriations		—	—	102,252	(102,252)	—	—
Total transactions with owners		—	—	102,252	(486,163)	(383,911)	(383,911)
Balance at 31 December 2013		160,510	1,331,913	640,943	4,033,890	6,167,256	6,167,256

The accompanying notes on pages 46 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2013

(Amounts expressed in RMB)

	Note	2013 RMB'000	2012 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	1,535,528	1,994,544
Interest paid		(12,330)	(20,861)
Income tax paid		(224,628)	(181,546)
Net cash generated from operating activities		1,298,570	1,792,137
Cash flows from investing activities			
Purchase of property, plant and equipment		(396,593)	(266,367)
Purchase of land use rights		(89,956)	—
Entrusted loans granted		(120,000)	—
Entrusted loans repayments		120,000	40,000
Interest received from banks		73,913	64,646
Interest received from entrusted loans		9,640	1,630
Dividends received from an associate	8	639	490
Proceeds from disposal of property, plant and equipment	34(b)	12,747	2,920
Purchase of financial assets at fair value through profit or loss		(6,000)	(78,000)
Purchase of available-for-sale financial assets		(3,420,581)	(1,354,900)
Proceeds from disposal of financial assets at fair value through profit and loss		52,000	—
Proceeds from disposal of available-for-sale financial assets		2,143,581	1,174,900
Net cash used in investing activities		(1,620,610)	(414,681)
Cash flows from financing activities			
Proceeds from bank borrowings		579,203	447,070
Repayments of bank borrowings		(371,163)	(623,223)
Dividends paid to the Company's shareholders		(383,911)	(331,819)
Net cash used in financing activities		(175,871)	(507,972)
Net (decrease)/increase in cash and cash equivalents		(497,911)	869,484
Cash and cash equivalents at beginning of year		2,610,551	1,741,067
Cash and cash equivalents at end of year	15	2,112,640	2,610,551

The accompanying notes on pages 46 to 99 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

1. General Information

Haitian International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and distribution of plastic injection moulding machines.

The Company was incorporated in Cayman Islands on 13 July 2006, as an exempted company with limited liability under the Companies Law of Cayman Islands. The Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 22 December 2006.

These consolidated financial statements are presented in Chinese Renminbi (“RMB”), unless otherwise stated. They have been approved for issue by the Company’s Board of Directors on 2 April 2014.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets (including derivative instruments) at their fair value through profit or loss, which are carried at fair value. Certain items in the financial statements were reclassified in order to align current year presentation.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management’s best knowledge of events and actions, actual results ultimately may differ from those estimates.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures

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

The following new and amended standards are mandatory for the first time for the financial year beginning on or after 1 January 2013.

Amendment to HKAS 1 “Financial statements presentation” regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 10 “Consolidated financial statements”, with related amendment for transition guidance, is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

HKAS 27(Revised 2011) “Separate financial statements” is effective for annual periods beginning on or after 1 January 2013. HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKAS 28 (Revised 2011) “Associates and joint ventures” is effective for annual periods beginning on or after 1 January 2013. HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKFRS 12 “Disclosure of interests in other entities”, with related amendment for transition guidance, is effective for annual periods beginning on or after 1 January 2013. HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 “Fair value measurements” is effective for annual periods beginning on or after 1 January 2013. HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

There is no significant impact to the Group for adoption of these new and amended standards.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

- (b) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2013 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

		Effective for annual periods beginning on or after
Amendment to HKFRS 1	'First time adoption', on government loans	1 January 2013
Amendment to HKFRS 11	Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
Amendment to HKAS 19	Employee benefits	1 January 2013
Amendment to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

Apart from the above, the HKICPA has issued the annual improvements project (2011) which addresses several issues in the 2009-2011 reporting cycle, and includes changes to the following standards.

		Effective for annual periods beginning on or after
HKFRS 1	First time adoption	1 January 2013
HKAS 1	Financial statement presentation	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

- (c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
Amendment to HKAS 32	'Financial instruments: Presentation' on asset and liability offsetting	1 January 2014
Amendments to HKFRS 10, 12 and HKAS 27 (revised 2011)	Consolidation for investment entities	1 January 2014
Amendment to HKAS 36	'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39	Financial instruments: Recognition and Measurement – Novation of derivatives	1 January 2014
HKFRIC 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in reserves is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of an associate' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions. The executive committee comprises all executive directors and top management.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other (losses)/gains – net'.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal (continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Freehold land is stated at cost less accumulated impairment losses, if any. Cost represents consideration paid for the purchase of the land. Freehold land is not subject to depreciation.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss (if any) of the assets, other than freehold land and construction-in-progress, to their residual value over their estimated useful lives:

Buildings	30 years
Plant and machinery	10-15 years
Vehicles	5 years
Office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains – net', in the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.7 Land use rights

The up-front prepayments made for land use rights are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

2.8 Intangible asset

(a) Technology know-how

Technology know-how acquired in a business combination is identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such technology know-how is its fair value at the acquisition date.

Technology know-how has a definite useful life of 5 years and is carried at cost less accumulated amortisation and impairment loss if any, subsequent to initial recognition. Technology know-how is amortised over estimated useful life using straight-line method.

(b) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.9 Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.9 Impairment of investments in subsidiaries, associates and non-financial assets (Continued)

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivables', 'other receivables', 'restricted bank deposits' and 'cash and cash equivalents' in the balance sheet (notes 2.15 and 2.16).

(c) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value and recorded in other comprehensive income and income statement, respectively. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss 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. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.13 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The gain or loss is recognised in the income statement within 'other (losses)/gains – net'.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statement. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.22 Employee benefits

Group companies operate various defined contribution retirement benefit schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.23 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Government grants

Government grants are recognised at their fair value, when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are recognised in the consolidated income statement on a straight-line basis over periods and in the proportions in which depreciation on these assets is charged.

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.25 Revenue recognition (Continued)

(a) **Sale of goods**

Revenue from sale of goods is recognised when the group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

2.26 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.28 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, fair value and cash flow interest rate risk, credit risk and liquidity risk. Its risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) **Foreign exchange risk**

The Group mainly operates in Mainland China. The functional currency of the Company and most of its subsidiaries is RMB. Most of the Group's transactions, assets and liabilities are denominated in RMB, United States dollars ("USD"), Euro, Brazilian Real, Hong Kong dollars ("HKD") and Japanese Yen ("JPY"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, such as trade receivables, cash and cash equivalents, trade payables and borrowings.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (continued)

As at 31 December 2013, if RMB had strengthened/weakened by 3% (2012: 0.1%) against the USD and HKD with all other variables held constant, profit before income tax would have been approximately RMB12,358 thousand (2012: RMB145 thousand) higher/lower mainly as a result of foreign exchange difference on translation of USD and HKD denominated trade receivables, cash and cash equivalents, trade payables and bank borrowings. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related exchange rate during the previous year under analysis.

As at 31 December 2013, if RMB had weakened/strengthened by 1.2% (2012: 1.9%) against the Euro with all other variables held constant, profit before income tax would have been approximately RMB2,933 thousand (2012: RMB3,722 thousand) higher/lower mainly as a result of foreign exchange difference on translation of Euro denominated trade receivables, cash and cash equivalents and trade payables. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related exchange rate during the previous year under analysis.

As at 31 December 2013, if RMB had strengthened/weakened by 20.9% (2012: 9.9%) against the JPY with all other variables held constant, profit before income tax would have been approximately RMB5,532 thousand (2012: RMB6,910 thousand) higher/lower mainly as a result of foreign exchange difference on translation of JPY denominated trade payables and bank borrowings. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related exchange rate during the previous year under analysis.

(b) Fair value and cash flow interest rate risk

The Group's interest rate risk arises from bank deposits, loans to employees and borrowings. Bank deposits and loans to employees at fixed rates expose the Group to fair value interest rate risk.

Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. The Group has not used any financial instruments to hedge its exposure to cash flow interest rate risk.

As at 31 December 2013, if interest rates on USD – denominated borrowings had been 0.16 percentage-point (2012: 0.29 percentage-point) lower/higher with all other variables held constant, profit before income tax would have been RMB545 thousand (2012: RMB844 thousand) higher/lower, mainly as a result of lower/higher interest expense on floating rate borrowings.

As at 31 December 2013, if interest rates on JPY – denominated borrowings had been 0.06 percentage-point (2012: 0.07 percentage-point) lower/higher with all other variables held constant, profit before income tax would have been RMB17 thousand (2012: RMB50 thousand) higher/lower, mainly as a result of lower/higher interest expense on floating rate borrowings.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

The Group has policies in place to ensure credit sales are made to customers with an appropriate credit history. Most of the Group's sales are covered by guarantees from distributors, credit arrangement from insurance companies in Mainland China, or letters of credit issued by banks. The Group grants its customers credit terms ranging from 15 days to 36 months.

The Group provides guarantees to certain banks in connection with banking facilities granted to certain customers in connection with their purchases of the Group's plastic injection moulding machines. These customers are introduced by the Group's major distributors, which have provided the Group with counter guarantees.

The Group has policies to place its cash and cash equivalents only with major financial institutions, and limits the amount of credit exposure to any financial institution. As at 31 December 2013, most of the restricted bank deposits and cash and cash equivalents are placed with the major financial institutions in Mainland China.

The Group enters into the financial products contracts with relatively higher interest rates with certain financial institutions. These are reflected as available-for-sale financial assets and financial assets at fair value through profit or loss on the balance sheet. As at 31 December 2013, most of the financial products are bought from the major financial institutions in Mainland China and management has exercised due care when making investment decision with focus only on low risk financial products.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of fund through adequate amounts of committed credit facilities. The Group's objective is to maintain adequate committed credit facilities to ensure sufficient and flexible funding is available to the Group.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed below were the contractual undiscounted cash flows:

	2013 Within 1 year RMB'000	2012 Within 1 year RMB'000
Group		
Borrowings (i)	639,920	432,585
Trade and other payables	2,455,775	1,982,000
Financial guarantee contracts	960,239	861,577
	4,055,934	3,276,162
Company		
Due to subsidiaries and other payables	275,458	742,089

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (continued)

- (i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 December 2013 and 2012, without taking into account any subsequent changes in the amount of borrowings. Floating interest rates are based on current interest rate as at 31 December 2013 and 2012.

3.2 Capital risk management

The Group's objectives, when managing capital, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, issue new shares, or sell assets to reduce debts.

As at 31 December 2013 and 2012, the Group was in a net cash position (total borrowings were less than the total of restricted bank deposits and cash and cash equivalents).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity of the Group as shown in the consolidated balance sheet. The gearing ratio was as follows:

	As at 31 December	
	2013 RMB'000	2012 RMB'000
Total borrowings (Note 20)	636,188	428,148
Total equity	6,167,256	5,335,468
Gearing ratio	10%	8%

The increase in the gearing ratio resulted primarily from increase in borrowings for financing working capital.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

The table below presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	—	32,000	—	32,000
Available-for-sale financial assets	—	1,469,294	—	1,469,294
Total assets	—	1,501,294	—	1,501,294
Liabilities				
Derivative financial instruments	—	3,016	—	3,016

The table below presents the Group's assets and liabilities that are measured at fair value at 31 December 2012.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value through profit or loss	—	78,000	—	78,000
Derivative financial instruments	—	6,297	—	6,297
Available-for-sale financial assets	—	180,000	—	180,000
Total assets	—	264,297	—	264,297

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets among level 1, 2 and level 3 fair value hierarchy classifications.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than previously estimated useful lives. Actual economic lives and residual values may differ from estimated useful lives and residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.

(b) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management's judgement is required in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continuous use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

4. Critical Accounting Estimates and Judgements (Continued)

(c) Impairment of receivables

The Group's management determines the provision for impairment of trade, bills and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

(d) Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(e) Current income tax and deferred income tax

The Group is subject to income tax in the jurisdictions where the Group has operations other than the Cayman Islands and the British Virgin Islands. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers that it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred income tax liabilities relating to undistributed profits of subsidiaries incorporated in Mainland China are recognised when management expects to recover investments in those subsidiaries through dividends, unless it is estimated that such dividends will not be distributed in the foreseeable future. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax liabilities and income tax charges in the period in which such estimates are changed.

(f) Provision for loss on guarantees

The Group provides guarantees for loans granted by Mainland China banks to some of the Group's end-user customers in connection with their purchases of the Group's products. If an end-user customer default on a loan, the Group is obliged to settle the remaining loan balances. The Group's management determines the provision for loss on the guarantees based on assessment of the possibility of default payments by individual end-user customers. This assessment is based on the credit history of its customers, the current market condition and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date. Different estimates could significantly affect the provision amounts and materially impact the results of operations.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

5. Land Use Rights – Group

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed below:

	2013 RMB'000	2012 RMB'000
At beginning of year		
Cost	271,535	271,489
Accumulated amortisation	(28,912)	(23,465)
Net book amount	242,623	248,024
Opening net book amount	242,623	248,024
Exchange differences	(375)	45
Addition	89,956	—
Amortisation	(6,794)	(5,446)
Closing net book amount	325,410	242,623
At end of year		
Cost	361,090	271,535
Accumulated amortisation	(35,680)	(28,912)
Net book amount	325,410	242,623

The Group's land use rights are all located in Mainland China except for the one amounting to RMB6,289 thousand which is located in Vietnam. As at 31 December 2013, the remaining use periods of the land use rights range from 20 to 49 years (2012: 21 to 47 years).

Amortisation is charged to the consolidated income statement as follows:

	2013 RMB'000	2012 RMB'000
Cost of sales	124	127
General and administrative expenses	6,670	5,319
	6,794	5,446

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

6. Property, Plant and Equipment — Group

	Freehold land* and buildings RMB'000	Plant and machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2012						
Cost	939,850	939,907	119,180	77,893	72,960	2,149,790
Accumulated depreciation	(183,068)	(423,541)	(77,330)	(35,570)	—	(719,509)
Net book amount	756,782	516,366	41,850	42,323	72,960	1,430,281
Year ended 31 December 2012						
Opening net book amount	756,782	516,366	41,850	42,323	72,960	1,430,281
Exchange differences	591	(191)	(147)	92	—	345
Additions	33,455	39,548	16,081	627	168,263	257,974
Transfers	15,727	15,460	—	—	(31,187)	—
Disposals	—	(205)	(472)	(1,714)	(584)	(2,975)
Depreciation	(32,093)	(62,282)	(14,227)	(8,253)	—	(116,855)
Closing net book amount	774,462	508,696	43,085	33,075	209,452	1,568,770
At 31 December 2012						
Cost	989,906	993,373	131,170	72,231	209,452	2,396,132
Accumulated depreciation	(215,444)	(484,677)	(88,085)	(39,156)	—	(827,362)
Net book amount	774,462	508,696	43,085	33,075	209,452	1,568,770
Year ended 31 December 2013						
Opening net book amount	774,462	508,696	43,085	33,075	209,452	1,568,770
Exchange differences	(1,974)	(567)	(229)	(444)	—	(3,214)
Additions	71,796	64,228	16,022	11,174	263,194	426,414
Transfers	156,222	31,322	—	5,452	(192,996)	—
Disposals	(1,325)	(6,021)	(553)	(5,015)	—	(12,914)
Depreciation	(31,952)	(64,723)	(12,260)	(7,669)	—	(116,604)
Closing net book amount	967,229	532,935	46,065	36,573	279,650	1,862,452
At 31 December 2013						
Cost	1,212,495	1,075,416	141,698	75,972	279,650	2,785,231
Accumulated depreciation	(245,266)	(542,481)	(95,633)	(39,399)	—	(922,779)
Net book amount	967,229	532,935	46,065	36,573	279,650	1,862,452

* Freehold land is located in Germany. It is stated at cost of RMB3,922 thousand (2012: RMB3,874 thousand) and is not subject to depreciation.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

6. Property, Plant and Equipment — Group (Continued)

Depreciation is charged to the consolidated income statement as follows:

	2013 RMB'000	2012 RMB'000
Cost of sales	85,377	82,335
General and administrative expenses	26,744	29,323
Selling and marketing expenses	4,483	5,197
	116,604	116,855

7. Investments in and Loans to Subsidiaries — Company

(a) Investments in subsidiaries

	2013 RMB'000	2012 RMB'000
Investments, at cost:		
— Unlisted shares	778,077	778,077

The following are the principal subsidiaries, which are unlisted, at 31 December 2013:

Name	Place of incorporation and type of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Guo Hua Limited	British Virgin Islands ("BVI"), limited liability company	USD50,000	100%	—	Investment holding, BVI
Guo Hua Enterprises Group Limited	Hong Kong, limited liability company	HKD1	—	100%	Investment holding, Hong Kong
Dahai (H.K.) Company Limited	Hong Kong, limited liability company	HKD10,000	—	100%	Trading of machinery and related accessories, Hong Kong
Haitian Europe GmbH	Germany, limited liability company	Euro25,000	—	100%	Sale of plastic injection moulding machines, Germany
Haitian Huayuan (Hong Kong) Limited	Hong Kong, limited liability company	HKD779,999	—	100%	Trading of machinery and related accessories, Hong Kong

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

7. Investments in and Loans to Subsidiaries — Company (Continued)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation and type of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Haitian Huayuan Middle East Makina Dis Ticaret Limited Sirketi	Turkey, limited liability company	Turkish Lira 500,000	—	100%	Sale of plastic injection moulding machines, Turkey
Haitian Huayuan South America Com. De MAQS.Ltd.	Brazil, limited liability company	Brazilian Real 5,360,000	—	100%	Sale of plastic injection moulding machines, Brazil
Haitian Plastic Processing Machinery Guangzhou Co., Ltd. (海天塑料機械(廣州)有限公司)	Mainland China, wholly owned foreign enterprise	USD 2,400,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Huayuan (Vietnam) Machinery Co., Ltd.	Vietnam, limited liability company	Vietnam Dong ("VND") 22,800,000,000	—	100%	Manufacture, processing and maintaining all kinds of plastic injection moulding machines, Vietnam
Ningbo Daxie Development Zone Haitian Machinery Co., Ltd. ("Daxie Haitian") (寧波大榭開發區海天機械有限公司)	Mainland China, foreign equity joint venture	USD 1,550,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Beihua Science and Technology Co., Ltd. ("Haitian Beihua") (寧波海天北化科技有限公司)	Mainland China, limited liability company	RMB 10,000,000	—	100%	Research and development, manufacture, sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Huayuan Co., Ltd. ("Haitian Huayuan") (寧波海天華遠機械有限公司)	Mainland China, foreign equity joint venture	USD 51,000,000	—	100%	Manufacture and sale of plastic injection moulding machines to foreign countries, Mainland China
Ningbo Haitian Logistic Co., Ltd. (寧波海天物流有限公司)	Mainland China, limited liability company	RMB 10,000,000	—	100%	Logistic, sale of plastic injection moulding machines, Mainland China
Haitian Plastic Machinery Group Limited ("Haitian Plastic Machinery") (海天塑機集團有限公司)	Mainland China, wholly owned foreign enterprise	USD 276,460,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Zhafir Plastics Machinery Co., Ltd. ("Ningbo Zhafir") (寧波長飛亞塑料機械製造有限公司)	Mainland China, foreign equity joint venture	USD 30,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

7. Investments in and Loans to Subsidiaries — Company (Continued)

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation and type of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Wuxi Haitian Machinery Co., Ltd. ("Wuxi Haitian") (無錫海天機械有限公司)	Mainland China, foreign equity joint venture	USD25,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Zhafir Plastics Machinery GmbH ("Zhafir Plastics")	Germany, limited liability company	Deutsche Mark 100,000	—	91%	Research and development, manufacture, sale of plastic injection moulding machines, Germany
Zhafir Plastics Machinery India Private limited	India, limited liability company	India Rupee 99,990	—	91%	Manufacture, processing and maintaining all kinds of plastic injection moulding machines, India
Haitian Huayuan (South Africa) Machinery (pty) Ltd	South Africa, limited liability company	South African Rand1,000	—	100%	Manufacture, processing and maintaining all kinds of plastic injection moulding machines, South Africa

The English names of certain subsidiaries are translations made by the Group's management from their Chinese names as they do not have official English names.

(b) Due from subsidiaries – non-current

Due from subsidiaries represent equity funding by the Company to the subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured, non-interest bearing and not expected to be repaid within 12 month from respective balance sheet dates, and denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
HKD	73,806	872,658
USD	3,196	3,351
	77,002	876,009

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

7. Investments in and Loans to Subsidiaries — Company (Continued)

(c) Due from/(to) subsidiaries

These balances are unsecured, non-interest bearing and have no fixed repayment terms.

Due to subsidiaries are all denominated in HKD and due from subsidiaries are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
HKD	1,887,491	1,324,679
Euro	—	30,878
USD	—	646
	1,887,491	1,356,203

8. Investment in an Associate — Group

	2013 RMB'000	2012 RMB'000
Beginning of the year	6,315	4,435
Dividend received	(639)	(490)
Share of profit	5,192	2,370
End of the year	10,868	6,315

Investment in an associate at 31 December 2013 includes goodwill of RMB186 thousand (2012: RMB186 thousand).

The Group's shares of the assets, liabilities, sales and results of the associate are as follows:

	2013 RMB'000	2012 RMB'000
Assets	12,637	7,615
Liabilities	1,955	1,486
Revenue	14,271	8,528
Profit for the year	5,192	2,370

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

8. Investment in an Associate — Group (Continued)

Particulars of the associate, which is unlisted, are as follows:

Name	Place of incorporation and type of legal entity	Paid in capital	Attributable indirect equity interest to the Company	Principal activities and place of operation
Hangzhou Keqiang Intelligence Control System Co., Ltd. ("Hangzhou Keqiang") (杭州科強智能控制系統有限公司)	Mainland China, limited liability company	RMB2,080,000	49%	Manufacture and sale of intelligence control system in Mainland China

The English name of the associate is a translation made by the management of the Group from its Chinese name as it does not have an official English name.

9. Inventories — Group

	2013 RMB'000	2012 RMB'000
Raw materials	707,185	637,050
Work-in-progress	176,700	197,173
Finished goods	727,651	583,153
End of the year	1,611,536	1,417,376

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB4,917,632 thousand (2012: RMB4,401,315 thousand).

In 2013, the Group recorded inventory write-down of approximately RMB9,356 thousand (2012: reversal of inventory write-down of approximately RMB1,231 thousand). This amount has been included in cost of sales.

10. Trade and Bills Receivables — Group

	2013 RMB'000	2012 RMB'000
Trade and bills receivables	2,330,237	2,080,545
Less: provision for impairment	(44,269)	(32,352)
	2,285,968	2,048,193

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

10. Trade and Bills Receivables — Group (Continued)

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

As at 31 December 2013, there was no individual customer with outstanding balance exceeding 10% of the Group's total trade and bills receivables (2012: None).

Most of the Group's sales are covered by guarantees from distributors, credit arrangements from insurance companies in Mainland China, or letters of credit issued by banks. The Group grants its customers credit terms ranging from 15 days to 36 months. The ageing analysis of trade and bills receivables is as follows:

	2013 RMB'000	2012 RMB'000
Up to 6 months	1,995,640	1,704,326
6 months to 1 year	165,965	225,368
1 year to 2 years	109,893	110,828
Over 2 years	58,739	40,023
	2,330,237	2,080,545

As at 31 December 2013, trade receivables of RMB31,972 thousand (2012: RMB29,610 thousand) were past due but considered not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 RMB'000	2012 RMB'000
Up to 6 months	3,780	2,763
6 months to 1 year	6,190	4,277
1 year to 2 years	6,703	5,631
Over 2 years	15,299	16,939
	31,972	29,610

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

10. Trade and Bills Receivables — Group (Continued)

As at 31 December 2013, trade receivables of approximately RMB79,030 thousand (2012: RMB82,081 thousand) were impaired, and a related provision of RMB44,269 thousand (2012: RMB32,352 thousand) was provided. The individually impaired receivables relate to different customers. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2013 RMB'000	2012 RMB'000
Up to 2 years	35,590	58,997
Over 2 years	43,440	23,084
	79,030	82,081

Trade and bills receivables are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
RMB	1,780,930	1,526,781
USD	384,944	388,708
Euro	89,998	64,186
Brazilian Real	48,776	75,368
VND	23,773	21,879
Others	1,816	3,623
	2,330,237	2,080,545

Movements of the provision for impairment of trade receivables are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	32,352	39,630
Provision for/(reversal of) impairment of trade receivables	11,917	(7,195)
Written off as uncollectible	—	(83)
At 31 December	44,269	32,352

The provision for and reversal of impaired receivables have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

11. Prepayments, Deposits and Other Receivables — Group

	2013 RMB'000	2012 RMB'000
Advances to customers (i)	13,263	21,757
Prepayments and deposits		
— for purchases of raw materials	38,183	146,050
— others	19,793	6,280
Value Added Tax recoverable	50,919	33,166
Prepaid current income tax	543	6,980
Loans to employees (ii)	26,240	30,660
Interest receivables	21,423	9,327
Due from related parties (Note 36(b))	1,228	939
Others	13,452	5,236
	185,044	260,395
Less non-current portion: loans to employees	(16,691)	(20,361)
Current portion	168,353	240,034

Note:

(i) Advances to customers are secured by guarantees provided by the relevant distributors who introduced the customers.

(ii) Loans to employees are for their housing and car purchasing and are due within six years and bear interest at rates ranging from 0% to 3.4% (2012: from 0% to 3.4%) per annum as at 31 December 2013.

The fair values of current portion of other receivables approximate their carrying amounts. The fair values of non-current portion of other receivables are as follows:

	2013 RMB'000	2012 RMB'000
Loans to employees	14,978	20,361

The fair values of loans to employees are based on cash flows discounted using a rate based on the borrowings rate of 4.1% (2012: 3.4%) and are within level 2 of the fair value hierarchy.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

12. Available-for-Sale Financial Assets — Group

	2013 RMB'000	2012 RMB'000
At 1 January	180,000	—
Additions	3,420,581	1,354,900
Disposals	(2,143,581)	(1,174,900)
Net gains transfer to equity (Note 17)	12,294	—
	1,469,294	180,000

Available-for-sale financial assets are RMB denominated financial products with floating interests ranging from 4.3% to 7.1% (2012: 3.6% to 5%) per annum and with maturity dates between 6 days and 315 days (2012: between 48 days and 337 days). None of these assets is either past due or impaired (2012: None).

13. Derivative Financial Instruments — Group

	2013 RMB'000	2012 RMB'000
Forward foreign exchange contracts – held-for-trading	(3,016)	6,297

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2013 were EUR300 thousand and JPY849,200 thousand (2012: USD56,500 thousand).

14. Financial Assets at Fair Value Through Profit or Loss — Group

Financial assets at fair value through profit or loss are financial products with relatively higher interests entered into with banks. The fair values of these financial products approximate their carrying amounts.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

15. Restricted Bank Deposits and Cash and Cash Equivalents

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Restricted bank deposits	130,210	79,053	—	—
Cash at bank and in hand	996,009	1,831,792	77	58
Short-term bank deposits	1,116,631	778,759	—	—
Cash and cash equivalents	2,112,640	2,610,551	77	58
	2,242,850	2,689,604	77	58

Restricted bank deposits are short-term bank deposits that could not be drawn until they mature, some of which are related to the banking facilities granted by banks to certain customers and the finance facilities granted by banks for issuing letters of credit.

The maximum exposure to credit risk at the reporting period end approximates the carrying value of the restricted bank deposits and cash and cash equivalents.

As at 31 December 2013, the weighted average effective interest rate on restricted bank deposits and cash and cash equivalents of the Group is 1.7% (2012: 1.2%) per annum.

The restricted bank deposits have maturities of 12 months at inception (2012: 12 months). The short-term bank deposits have maturities ranging from 7 days to 12 months at inception (2012: ranging from 7 days to 12 months).

Restricted bank deposits and cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
RMB	1,974,525	2,458,248	—	—
USD	182,094	148,649	1	1
Euro	61,519	48,612	—	—
Brazilian Real	12,323	14,709	—	—
VND	2,386	10,686	—	—
HKD	2,481	3,377	76	57
Others	7,522	5,323	—	—
	2,242,850	2,689,604	77	58

Majority of the restricted bank deposits and cash and cash equivalents are deposited with banks in Mainland China. The conversion of the RMB denominated balances into other currencies and the remittance of funds out of Mainland China are subject to the rules and regulations relating to foreign exchange control promulgated by the Mainland China government.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

16. Share Capital

	Authorised share capital		
	Number of shares	Amount	
	'000	HKD'000	RMB'000
As at 31 December 2012 and 2013 (shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares	Amount	
	'000	HKD'000	RMB'000
As at 31 December 2012 and 2013 (shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

17. Reserves

Group

	Share premium	Merger reserve	Statutory reserves	Available-for-sale financial assets	Translation differences	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	1,331,913	152,573	298,195	—	(14,577)	2,752,061	4,520,165
Profit for the year	—	—	—	—	—	986,026	986,026
Appropriations	—	—	92,451	—	—	(92,451)	—
Dividend paid							
— 2011 final	—	—	—	—	—	(175,083)	(175,083)
— 2012 interim (Note 33)	—	—	—	—	—	(156,736)	(156,736)
Currency translation differences	—	—	—	—	586	—	586
At 31 December 2012	1,331,913	152,573	390,646	—	(13,991)	3,313,817	5,174,958
Profit for the year	—	—	—	—	—	1,206,236	1,206,236
Revaluation — gross (Note 12)	—	—	—	12,294	—	—	12,294
Appropriations	—	—	102,252	—	—	(102,252)	—
Dividend paid							
— 2012 final (Note 33)	—	—	—	—	—	(193,433)	(193,433)
— 2013 interim (Note 33)	—	—	—	—	—	(190,478)	(190,478)
Currency translation differences	—	—	—	—	(2,831)	—	(2,831)
At 31 December 2013	1,331,913	152,573	492,898	12,294	(16,822)	4,033,890	6,006,746

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

17. Reserves (Continued)

Group (Continued)

(i) Statutory reserves

Subsidiaries in Mainland China are required to transfer certain percentages of their after-tax profit after offsetting accumulated losses from prior years to statutory reserves, namely statutory reserve fund, statutory welfare fund, enterprise expansion fund and discretionary reserve fund, before the corresponding subsidiaries can distribute any dividend to their shareholders. The percentage to be appropriated to statutory reserve fund is determined according to the relevant regulations in Mainland China at the rate of 10% of net profit. The subsidiaries may cease appropriation when the statutory reserve funds reach 50% of the subsidiaries' registered capital. The percentages to be appropriated to other funds are at the discretion of the Board of Directors of the respective subsidiaries.

Such statutory reserves, depending on their nature, can only be used to offset accumulated losses or to increase capital of the respective subsidiaries, and cannot be distributed to shareholders of the subsidiaries. The balances of the statutory reserves after increasing capital shall remain at least 25% of the original registered capital of the respective subsidiaries. Movements in the statutory reserves are as follows:

	Statutory reserve fund RMB'000	Statutory welfare fund RMB'000	Enterprise expansion fund RMB'000	Discretionary reserve fund RMB'000	Total RMB'000
At 1 January 2012	32,438	556	167,045	98,156	298,195
Additions	—	—	92,451	—	92,451
At 31 December 2012	32,438	556	259,496	98,156	390,646
Additions	—	—	102,252	—	102,252
At 31 December 2013	32,438	556	361,748	98,156	492,898

Company

	Share premium RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2012	1,331,913	314,789	65,659	1,712,361
Profit for the year	—	—	727,206	727,206
Dividend paid				
— 2011 final	—	—	(175,083)	(175,083)
— 2012 interim (Note 33)	—	—	(156,736)	(156,736)
At 31 December 2012	1,331,913	314,789	461,046	2,107,748
Profit for the year	—	—	582,842	582,842
Dividend paid				
— 2012 final (Note 33)	—	—	(193,433)	(193,433)
— 2013 interim (Note 33)	—	—	(190,478)	(190,478)
At 31 December 2013	1,331,913	314,789	659,977	2,306,679

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

18. Trade and Bills Payables — Group

	2013 RMB'000	2012 RMB'000
Trade payables	1,020,824	789,695
Bills payable	605,503	480,240
Trade and bills payables	1,626,327	1,269,935
Due to related parties (Note 36(b))	269,548	211,180
	1,895,875	1,481,115

The ageing analysis of the trade and bills payables is as follows:

	2013 RMB'000	2012 RMB'000
Up to 6 months	1,892,841	1,479,669
6 months to 1 year	1,773	865
1 year to 2 years	685	267
Over 2 years	576	314
	1,895,875	1,481,115

Trade and bills payables are denominated in the following currencies:

	2013 RMB'000	2012 RMB'000
RMB	1,861,294	1,433,084
USD	12,608	2,649
Euro	6,250	7,386
JPY	617	63
HKD	20	20,442
Others	15,086	17,491
	1,895,875	1,481,115

The fair values of trade and bills payables approximate their carrying amounts.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

19. Accruals and Other Payables — Group

	2013 RMB'000	2012 RMB'000
Welfare payables	48,330	28,739
Salaries, wages and bonus payables	68,267	60,617
Sales commission and expenses payables	464,866	450,356
Customers deposits	474,997	468,157
Payable for purchase of property, plant and equipment	39,434	9,613
Accrued operating expenses	23,131	7,972
Value Added Tax payables	17,335	46,431
Deferred income – current portion (Note 21)	417	472
Other payables	32,469	32,944
	1,169,246	1,105,301

The fair values of accruals and other payables approximate their carrying amounts.

20. Bank Borrowings — Group

	2013 RMB'000	2012 RMB'000
At floating rate in USD	609,651	358,226
At floating rate in JPY	26,537	69,922
	636,188	428,148

Bank borrowings are unsecured liabilities.

The weighted average effective interest rates (per annum) at year end are as follows:

	2013	2012
USD	1.9%	2.0%
JPY	1.2%	1.7%

The fair values of short-term bank borrowings approximate their carrying amounts.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

21. Deferred Income — Group

	2013 RMB'000	2012 RMB'000
Deferred government grants	12,859	13,116
Less: Current portion included in current liabilities (Note 19)	(417)	(472)
	12,442	12,644

Movements are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	13,116	13,334
Granted during the year	160	254
Amortised as income (Note 25)	(417)	(472)
At 31 December	12,859	13,116

22. Deferred Income Tax — Group

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013 RMB'000	2012 RMB'000
Deferred income tax assets to be recovered within 12 months	50,578	34,552
Deferred income tax liabilities to be settled after more than 12 months	92,725	78,039
Deferred income tax liabilities to be settled within 12 months	18,868	18,118
	111,593	96,157

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

22. Deferred Income Tax — Group (Continued)

The movements in deferred income tax assets are as follows:

	Provisions and accruals RMB'000	Unrealised profit on inventories RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2012	21,277	9,107	—	30,384
Recognised in the consolidated income statement	2,421	1,747	—	4,168
At 31 December 2012	23,698	10,854	—	34,552
Recognised in the consolidated income statement	14,119	1,458	449	16,026
At 31 December 2013	37,817	12,312	449	50,578

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB45,189 thousand (2012: RMB44,714 thousand) in respect of losses amounting to RMB173,145 thousand (2012: RMB186,688 thousand) that can be carried forward against future taxable income. Cumulative tax losses of RMB173,145 thousand (2012: RMB186,688 thousand) can be carried forward indefinitely.

The movements in deferred income tax liabilities are as follows:

	Withholding tax RMB'000	Temporary differences in respect of receivables RMB'000	Total RMB'000
At 1 January 2012	88,147	6,218	94,365
Recognised in the consolidated income statement	45,296	(5,927)	39,369
Transferred to tax payable	(37,286)	—	(37,286)
Exchange differences	—	(291)	(291)
At 31 December 2012	96,157	—	96,157
Recognised in the consolidated income statement	47,171	—	47,171
Transferred to tax payable	(31,735)	—	(31,735)
At 31 December 2013	111,593	—	111,593

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

22. Deferred Income Tax — Group (Continued)

Withholding tax is levied on dividends to be declared to foreign investors from the foreign investment enterprises established in Mainland China in respect of earnings earned after 31 December 2007. The Group's subsidiaries in Mainland China are held by Guo Hua Enterprises Group Limited, which is a company incorporated in Hong Kong and the beneficial owner of these subsidiaries, and accordingly the applicable withholding tax rate is 5%.

The Group provide for the deferred income tax liabilities on the unremitted earnings except for those amount expected to be reinvested. Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB1,777,975 thousand at 31 December 2013 (2012: RMB1,541,660 thousand). As at 31 December 2013, deferred income tax liabilities of RMB88,899 thousand (2012: RMB77,083 thousand) have not been recognised for the withholding tax that would be payable on such unremitted earnings of certain subsidiaries.

23. Sales and Segment Information

	2013 RMB'000	2012 RMB'000
Sales of plastic injection moulding machines and related products	7,200,653	6,335,642

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and senior management. The executive committee reviews the Group's internal reporting in order to assess performance and allocate resources. Based on these internal reports, the executive committee has determined that no segment information is presented as substantially all of the Group's sales and operating profits are derived from the sales of plastic injection moulding machines, and over 90% of the Group's productions and operating assets are located in Mainland China, which is considered as one segment with similar risks and returns.

The Group is domiciled in Mainland China. Analysis of its sales to external customers in different countries, based on the customers' locations is as follows:

	2013 RMB'000	2012 RMB'000
Mainland China	5,094,558	4,295,769
Hong Kong and overseas countries	2,106,095	2,039,873
	7,200,653	6,335,642

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

23. Sales and Segment Information (Continued)

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

	2013 RMB'000	2012 RMB'000
Total non-current assets other than financial assets and deferred income tax assets		
— Mainland China	2,085,971	1,695,789
— Hong Kong and overseas countries	112,759	121,919
Deferred income tax assets	50,578	34,552
Other receivables	16,691	20,361
	2,265,999	1,872,621

24. Expenses by Nature

	2013 RMB'000	2012 RMB'000
Depreciation and amortisation (Notes 5 and 6)	123,398	123,702
Raw materials and consumables used	4,532,256	4,054,199
Changes in inventories of finished goods and work in progress	(125,874)	(99,714)
Operating lease for buildings	3,419	3,909
Sales commission and after-sales service expenses	386,963	339,831
Provision for/(reversal of) impairment of trade receivables (Note 10)	11,917	(7,195)
Provision for/(reversal of) write-down of inventories (Note 9)	9,356	(1,231)
Employment costs (Note 27)	592,619	491,210
Freight charges	45,251	44,005
Utilities	72,321	69,055
Travelling expenses	22,573	22,050
Auditor's remuneration	3,150	2,999
Others	228,158	215,657
Total cost of sales, selling and marketing expenses and general and administrative expenses	5,905,507	5,258,477

25. Other Income

	2013 RMB'000	2012 RMB'000
Government grants (i)	70,078	43,128
Amortisation of deferred income (Note 21)	417	472
	70,495	43,600

- (i) Government grants mainly represent subsidies and assistance received from local municipal governments in connection with the Group's achievements in developing innovative and high technology plastic injection moulding machines.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

26. Other (Losses)/Gains — Net

	2013 RMB'000	2012 RMB'000
Net foreign exchange (losses)/gains	(11,139)	4,914
Losses on disposals of property, plant and equipment, net	(167)	(55)
Others	1,587	4,656
	(9,719)	9,515

27. Employment Costs

	2013 RMB'000	2012 RMB'000
Salaries, wages and bonus	461,095	398,233
Pension cost — defined contribution plans (note i)	22,729	20,159
Other benefits (note ii)	108,795	72,818
	592,619	491,210

(i) Pension cost — defined contribution plans

As stipulated by rules and regulations in Mainland China, the Group has participated in state-sponsored defined contribution retirement schemes for its employees in Mainland China. The Group's employees make monthly contributions to the schemes at approximately 8% of their basic salaries, while the Group contributes 12% to 20% of employees' basic salaries and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

The Group has arranged for its Hong Kong and overseas employees to join local pension schemes in respective countries' jurisdictions. The monthly contributions made by the Group for its employees in each country are not material. The Group has no further obligations for post-retirement benefits beyond the monthly contributions.

(ii) Other benefits

In addition, the Group's employees in Mainland China participate in state-sponsored employee social security plans, including medical, housing and other welfare benefits. The Group contributes 7% to 11% of employees' basic salaries to the medical plan and 8% to 10% of employees' basic salaries to the housing plan.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

28. Directors and Senior Management's Emoluments

(a) Directors' emoluments

The emoluments of individual directors are set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Pension cost RMB'000	Other benefits RMB'000	Total RMB'000
2013					
Executive directors					
— Mr. Zhang Jingzhang	—	700	—	18	718
— Mr. Zhang Jianming (CEO)	—	730	6	24	760
— Mr. Zhang Jianfeng	—	500	6	24	530
— Mr. Zhang Jianguo	—	450	6	24	480
— Ms. Chen Ningning	—	400	6	24	430
— Professor Helmut Helmar Franz	—	680	—	—	680
	—	3,460	24	114	3,598
Non-executive director					
— Mr. Guo Mingguang	—	—	—	—	—
— Mr. Liu Jianbo	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors					
— Mr. Jin Hailiang	59	—	—	—	59
— Mr. Gao Xunxian	78	—	—	—	78
— Mr. Dai Guowah	20	—	—	—	20
— Mr. Lou Baijun	78	—	—	—	78
— Dr. Steven Chow	80	—	—	—	80
	315	—	—	—	315
	315	3,460	24	114	3,913

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

28. Directors and Senior Management's Emoluments (Continued)

(a) Directors' emoluments (Continued)

Name of Director	Fees RMB'000	Salaries RMB'000	Pension cost RMB'000	Other benefits RMB'000	Total RMB'000
2012					
Executive directors					
— Mr. Zhang Jingzhang	—	700	—	18	718
— Mr. Zhang Jianming (CEO)	—	730	8	24	762
— Mr. Zhang Jianfeng	—	500	8	24	532
— Mr. Zhang Jianguo	—	450	8	24	482
— Ms. Chen Ningning	—	400	8	24	432
— Professor Helmut Helmar Franz	—	680	—	—	680
	—	3,460	32	114	3,606
Non-executive director					
— Mr. Hu Guiqing	—	50	—	—	50
— Mr. Guo Mingguang	—	—	—	—	—
— Mr. Liu Jianbo	—	—	—	—	—
	—	50	—	—	50
Independent non-executive directors					
— Mr. Pan Chaoyang	25	—	—	—	25
— Mr. Gao Xunxian	80	—	—	—	80
— Mr. Dai Guowah	60	—	—	—	60
— Mr. Dai Xiangbo	16	—	—	—	16
— Mr. Lou Baijun	60	—	—	—	60
— Dr. Steven Chow	81	—	—	—	81
	322	—	—	—	322
	322	3,510	32	114	3,978

Mr. Dai Xiangbo has tendered his resignation as independent non-executive director of the Company with effect from 30 March 2012.

Mr. Pan Chaoyang has tendered his resignation as independent non-executive director of the Company with effect from 1 June 2012.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

28. Directors and Senior Management's Emoluments (Continued)

(a) Directors' emoluments (continued)

Mr. Hu Guiqing has tendered his resignation as non-executive director of the Company with effect from 28 December 2012.

Mr. Dai Guowah has tendered his resignation as independent non-executive director of the Company with effect from 28 March 2013.

Mr. Jin Hailiang has been appointed as independent non-executive director of the Company with effect from 28 March 2013.

Mr. Guo Mingguang and Mr. Liu Jianbo have waived their emoluments during the years ended 31 December 2012 and 2013. None of other directors waived any emoluments during the year ended 31 December 2013 (2012: None).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included three (2012: included two) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2012: three) individuals during the year are as follows:

	2013 RMB'000	2012 RMB'000
Salaries	2,006	2,487
Other benefits	51	512
	2,057	2,999

The emoluments fall within the following bands:

	Number of individuals	
	2013	2012
Nil — HKD1,000,000 (equivalent to approximately RMB786,000)	3	2
HKD1,000,001 (equivalent to approximately RMB786,000) — HKD1,500,000 (equivalent to approximately RMB1,179,000)	2	3

- (c) During the year ended 31 December 2013, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

29. Finance Income/Costs

	2013 RMB'000	2012 RMB'000
Finance costs:		
Interest expense	(13,566)	(18,539)
Finance income:		
Interest income on restricted bank deposits and cash and cash equivalents	68,249	68,202
Interest income on financial products	17,760	3,987
Interest income on entrusted loans	9,640	1,630
Net foreign exchange gains	32,341	6,164
	127,990	79,983
Finance income, net	114,424	61,444

30. Income Tax Expense

The amount of income tax charged to the consolidated income statement represents:

	2013 RMB'000	2012 RMB'000
Current income tax		
— Mainland China enterprise income tax	237,145	172,105
— Overseas income tax	1,012	762
Deferred taxation (Note 22)	31,145	35,201
	269,302	208,068

Haitian Plastic Machinery and Haitian Huayuan qualified as High and New Technology Enterprises (“HNTE”) in 2011. Wuxi Haitian qualified as HNTE in 2012 and Ningbo Zhafir qualified as HNTE in 2013. These entities were entitled to a reduced income tax rate of 15% for three years commencing from the first year when these entities were granted HNTE status. They are required to re-apply for preferential tax treatment after the current preferential tax periods expire.

The other major operating subsidiaries in Mainland China are subject to enterprise income tax rate of 25% for the year 2013 (2012: 25%).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

30. Income Tax Expense (Continued)

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the taxable income for the year 2013 (2012: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2013 at the applicable rates of taxation prevailing in the countries in which the Group operates.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2013 RMB'000	2012 RMB'000
Profit before income tax, after excluding share of profit of an associate	1,470,346	1,191,724
Tax calculated at domestic tax rates applicable to profits of the respective subsidiaries	362,549	282,129
Expenses not deductible for tax purpose	5,498	1,353
Tax losses for which no deferred income tax assets were recognised	7,319	3,046
Effect of tax concession	(153,235)	(123,756)
Effect of withholding tax at 5% on certain unremitted profits of subsidiaries in Mainland China	47,171	45,296
Income tax expense	269,302	208,068
Weighted average applicable tax rate	18.3%	17.5%

Share of income tax expense of an associate for the year ended 31 December 2013 amounting to RMB832 thousand (2012: RMB422 thousand) was included in the consolidated income statement in the share of profit of an associate.

For the year ended 31 December 2013, there was no tax charge relating to components of other comprehensive income (2012: Nil).

31. Profit Attributable to Shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of RMB582,842 thousand (2012: RMB727,206 thousand).

32. Earnings Per Share

The calculation of basic earnings per share for the year is based on the profit attributable to the shareholders of the Company of approximately RMB1,206,236 thousand (2012: RMB986,026 thousand) and on the weighted average number of 1,596,000 thousand (2012: 1,596,000 thousand) ordinary shares in issue during the year.

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

33. Dividends

	2013 RMB'000	2012 RMB'000
Interim dividend paid of HK15.0 cents (2012: HK12.0 cents) per ordinary share	190,478	156,736
Proposed final dividend of Nil (2012: HK15.0 cents) per ordinary share	—	193,433
Second interim dividend of HK16.0 cents (2012: Nil) per ordinary share	202,273	—
	392,751	350,169

On 26 March 2014, the Company's Board of Directors has declared payment of a second interim dividend of HK16.0 cents per share for the year ended 31 December 2013. The second interim dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings in the year ending 31 December 2014.

34. Notes to the Consolidated Statement of Cash Flows

(a) Cash generated from operations

	2013 RMB'000	2012 RMB'000
Profit before income tax	1,475,538	1,194,094
Adjustments for:		
— share of profit of an associate (Note 8)	(5,192)	(2,370)
— amortisation of land use rights (Note 5)	6,794	5,446
— depreciation of property, plant and equipment (Note 6)	116,604	116,855
— amortisation of intangible assets	—	1,401
— amortisation of deferred income (Note 21)	(417)	(472)
— losses on disposal of property, plant and equipment (Note 26)	167	55
— provision for/(reversal of) impairment of trade receivables (Note 24)	11,917	(7,195)
— provision for/(reversal of) write-down of inventories (Note 24)	9,356	(1,231)
— Fair value losses/(gains) on derivative financial instruments	9,313	(6,297)
— Finance income — net (Note 29)	(114,424)	(61,444)
Changes in working capital:		
— (increase)/decrease in restricted bank deposits	(51,157)	559,569
— (increase)/decrease in trade and other receivables	(168,682)	10,958
— (increase)/decrease in inventories	(203,516)	35,568
— increase in trade and bills payables	414,760	214,692
— increase/(decrease) in accruals and other payables	34,467	(65,085)
Cash generated from operations	1,535,528	1,994,544

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

34. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2013 RMB'000	2012 RMB'000
Net book amount (Note 6)	12,914	2,975
Losses on disposal of property, plant and equipment (Note 26)	(167)	(55)
Proceeds from disposal of property, plant and equipment	12,747	2,920

35. Commitments

(a) Capital commitments

	2013 RMB'000	2012 RMB'000
Acquisition of property, plant and equipment — Contracted but not provided for	256,214	105,712

(b) Operating lease commitments

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

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

	2013 RMB'000	2012 RMB'000
Not later than 1 year	14,493	14,882

36. 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 60.08% of the Company's shares. The Company's directors regard Sky Treasure Capital Limited as being the ultimate holding company.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

36. Related Party Transactions (Continued)

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

Company name	Relationships
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 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
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 Haitian Property Co., Ltd. ("Haitian Property") (寧波海天置業有限公司)	Controlled by directors of the Group
Ningbo STF Hydraulic Transmissions Co., Ltd. ("Ningbo STF") (寧波斯達弗液壓傳動有限公司)	Controlled by directors of the Group
Ningbo Haitian Drive Systems Co., Ltd. ("HDS") (海天驅動有限公司)	Controlled by directors of the Group
Ningbo Haitian Table Tennis Club Co., Ltd. ("Table Tennis Club") (寧波海天乒乓球俱樂部有限公司)	Controlled by directors of the Group
Ningbo SPP Hydraulics Co.,Ltd. ("Ningbo SPP") (寧波住精液壓工業有限公司)	Controlled by directors of the Group
Haitian America do Sul Comercio de Maquinas Ltda.	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
Haidun Economic and Trade Industrial Co.,Ltd ("Haidun") (海頓經貿實業有限公司)	Controlled by directors of the Group
Ningbo Hilectro Precision Machinery Co.,Ltd. ("Hilectro Precision") (寧波海邁克精密機械製造有限公司)	Controlled by directors of the Group

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

36. Related Party Transactions (Continued)

(a) Transactions with related parties:

The following material transactions were carried out with related parties:

	2013 RMB'000	2012 RMB'000
(i) Sales of goods to:		
HDS	202	1,687
Ningbo SPP	202	—
	404	1,687
(ii) Purchases of goods from:		
Ningbo Anson	522,319	462,997
Ningbo STF	93,221	76,343
Hangzhou Keqiang	29,718	18,569
HDS	24,174	13,786
Hilectro Precision	4,518	—
Haitian Precision	215	—
	674,165	571,695
(iii) Purchase of equipment from:		
Haitian Precision	69,373	45,307
(iv) Sales of equipment to:		
HDS	5,807	—
(v) Purchase of properties and assets from:		
Haitian America do Sul Comercio de Maquinas Ltda.	—	20,792
(vi) Advertisement fees paid to:		
Table Tennis Club	9,863	—

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.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

36. Related Party Transactions (Continued)

(b) Balances with related parties:

The Group had the following significant balances with its related parties as at 31 December 2013 and 2012:

	2013 RMB'000	2012 RMB'000
Due from related parties		
Trade related		
— Ningbo SPP	56	—
Non-trade related		
— Mr. Zhang Jianfeng	417	211
— Haidun	330	—
— Mr. Zhang Jianming	263	615
— Haitian Property	218	113
	1,228	939
Due to related parties		
Trade related		
— Ningbo Anson	216,265	170,788
— Ningbo STF	36,990	28,930
— HDS	8,255	7,055
— Hangzhou Keqiang	6,003	4,407
— Hilectro Precision	2,035	—
	269,548	211,180
Non-trade related		
— Haitian Precision	7,431	—
— Haitian America do Sul Comercio de Maquinas Ltda.	—	16,756
	7,431	16,756

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

36. Related Party Transactions (Continued)

(b) Balances with related parties: (Continued)

Maximum balances outstanding for amounts due from/to related parties for the year ended 31 December 2013 and 2012 were as follows:

	2013 RMB'000	2012 RMB'000
Due from related parties		
Trade related		
— Ningbo SPP	65	—
— Ningbo STF	—	24
— HDS	—	1,687
	65	1,711
Non-trade related		
— Mr. Zhang Jianming	981	895
— HDS	540	—
— Mr. Zhang Jianfeng	462	311
— Haidun	330	—
— Hilectro Precision	232	—
— Haitian Property	218	113
— Haitian Precision	—	6,127
	2,763	7,446
Due to related parties		
Trade related		
— Ningbo Anson	222,926	179,428
— Ningbo STF	43,348	35,811
— HDS	12,795	10,237
— Hangzhou Keqiang	8,346	4,407
— Hilectro Precision	2,035	—
	289,450	229,883
Non-trade related		
— Haitian America do Sul Comercio de Maquinas Ltda.	16,756	20,792
— Haitian Precision	7,431	823
	24,187	21,615

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

36. Related Party Transactions (Continued)

(c) Key management compensation:

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

	2013 RMB'000	2012 RMB'000
Salaries and bonus	7,159	6,772
Pension costs	71	64
Other benefits	212	222
	7,442	7,058

(d) Related party commitments:

Related party commitments which are contracted but not recognised in the consolidated balance sheet as at balance sheet date are as follows:

	2013 RMB'000	2012 RMB'000
Capital commitment for acquisition of property, plant and equipment		
— Haitian Precision	172,457	57,762
Other commitment		
— Ningbo Haitian	574	—

37. Events after the balance sheet date

Convertible bonds

The Company issued USD denominated 2% convertible bonds of USD200 million (the "bonds") on 13 February 2014. The bonds will mature five years from the issue date and are convertible into shares at the holder's option on or after 26 March 2014 to the close of business on the date falling seven days prior to 13 February 2019. The conversion price was initially HKD24.6740 per share with a fixed rate of exchange on conversion of HKD7.7544 = USD1.00, subject to adjustment.

Financial Summary

The following table summarizes the consolidated results, assets and liabilities of the Group for the five years ended 31 December:

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Results					
Revenue	7,200,653	6,335,642	7,027,607	7,057,328	3,861,341
Profit before income tax	1,475,538	1,194,094	1,338,293	1,293,064	512,990
Income tax expenses	(269,302)	(208,068)	(234,665)	(230,505)	(62,964)
Profit attributable to shareholders	1,206,236	986,026	1,103,628	1,062,559	450,026
Assets					
Non-current assets	2,265,999	1,872,621	1,735,889	1,627,513	1,340,576
Current assets	7,810,001	6,659,504	6,147,866	5,559,754	4,405,667
Total assets	10,076,000	8,532,125	7,883,755	7,187,267	5,746,243
Liabilities					
Non-current liabilities	(124,035)	(108,801)	(107,236)	(98,801)	(27,870)
Current liabilities	(3,784,709)	(3,087,856)	(3,095,844)	(3,054,253)	(2,393,986)
Total liabilities	(3,908,744)	(3,196,657)	(3,203,080)	(3,153,054)	(2,421,856)
Total equity	6,167,256	5,335,468	4,680,675	4,034,213	3,324,387
Capital and reserves attributable to shareholders of the Company	6,167,256	5,335,468	4,680,675	4,034,213	3,324,387



communication



innovation



efficiency

