

# 2014 Interim Report



communication



innovation



efficiency



Haitian International Holdings Limited  
(Incorporated in the Cayman Islands with limited liability) Stock Code: 1882





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## Highlights

	Six months ended 30 June		
	2014 RMB' million	2013 RMB' million	Increased %
Revenue	3,810.6	3,620.6	5.2
Gross profit	1,230.3	1,112.6	10.6
Operating profit	724.2	639.6	13.2
Profit attributable to shareholders of the Company excluding transaction cost of Convertible bonds ("CB") and change in fair value of CB	638.2	568.2	12.3
Profit attributable to shareholders of the Company	575.2	568.2	1.2
Basic Earnings per share (expressed in RMB per share)	0.36	0.36	1.2
Dividend per share (expressed in HK\$ per share)			
Proposed interim dividend	0.16	0.15	6.7

- Under the challenging economic environment, we once again set a new record of interim revenue and operating profit
- Revenue increased to RMB3,810.6 million, representing an increase of 5.2% compared to the 1st half of 2013
- With improving operational efficiency, gross profit margin increased to 32.3% (1H 2013: 30.7%) and operating profit increased to RMB724.2 million, representing an increase of 13.2% compared to the 1st half of 2013
- Profit attributable to shareholders of the Company increased to RMB575.2 million, representing an increase of 1.2% compared to the 1st half of 2013. Excluding the transaction cost of CB and accounting loss in change of fair value in CB, Profit attributable to shareholders of the Company increased to RMB638.2 million, representing an increase of 12.3% compared to the 1st half of 2013
- Basic Earnings per share amounted to RMB0.36 during the period
- The Board proposed an interim dividend of HK16.0 cents per share

# Company Profile and Corporate Information

## Executive Directors

Mr. ZHANG Jingzhang (*Chairman*)  
Mr. ZHANG Jianming (*Chief Executive Officer*)  
Prof. Helmut Helmar FRANZ  
Mr. ZHANG Jianfeng  
Mr. ZHANG Jianguo  
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  
315821

*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  
Ping An Bank  
Industrial and Commercial Bank of China  
Industrial Bank Co. Limited  
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

# Investor Information

## Listing Information

Listing: Hong Kong Stock Exchange  
Stock code: 1882

## Key Dates

27 August 2014 – Interim Result  
Announcement  
12–17 September 2014 – Closure of register of  
members  
25 September 2014 or before – Payment date of  
interim dividend

## Share Information

Board lot size: 1,000 shares

Shares outstanding as  
at 30 June 2014: 1,596,000,000 shares

Market Capitalisation as  
at 30 June 2014: HK\$28,888 million

Earnings per share for  
six months ended  
30 June 2014: RMB0.36

Interim Dividend per share  
for six months ended  
30 June 2014: HK16 cents

## Share Registrar Transfer Offices

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

## Enquiries Contact

Investor Relations Department

Tel: 86574-86182786  
852-24282999  
Fax: 86574-86182787  
E-mail: andy@mail.haitian.com  
Address: No. 1688 Haitian Road,  
Beilun District, Ningbo,  
Zhejiang Province, China  
Postal code: 315821

## Website

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

# Management Discussion and Analysis

## Business Review

The international and domestic economies remained complicated and changing during the first half of 2014. Despite the continuous and gradual recovery of US economy, the world economies remained uncertain in view of increased volatility of emerging market economies as a result of potential capital outflow and shrinking liquidity of international capital markets arising from Ukraine's situations. With the Chinese government's enhancement in economic reforms following the adjustments to economic development mode and structure, which shift focus from high GDP growth to sustainable development, it is inevitable to affect investment sentiment and expansion plan in domestic markets in the near term. For the first 4 months of 2014, the China PMI fell below 50, which reflected continuing slow-down in China's manufacturing sector.

Notwithstanding the challenging environment, with the launch of our second generation ("Generation 2") machines, our product strategies in shifting small tonnage PIMMs to full-electric PIMMs, large tonnage PIMMs to two-plate PIMMs and development of technology "to the point" PIMMs to address different market applications and specific customers' needs, we continue to maintain a mild growth momentum and once again set a new interim revenue record in our history. We recorded revenue of RMB3,810.6 million for the six months ended 30 June 2014, representing an increase of 5.2% compared to the revenue of RMB3,620.6 million for the six months ended 30 June 2013.

During the first half of 2014, we also made a remarkable achievement in terms of operational efficiency and profitability. In the first half of 2014, our gross margin increased from 30.7% in the first half of 2013 to 32.3%. The increase of gross margin was attributable to i) improved gross margin of Generation 2 PIMMs resulted from better production efficiency and cost control after one year of full scale production, ii) improved gross margin of export business resulted from US dollars appreciation and iii) relatively stable steel related raw material costs. As a result of the improved gross margin, our operating profit increased from RMB639.6 million for the six months ended 30 June 2013 to RMB724.2 million for the six months ended 30 June 2014, representing an increase of 13.2%.

In February 2014, we issued US dollar denominated 2.00 coupon convertible bonds due 2019 ("CB") in the amount of USD200 million for general corporate use. The one-off transaction cost of CB amounted to RMB24.3 million and non-cash accounting expense of change in fair value of CB which amounted to RMB38.7 million were charged to the finance costs during the six months ended 30 June 2014. Therefore, our net profit attributable to shareholders for the six months ended 30 June 2014 only increased to RMB575.2 million, representing a mild increase of 1.2% compared to the first half of 2013. Excluding the transaction cost and change in fair value of CB, the adjusted net profit attributable to shareholders for the six months ended 30 June 2014 would increase to RMB638.2 million, representing an increase of 12.3% compared to the first half of 2013.

## Management Discussion and Analysis (Continued)

### Business Review (Continued)

#### Domestic and export sales

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

(RMB million)	1st half of 2014	1st half of 2013	1st half 2014 Vs 1st half 2013
Domestic Sales	2,527.7	2,479.1	2.0%
Export Sales	1,204.7	1,057.2	14.0%
Parts	78.2	84.3	(7.2%)
Total	3,810.6	3,620.6	5.2%

The Chinese economy recorded a slow start in 2014. The Chinese government continued to pursue economic growth in a prudent pace with the focus of correcting certain social issues such as the piling up of local government debts, activities of shadow banking and fighting against corruption. These actions are essential for the long term sustainable growth of Chinese economy but they would inevitably hamper domestic economy activities in the short term. Leveraging on our brand reputation and excellent performance of our Generation 2 machines, we not only maintained high level sales activities in domestic market but also further reinforced our leading market position in China. We recorded domestic sales of RMB2,527.7 million for the six months ended 30 June 2014, representing a mild increase of 2.0% compared to RMB2,479.1 million for the six months ended 30 June 2013.

During the Reported Period, our export sales recorded an encouraging growth of 14.0% compared to the six months ended 30 June 2013 and reached a new record of RMB1,204.7 million in first half of 2014. Most of our key overseas markets recorded double digit growth. The key drivers of growth were attributable to recovery of sales in certain developing markets such as Turkey and Brazil and continued gaining of market share in high-end PIMM consumption markets such as United States, Korea and Thailand, which also reflected the increasing recognition of our brand reputation in the international market.

## Management Discussion and Analysis (Continued)

### Business Review (Continued)

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

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

(RMB million)	1st half of 2014	1st half of 2013	1st half 2014 Vs 1st half 2013
Small tonnage	2,424.6	2,265.1	7.0%
Medium-to-large tonnage	1,307.8	1,271.2	2.9%
Parts	78.2	84.3	(7.2%)
Total	3,810.6	3,620.6	5.2%

During the Reported Period, the sales of small tonnage PIMMs increased to RMB2,424.6 million in the first half of 2014, representing an increase of 7.0% and the sales of medium-to-large tonnage PIMMs increased to RMB1,307.8 million in the first half of 2014, representing an increase of 2.9%. Despite the sluggish market environment, we still maintained a mild growth in our small and medium-to-large tonnage PIMM. The growth was primarily driven by our strategy of shifting resources from small tonnage PIMMs to full-electric PIMMs and large tonnage PIMMs to two-plate PIMMs. During the Reported Period, sales of our Zhafir Venus Series (full-electric PIMMs) increased from RMB176.6 million in the first half of 2013 to RMB264.4 million in the first half of 2014, representing an increase of 49.7% and sales of our Jupiter Series (large two-plate PIMMs) increased from RMB145.1 million in the first half of 2013 to RMB222.1 million in the first half of 2014, representing an increase of 53.1%.

Besides impressive growth of our full-electric and large two-plate PIMMs, we also make a remarkable progress in R&D. In 2014, we successfully developed and delivered the largest solely two-plate PIMM JU6600 with the clamping force of 6,600 tones in Asia. The JU6600 was evaluated by Ningbo Economic and Information Technology Commission as "the new product that has the energy-saving, environmental friendly, high precision and efficient features, the major specifications and overall performance meeting the international advanced level". For full-electric PIMM, we launched a new series, Zeres. Zeres fills in the gap of conventional full-electric machines and extends the options for electric injection molding solutions. Zeres is a tremendously flexible machine based on electric technology and equipped with an integrated hydraulic unit. Zeres perfectly addresses the needs of some plastics processor and allows those customers who still operate moulds with hydraulic core pulls and benefit from advantages of electric machines such as high precision and easy maintenance etc.



## Management Discussion and Analysis (Continued)

### Prospect

Looking ahead, we expect domestic economic conditions in China would remain challenging. The Chinese government will continue to make adjustments to the economic development mode and structure and to enhance economic reforms, which emphasize the importance of market force in the allocation of resources. For the rest of this year, the macro-economic measures for China will continue its implementation towards stable growth and the GDP growth rate may stay around 7.5%. Therefore we do not expect that domestic market and investment sentiment will have dramatic improvement nor there will be any significant deterioration in short term. The world economy will continue to be complicated and remain uncertain. Although the US economy shows continuous mild recovery and improved unemployment rate, the impact of Federal Reserve's plan in scaling down the quantitative easing policy could cause increase in interest rate, working capital liquidity tightening and capital outflow from the emerging markets. Together with the recent unresolved political disputes between different nations, the global economy is still embedded with certain downside risk.

In face of such complicated and fast changing environment, we will continue our efforts in enhancing communication, innovation and efficiency. For communication, we will set up and expand overseas assembly factories/service centers at important markets such as India and Germany. With these overseas permanent establishment, we can actively communicate with overseas customers of their needs and show our commitment to service the customers in a timely and effectively manner. For innovation, we will continue to develop new products to bring to the customers concrete benefits exactly to the point with justified costs and add various versions of machines to meet the specific application requirement of customers. We will continue our strategy in further expanding our full-electric and two-plate PIMMs market. We will also partner with leading global plastic technology solution provider to equip latest plastic process technology into our machine upon the option of customers (such as Trexel cooperation in Mucell technology.) For efficiency, our two new factories in Ningbo would start partial operation in 2014. The new factories can raise our efficiency through modernization of the production process and upgrading vertical production capabilities. Leverage on our competitive advantages and committed effort in strategies mentioned above, we are cautiously optimistic to maintain a mild growth momentum in the second half of 2014 and further reinforce our leading market position.

### Financial Review

#### Revenue

Despite the challenging environment in the first half of 2014, with full launch of our Generation 2 machines, our sales increased to RMB3,810.6 million, representing an increase of 5.2% compared to the first half of 2013. The increase was mainly attributable to the export sales increase by 14.0% to RMB1,204.7 million compared to the first half of 2013. The increase of export sales was mainly attributable to recovery of sales in developing markets such as Turkey and Brazil and continued gaining of market share in high-end PIMM consumption markets such as United States, Korea and Thailand. Under the unsatisfactory economy environment in China, our domestic sales still recorded a mild increase of 2.0% to RMB2,527.7 million in the first half of 2014.

# Management Discussion and Analysis (Continued)

## Financial Review (Continued)

### Gross Profit

In the first half of 2014, we recorded gross profit of approximately RMB1,230.3 million, representing an increase of 10.6% compared to the first half of 2013. Overall gross margin increased from 30.7% in the first half of 2013 to 32.3% in the first half of 2014. The increase of gross margin was attributable to i) improved gross margin of Generation 2 machine, resulted from better production efficiency and cost position after one year full scale production, ii) improved gross margin of export business resulted from US dollar appreciation and iii) relatively stable steel related raw material costs.

### Selling and administrative expenses

The selling and administrative expenses increased by 12.1% from RMB477.9 million in the first half of 2013 to RMB535.9 million in the first half of 2014. The increase of expense was 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 the first half of 2014 and ii) increase in administrative expense related to business expansion and implementation of Lean Manufacturing process to raise operational efficiency.

### Other income

Other income mainly consists of government subsidy and increased by 97.3% from RMB14.1 million in the first half of 2013 to RMB27.7 million in the first half of 2014. The increase reflected the remarkable achievements of our Group in R&D efforts and our business expansion in the previous year.

### Other gain/losses – net

Other gain/losses-net mainly consists of exchange gain/losses. We recorded an other gain of RMB2.1 million in the first half of 2014 compared to a loss of RMB9.2 million in the first half of 2013. The change was mainly attributable to exchange gain from US dollars denominated export receivables as a result of RMB depreciation during the first half of 2014.

We have borrowed certain amounts of US dollars denominated loans/convertible bonds to reduce the above exchange risk of US denominated export receivables. The respective exchange loss will be classified as the finance costs-net in accordance with accounting requirements.

# Management Discussion and Analysis (Continued)

## Financial Review (Continued)

### Finance costs/income – net

We recorded net finance costs of RMB11.2 million in the first half of 2014 and a net finance income of RMB61.7 million in the first half 2013. The changes were mainly attributable to i) the one-off transaction cost of CB which amounted to RMB24.3 million, and ii) non-cash accounting expense of change in fair value of CB which amounted to RMB38.7 million. Excluding the one-off transaction cost of CB and non-cash accounting expense of change in fair value of CB, the net finance income decreased by RMB9.9 million in the first half of 2014 and was mainly caused by the exchange loss resulted from RMB depreciation and partially offset by the increase of interest income.

### Income tax expenses

Income tax expenses increased by 3.4% from RMB135.1 million in the first half of 2013 to RMB139.6 million in the first half of 2014. Our effective tax rate increased from 19.2% in the first half of 2013 to 19.5% in the first half of 2014.

### Net profit attributable to shareholders

As a result, our net profit attributable to shareholders for the six months ended 30 June 2014 increased to RMB575.2 million, representing a mild increase of 1.2% compared to the first half of 2013. Excluding the transaction cost of CB and change in fair value of CB, the adjusted net profit attributable to shareholders for the six months ended 30 June 2014 increased to RMB638.2 million, representing increase of 12.3% compared to the first half of 2013.

### Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 30 June 2014, the Group's total cash and cash equivalents and restricted cash amounted to RMB2,196.5 million and RMB149.7 million respectively (RMB2,112.6 million and RMB130.2 million as at 31 December 2013). The Group had no short-term bank borrowing as at 30 June 2014 (31 December 2013: RMB636.2 million). In February 2014, we issued US dollar denominated 2.00 coupon CB due 2019 of USD200 million for general corporate purposes. As at 30 June 2014, the convertible bonds balance amounted to RMB1,269.2 million which represented the market fair value of CB.

The gearing ratio is defined as total borrowings net of cash divided by shareholders' equity. As at 30 June 2014, our Group was in a strong financial position with a net cash position amounting to RMB1,076.9 million (31 December 2013: RMB1,606.7 million). Accordingly, no gearing ratio is presented.

### Capital Expenditure

During the first half of 2014, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB301.8 million (1H 2013: RMB214.5 million).

### Charges on Group Assets

As at 30 June 2014, our Group had no pledge of assets (31 December 2013: Nil).

# Management Discussion and Analysis (Continued)

## Financial Review (Continued)

### Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 32.3% 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% of our total purchases. Our Group purchased certain forward contracts or other means to reduce its foreign currency exposure.

### Financial Guarantee

As at 30 June 2014, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB994.4 million (31 December 2013: RMB960.2 million).

## EMPLOYEES

As at 30 June 2014, our Group had a total workforce of approximately 5,100 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.

## PROPOSED INTERIM DIVIDEND

The Board had resolved to recommend the payment of an interim dividend of HK\$0.16 per share for the six months ended 30 June 2014 which is expected to be paid on or before 25 September 2014 to our shareholders whose names appear on the register of members of the Company on 17 September 2014.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 September 2014 to 17 September 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 11 September 2014.

## Other Information

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

As at 30 June 2014, 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

<b>Name of Director</b>	<b>Capacity/Nature of interest</b>	<b>Total number of Shares</b>	<b>Approximate percentage of shareholding in the Company</b>
Mr. Zhang Jingzhang	Corporate Interest <sup>(1)</sup>	958,844,006	60.08%
Mr. Zhang Jianming	Corporate Interest <sup>(1)</sup>	958,844,006	60.08%

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.

## Other Information (Continued)

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

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

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

Notes:

- (1) As at 30 June 2014, 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.

## Other Information (Continued)

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

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

Save as disclosed above, as at 30 June 2014, none of the directors and chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company and the Stock Exchange pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code. At no time during the Reported Period was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

### Interests and Short Positions of Shareholders

As at 30 June 2014, 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:

<b>Name of Shareholder</b>	<b>Capacity/ Nature of interest</b>	<b>Total number of Shares</b>	<b>Approximate percentage of shareholding</b>
Sky Treasure Capital Limited	Beneficial owner	958,844,006 (L)	60.08%
Premier Capital Management (PTC) Ltd.	Interest in a controlled corporation <sup>(1)</sup>	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 30 June 2014.

Save as disclosed above, as at 30 June 2014, 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.

## Other Information (Continued)

### Compliance With the Code on Corporate Governance

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

One independent non-executive Director was unable to attend the annual general meeting of the Company held on 26 May 2014 due to other important engagement. This is not in compliance with the following Code Provisions:

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

### Purchases, Sale or Redemption of Shares

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

### Audit Committee

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

The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the period ended 30 June 2014, including the accounting principles adopted by the Group, with the Company's management.

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

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

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

Hong Kong, 27 August 2014



# Condensed Consolidated Income Statement

(Amounts expressed in RMB'000 unless otherwise stated)

## UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Haitian International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 (the "Reported Period"), together with the comparative figures for the corresponding period in 2013 as follows:

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2014</b>	2013
Revenue	5	<b>3,810,608</b>	3,620,577
Cost of sales		<b>(2,580,317)</b>	(2,507,964)
<b>Gross profit</b>		<b>1,230,291</b>	1,112,613
Selling and marketing expenses		<b>(330,041)</b>	(303,273)
General and administrative expenses		<b>(205,848)</b>	(174,586)
Other income		<b>27,728</b>	14,056
Other gains/(losses) – net		<b>2,071</b>	(9,231)
<b>Operating profit</b>	6	<b>724,201</b>	639,579
Finance income	7	<b>71,522</b>	66,701
Finance costs	7	<b>(82,763)</b>	(4,977)
Finance (costs)/income – net	7	<b>(11,241)</b>	61,724
Share of profit of an associate		<b>1,815</b>	1,920
<b>Profit before income tax</b>		<b>714,775</b>	703,223
Income tax expense	8	<b>(139,594)</b>	(135,055)
<b>Profit for the period</b>		<b>575,181</b>	568,168
<b>Attributable to:</b>			
Shareholders of the Company		<b>575,181</b>	568,168
<b>Dividends</b>	9	<b>203,139</b>	190,479
<b>Earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share)</b>			
– Basic and Diluted	10	<b>0.36</b>	0.36

## Condensed Consolidated Statement of Comprehensive Income

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2014	2013
<b>Profit for the period</b>	<b>575,181</b>	568,168
<b>Other comprehensive income for the period:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in value of available-for-sale financial assets	<b>11,757</b>	–
Currency translation differences	<b>1,774</b>	(1,851)
<b>Total comprehensive income for the period</b>	<b>588,712</b>	566,317
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	<b>588,712</b>	566,317

# Condensed Consolidated Balance Sheet

(Amounts expressed in RMB'000 unless otherwise stated)

Note	30 June 2014 Unaudited	31 December 2013 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Land use rights	395,909	325,410
Property, plant and equipment	2,026,153	1,862,452
Investment in an associate	11,252	10,868
Deferred income tax assets	52,404	50,578
Loan receivables, interest bearing	512,879	16,691
Available-for-sale financial assets	50,000	–
	<b>3,048,597</b>	<b>2,265,999</b>
<b>Current assets</b>		
Inventories	1,656,724	1,611,536
Trade and bills receivables	2,461,895	2,285,968
Prepayments, deposits and other receivables	156,248	168,353
Available-for-sale financial assets	1,721,651	1,469,294
Financial assets at fair value through profit or loss	–	32,000
Restricted bank deposits	149,650	130,210
Cash and cash equivalents	2,196,478	2,112,640
	<b>8,342,646</b>	<b>7,810,001</b>
<b>Total assets</b>	<b>11,391,243</b>	<b>10,076,000</b>
<b>EQUITY</b>		
<b>Equity attributable to shareholders of the Company</b>		
Share capital	160,510	160,510
Share premium	1,331,913	1,331,913
Other reserves	654,474	640,943
Retained earnings	4,406,798	4,033,890
<b>Total equity</b>	<b>6,553,695</b>	<b>6,167,256</b>

## Condensed Consolidated Balance Sheet (Continued)

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	30 June 2014 Unaudited	31 December 2013 Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		12,406	12,442
Deferred income tax liabilities		133,863	111,593
Convertible bonds	15	1,269,212	–
		<b>1,415,481</b>	124,035
<b>Current liabilities</b>			
Trade and bills payables	14	2,175,297	1,895,875
Accruals and other payables		1,169,492	1,169,246
Current income tax liabilities		74,196	80,384
Bank borrowings		–	636,188
Derivative financial instruments		3,082	3,016
		<b>3,422,067</b>	3,784,709
<b>Total liabilities</b>		<b>4,837,548</b>	3,908,744
<b>Total equity and liabilities</b>		<b>11,391,243</b>	10,076,000
<b>Net current assets</b>		<b>4,920,579</b>	4,025,292
<b>Total assets less current liabilities</b>		<b>7,969,176</b>	6,291,291

## Condensed Consolidated Statement of Changes in Equity

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited					Total equity
	Attributable to owners of the Company					
	Share capital	Share premium	Other reserves	Retained earnings	Total	
<b>Balance at 1 January 2013</b>	<b>160,510</b>	<b>1,331,913</b>	<b>529,228</b>	<b>3,313,817</b>	<b>5,335,468</b>	<b>5,335,468</b>
<b>Comprehensive income</b>						
Profit for the period	–	–	–	568,168	568,168	568,168
<b>Other comprehensive income</b>						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Currency translation differences	–	–	(1,851)	–	(1,851)	(1,851)
<b>Total comprehensive income for the period ended 30 June 2013</b>	<b>–</b>	<b>–</b>	<b>(1,851)</b>	<b>568,168</b>	<b>566,317</b>	<b>566,317</b>
<b>Transactions with owners</b>						
Dividend paid – 2012 final	–	–	–	(193,433)	(193,433)	(193,433)
Appropriations	–	–	102,250	(102,250)	–	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>102,250</b>	<b>(295,683)</b>	<b>(193,433)</b>	<b>(193,433)</b>
<b>Balance at 30 June 2013</b>	<b>160,510</b>	<b>1,331,913</b>	<b>629,627</b>	<b>3,586,302</b>	<b>5,708,352</b>	<b>5,708,352</b>
<b>Balance at 1 January 2014</b>	<b>160,510</b>	<b>1,331,913</b>	<b>640,943</b>	<b>4,033,890</b>	<b>6,167,256</b>	<b>6,167,256</b>
<b>Comprehensive income</b>						
Profit for the period	–	–	–	575,181	575,181	575,181
<b>Other comprehensive income</b>						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Change in value of available-for-sale financial assets	–	–	11,757	–	11,757	11,757
Currency translation differences	–	–	1,774	–	1,774	1,774
<b>Total comprehensive income for the period ended 30 June 2014</b>	<b>–</b>	<b>–</b>	<b>13,531</b>	<b>575,181</b>	<b>588,712</b>	<b>588,712</b>
<b>Transactions with owners</b>						
Dividend paid – 2013 second interim	–	–	–	(202,273)	(202,273)	(202,273)
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(202,273)</b>	<b>(202,273)</b>	<b>(202,273)</b>
<b>Balance at 30 June 2014</b>	<b>160,510</b>	<b>1,331,913</b>	<b>654,474</b>	<b>4,406,798</b>	<b>6,553,695</b>	<b>6,553,695</b>

## Condensed Consolidated Cashflow Statement

(Amounts expressed in RMB'000 unless otherwise stated)

	Six months ended 30 June	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net cash generated from operating activities	724,677	817,918
<b>Cash flows from investing activities:</b>		
Purchase of land use rights, property, plant and equipment	(301,752)	(214,522)
Net changes in loan receivables, available-for-sale financial assets and financial assets at fair value through profit or loss	(770,357)	(873,000)
Interests received	72,647	43,120
Net cash used in investing activities	(999,462)	(1,044,402)
<b>Cash flows from financing activities:</b>		
Net changes in bank borrowings	(636,188)	218,273
Proceeds from issue of convertible bonds, net of transaction cost	1,197,084	–
Dividends paid to the Company's shareholders	(202,273)	(193,433)
Net cash generated from financing activities	358,623	24,840
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>83,838</b>	<b>(201,644)</b>
Cash and cash equivalents at beginning of period	2,112,640	2,610,551
<b>Cash and cash equivalents at end of period</b>	<b>2,196,478</b>	<b>2,408,907</b>

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2014

## 1. General Information

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

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

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

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

This unaudited condensed consolidated interim financial information was approved for issue on 27 August 2014.

## 2. Basis of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

## 3. Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those annual financial statements.

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

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities
HK (IFRIC) Interpretation 21	Levies
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
Amendment to HKAS 36	Impairment of assets on recoverable amount disclosures
Amendment to HKAS 39	Financial Instruments: Recognition and measurement, on novation of derivatives

The adoption of the above standards have no significant impact on the Group’s consolidated financial statements.

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

For the six months ended 30 June 2014

### 3. Significant Accounting Policies (Continued)

- (b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 19	Defined benefit plans	1 July 2014
HKFRS 2	Share-based payment	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKFRS 8	Operating segments	1 July 2014
HKFRS 13	Fair value measurement	1 July 2014
HKAS 16	Property, plant and equipment	1 July 2014
HKAS 24	Related party disclosures	1 July 2014
HKAS 37	Provisions, contingent liabilities and contingent assets	1 July 2014
HKAS 38	Intangible assets	1 July 2014
HKAS 39	Financial instruments – Recognition and measurement	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
Amendments to HKFRS 11	Joint arrangements	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
HKFRS15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

(c) **Convertible bonds**

Convertible bonds issued by the Company (including related embedded derivatives) are designated at fair value through profit or loss on initial recognition with transaction cost charge to the profit or loss accounts. At each end of the reporting period subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.



For the six months ended 30 June 2014

### 4. Financial Risk Management

#### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

There have been no significant changes in any risk management policies since the year end.

#### 4.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

#### 4.3 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014 and 31 December 2013.

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

For the six months ended 30 June 2014

### 4. Financial Risk Management (Continued)

#### 4.3 Fair value estimation (Continued)

As at 30 June 2014

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Available-for-sale financial assets	–	1,771,651	–	1,771,651
<b>Liabilities</b>				
Convertible bonds	–	1,269,212	–	1,269,212
Derivative financial instruments	–	3,082	–	3,082
<b>Total</b>	–	1,272,294	–	1,272,294

As at 31 December 2013

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

During the six months ended 30 June 2014, there were no transfers among levels of the fair value hierarchy.

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

For the six months ended 30 June 2014

### 4. Financial Risk Management (Continued)

#### 4.4 Valuation techniques used to derive Level 2 fair values

Level 2 available-for-sale financial assets comprise RMB denominated financial products. These available-for sale financial assets have been fair valued using quoted market prices.

Level 2 convertible bonds have been fair valued using quoted market prices.

Level 2 derivative financial instruments comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

The fair value of other financial assets and liabilities approximate their carrying amount.

### 5. Revenue and segment information

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Revenue of plastic injection moulding machines and related products	3,810,608	3,620,577

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

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

For the six months ended 30 June 2014

### 5. Revenue and Segment Information (Continued)

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Mainland China	2,579,682	2,530,464
Hong Kong and overseas countries	1,230,926	1,090,113
	<b>3,810,608</b>	3,620,577

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

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
	Total non-current assets other than financial assets and deferred income tax assets	
– Mainland China	2,320,273	2,085,971
– Hong Kong and overseas countries	113,041	112,759
Deferred income tax assets	52,404	50,578
Loan receivables, interest bearing	512,879	16,691
Available-for-sales financial assets	50,000	–
Total non-current assets	<b>3,048,597</b>	2,265,999

### 6. Operating Profit

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Depreciation and amortisation	72,725	59,496
Provision for impairment of trade receivables	8,402	5,651
Provision for write-down of inventories	13,292	11,057
Raw materials and consumables used	2,304,223	2,258,680
Net foreign exchange (gains)/losses	(950)	12,040
Losses on disposal of property, plant and equipment	59	225

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

For the six months ended 30 June 2014

### 7. Finance (Costs)/Income, Net

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Finance costs:		
Changes in fair value of convertible bonds		
– resulted from change in exchange rate	(9,160)	–
– resulted from change in bond value	(38,652)	–
Transaction cost of convertible bonds	(24,316)	–
Interest expenses	(10,635)	(4,977)
Finance income:		
Net foreign exchange gains	3,583	23,581
Interest income on bank deposits	67,939	43,120
Finance (costs)/income, net	(11,241)	61,724

### 8. Income Tax Expense

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Current income tax		
– Mainland China enterprise income tax (“EIT”)	115,891	112,322
– Overseas income tax	665	43
Deferred taxation	23,038	22,690
	139,594	135,055

### 9. Dividends

At a meeting held on 27 August 2014, the directors declared an interim dividend of HK16.0 cents (equivalent to RMB12.7 cents) per share. This proposed dividend is not reflected as a dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2014.

### 10. Earnings Per Share

The calculation of basic earnings per share for the period is based on the profit attributable to the shareholders of the Company of approximately RMB575,181,000 (2013: RMB568,168,000) and on the weighted average number of 1,596,000,000 (2013: 1,596,000,000) ordinary shares in issue during the period.

Diluted earnings per share is equal to basic earnings per share as the conversion of convertible bonds to ordinary shares would have anti-dilutive effect.

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

For the six months ended 30 June 2014

### 11. Capital Expenditure

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Land use rights	74,468	89,956
Property, plant and equipment	227,284	124,566
	<b>301,752</b>	214,522

### 12. Trade and Bills Receivables

Majority of trade and bills receivables are with customers having an appropriate credit history. 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:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
	Up to 6 months	2,147,667
6 months to 1 year	197,454	165,965
1 year to 2 years	113,136	109,893
Over 2 years	56,309	58,739
	<b>2,514,566</b>	2,330,237
Less: provision for impairment	(52,671)	(44,269)
	<b>2,461,895</b>	2,285,968

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

For the six months ended 30 June 2014

### 13. Share capital

	Authorised share capital		
	Number of shares	Amount	
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2014	5,000,000	500,000	502,350

  

	Issued and fully paid up		
	Number of shares	Amount	
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2014	1,596,000	159,600	160,510

### 14. Trade and bills payables

Ageing analysis of trade and bills payables is as follows:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Up to 6 months	2,171,908	1,892,841
6 months to 1 year	202	1,773
1 year to 2 years	1,361	685
Over 2 years	1,826	576
	<b>2,175,297</b>	<b>1,895,875</b>

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

For the six months ended 30 June 2014

### 15. Convertible Bonds

On 13 February 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of US\$200,000,000 (equivalent to approximately RMB1,221,400,000). Interest of 2.00% per annum will be paid semi-annually. The convertible bonds may be converted into ordinary shares of the Company, at the option of holder thereof, at any time on and after 26 March 2014 up to the close of business on the day falling seven days prior to 13 February 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK\$24.6740 per share.

The Convertible bonds are designated as financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value at initial recognition with transaction cost charge to the profit or loss accounts. Subsequently, the fair values are remeasured, gains and losses from changes therein are recognised in the profit or loss accounts.

None of the convertible bonds were converted into ordinary shares of the Company during the period.

	As at 30 June 2014 RMB'000
Convertible bonds issued by the Company	
At the beginning of the period	–
Issue of convertible bonds during the period	1,221,400
Change in fair value of convertible bonds	47,812
At the end of the period	1,269,212

The fair value of the convertible bonds as at 30 June 2014 is approximately US\$206,282,000 (equivalent to approximately RMB1,269,211,890), which is determined by valuation technique using observable inputs (Level 2): quoted prices for identical or similar instruments in inactive markets.



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

For the six months ended 30 June 2014

### 16. Commitments

#### (a) Capital commitments

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Acquisition of property, plant and equipment – Contracted but not provided for	<b>232,306</b>	256,214

#### (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 various terms and renewal rights.

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

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
Not later than 1 year	<b>7,270</b>	14,493

### 17. Related Party Transactions

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

The Group is controlled by Sky Treasure Capital Limited (the immediate holding company), a company incorporated in the British Virgins Islands, which owns 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 Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2014

### 17. Related Party Transactions (Continued)

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

<b>Company name</b>	<b>Relationships</b>
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
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 Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2014

### 17. Related Party Transactions (Continued)

(a) Transactions with related parties

The following material transactions were carried out with related parties:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
<b>Purchasing of goods from related parties</b>		
Ningbo Anson	284,415	287,711
Ningbo STF	60,118	55,091
Hangzhou Keqiang	14,210	16,922
Hilectro Precision	4,055	–
HDS	–	16,035
	<b>362,798</b>	<b>375,759</b>
<b>Purchasing of equipment from related parties</b>		
Haitian Precision	15,752	7,953
<b>Advertisement fees paid to:</b>		
Table Tennis Club	1,887	–

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 Condensed Consolidated Interim Financial Information (Continued)

For the six months ended 30 June 2014

### 17. Related Party Transactions (Continued)

#### (b) Balances with related parties

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

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
<b>Outstanding amounts due from the related parties</b>		
Trade related		
– Ningbo SPP	–	56
Non-trade related		
– Mr. Zhang Jianfeng	455	417
– Haidun	360	330
– Haitian Property	240	218
– Mr. Zhang Jianming	180	263
	<b>1,235</b>	1,228
<b>Outstanding amounts due to related parties</b>		
Trade related		
– Ningbo Anson	252,678	216,265
– Ningbo STF	50,633	36,990
– Hangzhou Keqiang	8,010	6,003
– Hilectro Precision	3,452	2,035
– HDS	–	8,255
	<b>314,773</b>	269,548
Non-trade related		
– Haitian Precision	–	7,431

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

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

For the six months ended 30 June 2014

### 17. 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 shown below:

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Salaries and bonus	2,897	2,903
Other benefits	81	77
	<b>2,978</b>	2,980

#### (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:

	As at 30 June 2014 RMB'000	As at 31 December 2013 RMB'000
	Capital commitment – Haitian Precision	106,163
Other Commitment – Ningbo Haitian	574	574