2014 Annual Report

HAITIAN INTERNATIONAL

Haitian International Holdings Limited

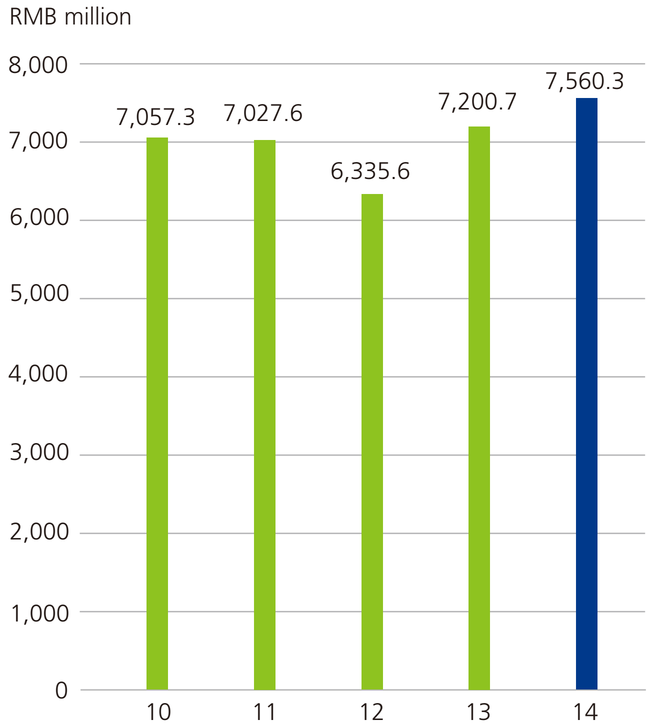
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1882

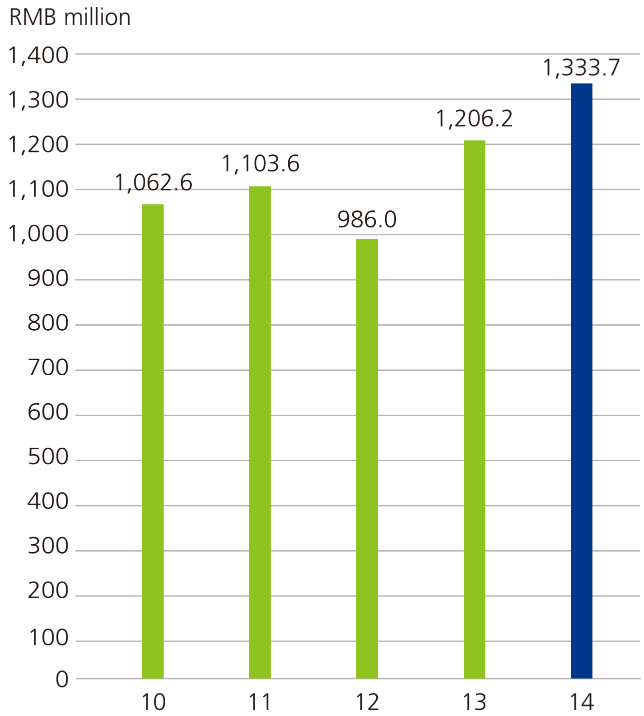

CONTENTS

Financial Highlights

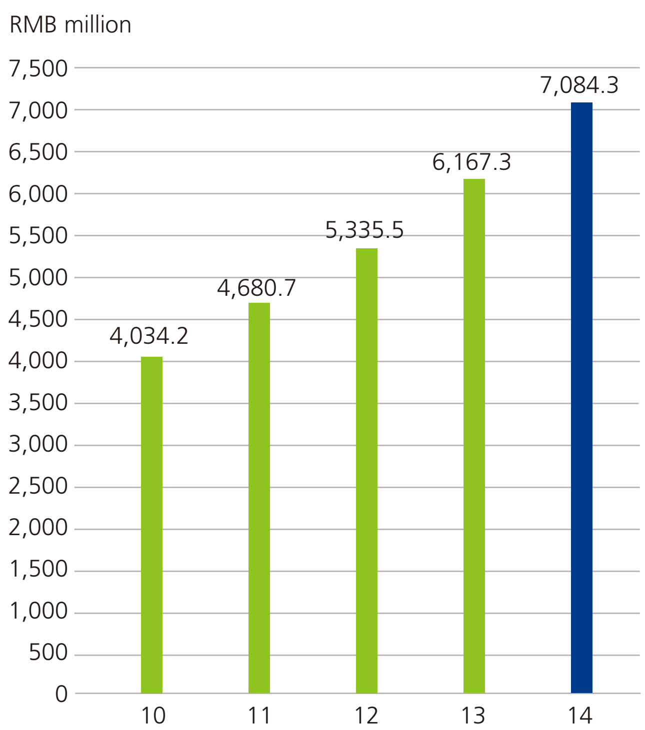
Revenue



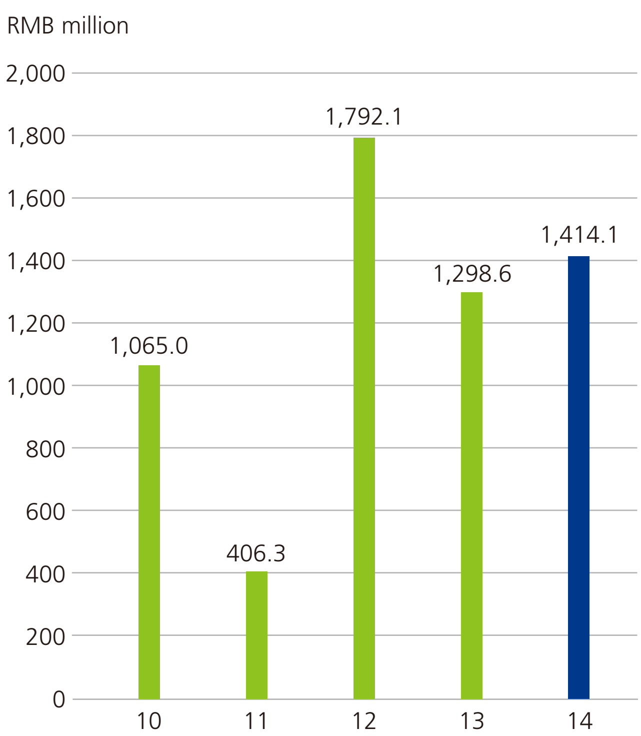
Profit attributable to the shareholders of the Company excluding issuing expense and change in fair value of Convertible Bonds ("CB")



Capital and reserves attributable to shareholders of the Company



Net Cash generated from operating activities



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
China Guangfa Bank
Industrial and Commercial Bank of China
Industrial Bank
Ping An Bank
Shanghai Pudong Development Bank

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

CHAIRMAN'S STATEMENTS

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2014 was another challenging year for Chinese manufacturing industry. The slow down of growth in China GDP to 7.4%, the slowest growth rate in previous 24 years, and string of economic indicators including manufacturing PMI and export growth, all pointed to the concealed weakness in Chinese economy. Globally, significant depreciation of Yen and Euro as a result of respective quantitative easing measures favor our overseas competitors' pricing position. Ongoing political disputes and outbreak of different regional crisis around the world including ISIS activities and sanctions against Russia, which affect manufacturing activities in affected countries and regions, also brought challenges to our export businesses. In response to these challenges, our committed efforts in enhancing communication and interaction with our customers, product innovation that well addressed the market needs and enhanced operational and manufacturing efficiency enabled us to deliver a solid financial performance in 2014 and maintain our leadership in the plastic injection machine industry.

For year 2014, with strong performance of our second generation ("Generation 2")'s machines, all-electic and two-plate PIMM and increasing market share in the international markets resulted from brand recognition, we continue to maintain a mild growth momentum and again set a new revenue record in our history for 2 consecutive years. We recorded revenue of RMB7,560.3 million in 2014, representing an increase of 5.0% compared to the revenue of RMB7,200.7 million in 2013.

In order to achieve a sustainable growth of business under complicated and ever-changing environment, we focus not only on quantitative revenue growth but also qualitative profit and efficiency. In the past few years, we have put plenty resources and efforts in improving our operational efficiency including implementation of Lean Manufacturing Process, providing training to different level of staff to increase their productivity and enhancing our IT system to better monitor inventory and manufacturing process. As a result, we continued to make remarkable achievements in operational efficiency and profitability. In 2014, our gross margin increased to 32.4% from 31.6% in 2013. The rise of gross margin was attributable to i) improved gross margin of Generation 2 PIMMs as a result of better production efficiency and cost position after one year of full scale production, ii) improvement in operational efficiency, benefiting from economic of scale and iii) relatively stable steel related raw material costs. As a result of the improved gross margin, our operating profit increased from RMB1,355.9 million in 2013 to RMB1,485.9 million in 2014, representing an increase of 9.6%.

In February 2014, we issued US dollar denominated 2.00 coupon CB due 2019 in the amount of USD 200 million for general corporate use. The one-off issuing expense of CB amounted to RMB24.3 million and non-cash accounting expense of change in fair value of CB which amounted to RMB4.3 million were charged to the finance costs in 2014. Our net profit attributable to shareholders in 2014 increased to RMB1,305.0 million, representing an increase of 8.2% compared to 2013. If the issuing expense and change in fair value of CB are excluded, the adjusted net profit attributable to shareholders in 2014 would increase to RMB1,333.7 million, representing an increase of 10.6% compared to 2013.

The Board of Directors has declared a second interim dividend of HK$0.18 per share for the year ended 31 December 2014 (2013: HK$0.16), bringing the total dividend for 2014 to HK$0.34 per share (2013: HK$0.31).

Domestic and export sales

Domestic and export sales of the Group by geographic areas are summarized in the following table:

(RMB million)	**2014**	**%**	2013	%	**2014 Vs 2013**
Domestic Sales	**5,071.1**	**67.1%**	4,975.9	69.1%	**1.9%**
Export Sales	**2,331.4**	**30.8%**	2,061.3	28.6%	**13.1%**
Parts	**157.8**	**2.1%**	163.5	2.3%	**(3.5%)**
Total	**7,560.3**	**100%**	7,200.7	100.0%	**5.0%**

The domestic demand of PIMMs remained sluggish in 2014. With Chinese government's effort in economic reforms and structural adjustments and shifting focus from high GDP growth to sustainable development with higher quality and efficiency, investment sentiment and expansion plan in domestic markets were inevitably affected in the short term. The China HSBC manufacturing PMI kept struggling near its expansion/contraction benchmark of 50 throughout 2014, which reflected continuing slow-down in China's manufacturing sector. 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 sale of RMB5,071.1 million in 2014, representing a mild increase of 1.9% compared to RMB4,975.9 million in 2013.

The global economy remains complicated and fast-changing. In 2014, we observed positive signs of the US recovery, but Europe and South America experienced different level of slow down in economy while Russia suffered from the impact of trade sanctions imposed. In the face of such complex and diversified features of different markets in the world, the benefits of our market diversification are evident from our export performance. Through our strategy of product innovation, strengthening export sales including developing new markets and enhancing the pre-sales and after-sales services, our export sales reached a new record of RMB2,331.4 million in 2014, representing a growth of 13.1% from 2013. The key drivers of growth were attributable to gaining market share in high-end PIMM consumption markets such as United States, Korea and Thailand where we recorded double digit growth, notwithstanding a mild offset by the decline in sales in Russian and South American markets.

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)	**2014**	**%**	2013	%	**2014 Vs 2013**
Small tonnage	**4,687.7**	**62.0%**	4,545.5	63.1%	**3.1%**
Medium-to-large tonnage	**2,714.8**	**35.9%**	2,491.7	34.6%	**9.0%**
Parts	**157.8**	**2.1%**	163.5	2.3%	**(3.5%)**
Total	**7,560.3**	**100%**	7,200.7	100%	**5.0%**

Despite the tough market environment, we still maintained a mild growth in our small and medium-to-large tonnage PIMM. The sales of small tonnage PIMMs increased to RMB4,687.7 million in 2014, representing an increase of 3.1% and the sales of medium-to-large tonnage PIMMs increased to RMB2,714.8 million in 2014, representing an increase of 9.0%. The growth was primarily driven by our relentless efforts in developing full-electric PIMMs for small tonnage PIMMs and two-plate PIMMs for medium-to-large PIMMs. In 2014, the sales of our Zhafir Venus Series (full-electric PIMMs) and our Jupiter Series (large two-plate PIMMs) increased to RMB521.7 million and RMB530.3 million, representing an increase of 22.4% and 38.8% respectively. During the year, the sales mix of full-electric PIMMs in small tonnage PIMM and that of two-plate PIMMs in medium-to-large tonnage PIMMs accounted for 11.1% (2013: 9.4%) and 19.5% (2013: 15.3%) respectively. The increase in the sales mix of full-electric PIMMs and two-plate PIMMs is the evidence of our long term commitment in product innovation.

Besides strong growth of our full-electric and two-plate PIMMs, we also make a remarkable progress in R&D. In order to capture the increase application of two-plate PIMMs, we have extended our two-plate PIMM product range by developing a model with smaller clamping force of 450 tonnes while at the same time raising the largest clamping force of two-plate PIMM to 6,600 tones, the largest 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 to benefit from advantages of electric machines such as high precision and easy maintenance etc. In 2014, we also started our R&D project in key computerized controls technology application in plastic injection moulding machines ("塑料注射成型裝備數控一代關鍵技術研究及應用示範"), which is partially funded by National Science and Technology Support Program "國家科技支撐計劃" to further enhance the technical performance of our Venus series full-electric and Mars series energy-saving PIMMs.

Our efforts in R&D and new product innovation are well reflected in our Haitian brand. In the "2014 China Brand Evaluation List" 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 RMB5.83 billion and brand strength of 727, ranking the fourth in Chinese machinery manufacturing industry list, up from the eighth in 2013. We believed our long term committed efforts in R&D, innovation in management, technology and services enable us to gradually achieve the aims of shift from Made in China to Create in China, Chinese efficiency to Chinese quality and Chinese product to Chinese brand.

Future Prospect

The overall operating environment in China and the world will continue to be complicated and uncertain. Globally, depreciation of Yen and Euro would make our major overseas competitors' machines more flexible in pricing while political disputes and regional crisis create uncertainty in new investments in different markets. China's economic growth still faces downward pressure and structure adjustments will continue to be implemented.

Chinese government has set a lower GDP growth target of 7.0% for the coming year. The recent consecutive cuts in interest rate and reserve requirement ratio for banks are expected to lower the burdens on enterprises, tackle looming deflation risk and stabilise further cool-down of Chinese economy. With the aim of transforming Chinese economy steadily into a "new normal" era, Chinese central bank is expected to continue to implement a prudent monetary policy instead stimulating economic growth aggressively. Therefore we do not expect the domestic market and investment sentiment will have dramatic improvement nor there will be any significant deterioration in short term. At the same time, we are optimistic in long term economic development of China as we observed that Chinese domestic consumption had surpassed investment to become the strongest driving force of GDP growth. This points to that a new growth model has already started forming towards a "new normal" era of development. The increase in domestic consumption and China's ongoing modernization efforts will continue to drive the steady growth of PIMM's demand.

In the face of slowing down of Chinese economy growth under the "new normal" era, we set our 2015 target to maintaining sustainability of our business performance with steady growth. To meet this target, we will further enhance our competitive edge in technology innovation, brand reputation, product quality and service standards through continuous innovation in technology, management and services.

For technology 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. On the other hands, along the focus of energy-efficiency and upgrading the equipment with better efficiency and output quality in China, we expect the demand of full-electric and two-plate PIMMs will continue to rise and we will continue our strategy in further expanding the market share of our full-electric and two-plate PIMMs market.

For communication and interaction with customers, we have and will continue to set up and expand overseas assembly factories/ service centers at important markets such as India and Germany to expand and increase the share of overseas market. With these overseas permanent establishments, we can actively, directly and efficiently communicate with overseas customers of their needs and further enhance our pre-sales and after-sales service quality.

For efficiency, our two new factories in Ningbo started partial operation in 2014. The new factories can raise our efficiency and product quality through modernization of the production process, further rationalize the production process planning and upgrading vertical production capabilities.

Leveraging on our prestigious brand, outstanding price-to-performance ratio, self-developed core technology, extensive distribution network, strong financial position, quality after-sales service and efficient production scale, we are confident to maintain our industry-leading position, deliver steady solid performance in 2015 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

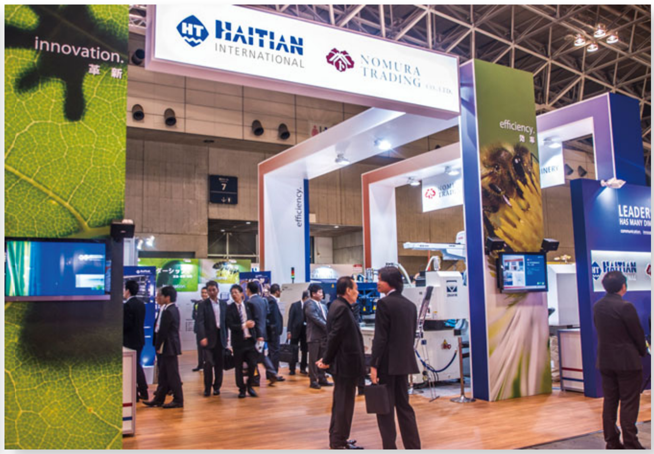
10 April 2015

CEO'S REPORT

Highlights

	2014 RMB' million	2013 RMB' million	Increase %
Revenue	**7,560.3**	7,200.7	5.0
Gross profit	**2,452.7**	2,273.7	7.9
Profit attributable to shareholders of the Company excluding issuing expense of CB and change in fair value of CB	**1,333.7**	1,206.2	10.6
Profit attributable to shareholders of the Company	**1,305.0**	1,206.2	8.2
Basic earnings per share (expressed in RMB per share)	**0.82**	0.76	8.2
Dividend per share (expressed in HK$ per share)			
Second interim	**0.18**	0.16	12.5
Full year (including interim)	**0.34**	0.31	9.7

- Achieved record high revenue and profit attributable to shareholders for 2 consecutive years
- Revenue increased to RMB7,560.3 million, representing an increase of 5.0% compared to 2013. Under the challenging economic environment, domestic sales still recorded mild growth of 1.9% to RMB5,071.1 million and export sales recorded growth of 13.1% to 2,331.4 million, reaching a new export record
- Continuous improvement in gross profit margin to 32.4% (2013: 31.6%) resulting from improved margin in Generation 2, raise of operational efficiency, benefiting from economic of scale and relatively stable cost of raw materials
- Profit attributable to shareholders of the Company increased to RMB1,305.0 million, representing an increase of 8.2% compared to 2013. Excluding issuing expense of CB and accounting loss in change of fair value in CB, profit attributable to shareholders of the Company increased to RMB1,333.7 million, representing an increase of 10.6% compared to 2013
- Net cash generated from operating activities increased to RMB1,414.1 million, representing an increase of 8.9%
- The Board declared a second interim dividend of HK$0.18 per share, together with interim dividend paid in September 2014 constitute a total dividend of HK$0.34 per share (2013: HK$0.31 per share)



Financial Review

Revenue

Benefiting from the successful launch of our Generation 2 of existing product lines and increasing market share in the international market resulted from recognition of our Haitian brand, revenue increased to RMB7,560.3 million, representing an increase of 5.0% compared to 2013. The increase was mainly attributable to the 13.1% increase of export sales to RMB2,331.4 million, being a new record of export sales compared to 2013. Although the tough business environment in domestic market, our domestic sales still recorded a mild growth of 1.9% to RMB5,071.1 million in 2014.

Gross Profit

In 2014, we recorded gross profit of approximately RMB2,452.7 million, representing an increase of 7.9% compared to 2013. Overall gross margin had increased from 31.6% in 2013 to 32.4% in 2014. The increase of gross margin is attributable to i) improved gross margin of Generation 2 PIMMs resulted from better production efficiency and cost position after one year of full scale production, ii) improvement in operational efficiency, benefiting from economic of scale, and iii) relatively stable steel related raw material costs.

Selling and administrative expenses

The selling and administrative expenses increase by 7.5% from RMB978.5 million in 2013 to RMB1,052.0 million in 2014. 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 2014, 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 39.5% from RMB70.5 million in 2013 to RMB98.3 million in 2014.

Other losses – net

Other losses mainly consists of exchange losses from US dollars and Euro denominated receivables result from RMB fluctuation.

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

Finance income – net

Finance income, net decreased by 6.9% from RMB114.4 million in 2013 to RMB106.5 million in 2014. The decrease is mainly attributable to i) an exchange gain of RMB32.3 million recorded from foreign currencies denominated loans/CB in 2013 whereas an exchange loss of 4.6 million in 2014 which reflected the fluctuation of RMB against US dollars during the year, ii) the one-off issuing expense of CB which amounted to RMB24.3 million, iii) the increase of interest expenses resulted from issuing of CB and substantially offset by iv) increase of interest income by 70.2% from RMB95.6 million in 2013 to RMB162.7 million in 2014 resulted from increase in average bank balances after issuing the CB and enhance efficiency in treasury Management.

Income tax expenses

Income tax expenses increased by 8.2% from RMB269.3 million in 2013 to RMB291.4 million in 2014 which was in line with our operating profit growth. Our effective tax rate was 18.3% in 2014 the same as that in 2013.

Net profit attributable to shareholders

As a result, our net profit attributable to shareholders in 2014 increased to RMB1,305.0 million, representing an increase of 8.2% compared to 2013. Excluding the issuing expense of CB and change in fair value of CB, the adjusted net profit attributable to shareholders for 2014 increased to RMB1,333.7 million, representing an increase of 10.6% compared to 2013.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 31 December 2014, the Group's total cash and cash equivalents and restricted cash amounted to RMB2,202.8 million and RMB152.8 million respectively (2013: RMB2,112.6 million and RMB130.2 million). The Group had no short-term bank borrowing as at 31 December 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 31 December 2014, the convertible bonds balance amounted to RMB1,225.7 million which represented the market fair value of CB.

The Group also placed certain surplus fund into wealth management product which recorded as available-for-sale financial assets. The wealth management products with floating interests ranging from 4.7% to 9.9% (2013: 4.3% to 7.1%) per annum. As at 31 December 2014, the Group's available-for-sale financial assets amounted to RMB2,106.5 million (2013: RMB1,469.3 million).

The gearing ratio is defined as total borrowings net of cash divided by shareholders' equity. As at 31 December 2014, our Group was in a strong financial position with a net cash position amounting to RMB1,129.9 million (2013: RMB1,606.7 million). Accordingly, no gearing ratio is presented.

Capital Expenditure

In 2014, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB478.5 million (2013: RMB516.4 million).

Restricted Deposits

As at 31 December 2014, the bank deposits of RMB152.8 million (2013: RMB130.2 million) of our Group were restricted.

Charges on Group Assets

As at 31 December 2014, our Group had no pledge of assets.

Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 31.4% 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. Our Group purchased certain forward contracts or other means to reduce its foreign currency exposure. In addition, our Group borrowed US-dollar denominated bank loans/convertible bonds to hedge the exchange risk of US-dollar denominated receivables arising from export sales.

Financial guarantees

As at 31 December 2014, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB1,025.8 million (2013: RMB960.2 million).

Employees

As at 31 December 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. Total staff costs for 2014 amounted to RMB632.2 million, representing a increase of 6.7% compared with RMB592.6 million in 2013.

Payment of second interim dividend

The Board has declared a second interim dividend for the year ended 31 December 2014 of HK$0.18 per share (2013: HK$0.16 per share), which, together with the interim dividend of HK$0.16 per share paid in September 2014 will constitute a total dividend of HK$0.34 per share (2013: HK$0.31 per share) for the full year.

The second interim dividend will be paid on or about 27 April 2015 in cash to shareholders whose names appear on the register of members at the close of business on 20 April 2015.

Annual General Meeting ("AGM")

The AGM of the Company will be held in Ningbo on 18 May 2015. Notice of the AGM will be issued and disseminated to shareholders in due course.

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 16 April 2015 to 20 April 2015 (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 15 April 2015, 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 12 May 2015 to 18 May 2015 (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 May 2015, for registration.

Zhang Jianming
Chief Executive Officer

10 April 2015

DIRECTORS AND SENIOR MANAGEMENT

Directors and Senior Management

Executive Directors

Mr. Zhang Jingzhang (張靜章), aged 78, 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 Affair 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 Plastics Machinery Industry Association (中國塑料機械工業協會).

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 52, 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. From 2003 to 2011, he was 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 Congness 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 65, 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. From 2005 to 2013, Prof. Franz was 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 the remaining 9% equity interest in 2014.

Directors and Senior Management

Mr. Zhang Jianguo (張建國), aged 59, 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 40 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 45, 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 has been appointed as the chairman of Ningbo Plastic Machine Industry Association (寧波市塑料機工業協會) since 2012. 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 52, 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. She was named as an outstanding accountant of Ningbo in 2005. Ms. Chen is a director of Sky Treasure and Premier Capital.

Non-Executive Directors

Mr. Guo Mingguang (郭明光), aged 48, is a non-executive Director. Mr. Guo joined the Group in January 1983 and has more than 30 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 a 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 46, 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 68, 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).

Dr. Steven Chow (周志文), aged 70, 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 51, joined the Group in March 2012 as an independent non-executive Director. He is currently the Head of Modern Logistics School and Professor 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 61, 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 45, 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 48, is the vice president of domestic sales of the Group. Mr. Bei joined the Group in January 1983 and has more than 30 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 43, 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 43, 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 in Ningbo. 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 37, 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 41, 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 2015	—	Result Announcement of 2014
16 – 20 April 2015	—	Closure of register of members (entitlement to second interim dividend)
about 27 April 2015	—	Paid date of second interim dividend
12 – 18 May 2015	—	Closure of register of members (Annual General Meeting)
18 May 2015	—	Annual General Meeting

Share Information

Board lot size: 1,000 shares

Shares outstanding as at 31 December 2014:
1,596,000,000 shares

Market Capitalisation as at 31 December 2014:
HK26,110.6 million

Basic earnings per share for 2014:	RMB0.82
Diluted earnings per share for 2014:	RMB0.81

Dividend per share for 2014	
Interim dividend	HK16.0 cents
Second interim dividend	HK18.0 cents
Total	HK34.0 cents

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

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Postal code:	315800

Website

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http://www.haitian.com

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 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 2014:

Deviation from CG Code

Attendance at annual general meeting: one independent non-executive director was not able to attend the annual general meeting held in year 2014. 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

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 2014, 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 *(Chairman)*	4/4
Mr. Zhang Jianming *(Chief Executive Officer)*	3/4
Professor Helmut Helmar Franz	3/4
Mr. Zhang Jianguo	4/4
Mr. Zhang Jianfeng	4/4
Ms. Chen Ningning	4/4
Non-executive Directors	
Mr. Guo Mingguang	3/4
Mr. Liu Jianbo	4/4
Independent Non-executive Directors	
Mr. Gao Xunxian	4/4
Mr. Lou Baijun	4/4
Dr. Steven Chow	4/4
Mr. Jin Hailiang	4/4

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 2014.

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.

As there was no change to the Board during year 2014, the Nomination Committee did not hold any meeting during the year.

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 2014, 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.

The composition of the Audit Committee and the attendance of the two meetings of the Audit Committee during year 2014 are set out below:

	Attendance
Mr. Lou Baijun *(Chairman of Committee)*	2/2
Mr. Gao Xunxian	2/2
Mr. Jin Hailiang	2/2

The Audit Committee met two times during year 2014. During the meetings, the Audit Committee considered the annual results of the Group for the year ended 31 December 2013 and the interim results of the Group for the six months ended 30 June 2014 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 2014 are set out below:

	Attendance
Mr. Jin Hailiang *(Chairman of the Committee)*	1/1
Mr. Zhang Jianming	1/1
Mr. Gao Xunxian	1/1

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 2014, the Directors had participated in the following types of continuous professional development:

Executive Directors	**Type of continuous professional development**
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

A: attending seminars and/or in-house trainings relating to duties of directors of listed companies

B: reading guidance notes and updates relating to regulatory requirements for listed companies and obligations of their directors

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 2014, 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 RMB3.15 million 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 2014 was held on 26 May 2014 and the attendance record of the Directors at the meeting is set out below:

Executive Directors	
Mr. Zhang Jinzhang *(Chairman)*	Attended
Mr. Zhang Jianming *(Chief Executive Officer)*	–
Prof. Helmut Helmar Franz	–
Mr. Zhang Jianguo	Attended
Mr. Zhang Jianfeng	–
Ms. Chen Ningning	Attended
Non-executive Directors	
Mr. Guo Mingguang	Attended
Mr. Liu Jianbo	Attended
Independent Non-executive Directors	
Mr. Gao Xunxian	Attended
Mr. Lou Baijun	Attended
Dr. Steven Chow	–
Mr. Jin Hailiang	Attended

Dr. Steven Chow, an 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 was not in compliance with the following Code Provisions:

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

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 2014.

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 24 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 HK16.0 cents per share, totalling RMB202,782,000 which was paid on 25 September 2014. The directors recommended the payment of a second interim dividend of HK18.0 cents per share, totalling approximately RMB227,365,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 16 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to RMB138,300.

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 15 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 RMB2,129.5 million as at 31 December 2014. 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 2014 and for the previous four financial years are set out on page 108.

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 2014, 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.

(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

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Zhang Jianfeng, Mr. Zhang Jianguo, Mr. Liu Jianbo and Mr. Jin Hailiang 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.

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 37 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 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

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%
Mr. Guo Mingguang	Corporate Interest[2]	200,000 (L)	0.01%

(L) denotes a long position

Notes:

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

(2) Mr. Guo Mingguang was deemed under the SFO to be interested in 200,000 shares of the Company held by his wholly-owned investment holding company.

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	Corporate[2]	0.51%
Mr. Liu Jianbo	Sky Treasure	Beneficiary under a trust[4]	1.58%

Notes:

(1) As at 31 December 2014, Sky Treasure is the holder of 60.08% of the issued share capital of the Company and therefore is an associated corporation 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 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 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.

Interests and Short Positions of Shareholders

As at 31 December 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:

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%
Schroders Plc	Interest in a controlled corporation[(2)]	79,811,984 (L)	5.00%

(L) denotes a long position

Notes:

(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 2014.

(2) Schroders Plc is deemed under the SFO to be interested in 79,811,984 shares held by its wholly-owned entities.

Save as disclosed above, as at 31 December 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.

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.

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 2014.

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.

Connected Transactions

On 28 March 2014, the Group entered into machinery equipment purchase agreement with Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision"), an associate of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo, all being Directors of the Company, pursuant to which the Group purchased certain CNC turning machines and machining centres ("CNC Machines") manufactured by Haitian Precision for an aggregate consideration of RMB171,200,000 (equivalent to approximately HK$216,000,000). The CNC Machines purchased are used for processing of parts and components for the manufacture of plastic injection moulding machines by the Group. The nature and reasons for the above connected transaction had previously been disclosed in the Company's announcement dated 28 March 2014.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 37 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 ended 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.07(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 RMB677.2 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 104 of the annual report in accordance with paragraph 14A.56 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.

On 21 November 2014, the Group entered into a new Purchase Framework Agreement with HDS for the purchase of servo systems, linear motion guides, ball screws and hydraulic parts for a term of three years commencing from 1 January 2015 and ending on 31 December 2017. The proposed transactions under the new Purchase Framework Agreement and the relevant annual caps were approved by the independent shareholders at an extraordinary general meeting held on 26 January 2015. Please refer to the Company's announcements and circular published on 21 November 2014, 8 January 2015 and 26 January 2015 for details.

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

10 April 2015

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 107, which comprise the consolidated and company balance sheets as at 31 December 2014, 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 2014, 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, 10 April 2015

Consolidated Balance Sheet

As at 31 December 2014
(Amounts expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Land use rights	5	**391,559**	325,410
Property, plant and equipment	6	**2,116,413**	1,862,452
Investment in an associate	8	**13,489**	10,868
Deferred income tax assets	22	**53,311**	50,578
Other receivables	11	**510,925**	16,691
Available-for-sale financial assets	12	**50,402**	—
		3,136,099	2,265,999
Current assets			
Inventories	9	**1,677,158**	1,611,536
Trade and bills receivables	10	**2,217,412**	2,285,968
Prepayments, deposits and other receivables	11	**267,843**	168,353
Available-for-sale financial assets	12	**2,056,122**	1,469,294
Financial assets at fair value through profit or loss	13	**—**	32,000
Restricted bank deposits	14	**152,810**	130,210
Cash and cash equivalents	14	**2,202,827**	2,112,640
		8,574,172	7,810,001
Total assets		**11,710,271**	10,076,000
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	15	**160,510**	160,510
Share premium	16	**1,331,913**	1,331,913
Other reserves	16	**788,923**	640,943
Retained earnings			
— Second interim dividend	34	**227,365**	202,273
— Others		**4,575,596**	3,831,617
Total equity		**7,084,307**	6,167,256

Consolidated Balance Sheet (Continued)

As at 31 December 2014
(Amounts expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	*21*	**10,650**	12,442
Deferred income tax liabilities	*22*	**150,873**	111,593
Convertible bonds	*23*	**1,225,746**	—
		1,387,269	124,035
Current liabilities			
Trade and bills payables	*17*	**1,906,508**	1,895,875
Accruals and other payables	*18*	**1,261,253**	1,169,246
Current income tax liabilities		**66,328**	80,384
Bank borrowings	*19*	**—**	636,188
Derivative financial instruments	*20*	**4,606**	3,016
		3,238,695	3,784,709
Total liabilities		**4,625,964**	3,908,744
Total equity and liabilities		**11,710,271**	10,076,000
Net current assets		**5,335,477**	4,025,292
Total assets less current liabilities		**8,471,576**	6,291,291

The accompanying notes on pages 46 to 107 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 10 April 2015 and were signed on its behalf by:

Zhang Jianming
Director

Chen Ningning
Director

Balance Sheet

As at 31 December 2014
(Amounts expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*7(a)*	**778,077**	778,077
Due from subsidiaries	*7(b)*	**1,289,520**	77,002
		2,067,597	855,079
Current assets			
Due from subsidiaries	*7(c)*	**2,173,670**	1,887,491
Cash and cash equivalents	*14*	**98**	77
		2,173,768	1,887,568
Total assets		**4,241,365**	2,742,647
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the Company			
Ordinary shares	*15*	**160,510**	160,510
Share premium	*16*	**1,331,913**	1,331,913
Other reserves	*16*	**314,789**	314,789
Retained earnings			
— Second interim dividend	*34*	**227,365**	202,273
— Others		**255,412**	457,704
Total equity		**2,289,989**	2,467,189
LIABILITIES			
Non-current liabilities			
Convertible bonds	*23*	**1,225,746**	—
		1,225,746	—
Current liabilities			
Due to subsidiaries	*7(c)*	**715,788**	274,738
Other payables		**9,842**	720
		725,630	275,458
Total liabilities		**1,951,376**	275,458
Total equity and liabilities		**4,241,365**	2,742,647
Net current assets		**1,448,138**	1,612,110
Total assets less current liabilities		**3,515,735**	2,467,189

The accompanying notes on pages 46 to 107 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 10 April 2015 and were signed on its behalf by:

Zhang Jianming
Director

Chen Ningning
Director

Consolidated Income Statement

For the year ended 31 December 2014
(Amounts expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Revenue	*24*	**7,560,266**	7,200,653
Cost of sales	*25*	**(5,107,526)**	(4,926,988)
Gross profit		**2,452,740**	2,273,665
Selling and marketing expenses	*25*	**(636,820)**	(606,277)
General and administrative expenses	*25*	**(415,203)**	(372,242)
Other income	*26*	**98,325**	70,495
Other losses — net	*27*	**(13,136)**	(9,719)
Operating profit		**1,485,906**	1,355,922
Finance income	*30*	**158,092**	127,990
Finance costs	*30*	**(51,617)**	(13,566)
Finance income — net	*30*	**106,475**	114,424
Share of profit of an associate	*8*	**4,052**	5,192
Profit before income tax		**1,596,433**	1,475,538
Income tax expense	*31*	**(291,417)**	(269,302)
Profit for the year		**1,305,016**	1,206,236
Attributable to:			
Shareholders of the Company		**1,305,016**	1,206,236
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
— basic	*33*	**0.82**	0.76
— diluted	*33*	**0.81**	—
Dividends	*34*	**430,147**	392,751

The accompanying notes on pages 46 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014
(Amounts expressed in RMB)

	2014 **RMB'000**	2013 RMB'000
Profit for the year	**1,305,016**	1,206,236
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Change in value of available-for-sale financial assets	**14,730**	12,294
Currency translation differences	**2,360**	(2,831)
Total comprehensive income for the year	**1,322,106**	1,215,699
Total comprehensive income attributable to:		
Shareholders of the Company	**1,322,106**	1,215,699

The accompanying notes on pages 46 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Amounts expressed in RMB)

		Attributable to owners of the Company					
	Note	**Share capital** RMB'000	**Share premium** RMB'000	**Other reserves** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Total equity** RMB'000
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							
Items that may be reclassified subsequently to profit or loss							
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		—	—	—	(193,433)	(193,433)	(193,433)
— 2013 interim	*34*	—	—	—	(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
Balance at 1 January 2014		160,510	1,331,913	640,943	4,033,890	6,167,256	6,167,256
Comprehensive income							
Profit for the year		—	—	—	1,305,016	1,305,016	1,305,016
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss							
Change in value of available-for-sale financial assets		—	—	14,730	—	14,730	14,730
Currency translation differences		—	—	2,360	—	2,360	2,360
Total comprehensive income for the year ended 31 December 2014		—	—	17,090	1,305,016	1,322,106	1,322,106
Transactions with owners							
Dividend paid							
— 2013 second interim	*34*	—	—	—	(202,273)	(202,273)	(202,273)
— 2014 interim	*34*	—	—	—	(202,782)	(202,782)	(202,782)
Appropriations		—	—	130,890	(130,890)	—	—
Total transactions with owners		—	—	130,890	(535,945)	(405,055)	(405,055)
Balance at 31 December 2014		160,510	1,331,913	788,923	4,802,961	7,084,307	7,084,307

The accompanying notes on pages 46 to 107 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014
(Amounts expressed in RMB)

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**1,681,760**	1,535,528
Interest paid		**(14,346)**	(12,330)
Income tax paid		**(253,292)**	(224,628)
Net cash generated from operating activities		**1,414,122**	1,298,570
Cash flows from investing activities			
Purchase of property, plant and equipment		**(404,710)**	(396,593)
Purchase of land use rights		**(74,496)**	(89,956)
Entrusted loans granted		**(581,500)**	(120,000)
Entrusted loans repayments		**—**	120,000
Interest received from banks		**140,559**	73,913
Interest received from entrusted loans		**27,849**	9,640
Dividends received from an associate	8	**1,431**	639
Proceeds from disposal of property, plant and equipment	35(b)	**1,591**	12,747
Purchase of financial assets at fair value through profit or loss		**—**	(6,000)
Purchase of available-for-sale financial assets		**(3,917,100)**	(3,420,581)
Proceeds from disposal of financial assets at fair value through profit and loss		**32,000**	52,000
Proceeds from disposal of available-for-sale financial assets		**3,294,600**	2,143,581
Net cash used in investing activities		**(1,479,776)**	(1,620,610)
Cash flows from financing activities			
Proceeds from Issuance of convertible bonds, net of transaction cost	23	**1,197,084**	—
Proceeds from bank borrowings		**—**	579,203
Repayments of bank borrowings		**(636,188)**	(371,163)
Dividends paid to the Company's shareholders		**(405,055)**	(383,911)
Net cash generated/(used) in financing activities		**155,841**	(175,871)
Net increase/(decrease) in cash and cash equivalents		**90,187**	(497,911)
Cash and cash equivalents at beginning of year		**2,112,640**	2,610,551
Cash and cash equivalents at end of year	14	**2,202,827**	2,112,640

The accompanying notes on pages 46 to 107 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 10 April 2015.

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

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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.

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 2014.

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13.

HK(IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

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

(b) **New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2014 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 HKAS 39	Financial Instruments: Recognition and Measurement — 'Novation of derivatives'	1 January 2014
HKFRS 10, 12 and HKAS 27 (Amendment)	Consolidation for investment entities	1 January 2014

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 2014 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 HKAS19	Defined benefits	1 July 2014
Amendments to HKFRS 10	Consolidated financial statements	1 January 2016
Amendment to HKFRS 11	Joint arrangements	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to HKAS 16	Property, plant and equipment	1 January 2016
Amendment to HKAS 27	Consolidated and separate financial statements	1 January 2016
Amendments to HKAS 28	Investment in associates	1 January 2016
Amendments to HKAS 38	Intangible assets	1 January 2016
Amendments to HKAS 41	Agriculture	1 January 2016
Amendments to HKAS 1	Presentation of financial statements	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 2010-2012 reporting cycle, 2011-2013 reporting cycle, 2012-2014 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		Effective for annual periods beginning on or after
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 38	Intangible assets	1 July 2014
HKAS 40	Investment property	1 July 2014
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7	Financial instruments: Disclosures	1 January 2016
HKAS 19	Employee benefits	1 January 2016
HKAS 34	Interim financial reporting	1 January 2016

The Group is assessing the full impact of the amendments and standards, and according to the preliminary assessment, there is no significant impact on the consolidated financial statements. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(d) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

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.

2.3 Associates

An associate is an entity 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.

2. Summary of Significant Accounting Policies (Continued)

2.3 Associates (Continued)

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.

(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'.

2. Summary of Significant Accounting Policies (Continued)

2.5 Foreign currency translation (Continued)

(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.

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. Summary of Significant Accounting Policies (Continued)

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 2.8).

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.

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. Summary of Significant Accounting Policies (Continued)

2.8 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.

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.

2.9 Financial assets

2.9.1 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 2.14 and 2.15).

(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. Summary of Significant Accounting Policies (Continued)

2.9 Financial assets (Continued)

2.9.2 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.

2.10 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 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 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.

2. Summary of Significant Accounting Policies (Continued)

2.11 Impairment of financial assets (Continued)

(a) Assets carried at amortised cost (continued)

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.

For debt securities, if any such evidence exists 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. 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.

For equity investments, 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, 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.

2.12 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'.

2.13 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.

2.14 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. Summary of Significant Accounting Policies (Continued)

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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. Summary of Significant Accounting Policies (Continued)

2.20 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.

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.

(a) Current income tax

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's 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.

(b) Deferred income tax

Inside basis differences

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.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and an associate, except for deferred income tax liability 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. Generally the group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, an associate and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2. Summary of Significant Accounting Policies (Continued)

2.21 Current and deferred income tax (Continued)

(c) Offsetting

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.

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. Summary of Significant Accounting Policies (Continued)

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.

(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.

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 convertible bonds.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (continued)

As at 31 December 2014, if RMB had weakened/strengthened by 0.3% (2013: strengthened/weakened by 3%) against the USD and HKD with all other variables held constant, profit before income tax would have been approximately RMB2,527 thousand lower/higher (2013: RMB12,358 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 convertible bonds. 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 2014, if RMB had strengthened/weakened by 11.4% (2013: weakened/strengthened by 1.2%) against the Euro with all other variables held constant, profit before income tax would have been approximately RMB33,333 thousand lower/higher (2013: RMB2,933 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 2014, if RMB had strengthened/weakened by 11.1% (2013: strengthened/weakened 20.9%) against the JPY with all other variables held constant, profit before income tax would have been approximately RMB2,921 thousand lower/higher (2013: RMB5,532 thousand higher/lower) mainly as a result of foreign exchange difference on translation of JPY denominated 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.

(b) Fair value and cash flow interest rate risk

The Group's interest rate risk arises from bank deposits, loans to employees, entrusted loans to third parties, convertible bonds and long-term entrusted loans. Bank deposits, loans to employees, convertible bonds and entrusted loan within one year at fixed rates expose the Group to fair value interest rate risk. Long-term entrusted loans generated 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 lower/higher with all other variables held constant, profit before income tax would have been RMB545 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 lower/higher with all other variables held constant, profit before income tax would have been RMB17 thousand higher/lower, mainly as a result of lower/higher interest expense on floating rate borrowings.

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 2014, 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 2014, most of the financial products are bought from the major financial institutions in Mainland China and management has exercised due care when make investment decision with focus only on low risk financial products.

The Group enters into the entrusted loan contracts with benchmark interest rates with third parties. It is shown as other receivables on the balance sheet. As at 31 December 2014, the credit risk of entrusted loans has been reviewed cautiously by the management with focus on counterparties' credit reputation.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(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:

	Within 1 year RMB'000	**Between 1 and 2 years** RMB'000	**Between 2 and 5 years** RMB'000	**Over 5 years** RMB'000
Group				
At 31 December 2014				
Convertible bonds	9,230	24,476	1,302,182	—
Trade and other payables	2,496,219	—	—	—
Financial guarantee contracts	1,025,831	—	—	—
At 31 December 2013				
Borrowings	637,636	—	—	—
Trade and other payables	2,455,775	—	—	—
Financial guarantee contracts	960,239	—	—	—
Company				
At 31 December 2014				
Convertible bonds	9,230	24,476	1,302,182	—
Due to subsidiaries and other payables	725,630	—	—	—
At 31 December 2013				
Due to subsidiaries and other payables	275,458	—	—	—

3. Financial Risk Management (Continued)

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 2014 and 2013, 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	
	2014	2013
	RMB'000	RMB'000
Total convertible bonds *(Note 23)*	**1,225,746**	—
Total borrowings *(Note 19)*	**—**	636,188
Total equity	**7,084,307**	6,167,256
Gearing ratio	**17%**	10%

The increase in the gearing ratio primarily resulted from issuing of convertible bonds.

3.3 Fair value estimation

The table below analyses the group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy 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).

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 2014.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	—	2,106,524	—	2,106,524
Liabilities				
Convertible bonds	—	1,225,746	—	1,225,746
Derivative financial instruments	—	4,606	—	4,606
Total liabilities	—	1,230,352	—	1,230,352

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				
Derivatives financial instruments	—	3,016	—	3,016

There were no significant transfers among level 1, 2 and 3 fair during the year.

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.

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.

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 addressed 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.

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.

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:

	2014 RMB'000	2013 RMB'000
At beginning of year		
Cost	**361,090**	271,535
Accumulated amortisation	**(35,680)**	(28,912)
Net book amount	**325,410**	242,623
Opening net book amount	**325,410**	242,623
Exchange differences	**134**	(375)
Addition	**74,496**	89,956
Amortisation	**(8,481)**	(6,794)
Closing net book amount	**391,559**	325,410
At end of year		
Cost	**435,732**	361,090
Accumulated amortisation	**(44,173)**	(35,680)
Net book amount	**391,559**	325,410

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 2014, the remaining use periods of the land use rights range from 19 to 49 years (2013: 20 to 49 years).

Amortisation is charged to the consolidated income statement as follows:

	2014 RMB'000	2013 RMB'000
Cost of sales	**153**	124
General and administrative expenses	**8,328**	6,670
	8,481	6,794

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 2013						
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
Year ended 31 December 2014						
Opening net book amount	967,229	532,935	46,065	36,573	279,650	1,862,452
Exchange differences	(8,998)	(324)	(74)	(312)	—	(9,708)
Additions	31,886	69,201	6,127	12,895	283,874	403,983
Transfers	139,116	97,997	—	1,443	(238,556)	—
Disposals	(495)	(222)	(392)	(205)	—	(1,314)
Depreciation	(39,869)	(75,452)	(12,312)	(11,367)	—	(139,000)
Closing net book amount	1,088,869	624,135	39,414	39,027	324,968	2,116,413
At 31 December 2014						
Cost	1,371,467	1,239,140	142,310	89,153	324,968	3,167,038
Accumulated depreciation	(282,598)	(615,005)	(102,896)	(50,126)	—	(1,050,625)
Net book amount	1,088,869	624,135	39,414	39,027	324,968	2,116,413

* *Freehold land is located in Germany. It is stated at cost of RMB3,473 thousand (2013: RMB3,922 thousand) and is not subject to depreciation.*

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

Depreciation is charged to the consolidated income statement as follows:

	2014 RMB'000	2013 RMB'000
Cost of sales	**97,604**	85,377
General and administrative expenses	**36,831**	26,744
Selling and marketing expenses	**4,565**	4,483
	139,000	116,604

7. Investments in and Loans to Subsidiaries — Company

(a) Investments in subsidiaries

	2014 RMB'000	2013 RMB'000
Investments, at cost:		
— Unlisted shares	**778,077**	778,077

The following are the principal subsidiaries, which are unlisted, at 31 December 2014:

Name	Place of incorporation and type of legal entity	Paid in capital	Attributable equity interest to the Company Direct	Indirect	Principal activities and place of operations
Dahai (H.K.) Company Limited	Hong Kong, limited liability company	HKD10,000	—	100%	Trading of machinery and related accessories, Hong Kong
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
Haitian Europe GmbH	Germany, limited liability company	Euro25,000	—	100%	Sale of plastic injection moulding machines, Germany

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 Direct	Attributable equity interest to the Company Indirect	Principal activities and place of operations
Haitian Huayuan (Hong Kong) Limited	Hong Kong, limited liability company	HKD779,999	—	100%	Trading of machinery and related accessories, Hong Kong
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
Haitian Huayuan Machinery (India) Private Limited	India, limited liability company	India Rupee 10,310,500	—	100%	Sale of plastic injection moulding machines, India
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 International Germany Gmbh	Germany, limited liability company	Euro25,000	—	100%	Manufacture and sale of plastic injection moulding machines, Germany
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
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	USD2,400,000	—	100%	Manufacture and 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	USD276,460,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
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	USD1,550,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China

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	
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	RMB10,000,000	—	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	USD51,000,000	—	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	RMB10,000,000	—	100%	Logistic, 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	USD30,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
PT. Haitian Huayuan Indonesia Machinery	Indonesia, limited liability company	USD310,000	—	100%	Sale of plastic injection moulding machines, Indonesia
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	—	100%	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	—	100%	Manufacture, processing and maintaining all kinds of plastic injection moulding machines, India

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.

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

(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:

	2014 **RMB'000**	2013 RMB'000
HKD	**43,892**	73,806
USD	**1,215,587**	3,196
Euro	**30,041**	—
	1,289,520	77,002

(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:

	2014 **RMB'000**	2013 RMB'000
HKD	**2,146,970**	1,887,491
USD	**26,700**	—
	2,173,670	1,887,491

8. Investment in an Associate — Group

	2014 **RMB'000**	2013 RMB'000
Beginning of the year	**10,868**	6,315
Dividend received	**(1,431)**	(639)
Share of profit	**4,052**	5,192
End of the year	**13,489**	10,868

Investment in an associate at 31 December 2014 includes goodwill of RMB186 thousand (2013: RMB186 thousand).

8. Investment in an Associate — Group (Continued)

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

	2014 RMB'000	2013 RMB'000
Assets	**14,825**	12,637
Liabilities	**1,522**	1,955
Revenue	**13,897**	14,271
Profit for the year	**4,052**	5,192

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统有限公司)	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

	2014 RMB'000	2013 RMB'000
Raw materials	**722,674**	707,185
Work-in-progress	**176,133**	176,700
Finished goods	**778,351**	727,651
	1,677,158	1,611,536

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB5,102,440 thousand (2013: RMB4,917,632 thousand).

In 2014, the Group recorded inventory write-down of approximately RMB5,086 thousand (2013: RMB9,356 thousand). This amount has been included in cost of sales.

10. Trade and Bills Receivables — Group

	2014 RMB'000	2013 RMB'000
Trade and bills receivables	**2,266,145**	2,330,237
Less: provision for impairment	**(48,733)**	(44,269)
	2,217,412	2,285,968

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

As at 31 December 2014, there was no individual customer with outstanding balance exceeding 10% of the Group's total trade and bills receivables (2013: 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:

	2014 RMB'000	2013 RMB'000
Up to 6 months	**1,926,194**	1,995,640
6 months to 1 year	**193,590**	165,965
1 year to 2 years	**108,900**	109,893
2 year to 3 years	**15,215**	42,485
Over 3 years	**22,246**	16,254
	2,266,145	2,330,237

10. Trade and Bills Receivables — Group (Continued)

As at 31 December 2014, trade receivables of RMB26,103 thousand (2013: RMB31,972 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:

	2014 **RMB'000**	2013 RMB'000
Up to 6 months	**2,019**	3,780
6 months to 1 year	**6,750**	6,190
1 year to 2 years	**6,883**	6,703
2 year to 3 years	**5,605**	15,174
Over 3 years	**4,846**	125
	26,103	31,972

As at 31 December 2014, trade receivables of approximately RMB61,026 thousand (2013: RMB79,030 thousand) were impaired, and a related provision of RMB48,733 thousand (2013: RMB44,269 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:

	2014 **RMB'000**	2013 RMB'000
Up to 3 years	**43,626**	62,901
Over 3 years	**17,400**	16,129
	61,026	79,030

10. Trade and Bills Receivables — Group (Continued)

Trade and bills receivables are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
RMB	**1,648,203**	1,780,930
USD	**451,122**	384,944
Euro	**110,600**	89,998
Brazilian Real	**36,762**	48,776
VND	**16,315**	23,773
Others	**3,143**	1,816
	2,266,145	2,330,237

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

	2014 RMB'000	2013 RMB'000
At 1 January	**44,269**	33,352
Provision for impairment of trade receivables	**8,390**	11,917
Written off as uncollectible	**(3,926)**	—
At 31 December	**48,733**	44,269

The provision for impaired receivables has 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.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The Group does not hold any collateral as security.

11. Prepayments, Deposits and Other Receivables — Group

	2014 RMB'000	2013 RMB'000
Receivables in relation to buyers' credit *(i)*	**18,314**	13,263
Prepayments and deposits		
— for purchases of raw materials	**4,298**	38,183
— others	**18,169**	19,793
Value Added Tax recoverable	**94,241**	50,919
Value Added Tax refundable	**8,247**	—
Prepaid current income tax	**—**	543
Loans to employees *(ii)*	**19,991**	26,240
Entrusted loans *(iii)*	**581,500**	—
Interest receivables	**15,690**	21,423
Due from related parties *(Note 37(b))*	**695**	1,228
Others	**17,623**	13,452
	778,768	185,044
Less non-current portion:		
Loans to employees *(ii)*	**(10,925)**	(16,691)
Entrusted loans *(iii)*	**(500,000)**	—
Current portion	**267,843**	168,353

Note:

(i) *Receivables in relation to buyers' credit are secured by guarantees provided by the relevant distributors who introduced the customers.*

(ii) *Loans to employees are for their housing and car purchasing. The loans are due within six years, with interest bearing at rates ranging from 0% to 3.4% (2013: from 0% to 3.4%) per annum as at 31 December 2014.*

(iii) *The entrusted loans of RMB300,000 thousand and RMB200,000 thousand were led to an independent third party through a bank in mainland China with maturity dates on 7 January 2017 and 27 January 2017 respectively. The interest rate of the both entrusted loans is to be the benchmark interest rate published by People's Bank of China.*

11. Prepayments, Deposits and Other Receivables — Group (Continued)

The fair values of non-current portion of other receivables are as follows:

	2014 RMB'000	2013 RMB'000
Loans to employees	**9,984**	14,978
Entrusted loan	**500,000**	—
	509,984	14,978

The fair values of loans to employees are based on cash flows discounted using a rate based on the borrowings rate of 3.7% (2013: 4.1%) and are within level 2 of the fair value hierarchy.

The fair values of other receivables approximate their carrying amounts.

12. Available-for-Sale Financial Assets — Group

	2014 RMB'000	2013 RMB'000
At 1 January	**1,469,294**	180,000
Additions	**3,917,100**	3,420,581
Disposals	**(3,294,600)**	(2,143,581)
Net gains transfer to equity *(Note 16)*	**14,730**	12,294
At 31 December	**2,106,524**	1,469,294
Less non-current portion	**(50,402)**	—
Current portion	**2,056,122**	1,469,294

Available-for-sale financial assets are RMB denominated financial products with floating interests ranging from 4.7% to 9.9% (2013: 4.3% to 7.1%) per annum and with maturity dates between 5 days and 424 days (2013: between 6 days and 315 days). None of these assets is either past due or impaired (2013: None).

13. 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.

14. Restricted Bank Deposits and Cash and Cash Equivalents

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Restricted bank deposits	**152,810**	130,210	**—**	—
Cash at bank and in hand	**1,442,169**	996,009	**98**	77
Short-term bank deposits	**760,658**	1,116,631	**—**	—
Cash and cash equivalents	**2,202,827**	2,112,640	**98**	77
	2,355,637	2,242,850	**98**	77

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 2014, the weighted average effective interest rate on restricted bank deposits and cash and cash equivalents of the Group is 1.29% (2013: 1.7%) per annum.

The restricted bank deposits have maturities of 6 months at inception (2013: 12 months). The short-term bank deposits have maturities ranging from 6 months to 12 months at inception (2013: ranging from 7 days to 12 months).

14. Restricted Bank Deposits and Cash and Cash Equivalents (Continued)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
RMB	**1,997,532**	1,974,525	**—**	—
USD	**227,560**	182,094	**1**	1
Euro	**73,206**	61,519	**—**	—
Brazilian Real	**16,085**	12,323	**—**	—
VND	**479**	2,386	**—**	—
HKD	**3,052**	2,481	**97**	76
Others	**37,723**	7,522	**—**	—
	2,355,637	2,242,850	**98**	77

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.

15. Share Capital

	Authorised share capital		
	Number of shares '000	**Amount** HKD'000	**Amount** RMB'000
As at 31 December 2013 and 2014 (shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares '000	**Amount** HKD'000	**Amount** RMB'000
As at 31 December 2013 and 2014 (shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

16. Reserves

Group

	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000 *(note i)*	Available-for-sale financial assets RMB'000	Translation differences RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2013	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
Change in value of available-for-sale financial assets *(Note 12)*	—	—	—	12,294	—	—	12,294
Appropriations	—	—	102,252	—	—	(102,252)	—
Dividend paid							
— 2012 final	—	—	—	—	—	(193,433)	(193,433)
— 2013 interim *(Note 34)*	—	—	—	—	—	(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
Profit for the year	—	—	—	—	—	1,305,016	1,305,016
Change in value of available-for-sale financial assets *(Note 12)*	—	—	—	14,730	—	—	14,730
Appropriations	—	—	130,890	—	—	(130,890)	—
Dividend paid							
— 2013 final *(Note 34)*	—	—	—	—	—	(202,273)	(202,273)
— 2014 interim *(Note 34)*	—	—	—	—	—	(202,782)	(202,782)
Currency translation differences	—	—	—	—	2,360	—	2,360
At 31 December 2014	1,331,913	152,573	623,788	27,024	(14,462)	4,802,961	6,923,797

16. 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	**Statutory welfare fund**	**Enterprise expansion fund**	**Discretionary reserve fund**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	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
Additions	—	—	130,890	—	130,890
At 31 December 2014	32,438	556	492,638	98,156	623,788

Company

	Share premium	**Contributed surplus**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	1,331,913	314,789	461,046	2,107,748
Profit for the year	—	—	582,842	582,842
Dividend paid				
— 2012 final	—	—	(193,433)	(193,433)
— 2013 interim *(Note 34)*	—	—	(190,478)	(190,478)
At 31 December 2013	1,331,913	314,789	659,977	2,306,679
Profit for the year	—	—	227,855	227,855
Dividend paid				
— 2013 second interim *(Note 34)*	—	—	(202,273)	(202,273)
— 2014 interim *(Note 34)*	—	—	(202,782)	(202,782)
At 31 December 2014	1,331,913	314,789	482,777	2,129,479

17. Trade and Bills Payables — Group

	2014 RMB'000	2013 RMB'000
Trade payables	**1,021,711**	1,020,824
Bills payable	**682,500**	605,503
Trade and bills payables	**1,704,211**	1,626,327
Due to related parties *(Note 37(b))*	**202,297**	269,548
	1,906,508	1,895,875

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

	2014 RMB'000	2013 RMB'000
Up to 6 months	**1,905,214**	1,892,841
6 months to 1 year	**138**	1,773
1 year to 2 years	**92**	685
Over 2 years	**1,064**	576
	1,906,508	1,895,875

Trade and bills payables are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
RMB	**1,882,339**	1,861,294
USD	**8,755**	12,608
Euro	**12,592**	6,250
JPY	**1,752**	617
HKD	**20**	20
Others	**1,050**	15,086
	1,906,508	1,895,875

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

18. Accruals and Other Payables — Group

	2014 RMB'000	2013 RMB'000
Welfare payables	**41,695**	48,330
Salaries, wages and bonus payables	**72,045**	68,267
Sales commission and expenses payables	**481,197**	464,866
Customers deposits	**530,192**	474,997
Payable for purchase of property, plant and equipment	**38,707**	39,434
Accrued operating expenses	**29,023**	23,131
Value Added Tax payables	**18,011**	17,335
Deferred income — current portion *(Note 21)*	**369**	417
Interest payables	**10,057**	1,448
Other payables	**39,957**	31,021
	1,261,253	1,169,246

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

19. Bank Borrowings — Group

	2014 RMB'000	2013 RMB'000
At floating rate in USD	**—**	609,651
At floating rate in JPY	**—**	26,537
	—	636,188

Bank borrowings are unsecured liabilities.

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

	2014	2013
USD	**—**	1.9%
JPY	**—**	1.2%

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

20. Derivative Financial Instruments — Group

	2014 RMB'000	2013 RMB'000
Forward foreign exchange contracts — held-for-trading	**4,606**	3,016

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2014 were USD16,500 thousand (2013: EUR300 thousand and JPY849,200 thousand).

21. Deferred Income — Group

	2014 RMB'000	2013 RMB'000
Deferred government grants	**11,019**	12,859
Less: Current portion included in current liabilities *(Note 18)*	**(369)**	(417)
	10,650	12,442

Movements are as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	**12,859**	13,116
Exchange differences	**(1,471)**	160
Amortised as income *(Note 26)*	**(369)**	(417)
At 31 December	**11,019**	12,859

22. Deferred Income Tax — Group

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

	2014 **RMB'000**	2013 RMB'000
Deferred income tax assets to be recovered within 12 months	**53,311**	50,578
Deferred income tax liabilities to be settled after more than 12 months	**129,125**	92,725
Deferred income tax liabilities to be settled within 12 months	**21,748**	18,868
	150,873	111,593

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 2013	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
Recognised in the consolidated income statement	2,099	1,083	(449)	2,733
At 31 December 2014	39,916	13,395	—	53,311

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 RMB62,663 thousand (2013: RMB45,189 thousand) in respect of losses amounting to RMB232,213 thousand (2013: RMB173,145 thousand) that can be carried forward against future taxable income. Cumulative tax losses of RMB232,213 thousand (2013: RMB173,145 thousand) can be carried forward indefinitely.

22. Deferred Income Tax — Group (Continued)

The movements in deferred income tax liabilities are as follows:

	Withholding tax RMB'000
At 1 January 2013	96,157
Recognised in the consolidated income statement	47,171
Transferred to tax payable	(31,735)
At 31 December 2013	111,593
Recognised in the consolidated income statement	54,371
Transferred to tax payable	(15,091)
At 31 December 2014	150,873

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 RMB2,049,830 thousand at 31 December 2014 (2013: RMB1,777,975 thousand). As at 31 December 2014, deferred income tax liabilities of RMB102,491 thousand (2013: RMB88,899 thousand) have not been recognised for the withholding tax that would be payable on such unremitted earnings of certain subsidiaries.

23. Convertible Bonds

On 13 February 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of USD200,000 thousand (equivalent to approximately RMB1,221,400 thousand). 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 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 Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment) of HKD24.6740 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 account.

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

	2014 RMB'000
At 1 January 2014	—
Issue of convertible bonds during the period	1,221,400
Change in fair value of convertible bonds	4,346
At 31 December 2014	1,225,746

The fair value of the convertible bonds as at 31 December 2014 is approximately USD200,318 thousand, equivalent to approximately RMB1,225,746 thousand, which is determined by valuation technique using observable inputs (Level 2): quoted prices for identical or similar instruments in inactive markets.

24. Revenue and Segment Information

	2014 RMB'000	2013 RMB'000
Sales of plastic injection moulding machines and related products	**7,560,266**	7,200,653

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 no geographical segment information is presented as management reviews the business performance based on type of business, not geographically.

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:

	2014 RMB'000	2013 RMB'000
Mainland China	**5,184,244**	5,094,558
Hong Kong and overseas countries	**2,376,022**	2,106,095
	7,560,266	7,200,653

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

	2014 RMB'000	2013 RMB'000
Total non-current assets other than financial assets and deferred income tax assets		
— Mainland China	**2,420,495**	2,085,971
— Hong Kong and overseas countries	**100,966**	112,759
Deferred income tax assets	**53,311**	50,578
Other receivables	**510,925**	16,691
Available-for-sales financial assets	**50,402**	—
	3,136,099	2,265,999

25. Expenses by Nature

	2014 RMB'000	2013 RMB'000
Depreciation and amortisation *(Notes 5 and 6)*	**147,481**	123,398
Raw materials and consumables used	**4,622,365**	4,532,256
Changes in inventories of finished goods and work in progress	**(54,656)**	(125,874)
Operating lease for buildings	**5,485**	3,419
Sales commission and after-sales service expenses	**403,802**	386,963
Provision for impairment of trade receivables *(Note 10)*	**8,390**	11,917
Provision for write-down of inventories *(Note 9)*	**5,086**	9,356
Employment costs *(Note 28)*	**632,192**	592,619
Freight charges	**61,064**	45,251
Utilities	**71,447**	72,321
Travelling expenses	**23,824**	22,573
Auditor's remuneration	**3,150**	3,150
Others	**229,919**	242,330
Total cost of sales, selling and marketing expenses and general and administrative expenses	**6,159,549**	5,905,507

26. Other Income

	2014 RMB'000	2013 RMB'000
Government grants *(i)*	**97,956**	70,078
Amortisation of deferred income *(Note 21)*	**369**	417
	98,325	70,495

(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.

27. Other Losses — Net

	2014 RMB'000	2013 RMB'000
Net foreign exchange losses	**(18,915)**	(11,139)
Gains/(losses) on disposals of property, plant and equipment, net	**277**	(167)
Others	**5,502**	1,587
	(13,136)	(9,719)

28. Employment Costs

	2014 **RMB'000**	2013 RMB'000
Salaries, wages and bonus	**508,534**	461,095
Pension cost — defined contribution plans *(note i)*	**30,781**	22,729
Other benefits *(note ii)*	**92,877**	108,795
	632,192	592,619

(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.

29. 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
2014					
Executive directors					
— Mr. Zhang Jingzhang	—	700	—	18	718
— Mr. Zhang Jianming (CEO)	—	730	7	25	762
— Mr. Zhang Jianfeng	—	680	7	25	712
— Mr. Zhang Jianguo	—	550	7	25	582
— Ms. Chen Ningning	—	460	7	25	492
— Professor Helmut Helmar Franz	—	680	—	—	680
	—	3,800	28	118	3,946
Non-executive director					
— Mr. Guo Mingguang	—	—	—	—	—
— Mr. Liu Jianbo	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors					
— Mr. Jin Hailiang	78	—	—	—	78
— Mr. Gao Xunxian	78	—	—	—	78
— Mr. Lou Baijun	78	—	—	—	78
— Dr. Steven Chow	79	—	—	—	79
	313	—	—	—	313
	313	3,800	28	118	4,259

29. 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
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

Mr. Guo Mingguang and Mr. Liu Jianbo have waived their emoluments during the years ended 31 December 2013 and 2014. None of other directors waived any emoluments during the year ended 31 December 2014 (2013: None).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: two) individuals during the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries	1,944	2,006
Other benefits	49	51
	1,993	2,057

The emoluments fall within the following bands:

	Number of individuals	
	2014	2013
Nil — HKD1,000,000 (equivalent to approximately RMB789,000)	3	3
HKD1,000,001 (equivalent to approximately RMB789,000) — HKD1,500,000 (equivalent to approximately RMB1,183,000)	2	2

(c) During the year ended 31 December 2014, 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 (2013: Nil).

30. Finance Income/Costs

	2014 RMB'000	2013 RMB'000
Finance costs:		
Change in fair value of convertible bonds		
— resulted from change in exchange rate	**(2,400)**	—
— resulted from change in bond value	**(1,946)**	—
Issuing expense of convertible bonds	**(24,316)**	—
Interest expense	**(22,955)**	(13,566)
	(51,617)	(13,566)
Finance income:		
Interest income on restricted bank deposits and cash and cash equivalents	**47,550**	68,249
Interest income on financial products	**87,276**	17,760
Interest income on entrusted loans	**27,849**	9,640
Net foreign exchange (losses)/gains	**(4,583)**	32,341
	158,092	127,990
Finance income, net	**106,475**	114,424

31. Income Tax Expense

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

	2014 **RMB'000**	2013 RMB'000
Current income tax		
— Mainland China enterprise income tax	**237,148**	237,145
— Overseas income tax	**2,631**	1,012
Deferred taxation *(Note 22)*	**51,638**	31,145
	291,417	269,302

Haitian Plastic Machinery and Haitian Huayuan qualified as High and New Technology Enterprises ("HNTE") in 2014. 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 2014 (2013: 25%).

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 2014 (2013: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2014 at the applicable rates of taxation prevailing in the countries in which the Group operates.

31. Income Tax Expense (Continued)

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:

	2014 **RMB'000**	2013 RMB'000
Profit before income tax, after excluding share of profit of an associate	**1,592,381**	1,470,346
Tax calculated at domestic tax rates applicable to profits of the respective subsidiaries	**365,631**	362,549
Expenses not deductible for tax purpose	**55,556**	5,498
Tax losses for which no deferred income tax assets were recognised	**16,847**	7,319
Effect of tax exemption	**(200,988)**	(153,235)
Effect of withholding tax at 5% on certain unremitted profits of subsidiaries in Mainland China	**54,371**	47,171
Income tax expense	**291,417**	269,302
Weighted average applicable tax rate	**18.3%**	18.3%

Share of income tax expense of an associate for the year ended 31 December 2014 amounting to RMB719 thousand (2013: RMB832 thousand) was included in the consolidated income statement in the share of profit of an associate.

For the year ended 31 December 2014, there was no tax charge relating to components of other comprehensive income (2013: Nil).

32. 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 RMB227,855 thousand (2013: RMB582,842 thousand).

33. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares (Note 15).

	2014 **RMB'000**	2013 RMB'000
Profit attributable to owners of the Company	**1,305,016**	1,206,236
Weighted average number of ordinary shares in issue (thousands)	**1,596,000**	1,596,000
Basic EPS	**0.82**	0.76

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company issued convertible bonds in 2014. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the convertible bonds.

	2014 **RMB'000**	2013 RMB'000
Earnings		
Profit attributable to owners of the Company	**1,305,016**	—
Interest expense on convertible bonds	**21,500**	—
Change in fair value of convertible bonds	**4,346**	—
Profit used to determine diluted earnings per share	**1,330,862**	—
Weighted average number of ordinary shares in issue (thousands)	**1,596,000**	—
Adjustments for:		
— Assumed conversion of convertible debt (thousands)	**56,046**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,652,046**	—
Diluted EPS	**0.81**	—

34 Dividends

	2014 RMB'000	2013 RMB'000
Interim dividend paid of HK16.0 cents (2013: HK15.0 cents) per ordinary share	**202,782**	190,478
Second interim dividend of HK18.0 cents (2013: HK16.0 cents) per ordinary share	**227,365**	202,273
	430,147	392,751

On 26 March 2015, the Company's Board of Directors has declared payment of a second interim dividend of HK18.0 cents per share for the year ended 31 December 2014 (2013: HK16.0 cents per share). 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 2015.

35. Notes to the Consolidated Statement of Cash Flows

(a) Cash generated from operations

	2014 RMB'000	2013 RMB'000
Profit before income tax	**1,596,433**	1,475,538
Adjustments for:		
— share of profit of an associate *(Note 8)*	**(4,052)**	(5,192)
— amortisation of land use rights *(Note 5)*	**8,481**	6,794
— depreciation of property, plant and equipment *(Note 6)*	**139,000**	116,604
— amortisation of deferred income *(Note 21)*	**(369)**	(417)
— (gains)/losses on disposal of property, plant and equipment *(Note 27)*	**(277)**	167
— provision for impairment of trade receivables *(Note 25)*	**8,390**	11,917
— provision for write-down of inventories *(Note 25)*	**5,086**	9,356
— fair value losses on derivative financial instruments	**1,590**	9,313
— finance income — net *(Note 30)*	**(106,475)**	(114,424)
Changes in working capital:		
— increase in restricted bank deposits	**(22,600)**	(51,157)
— decrease/(increase) in trade and other receivables	**41,666**	(168,682)
— increase in inventories	**(70,708)**	(203,516)
— increase in trade and bills payables	**10,633**	414,760
— increase in accruals and other payables	**74,962**	34,467
Cash generated from operations	**1,681,760**	1,535,528

35. 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:

	2014 RMB'000	2013 RMB'000
Net book amount *(Note 6)*	**1,314**	12,914
Gains/(losses) on disposal of property, plant and equipment *(Note 27)*	**277**	(167)
Proceeds from disposal of property, plant and equipment	**1,591**	12,747

36. Commitments

(a) Capital commitments

	2014 RMB'000	2013 RMB'000
Acquisition of property, plant and equipment		
— Contracted but not provided for	**284,443**	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 renewal rights.

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

	2014 RMB'000	2013 RMB'000
Not later than 1 year	**12,933**	14,493
Later than 1 year and no later than 5 years	**116**	—
	13,049	14,493

37. 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.

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

37. Related Party Transactions (Continued)

(a) Transactions with related parties:

The following material transactions were carried out with related parties:

		2014 RMB'000	2013 RMB'000
(i)	Sales of goods to:		
	HDS	—	202
	Ningbo SPP	—	202
		—	404
(ii)	Purchases of goods from:		
	Ningbo Anson	551,006	522,319
	Ningbo STF	118,404	93,221
	Hangzhou Keqiang	26,472	29,718
	Hilectro Precision	7,757	4,518
	Ningbo SPP	1,608	—
	HDS	—	24,174
	Haitian Precision	—	215
		705,247	674,165
(iii)	Purchase of equipment from:		
	Haitian Precision	46,312	69,373
(iv)	Sales of equipment to:		
	HDS	—	5,807
(v)	Advertisement fees paid to:		
	Table Tennis Club	9,349	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.

37. Related Party Transactions (Continued)

(b) Balances with related parties:

The Group had the following significant balances with its related parties as at 31 December 2014 and 2013:

	2014 RMB'000	2013 RMB'000
Due from related parties		
Trade related		
— Ningbo SPP	**—**	56
Non-trade related		
— Mr. Zhang Jianfeng	**365**	417
— Mr. Zhang Jianming	**330**	263
— Haidun	**—**	330
— Haitian Property	**—**	218
	695	1,228
Due to related parties		
Trade related		
— Ningbo Anson	**157,338**	216,265
— Ningbo STF	**37,567**	36,990
— Hangzhou Keqiang	**3,674**	6,003
— Hilectro Precision	**2,760**	2,035
— Ningbo SPP	**958**	—
— HDS	**—**	8,255
	202,297	269,548
Non-trade related		
— Haitian Precision	**8,779**	7,431

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

37. 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 2014 and 2013 were as follows:

	2014 RMB'000	2013 RMB'000
Due from related parties		
Trade related		
— Ningbo SPP	—	65
Non-trade related		
— Mr. Zhang Jianming	930	981
— Mr. Zhang Jianfeng	475	462
— Haidun	390	330
— Haitian Property	263	218
— HDS	—	540
— Hilectro Precision	—	232
	2,058	2,763
Due to related parties		
Trade related		
— Ningbo Anson	252,678	222,926
— Ningbo STF	53,965	43,348
— Hangzhou Keqiang	8,459	8,346
— HDS	8,078	12,795
— Hilectro Precision	3,571	2,035
— Ningbo SPP	1,460	—
	328,211	289,450
Non-trade related		
— Haitian Precision	15,200	7,431
— Haitian America do Sul Comercio de Maquinas Ltda.	—	16,756
	15,200	24,187

37. 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:

	2014 RMB'000	2013 RMB'000
Salaries and bonus	**7,983**	7,159
Pension costs	**76**	71
Other benefits	**218**	212
	8,277	7,442

(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:

	2014 RMB'000	2013 RMB'000
Capital commitment for acquisition of property, plant and equipment		
— Haitian Precision	**100,946**	172,457
Other commitment		
— Ningbo Haitian	**—**	574

Financial Summary

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

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Results					
Revenue	**7,560,266**	7,200,653	6,335,642	7,027,607	7,057,328
Profit before income tax	**1,596,433**	1,475,538	1,194,094	1,338,293	1,293,064
Income tax expenses	**(291,417)**	(269,302)	(208,068)	(234,665)	(230,505)
Profit attributable to shareholders	**1,305,016**	1,206,236	986,026	1,103,628	1,062,559
Assets					
Non-current assets	**3,136,099**	2,265,999	1,872,621	1,735,889	1,627,513
Current assets	**8,574,172**	7,810,001	6,659,504	6,147,866	5,559,754
Total assets	**11,710,271**	10,076,000	8,532,125	7,883,755	7,187,267
Liabilities					
Non-current liabilities	**1,387,269**	(124,035)	(108,801)	(107,236)	(98,801)
Current liabilities	**3,238,695**	(3,784,709)	(3,087,856)	(3,095,844)	(3,054,253)
Total liabilities	**4,625,964**	(3,908,744)	(3,196,657)	(3,203,080)	(3,153,054)
Total equity	**7,084,307**	6,167,256	5,335,468	4,680,675	4,034,213
Capital and reserves attributable to shareholders of the Company	**7,084,307**	6,167,256	5,335,468	4,680,675	4,034,213

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