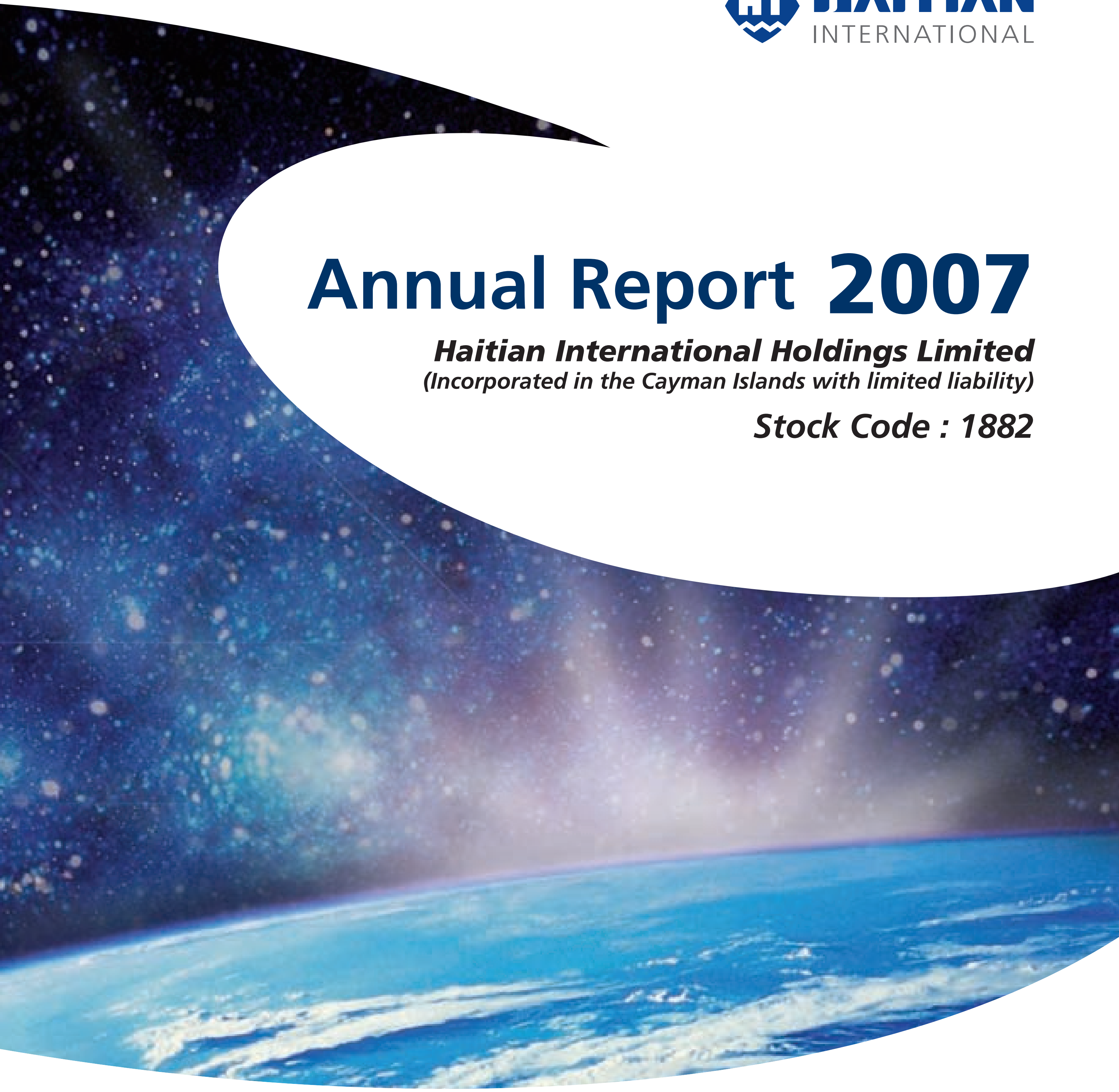
HAITIAN INTERNATIONAL

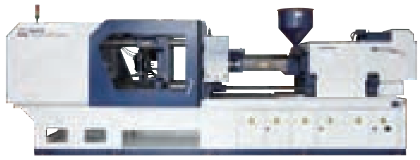


Annual Report 2007

Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1882



We Create and Extend Advantage.

HAITIAN
PLASTICS MACHINERY

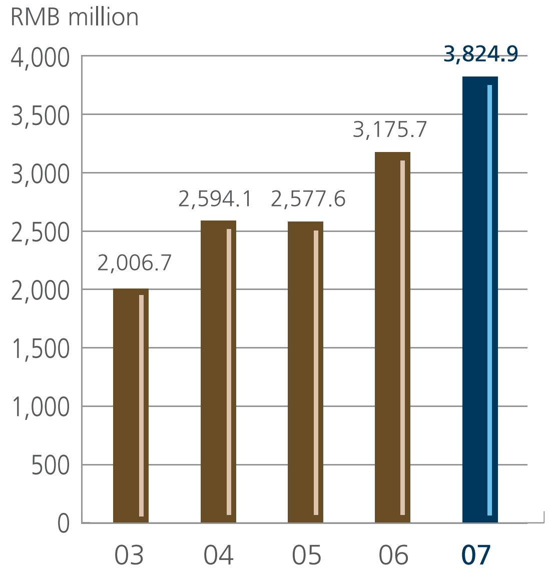
A D V A N T A G E

ZHAFIR
PLASTICS MACHINERY

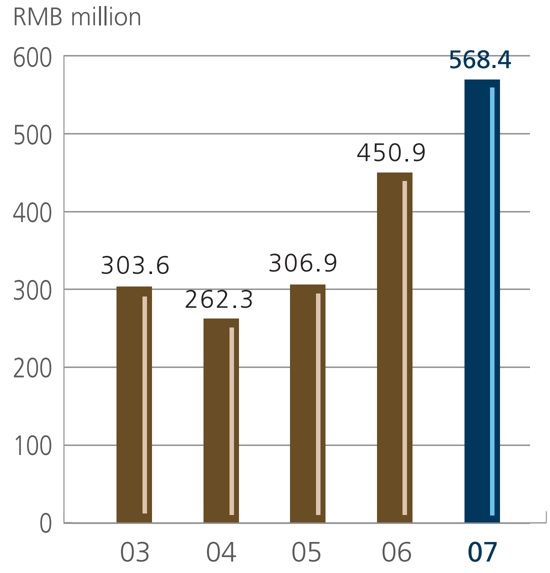
Contents

Financial Highlights

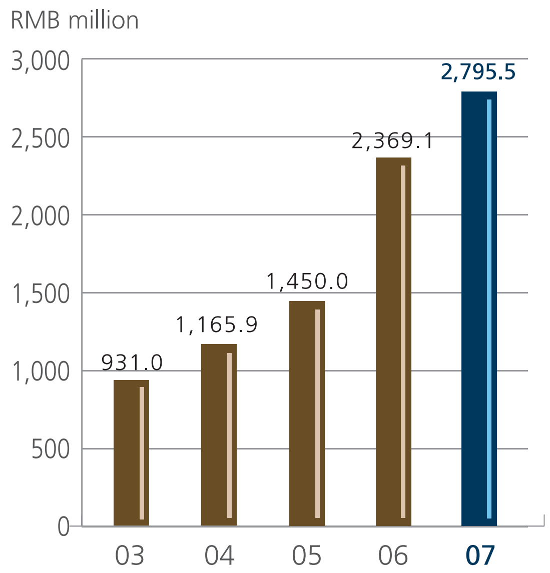
Revenue



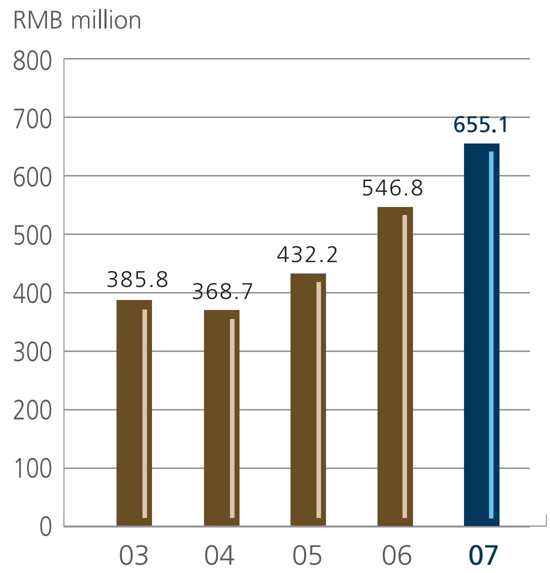
Profit attributable to the equity of the Company



Capital and reserves attributable to the Company's equity holders



EBITDA



Company Profile and Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. HU Guiqing

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. LO Chi Chiu

LEGAL ADVISORS

Coudert Brothers in association with
Orrick, Herrington Sutcliffe LLP

REGISTERED OFFICE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS

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

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

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Shenzhen Development Bank
Industrial and Commercial Bank of China
Industrial Bank Co. Limited

Chairman's Statements

Dear Shareholders,

On behalf of Haitian International Holdings Limited, ("Haitian Holdings" or the "Company"), together with its subsidiaries (the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2007.

PERFORMANCE REVIEW

The Group had another record-breaking year in 2007 with remarkable growth in business and financial performance. The Group's revenue increased 20.4% year-on-year to RMB3,824.9 million and net profit attributable to equity holders increased 26.1% year-on-year to RMB568.4 million in 2007.

We saw steady growth in revenue and net profit during the year despite unfavourable market conditions emerged since the second half including continued increases in oil and material costs and the downturn in US economy growth resulted from the credit crunch. Nevertheless, the Group continued to achieve impressive growth which is attributed to the combination of our comprehensive product range and launch of higher valued added products to customers. This remarkable performance is a clear indication that the Group's successful strategy in capturing the fastest growing sectors in the PIMM industry namely (1) large tonnage PIMMs (2) environmental friendly PIMMs and (3) high speed and precision PIMMs. We broadened our product categories to meet existing customers' needs and at the same time expanded our customer base. As a result, we continued to gain market share and maintained our leading position in the plastic injection moulding machine business. And once again, the growth rates of the Group's revenue in the PIMM business outpaced those of the global market as a whole.

Under the 2007's difficult operating environment, we continued to improve production efficiency by implementing effective cost-saving measures and increasing sales mix of higher margin products including the new generation of energy saving PIMMs Mars (J5) and large tonnage PIMMs. Our gross profit margin has increased to approximately 29.3% as compared to approximately 28.1% in 2006.

Profits attributable to equity shareholders during the year was approximately RMB568.4 million representing an increase of approximately 26.1% as compared to 2006 and the respective margin improved from 14.2% to 14.9% in 2007.

FUTURE PROSPECT

Since the second half of 2007, the growth of general PIMM market products have been softening due to the concerns of US economy's slow down, lower export VAT rebates for Chinese plastic products, tightening of Chinese austerity measure and the implementation of Chinese new labour law. All these factors have certain degree of pressure to small-sized or export-oriented plastic component manufacturers in China and resulted in a slow down of growth in small PIMMs. Thanks to the Group's strategy of offering comprehensive product range to support diversified market segments for both export-oriented and domestic-oriented PIMM users, the softening in demand from small PIMMs and from export-oriented

users in China was well compensated by the robust growth of demand in medium to large PIMMs and from domestic-oriented PIMM users in China. Therefore, the sales of second half result in 2007 still recorded a growth of 20.2% against the same period last year. We are of the view that the fundamentals of the PIMM industry remain healthy. In 2008 the PIMM demand will still experience a steady growth benefiting from China's growing economy, high growth rate of capital investment and per capita disposable income. Together with the growth momentum of medium to large PIMMs, our persistent effort in exploring international markets, increasing market acceptances of our energy saving and all electric PIMMs, we are confident the Group's growth will continue in 2008. In order to support the expected growth, we have already been in the progress of constructing two new factories in Ningbo and Guangzhou which will be completed in the end of 2008 and the beginning of 2009 respectively.

On the cost side, the continue rise in steel price brings some cost and margin pressure to the Group. In the face of this challenge, we will continue to place measures to minimise the adverse impact of rising material prices on our financial performance. These measures include increasing sales prices, optimizing the product portfolio, introducing more higher value added product, shifting production and component purchases to lower cost sources, changing the type of raw materials and improving our operating efficiency. On the other hand, the increase in material price will speed up the application of plastic material as replacement for other expensive materials for production and consequently increase the demand of PIMM in long run.

The foundation work of new Ningbo factory started in 2008

Although the adverse market conditions affecting the demand of small PIMM machines and the increasing cost of steel may continue in the next six months, we are optimistic for the prospects of the Group and confident in it's future performance and profitability. With our highly-recognised brand, decades-long built business foundation based on comprehensive products serving broad application markets, continuous improvement in product portfolio, economy of scales and strong net-cash financial position, we are much more resilient to these adverse market conditions than the other players in the industry. We consider the current market situations present challenges but as well as opportunities for the Group. As further consolidation in the industry appears inevitable, the Group is well-positioned to further enhance our market leader position and market share. We are confident that the Group will have another record breaking year in 2008.

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, consumers, suppliers and business partners for their continued confidence in and support to the Group.

Mr Zhang Jingzhang
Chairman of the Group

15 April 2008

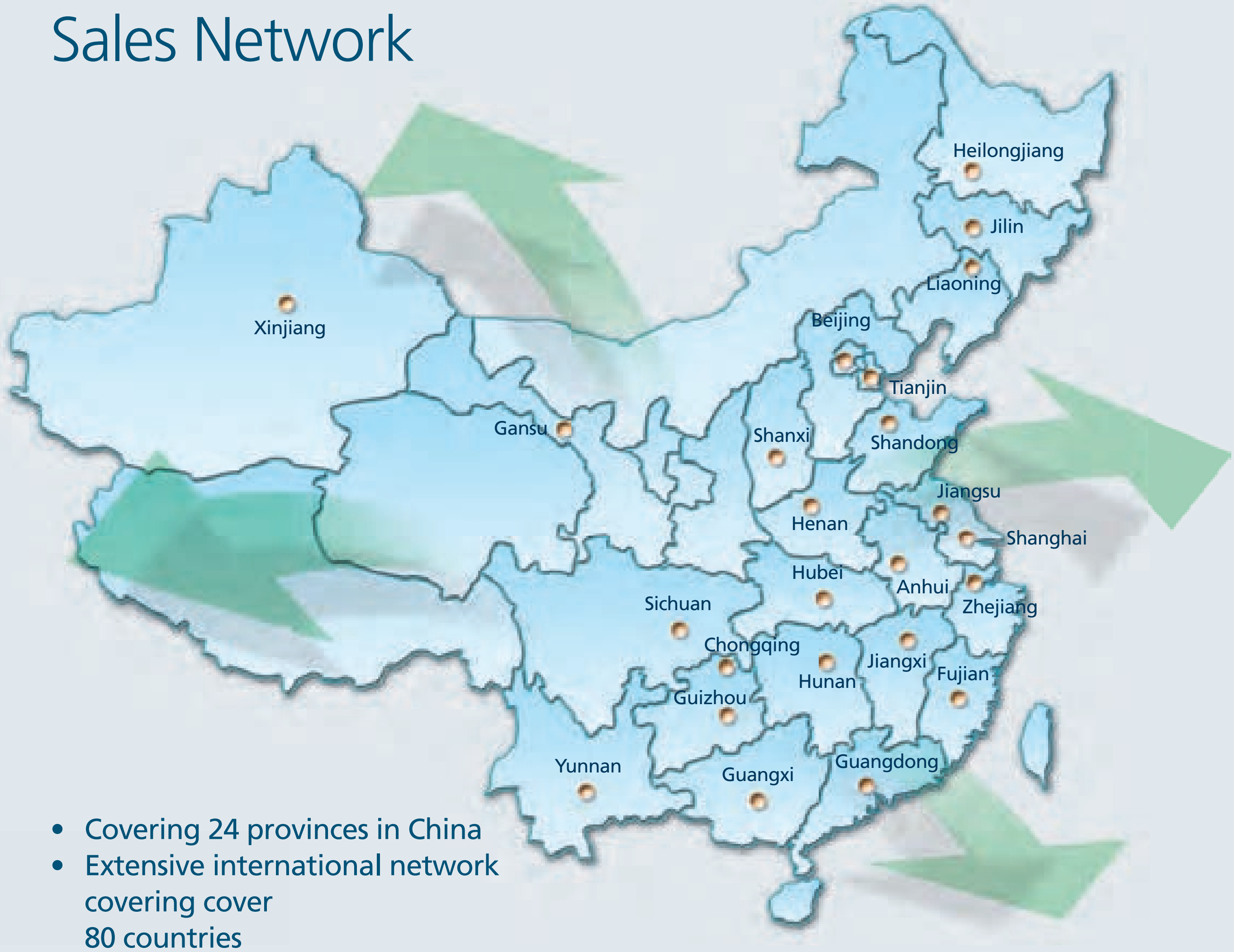
CEO's Report

HIGHLIGHTS

	Year ended 31 December		
	2007 RMB' million	2006 RMB' million	change %
Sales	3,824.9	3,175.7	20.4%
Operating profit	575.8	470.1	22.5%
Profit before income tax	600.1	483.6	24.1%
Profit attributable to equity holders of the Company	568.4	450.9	26.1%
Basic earnings per share (expressed in RMB per Share)	0.36	0.37	-2.7%
Proposed final dividend per share	HK10.0 cents	N/A	

- Outstanding performance in 2007 with sales of RMB3,824.9 million, an increase of 20.4% over 2006. If adjusting the effect of group reorganization in 2006, the sales growth of plastic injection moulding machine ("PIMM") business will be 22.0%.
- Profit attributable to equity holders of the Company increased to RMB568.4 million, representing an increase of 26.1%.
- Net margin of profit attributable to equity holders of the Company increased from 14.2% to 14.9%.
- Basic earnings per share decreased by 2.7% was due to the dilution effect of issuing 25% new shares in 2006.
- The Board proposed an final dividend of HK10.0 cents per share. Aggregating the interim dividend paid, the dividend pay out ratio was approximately 50%.
- Solid balance sheet with net cash of RMB1,339 million to fund future growth.

Sales Network



- Covering 24 provinces in China
- Extensive international network covering cover 80 countries

The Group had another record-breaking year in 2007 with remarkable growth in business and financial performance. The Group's revenue increased 20.4% year-on-year to RMB3,824.9 million. Besides the revenue growth, we continued to improve production efficiency by implementing effective cost-saving measures and increasing sales mix of higher margin products including the new generation of energy saving PIMMs Mars (J5) and large tonnage PIMMs. Our gross profit margin has increased to approximately 29.3% as compared to approximately 28.1% in 2006. Profits attributable to equity shareholders during the year was approximately RMB568.4 million representing an increase of approximately 26.1% as compared to 2006 and the respective margin improved from 14.2% to 14.9% in 2007.

Basic earnings per share was RMB0.36 for the year (2006: RMB0.37). The Board of Directors recommend the payment of a proposed final dividend of HK$0.10 per share for the year ended 31 December 2007 payable to shareholders whose names appear on the Register of Members of the Company was on 20 May 2008.

MARKET REVIEW

In 2007, the China economy kept steady growth with improved average income and consumer spending of the people. The GDP, fixed asset investments and per capita disposable income recorded a year-on- year growth of 11.4%, 24.8% and 17.2% respectively. The steady growth of plastic injection moulding machines' demand continued to be driven by China's ongoing industrialization efforts and rising personal income levels, spurring plastics product output and consumption. The Group's sales increased from RMB3,175.7 million to RMB3,824.9 million representing an increase of 20.4%. The impressive sales performance was mainly benefited by the strong demand of medium to large tonnage PIMMs and significant growth in the international sales. The Group's performance was also benefited by excellent market response for newly launch new energy-saving machines namely Mars (J5) series in the end of 2006.

With the fast expansion of production capacity for automobiles, electrical appliances and plastic containers (e.g. recycle bin and pallets) industries, the demand of medium to large tonnage PIMMs remained strong and even accelerated in 2007. The Group's medium to large machines sales increased to RMB1,200 million or represented a 33% growth. The application of ultra-large PIMMs by China increased at even higher speed. In order to meet the strong demand of large tonnage machines from our customer, the Group re-organized of our factory space and acquired more advanced machines to increase the production capacity and efficiency of large PIMM production lines. Consequently, the sales of PIMMs with clamping force higher than 1000 tonnes enabled to achieve a remarkable growth of more than 40%.

The international sales recorded robust growth of 31.0% and reached RMB1,250 million in 2007. This growth was partially driven by the rapid economic growth of the developing countries but more importantly attributed to the successful market development and penetration by the Group in the new markets like India, Brazil and Poland which have recorded more than 50% growth in 2007. In addition, with the increase in Haitian's brand awareness and reputation, we have also made great progress in entering the developed countries' market. Our sales to North America and certain European region have doubled in 2007.

Haitian in Germany K Show 2007

Haitian was awarded with "China Top Brand" in 2007

After the internationally launch of Mars (J5) series and extension of its product range to large tonnage, the increase in sales of Mars (J5) series further accelerated. In the second half of 2007, the sales of Mars (J5) series has further increased by 50% compared to the first half of 2007 and recorded a sales of RMB430.0 million for the full year. Mars (J5) series' high precision and energy saving features were highly praised by our customers and we expect more customers will switch to this energy saving machines in next year and the sales of Mars (J5) series will continue to contribute more significantly in our sales mix.

During the year, Haitian was awarded with the "China Top Brand" and "China Famous Trade Mark" by respective Chinese authority, in addition to the "China Export Top Brand" awarded in 2005. Haitian is the only brand to receive all these awards in the industry. These accreditations evidence the long-term commitment of the Group's investment in quality control, customer-care and product innovation.

FINANCIAL REVIEW

Sales

The demand for PIMMs continued to experience robust and sustainable growth in 2007. To capture the growth of the market, our production capacity increased from 18,000 to 22,000 PIMMs in 2007 after the operation of our Wuxi factory. The Group's sales increased from RMB3,175.7 million to RMB3,824.9 million representing an increase of 20.4%. The impressive sales performance was mainly benefited by the strong demand of medium to large tonnage PIMMs and significant growth in the international sales. It was also benefited by extremely successful market response for the launch of energy-saving machines namely Mars (J5) series in the end of 2006.

During the year, the sales to domestic and international market increased by 17.7% and 31.0% respectively. The number of unit sold and average selling price increased from 17,000 units to 19,000 units and RMB187,000 to RMB200,000 during the year. The increase in average selling price is mainly attributed to increase in sales mix of large tonnage machines and the introduction of the new generation of energy saving PIMMs.

After excluding the sales of other products previously conducted by Non-transferred Companies (as defined in the prospectus of the Company dated 11 December 2006) amounted to RMB41.4 million in 2006, our PIMM business's growth rate will be 22.0%.

Sales Breakdown	Year ended 31 December		
	2007 RMB' 000	2006 RMB' 000	
Plastic Injection Moulding Machines			
Domestic Sales	2,502,580	2,125,779	17.7%
International Sales	1,250,425	954,513	31.0%
Related Parts	71,845	53,999	33.0%
	3,824,850	3,134,291	22.0%
Others	—	41,441	-100.0%
	3,824,850	3,175,732	20.4%

Gross Profit

During the year under review, gross profit reached approximately RMB1,120.8 million representing an increase of approximately 25.4% compared with the corresponding period in 2006. Overall gross margin has improved from 28.1% in 2006 to 29.3% in 2007. The increase in gross margin for the year was mainly attributed to the followings: (i) improved product mix to higher margin products including new generation of energy saving PIMMs and large tonnage PIMMs; (ii) cost savings from streamlined production process and enhanced product designs through R&D efforts; (iii) cost savings from insourcing of the production of selected components and (iv) improved economies of scales of production.

Selling and administrative expenses

The selling and administrative expenses increased by 15.8% from RMB452.7 million in 2006 to RMB524.4 million in 2007. The increase is in line with the sales growth and expansion of the Group's business.

Other income

Other income mainly represented by government grants remained stable in 2007.

Other (losses)/gains — net

We recorded a net losses of RMB44.1 million in 2007 as compared with gains of RMB3.9 million in 2006. The net losses mainly represented the exchange losses of RMB43.5 million. Included in the exchange loss, there was an accounting translation losses aroused from the global offering's proceeds deposited in Hong Kong amounted to RMB18.0 million. In June 2007, the Group has remitted substantial portion of the global offering's proceeds back to China and such losses are not expected to recur in future.

Operating profit

As a result of the foregoing, the operating profit increased by 22.5% from RMB470.1 million in 2006 to RMB575.8 million during the period.

Finance income — net

Finance income, net increased by 80.7% from RMB13.5 million to RMB24.3 million was resulted from increase in average bank balances and decrease in average bank borrowings after the global offering in December 2006.

Income tax expenses

Income tax expenses increased by 46.1% from RMB21.9 million in 2006 to RMB31.9 million for the year due to the increase in profit and tax holiday incentive of certain operating units expired.

(Loss)/profit attributable to minority interests

Profit attributable to minority interests of RMB10.9 million in 2006 has changed to loss attributable by minority interests of RMB0.3 million in 2007 as a result of the substantial decrease in minority shareholdings in the operating subsidiaries after last year's restructuring.

New Products and Research and Development

Recognising the importance of the ability to continuously develop new and advanced products and to meet the changing needs of market, we are committed to product innovation and enhancement. As at 31 December 2007, the Group's research and development team is comprised of more than 250 engineers and technicians, representing approximately 7% of our total staff. In addition, the Group is working with a number of academic institutions including Beijing University of Chemical Technology and Zhejiang University to jointly research in projects related to high precision PIMMs and electric-servo motor transmission etc. Such projects were included in "2007 National Science and Technology Support Program (國家科技支撐計劃課題)" by Ministry of Finance and Ministry of Science and Technology. In order to further enhance our R&D capabilities, we started an post-Phd R&D programme in January 2008. Under which, Haitian will fund a team of Phd graduate working with Beijing University of Chemical Technology to conduct researches in new plastic processing technology and developing new PIMM models for future commercialisation.

For the large tonnage PIMMs, the Group continuously places the R&D efforts in enhancing the performance of the two platen PIMMs series. Compared with traditional three platen PIMMs, two platen PIMMs not only consume 20% less energy but also enable production of larger plastic products with same tonnage clamping force so production floor space can be saved. In 2007, the Group's two platen PIMM, Jupiter Series — HTK2000L received the Ningbo City — First-runner up of Technological Achievement (寧波市科技成果二等獎).

The Group has also been focusing on advancement in energy saving and environmental frontier. The Group introduced the new generation energy saving PIMMs, Mars (J5) series in the last quarter of 2006. In 2007, we successfully developed a Mars (J5) PIMMs with the clamping force up to 2,400 tonnes. Our Mars (J5) series has received the Ningbo City — Key Promotional Energy Saving Product Award (寧波市重點推廣節能產品) and Ningbo City — Energy Saving Special Award (寧波市資源節能特別獎).

Zhafir's all-electric PIMM (Venus)

For the all-electric PIMMs, the Group acquired Zhafir Plastics Machinery GmbH ("Zhafir") in 2007. Zhafir has a team of highly qualified European engineers from a variety of special fields and the acquisition has further strengthened the Group's technology capabilities in all-electric injection moulding machines. By upgrading with innovative and breakthrough solutions in the HTD series, Zhafir launched its first all-electric PIMM, a Venus Series which was exhibited in Germany K-Show (the largest international plastic related product trade show) in October 2007. In future, Zhafir will concentrate on developing new generation of premium innovative all-electric PIMMs. Our all-electric PIMMs has received the Ningbo City — the Best Innovative Products Award (寧波市最佳自主創新獎).

In addition, we also offer innovative solution to our customers. Due to increasing needs of higher quality and complexity of products, the multi-components plastic parts previously manufactured by multi-stage plastic processing have gradually shifted to using multi-colour plastic injection moulding machine which involves one plastic processing cycle only and saves the subsequent assembly works. Our self-developed multi-colour plastic injection moulding machines, lapteus series also recognised as 2007 China Torch Program (2007國家火炬計劃).

Rapid growth of packaging, automotive, logistics, building materials, consumer products and manufacturing industries

Large tonnage PIMM

Our well-developed large tonnage PIMM and two platen PIMM (Jupiter)

Increasing environmental awareness around the world and rising production cost

Environmentally friendly PIMM

New generation energy-saving PIMM (Mars, J5)

Growth based on innovation in the high precision instrument, electronics, IT and intelligent toy markets

High speed and high precision PIMM

All-electric PIMM developed by Zhafir (Venus)

Acquisition

In August 2007, the Group acquired 91% of interest in Zhafir Plastics Machinery GmbH and its former shareholders' loan and related interest at an aggregate consideration of RMB67.9 million. The acquisitions will enable the Group to gain access to the advanced and new technologies and industrial expertise for plastic injection moulding machinery in Germany which will strengthen the research and development capability of the Group for its hydro-electric and all-electric plastic injection moulding machineries.

Zhafir's R&D centre in Germany

Capital Expenditure

In the year ended 31 December 2007, our capital expenditure consisted of additions of land use rights and property, plant and equipment amounted to RMB340.9 million (2006: RMB161.0 million).

Liquidity and Financial Resources

The gearing ratio is defined as net debt (represented by borrowings net of time deposits and bank balances and cash) divided by shareholders' equity. As at 31 December 2007, the Group is in a strong financial position with a net cash position amounting to RMB1,339.0 million (2006: RMB1,498.1 million). Hence, no gearing ratio is presented.

Charges on Group Assets

As at 31 December 2007, the Group has pledged deposits of RMB6.2 million as collaterals against certain trade finance facilities granted by banks.

Foreign Exchange Risk Management

The Group exports approximately 31% of its products to international markets which sales are denominated in U.S. dollars or other foreign currencies, while the Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of total purchases. The Group has not used any forward contracts or other means to hedge its foreign currency exposure however the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

Contingent Liabilities

As at 31 December 2007, the Group has RMB221.1 million (2006: RMB300.6 million) guarantee given to the banks in connection with facilities granted to customers.

Human Resources

As at 31 December 2007, the Group had a total workforce of approximately 3,700, majority of which is located in the Mainland China.

The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and Group performance. The Group is committed to nurturing a learning culture in the organization. Total staff costs for 2007 amounted to RMB248.8 million compared against RMB200.3 million in 2006.

Proposed Final Dividend

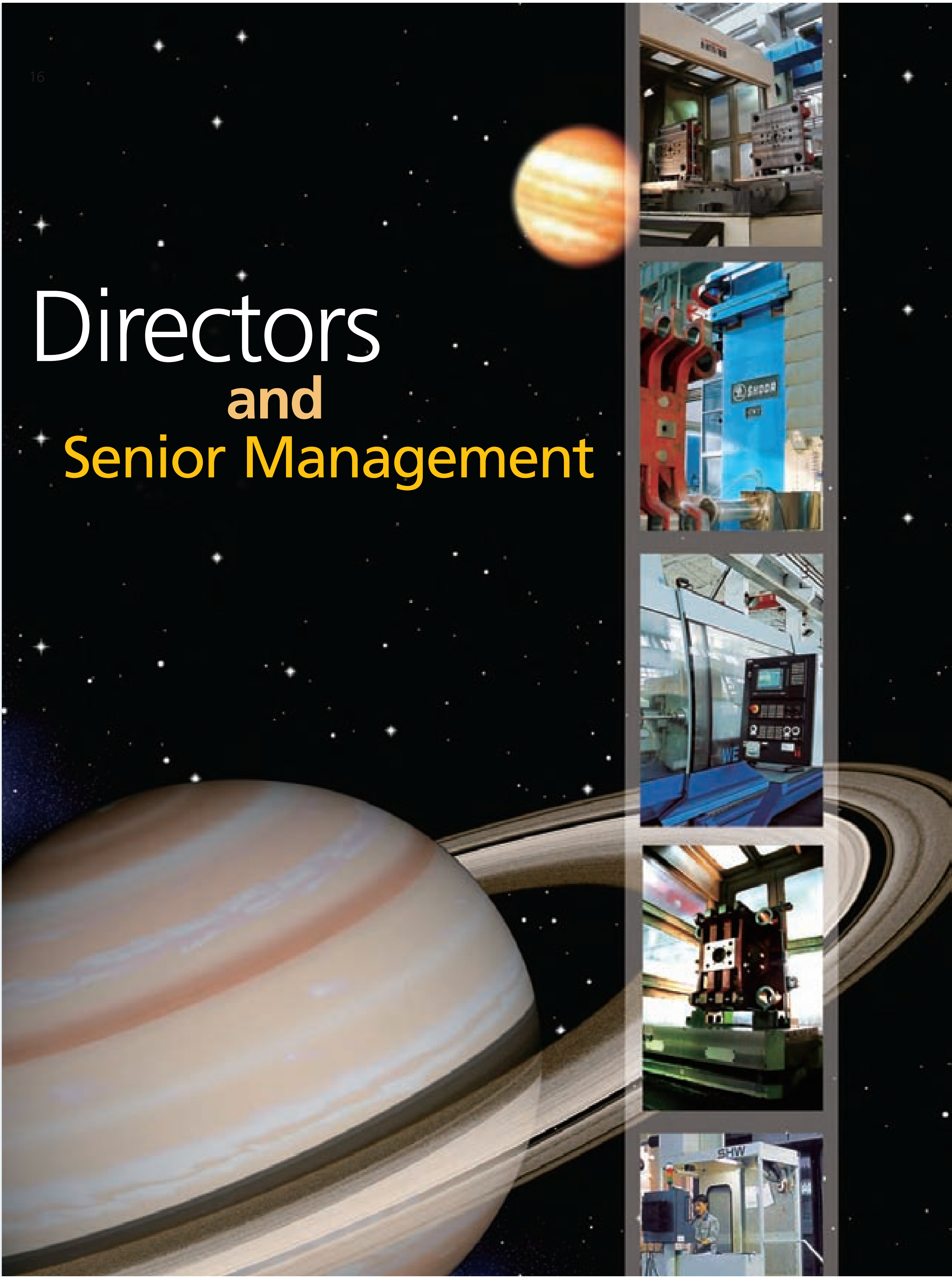
The Board has resolved to recommend the payment of a final dividend of HK$0.10 per share for the year ended 31 December 2007 which is expected to be paid on or before 30 May 2008 to its shareholders whose names appear on the register of members at the close of business on 20 May 2008, subject to final approval at the Annual General Meeting of the Company.

Zhang Jianming
Chief Executive Officer

15 April 2008

Our R&D centre is recognised as a national technology centre

Directors and Senior Management



EXECUTIVE DIRECTORS

Mr. Zhang Jingzhang (張靜章), aged 71, 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 37 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) 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 chairman of the China Plastic Machine Industry Association (中國塑料機械協會). Mr. Zhang is the father of Mr. Zhang Jianming and Mr. Zhang Jianfeng, both of whom are executive directors of the Company. He is also a director of Sky Treasure Capital Limited ("Sky Treasure") and Premier Capital Management 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.

Mr. Zhang Jianming (張劍鳴), aged 45, 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 30 years of experience in the plastic processing machinery industry, Mr. Zhang is experienced in all facet of the overall operation of the Group. He obtained a master in business administration from the Management College of Fudan University (復旦大學管理學院) in July 2002. Mr. Zhang has been appointed as the chief executive officer of the Group since April, 2000. Mr. Zhang served as a member of the National Committee of the Chinese People's Political Consultative Conference in Beilun District (北侖區政協委會) in 1996 and as a director of the Quality Management Association of Beilun District of Ningbo (寧波 市北侖區質量管理協會) from 1990 to 2000. In January 2006, Mr. Zhang was also selected as a representative of Ningbo's private enterprises to attend the National Science and Technology Conference. Currently, he is the chairman of Ningbo Plastic Machine Industry Association (寧波市塑料機工業協會). Mr. Zhang Jianming is the eldest son of Mr. Zhang Jingzhang and a director of Sky Treasure and Premier Capital.

Prof. Helmut Helmar Franz, aged 58, is an executive Director and the Chief Strategic Officer of the Group. He joined the Group in September 2007, has over 30 years of experience in the plastic processing machinery industry. Prof. Franz obtained a degree in engineering specialising in plastic machinery and processes and joined Plastmaschinenwerk Schwerin in the former German Democratic Republic in 1972. At Plastmaschinenwerk, Prof. Franz worked as a senior executive in research and development and marketing. In 1985, he joined WWW Import-Export in Berlin, Germany where he served as the managing director for WWW Import-Export's sales and services in Iraq, Egypt and Russia. In 1991, he joined Demag Ergotech (previously known as Mannesmann Demag Kunststofftechnik) ("Demag"), initially as the managing director for Demag's sales and services branch in Moscow, Russia. From 1995 until 1999, he served as the managing director for Demag's manufacturing plant for small machines in Wiehe, Germany. He was then promoted to Demag's chairman in 1999 and held the office until 2005. Prof. Franz had been a member of the board of the VDMA (the German Engineering Federation) association of German plastics machinery manufacturers for many years. He served as the chairman of the board of the VDMA from July 2003 until April 2005. Since December 2005, Prof. Franz has been the sole managing director of Zhafir Plastics Machinery GmbH, a German limited liability company which is engaged in the research and development of plastic injection moulding machineries. The Group acquired a 91% equity interest in Zhafir Plastics Machinery GmbH in August 2007 and Prof. Franz is interested in the remaining 9% equity interest in Zhafir Plastics Machinery GmbH.

Mr. Zhang Jianguo (張建國), aged 52, 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 33 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 helped 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 38, 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 20 years of experience in the plastic processing machinery industry. He was promoted to the deputy head of the Group's sales division in the sales and marketing department in 1997. He has been appointed as the senior vice president of sales and marketing of the Group since 2002. Mr. Zhang is the youngest son of Mr. Zhang Jingzhang and a director of Sky Treasure and Premier Capital. Since 2004 and until immediately prior to the Reorganisation, Mr. Zhang served as the deputy general manager to Ningbo Haitian.

Mr. Guo Mingguang (郭明光), aged 42, is an executive Director and the vice president of manufacturing of the Group. Mr. Guo joined the Group in January 1983 and has more than 20 years of experience in the plastic processing machinery industry. In 1985, he was transferred to the Group's customer services department, and was transferred again in 1989 to the Group's engineering department. From 1994 to 1999, he served as the deputy general manager of Ningbo Zongtian Plastic Processing Machinery Manufacturing Co., Ltd. From 1999 to 2002, he served as the general manager of factory of the Group. In 2003, he was appointed as the deputy head of production of the Group and was promoted to the vice president of production of the Group in 2004. Mr. Guo is a son-in-law of Mr. Zhang Jingzhang and a director of Sky Treasure and Premier Capital.

Ms. Chen Ningning (陳寧寧), aged 45, is an executive Director and the vice president of finance of the Group. Ms. Chen is a qualified accountant in China. Ms. Chen first joined the Group in May 1984. Ms. Chen served as the deputy head of the finance and accounting department, and the head of the accounting division, the cost division and the inventory division of the Group from 1999 to 2003. Since 2004, Ms. Chen has served as the vice president of finance of the Group. Since 2003, Ms. Chen has been appointed as a director of the Accounting Association of Ningbo Beilun District. She was named as an outstanding accountant of Ningbo in 2005. Ms. Chen is a director of Sky Treasure and Premier Capital.

Mr. Liu Jianbo (劉劍波), aged 40, is an executive Director and the vice president of quality control and customer service of the Group. 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 is a son-in-law of Mr. Zhang Jingzhang, the Chairman of the Company and an executive Director, and the brother-in-law of Mr. Zhang Jianming and Mr. Zhang Jianfeng, both executive Directors.

NON-EXECUTIVE DIRECTOR

Mr. Hu Guiqing (胡桂青), aged 67, is a non-executive Director of the Company and a non-executive Director of Ningbo Haitian. Mr. Hu served as the factory manager of Zhenhai Plastic Injection Moulding Machinery Factory (鎮海塑料機械廠), the predecessor of Ningbo Haitian, from 1968 to 1970. After the establishment of Ningbo Haitian, Mr. Hu served as the vice executive officer of the Haitian Group until he retired at the end of 2005. Mr. Hu is a director of Sky Treasure and Premier Capital.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pan Chaoyang (潘朝陽), aged 62, joined the Group in August 2006 as an independent non- executive Director. Mr. Pan has over 10 years of experience in the machinery industry. Between 1968 and 1980, Mr. Pan was employed with the Ningbo Machining Factory (寧波機床廠) and held various positions in the factory during that period. From 1980 to 1994, Mr. Pan held various governmental positions in the city of Ningbo including the Vice Office Administrator of the Ningbo Municipal People's Government (寧波市人民政府辦公廳副主任), the People's Representative of the Ningbo (寧波市人大代表), the Administrator of Beilun District, Ningbo (寧波市北侖區人民政府區長) and Member of Party Committee of Ningbo (寧波市市委委員). Since 1993, Mr. Pan has served as the director of The Entrepreneur Association of Ningbo and as the president of the Economic Development Association of Ningbo (寧波經濟建設促進會). In April 1994, Mr. Pan was appointed as the vice general manager of Zhong Xin Daxie Development Company (中信集團大謝開發公司).

Mr. Gao Xunxian (高訓賢), aged 62, 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).

Mr. Dai Xiangbo (戴祥波), aged 45, joined the Group in August 2006 as an independent non-executive Director. He graduated from Jiangxi College of Finance and Economics (江西財經學院) in 1984, majoring in industrial accounting, and completed his postgraduate study in Zhejiang University in 2002, majoring in economics. Mr. Dai has obtained PRC certified accountant and senior accountant certificates. He currently serves as the deputy secretary of Zhejiang Certified Public Accountant Association (浙江省註冊會計師協會) president of Zhejiang Internal Audit Association (浙江省內部審核計協會), a director of Zhejiang Accounting Society and a professor specially retained by the Accounting College of Zhejiang Finance Economics College (浙江財經學院會計學院). He also serves as an independent non-executive director of each of Shenzhou International Group Holdings Limited (申洲國際集團控股有限公司), Eastcompeace Smart Card Co., Ltd. (東信和平智能卡股份有限公司), Gem-year Industrial

Co., Ltd. (普億實業股份有限公司) and Nature Service Technology Co., (耐吉科技股份有限 公司). Mr. Dai served as the deputy section head of the second division of the Audit Bureau in Zhejiang (浙江省審計局二處) from 1984 to 1997, the deputy director of the Audit Bureau in Xianju County, Zhejiang (浙江仙居縣審計局) from 1992 to 1994 and the deputy head of the legal system division of Audit Office in Zhejiang (浙江省審計局法制處) 1994 to 1997. Mr. Dai has been a director on the boards of the following listed public companies: Shenzhou International Group Holdings Limited and Eastcompeace Smart Card Co., Ltd.

Dr. Steven Chow (周志文), aged 63, 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 serves as independent non-executive director of CNT Group Ltd. and C.Y. Foundation Group Limited, which shares are listed on the Main Board of the Stock Exchange. He has been a member of the Chinese People's Political Consultative Commission, Ningbo since 1989.

SENIOR MANAGEMENT

Yu Wenxian (虞文賢), aged 38, is a 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 has been serving as the executive assistant to the chief executive officer of the Group since 2004.

Bei Haibo (貝海波), aged 41, is the general manager of Haitian Heavywork and a deputy general manager of Haitian Sales. Mr. Bei joined the Group in January 1983 and has more than 20 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. He currently serves as the general manager of Haitian Heavywork and a deputy general manager of Haitian Sales responsible for the Group's domestic sales.

Chen Weiqun (陳蔚群), aged 36, is a deputy general manager of Haitian Sales and the general manager of Haitian Huayuan. 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 of Haitian Sales responsible for the Group's international sales since 2004. He was also appointed as the general manager of Haitian Huayuan in 2004.

Mr. Lo Chi Chiu (盧志超), aged 34, 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 and Association of Chartered Certified Accountants. Prior to joining the Group, he has obtained over 10 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. Mr. Lo also is the Group's Company Secretary and qualified accountant.

Shi Huajun (施華均), aged 36, was appointed as the Group's Investor Relations Manager in July 2006. 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 10 years of experience in, auditing, accounting and finance and is a certified accountant, certified valuer and registered tax agent in China. Prior to joining the Group, Mr. Shi was a partner with a local accounting firm. He was named an outstanding certified accountant in Zhejiang (浙江省優秀註冊會計師) by the Zhejiang Certified Accountants Association in 2003.

Chen Yun (陳雲), aged 33, was appointed as the Group's finance manager in January 2006. Mr. Chen graduated from Hangzhou University of Electronic Industry with a bachelor's degree in economics in 1994. He is a certified accountant and a registered valuation agent in China. He has over 10 years of auditing, accounting and financing experience and in-depth knowledge of the corporate finance market in China. Prior to joining the Group, Mr. Chen was a partner with a local accounting firm.

STRATEGY AND DEVELOPMENT COMMITTEE

Besides the Board has a balance of skill and experience and a balanced composition of Executive and Non-Executive Directors to formulate overall strategy of the Group, the Company has established a strategy and development committee. The primary duties of the strategy and development committee is to advise the Board on the Company's strategy for business development and future prospects in the international market for plastic injection moulding machines. It is intended that members of this committee shall consist of domestic and international experts in plastic processing machinery industry and other related industries. The initial members of this committee consist of Professor Helmut Helmar Franz, Mr. Wang Xingtian and Mr. Ma Mingdao and the chairman of this committee will be Professor Helmut Helmar Franz.

Corporate Governance Report

Haitian International Holdings Limited (the "Company") recognises the importance of good corporate governance to its healthy growth, thus has devoted much efforts into formulating the best corporate governance practices that agree with its business needs. The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("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"). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG code. The directors of the Company ("Directors") consider that the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2007.

BOARD OF DIRECTORS

The board of Directors (the "Board") comprises 8 Executive Directors, 1 Non-executive Director and 4 Independent Non-executive Directors. The Board has a balance of skill and experience and 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 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 management on strategic development, 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 annual 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.

The three new Directors (including a Non-executive Director) appointed during the year have a term of office of three years which commenced on 13 September 2007. Other Directors (including the Non- executive Directors) have a term of office of three years which commenced on 22 December 2006.

BOARD MEETINGS

It is intended that the Board should meet regularly for at least four times a year, i.e. at approximately quarterly intervals. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2007, the Board convened a total of 4 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	4/4
Mr. Zhang Jianguo	4/4
Mr. Zhang Jianfeng	4/4
Mr. Guo Mingguang	4/4
Ms. Chen Ningning	3/4
Professor Helmut Helmar Franz appointed on 13 September 2007	0/4
Mr. Liu Jianbo appointed on 13 September 2007	0/4
Non-executive Director	
Mr. Hu Guiqing	4/4
Independent Non-executive Directors	
Mr. Pan Chaoyang	4/4
Mr. Gao Xunxian	4/4
Mr. Dai Xiangbo	4/4
Dr. Steven Chow appointed on 13 September 2007	0/4

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 2007.

NOMINATION OF DIRECTORS

The Company has not set up any nomination committee. In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

AUDIT COMMITTEE

The Audit Committee was established to review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Dai Xiangbo (Chairman of the Committee), Mr. Pan Chaoyang and Mr. Gao Xunxian. All committee members possess appropriate industry and financial expertise to advise on the above matters. The Audit Committee shall meet at least twice a year and the senior management and a representative of the external auditor of the Company shall normally be invited to attend the meetings to discuss the significant internal and external audit findings, the audit plans, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the financial statements before recommending them to the Board for approval).

During the year ended 31 December 2007, there were two meetings held by the Audit committee with an attendance rate of 100%. The Audit Committee reviewed the Group's result for the year ended 31 December 2007.

REMUNERATION COMMITTEE

The Remuneration Committee comprises the chief executive officer, Mr. Zhang Jianming (Chairman of the Committee) and Independent Non-executive Directors, namely Mr. Pan Chaoyang and Mr. Gao Xunxian. During the year ended 31 December 2007, there was one meeting held by the Remuneration Committee on 10 April 2007 with an attendance rate of 100%. Remuneration Committee is responsible to review the policy for remuneration of the Directors and other senior management of the Group.

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.

INTERNAL CONTROL

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. In 2007, the Board has conducted a review with the management of the effectiveness of the system of internal control of the Company and its subsidiaries and considered that the internal control system is effective.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

The Board acknowledge their 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 auditors of the Company on their reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report on page 41.

AUDITOR'S REMUNERATION

During the year, the auditor of the Company, PricewaterhouseCoopers, charged RMB2,780,000 for audit services.

INVESTOR RELATIONS AND SHAREHOLDERS' COMMUNICATION

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings, road shows, participating in investors' conferences and making corporate presentations during the conferences, arranging company visits to the Company and maintaining regular meetings with institutional shareholders and analysts. The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 21 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. The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are provided for in the Articles. Details of such rights and procedures are included in the relevant circulars to shareholders and will be explained during the proceedings of meetings where appropriate. Whenever voting by way of a poll is required, the detailed procedures for conducting a poll will be explained. Poll results will be posted on the website of the Stock Exchange on the business day following the shareholders' 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.

Investor Information

LISTING INFORMATION

Listing:	Hong Kong Stock Exchange
Stock code:	1882

KEY DATES

25 March 2008	—	Result Announcement of 2007
16–20 May 2008	—	Closure of register of members
21 May 2008	—	Annual General Meeting
30 May 2008 or before	—	Paid date of Proposed Final dividend

SHARE INFORMATION

Board lot size: 1,000 shares

Shares outstanding as at 31 December 2007:
1,596,000,000 shares

Market Capitalisation as at 31 December 2007:
HK$8,858 million

Earnings per share for 2007:
RMB0.36

Dividend per share for 2007	
Interim dividend	HK9.0 cents
Proposed final dividend	HK10.0 cents
Total	HK19.0 cents

SHARE REGISTRAR TRANSFER OFFICES

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

ENQUIRES CONTACT

Investor Relations Department

Tel :	86574-86182786
Fax:	86574-86182787
E-mail:	andy@mail.haitian.com
Add:	No. 32, Jiangnan Road Central, Beilun District, Ningbo, Zhejiang Province, China
Postal code:	315821

WEBSITE

http://www.haitianinter.com or
http://www.haitian.com

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2007.

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 8 to the financial statements.

Details of the analysis of the Group's performance for the year by business segments and geographical segments are set out in note 21 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 46.

The directors declared an interim dividend of HK9.0 cents per share, totalling RMB139,403,000 which was paid on 28 September 2007.

The directors recommended the payment of a final dividend of HK10.0 cents per share, approximately RMB144,438,000.

RESERVES

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

DONATIONS

The Group did not make any charitable and other donations during the year.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution represent the share premium, contributed surplus and profit which in aggregate amounted to RMB1,905.1 million as at 31 December, 2007. 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 2007 and for the previous four financial years are set out on page 92.

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 refererd 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 2007, 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	
Mr. Zhang Jianming	
Mr. Zhang Jianfeng	
Mr. Zhang Jianguo	
Mr. Guo Mingguang	
Ms. Chen Ningning	
Prof. Helmut Helmar Franz	(appointed on 13 September 2007)
Mr. Liu Jianbo	(appointed on 13 September 2007)
Non-executive Director	
Mr. Hu Guiqing	
Independent Non-executive Directors	
Mr. Pan Chaoyang	
Mr. Gao Xunxian	
Mr. Dai Xiangbo	
Dr. Steven Chow	(appointed on 13 September 2007)

In accordance with Article 87(1) and Article 86(3) of the Company's Bye-laws, Articles of Association, Mr. Zhang Jianming, Ms. Chen Ningning, Prof. Helmut Helmar Franz, Mr. Liu Jianbo, Mr. Hu Guiqing, Mr. Gao Xunxian and Dr. Steven Chow 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 an annual 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 excepted as disclosed under 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 16 to 23.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, 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 (1 & 2)	153,694,800	9.63%
Mr. Zhang Jianming	Corporate (1 & 2)	104,258,700	6.53%
Mr. Hu Guiqing	Corporate (1)	75,530,700	4.73%
Mr. Zhang Jianguo	Corporate (1)	62,483,400	3.92%
Mr. Zhang Jianfeng	Corporate (1)	58,653,000	3.68%
Ms. Chen Ningning	Corporate (1)	32,558,400	2.04%
Mr. Guo Mingguang	Corporate (1)	19,643,100	1.23%
Prof. Helmut Helmar Franz	Corporate (1)	5,985,000	0.375%
Mr. Liu Jianbo	Corporate (1)	16,302,015	1.02%

Notes:

(1) The Directors hold their interests in the Company indirectly through their equity interests in Sky Treasure Capital Limited ("Sky Treasure"), which holds 75% of the issued share capital of the Company. Please refer to details of their interests in Sky Treasure below.

(2) In addition, Mr. Zhang Jingzhang and Mr. Zhang Jianming are deemed under the SFO to be interested in all the issued shares in the Company held by Sky Treasure i.e. 1,197,000,000 shares as each of them is indirectly entitled to exercise or control the exercise of one-third or more voting power at the general meetings of Sky Treasure. Please refer to the prospectus of the Company dated 11 December 2006 for details of the shareholdings of Sky Treasure.

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 corporation
Mr. Zhang Jingzhang	Sky Treasure	Corporate [2 & 3]	12.84%
Mr. Zhang Jianming	Sky Treasure	Corporate [2 & 3]	8.71%
Mr. Hu Guiqing	Sky Treasure	Corporate [2]	6.31%
Mr. Zhang Jianguo	Sky Treasure	Corporate [2]	5.22%
Mr. Zhang Jianfeng	Sky Treasure	Corporate [2]	4.90%
Ms. Chen Ningning	Sky Treasure	Corporate [2]	2.72%
Mr. Guo Mingguang	Sky Treasure	Beneficiary under a trust [4]	1.63%
Prof. Helmut Helmar Franz	Sky Treasure	Corporate [2]	0.5%
	Zhafir Plastics Machinery GmbH ("Zhafir")	Beneficial owner	9%
Mr. Liu Jianbo	Sky Treasure	Beneficiary under a trust [4]	1.36%

Notes:

(1) *As at 31 December 2007, Sky Treasure is the holder of 75% of the issued share capital of the Company and Zhafir is a non wholly owned subsidiary of the Company and both are associated corporations under the SFO.*

(2) *Such Directors are deemed under the SFO to be interested in shares of Sky Treasure which are held by their wholly-owned investment holding companies.*

(3) *In addition, Mr. Zhang Jingzhang and Mr. Zhang Jianming is separately entitled to exercise or control the exercise of one third or more voting power in the general meetings of Cambridge Management Consultants Ltd. and Premier Capital Management Ltd. which are respectively the trustee of the Haitian Employee Fixed Equity Trust and Haitian Employee Discretionary Equity Trust which are interested in 12.74% and 37.24% shares in Sky Treasure respectively. Accordingly, they are deemed under SFO to be interested in such shares in Sky Treasure. Please refer to the prospectus of the Company dated 11 December 2006 for details of the shareholdings of Sky Treasure.*

(4) *Such Directors are beneficiaries under a trust which is interested in the share of Sky Treasure.*

Save as disclosed above, as at 31 December 2007, 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 2007, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding
Sky Treasure Capital Limited	Beneficial owner[1]	1,197,000,000 (L)	75.00%
Premier Capital Management Ltd.	Interest in a controlled corporation[2]	1,197,000,000 (L)	75.00%
Atlantis Investment Management Ltd.	Interest in controlled corporations	80,000,000 (L)	5.01%

(L) denotes a long position

Notes:

(1) Sky Treasure Capital Limited ("Sky Treasure") held 1,197,000,000 shares, representing a 75% interest in the issued share capital of the Company as at 31 December 2007.

(2) As Premier Capital Management Ltd. ("Premier Capital") controlled more than one-third of the voting power at general meetings of Sky Treasure, Premier Capital is deemed to be interested in 1,197,000,000 shares held by Sky Treasure under the provisions of the SFO as at 31 December 2007.

Save as disclosed above, as at 31 December 2007, 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.

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 the major suppliers or customers at all times.

COMPETING BUSINESS

For the year ended 31 December 2007, the directors (except the independent non-executive directors) of the Company were interested in the following businesses which directly or indirectly compete with the business of the Company.

Haitian America do Sul, Industria e Comercio de Maquinas Ltda. (Haitian South American, Industry and Machinery Commerce Limited*) ("Haitian Brazil") and Sea-Sky Plastik Makinalari Ithalat Ihracat Limited Sirketi (Sea Sky Plastic Machines Import Export Limited Liability Company*) ("Haitian Turkey") were companies beneficially owned as to 95% and 100% by 寧波海天股份有限公司 (Ningbo Haitian Group Co., Ltd.*) ("Ningbo Haitian") which is a connected person (as defined under the Listing Rules). Please refer to the Prospectus for details of Ningbo Haitian. For the year ended 31 December 2007, Haitian Brazil and Haitian Turkey were principally engaged in the sales of plastic injection moulding machineries manufactured by the Group in the Brazilian and Turkish markets and have ceased engaging in plastic injection moulding machinery related business from 30 June 2007 onward.

ZHAFIR Plastics Machinery GmbH (previously known as IVB GmbH Industrievertretungen) ("Zhafir") was a company beneficially owned as to 60% by Mr. Zhang Jianming and 20% by Mr. Zhang Jianfeng, who are executive directors of the Company and Zhafir was engaged in the research and development of plastic injection moulding machinery. On 27 August 2007, the Group acquired 91% equity interest of Zhafir from Mr. Zhang Jianming, Mr. Zhang Jianfeng and Professor Helmut Helmar Franz. Since then, Zhafir becomes a subsidiary of the Company.

Save as disclosed above, 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 2007.

Each member of the Haitian Management (as defined in the Prospectus) has confirmed to the Company of his/her compliance with the non-competition undertakings provided to the Company. Please refer to the Prospectus for details of the non-competition undertakings.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 37 to the financial statements also constituted connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules.

(A) Continuing connected transaction

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 disclosure had been made by the Company in the Prospectus.

Sales of plastic injection moulding machines

The Group entered into a master agreement with Haitian Brazil and Haitian Turkey, whereby the Group agreed to sell its products to Haitian Brazil and Haitian Turkey at prices based on the terms offered to independent third parties in their respective jurisdictions. Haitian Brazil and Haitian Turkey were subsidiaries of Ningbo Haitian which was an associate of Mr. Zhang Jingzhang and Mr. Zhang Jianming, each of them a director of the Company and therefore are connected persons by virtue of Rule 14A.11(4) of the Listing Rules.

During the year, the Group's sales of plastic injection moulding machines to Haitian Brazil and Haitian Turkey amounted to RMB28.0 million and RMB8.3 million respectively.

In respect of the above continuing connected transactions, the Stock Exchange has granted a waiver to the Company from strict compliance with the announcement and independent shareholders' approval requirements under Chapter 14A of the Lisitng Rules subject to certain conditions.

(B) Connected transaction

The following transactions between certain connected persons (as defined in the Listing Rules) and the Company were subject to the reporting requirements set out in Rules 14A.45 of the Listing Rules:

On 27 August 2007, the Group entered into an acquisition agreement with Mr. Zhang Jianming, Mr. Zhang Jianfeng and Professor Helmut Helmar Franz, the Group's directors, pursuant to which the Group agreed to acquire a 91% equity interest and a shareholder's loan and related interest of approximately Euros 6,569,437 (equivalent to approximately RMB67,876,000) in Zhafir for an aggregate consideration of approximately Euros 6,569,440 (equivalent to approximately RMB67,876,000).

The nature and reasons for the above connected transaction were disclosed in the Company's announcement dated 22 August 2007.

On 25 September 2007, the Group entered into machinery equipment purchase agreements with Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision") an associate of Mr. Zhang Jingzhang, Mr. Zhang Jianming and Mr. Zhang Jianfeng, all executive Directors of the Company and associates of each other due to their family relationships, pursuant to which the Group purchased certain CNC turning machines and machining centres ("CNC Machines") manufactured by Haitian Precision for an aggregate consideration of RMB78,083,600. 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 have previously been disclosed in the Company's announcement dated 25 September 2007.

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 master agreement entered into on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company have provided a letter and confirmed that the aforesaid continuing connected transactions:

(1) have been approved by the Board of Directors of the Company;

(2) are in accordance with the pricing policies of the Group;

(3) have been entered into in accordance with the terms of the relevant agreements governing the transaction; and

(4) have not exceeded the caps allowed by the Stock Exchange in the relevant waiver.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

AUDITOR

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

PUBLIC FLOAT

As at the date of this report, based on information available to the Company and within the knowledge of the Directors, 25.0% of the issued share capital of the Company was held by the public.

On behalf of the Board

Zhang Jianming
Chief Executive Officer

15 April 2008

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

TO THE SHAREHOLDERS OF
HAITIAN INTERNATIONAL HOLDINGS LIMITED
(incorporated in the 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 43 to 91, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

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

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 2007 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, 15 April 2008

Consolidated Balance Sheet

As at 31 December 2007
(Amounts expressed in RMB'000 unless otherwise stated)

	Note	2007	2006
ASSETS			
Non-current assets			
Land use rights	*5*	141,564	106,734
Property, plant and equipment	*6*	960,554	695,648
Intangible assets	*7*	9,801	—
Investment in an associate	*9*	481	475
Deferred tax assets	*10*	18,146	10,657
Deposits and other receivables	*13*	24,500	—
		1,155,046	813,514
Current assets			
Inventories	*11*	992,109	651,649
Trade and bills receivables	*12*	1,032,955	878,605
Prepayments, deposits and other receivables	*13*	117,642	72,232
Current income tax recoverable		8,906	—
Pledged bank deposits	*14*	6,221	27,177
Cash and cash equivalents	*15*	1,491,585	1,712,097
		3,649,418	3,341,760
Total assets		4,804,464	4,155,274
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*16*	160,510	160,510
Reserves	*17*	2,634,992	2,208,547
		2,795,502	2,369,057
Minority interest		1,060	1,308
Total equity		2,796,562	2,370,365

Consolidated Balance Sheet (Continued)

As at 31 December 2007
(Amounts expressed in RMB'000 unless otherwise stated)

	Note	2007	2006
LIABILITIES			
Non-current liabilities			
Bank borrowings	*20*	—	150,000
Current liabilities			
Trade and bills payables	*18*	1,294,215	1,101,889
Accruals and other payables	*19*	554,921	429,008
Current income tax liabilities		—	12,817
Bank borrowings	*20*	158,766	91,195
		2,007,902	1,634,909
Total liabilities		2,007,902	1,784,909
Total equity and liabilities		4,804,464	4,155,274
Net current assets		1,641,516	1,706,851
Total assets less current liabilities		2,796,562	2,520,365

Approved by the Board of Directors on 15 April 2008 and signed on behalf of the Board by:

Zhang Jianming
Chief Executive officer

Chen Ningning
Director

The accompanying notes are an integral part of these consolidated financial statements.

Balance Sheet

As at 31 December 2007
(Amounts expressed in RMB'000 unless otherwise stated)

	Note	2007	2006
ASSETS			
Non-current assets			
Investments in subsidiaries	*8(a)*	778,077	778,077
Loans to subsidiaries	*8(b)*	1,296,681	214,518
		2,074,758	992,595
Current assets			
Other receivables	*13*	—	8,844
Cash and cash equivalents	*15*	968	1,317,977
		968	1,326,821
Total assets		2,075,726	2,319,416
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*16*	160,510	160,510
Reserves	*17*	1,905,100	2,132,748
Total equity		2,065,610	2,293,258
LIABILITIES			
Current liabilities			
Due to subsidiaries	*8(c)*	9,294	10,970
Other payables	*19*	822	15,188
Total liabilities		10,116	26,158
Total equity and liabilities		2,075,726	2,319,416
Net current (liabilities)/assets		(9,148)	1,300,663
Total assets less current liabilities		2,065,610	2,293,258

Approved by the Board of Directors on 15 April 2008 and signed on behalf of the Board by:

Zhang Jianming
Chief Executive officer

Chen Ningning
Director

The accompanying notes are an integral part of this financial statement.

Consolidated Income Statement

For the year ended 31 December 2007
(Amounts expressed in RMB'000 unless otherwise stated)

	Note	2007	2006
Sales	*21*	3,824,850	3,175,732
Cost of sales	*22*	(2,704,001)	(2,282,064)
Gross profit		1,120,849	893,668
Selling and marketing expenses	*22*	(362,137)	(285,234)
General and administrative expenses	*22*	(162,244)	(167,426)
Other income	*23*	23,374	25,201
Other (losses)/gains — net	*24*	(44,076)	3,888
Operating profit		575,766	470,097
Finance income	*28*	31,189	29,017
Finance costs	*28*	(6,845)	(15,544)
Finance income — net	*28*	24,344	13,473
Share of profit of an associate	*9*	6	66
Profit before income tax		600,116	483,636
Income tax expense	*29*	(31,948)	(21,863)
Profit for the year		568,168	461,773
Attributable to:			
Equity holders of the Company		568,423	450,867
Minority interest		(255)	10,906
		568,168	461,773
Earnings per share for profit attributable to the equity holders of the Company during the year			
(expressed in RMB per share)			
— basic	*31*	0.36	0.37
— diluted		N/A	N/A
Dividends	*32*	139,403	—

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007
(Amounts expressed in RMB'000 unless otherwise stated)

	Note	Attributable to equity holders of the Company			
		Share capital (Note 16)	Reserves (Note 17)	Minority interest	Total
Balance at 1 January 2006		101	1,449,864	102,810	1,552,775
Profit for the year		—	450,867	10,906	461,773
Issue of shares		40,127	1,544,906	—	1,585,033
Share issue costs		—	(92,711)	—	(92,711)
Capitalisation of share premium		120,282	(120,282)	—	—
Contribution of minority interest in subsidiaries by then equity holders		—	6,536	(6,536)	—
Disposal of a subsidiary		—	—	(5,334)	(5,334)
Acquisition of minority interest in subsidiaries by then group companies		—	(74)	(526)	(600)
Dividends paid by group companies to then equity holders		—	(30,370)	(12,747)	(43,117)
Currency translation differences		—	(1,184)	—	(1,184)
Distributions to then equity holders on 30 April 2006		—	(999,005)	(87,265)	(1,086,270)
Balance at 31 December 2006		160,510	2,208,547	1,308	2,370,365
Balance at 1 January 2007		160,510	2,208,547	1,308	2,370,365
Profit for the year		—	568,423	(255)	568,168
Minority interest recognised upon the acquisition of a subsidiary	*36*	—	—	7	7
2007 interim dividend	*32*	—	(139,403)	—	(139,403)
Currency translation differences		—	(2,575)	—	(2,575)
Balance at 31 December 2007		160,510	2,634,992	1,060	2,796,562

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007
(Amounts expressed in RMB'000 unless otherwise stated)

	Note	2007	2006
Cash flows from operating activities:			
Cash generated from operations	*33*	397,341	622,601
Interest paid		(6,845)	(15,544)
Income tax paid		(61,160)	(37,237)
Net cash generated from operating activities		329,336	569,820
Cash flows from investing activities:			
Acquisition of a subsidiary, net of cash acquired	*36*	(55,687)	—
Disposal of interests in an associate		—	4,150
Disposal of a subsidiary		—	692
Purchase of property, plant and equipment		(271,934)	(132,367)
Purchase of land use rights		(23,352)	(46,122)
Purchases of intangible assets		—	(342)
Decrease of bank deposits with initial terms of over three months		—	3,000
Receipts from other loans repaid		—	10,000
Increase in due from related parties — non trade		—	(385,192)
Interest received from other loans		237	380
Interest received from banks		32,286	4,674
Proceeds from disposal of property, plant and equipment		5,622	971
Sale of financial assets at fair value through profit or loss, net		—	1,439
Net cash used in investing activities		(312,828)	(538,717)
Cash flows from financing activities:			
Proceeds from issue of shares		—	1,577,297
Share issue costs		(15,188)	(77,523)
Interest income from subscription of global offering		—	23,236
Proceeds from bank borrowings		8,766	561,144
Repayments of bank borrowings		(91,195)	(502,800)
Dividends paid to the Company's shareholders	*32*	(139,403)	—
Dividends paid by group companies to then equity holders		—	(67,327)
Distribution to then equity holders pursuant to the Reorganisation		—	(424,532)
Net cash (used in)/generated from financing activities		(237,020)	1,089,495
Net (decrease)/increase in cash and cash equivalents		(220,512)	1,120,598
Cash and cash equivalents at beginning of year	*15*	1,712,097	591,499
Cash and cash equivalents at end of year	*15*	1,491,585	1,712,097

The accompanying notes are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND GROUP REORGANISATION

Haitian International Holdings Limited (the "Company") was incorporated on 13 July 2006, as an exempted company with limited liability under the Companies Law, Cap.22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The Company's registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111 Cayman Islands.

The Company and its subsidiaries (together the "Group") is principally engaged in manufacture and distribution of plastic injection moulding machines (the "Plastic Injection Moulding Machines Business"). Details of the principal subsidiaries of the Group are set out in Note 8 to the consolidated financial statements.

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

On 5 December 2006, the Company acquired all equity interests in Guo Hua Limited ("Guo Hua") from Sky Treasure, through a share swap (the "Reorganisation") and consequently became the holding company of the subsidiaries. The reorganisation has been accounted for using merger accounting and accordingly the consolidated financial statements of the Group for the year ended 31 December 2006 presented the results of the Group as if the Group resulted from the Reorganisation had been in existence from beginning of 1 January 2006.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000) unless otherwise stated. These consolidated financial statements have been approved for issue by Board of Directors on 15 April 2008.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention.

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

The preparation of the financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

(a) Standards, amendments and interpretations effective in 2007

- HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements — Capital disclosures", introduce qualitative and quantitative disclosures relating to financial risks and credit quality of financial instruments and discussion of capital management strategy.

- HK(IFRIC)-Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. The adoption of this interpretation does not have a significant impact on the Group's financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Standards, amendments and interpretations effective in 2007 (Continued)

- HK(IFRIC)-Int 10, "Interim financial reporting and impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of this interpretation does not have a significant impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant for the Group's operations

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Group's operations:

- HK(IFRIC)-Int 7, "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and

- HK(IFRIC)-Int 9, "Re-assessment of embedded derivatives".

(c) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following are the new standards, amendments and interpretations to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods that the Group has not early adopted:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009 but it is not expected to have any significant impact on the Group's financial statements.

- HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. Management considers the adoption of HKFRS 8 has no significant impact to the segment disclosure of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (Continued)

- HK(IFRIC)-Int 11, "HKFRS-2 Group and Treasury Share Transactions" effective for annual periods beginning on or after 1 March 2007. This standard provides guidance on how to account for share based payment arrangements to an entity's employees involving equity instruments of its parent company. If equity instruments are granted by its parent company and accounted for as equity settled in the parent's consolidated financial statements, the entity should account for the share based payment arrangements as equity-settled. If the equity instruments are granted by the entity, the entity should account for share based payment arrangements as cash-settled. The Group will apply HK(IFRIC)-Int 11 from 1 January 2008 but it is not expected to have any significant impact on the Group's financial statements.

(d) Interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations.

- HK(IFRIC)-Int 12, "Service concession arrangements" (effective for annual accounting periods beginning on or after 1 January 2008).

- HK(IFRIC)-Int 13, "Customer loyalty programmes" (effective from 1 July 2008).

- HK(IFRIC)-Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008).

2.1 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Consolidation (Continued)

(a) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Minority interests

Minority interests represent the interest of outside shareholders in the operating results and net assets of the subsidiaries.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the 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 obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also 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.

2.2 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in production of products within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2.3 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 presentation currency.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation (Continued)

(b) Transactions and balances

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

(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 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 as a separate component of equity.

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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.4 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.

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.4 Property, plant and equipment (Continued)

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 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, as follows:

Buildings	20 years
Plant and machinery	10 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 2.7).

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 income statement.

2.5 Land use rights

All land in Mainland China is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land and the premiums paid for such right are recorded as land use rights, which are amortised over the use terms of 26 to 50 years using the straight-line method.

2.6 Intangible asset — Technology know-how

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

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

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

Assets that have an indefinite useful life or have not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 an impairment are reviewed for possible reversal of impairment at each reporting date.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.8 Financial assets — loans and receivables

The Group's financial assets are 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 those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as trade and bill receivables and other receivables in the balance sheet (Note 2.10).

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.9 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 raw materials, labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value, generally equivalent to the original invoice amounts, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.11 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.

2.12 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.

2.13 Trade payables

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

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.14 Borrowings (Continued)

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.

2.15 Borrowing costs

Borrowing costs are expensed as incurred.

2.16 Current and deferred 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 and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2.17 Employee benefits

The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods.

2.18 Provisions

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

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 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. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.19 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 non-current liabilities as deferred government grants and are recognised in the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.20 Revenue recognition

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.

Revenue from sale of services is recognised in the accounting periods in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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

2.21 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 income statement on a straight-line basis over the period of the lease.

2.22 Dividend distribution

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

2.23 Contingent liabilities

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

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

(All amounts in RMB'000 unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain trade receivables, cash and cash equivalents, trade payables and borrowings denominated in foreign currency, mainly United States dollars and HK dollars, which are exposed to foreign currency translation risk. Details of the Group's trade receivables, cash and cash equivalents, trade payables and bank borrowings are disclosed in Notes 12, 15, 18 and 20 respectively. The Group has not used any financial instrument to hedge the foreign exchange risk.

As at 31 December 2007 and 2006, if RMB had strengthened/weakened by certain percentage (as shown in below table, which represent fluctuation of foreign exchange rate of that year) against the United States dollars and HK dollars with all other variables held constant, profit before income tax for the each year would have changed mainly as a result of foreign exchange gains/losses on translation of Untied State dollars and HK dollars denominated trade receivables, cash and cash equivalents, trade payables and bank borrowings. Details of the changes are as follows:

	2007	2006
Certain percentage	6%	3%
Profit before income tax increase/(decrease)		
— Strengthened	(18,692)	(28,190)
— Weakened	18,692	28,190

(ii) Cash flow and fair value Interest rate risk

Except for short-term bank deposits included in cash and cash equivalents, pledged bank deposits and loan to distributor to third parties, the group has no other significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of the changes in market interest rates.

The Group's interest-rate risk arises from borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. Details of the Group's borrowings have been disclosed in Note 20.

Management does not anticipate significant impact to interest-bearing assets resulted from changes in interest rate, because interest rates of short-term bank deposits, pledged bank deposits and loan to distributor to third parties are not expected to change significantly.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value Interest rate risk (Continued)

As at 31 December 2007 and 2006, if the interest rates on bank borrowings had been certain percentage (as shown in below table, which represent fluctuation of interest rate of that year) higher/lower respectively with all other variables held constant, profit before income tax for the each year would have changed mainly as a result of higher/lower interest expenses on bank borrowings. Details of the changes are as follows:

	2007	2006
Certain percentage	20%	9%
Profit before income tax increase/(decrease)		
— Higher	(1,058)	(406)
— Lower	1,058	406

(iii) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of pledged bank deposits, cash and cash equivalents, trade and bills receivables and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at 31 December 2007 and 2006, all the pledged bank deposits and cash and cash equivalents are deposited in high quality financial institutions without significant credit risk. The table below shows the bank deposits as at 31 December 2007 and 2006.

	As at 31 December	
	2007	2006
Categorized by Counterparty's credit rating (i)		
A- or above	668,619	1,540,807
B- to BBB+	557,271	128,514
Others	271,477	69,837
	1,497,367	1,739,158

(i) The source of credit rating is from Standard & Poor.

Management does not expect any losses from non-performance by these counterparties.

Credit sales are made to customers with good credit history. The Group has policy in place to ensure that trade receivables are followed up on a timely basis. There is no recent history of significant default in relation to these customers.

(All amounts in RMB'000 unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iv) Liquidity risk

Prudent liquidity risk management implies maintain sufficient cash and cash equivalents, the availability of fund through adequate amounts of committed credit facilities and the ability to close out market positions. 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 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 in the table were the contractual undiscounted cash flows.

As at 31 December 2007

	Within 1 year	Between 1 and 2 years
Borrowings (i)	161,037	—
Trade and other payables	1,849,136	—
	2,010,173	—

As at 31 December 2006

	Within 1 year	Between 1 and 2 years
Borrowings (i)	96,865	151,417
Trade and other payables	1,530,897	—
	1,627,762	151,417

(i) The balance includes interest payments which is calculated based on borrowings held as at 31 December 2007 and 2006 without taking into account of future issues.

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 shareholders, issue new shares, or sell assets to reduce debt.

3. FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings, trade and other payables and other long term liabilities as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity attributable to the Company's equity holders, as shown in the consolidated balance sheet, plus net debt.

The gearing ratios at 31 December 2007 and 2006 were as follows:

	As at 31 December	
	2007	2006
Total borrowings	2,007,902	1,772,092
Less: Cash and cash equivalents (Note 15)	(1,491,585)	(1,712,097)
Net debt	516,317	59,995
Equity attributable to the Company's equity holders	2,795,502	2,369,057
Total capital	3,311,819	2,429,052
Gearing ratio	16%	2%

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

The Group determines the estimated useful lives, residual values and 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 the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimated 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 judgement is required in the area of asset impairment particularly in assessing : (i) whether an event has occurred that may indicated that the related assets values 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 continued 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 income statement.

(c) Estimated 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) Estimated write-downs of inventories to net realisable value

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 changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. 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 income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

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 as follows:

	2007	2006
Mainland China, held on:		
Land use rights	141,564	106,734
At beginning of year		
Cost	112,842	157,841
Accumulated amortisation	(6,108)	(5,571)
Net book amount	106,734	152,270
Opening net book amount	106,734	152,270
Additions	36,278	41,872
Amortisation for the year	(1,448)	(1,475)
Distributions to then equity holders on 30 April 2006	—	(85,933)
Closing net book amount	141,564	106,734
At end of year		
Cost	149,120	112,842
Accumulated amortisation	(7,556)	(6,108)
Net book amount	141,564	106,734

As at 31 December 2007, the remaining period of land use rights was ranging from 26 to 50 years.

(All amounts in RMB'000 unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Freehold land and buildings*	Plant and machinery	Vehicles	Office equipment	Construction in progress	Total
At 1 January 2006						
Cost	424,287	617,519	65,579	42,714	57,924	1,208,023
Accumulated depreciation	(83,457)	(199,363)	(22,491)	(16,632)	—	(321,943)
Net book amount	340,830	418,156	43,088	26,082	57,924	886,080
Year ended 31 December 2006						
Opening net book amount	340,830	418,156	43,088	26,082	57,924	886,080
Additions	8,256	21,814	11,766	7,070	70,219	119,125
Depreciation	(14,363)	(44,107)	(9,685)	(6,189)	—	(74,344)
Transfer	56,680	14,603	—	66	(71,349)	—
Disposals	—	(839)	(210)	(2,952)	—	(4,001)
Disposal of a subsidiary	—	(758)	(1,035)	(160)	—	(1,953)
Distribution to then equity holders on 30 April 2006	(76,821)	(115,948)	(7,102)	(4,550)	(24,838)	(229,259)
Closing net book amount	314,582	292,921	36,822	19,367	31,956	695,648
At 31 December 2006						
Cost	389,811	516,915	62,409	35,806	31,956	1,036,897
Accumulated depreciation	(75,229)	(223,994)	(25,587)	(16,439)	—	(341,249)
Net book amount	314,582	292,921	36,822	19,367	31,956	695,648
Year ended 31 December 2007						
Opening net book amount	314,582	292,921	36,822	19,367	31,956	695,648
Additions	6,726	72,422	26,200	13,654	185,667	304,669
Depreciation	(18,131)	(41,190)	(12,765)	(5,119)	—	(77,205)
Acquisition of a subsidiary	37,494	481	2,310	4,064	272	44,621
Transfer	46,092	44,182	—	159	(90,433)	—
Disposals	(12)	(4,482)	(2,554)	(131)	—	(7,179)
Closing net book amount	386,751	364,334	50,013	31,994	127,462	960,554
At 31 December 2007						
Cost	480,151	625,320	87,805	52,396	127,462	1,373,134
Accumulated depreciation	(93,400)	(260,986)	(37,792)	(20,402)	—	(412,580)
Net book amount	386,751	364,334	50,013	31,994	127,462	960,554

* *Freehold land is in Germany with cost of approximately RMB4,813,000 and is not subject to depreciation change.*

Depreciation expense has been charged to the consolidated income statement as follows:

	2007	2006
Cost of sales	60,979	57,770
General and administrative expenses	14,516	14,974
Selling and marketing expenses	1,710	1,600
	77,205	74,344

7. INTANGIBLE ASSETS — TECHNOLOGY KNOW-HOW — GROUP

	Technology know-how
Year ended 31 December 2006	
Opening net book amount	5,595
Additions	—
Amortisation	(882)
Distributions to equity holders of the Company on 30 April 2006	(4,713)
Closing net book amount	—
At 31 December 2006	
Cost	—
Accumulated amortisation	—
Net book amount	—
Year ended 31 December 2007	
Opening net book amount	—
Acquisition of a subsidiary (Note 36)	10,501
Amortisation	(700)
Closing net book amount	9,801
At 31 December 2007	
Cost	10,501
Accumulated amortisation	(700)
Net book amount	9,801

Amortisation expense has been charged to the consolidated income statement as follows:

	2007	2006
General and administrative expenses	700	882

(All amounts in RMB'000 unless otherwise stated)

8. INVESTMENTS IN AND LOANS TO SUBSIDIARIES — COMPANY

(a) Investments in subsidiaries

	2007	2006
Investments, at cost:		
— Unlisted shares	778,077	778,077

The following was a list of the principal subsidiaries at 31 December 2007:

Company name	Place of incorporation and kind of legal entity	Paid up capital	Attributable equity interest to the Company Direct	Attributable equity interest to the Company Indirect	Principal activities and place of operation
Guo Hua	British Virgin Islands ("BVI"), limited liability company	USD50,000	100%	—	Investment holding, BVI
Haitian Plastic Processing Machinery Guangzhou Co., Ltd.	Mainland China, wholly owned foreign enterprise	USD2,400,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Ningshing Machinery Co., Ltd.	Mainland China, foreign equity joint venture	USD2,500,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Plastic Machinery Group Limited	Mainland China, wholly owned foreign enterprise	USD97,500,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Zhafir Plastics Machinery Co.,Ltd.	Mainland China, foreign equity joint venture	USD6,000,000	—	100%	Repair and sale of plastic injection moulding machines, Mainland China
Ningbo Daxie Development Zone Haitian Machinery Co., Ltd.	Mainland China, foreign equity joint venture	USD1,550,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Heavywork Machinery Co., Ltd.	Mainland China, foreign equity joint venture	USD39,800,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Shili Machinery Co., Ltd.	Mainland China, foreign equity joint venture	USD12,000,000	—	100%	Manufacture and sale of accessories of plastic injection moulding machines, Mainland China
Haitian Europe S.p.A	Italy, limited liability company	EURO100,000	—	100%	Sale of plastic injection moulding machines, Italy
Dahai (H.K.) Company Limited	Hong Kong, limited liability company	HKD10,000	—	100%	Trading of machinery and machinery accessories, Hong Kong

8. INVESTMENTS IN AND LOANS TO SUBSIDIARIES — COMPANY (Continued)

(a) Investments in subsidiaries (Continued)

Company name	Place of incorporation and kind of legal entity	Paid up capital	Attributable equity interest to the Company Direct	Indirect	Principal activities and place of operation
Ningbo Haitian Huayuan Co., Ltd.	Mainland China, foreign equity joint venture	USD18,000,000	—	100%	Manufacture and sale of plastic injection moulding machines to foreign countries, Mainland China
Ningbo Haitian Machinery Sales Co., Ltd. ("Haitian Sales")	Mainland China, limited liability company	RMB18,000,000	—	100%	Sale of plastic injection moulding machines, Mainland China
Wuxi Tianjian Machinery Co., Ltd.	Mainland China, foreign equity joint venture	USD25,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Beihua Science and Technology Co., Ltd. ("Haitian Beihua")	Mainland China, limited liability company	RMB10,000,000	—	80%	Research and development, manufacture, sale of plastic injection moulding machines, Mainland China
Haitian Huayuan (Hong Kong) Limited	Hong Kong, limited liability company	HKD10,000	—	100%	Trading of machinery and machinery accessories, Hong Kong
Ningbo Haitian Technology Co., Ltd.	Mainland China, foreign equity joint venture	USD60,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Guangzhou Haitian Guohua Machinery Co., Ltd.	Mainland China, foreign equity joint venture	USD15,209,000	—	100%	Manufacture and sale of accessories of plastic injection moulding machines, Mainland China
Zhafir Plastics Machinery GmbH ("Zhafir Plastics")	Germany, limited liability company	DM100,000	—	91%	Research and development, manufacture, sale of plastic injection moulding machines, Germany
Haitian Huayuan Middle East Makina Dis Ticaret Limited Sirketi	Turkey, limited liability company	LIRA500,000	—	100%	Sale of plastic injection moulding machines, Turkey

(b) Loans to subsidiaries

Loans to subsidiaries were unsecured, interest free and settlement is neither planned nor likely to occur in the foreseeable future.

(c) Due to subsidiaries

The amounts were unsecured, interest free and had no fixed repayment terms.

(All amounts in RMB'000 unless otherwise stated)

9. INVESTMENT IN AN ASSOCIATE — GROUP

	2007	2006
Beginning of the year	475	2,272
Share of an associate's profit	6	66
Distribution to then equity holders on 30 April 2006	—	(1,863)
End of the year	481	475

Details of the associate are as follows:

Company name	Place of incorporation and kind of legal entity	Paid up capital	Attributable equity interest to the Company	Principal activities and place of operation
Hangzhou Keqiang Intelligence Control System Co., Ltd. ("Hangzhou Keqiang")	Mainland China, limited liability company	RMB1,735,000	30%	Manufacture and sale of intelligence control system

10. DEFERRED TAX ASSETS — GROUP

Movement on the deferred tax assets was as follows:

	Provision for impairment of trade and other receivables	Write-down of inventories	Others	Total
At 1 January 2006	5,186	2,154	1,441	8,781
Recognised in the consolidated income statement	(479)	2,458	(103)	1,876
At 31 December 2006	4,707	4,612	1,338	10,657
Recognised in the consolidated income statement	2,591	5,838	(940)	7,489
At 31 December 2007	7,298	10,450	398	18,146

There were no material unprovided deferred tax assets or liabilities at 31 December 2007 and 2006.

11. INVENTORIES — GROUP

	2007	2006
Raw materials	391,163	242,650
Work in progress	192,305	119,171
Finished goods	408,641	289,828
	992,109	651,649

The Group has recognised a loss of approximately RMB25,449,000 for the write-down of its inventories for the year ended 31 December 2007 (2006: RMB8,865,000). These amounts have been included in the cost of sales in the consolidated income statement.

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB2,678,552,000 (2006: RMB2,273,199,000).

12. TRADE AND BILLS RECEIVABLES — GROUP

	2007	2006
Trade and bills receivables		
— third parties	1,055,621	892,211
— related parties (Note 37)	198	14,512
	1,055,819	906,723
Less: provision for impairment of receivables	(22,864)	(28,118)
Trade and bills receivables — net	1,032,955	878,605

The credit terms granted to customers are different depending on individual customer's credit history and not exceeding 18 months. As at 31 December, the ageing analysis of trade and bills receivables was as follows:

	2007	2006
Up to 6 months	884,228	780,743
6 months to 1 year	97,510	79,621
1 year to 2 years	52,424	26,989
Over 2 years	21,657	19,370
	1,055,819	906,723

(All amounts in RMB'000 unless otherwise stated)

12. TRADE AND BILLS RECEIVABLES — GROUP (Continued)

The carrying amounts of the Group's trade and bills receivables were denominated in the following currencies:

	2007	2006
Renminbi	730,383	599,560
United States dollars	318,745	259,149
EURO	2,763	43,082
Hong Kong dollars	3,266	4,932
Others	662	—
	1,055,819	906,723

The carrying amounts of trade and bills receivables approximated their fair values as at 31 December 2007 and 2006.

As at 31 December 2007 and 2006, there were no material overdue but unimpaired receivables.

As at 31 December 2007, trade receivables of approximately RMB22,864,000 (2006: RMB33,618,000) were impaired. The creation and reversal of provision have been included in "general and administrative expenses" in the consolidated income statement (Note 22). The ageing of these receivables was as follows:

	2007	2006
Up to 6 months	52	3,091
6 months to 1 year	—	10,405
1 year to 2 years	4,117	6,542
Over 2 years	18,695	13,580
	22,864	33,618

Movement on the provision for impairment of trade receivables was as follows:

	2007	2006
At 1 January	(28,118)	(36,713)
New provision/(reversal of provision) for receivables impairment (Note 22)	(7,876)	4,105
Receivables written off during the year as uncollectible	13,130	4,490
At 31 December	(22,864)	(28,118)

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable. The Group does not hold any other collateral as security.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
Non-current				
Loans to distributors (i)	10,000	—	—	—
Deposit for bidding of land use rights	14,500	—	—	—
	24,500	—	—	—
Current				
Prepayments and deposit				
— for raw materials	25,832	13,025	—	—
— others	2,262	229	—	—
Value Added Tax recoverable	39,931	34,606	—	—
Receivables from employees	3,491	3,025	—	—
Receivables of proceeds from issue of shares	—	7,737	—	7,737
Loans to distributors (i)	36,600	2,800	—	—
Others	9,526	10,810	—	1,107
	117,642	72,232	—	8,844
Total prepayments, deposits and other receivables	142,142	72,232	—	8,844

(i) Loans granted to distributors are unsecured. As at 31 December 2007, loans to distributors with the amount of RMB40,000,000 (2006: Nil) bore interest at an effective rate of 4.59% per annum. The non-current loans to distributors are payable between 1 to 2 years.

The carrying amounts of prepayments, deposits and other receivables approximated their fair values.

(All amounts in RMB'000 unless otherwise stated)

14. PLEDGED BANK DEPOSITS — GROUP

	2007	2006
Deposits pledged in certain banks as collaterals against trade finance facilities granted by banks	6,221	27,177

The trade finance facilities mainly represent bank guarantees for arranging letters of credit.

(i) The weighted average interest rate per annum on pledged bank deposits was 0.66% at 31 December 2007 (31 December 2006: 0.72%).

(ii) The pledged bank deposits were denominated in currencies as follows:

	2007	2006
Renminbi	5,256	25,276
EURO	965	—
United States dollars	—	1,901
	6,221	27,177

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
Cash at bank and in hand	1,044,751	425,483	47	51,373
Short-term bank deposits	446,834	1,286,614	921	1,266,604
	1,491,585	1,712,097	968	1,317,977

(a) The weighted average effective interest rate per annum on cash at bank was 0.85% at 31 December 2007 (31 December 2006: 1.16%). The weighted average effective interest rate per annum on short-term bank deposits was 2.43% at 31 December 2007 (31 December 2006: 3.86%).

15. CASH AND CASH EQUIVALENTS (Continued)

(b) At 31 December 2007, the cash and cash equivalents were denominated in currencies as follows:

	Group		Company	
	2007	2006	2007	2006
Renminbi	1,272,086	289,352	—	—
United States dollars	167,857	101,413	921	—
EURO	50,537	—	—	—
Hong Kong dollars	722	1,321,332	47	1,317,977
Others	383	—	—	—
	1,491,585	1,712,097	968	1,317,977

Conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the Mainland China government.

16. SHARE CAPITAL

	Authorised share capital		
	Number of shares '000	HKD'000	RMB'000
Upon incorporation of the Company on 13 July 2006 and as at 31 December 2007	5,000,000	500,000	502,350

	Issued and fully paid up		
	Number of shares '000	HKD'000	RMB'000
Issued on 13 July 2006	—	—	—
Increase on 5 December 2006	1,000	100	101
Issue pursuant to the placing and public offering in December 2006	399,000	39,900	40,127
Capitalisation of share premium	1,196,000	119,600	120,282
As at 31 December 2006 and 2007	1,596,000	159,600	160,510

(All amounts in RMB'000 unless otherwise stated)

17. RESERVES

Group

	Share premium	Merger reserve and other reserves	Statutory reserves (note a)	Translation differences	Retained earnings	Total
At 1 January 2006	—	122,089	365,839	8,435	953,501	1,449,864
Profit for the year	—	—	—	—	450,867	450,867
Issue of share pursuant to New Issue	1,544,906	—	—	—	—	1,544,906
Share issue costs	(92,711)	—	—	—	—	(92,711)
Capitalisation of share premium	(120,282)	—	—	—	—	(120,282)
Contribution of minority interest in subsidiaries by then equity holders	—	6,536	—	—	—	6,536
Acquisition of minority interest in subsidiaries by then group companies	—	(74)	—	—	—	(74)
Appropriations	—	—	40,764	—	(40,764)	—
Dividends paid by group companies to then equity holders	—	—	—	—	(30,370)	(30,370)
Currency translation differences	—	—	—	(1,184)	—	(1,184)
Distributions to then equity holders on 30 April 2006	—	22,962	(221,022)	(6,639)	(794,306)	(999,005)
At 31 December 2006	1,331,913	151,513	185,581	612	538,928	2,208,547
Profit for the year	—	—	—	—	568,423	568,423
Appropriations	—	—	1,160	—	(1,160)	—
2007 interim dividend (Note 32)	—	—	—	—	(139,403)	(139,403)
Currency translation differences	—	—	—	(2,575)	—	(2,575)
At 31 December 2007	1,331,913	151,513	186,741	(1,963)	966,788	2,634,992

(a) Statutory reserves

Subsidiaries of the Company incorporated in Mainland China are required to make appropriations to certain statutory reserves namely, statutory reserve fund, statutory welfare fund, enterprise expansion fund and discretionary reserve fund from profit for the year after offsetting accumulated losses from prior years and before profit distribution to equity holders. The percentages to be appropriated to such statutory reserve funds are determined according to the relevant regulations in Mainland China at rates ranging from 2.5% to 10%, or at the discretion of the board of directors of the respective companies.

17. RESERVES (Continued)

Group (Continued)

(a) Statutory reserves (Continued)

Such statutory reserves, depending on their nature, can only be used to offset accumulated losses, to increase capital, or for special bonus or collective welfare of employees. They can not be distributed to equity holders of the Company. Movements in the statutory reserves were as follows:

	Statutory reserve fund	Statutory welfare fund	Enterprise expansion fund	Discretionary reserve fund	Total
At 1 January 2006	112,661	46,625	100,506	106,047	365,839
Additions	—	—	16,954	23,810	40,764
Distributions to then equity holders on 30 April 2006	(111,551)	(46,069)	(31,701)	(31,701)	(221,022)
At 31 December 2006	1,110	556	85,759	98,156	185,581
Additions	928	—	232	—	1,160
At 31 December 2007	2,038	556	85,991	98,156	186,741

Company

	Share premium	Contributed surplus (note b)	Retained earnings/ (accumulated losses)	Total
Issue of share pursuant to New Issue	1,544,906	—	—	1,544,906
Profit for the year	—	—	22,858	22,858
Share issue costs	(92,711)	—	—	(92,711)
Capitalisation of share premium	(120,282)	—	—	(120,282)
Effect of reorganisation	—	777,977	—	777,977
At 31 December 2006	1,331,913	777,977	22,858	2,132,748
Loss for the year	—	—	(88,245)	(88,245)
2007 interim dividend (Note 32)	—	(139,403)	—	(139,403)
At 31 December 2007	1,331,913	638,574	(65,387)	1,905,100

(b) Contributed surplus

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired in connection with the Reorganisation of the Group prior to its listing on the SEHK, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired.

The Company declared interim dividend of HK$143,640,000 (Note 32) out of its contributed surplus which is distributable according to Companies Law of the Cayman Islands.

(All amounts in RMB'000 unless otherwise stated)

18. TRADE AND BILLS PAYABLES — GROUP

	2007	2006
Trade payables	744,155	626,183
Bills payable	550,060	472,189
Trade and bills payables	1,294,215	1,098,372
Due to related parties — trade related (Note 37)	—	3,517
	1,294,215	1,101,889

At 31 December 2007, the ageing analysis of the trade and bills payables (including amounts due to related parties of trading in nature) was as follows:

	2007	2006
0 to 6 months	1,291,274	1,101,771
6 months to 1 year	2,796	118
1 year to 2 years	145	—
	1,294,215	1,101,889

At 31 December 2007, the trade and bills payables were denominated in currencies as follows:

	2007	2006
Renminbi	1,246,152	1,047,183
United States dollars	30,267	44,510
EURO	10,934	5,897
Hong Kong dollars	6,862	4,299
	1,294,215	1,101,889

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

19. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
Bonus and welfare payables	140,311	131,132	—	—
Sales commission payables	147,083	92,537	—	—
Customers deposits	173,850	148,526	—	—
Due to related parties — non-trade related (Note 37)	26,940	—	—	—
Payable for purchase of property, plant and equipment and land use rights	20,289	2,864	—	—
Provision for warranty	9,802	7,216	—	—
Accrued expenses	8,244	9,439	—	—
Share issue expenses payable	—	15,188	—	15,188
Other payables	28,402	22,106	822	—
	554,921	429,008	822	15,188

20. BANK BORROWINGS — GROUP

	2007	2006
Non-current		
Between 1 to 2 years	—	150,000
Current		
Bank borrowings	158,766	6,850
Borrowings arising from discounted bills	—	84,345
	158,766	91,195
Total bank borrowings	158,766	241,195

(a) An analysis of the carrying amounts of the Group's bank borrowings by type and currency is as follows:

	2007	2006
At fixed rates in RMB	150,000	234,345
At fixed rates in USD	8,766	—
At fixed rates in EURO	—	6,850
Total borrowings — at fixed rates	158,766	241,195

(All amounts in RMB'000 unless otherwise stated)

20. BANK BORROWINGS — GROUP (Continued)

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

	2007	2006
RMB	4.59%	3.36%
EURO	—	5.00%
USD	6.64%	—

(c) The carrying values and fair values of non-current borrowings were as follows:

	2007	2006
Carrying values	—	150,000
Fair values	—	145,468

The fair values are based on discounted cash flows using a rate based on the borrowings rate at 6.30% as at 31 December 2006, depending on the types and currencies of borrowings.

The carrying amounts of current borrowings approximate their fair values.

(d) As at 31 December 2007, bank borrowings of RMB150,000,000 was guaranteed by a bank (2006: RMB150,000,000).

As at 31 December 2007, bank borrowings of approximately RMB8,766,000 was guaranteed by one subsidiary (2006: Nil).

As at 31 December 2006, short-term bank borrowings of approximately RMB84,345,000 was secured by trade and bills receivables.

21. SALES AND SEGMENT INFORMATION

	2007	2006
Sales of plastic moulding injection machine and related products	3,824,850	3,134,291
Others	—	41,441
	3,824,850	3,175,732

The Group is mainly engaged in the Plastic Injection Moulding Machines Business in Mainland China and more than 90% of its operation and assets are located in Mainland China. Less than 10% of the Group's turnover and contribution to operation is attributable to any single overseas market. Therefore no business segment or geographical segment is presented.

22. EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and general and administrative expenses were analysed as following:

	2007	2006
Auditors' remuneration	2,780	2,580
Depreciation and amortisation	79,353	76,701
Changes in inventories of finished goods and work in progress	(191,947)	29,477
Raw materials and consumables used	2,646,710	2,053,858
Operating lease for buildings	3,884	6,066
Sales commission	242,036	159,204
Provision for/(reversal of) impairment of trade receivables	7,876	(4,105)
Provision for write-down of inventories	25,449	8,865
Employee benefit expenses (Note 25)	248,815	200,349
Freight charges	33,242	23,530
Utilities	31,182	31,700
Bank charge for grant of letter of credit	4,431	8,374
Others	94,571	138,125
Total cost of sales, selling and marketing expenses and general and administrative expenses	3,228,382	2,734,724

23. OTHER INCOME

	2007	2006
Government grants	23,137	24,821
Others	237	380
	23,374	25,201

24. OTHER (LOSSES)/GAINS — NET

	2007	2006
Gain on financial assets at fair value through profit or loss	—	6,593
Exchange losses	(43,506)	(2,460)
Loss on disposal of property, plant and equipment, net	(1,557)	(3,030)
Loss on disposal of a subsidiary	—	(1,031)
Gain relating to acquisition of a subsidiary (Note 36)	68	—
Others	919	3,816
	(44,076)	3,888

(All amounts in RMB'000 unless otherwise stated)

25. EMPLOYEE BENEFIT EXPENSE

	2007	2006
Wages, salaries and bonus	200,369	164,922
Retirement benefit contributions	13,452	11,398
Staff welfare	34,994	24,029
	248,815	200,349

26. RETIREMENT BENEFIT SCHEMES AND HOUSING BENEFITS

As stipulated by rules and regulations in Mainland China, the Group has participated in state-sponsored defined contribution retirement plans for certain of its employees in Mainland China. The Group is required to contribute 11% to 21% of employees' basic monthly salary.

In addition, the Group's employees in Mainland China participate in employee social security plans, including medical, housing and other welfare benefits, organised and administered by government authorities. The Group contributes 8% and 10% of employees' basic monthly on a monthly basis to medical and housing funds respectively.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation.

The Group has no further obligation for post-retirement benefits or housing funds beyond contributions aforementioned.

27. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of individual director for the year ended 31 December 2007 and 2006 were set out below:

Name of Director	Fees	Salary	Other benefits	Total
2007				
Executive directors				
— Mr. Zhang Jingzhang	—	700	6	706
— Mr. Zhang Jianming	—	730	25	755
— Mr. Zhang Jianfeng	—	500	25	525
— Mr. Zhang Jianguo	—	450	25	475
— Mr. Guo Mingguang	—	420	25	445
— Ms.Chen Ningning	—	400	25	425
— Mr. Liu Jianbo	—	375	25	400
— Professor Helmut Helmar Franz	—	680	—	680
	—	4,255	156	4,411
Non-executive director				
— Mr. Hu Guiqing	—	36	—	36
Independent non-executive directors				
— Mr. Pan Chaoyang	60	—	—	60
— Mr. Gao Xunxian	60	—	—	60
— Mr. Dai Xiangbo	60	—	—	60
— Dr. Steven Chow	32	—	—	32
	212	—	—	212
	212	4,291	156	4,659

(All amounts in RMB'000 unless otherwise stated)

27. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Name of Director	Fees	Salary	Other benefits	Total
2006				
Executive directors				
— Mr. Zhang Jingzhang	—	700	6	706
— Mr. Zhang Jianming	—	730	13	743
— Mr. Zhang Jianfeng	—	502	13	515
— Mr. Zhang Jianguo	—	450	13	463
— Mr. Guo Mingguang	—	420	13	433
— Ms. Chen Ningning	—	400	13	413
	—	3,202	71	3,273
Non-executive director				
— Mr. Hu Guiqing	—	75	39	114
Independent non-executive directors				
— Mr. Pan Chaoyang	50	—	—	50
— Mr. Gao Xunxian	50	—	—	50
— Mr. Dai Xiangbo	50	—	—	50
	150	—	—	150
	150	3,277	110	3,537

No directors of the Company waived any emoluments for the year ended 31 December 2007 (2006: nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2006: three) director whose emoluments was reflected in the analysis presented above. The emoluments payable to the remaining four (2006: two) individuals during the year were as follows:

	2007	2006
Salaries	4,930	1,783

27. DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Emoluments bands		
Nil – HKD1,000,000 (equivalent to approximately RMB 970,500)	1	1
HKD1,000,001 (equivalent to approximately RMB 970,500) – HKD1,500,000 (equivalent to approximately RMB1,404,600)	3	1

28. FINANCE INCOME, NET

	2007	2006
Interest expense:		
Bank borrowings wholly repayable within five years	6,845	15,544
Finance income:		
Interest income on short-term bank deposits	(31,189)	(5,781)
Interest income from over subscription of New Issue	—	(23,236)
	(31,189)	(29,017)
Finance income, net	(24,344)	(13,473)

29. INCOME TAX EXPENSE

	2007	2006
Current income tax		
— Mainland China current income tax ("EIT")	39,437	23,421
— Hong Kong profits tax	—	318
Deferred taxation (Note 10)	(7,489)	(1,876)
	31,948	21,863

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

The subsidiaries incorporated in British Virgin Islands under the International Business Companies Acts of the British Virgin Islands are exempted from payment of British Virgin Islands income tax.

(All amounts in RMB'000 unless otherwise stated)

29. INCOME TAX EXPENSE (Continued)

The subsidiaries established in Mainland China are subject to EIT at rates ranging from 15% to 33% for the years ended 31 December 2007 and 2006. Except for Haitian Sales, Haitian Beihua, other subsidiaries, being incorporated as foreign investment enterprises in Mainland China, have obtained approvals from the relevant tax authorities in Mainland China for their entitlement to exemption from EIT for the first two years and 50% reduction in EIT for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China.

Effective from 1 January 2008, the subsidiaries incorporated in Mainland China shall determine and pay the EIT in accordance with the Corporate Income Tax Law of the People's Republic of China (hereinafter "the new CIT Law") as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the EIT rate applicable to the subsidiaries incorporated in Mainland China will be 25% for those with original applicable EIT rates higher than 25%, or gradually increased to 25% in a 5-year period from 2008 to 2012 for those with original applicable EIT rates lower than 25%.

The subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 17.5%.

The subsidiary established in Italy is subject to the corporate income tax at rate of 33% and local Income tax of 4.25% on the taxable income for the year ended 31 December 2007 and 2006.

The newly acquired subsidiary established in Germany is subject to the corporate income tax at rate of 25% and solidarity surcharge of 1.40% on the taxable income for the year ended 31 December 2007.

The subsidiary established in Turkey is subject to the corporate income tax at rate of 20% for the year ended 31 December 2007.

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

	2007	2006
Profit before income tax	600,116	483,636
Tax calculated at weighted-average tax rates	135,953	91,643
Expenses not deductible for tax purpose	3,318	21,806
Effect of tax concession	(107,323)	(91,586)
Income tax expense	31,948	21,863
% of weighted average tax rates	22.7%	18.9%

Increase in weighted average tax rates is mainly due to the expiration of tax concession of certain subsidiaries of the Company.

30. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately RMB88,245,000 (2006: profit of RMB22,858,000).

31. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit attributable to the equity holders of the Company of approximately RMB568,423,000 (2006: RMB450,867,000) and on the weighted average number of approximately 1,596,000,000 (2006: 1,205,745,205) ordinary shares in issue during the year.

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

32. DIVIDENDS

Dividends paid to the equity holders of the Company in 2007 were approximately RMB139,403,000 (2006: Nil).

At a meeting on 26 March 2008, the directors proposed a payment of final dividend of HK10.0 cents (2006: Nil) for the year ended 31 December 2007. This final dividend is subject to the approval by the Company's shareholders at the upcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

Cash generated from operations:

	2007	2006
Profit before income tax	600,116	483,636
Adjustments for:		
— share of results of associates (Note 9)	(6)	(66)
— amortisation of land use rights (Note 5)	1,448	1,475
— depreciation of property, plant and equipment (Note 6)	77,205	74,344
— amortisation of intangible assets (Note 7)	700	882
— loss on disposal of property, plant and equipment (Note 24)	1,557	3,030
— loss on disposal of a subsidiary (Note 24)	—	1,031
— provision for/(reversal of) impairment of trade receivables (Note 22)	7,876	(4,105)
— provision for write-down of inventories (Note 22)	25,449	8,865
— interest income from loans and receivables (Note 23)	(237)	(380)
— finance income — net (Note 28)	(24,344)	(13,473)
— gain on financial assets at fair value through profit or loss (Note 24)	—	(6,593)
	689,764	548,646
Changes in working capital:		
— decrease/(increase) in pledged bank deposits	20,956	(19,040)
— increase in trade and other receivables	(234,909)	(368,855)
— increase in inventories	(365,909)	(180,730)
— increase in trade and bills payable and accruals and other payables	287,439	642,580
Cash generated from operations	397,341	622,601

(All amounts in RMB'000 unless otherwise stated)

33. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS (Continued)

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2007	2006
Net book amount (Note 6)	7,179	4,001
Loss on disposal of property, plant and equipment (Note 24)	(1,557)	(3,030)
Proceeds from disposal of property, plant and equipment	5,622	971

34. COMMITMENTS

(a) Capital commitments

	2007	2006
Contracted but not provided for:		
Acquisition of property, plant and equipment	121,222	90,953

(b) Operating lease commitments

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

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

	2007	2006
Not later than 1 year	2,788	2,756
Later than 1 year and not later than 5 years	1,564	4,149
Later than 5 years	—	84
	4,352	6,989

35. CONTINGENT LIABILITIES

As at 31 December 2007, contingent liabilities not provided for in the consolidated financial statements was as follows:

	2007	2006
Guarantee given to the banks in connection with facilities granted to the customers	221,088	300,636

36. BUSINESS COMBINATIONS — GROUP

On 22 August 2007, the Group acquired 91% of equity interest in Zhafir Plastics, which is engaged in the research and development of plastic injection moulding machineries, from Mr. Zhang Jianming, Mr. Zhang Jianfeng and Professor Helmut HelMarch Franz, who are all executive directors of the Company. The consideration comprised cash payment of Euros 3 (equivalent to approximately RMB31) and repayment of a loan due to a then shareholder, Mr. Zhang Jianming, and related interest of Euros 6,569,437 (equivalent to approximately RMB67,876,000).

The acquired business brought in net loss of approximately RMB6,509,000 to the Group for the period from 22 August 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, there would have been no significant impact on Group revenue and post-tax profit assuming all other factors remained constant. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary.

Details of net assets acquired and negative goodwill were as follows:

	Fair value	Acquiree's carrying amount
Purchase consideration:	67,876	
Fair value of net assets acquired:		
Cash and cash equivalents	12,189	12,189
Freehold land (Note 6)	4,813	4,813
Property, plant and equipment (Note 6)	39,808	37,746
Technology know-how (Note 7)	10,501	—
Trade and other receivables	2,257	2,257
Trade and other payables	(1,617)	(984)
Net assets	67,951	56,021
Minority interests (9%)	(7)	
Net assets acquired	67,944	
Negative goodwill (Note 24)	(68)	
Purchase consideration settled in cash		67,876
Cash and cash equivalents in subsidiary acquired		(12,189)
Cash outflow on acquisition		55,687

Negative goodwill was recognised as other gains immediately in the consolidated income statement.

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

Company name	Relationships
寧波住精液壓工業有限公司 (Ningbo SPP Hydraulics Co., Ltd. ("SPP Hydraulics"))	An associate of the companies owned by the equity holders of the Company
寧波海天壓縮機有限公司 (Ningbo Haitian Compressor Co., Ltd. ("Haitian Compressor"))	Controlled by senior management of the Group
寧波海天精工機械有限公司 (Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision"))	Controlled by senior management of the Group
寧波海天股份有限公司 (Ningbo Haitian Co., Ltd. ("Ningbo Haitian"))	Controlled by senior management of the Group
Haitian South American Industry and Machinery Commerce Limited ("Haitian Brazil")	Controlled by senior management of the Group
Sea Sky Plastic Machines Import Export Limited Liability Company ("Haitian Turkey")	Controlled by senior management of the Group

Directors of the Company and their associates are also considered to be related parties of the Group.

37. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties:

Save as disclosed in Note 36, the following material transactions were carried out with related parties:

		2007	2006
(i)	Sales of goods to:		
	Haitian Turkey	8,301	8,252
	Haitian Brazil	27,969	30,384
		36,270	38,636
(ii)	Purchase of goods from:		
	Hangzhou Keqiang	2,782	—
	SPP Hydraulics	—	2,221
	Haitian Compressor	—	264
		2,782	2,485
(iii)	Purchase of equipment from:		
	Haitian Precision	70,026	—
	Haitian Compressor	—	1,044
		70,026	1,044
(iv)	Lease of property from:		
	Ningbo Haitian	590	295
(v)	Remuneration of directors and senior management		
	— fees and salaries	7,375	4,239
	— other benefits	286	167
		7,661	4,406

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.

(All amounts in RMB'000 unless otherwise stated)

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 2007 and 2006:

(i) Due from related parties

	2007	2006
Trade related		
— Haitian Brazil	—	14,512
— Hangzhou Keqiang	198	—
	198	14,512

Maximum balance outstanding for amounts due from related parties for the years ended 31 December 2007 and 2006 were as follows:

	2007	2006
— From directors and their associates		
— Mr. Zhang Jingzhang	—	14,726
— Mr. Zhang Jianming	256	24,846
— Mr. Zhang Jianfeng	283	161
— From related companies		
— Haitian Brazil	40,434	25,373
— Haitian Turkey	4,256	18,883

(ii) Due to related parties

	2007	2006
Non-trade related		
— Haitian Precision	26,350	—
— Ningbo Haitian	590	—
	26,940	—
Trade related		
— Ningbo Haitian	—	152
— Haitian Turkey	—	3,365
	—	3,517

37. RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties: (Continued)

(iii) Ageing analysis of balances with related parties, which are trade related, was as follows:

	2007	2006
Due from related parties		
— up to 6 months	198	14,512
Due to related parties		
— up to 6 months	26,645	3,517
— 7 to 12 months	295	—
	26,940	3,517

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

Financial Summary

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

	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000	2003 RMB'000
Results					
Revenue	3,824,850	3,175,732	2,577,589	2,594,074	2,006,663
Profit before taxation	600,116	483,636	351,389	312,631	340,842
Taxation	(31,948)	(21,863)	(22,056)	(22,420)	(10,214)
Minority interests	255	(10,906)	(22,435)	(27,936)	(27,070)
Profit attributable to shareholders	568,423	450,867	306,898	262,275	303,558
Assets					
Non-current assets	1,155,046	813,514	1,054,998	864,128	648,914
Current assets	3,649,418	3,341,760	2,209,268	2,043,035	1,551,179
Total assets	4,804,464	4,155,274	3,264,266	2,907,163	2,200,093
Liabilities					
Non-current liabilities	—	(150,000)	—	(100,000)	—
Current liabilities	(2,007,902)	(1,634,909)	(1,711,491)	(1,557,823)	(1,206,584)
Total liabilities	(2,007,902)	(1,784,909)	(1,711,491)	(1,657,823)	(1,206,584)
Total equity	2,796,562	2,370,365	1,552,775	1,249,340	993,509
Minority interests	(1,060)	(1,308)	(102,810)	(83,396)	(62,541)
Capital and reserves attributable to the Company's equity holders	2,795,502	2,369,057	1,449,965	1,165,944	930,968

Notes:

1. *The Company was incorporated on 13 July 2006 in Cayman Islands and became the holding company of the Group with effect from 5 December 2006 upon completion of the Reorganisation as set out in the Company's prospectus dated 11 December 2006.*

2. *The results of the Group for the years ended 31 December 2003 and 2004 and the balance sheets of the Group as at 31 December 2003 and 2004 have been prepared using the merger accounting and are extracted from the Company's prospectus dated 11 December 2006.*

RFP Design and produced by: iOne (Regional) Financial Press Limited website: www.ioneregional.com

HAITIAN

Haitian International Holdings Limited