50

# 2015
## Annual Report

HAITIAN INTERNATIONAL

# Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

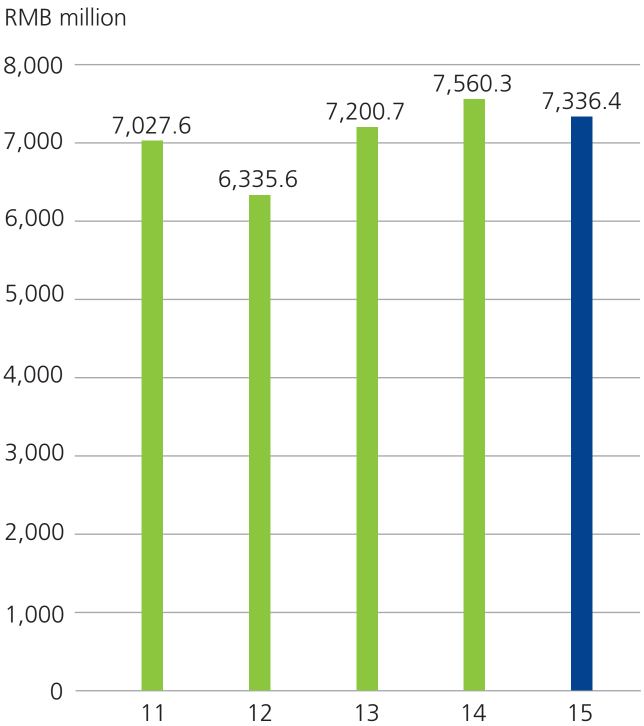
Stock Code: 1882

# CONTENTS

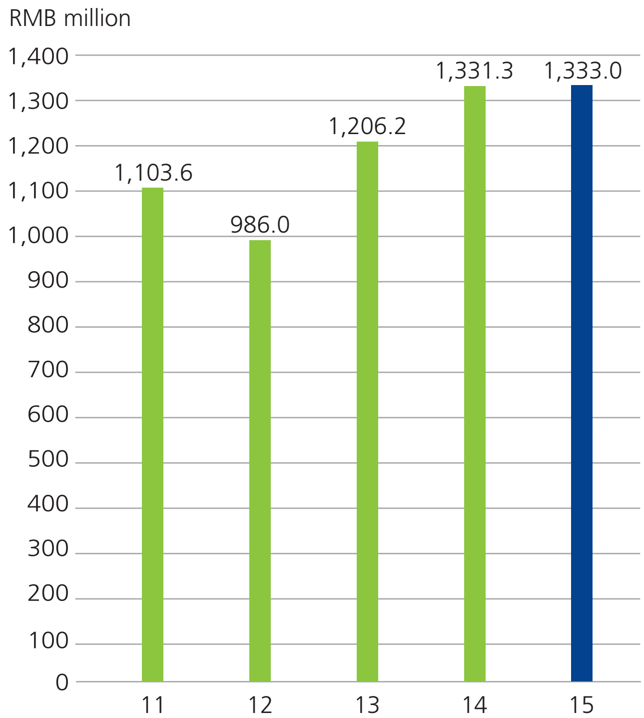


# Financial Highlights

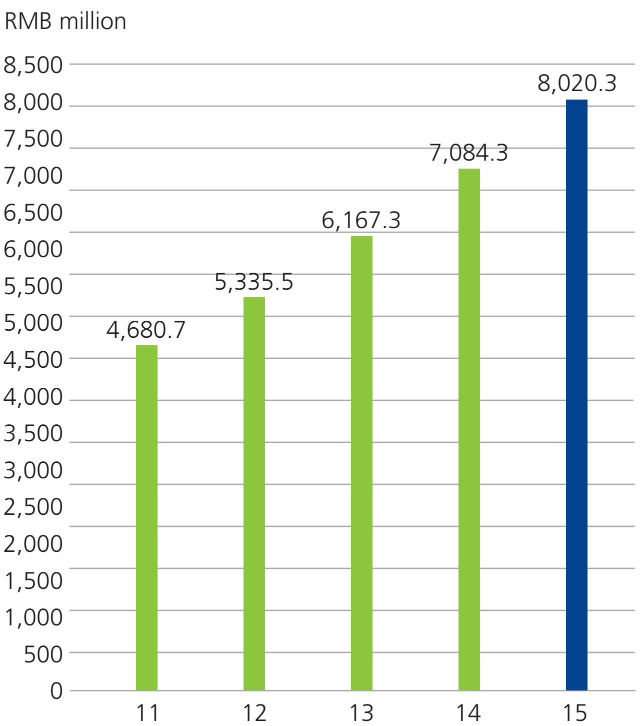
## Revenue



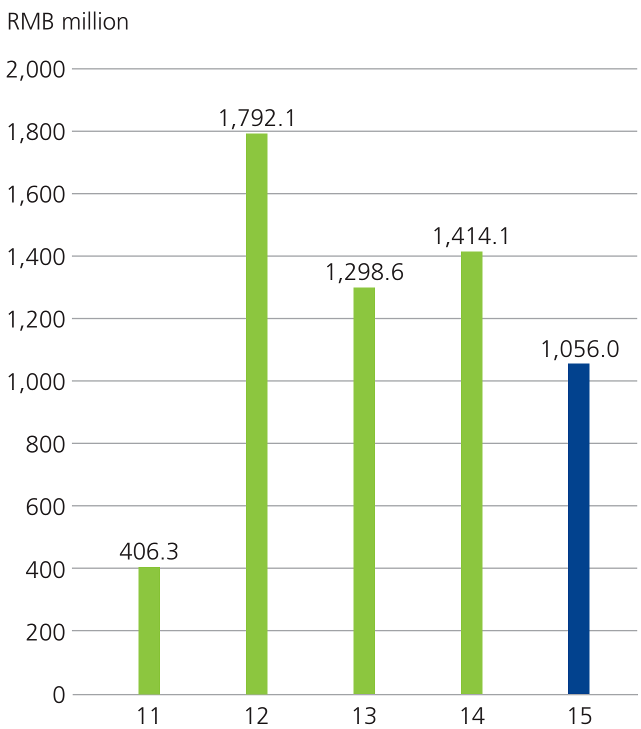

## Profit attributable to the shareholders of the Company excluding issuing expense and change in fair value of Convertible Bonds ("CB") resulted from bond values changes




## Capital and reserves attributable to shareholders of the Company




## Net Cash generated from operating activities



# Company Profile and Corporate Information

## Executive Directors

Mr. ZHANG Jingzhang *(Chairman)*
Mr. ZHANG Jianming *(Chief Executive Officer)*
Mr. ZHANG Jianguo
Mr. ZHANG Jianfeng
Ms. CHEN Ningning

## Non-Executive Directors

Prof. Helmut Helmar FRANZ
Mr. GUO Mingguang
Mr. LIU Jianbo

## Independent Non-Executive Directors

Mr. GAO Xunxian
Mr. LOU Baijun
Dr. Steven CHOW
Mr. JIN Hailiang

## Company Secretary

Mr. SUEN Wai Yu

## Registered Office

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

## Auditor

PricewaterhouseCoopers
*Certified Public Accountants*

## Principal Place of Business

*China*
No. 1688 Haitian Road
Beilun District, Ningbo
Zhejiang Province, China
315800

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

## Principal Banks

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

*Hong Kong*
Hang Seng Bank
Oversea – Chinese Banking Corporation
The Hongkong and Shanghai Banking Corporation

# CHAIRMAN'S STATEMENTS

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the year ended 31 December 2015, the domestic and global markets remained challenging and the economic environment was complicated. The China manufacturing PMI index has been in economic contraction (below 50) since March 2015. China's economic growth continues to experience downward pressure. The GDP growth rate moderated to 6.9% for 2015, the slowest growth rate in previous 25 years. Globally, the capital outflow triggered by the end of quantitative easing and the raise of interest rate of US as well as the sharp decline of commodity price of bulk materials resulted in the significant depreciation of currencies in various emerging economies. These have shrunk our overseas customer's purchasing power and affected the business confidence in global trade environment. All of these have created a very tough market environment for our customers and us, and the market sentiment has further deteriorated since August 2015.

Amidst these market challenges, we leveraged on our early adoption of a business development strategy of shifting small tonnage hydraulic PIMMs to full-electric PIMMs and from large tonnage to two-plate PIMMs. Our sales continue to deliver solid performance and outperform industry peers. The sales of our Zhafir Venus Series (full-electric PIMMs) and our Jupiter Series (large two-plate PIMMs) increased to RMB675.7 million and RMB741.3 million in 2015, representing an increase of 29.5% and 39.8% respectively compared to 2014. In 2015, the sales mix of full-electric PIMMs in small tonnage PIMMs and that of two-plate PIMMs in medium-to-large tonnage PIMMs reached 14.8% (2014: 11.1%) and 28.5% (2014: 19.5%) respectively. The strong growth of full-electric and two-plate PIMMs are able to substantially offset the general weak demand of PIMMs industry and maintain our sales at similar scale in current adverse environment. We recorded revenue of RMB7,336.4 million in 2015, representing a decrease of only 3.0% compared to the record revenue of RMB7,560.3 million in 2014.

At the same time, we continue to enhance our operational efficiencies and productivity through streamlining manufacturing process and up-grading IT system and manufacturing capabilities. As a result, we continued to make a satisfactory progress in operational efficiency and profitability. In 2015, our gross margin increased to 33.0% from 32.4% in 2014. The rise of gross margin was attributable to i) improvement in operational efficiency and ii) lower steel related raw material costs. As a result of the improved gross margin, our operating profit increased from RMB1,485.9 million in 2014 to RMB1,545.5 million in 2015, representing an increase of 4.0%.

Our net profit attributable to shareholders of the Company in 2015 increased to RMB1,363.3 million, representing an increase of 4.5% compared to 2014. Excluding the issuing expense of CB in 2014 and non-cash accounting loss of change in fair value of CB resulted from bond value changes (excluding exchange loss of CB), the adjusted net profit attributable to shareholders of the Company in 2015 would be RMB1,333.0 million, representing an increase of 0.1% compared to 2014.

# Chairman's Statements

The Board of Directors has declared a second interim dividend of HK$0.19 per share for the year ended 31 December 2015 (2014: HK$0.18), bringing the total dividend for 2015 to HK$0.35 per share (2014: HK$0.34).

## Domestic and export sales

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

| *(RMB million)* | **2015** | **%** | 2014 | % | **2015 Vs 2014** |
|---|---|---|---|---|---|
| Domestic Sales | **4,869.2** | **66.4%** | 5,071.1 | 67.1% | **(4.0%)** |
| Export Sales | **2,293.0** | **31.3%** | 2,331.4 | 30.8% | **(1.6%)** |
| Parts | **174.2** | **2.3%** | 157.8 | 2.1% | **10.4%** |
| Total | **7,336.4** | **100%** | 7,560.3 | 100.0% | **(3.0%)** |

The domestic demand of PIMMs remained sluggish in 2015. The investment sentiment and expansion plan in domestic markets were further adversely affected by several unexpected market changes including A shares market crash and sharp depreciation of RMB in the second half of 2015. We observed certain domestic peers recorded more than double-digit drop in sales figures in 2015. Benefiting from well market acceptance of our full-electric PIMMs and two-plate PIMMs as well as the brand reputation of the Company, our domestic sales outperformed the industry peers and recorded only a mild drop of 4.0% to RMB4,869.2 million in 2015 and further reinforced our leading market position in China.

For our export, certain traditional strong markets like Brazil, Turkey and Russia experienced pressures from the continuous depreciation of currencies and political instabilities which adversely affect the CAPEX in these markets. In face of such complicated environments, our diversified market advantages allowed us to mitigate some of these impacts. Despite the unfavorable export environment in general, the results of the export of the Company were encouraging and performed well through strengthening the sales network and enhancing the pre-sales and after-sales services. New service projects such as setting up newly established overseas Service, Application and Test Centers at locations including Thailand, Indonesia and Mexico can provide target customers with a package of solutions promptly. Certain overseas markets such as Vietnam, Korea, India, Europe and Mexico recorded impressive growth after years of efforts invested in these markets. We recorded our export sales at RMB2,293.0 million in 2015, representing a minor drop of 1.6% compared to 2014.

## Small and medium-to-large tonnage sales

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

| *(RMB million)* | **2015** | **%** | 2014 | % | **2015 Vs 2014** |
|---|---|---|---|---|---|
| Small tonnage | **4,562.7** | **62.2%** | 4,687.7 | 62.0% | **(2.7%)** |
| Medium-to-large tonnage | **2,599.5** | **35.4%** | 2,714.8 | 35.9% | **(4.2%)** |
| Parts | **174.2** | **2.4%** | 157.8 | 2.1% | **10.4%** |
| Total | **7,336.4** | **100%** | 7,560.3 | 100% | **(3.0%)** |

Due to the tough market environment mentioned above, the sales of small tonnage and medium to large PIMMs decreased to RMB4,562.7 million and RMB2,599.5 million in 2015, representing a decrease of 2.7% and 4.2% respectively compared to 2014.

## Sales mix of PIMMs by product series

The Group's sales by product series machines are summarized in the following table:

| *(RMB million)* | **2015** | **%** | 2014 | % | **2015 Vs 2014** |
|---|---|---|---|---|---|
| Mars series (energy-saving features PIMMs) | **5,086.1** | **69.3%** | 5,726.7 | 75.7% | **(11.2%)** |
| Venus series (full-electric PIMMs) | **675.7** | **9.2%** | 521.6 | 6.9% | **29.5%** |
| Jupiter series (two-plate PIMMs) | **741.3** | **10.1%** | 530.3 | 7.0% | **39.8%** |
| Others Series | **659.1** | **9.0%** | 623.9 | 8.3% | **5.6%** |
| Parts | **174.2** | **2.4%** | 157.8 | 2.1% | **10.4%** |
| Total | **7,336.4** | **100%** | 7,560.3 | 100% | **(3.0%)** |

Amid the domestic and global challenging environment, the overall demand of PIMMs decreased in 2015. Therefore, the sales of our energy-saving Mars series, which is designed for most of plastic components production, decreased from RMB5,726.7 million in 2014 to RMB5,086.1 million in 2015, representing a drop of 11.2%. However, by continuous improvement and the success of the introduction of the second generation, the Mars series remained the best selling series representing nearly 70% of the total sales. We expect that Mars series will continue to be the major series to meet the needs of most plastic component production and will pick up once the overall PIMM market recovers. We also set our strategies in the continuation of shifting small tonnage hydraulic PIMMs to full-electric PIMMs and large tonnage to two-plate PIMMs. Our Venus full-electric PIMMs are specifically designed for increasing demand of complex and precise as well as complicated thin-wall plastic components. The sales of our Zhafir Venus Series (full-electric PIMMs) increased to RMB675.7 million in 2015, representing an increase of 29.5%, while its sales mix in small tonnage PIMMs reached 14.8% (2014: 11.1%). Our Jupiter series two-plate large PIMMs, which have the advantages of space saving and efficiency enhancement, increased its sales to RMB741.3 million in 2015, representing an increase of 39.8% compared to 2014, while its sales mix in medium-to-large tonnage PIMMs reached 28.5% (2014: 19.5%).

Our efforts in R&D and new product innovation as well as in communication are well reflected in our Haitian brand. In the "2015 China Brand Evaluation List" conducted by CCTV together with China National Institute of Standardization, China Association for Brand Construction Promotion, China Council for the Promotion of International Trade and China Appraisal Society, our Haitian Brand achieved a brand value of RMB6.14 billion and brand strength of 844, ranking the third in Chinese machinery manufacturing industry list, up from the fourth in 2014. We believed our long term committed efforts in R&D, innovation in management, technology and services enable us to continuously improve our worldwide image from Made in China to Created in China, from Chinese efficiency only to Chinese efficiency and quality and from just Chinese products to be recognized as a worldwide Chinese brand.

# Chairman's Statements

## Prospect

Looking ahead, the operating environment will remain challenging under the existing macro-factors of slowing China's economy growth, volatility of currency exchange rate caused by expected gradual increase of US interest rate and continuous drop in bulk commodity prices, which weakened business confidence. In short term, we do not expect the demand of PIMMs and investment sentiment will have dramatic improvement nor significant deteroiation.

We have full confidence in the soundness of our long-term business strategy and the future of its market environment. Under the Chinese new economic normal era of shifting to product quality and sustainable growth, there are opportunities as well as challenges for developments in our industry. We believe in plastics applications as basic necessities and their consumption will keep increasing no matter how the global or Chinese economy perform. The change in the economic climates of different regions will only result in inter-shifting of plastic production bases among regions. One of our long term strategies is to enhance our pre-sales and aftersales service network by setting up overseas service centers and expanding overseas assembly bases and to gradually provide customers with services including test and application centers and whole set of solutions for their production. This will support the customers' expansion of plastic production facilities all over the world. Being the largest PIMM exporter in China, we are in absolute prime position to capture the business opportunities of increasing plastic production expanding to other regions resulted from shifting of production bases to relative lower cost countries or continuous outbound investment by Chinese enterprises. The gradual development of Chinese economy to domestic consumption-driven model will make the role of Chinese domestic market not only as a world plastic factory but also a major plastic consumer, which will boost the continuous increase in plastic consumption per capita in China.

In the 13th Five-Year Plan, Chinese government has launched various new strategies, including "Made in China 2025" and "Internet Plus". "Made in China 2025" and "Internet Plus" will drive technological upgrades and application of mid to high end PIMMs. PIMMs will offer energy saving features, high operational efficiency, the flexibility of industrial and information integration and automation.

In order to capitalize on the future trend of the manufacturing industry, we enhanced our proven "service-oriented sales model" by an "application-oriented sales model". Such enhancement represents our change from being solely a supplier of individual units of equipment to a supplier of a complete set of equipment providing customers with overall solutions for their production. Therefore, we have also built up a professional team for the supporting and offering of intelligent manufacturing business so as to align with the change in market strategies from the sales model of "service-oriented" to "application-oriented", resulting in providing the customers with complete set of integrated solutions to production process automation.

At the same time, we will comprehensively launch upgraded machines of "Plus" series second generation of all models in 2016 accompany with the strategies in shifting small tonnage hydraulic PIMMs to full-electric PIMMs and from large tonnage to two-plate PIMMs. We will take this opportunity to expand the market share and to lay the foundation of enhancing market presence in the future.

2016 is an important milestone in the history of Haitian, marking the 50th anniversary of our Group since our founding in 1966. Over the past five decades, we developed from an individual workshop to one of the largest and most profitable PIMM manufacturers in the world. This success was built upon the basis of our committed customer-oriented R&D efforts, uncompromised product and service quality, extensive distribution network, efficient and flexible production capabilities and strong financial positions with innovation in technology, management and services. We believe that, in the long run, with the economic reform made by Chinese government, Chinese economy will be on a more balanced and sustainable development path. We have experienced different crisis and structural changes of the Chinese economy and we will continue to navigate through the existing adverse environment and capture business opportunities again so as to grow stronger, and to achieve satisfactory results for our employees, customers, business partners and shareholders.

**Zhang Jiangzhang**
*Chairman*

11 April 2016

# CEO'S REPORT

## Highlights

| | 2015<br>RMB' million | 2014<br>RMB' million | Increase/<br>(decrease)<br>% |
|---|---|---|---|
| Revenue | **7,336.4** | 7,560.3 | (3.0) |
| Gross profit | **2,419.3** | 2,452.7 | (1.4) |
| Operating profit | **1,545.5** | 1,485.9 | 4.0 |
| Net Profit attributable to shareholders of the Company excluding issuing expense of CB and change in fair value of CB resulted from bond value changes | **1,333.0** | 1,331.3 | 0.1 |
| Profit attributable to shareholders of the Company | **1,363.3** | 1,305.0 | 4.5 |
| Basic Earnings per share (expressed in RMB per share) | **0.85** | 0.82 | 4.5 |
| Dividend per share (expressed in HK$ per share) | | | |
| Second Interim | **0.19** | 0.18 | 5.6 |
| Fully year (including interim) | **0.35** | 0.34 | 2.9 |

- Under the current adverse environment, we can still achieve encouraging sales results. Revenue decreased to RMB7,336.4 million, representing a decrease of only 3.0% compared to sales record reported in 2014

- Remarkable progress was made in the strategy in shifting from small tonnage hydraulic PIMMs to full-electric PIMMs and from large tonnage to two-plate PIMMs. The sales of our Zhafir Venus Series (full-electric PIMMs) and our Jupiter Series (large two-plate PIMMs) increased to RMB675.7 million and RMB741.3 million in 2015, representing an increase of 29.5% and 39.8% respectively compared to 2014

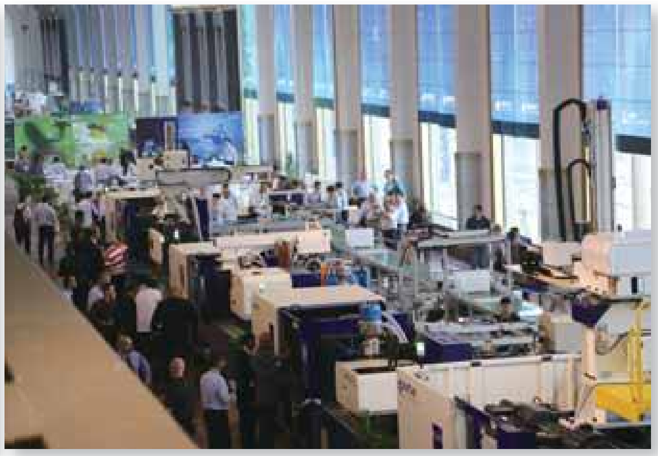
- Continuous improvement of gross profit margin to 33.0% (2014: 32.4%) resulting mainly from improvement in operational efficiency as also shown in the increase of the operating profit by 4.0%

- Profit attributable to shareholders of the Company increased to RMB1,363.3 million, representing an increase of 4.5% compared to 2014. Excluding the once off issuing expense of CB in 2014 and non-cash accounting loss in change of fair value in CB resulted from bond value changes, profit attributable to shareholders of the Company increased to RMB1,333.0 million, representing an increase of 0.1% compared to 2014

- Basic earnings per share amounted to RMB0.85 during the period

- The Board declared a second interim dividend of HK$0.19 per share, together with interim dividend of HK$0.16 per share paid, constitute a total dividend of HK$0.35 per share (2014: HK$0.34 per share)

# CEO's Report



## Financial Review

### Revenue

Due to the tough economic environment in China and certain export markets resulted from continued slowdown of China's economic growth and significant depreciation of currencies of certain emerging markets, the demand of general PIMM was weakening. The growth of high end full-electric and two-plate PIMMs had partially offset the decrease. In 2015, our domestic sales and export sales decreased by 4.0% and 1.6% to RMB4,869.2 million and RMB2,293.0 million respectively compared to 2014. The overall sales recorded a mild decline of 3.0% from RMB7,560.3 million in 2014 to RMB7,336.4 million in 2015.

## Gross Profit

In 2015, we recorded gross profit of approximately RMB2,419.3 million, representing a decrease of 1.4% compared to 2014. Overall gross margin had increased from 32.4% in 2014 to 33.0% in 2015. The increase of gross margin was attributable to i) improvement in operational efficiency and ii) lower steel related raw material costs.

## Selling and administrative expenses

The selling and administrative expenses decrease by 2.0% from RMB1,052.0 million in 2014 to RMB1,031.1 million in 2015. The decrease of expense was attributable to decrease in sales commission expenses and transportation charges resulting from lower level of sales in 2015 and partially offset by increase in administrative expense related to business expansion and implementation of Lean Manufacturing process to raise operational efficiency.

## Other income

Other income mainly consists of government subsidy and increased by 6.1% from RMB98.3 million in 2014 to RMB104.3 million in 2015.

## Other gains/(losses) – net

We recorded other gains, net of RMB53.0 million in 2015 as compared with other net losses of RMB13.1 million in 2014. Other gains/(losses) net mainly consists of exchange gains/losses from US dollars denominated receivables resulting from RMB fluctuation. The above changes were mainly attributable to RMB depreciation against USD in 2015 but mild appreciation against USD in 2014.

## Finance income – net

Finance income, net increased by 19.5% from RMB106.5 million in 2014 to RMB127.3 million in 2015. The increase is mainly attributable to i) an one-off issuing expense of CB which amounted to RMB24.3 million incurred in 2014, ii) an increase of interest income from RMB162.7 million in 2014 to RMB204.3 million in 2015 resulted from increase of surplus fund from operation and enhanced efficiency in treasury management, and partially offset by iii) the increase in loss from change in fair value of CB resulted from exchange rate fluctuation of RMB72.5 million which offset by gain in change of fair value of CB resulted from bond value change of RMB32.3 million.

We have borrowed certain amounts of USD denominated convertible bonds and Euro denominated bank loans to reduce the exchange risk of USD/Euro denominated export receivables. The respective exchange loss is classified as the finance income-net and loss from change in fair value of CB.

## Income tax expenses

Income tax expenses increased by 7.4% from RMB291.4 million in 2014 to RMB313.0 million in 2015. Our effective tax rate increased from 18.3% in 2014 to 18.7% in 2015.

## Net profit attributable to shareholders

As a resulted, our net profit attributable to shareholders in 2015 increased to RMB1,363.3 million, representing an increase of 4.5% compared to 2014. Excluding the issuing expense of CB and change in fair value of CB resulted from bond value changes, the adjusted net profit attributable to shareholders for 2015 increased to RMB1,333.0 million, representing an increase of 0.1% compared to 2014.

## Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 31 December 2015, the Group's total cash and cash equivalents and restricted cash amounted to RMB2,349.5 million and RMB164.0 million respectively (2014: RMB2,202.8 million and RMB152.8 million). As at 31 December 2015, the Group had short-term bank borrowing amounted to RMB436.0 million (2014: Nil).

In February 2014, we issued US dollar denominated 2.00 coupon CB due 2019 of USD200 million for general corporate purposes. As at 31 December 2015, the convertible bonds balance amounted to RMB1,270.4 million which represented the market fair value of CB (2014: RMB1,225.7 million). The Group also placed certain surplus fund into wealth management product which recorded as available-for-sale financial assets. The wealth management products with floating interests ranging from 2.1% to 8.1% (2014: 4.7% to 9.9%) per annum. As at 31 December 2015, the Group's available-for-sale financial assets amounted to RMB2,813.0 million. (2014: RMB2,106.5 million).

The net gearing ratio is defined by management as total borrowings net of cash divided by shareholders' equity. As at 31 December 2015, our Group was in a strong financial position with a net cash position amounting to RMB807.2 million (2014: RMB1,129.9 million). Accordingly, no gearing ratio is presented.

## Capital Expenditure

In 2015, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB475.2 million (2014: RMB478.5 million).

## Restricted Deposits

As at 31 December 2015, the bank deposits of RMB164.0 million (2014: RMB152.8 million) of our Group were restricted.

## Charges on Group Assets

As at 31 December 2015, restricted bank deposits amounted to approximately RMB51.4 million and available-for-sale financial assets amounted to RMB100.0 million were pledged for issuing the letter of guarantee for borrowings (2014: Nil).

## Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 32.1% of its products to international markets. Such sales were denominated in US dollars or other foreign currencies, while our Group's purchases denominated in US dollars or other foreign currencies accounted for less than 10.0% of our total purchases. Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts. Our Group purchased certain forward contracts or other means to reduce its foreign currency exposure. In addition, our Group borrowed US-dollar denominated convertible bonds and Euro denominated bank loans to hedge the exchange risk of USD/Euro denominated receivables arising from export sales.

## Financial guarantees

As at 31 December 2015, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB979.4 million (2014: RMB1,025.8 million).

## Employees

As at 31 December 2015, our Group had a total workforce of approximately 5,300 employees. Most of our employees were located in China. We offered our staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and our performance. We are committed to nurturing a learning culture in our organization. Total staff costs for 2015 amounted to RMB689.0 million, representing an increase of 9.0% compared with RMB632.2 million in 2014.

## Payment of second interim dividend

The Board has declared a second interim dividend for the year ended 31 December 2015 of HK$0.19 per share (2014: HK$0.18 per share), which, together with the interim dividend of HK$0.16 per share paid in September 2015 will constitute a total dividend of HK$0.35 per share (2014: HK$0.34 per share) for the full year. The second interim dividend will be paid on or about 22 April 2016 in cash to shareholders whose names appear on the register of members at the close of business on 15 April 2016.

# ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held in Ningbo on 18 May 2016. Notice of the AGM will be issued and disseminated to shareholders in due course.

## Closure of Register of Members

### (a) Entitlement to the Second Interim Dividend

The registers of members of the Company for entitlement of second interim dividend will be closed from 13 April 2016 to 15 April 2016 (both days inclusive). All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Registrar of Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 12 April 2016, for registration.

### (b) Entitlement to Attend and Vote at the AGM

The registers of members of the Company to attend the AGM will be closed from 16 May 2016 to 18 May 2016 (both days inclusive). All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Registrar of Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 13 May 2016, for registration.

**Zhang Jianming**
*Chief Executive Officer*

11 April 2016


# DIRECTORS AND SENIOR MANAGEMENT



# Directors and Senior Management

## Executive Directors

**Mr. Zhang Jingzhang (張靜章)**, aged 79, 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 50 years of experience in, the plastic processing machinery industry. Mr. Zhang was the factory manager of Zhenhai Plastic Injection Moulding Machinery Factory (鎮海塑料機械廠), the predecessor of Ningbo Haitian Group Co., Ltd (寧波海天股份有限公司) ("Ningbo Haitian") from 1970 to 1994. He was named an excellent model worker of Ningbo (寧波市特等勞模) in 1988 by the Ningbo Municipal People's Government, and was also awarded the title of an "Outstanding Factory Manager and Manager of Industrial Enterprise of Ningbo" (寧波市工業企業優秀廠長、經理) by the Ningbo Municipal Committee of Communist Party of China for Economic Affair and Ningbo Economic Committee in 1993. In July 1994, Mr. Zhang founded the Group and was appointed as the chairman of the Group. Mr. Zhang was named as an economist by the Ningbo Municipal People's Government (寧波市人民政府) in 1994, an outstanding worker in the national plastic processing machinery industry (全國塑料機械行業先進工作者) by the China Plastic Processing Machinery Industry Association in 1996 and an outstanding township entrepreneur in Zhejiang (浙江省優秀鄉鎮企業家) by the Zhejiang Township Enterprise Bureau. In December 2002, Mr. Zhang was awarded the title of New Millennium Star Entrepreneur of the National Machinery Industry (新世紀首屆全國機械工業明星企業家) by the China Machinery Industry Federation (中國機械工業聯合會), an entrepreneur of China (全國鄉鎮企業家) and outstanding factory manager (manager and chairman) of China (全國優秀鄉鎮企業廠長) and was also elected as a deputy to the People's Congress of Ningbo and Beilun District (寧波市和北侖區人大代表) in both 1988 and 1999. He was named an outstanding entrepreneur of Zhejiang (浙江省優秀創業家) in 2006. Mr. Zhang currently serves as the honorary chairman of the China Plastics Machinery Industry Association (中國塑料機械工業協會).

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

# Directors and Senior Management

**Mr. Zhang Jianming (張劍鳴)**, aged 53, is an executive Director and the Chief Executive Officer of the Group and is responsible for the overall daily operations of the Group such as production, sales and marketing. By introduction of Mr. Zhang Jingzhang, Mr. Zhang joined the Group in August 1977 as worker and has gained extensive exposure in various departments of the Group. With over 35 years of experience in the plastic processing machinery industry, Mr. Zhang is experienced in all facet of the overall operation of the Group. He obtained a master in business administration from the Management College of Fudan University (復旦大學管理學院) in July 2002. Mr. Zhang has been appointed as the chief executive officer of the Group since April 2000. Mr. Zhang served as a member of the National Committee of the Chinese People's Political Consultative Conference in Beilun District (北侖區政協委會) in 1996 and as a director of the Quality Management Association of Beilun District of Ningbo (寧波市北侖區質量管理協會) from 1990 to 2000. In January 2006, Mr. Zhang was also selected as a representative of Ningbo's private enterprises to attend the National Science and Technology Conference. From 2003 to 2011, he was the chairman of Ningbo Plastic Machine Industry Association (寧波市塑料機工業協會). Mr. Zhang was also elected a deputy to the People's Congress of Beilun District (北侖區人大代表) in 2012. Mr. Zhang Jianming is the elder son of Mr. Zhang Jingzhang, the elder brother of Mr. Zhang Jianfeng and the brother-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.

**Mr. Zhang Jianguo (張建國)**, aged 60, is an executive Director and the senior vice president of research and development of the Group. Mr. Zhang joined the Group in January 1974 and has more than 40 years of experience in the plastic processing machinery industry. He obtained a diploma in electrical and mechanical engineering from Zhejiang Radio TV University (浙江省廣播電視大學) in 1987. Mr. Zhang joined the Group in January 1974 initially working in the quality control division. He was subsequently promoted to the head of quality control in 1996. He has been appointed as the senior vice president of research and development of the Group since 1999. He has contributed to the Group in developing and improving its products including the HTFX series, the HTFW series and the HTK series. He was named as an outstanding technological worker in a township enterprise at provincial level (省級鄉鎮企業優秀科技工作者) in 1990 and twice named as a professional technician with outstanding contributions to the Ningbo region (區級有突出貢獻專業人員) by the People's Government of Ningbo Beilun district in 1990 and 1997. In 1999, Mr. Zhang was awarded by the Ningbo Municipal People's Government the titles of outstanding professional technician of (寧波市優秀專業技術人員) and pioneer in technological innovations in Ningbo (寧波市首屆科技創新功臣). He was also named an excellent labour model of Ningbo (寧波市特等勞動模範) in April 2000. In 2001, Mr. Zhang obtained a "Great Achievement in the World Technology" award (世界科學技術發展成就獎) from the Hong Kong International EXPO Organising Committee for Patented Technology. Mr. Zhang is a director of Sky Treasure and Premier Capital.

# Directors and Senior Management

**Mr. Zhang Jianfeng (張劍峰)**, aged 46, 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 30 years of experience in the plastic processing machinery industry. He was promoted to the deputy head of the Group's sales division in the sales and marketing department in 1997. He has been appointed as the senior vice president of sales and marketing of the Group since 2002. Mr. Zhang has been appointed as the chairman of Ningbo Plastic Machine Industry Association (寧波市塑料機工業協會) since 2012. Mr. Zhang is the younger son of Mr. Zhang Jingzhang, the younger brother of Mr. Zhang Jianming and the brother-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.

**Ms. Chen Ningning (陳寧寧)**, aged 53, is an executive Director and the vice president of finance of the Group. Ms. Chen is a qualified accountant in China. Ms. Chen first joined the Group in May 1984. Ms. Chen served as the deputy head of the finance and accounting department, and the head of the accounting division, the cost division and the inventory division of the Group from 1999 to 2003. Since 2004, Ms. Chen has served as the vice president of finance of the Group. She was named as an outstanding accountant of Ningbo in 2005. Ms. Chen is a director of Sky Treasure and Premier Capital.

## Non-Executive Directors

**Prof. Helmut Helmar Franz**, aged 66, is a non-executive Director and the Chief Strategic Officer of the Group. He joined the Group in September 2007 and has over 40 years of experience in the plastic processing machinery industry. Prof. Franz obtained a degree in engineering specialising in plastic machinery and processes and joined Plastmaschinenwerk Schwerin in the former German Democratic Republic in 1972. At Plastmaschinenwerk, Prof. Franz worked as a senior executive in research and development and marketing. In 1985, he joined WWW Import-Export in Berlin, Germany where he served as the managing director for WWW Import-Export's sales and services in Iraq, Egypt and Russia. In 1991, he joined Demag Ergotech (previously known as Mannesmann Demag Kunststofftechnik) ("Demag"), initially as the managing director for Demag's sales and services branch in Moscow, Russia. From 1995 until 1999, he served as the managing director for Demag's manufacturing plant for small machines in Wiehe, Germany. He was then promoted to Demag's chairman in 1999 and held the office until 2005. Prof. Franz had been a member of the board of the VDMA (the German Engineering Federation) association of German plastics machinery manufacturers for many years. He served as the chairman of the board of the VDMA from July 2003 until April 2005. From 2005 to 2013, Prof. Franz was the sole managing director of Zhafir Plastics Machinery GmbH, a German limited liability company which is engaged in the research and development of plastic injection moulding machineries. The Group acquired a 91% equity interest in Zhafir Plastics Machinery GmbH in August 2007 and the remaining 9% equity interest in 2014. Prof. Franz was re-designated from an executive director to a non-executive director in October 2015.

# Directors and Senior Management

**Mr. Guo Mingguang (郭明光)**, aged 49, is a non-executive Director. Mr. Guo joined the Group in January 1983 and has more than 30 years of experience in the plastic processing machinery industry. In 1985, he was transferred to the Group's customer services department, and was transferred again in 1989 to the Group's engineering department. From 1994 to 1999, he served as the deputy general manager of Ningbo Zongtian Plastic Processing Machinery Manufacturing Co., Ltd. From 1999 to 2002, he served as the general manager of a factory of the Group. In 2003, he was appointed as the deputy head of production of the Group and was promoted to the vice president of production of the Group in 2004. Mr. Guo was re-designated from an executive Director to a non-executive Director on 1 June 2012. Mr. Guo is a son-in-law of Mr. Zhang Jingzhang, the brother-in-law of Mr. Zhang Jianming, Mr. Zhang Jianfeng and Mr. Liu Jianbo, all of whom are Directors of the Company and he is also a director of Sky Treasure and Premier Capital.

**Mr. Liu Jianbo (劉劍波)**, aged 47, is a non-executive Director. Mr. Liu joined the quality assurance department of the Group in November 1986 and was appointed as a quality control manager in 1997. In 2000, he qualified as an internal auditor under the ISO9001:2000 certification system and since then has been responsible for the Company's internal quality control audit. He has been the Company's vice president of quality control since February 2004 and the Company's vice president of customer service since July 2004. Mr. Liu was re-designated from an executive Director to a non-executive Director on 1 June 2012. Mr. Liu is a son-in-law of Mr. Zhang Jingzhang and the brother-in-law of Mr. Zhang Jianming, Mr. Zhang Jianfeng and Mr. Guo Mingguang, all of whom are Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.

## Independent Non-Executive Directors

**Mr. Gao Xunxian (高訓賢)**, aged 69, joined the Group in August 2006 as an independent non-executive Director. He is a qualified accountant and a tax agent in China. During 1972 to 1980, he worked with the Taxation Bureau of Zhenhai (鎮海縣財政部稅務局) and the Taxation Bureau of Chengguan (城關財稅所) as the secretary and administrator. In 1984, he was appointed as the vice director of the Taxation Bureau of Zhenhai and from 1985 to 1987, he served as the vice director of the Finance and Taxation Bureau of Ningbo Beilun District (寧波市北侖區財政稅務局) and the general manager of Cai Zheng XinYong Investment Ltd. (財政信用投資公司). In 1987, he was promoted as the director of the Finance and Taxation Bureau of Ningbo Beilun District. From February 1998 to June 2006, he served as the vice chairman of Ningbo Beilun District Committee of the Chinese People's Politics Consultation Conference (寧波北侖政協).

# Directors and Senior Management

**Dr. Steven Chow (周志文)**, aged 71, joined the Group in September 2007 as an independent non-executive Director. He is a licensed investment advisor and has over 30 years of experience in banking and investment. He received his Bachelor of Science Degree from Bishop's University and his Master's Degree in Business Administration and PhD degree (in Economics) from Boston University. Dr. Chow is a senior representative for a European bank as well as a managing director of its local company providing wealth management services for high net worth clients in Asia. Dr. Chow served as independent non-executive director of CNT Group Ltd. during the last three years, which shares are listed on the Main Board of the Stock Exchange. He was a member of the Chinese People's Political Consultative Commission, Ningbo from 1989 to 2011.

**Mr. Lou Baijun (樓百均)**, aged 52, joined the Group in March 2012 as an independent non-executive Director. He is currently the Head of Modern Logistics School and Professor of Zhejiang Wanli University. Mr. Lou is a member of the Chinese Institute of Certified Public Accountants since 1996. Mr. Lou was appointed deputy director and deputy professor of Faculty of Financial Management of Jiangxi University of Finance and Economics between 1985 and 2001 and commenced teaching at Zhejiang Wanli University since 2001. Mr. Lou obtained a master degree in management and engineering from Wuhan University of Technology in 2006. Mr. Lou was an independent non-executive director of Ningbo Veken Elite Group Co., Ltd. (stock code: 600152) from 19 June 2008 to 19 September 2014, the shares of which were listed on the Shanghai Stock Exchange.

**Mr. Jin Hailiang (金海良)**, aged 62, joined the Group in March 2013 as an independent non-executive Director. He is currently the Chairman and General Manager of Ningbo Xinlong Real Estate Company Limited. Mr. Jin is also a councilor of the Ningbo Real Estate Association, the President of Ningbo Beilun Real Estate Association, a committee member of the Beilun Committee of Ningbo City of the Chinese People's Political Consultative Conference. Mr. Jin was appointed to a number of roles at Housing Management Bureau of Zhenhai and Chaiqiao Counties Municipal Government including deputy director and deputy director of statistics office between 1971 and 1985. Mr. Jin was appointed as director and party-chief of Housing Management Bureau of Beilun District and its Development Zone since 1985 and assumed the role of director and party-chief of Beilun Construction Quality Supervision Station in 1997. He was appointed to his current position of the Chairman and General Manager of Ningbo Xinlong Real Estate Company Limited since 1999. Mr. Jin obtained a diploma in real estate management from Zhejiang University of Technology in 1994.

## Senior Management

**Mr. Yu Wenxian (虞文賢)**, aged 46, is the vice president of human resources and administration of the Group. Mr. Yu graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in mechanical engineering in 1991. He joined the Group in May 1993 as an engineer. Since 1997, Mr. Yu has been working in the areas of administration and human resources and served various managerial roles in those areas. He has been appointed as the vice president of human resources and administration of the Group since 2003 and had been serving as the executive assistant to the chief executive officer of the Group between 2004 and 2010.

**Mr. Bei Haibo (貝海波)**, aged 49, is the vice president of domestic sales of the Group. Mr. Bei joined the Group in January 1983 and has more than 30 years of experience in the plastic processing machinery industry. He was appointed as a manager responsible for after-sales services in 1997 and was promoted to deputy general manager of the Group's sales department in 1998.

**Mr. Chen Weiqun (陳蔚群)**, aged 44, is the general manager of Haitian Huayuan, the export arm of the Group. Mr. Chen graduated from Huadong Yejin College (華東冶金學院) with a bachelor's degree in mechanics in August 1993. In 2005, he obtained a master's degree in business administration from the University of Zhejiang. He joined the research and development department of the Group in 1993. In 1994, he joined the international sales team of the sales department. He was appointed as an assistant to the chief executive officer in 2000 and as the deputy general manager of international sales in 2003. He has been appointed as the deputy general manager responsible for the Group's international sales since 2004. He was also appointed as the general manager of Haitian Huayuan in 2004.

**Mr. Shi Huajun (施華均)**, aged 44, is the general manager of the internal control and investor relation department of the Group. Mr. Shi graduated from Zhejiang Finance Economics College with a bachelor's degree in economics in 1994. He obtained a master's degree in business administration from the Open University of Hong Kong in 2003. Mr. Shi has in-depth knowledge of, and over 20 years of experience in, auditing, accounting and finance and is a certified accountant, certified valuer and registered tax agent in China. Prior to joining the Group, Mr. Shi was a partner with a local accounting firm in Ningbo. He was named an outstanding certified accountant in Zhejiang (浙江省優秀註冊會計師) by the Zhejiang Certified Accountants Association in 2003.

**Mr. Suen Waiyu (孫懷宇)**, aged 38, is the Company Secretary of the Company and joined the Group in November 2010. Mr. Suen graduated from the University of Hong Kong with a bachelor degree in laws in 2000 and he is a solicitor admitted to practice laws in Hong Kong. Prior to joining the Group, Mr. Suen was previously working in an international law firm advising companies on corporate transactions, capital market transactions and listing companies compliance related work.

**Mr. Lo Chi Chiu (盧志超)**, aged 42, is the Group's Chief Financial Officer and joined the Group in August 2006. Mr. Lo graduated from the University of Hong Kong with a bachelor's degree in business administration. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he has obtained over 15 years of auditing, accounting and financing experience including six years with major international accounting firms and four years in senior accounting positions in various industries.

# Investor Information

## Listing Information

| | |
|---|---|
| Listing: | Hong Kong Stock Exchange |
| Stock code: | 1882 |

## Key Dates

| | | |
|---|---|---|
| 9 March 2016 | — | Result Announcement of 2015 |
| 13–15 April 2016 | — | Closure of register of members (entitlement to second interim dividend) |
| about 22 April 2016 | — | Paid date of second interim dividend |
| 16–18 May 2016 | — | Closure of register of members (Annual General Meeting) |
| 18 May 2016 | — | Annual General Meeting |

## Share Information

Board lot size: 1,000 shares

Shares outstanding as at 31 December 2015:
1,596,000,000 shares

Market Capitalisation as at 31 December 2015:
HK18,066.7 million

| | |
|---|---|
| Basic earnings per share for 2015: | RMB0.85 |
| Diluted earnings per share for 2015: | RMB0.85 |

| | |
|---|---|
| Dividend per share for 2015 | |
| Interim dividend | HK16.0 cents |
| Second interim dividend | HK19.0 cents |
| Total | HK35.0 cents |

## Hong Kong Share Registrar Transfer Office

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

## Enquires Contact

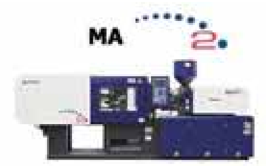
Investor Relations Department

| | |
|---|---|
| Tel (China): | 86-574-86182786 |
| Tel (Hong Kong): | 852-24282999 |
| Fax: | 86-574-86182787 |
| E-mail: | andy@mail.haitian.com |
| Address: | No. 1688 Haitian Road, Beilun District, Ningbo, Zhejiang Province, China |
| Postal code: | 315800 |

## Website

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


# CORPORATE GOVERNANCE REPORT




# Corporate Governance Report

Haitian International Holdings Limited (the "Company") recognises the importance of good corporate governance to its healthy growth and has therefore devoted much efforts into formulating corporate governance practices that agree with its business needs. The Company has applied the principles set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") by adopting the relevant code provisions. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG code. Save as set out in this section, the directors of the Company ("Directors") consider that the Company complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2015:

### *Deviation from CG Code*

Attendance at annual general meeting: one non-executive director was not able to attend the annual general meeting held in year 2015. Please refer to paragraphs headed "Investor Relations and Shareholders' Communication" for details.

## Board of Directors

The Board of Directors (the "Board") comprises 5 Executive Directors, 3 Non-executive Directors and 4 Independent Non-executive Directors.

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

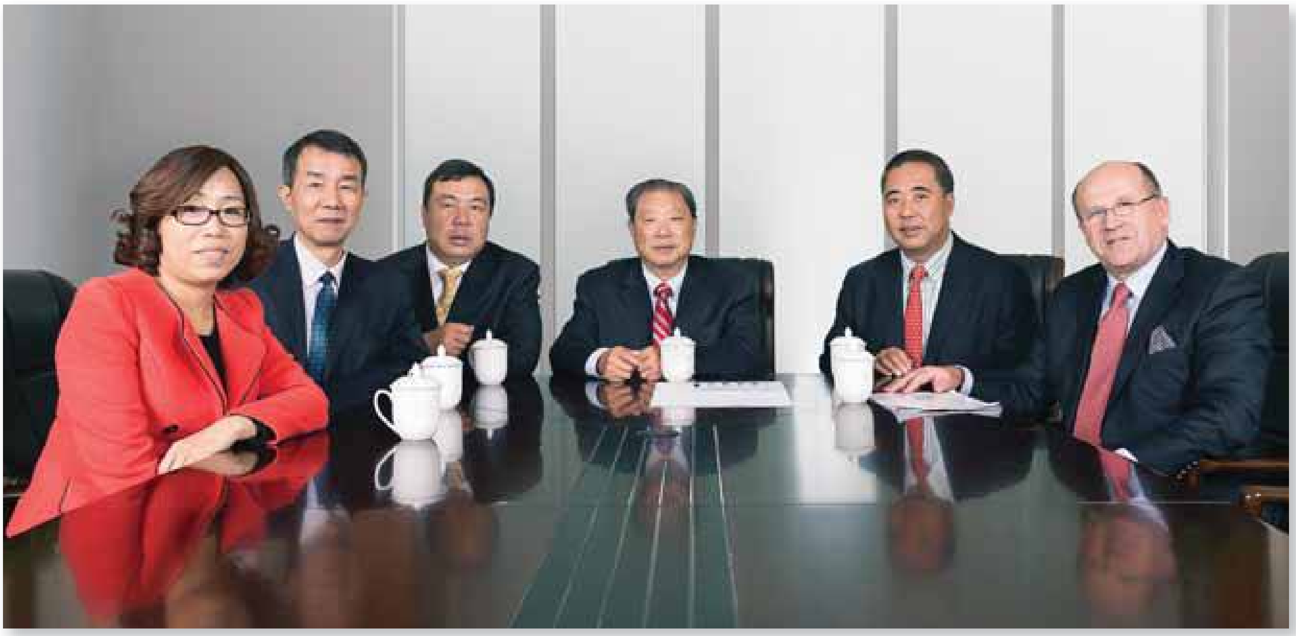
*Executive Directors*
Mr. Zhang Jingzhang *(Chairman)*
Mr. Zhang Jianming *(Chief Executive Officer)*
Mr. Zhang Jianguo
Mr. Zhang Jianfeng
Ms. Chen Ningning

*Non-executive Directors*
Prof. Helmut Helmar Franz[(1)]
Mr. Guo Mingguang
Mr. Liu Jianbo

*Independent Non-executive Directors*
Mr. Gao Xunxian
Mr. Lou Baijun
Dr. Steven Chow
Mr. Jin Hailiang

*Note:*

*(1) Prof. Helmut Helmar Franz was re-designated from an executive director to a non-executive director on 2 October 2015.*



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

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

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

## Board Meetings

It is intended that the Board should meet regularly so that all directors are kept updated with the business development of the Group. Special meetings the Board will be convened if the situation requires so. For the year ended 31 December 2015, the Board convened a total of three Board meetings and the individual attendance record of the Directors is tabulated as follows:

### Attendance

| | |
|---|---|
| **Executive Directors** | |
| Mr. Zhang Jingzhang *(Chairman)* | 3/3 |
| Mr. Zhang Jianming *(Chief Executive Officer)* | 2/3 |
| Mr. Zhang Jianguo | 3/3 |
| Mr. Zhang Jianfeng | 2/3 |
| Ms. Chen Ningning | 3/3 |
| **Non-executive Directors** | |
| Professor Helmut Helmar Franz[1] | 3/3 |
| Mr. Guo Mingguang | 2/3 |
| Mr. Liu Jianbo | 2/3 |
| **Independent Non-executive Directors** | |
| Mr. Gao Xunxian | 3/3 |
| Mr. Lou Baijun | 3/3 |
| Dr. Steven Chow | 3/3 |
| Mr. Jin Hailiang | 3/3 |

*Note:*

(1) *Prof. Helmut Helmar Franz was re-designated from an executive director to a non-executive director on 2 October 2015.*

*Deviation from CG Code*

CG Code requires the Company to hold board meetings regularly and at least four times a year. This was not complied with due to overlook and the Company will ensure regular board meetings will be held in the future.

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

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

## Relationship of the Directors

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

## Nomination Committee

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

The composition of the Nomination Committee and the attendance of the one meeting of the Nomination Committee during year 2015 are set out below:

| | Attendance |
|---|---|
| Mr. Zhang Jingzhang *(Chairman of Committee)* | 1/1 |
| Mr. Gao Xunxian | 1/1 |
| Mr. Jin Hailiang | 1/1 |

The Nomination Committee had reviewed the structure, size, composition and diversity of the Board and assessed the independence of independent non-executive directors and make recommendations on re-election of directors at general meetings.

## Audit Committee

The Company has set up an audit committee in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company. The Audit Committee has reviewed the Group's condensed consolidated financial information for the year ended 31 December 2015, including the accounting principles adopted by the Group, with the Company's management. The audit committee, together with the management and the external auditors, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

The composition of the Audit Committee and the attendance of the two meetings of the Audit Committee during year 2015 are set out below:

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

The Audit Committee met two times during year 2015. During the meetings, the Audit Committee considered the annual results of the Group for the year ended 31 December 2014 and the interim results of the Group for the six months ended 30 June 2015 as well as reports prepared by the external auditors relating to accounting and internal control issues and major findings in the course of audit/review.

## Remuneration Committee

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

The composition of the Remuneration Committee and the attendance of the one meeting of the Remuneration Committee during year 2015 are set out below:

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

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

## Training and Support for Directors

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

During year 2015, the Directors had participated in the following types of continuous professional development:

| | **Type of continuous professional development** |
|---|---|
| **Executive Directors** | |
| Mr. Zhang Jingzhang | B |
| Mr. Zhang Jianming | B |
| Mr. Zhang Jianfeng | B |
| Mr. Zhang Jianguo | B |
| Ms. Chen Ningning | B |
| **Non-executive Directors** | |
| Prof. Helmut Helmar Franz[(1)] | B |
| Mr. Guo Mingguang | B |
| Mr. Liu Jianbo | B |
| **Independent Non-executive Directors** | |
| Mr. Gao Xunxian | B |
| Mr. Lou Baijun | B |
| Dr. Steven Chow | B |
| Mr. Jin Hailiang | B |

*Note:*

(1) *Prof. Helmut Helmar Franz was re-designated from an executive director to a non-executive director on 2 October 2015.*

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

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

## Risk Management, Internal Control and Corporate Governance

The Board has overall responsibility for the establishment, maintenance and review of the Group's risk management, system of internal control and corporate governance. In 2015, the Board has conducted a review with the management of the effectiveness of the risk management, system of internal control and corporate governance of the Company and its subsidiaries and considered that the risk management, internal control system and corporate governance measures are effective.

## Directors' and Auditor's Acknowledgement

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

## Auditor's Remuneration

During the year, the auditor of the Company, PricewaterhouseCoopers, charged RMB3.15 million for audit services.

## Investor Relations and Shareholders' Communication

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings, road shows, participating in investors' conferences and making corporate presentations during the conferences, arranging company visits to the Company and maintaining regular meetings with institutional shareholders and analysts. The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 business days before the meeting and will also be made available on the Stock Exchange's website. The Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting. All votings at the annual general meeting will be conducted by poll and poll results will be posted on the website of the Stock Exchange on the business day following the annual general meeting. As a channel to further promote effective communication, the Company maintains a website (www.haitianinter.com) to disseminate the Company's announcements and other relevant financial and non-financial information electronically on a timely basis.

The annual general meeting held in year 2015 was held on 18 May 2015 and the attendance record of the Directors at the meeting is set out below:

| | |
|---|---|
| **Executive Directors** | |
| Mr. Zhang Jinzhang *(Chairman)* | Attended |
| Mr. Zhang Jianming *(Chief Executive Officer)* | – |
| Mr. Zhang Jianguo | Attended |
| Mr. Zhang Jianfeng | – |
| Ms. Chen Ningning | Attended |
| **Non-executive Directors** | |
| Prof. Helmut Helmar Franz [(1)] | – |
| Mr. Guo Mingguang | – |
| Mr. Liu Jianbo | Attended |
| **Independent Non-executive Directors** | |
| Mr. Gao Xunxian | Attended |
| Mr. Lou Baijun | Attended |
| Dr. Steven Chow | Attended |
| Mr. Jin Hailiang | Attended |

*Note:*

(1) *Prof. Helmut Helmar Franz was re-designated from an executive director to a non-executive director on 2 October 2015.*

Mr. Guo Mingguang, a non-executive Director, was unable to attend the annual general meeting of the Company held on 18 May 2015 due to other important engagement. This was not in compliance with the following Code Provisions:

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

## Shareholders' Rights

### How shareholders can convene an extraordinary general meeting

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

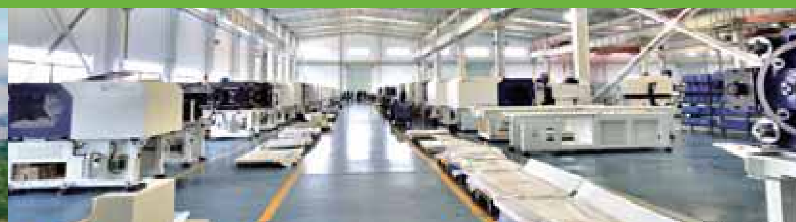
### Procedures by which enquiries regarding business or operation of the Company can be made

Shareholders can contact the Investor Relations Department for enquiries in relation to the business or other operations of the Company. The contact information of the Investor Relations Department is set out in the "Investor Information" on page 19 of this report. Shareholders are also encouraged to attend the annual general meeting of the Company to express their view and make enquiries on the business or operation operations of the Company.

### Procedures for putting forward proposals at general meeting

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


# REPORT OF THE DIRECTORS



# Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2015.

## Principal Activities and Business Review

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 7 to the financial statements. An analysis of the Group's performance for the year by business segments and geographical segments are set out in note 24 to the financial statements.

Further discussion and analysis on the activities of the Group, including review of its businesses, discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's businesses can be found in the Management Discussion and Analysis section in Chairman's Statements as set out on pages 4 to 7 of the annual report. Review of the Group's financial performance can be found in the Financial Review section in CEO's Report as set out on pages 8 to 12. These discussions form part of this director's report.

## Environmental Policies and Performance

The Group's environmental policies are driven towards two main targets, namely compliance with environmental related laws and regulations and additional measures to protect the environment in the area of energy-saving and waste reduction. For compliance with laws and regulations, the Group's major production facilities are located in China and there is a specific team inside the Group to continuously monitor the regulatory requirements and the Group's compliance with such requirements. The Group also engaged professional expert to conduct analysis of energy efficiency and waste generation in its operation and provide recommendations for area which can be improved. The Board believes that the Group has complied with environmental related laws and regulations in China and adopted additional measures which enhanced the energy efficiency and reduced waste production in its operation.

## Compliance with Laws and Regulations

The Board considers compliance with laws and regulations an important element in the business operation of the Group. The Group's major production facilities and over half of its sales are located in China and compliance with domestic laws and regulations in China is particularly important. The Group has specific personnel to handle and update compliance works in China and they also have the assistance from external legal advisors. With the Group's continuous expansion into overseas markets and setting up of local entities in overseas countries, the exposure to foreign laws and regulations is increasing and the management of the Group is well aware of the compliance risk involved. Local external legal and other professional experts are engaged from the stage of establishment and continuous advice is sought before and during business operation in such overseas countries. The Board considers that the Group's compliance with laws and regulations in both China and overseas countries is well monitored.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 41. The directors declared an interim dividend of HK16.0 cents per share, totalling RMB210,779,000 which was paid on 15 September 2015. The directors recommended the payment of a second interim dividend of HK19.0 cents per share, totalling approximately RMB254,197,000.

## Reserves

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

## Property, Plant and Equipment

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

## Share Capital

Details of the movements in share capital of the Company are set out in note 15 to the financial statements.

## Distributable Reserves

The Company's reserves available for distribution represent the share premium, contributed surplus and retained earnings which in aggregate amounted to RMB2,105.5 million as at 31 December 2015. 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.

## Convertible Bonds

In February 2014, the Company issued US dollar denominated 2.00 coupon convertible bonds ("CB") due 2019 of USD200 million for general corporate purposes. The maturity date of the CB is 13 February 2019 and unless previously redeemed, converted or purchased and cancelled, the Company will redeem the CB at 100 per cent of its principal amount upon maturity. The holders of the CB have the right to request the Company to redeem all or some of the CB at 100 per cent of the principal amount of the CB on 13 February 2017.

Please refer to the Company's announcement dated 9 January 2014 for details of the CB.

### Conversion price and shares to be issued upon full conversion

The initial conversion price of the CB was HK$24.6740 and is subject to adjustment for, among others, subdivision, consolidation and bonus issues of shares, rights issue and distributions (including dividends). After the second interim dividend of 2015 as declared by the Board, the conversion price of the CB will become HK$23.2683. Assuming full conversion of the CB at the conversion price of HK$23.2683 (using exchange rate of HK$7.78:US$1.00), the total number of shares to be issued by the Company would be 66,872,096 shares. The following table summaries the potential effects on the shareholding structure of the Company as a result of the full conversion of the CB:

| | Existing shareholdings of the Company | | Shareholdings of the Company assuming full conversion of CB | |
|---|---|---|---|---|
| **Shareholder** | **No. of shares** | **Per cent. of issued shares capital of the Company** | **No. of shares** | **Per cent. of issued shares capital of the Company** |
| Sky Treasure Capital Limited [(1)] | 953,912,672 | 59.77 | 953,912,672 | 57.37 |
| Schroders Plc [(1)] | 111,766,046 | 7.00 | 111,766,046 | 6.72 |
| Bondholders | 0 | 0 | 66,872,096 | 4.02 |
| Other shareholders | 530,321,282 | 33.23 | 530,321,282 | 31.89 |
| Total | 1,596,000,000 | 100.00 | 1,662,872,096 | 100.00 |

*Notes:*

(1) *These shareholders were holders of 5% or more issued shares of the Company as of 31 December 2015. Please refer to section headed "Interests and Short Positions of Shareholders" for details of their shareholdings.*

For dilutive impact on earnings per share upon full conversion of the CB, please refer to note 32 of the financial statements.

As at 31 December 2015, the Group's total cash and cash equivalents amounted to RMB2,349.5 million. The Directors consider the Company has ability to meet the redemption obligations under the CB.

## Financial Summary

A summary of the results for the year ended and of the assets and liabilities of the Group as at 31 December 2015 and for the previous four financial years are set out on page 108.

## Share Option Scheme

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

### (i) Purpose

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

### (ii) Qualifying Participants

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

### (iii) Maximum Number of Shares

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

As at 31 December 2015, 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.

# Report of the Directors

## Directors

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

*Executive Directors*
Mr. Zhang Jingzhang *(Chairman)*
Mr. Zhang Jianming *(Chief Executive Officer)*
Mr. Zhang Jianguo
Mr. Zhang Jianfeng
Ms. Chen Ningning

*Non-executive Directors*
Prof. Helmut Helmar Franz [(1)]
Mr. Guo Mingguang
Mr. Liu Jianbo

*Independent Non-executive Directors*
Mr. Gao Xunxian
Mr. Lou Baijun
Dr. Steven Chow
Mr. Jin Hailiang

*Note:*

[(1)] *Prof. Helmut Helmar Franz was re-designated from an executive director to a non-executive director on 2 October 2015.*

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Zhang Jingzhang, Mr. Zhang Jianming, Ms. Chen Ningning and Mr. Guo Mingguang will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Company has received from each independent non-executive director a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

## Directors' Service Contracts

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

## Directors' Interests in Contracts

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

## Biographical Details of and Remunerations to Directors and Senior Management

Brief biographical details of the directors and senior management are set out on pages 13 to 18.

For details of the remunerations paid to the directors, please refer to note 38 of the financial statements.

During the year ended 31 December 2015, total remunerations paid to members of senior management (who are not directors) are as follows:

| | Year ended 31 December 2015 RMB'000 |
|---|---|
| Salaries | 3,982 |
| Pension costs and mandatory provident fund contributions | 161 |
| | 4,143 |

The remunerations of the senior management are within the following bands:

| | Number of individuals |
|---|---|
| Nil – RMB1,000,000 | 5 |
| RMB1,000,000 – RMB1,500,000 | 1 |

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

As at 31 December 2015, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

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

| Name of Director | Capacity/Nature of interest | Total number of Shares | Approximate percentage of shareholding in the Company |
|---|---|---|---|
| Mr. Zhang Jingzhang | Corporate Interest(1) | 953,912,672 (L) | 59.77% |
| Mr. Zhang Jianming | Corporate Interest(1) | 953,912,672 (L) | 59.77% |
| | Personal Interest(2) | 962,000 (L) | 0.06% |
| Prof. Helmut Helmar Franz | Corporate Interest (2) | 4,931,334 (L) | 0.31% |
| Mr. Liu Jianbo | Corporate Interest (2) | 500,000 (L) | 0.03% |
| Mr. Guo Mingguang | Corporate Interest (2) | 300,000 (L) | 0.02% |
| Ms. Chen Ningning | Corporate Interest (2) | 270,000 (L) | 0.02% |

*(L) denotes a long position*

*Notes:*

*(1) Mr. Zhang Jingzhang and Mr. Zhang Jianming were deemed under the SFO to be interested in 953,912,672 shares of the Company held by Sky Treasure Capital Limited.*

*(2) These directors were deemed under the SFO to be interested in the respective shares of the Company held by their wholly-owned investment holding companies.*

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

| Name of Director | Name of association corporation[1] | Capacity/Nature of interest | Approximate percentage of shareholding in the associated corporations |
|---|---|---|---|
| Mr. Zhang Jingzhang | Sky Treasure Capital Limited ("Sky Treasure") | Corporate[2] | 14.35% |
| | | Corporate[3] | 54.51% |
| Mr. Zhang Jianming | Sky Treasure | Corporate[2] | 9.73% |
| | | Corporate[3] | 54.51% |
| Mr. Zhang Jianguo | Sky Treasure | Corporate[2] | 5.83% |
| Mr. Zhang Jianfeng | Sky Treasure | Corporate[2] | 5.48% |
| Ms. Chen Ningning | Sky Treasure | Corporate[2] | 3.04% |
| Mr. Guo Mingguang | Sky Treasure | Beneficiary under a trust[4] | 1.91% |
| Mr. Liu Jianbo | Sky Treasure | Beneficiary under a trust[4] | 1.59% |

*Notes:*

(1) *As at 31 December 2015, Sky Treasure is the holder of 59.77% of the issued share capital of the Company and therefore is an associated corporation under the SFO.*

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

(3) *Mr. Zhang Jingzhang and Mr. Zhang Jianming are separately entitled to exercise or control the exercise of one third or more voting power in the general meetings of Cambridge Management Consultants (PTC) Ltd. and Premier Capital Management (PTC) Ltd. Premier Capital Management (PTC) Ltd. is the trustee of the Haitian Employee Discretionary Equity Trust which is interested in 34.80% equity interests in Sky Treasure while Cambridge Management Consultants (PTC) Ltd. is the trustee of the Haitian Employee Fixed Equity Trust and the Haitian Employee Fixed Equity Trust II which collectively are interested in 19.72% equity interests in Sky Treasure. Accordingly, they are deemed under SFO to be interested in such shares in Sky Treasure.*

(4) *Such Directors are beneficiaries under a trust which is interested in 15.09% shares of Sky Treasure.*

Save as disclosed above, as at 31 December 2015, 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 2015, 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 | 953,912,672 (L) | 59.77% |
| Premier Capital Management (PTC) Ltd. | Interest in a controlled corporation[(1)] | 953,912,672 (L) | 59.77% |
| Schroders Plc | Interest in a controlled corporation[(2)] | 111,766,046 (L) | 7.00% |

*(L) denotes a long position*

*Notes:*

*(1) Premier Capital Management (PTC) Ltd. is deemed under the SFO to be interested in 953,912,672 shares held by Sky Treasure Capital Limited as at 31 December 2015.*

*(2) Schroders Plc is deemed under the SFO to be interested in 111,766,046 shares held by its wholly-owned entities.*

Save as disclosed above, as at 31 December 2015, 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.

## Customers and Suppliers

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

The Group places great emphasis on a long-term and stable relationship with its customers and suppliers for the continuous success and growth of its business. As a market leader in the plastic injection moulding machinery industry, the Group has an extensive sales network across China and exports to over 100 countries worldwide and to manage such network requires a close working relationship with our customers directly and through distributors, agents and other business partners. The Group's continuous effort to build trust and emphasize mutual benefits with its customers and suppliers has contributed to the long-term relationships with them.

## Competing Business

None of the directors of the Company had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2015.

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

## Continuing Connected Transactions

Certain related party transactions as disclosed in note 36 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and are ongoing for which relevant information had been disclosed in the Company's announcement dated 21 November 2014 and circular dated 8 January 2015.

### Purchase of Servo Systems and Components

On 21 November 2014, the Group entered into the Purchase Framework Agreement with Ningbo Haitian Drive Systems Co., Ltd. (formerly known as Ningbo Haitian Electric Machinery Co., Ltd.) ("HDS") relating to the purchase of servo systems, linear motion guides, ball screws and hydraulic parts for a term of three years commencing from the 1 January 2015 and ended on 31 December 2017, whereby the Group agreed to purchase these systems and components from HDS and its related companies at the price no less favourable than the terms at which HDS offers to independent third parties for the same or similar products. HDS was an associate of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo, each of them a director of the Company and therefore are connected persons by virtue of Rule 14A.07(4) of the Listing Rules.

During the year, the Group's purchase of these systems and components from HDS and its related companies amounted to RMB596.8 million.

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

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; and

(3) in accordance with the agreement entered into on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his conclusions in respect of the continuing connected transactions disclosed by the Group in page 97 of the annual report in accordance with paragraph 14A.56 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

## Connected Transactions

### Purchase of CNC turning machines and machining centres

For the year ended 31 December 2015, the Group purchased CNC turning machines and machining centres from Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision") for approximately RMB104.7 million. Such equipment was purchased for processing parts and components for the manufacture of products of the Group. Haitian Precision is an associate of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo, each of them a director of the Company and therefore is a connected person of the Company. The transaction was pursuant to the machinery equipment purchase agreement entered into with Haitian Precision on 28 March 2014. The nature and reasons for the aforesaid connected transaction were disclosed in the Company's announcement dated 28 March 2014.

### Other transactions

For the year ended 31 December 2015, the Group also entered into transactions with Ningbo SPP Hyraulics Co., Ltd., Ningbo Haitian Drive Systems Co., Ltd. and Ningbo Haitian Table Tennis Club Co., Ltd. Such entities were also connected persons of the Company but the relevant transactions were exempted from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Save as disclosed in the above sections headed "Continuing Connected Transactions" and "Connected Transactions", the other related party transactions disclosed in the financial statements of the Company for the year ended 31 December 2015 did not constitute connected transactions under the Listing Rules.

For further details of the above, please refer to note 36 of the financial statements.

## 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.

## Purchases, Sale or Redemption of Shares

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

## Auditor

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

## Public Float

As at the date of this report, based on information available to the Company and within the knowledge of the Directors, 39.6% of the issued share capital of the Company was held by the public.

## Dividends during the financial year

The Board has declared a second interim dividend for the year ended 31 December 2015 of HK$0.19 per share which, together with the interim dividend of HK$0.16 per share paid in September 2015, will constitute a total dividend of HK$0.35 per share for the full year.

On behalf of the Board
**Zhang Jianming**
*Chief Executive Officer*

11 April 2016

# Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of Haitian International Holdings Limited (the "Company") and its subsidiaries set out on pages 39 to 107, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

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

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

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

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

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

羅兵咸永道

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 9 March 2016

# Consolidated Balance Sheet

As at 31 December 2015
(Amounts expressed in RMB)

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | *5* | **381,663** | 391,559 |
| Property, plant and equipment | *6* | **2,416,698** | 2,116,413 |
| Investment in an associate | *8* | **13,602** | 13,489 |
| Deferred income tax assets | *22* | **49,291** | 53,311 |
| Other receivables | *11* | **510,595** | 510,925 |
| Available-for-sale financial assets | *13* | **—** | 50,402 |
| Restricted bank deposits | *14* | **50,000** | — |
| | | **3,421,849** | 3,136,099 |
| **Current assets** | | | |
| Inventories | *9* | **1,557,437** | 1,677,158 |
| Trade and bills receivables | *10* | **2,414,225** | 2,217,412 |
| Prepayments, deposits and other receivables | *11* | **227,134** | 267,843 |
| Available-for-sale financial assets | *13* | **2,812,987** | 2,056,122 |
| Restricted bank deposits | *14* | **114,010** | 152,810 |
| Cash and cash equivalents | *14* | **2,349,458** | 2,202,827 |
| | | **9,475,251** | 8,574,172 |
| **Total assets** | | **12,897,100** | 11,710,271 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Share capital | *15* | **160,510** | 160,510 |
| Share premium | *16* | **1,331,913** | 1,331,913 |
| Other reserves | *16* | **837,321** | 788,923 |
| Retained earnings | | **5,690,564** | 4,802,961 |
| **Total equity** | | **8,020,308** | 7,084,307 |

# Consolidated Balance Sheet (Continued)

As at 31 December 2015
(Amounts expressed in RMB)

| | Note | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income | *21* | **9,784** | 10,650 |
| Deferred income tax liabilities | *22* | **195,411** | 150,873 |
| Convertible bonds | *23* | **1,270,356** | 1,225,746 |
| | | **1,475,551** | 1,387,269 |
| **Current liabilities** | | | |
| Trade and bills payables | *17* | **1,642,732** | 1,906,508 |
| Accruals and other payables | *18* | **1,250,663** | 1,261,253 |
| Current income tax liabilities | | **71,471** | 66,328 |
| Bank borrowings | *19* | **435,961** | — |
| Derivative financial instruments | *20* | **414** | 4,606 |
| | | **3,401,241** | 3,238,695 |
| **Total liabilities** | | **4,876,792** | 4,625,964 |
| **Total equity and liabilities** | | **12,897,100** | 11,710,271 |

The accompanying notes on pages 45 to 107 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 9 March 2016 and were signed on its behalf by:

**Zhang Jianming**
*Director*

**Chen Ningning**
*Director*

# Consolidated Income Statement

For the year ended 31 December 2015
(Amounts expressed in RMB)

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| Revenue | *24* | **7,336,445** | 7,560,266 |
| Cost of sales | *25* | **(4,917,178)** | (5,107,526) |
| **Gross profit** | | **2,419,267** | 2,452,740 |
| Selling and marketing expenses | *25* | **(602,499)** | (636,820) |
| General and administrative expenses | *25* | **(428,635)** | (415,203) |
| Other income | *26* | **104,347** | 98,325 |
| Other gains/(losses) — net | *27* | **53,026** | (13,136) |
| **Operating profit** | | **1,545,506** | 1,485,906 |
| Finance income | *30* | **204,311** | 158,092 |
| Finance costs | *30* | **(77,041)** | (51,617) |
| Finance income — net | *30* | **127,270** | 106,475 |
| Share of profit of an associate | *8* | **3,526** | 4,052 |
| **Profit before income tax** | | **1,676,302** | 1,596,433 |
| Income tax expense | *31* | **(312,967)** | (291,417) |
| **Profit for the year** | | **1,363,335** | 1,305,016 |
| **Attributable to:** | | | |
| Shareholders of the Company | | **1,363,335** | 1,305,016 |
| **Earnings per share for profit attributable to shareholders of the Company during the year** (expressed in RMB per share) | | | |
| — basic | *32* | **0.85** | 0.82 |
| — diluted | *32* | **0.85** | 0.81 |

The accompanying notes on pages 45 to 107 are an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015
(Amounts expressed in RMB)

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| **Profit for the year** | **1,363,335** | 1,305,016 |
| **Other comprehensive income:** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Change in value of available-for-sale financial assets | **7,963** | 14,730 |
| Currency translation differences | **2,847** | 2,360 |
| **Total comprehensive income for the year** | **1,374,145** | 1,322,106 |
| **Total comprehensive income attributable to:** | | |
| Shareholders of the Company | **1,374,145** | 1,322,106 |

The accompanying notes on pages 45 to 107 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015
(Amounts expressed in RMB)

| | Note | Attributable to shareholders of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | | Share capital RMB'000 | Share premium RMB'000 | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2014** | | 160,510 | 1,331,913 | 640,943 | 4,033,890 | 6,167,256 | 6,167,256 |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | — | — | — | 1,305,016 | 1,305,016 | 1,305,016 |
| **Other comprehensive income** | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | | | |
| Change in value of available-for-sale financial assets | | — | — | 14,730 | — | 14,730 | 14,730 |
| Currency translation differences | | — | — | 2,360 | — | 2,360 | 2,360 |
| **Total comprehensive income for the year ended 31 December 2014** | | — | — | 17,090 | 1,305,016 | 1,322,106 | 1,322,106 |
| **Transactions with owners** | | | | | | | |
| Dividend paid | | | | | | | |
| — 2013 second interim | | — | — | — | (202,273) | (202,273) | (202,273) |
| — 2014 interim | *33* | — | — | — | (202,782) | (202,782) | (202,782) |
| Appropriations | | — | — | 130,890 | (130,890) | — | — |
| **Total transactions with owners** | | — | — | 130,890 | (535,945) | (405,055) | (405,055) |
| **Balance at 31 December 2014** | | 160,510 | 1,331,913 | 788,923 | 4,802,961 | 7,084,307 | 7,084,307 |
| **Balance at 1 January 2015** | | 160,510 | 1,331,913 | 788,923 | 4,802,961 | 7,084,307 | 7,084,307 |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | — | — | — | 1,363,335 | 1,363,335 | 1,363,335 |
| **Other comprehensive income** | | | | | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | | | | | |
| Change in value of available-for-sale financial assets | | — | — | 7,963 | — | 7,963 | 7,963 |
| Currency translation differences | | — | — | 2,847 | — | 2,847 | 2,847 |
| **Total comprehensive income for the year ended 31 December 2015** | | — | — | 10,810 | 1,363,335 | 1,374,145 | 1,374,145 |
| **Transactions with owners** | | | | | | | |
| Dividend paid | | | | | | | |
| — 2014 second interim | *33* | — | — | — | (227,365) | (227,365) | (227,365) |
| — 2015 interim | *33* | — | — | — | (210,779) | (210,779) | (210,779) |
| Appropriations | | — | — | 37,588 | (37,588) | — | — |
| **Total transactions with owners** | | — | — | 37,588 | (475,732) | (438,144) | (438,144) |
| **Balance at 31 December 2015** | | 160,510 | 1,331,913 | 837,321 | 5,690,564 | 8,020,308 | 8,020,308 |

The accompanying notes on pages 45 to 107 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015
(Amounts expressed in RMB)

| | Note | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | *34(a)* | **1,325,920** | 1,681,760 |
| Interest paid | | **(26,847)** | (14,346) |
| Income tax paid | | **(243,048)** | (253,292) |
| Net cash generated from operating activities | | **1,056,025** | 1,414,122 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(463,225)** | (404,710) |
| Purchase of land use rights | | **—** | (74,496) |
| Entrusted loans granted | | **(216,721)** | (581,500) |
| Entrusted loans repayments | | **256,257** | — |
| Payment for investment in an associate | *8* | **(7,795)** | — |
| Interest received from banks | | **164,792** | 140,559 |
| Interest received from entrusted loans | | **39,731** | 27,849 |
| Dividends received from an associate | *8* | **11,208** | 1,431 |
| Proceeds from disposal of land use rights | *34(b)* | **5,672** | — |
| Proceeds from disposal of property, plant and equipment | *34(b)* | **9,079** | 1,591 |
| Purchase of available-for-sale financial assets | *13* | **(6,250,208)** | (3,917,100) |
| Proceeds from disposal of financial assets at fair value through profit and loss | | **—** | 32,000 |
| Proceeds from disposal of available-for-sale financial assets | *13* | **5,551,708** | 3,294,600 |
| Proceeds from derivative financial instruments transaction | | **2,291** | — |
| Purchase of structured deposits | | **(10,000)** | — |
| Net cash used in investing activities | | **(907,211)** | (1,479,776) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of convertible bonds, net of transaction cost | *23* | **—** | 1,197,084 |
| Proceeds from bank borrowings | | **435,961** | — |
| Repayments of bank borrowings | | **—** | (636,188) |
| Dividends paid to the Company's shareholders | *33* | **(438,144)** | (405,055) |
| Net cash (used)/generated in financing activities | | **(2,183)** | 155,841 |
| **Net increase in cash and cash equivalents** | | **146,631** | 90,187 |
| Cash and cash equivalents at beginning of year | *14* | **2,202,827** | 2,112,640 |
| **Cash and cash equivalents at end of year** | *14* | **2,349,458** | 2,202,827 |

The accompanying notes on pages 45 to 107 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

## 1. General Information

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

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

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

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

These consolidated financial statements are presented in Chinese Renminbi ("RMB"), unless otherwise stated. They have been approved for issue by the Company's Board of Directors on 9 March 2016.

## 2. Summary of Significant Accounting Policies

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

### 2.1 Basis of preparation

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

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

#### Changes in accounting policy and disclosures

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

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015:

Amendments from annual improvements to HKFRSs – 2010–2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

Amendments from annual improvements to HKFRSs – 2011–2013 Cycle, on HKFRS 13, 'Fair value measurement'.

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) **New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2015 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)**

| | | Effective for annual periods beginning on or after |
|---|---|---|
| Amendment to HKAS 19 | Defined benefits | 1 July 2014 |
| HKFRS 3 | Business combinations | 1 July 2014 |
| HKAS 40 | Investment property | 1 July 2014 |

(c) **New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements.

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| Amendment to HKFRS 11 | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 38 | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: bearer plants | 1 January 2016 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been removed. |
| Amendment to HKAS 27 | Equity method in separate financial statements | 1 January 2016 |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment entities: applying the consolidation exception | 1 January 2016 |
| Amendments to HKAS 1 | Disclosure initiative | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 9 | Financial Instruments | 1 January 2018 |

## 2. Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(c) **New standards and interpretations not yet adopted** (Continued)

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

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

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

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

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

(a) **Business combinations**

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

Acquisition-related costs are expensed as incurred.

## 2. Summary of Significant Accounting Policies (Continued)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

(a) Business combinations (Continued)

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

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

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

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Disposal of subsidiaries

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

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.3 Associates

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

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

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

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

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

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

### 2.4 Segment reporting

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

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

#### (c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

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

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.5 Foreign currency translation (Continued)

#### (d) Disposal of foreign operation and partial disposal (Continued)

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

### 2.6 Property, plant and equipment

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

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

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

# 2. Summary of Significant Accounting Policies (Continued)

## 2.7 Land use rights

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

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

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

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

## 2.9 Financial assets

### 2.9.1 Classification

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

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

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

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivables', 'other receivables', 'restricted bank deposits' and 'cash and cash equivalents' in the balance sheet (notes 2.14 and 2.15).

## 2. Summary of Significant Accounting Policies (Continued)

### 2.9 Financial assets (Continued)

#### 2.9.1 Classification (Continued)

(c) Available-for-sale financial assets

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

#### 2.9.2 Recognition and measurement

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

### 2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 2.11 Impairment of financial assets

#### (a) Assets carried at amortised cost

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

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.11 Impairment of financial assets (Continued)

#### (a) Assets carried at amortised cost (Continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

#### (b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

### 2.12 Derivative financial instruments

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.13 Inventories

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

### 2.14 Trade and other receivables

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

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

### 2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments.

### 2.16 Share capital

Ordinary shares are classified as equity.

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

### 2.17 Trade payables

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

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

### 2.18 Borrowings

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

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

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.19 Borrowing costs

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

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

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

### 2.20 Convertible bonds

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

### 2.21 Current and deferred income tax

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

#### (a) Current income tax

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

#### (b) Deferred income tax

Inside basis differences

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

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.21 Current and deferred income tax (Continued)

#### (b) Deferred income tax (Continued)

**Outside basis differences**

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

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

#### (c) Offsetting

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

### 2.22 Employee benefits

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

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

### 2.23 Provisions

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

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

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

## 2. Summary of Significant Accounting Policies (Continued)

### 2.24 Government grants

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

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

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

### 2.25 Revenue recognition

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

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

#### (a) Sale of goods

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

#### (b) Interest income

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

### 2.26 Operating leases

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

### 2.27 Dividend distribution

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

## 3. Financial Risk Management

### 3.1 Financial risk factors

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

## 3. Financial Risk Management (Continued)

### 3.1 Financial risk factors (Continued)

#### (a) Foreign exchange risk

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

As at 31 December 2015, if RMB had weakened/strengthened by 6.2% (2014: 0.3%) against the USD and HKD with all other variables held constant, profit before income tax would have been approximately RMB48,354 thousand (2014: RMB2,527 thousand) lower/higher mainly as a result of foreign exchange difference on translation of USD and HKD denominated trade receivables, cash and cash equivalents, trade payables and convertible bonds. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related exchange rate during the previous year under analysis.

As at 31 December 2015, if RMB had strengthened/weakened by 4.8% (2014: 11.4%) against the Euro with all other variables held constant, profit before income tax would have been approximately RMB6,284 thousand (2014: RMB33,333 thousand) lower/higher mainly as a result of foreign exchange difference on translation of Euro denominated trade receivables, cash and cash equivalents, trade payables and borrowings. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related exchange rate during the previous year under analysis.

As at 31 December 2015, if RMB had weakened/strengthened by 4.9% (2014: strengthened/weakened 11.1%) against the JPY with all other variables held constant, profit before income tax would have been approximately RMB329 thousand higher/lower (2014: RMB2,921 thousand lower/higher) mainly as a result of foreign exchange difference on translation of JPY denominated cash and cash equivalents, trade payables and borrowings. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related exchange rate during the previous year under analysis.

#### (b) Fair value and cash flow interest rate risk

The Group's interest rate risk arises from bank deposits, loans to employees, entrusted loans to third parties, borrowings, convertible bonds and long-term entrusted loans. Bank deposits, loans to employees, convertible bonds and entrusted loan within one year at fixed rates expose the Group to fair value interest rate risk. Long-term entrusted loans generated at variable rates and borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

The Group has not used any financial instruments to hedge its exposure to cash flow interest rate risk.

As at 31 December 2015, if interest rates on EUR – denominated borrowings had been 0.24 percentage-point lower/higher with all other variables held constant, profit before income tax would have been RMB410 thousand higher/lower (2014: None), mainly as a result of lower/higher interest expense on floating rate borrowings.

As at 31 December 2015, if interest rates on JPY – denominated borrowings had been 0.11 percentage-point lower/higher with all other variables held constant, profit before income tax would have been RMB36 thousand higher/lower (2014: None), mainly as a result of lower/higher interest expense on floating rate borrowings.

#### (c) Credit risk

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

## 3. Financial Risk Management (Continued)

### 3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

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

The Group has policies to place its cash and cash equivalents only with major financial institutions, and limits the amount of credit exposure to any financial institution. As at 31 December 2015, most of the restricted bank deposits and cash and cash equivalents are placed with the major financial institutions in Mainland China.

The Group enters into the financial products contracts with relatively higher interest rates with certain financial institutions. These are reflected as available-for-sale financial assets and financial assets at fair value through profit or loss on the balance sheet. As at 31 December 2015, most of the financial products are bought from the major financial institutions in Mainland China and management has exercised due care when make investment decision with focus only on low risk financial products.

The Group enters into the entrusted loan contracts with variable interest rates with third parties. It is shown as other receivables on the balance sheet. As at 31 December 2015, the credit risk of entrusted loans has been reviewed cautiously by the management with focus on counterparties' credit reputation.

(d) Liquidity risk

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

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

| | **Within 1 year** RMB'000 | **Between 1 and 2 years** RMB'000 | **Between 2 and 5 years** RMB'000 | **Over 5 years** RMB'000 |
|---|---|---|---|---|
| **Group** | | | | |
| At 31 December 2015 | | | | |
| Convertible bonds | 9,802 | 25,974 | 1,325,490 | — |
| Borrowings *(i)* | 440,776 | — | — | — |
| Trade and other payables | 2,138,845 | — | — | — |
| Derivative financial instruments | 414 | — | — | — |
| Financial guarantee contracts | 979,448 | — | — | — |
| At 31 December 2014 | | | | |
| Convertible bonds | 9,230 | 24,476 | 1,302,182 | — |
| Trade and other payables | 2,496,219 | — | — | — |
| Derivative financial instruments | 4,606 | — | — | — |
| Financial guarantee contracts | 1,025,831 | — | — | — |

*(i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 December 2015, without taking into account any subsequent changes in the amount of borrowings. Floating interest rates are based on current interest rate as at 31 December 2015.*

## 3. Financial Risk Management (Continued)

### 3.2 Capital risk management

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

As at 31 December 2015 and 2014, the Group was in a net cash position (total borrowings were less than the total of restricted bank deposits and cash and cash equivalents).

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

The gearing ratio was as follows:

| | As at 31 December | |
|---|---|---|
| | **2015** | 2014 |
| | **RMB'000** | RMB'000 |
| Total convertible bonds *(Note 23)* | **1,270,356** | 1,225,746 |
| Total borrowings *(Note 19)* | **435,961** | – |
| Total equity | **8,020,308** | 7,084,307 |
| Gearing ratio | **21%** | 17% |

The increase in the gearing ratio primarily resulted from obtaining borrowings.

### 3.3 Fair value estimation

The table below analyses the group's financial instruments carried at fair value as at 31 December 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

## 3. Financial Risk Management (Continued)

### 3.3 Fair value estimation (Continued)

The table below presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2015.

| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale financial assets | — | — | 2,812,987 | 2,812,987 |
| **Liabilities** | | | | |
| Convertible bonds | — | 1,270,356 | — | 1,270,356 |
| Derivative financial instruments | — | 414 | — | 414 |
| **Total liabilities** | — | 1,270,770 | — | 1,270,770 |

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

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

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

# 3. Financial Risk Management (Continued)

## 3.3 Fair value estimation (Continued)

### (a) Financial instruments in level 2

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

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

As at 31 December 2015, all the resulting fair value estimates are included in level 2 except for certain available-for-sale financial assets as explained below.

### (b) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2015.

| | **Available-for-sale financial assets** RMB'000 |
|---|---|
| Opening balance | 2,106,524 |
| Additions | 6,250,208 |
| Change in value of available-for-sale financial assets | 7,963 |
| Settlements | (5,676,803) |
| Gains recognised in profit or loss | 125,095 |
| Closing balance | 2,812,987 |
| Total gains or losses for the year realised in profit or loss for assets held at the end of the year, under "Finance income – net" | 125,095 |

## 3. Financial Risk Management (Continued)

### 3.3 Fair value estimation (Continued)

#### (b) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2014.

| | **Available-for-sale financial assets** RMB'000 |
|---|---|
| Opening balance | 1,469,294 |
| Additions | 3,917,100 |
| Change in value of available-for-sale financial assets | 14,730 |
| Settlements | (3,381,876) |
| Gains recognised in profit or loss | 87,276 |
| Closing balance | 2,106,524 |
| Total gains or losses for the year realised in profit or loss for assets held at the end of the year, under "Finance income – net" | 87,276 |

**Quantitative information about fair value measurements using significant unobservable inputs (Level 3)**

| Description | Fair value at 31/12/2015 RMB'000 | Valuation technique(s) | Unobservable input | Range (weighted average) |
|---|---|---|---|---|
| Available-for-sale | 2,812,987 | Discounted cash flow | Expected return rate | 2.1%–8.1% (5.2%) |

## 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 addressed below.

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

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

## 4. Critical Accounting Estimates and Judgements (Continued)

### (b) 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.

### (c) Net realisable value of inventories

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

### (d) Current income tax and deferred income tax

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

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

### (e) Provision for loss on guarantees

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

## 5. Land Use Rights

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| At beginning of year | | |
| Cost | **435,732** | 361,090 |
| Accumulated amortisation | **(44,173)** | (35,680) |
| Net book amount | **391,559** | 325,410 |
| Opening net book amount | **391,559** | 325,410 |
| Exchange differences | **(7)** | 134 |
| Addition | **—** | 74,496 |
| Disposals | **(1,160)** | — |
| Amortisation | **(8,729)** | (8,481) |
| Closing net book amount | **381,663** | 391,559 |
| At end of year | | |
| Cost | **434,321** | 435,732 |
| Accumulated amortisation | **(52,658)** | (44,173) |
| Net book amount | **381,663** | 391,559 |

The Group's land use rights are all located in Mainland China except for the one amounting to RMB6,128 thousand which is located in Vietnam. As at 31 December 2015, the remaining use periods of the land use rights range from 18 to 48 years (2014: 19 to 49 years).

Amortisation is charged to the consolidated income statement as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Cost of sales | **163** | 153 |
| General and administrative expenses | **8,566** | 8,328 |
| | **8,729** | 8,481 |

## 6. Property, Plant and Equipment

| | Freehold land* and buildings RMB'000 | Plant and machinery RMB'000 | Vehicles RMB'000 | Office equipment RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2014** | | | | | | |
| Cost | 1,212,495 | 1,075,416 | 141,698 | 75,972 | 279,650 | 2,785,231 |
| Accumulated depreciation | (245,266) | (542,481) | (95,633) | (39,399) | — | (922,779) |
| Net book amount | 967,229 | 532,935 | 46,065 | 36,573 | 279,650 | 1,862,452 |
| **Year ended 31 December 2014** | | | | | | |
| Opening net book amount | 967,229 | 532,935 | 46,065 | 36,573 | 279,650 | 1,862,452 |
| Exchange differences | (8,998) | (324) | (74) | (312) | — | (9,708) |
| Additions | 31,886 | 69,201 | 6,127 | 12,895 | 283,874 | 403,983 |
| Transfers | 139,116 | 97,997 | — | 1,443 | (238,556) | — |
| Disposals | (495) | (222) | (392) | (205) | — | (1,314) |
| Depreciation | (39,869) | (75,452) | (12,312) | (11,367) | — | (139,000) |
| Closing net book amount | 1,088,869 | 624,135 | 39,414 | 39,027 | 324,968 | 2,116,413 |
| **At 31 December 2014** | | | | | | |
| Cost | 1,371,467 | 1,239,140 | 142,310 | 89,153 | 324,968 | 3,167,038 |
| Accumulated depreciation | (282,598) | (615,005) | (102,896) | (50,126) | — | (1,050,625) |
| Net book amount | 1,088,869 | 624,135 | 39,414 | 39,027 | 324,968 | 2,116,413 |
| **Year ended 31 December 2015** | | | | | | |
| Opening net book amount | 1,088,869 | 624,135 | 39,414 | 39,027 | 324,968 | 2,116,413 |
| Exchange differences | (5,951) | (458) | (197) | (215) | (18) | (6,839) |
| Additions | 33,863 | 123,080 | 12,439 | 11,016 | 294,758 | 475,156 |
| Transfers | 251,380 | 66,460 | — | 683 | (318,523) | — |
| Disposals | (7,726) | (3,552) | (1,086) | (1,433) | — | (13,797) |
| Depreciation | (43,348) | (84,731) | (12,908) | (13,248) | — | (154,235) |
| Closing net book amount | 1,317,087 | 724,934 | 37,662 | 35,830 | 301,185 | 2,416,698 |
| **At 31 December 2015** | | | | | | |
| Cost | 1,638,597 | 1,402,325 | 142,378 | 98,689 | 301,185 | 3,583,174 |
| Accumulated depreciation | (321,510) | (677,391) | (104,716) | (62,859) | — | (1,166,476) |
| Net book amount | 1,317,087 | 724,934 | 37,662 | 35,830 | 301,185 | 2,416,698 |

* *Freehold land is located in Germany. It is stated at cost of RMB3,305 thousand (2014: RMB3,473 thousand) and is not subject to depreciation.*

## 6. Property, Plant and Equipment (Continued)

Depreciation is charged to the consolidated income statement as follows:

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Cost of sales | **111,862** | 97,604 |
| General and administrative expenses | **36,604** | 36,831 |
| Selling and marketing expenses | **5,769** | 4,565 |
| | **154,235** | 139,000 |

## 7. Subsidiaries

The following are the subsidiaries, which are unlisted, at 31 December 2015:

| Name | Place of incorporation and type of legal entity | Paid in capital | Attributable equity interest to the Company Direct | Attributable equity interest to the Company Indirect | Principal activities and place of operations |
|---|---|---|---|---|---|
| Dahai (H.K.) Company Limited | Hong Kong, limited liability company | HKD10,000 | — | 100% | Trading of machinery and related accessories, Hong Kong |
| Develop Kind Ltd. | British Virgin Islands ("BVI"), limited liability company | HKD11,000 | — | 100% | Investment holding, BVI |
| Guo Hua Limited | British Virgin Islands ("BVI"), limited liability company | USD50,000 | 100% | — | Investment holding, BVI |
| Guo Hua Enterprises Group Limited | Hong Kong, limited liability company | HKD1 | — | 100% | Investment holding, Hong Kong |
| Haitian Huayuan (Hong Kong) Limited | Hong Kong, limited liability company | HKD779,999 | — | 100% | Trading of machinery and related accessories, Hong Kong |
| Haitian Huayuan Machinery (India) Private Limited | India, limited liability company | India Rupee 10,310,500 | — | 100% | Sale of plastic injection moulding machines, India |
| Haitian Huayuan Mexico Machinery, S. de R.L. de C.V. | Mexico, limited liability company | USD500,000 | — | 100% | Sale of plastic injection moulding machines, Mexico |
| Haitian Huayuan Middle East Makina Dis Ticaret Limited Sirketi | Turkey, limited liability company | Turkish Lira500,000 | — | 100% | Sale of plastic injection moulding machines, Turkey |

## 7. Subsidiaries (Continued)

| Name | Place of incorporation and type of legal entity | Paid in capital | Attributable equity interest to the Company | | Principal activities and place of operations |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Haitian Huayuan South America Com. De MAQS. Ltd | Brazil, limited liability company | Brazilian Real 5,360,000 | — | 100% | Sale of plastic injection moulding machines, Brazil |
| Haitian International Germany GmbH | Germany, limited liability company | Euro525,000 | — | 100% | Manufacture and sale of plastic injection moulding machines, Germany |
| Haitian Machinery (Thailand) Co., Ltd | Thailand, limited liability company | USD200,000 | — | 100% | Sale of plastic injection moulding machines, Thailand |
| Huayuan (Vietnam) Machinery Co., Ltd. | Vietnam, limited liability company | Vietnam Dong ("VND") 22,800,000,000 | — | 100% | Manufacture, processing and maintaining all kinds of plastic injection moulding machines, Vietnam |
| Haitian Plastic Processing Machinery Guangzhou Co., Ltd. ("Guangzhou Haitian") (海天塑料機械(廣州)有限公司) | Mainland China, wholly owned foreign enterprise | USD2,400,000 | — | 100% | Manufacture and sale of plastic injection moulding machines, Mainland China |
| Haitian Plastic Machinery Group Limited ("Haitian Plastic Machinery") (海天塑機集團有限公司) | Mainland China, wholly owned foreign enterprise | USD276,460,000 | — | 100% | Manufacture and sale of plastic injection moulding machines, Mainland China |
| Mega Power Investment Development Limited | Hong Kong, limited liability company | HKD1 | — | 100% | Investment holding, Hong Kong |
| New Choice Investment Development Limited | Hong Kong, limited liability company | HKD1 | — | 100% | Investment holding, Hong Kong |
| Ningbo Daxie Development Zone Haitian Machinery Co., Ltd. ("Daxie Haitian") (寧波大榭開發區海天機械有限公司) | Mainland China, foreign equity joint venture | USD1,550,000 | — | 100% | Manufacture and sale of plastic injection moulding machines, Mainland China |
| Ningbo Haitian Beihua Science and Technology Co., Ltd. ("Haitian Beihua") (寧波海天北化科技有限公司) | Mainland China, limited liability company | RMB10,000,000 | — | 100% | Research and development, manufacture, sale of plastic injection moulding machines, Mainland China |
| Ningbo Haitian Huayuan Co., Ltd. ("Haitian Huayuan") (寧波海天華遠機械有限公司) | Mainland China, foreign equity joint venture | USD51,000,000 | — | 100% | Manufacture and sale of plastic injection moulding machines to foreign countries, Mainland China |

## 7. Subsidiaries (Continued)

| Name | Place of incorporation and type of legal entity | Paid in capital | Attributable equity interest to the Company | | Principal activities and place of operations |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Ningbo Haitian Logistic Co., Ltd. ("Haitian Logistic") (寧波海天物流有限公司) | Mainland China, limited liability company | RMB10,000,000 | — | 100% | Logistic, sale of plastic injection moulding machines, Mainland China |
| Ningbo Haitian Plastic Machinery Software Development Co., Ltd. ("Haitian Software") (寧波海天塑機軟件開發有限公司) | Mainland China, limited liability company | RMB6,000,000 | — | 100% | Sale of software of plastic injection moulding machines, Mainland China |
| Ningbo Zhafir Plastics Machinery Co., Ltd. ("Ningbo Zhafir") (寧波長飛亞塑料機械製造有限公司) | Mainland China, foreign equity joint venture | USD30,000,000 | — | 100% | Manufacture and sale of plastic injection moulding machines, Mainland China |
| Richhigh Investments Limited | British Virgin Islands ("BVI"), limited liability company | USD1 | — | 100% | Investment holding, BVI |
| Sunnew Investments Limited | British Virgin Islands ("BVI"), limited liability company | HKD1 | — | 100% | Investment holding, BVI |
| PT. Haitian Huayuan Indonesia Machinery | Indonesia, limited liability company | USD312,500 | — | 100% | Sale of plastic injection moulding machines, Indonesia |
| Wuxi Haitian Machinery Co., Ltd. ("Wuxi Haitian") (無錫海天機械有限公司) | Mainland China, foreign equity joint venture | USD25,000,000 | — | 100% | Manufacture and sale of plastic injection moulding machines, Mainland China |
| Zhafir Plastics Machinery GmbH ("Zhafir Plastics") | Germany, limited liability company | Deutsche Mark 100,000 | — | 100% | Research and development, manufacture, sale of plastic injection moulding machines, Germany |
| Zhafir Plastics Machinery India Private Limited | India, limited liability company | India Rupee 99,990 | — | 100% | Manufacture, processing and maintaining all kinds of plastic injection moulding machines, India |

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

## 8. Investment in an Associate

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Beginning of the year | **13,489** | 10,868 |
| Increase in investment | **7,795** | – |
| Dividend received | **(11,208)** | (1,431) |
| Share of profit | **3,526** | 4,052 |
| End of the year | **13,602** | 13,489 |

Particulars of the associate, which is unlisted, are as follows, and in the opinion of the management of the Group, the associate is not material to the Group:

| Name | Place of incorporation and type of legal entity | Paid in capital | Attributable indirect equity interest to the Company | Principal activities and place of operation |
|---|---|---|---|---|
| Hangzhou Keqiang Intelligence Control System Co., Ltd. ("Hangzhou Keqiang") (杭州科強智能控制系统有限公司) | Mainland China, limited liability company | RMB17,697,252 | 49% | Manufacture and sale of intelligence control system in Mainland China |

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

Hangzhou Keqiang is a strategic supplier for the Group, and manufacture and sell intelligence control system to the Group.

Investment in an associate at 31 December 2015 includes goodwill of RMB186 thousand (2014: RMB186 thousand).

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Assets | **24,699** | 14,825 |
| Liabilities | **11,283** | 1,522 |
| Revenue | **16,184** | 13,897 |
| Profit and total comprehensive income for the year | **3,526** | 4,052 |

## 9. Inventories

| | **2015**<br>**RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| Raw materials | **697,050** | 722,674 |
| Work-in-progress | **178,068** | 176,133 |
| Finished goods | **682,319** | 778,351 |
| | **1,557,437** | 1,677,158 |

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB4,912,910 thousand (2014: RMB5,102,440 thousand).

As at 31 December 2015, a batch of inventories with cost of RMB123,140 thousand (2014: RMB121,836 thousand) was considered obsolete. A provision of RMB110,961 thousand (2014: RMB106,693 thousand) was made as at 31 December 2015.

## 10. Trade and Bills Receivables

| | **2015**<br>**RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| Trade and bills receivables | **2,466,146** | 2,266,145 |
| Less: provision for impairment | **(51,921)** | (48,733) |
| | **2,414,225** | 2,217,412 |

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

As at 31 December 2015, there was no individual customer with outstanding balance exceeding 10% of the Group's total trade and bills receivables (2014: None).

## 10 Trade and Bills Receivables (Continued)

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

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Up to 6 months | **2,024,710** | 1,926,194 |
| 6 months to 1 year | **243,789** | 193,590 |
| 1 year to 2 years | **126,594** | 108,900 |
| 2 year to 3 years | **50,364** | 15,215 |
| Over 3 years | **20,689** | 22,246 |
| | **2,466,146** | 2,266,145 |

As at 31 December 2015, trade receivables of RMB25,183 thousand (2014: RMB26,103 thousand) were past due but considered not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Up to 6 months | **2,452** | 2,019 |
| 6 months to 1 year | **5,959** | 6,750 |
| 1 year to 2 years | **7,441** | 6,883 |
| 2 year to 3 years | **5,901** | 5,605 |
| Over 3 years | **3,430** | 4,846 |
| | **25,183** | 26,103 |

As at 31 December 2015, trade receivables of approximately RMB58,875 thousand (2014: RMB61,026 thousand) were impaired, and a related provision of RMB51,921 thousand (2014: RMB48,733 thousand) was provided. The individually impaired receivables relate to different customers. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Up to 3 years | **41,616** | 43,626 |
| Over 3 years | **17,259** | 17,400 |
| | **58,875** | 61,026 |

## 10 Trade and Bills Receivables (Continued)

Trade and bills receivables are denominated in the following currencies:

| | **2015**<br>**RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| RMB | **1,795,148** | 1,648,203 |
| USD | **467,410** | 451,122 |
| Euro | **138,896** | 110,600 |
| Brazilian Real | **23,260** | 36,762 |
| VND | **21,192** | 16,315 |
| Others | **20,240** | 3,143 |
| | **2,466,146** | 2,266,145 |

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

| | **2015**<br>**RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| At 1 January | **48,733** | 44,269 |
| Provision for impairment of trade receivables | **3,908** | 8,390 |
| Written off as uncollectible | **(720)** | (3,926) |
| At 31 December | **51,921** | 48,733 |

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

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

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

The Group does not hold any collateral as security.

## 11. Prepayments, Deposits and Other Receivables

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Receivables in relation to buyers' credit *(i)* | **19,635** | 18,314 |
| Prepayments and deposits | | |
| — for purchases of raw materials | **8,983** | 4,298 |
| — others | **18,631** | 18,169 |
| Value Added Tax recoverable | **71,760** | 94,241 |
| Value Added Tax refundable | **9,818** | 8,247 |
| Loans to employees | | |
| — Loans to key management *(Note 36(c))* | **1,010** | 695 |
| — Loans to other employees *(ii)* | **19,600** | 19,991 |
| Entrusted loans | **541,964** | 581,500 |
| Interest receivables | **15,478** | 15,690 |
| Structured bank deposits | **10,000** | — |
| Others | **20,850** | 17,623 |
| | **737,729** | 778,768 |
| Less non-current portion: | | |
| Loans to other employees *(ii)* | **(10,595)** | (10,925) |
| Entrusted loans *(iii)* | **(500,000)** | (500,000) |
| Current portion | **227,134** | 267,843 |

*Note:*

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

*(ii)* *Loans to other employees are for their housing and car purchasing. The loans are due within six years, with interest bearing at rates ranging from 0% to 3.4% (2014: from 0% to 3.4%) per annum as at 31 December 2015.*

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

## 11. Prepayments, Deposits and Other Receivables (Continued)

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Loans to other employees | **9,831** | 9,984 |
| Entrusted loans | **500,000** | 500,000 |
| | **509,831** | 509,984 |

The fair values of loans to other employees are based on cash flows discounted using a rate based on the borrowings rate of 3.0% (2014: 3.7%) and are within level 3 of the fair value hierarchy.

The fair values of entrusted loans are based on cash flows discounted using a rate based on the borrowings rate of 4.9% (2014: 6.15%) and are within level 3 of the fair value hierarchy.

The fair values of other receivables approximate their carrying amounts.

## 12. Financial Instruments by Category

| | Loans and receivables<br>RMB'000 | Available-for-sale<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|
| **31 December 2015** | | | |
| **Assets as per balance sheet** | | | |
| Available-for-sale financial assets | — | **2,812,987** | **2,812,987** |
| Trade and other receivables excluding prepayments | **3,042,762** | — | **3,042,762** |
| Cash and cash equivalents | **2,349,458** | — | **2,349,458** |
| Restricted cash | **164,010** | — | **164,010** |
| **Total** | **5,556,230** | **2,812,987** | **8,369,217** |

## 12. Financial Instruments by Category (Continued)

| | Liabilities at fair value through the profit & loss RMB'000 | Derivatives RMB'000 | Other financial liabilities at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Liabilities as per balance sheet** | | | | |
| Borrowings | — | — | 435,961 | 435,961 |
| Convertible bonds | 1,270,356 | — | — | 1,270,356 |
| Derivative financial instruments | — | 414 | — | 414 |
| Trade and other payables excluding non-financial liabilities | — | — | 2,287,759 | 2,287,759 |
| **Total** | 1,270,356 | 414 | 2,723,720 | 3,994,490 |

| | Loans and receivables RMB'000 | Available-for-sale RMB'000 | Total RMB'000 |
|---|---|---|---|
| **31 December 2014** | | | |
| **Assets as per balance sheet** | | | |
| Available-for-sale financial assets | — | 2,106,524 | 2,106,524 |
| Trade and other receivables excluding prepayments | 2,871,225 | — | 2,871,225 |
| Cash and cash equivalents | 2,202,827 | — | 2,202,827 |
| Restricted cash | 152,810 | — | 152,810 |
| **Total** | 5,226,862 | 2,106,524 | 7,333,386 |

| | Liabilities at fair value through the profit & loss RMB'000 | Derivatives RMB'000 | Other financial liabilities at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Liabilities as per balance sheet** | | | | |
| Convertible bonds | 1,225,746 | — | — | 1,225,746 |
| Derivative financial instruments | — | 4,606 | — | 4,606 |
| Trade and other payables excluding non-financial liabilities | — | — | 2,525,421 | 2,525,421 |
| **Total** | 1,225,746 | 4,606 | 2,525,421 | 3,755,773 |

## 13. Available-for-sale Financial Assets

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| At 1 January | **2,106,524** | 1,469,294 |
| Additions | **6,250,208** | 3,917,100 |
| Disposals | **(5,551,708)** | (3,294,600) |
| Net gains transfer to equity *(Note 16)* | **7,963** | 14,730 |
| At 31 December | **2,812,987** | 2,106,524 |
| Less non-current portion | **—** | (50,402) |
| Current portion | **2,812,987** | 2,056,122 |

Available-for-sale financial assets are RMB denominated financial products with expected return rate ranging from 2.1% to 8.1% (2014: 4.7% to 9.9%) per annum and with maturity dates between 2 days and 351 days (2014: between 5 days and 424 days). None of these assets is either past due or impaired (2014: None).

Bank borrowings are secured by available-for-sale financial assets for the value of RMB100,000 thousand (2014: Nil) (Note 19).

## 14. Restricted Bank Deposits and Cash and Cash Equivalents

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Restricted bank deposits — current | **114,010** | 152,810 |
| Restricted bank deposits — non-current | **50,000** | — |
| Total restricted bank deposits | **164,010** | 152,810 |
| Cash at bank and in hand | **1,598,165** | 1,442,169 |
| Short-term bank deposits | **751,293** | 760,658 |
| Cash and cash equivalents | **2,349,458** | 2,202,827 |
| | **2,513,468** | 2,355,637 |

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

Restricted bank deposits are bank deposits that could not be drawn until they mature, some of which are related to the finance facilities granted by banks for issuing bills payable, or pledged for bank borrowings.

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

As at 31 December 2015, the weighted average effective interest rate on restricted bank deposits and cash and cash equivalents of the Group is 1.01% (2014: 1.29%) per annum.

The restricted bank deposits have maturities of 6 months to 24 months at inception (2014: 6 months). The short-term bank deposits have maturities ranging from 6 months to 12 months at inception (2014: ranging from 6 months to 12 months).

Restricted bank deposits amounted to RMB51,350 thousand are pledged for bank borrowings (2014: Nil) (Note 19).

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

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| RMB | **2,091,249** | 1,997,532 |
| USD | **241,630** | 227,560 |
| Euro | **131,286** | 73,206 |
| VND | **11,531** | 479 |
| Brazilian Real | **8,360** | 16,085 |
| HKD | **3,305** | 3,052 |
| Others | **26,107** | 37,723 |
| | **2,513,468** | 2,355,637 |

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

## 15. Share Capital

| | **Authorised share capital** | | |
|---|---|---|---|
| | **Number of shares** '000 | **Amount** HKD'000 | **Amount** RMB'000 |
| As at 1 January 2014, 31 December 2014, and 31 December 2015 (shares with a par of HKD0.1 per share) | 5,000,000 | 500,000 | 502,350 |

## 15. Share Capital (Continued)

| | Issued and fully paid | | |
|---|---|---|---|
| | Number of shares '000 | Amount HKD'000 | Amount RMB'000 |
| As at 1 January 2014, 31 December 2014, and 31 December 2015 (shares with a par of HKD0.1 per share) | 1,596,000 | 159,600 | 160,510 |

## 16. Reserves

| | Share premium RMB'000 | Merger reserve RMB'000 | Statutory reserves RMB'000 *(note i)* | Available-for-sale financial assets RMB'000 | Translation differences RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **At 1 January 2014** | 1,331,913 | 152,573 | 492,898 | 12,294 | (16,822) | 4,033,890 | 6,006,746 |
| Profit for the year | — | — | — | — | — | 1,305,016 | 1,305,016 |
| Change in value of available-for-sale financial assets *(Note 13)* | — | — | — | 14,730 | — | — | 14,730 |
| Appropriations | — | — | 130,890 | — | — | (130,890) | — |
| Dividend paid | | | | | | | |
| — 2013 second interim | — | — | — | — | — | (202,273) | (202,273) |
| — 2014 interim *(Note 33)* | — | — | — | — | — | (202,782) | (202,782) |
| Currency translation differences | — | — | — | — | 2,360 | — | 2,360 |
| **At 31 December 2014** | 1,331,913 | 152,573 | 623,788 | 27,024 | (14,462) | 4,802,961 | 6,923,797 |
| Profit for the year | — | — | — | — | — | 1,363,335 | 1,363,335 |
| Change in value of available-for-sale financial assets *(Note 13)* | — | — | — | 7,963 | — | — | 7,963 |
| Appropriations | — | — | 37,588 | — | — | (37,588) | — |
| Dividend paid | | | | | | | |
| — 2014 second interim *(Note 33)* | — | — | — | — | — | (227,365) | (227,365) |
| — 2015 interim *(Note 33)* | — | — | — | — | — | (210,779) | (210,779) |
| Currency translation differences | — | — | — | — | 2,847 | — | 2,847 |
| **At 31 December 2015** | 1,331,913 | 152,573 | 661,376 | 34,987 | (11,615) | 5,690,564 | 7,859,798 |

## 16. Reserves (Continued)

### (i) Statutory reserves

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

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

| | Statutory reserve fund | Statutory welfare fund | Enterprise expansion fund | Discretionary reserve fund | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2014 | 32,438 | 556 | 361,748 | 98,156 | 492,898 |
| Additions | — | — | 130,890 | — | 130,890 |
| At 31 December 2014 | 32,438 | 556 | 492,638 | 98,156 | 623,788 |
| Additions | — | — | 37,588 | — | 37,588 |
| At 31 December 2015 | 32,438 | 556 | 530,226 | 98,156 | 661,376 |

## 17. Trade and Bills Payables

| | **2015** | 2014 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Trade payables | **859,374** | 1,021,711 |
| Bills payable | **665,100** | 682,500 |
| Trade and bills payables | **1,524,474** | 1,704,211 |
| Due to related parties *(Note 36(b))* | **118,258** | 202,297 |
| | **1,642,732** | 1,906,508 |

## 17. Trade and Bills Payables (Continued)

The ageing analysis of the trade and bills payables based on invoice date is as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Up to 6 months | **1,641,669** | 1,905,214 |
| 6 months to 1 year | **190** | 138 |
| 1 year to 2 years | **86** | 92 |
| Over 2 years | **787** | 1,064 |
| | **1,642,732** | 1,906,508 |

Trade and bills payables are denominated in the following currencies:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| RMB | **1,617,293** | 1,882,339 |
| USD | **6,472** | 8,755 |
| Euro | **14,496** | 12,592 |
| JPY | **632** | 1,752 |
| HKD | **22** | 20 |
| Others | **3,817** | 1,050 |
| | **1,642,732** | 1,906,508 |

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

## 18. Accruals and Other Payables

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Welfare payables | **64,525** | 41,695 |
| Salaries, wages and bonus payables | **72,355** | 72,045 |
| Sales commission and expenses payables | **420,341** | 481,197 |
| Customers deposits | **559,453** | 530,192 |
| Payable for purchase of property, plant and equipment | **48,378** | 38,707 |
| Accrued operating expenses | **23,597** | 29,023 |
| Value Added Tax payables | **24,467** | 18,011 |
| Deferred income — current portion *(Note 21)* | **351** | 369 |
| Interest payables | **10,693** | 10,057 |
| Other payables | **26,503** | 39,957 |
| | **1,250,663** | 1,261,253 |

## 19. Bank Borrowings

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Secured *(i)* | **150,000** | — |
| Unsecured | **285,961** | — |
| | **435,961** | — |

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| At floating rate in EUR | **248,056** | — |
| At floating rate in RMB | **150,000** | — |
| At floating rate in JPY | **37,905** | — |
| | **435,961** | — |

*(i) Bank borrowings are secured by restricted bank deposits amounted to RMB51,350 thousand (Note 14) and available-for-sale amounted to RMB100,000 thousand (Note 13).*

## 19. Bank Borrowings (Continued)

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

| | **2015** | 2014 |
|---|---|---|
| EUR | **0.9%** | — |
| RMB | **2.7%** | — |
| JPY | **1.4%** | — |

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

## 20. Derivative Financial Instruments

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Forward foreign exchange contracts — held-for-trading | **414** | 4,606 |

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were USD4,000 thousand (2014: USD16,500 thousand).

## 21. Deferred Income

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Deferred government grants | **10,135** | 11,019 |
| Less: Current portion included in current liabilities *(Note 18)* | **(351)** | (369) |
| | **9,784** | 10,650 |

Movements are as follows:

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| At 1 January | **11,019** | 12,859 |
| Exchange differences | **(533)** | (1,471) |
| Amortised as income *(Note 26)* | **(351)** | (369) |
| At 31 December | **10,135** | 11,019 |

## 22. Deferred Income Tax

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Deferred income tax assets to be recovered within 12 months | **49,291** | 53,311 |
| Deferred income tax liabilities to be settled after more than 12 months | **173,110** | 129,125 |
| Deferred income tax liabilities to be settled within 12 months | **22,301** | 21,748 |
| | **195,411** | 150,873 |

The movements in deferred income tax assets are as follows:

| | Provisions and accruals<br>RMB'000 | Unrealised profit on inventories<br>RMB'000 | Tax losses<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **At 1 January 2014** | 37,817 | 12,312 | 449 | 50,578 |
| Recognised in the consolidated income statement | 2,099 | 1,083 | (449) | 2,733 |
| **At 31 December 2014** | 39,916 | 13,395 | — | 53,311 |
| Recognised in the consolidated income statement | (6,451) | 2,431 | — | (4,020) |
| **At 31 December 2015** | 33,465 | 15,826 | — | 49,291 |

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB50,751 thousand (2014: RMB62,663 thousand) in respect of losses amounting to RMB185,735 thousand (2014: RMB232,213 thousand) that can be carried forward against future taxable income. Cumulative tax losses of RMB184,704 thousand (2014: RMB232,213 thousand) can be carried forward indefinitely.

## 22. Deferred Income Tax (Continued)

The movements in deferred income tax liabilities are as follows:

| | Withholding tax RMB'000 | Accelerated tax depreciation RMB'000 | Total RMB'000 |
|---|---|---|---|
| **At 1 January 2014** | 111,593 | — | 111,593 |
| Recognised in the consolidated income statement | 54,371 | — | 54,371 |
| Transferred to tax payable | (15,091) | — | (15,091) |
| **At 31 December 2014** | 150,873 | — | 150,873 |
| Recognised in the consolidated income statement | 54,845 | 5,911 | 60,756 |
| Transferred to tax payable | (16,218) | — | (16,218) |
| **At 31 December 2015** | 189,500 | 5,911 | 195,411 |

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

The Group provide for the deferred income tax liabilities on the unremitted earnings except for those amount expected to be reinvested. Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB2,324,055 thousand at 31 December 2015 (2014: RMB2,049,830 thousand). As at 31 December 2015, deferred income tax liabilities of RMB116,203 thousand (2014: RMB102,491 thousand) have not been recognised for the withholding tax that would be payable on such unremitted earnings of certain subsidiaries.

## 23. Convertible Bonds

On 13 February 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of USD200,000 thousand (equivalent to approximately RMB1,221,400 thousand). Interest of 2.00% per annum will be paid semi-annually. The convertible bonds may be converted into ordinary shares of the company, at the option of holder thereof, at any time after 26 March, 2014 up to the close of business on the day falling seven days prior to 13 February 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment) of HKD24.6740 per share.

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

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

## 23. Convertible Bonds (Continued)

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

| | **Convertible bonds** RMB'000 |
|---|---|
| **At 1 January 2014** | — |
| Issue of convertible bonds during the period | 1,221,400 |
| Change in fair value of convertible bonds | 4,346 |
| **At 31 December 2014** | 1,225,746 |
| Change in fair value of convertible bonds | 44,610 |
| **At 31 December 2015** | 1,270,356 |

The fair value of the convertible bonds as at 31 December 2015 is approximately USD195,632 thousand (2014: USD200,318 thousand), equivalent to approximately RMB1,270,356 thousand (2014: RMB1,225,746 thousand), which is determined by valuation technique using observable inputs (Level 2): quoted prices for identical or similar instruments in active markets.

## 24. Revenue and Segment Information

| | **2015** **RMB'000** | 2014 RMB'000 |
|---|---|---|
| Sales of plastic injection moulding machines and related products | **7,336,445** | 7,560,266 |

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and senior management. The executive committee reviews the Group's internal reporting in order to assess performance and allocate resources. Based on these internal reports, the executive committee has determined that no segment information is presented as substantially all of the Group's sales and operating profits are derived from the sales of plastic injection moulding machines, and no geographical segment information is presented as management reviews the business performance based on type of business, not geographically.

## 24. Revenue and Segment Information (Continued)

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Mainland China | **4,981,093** | 5,184,244 |
| Hong Kong and overseas countries | **2,355,352** | 2,376,022 |
| | **7,336,445** | 7,560,266 |

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

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Total non-current assets other than restricted bank deposits, financial assets and deferred income tax assets | | |
| — Mainland China | **2,691,324** | 2,420,495 |
| — Hong Kong and overseas countries | **120,639** | 100,966 |

## 25. Expenses by Nature

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Depreciation and amortisation *(Notes 5 and 6)* | **162,964** | 147,481 |
| Raw materials and consumables used | **4,242,767** | 4,622,365 |
| Changes in inventories of finished goods and work in progress | **92,546** | (54,656) |
| Operating lease for buildings | **12,861** | 5,485 |
| Sales commission and after-sales service expenses | **358,542** | 403,802 |
| Provision for impairment of trade receivables *(Note 10)* | **3,908** | 8,390 |
| Provision for write-down of inventories *(Note 9)* | **4,268** | 5,086 |
| Employment costs *(Note 28)* | **688,967** | 632,192 |
| Freight charges | **53,424** | 61,064 |
| Utilities | **74,235** | 71,447 |
| Travelling expenses | **24,507** | 23,824 |
| Auditor's remuneration | | |
| — Audit services | **3,150** | 3,150 |
| Others | **226,173** | 229,919 |
| Total cost of sales, selling and marketing expenses and general and administrative expenses | **5,948,312** | 6,159,549 |

## 26. Other Income

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Government grants *(i)* | **103,996** | 97,956 |
| Amortisation of deferred income *(Note 21)* | **351** | 369 |
| | **104,347** | 98,325 |

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

## 27. Other Gains/(Losses) — Net

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Net foreign exchange gains/(losses) | **34,422** | (18,915) |
| Gains on disposals of property, plant and equipment and land use rights, net | **8,026** | 277 |
| Others | **10,578** | 5,502 |
| | **53,026** | (13,136) |

## 28. Employment Costs

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Salaries, wages and bonus | **539,970** | 508,534 |
| Pension cost — defined contribution plans *(i)* | **46,864** | 30,781 |
| Other benefits *(ii)* | **102,133** | 92,877 |
| | **688,967** | 632,192 |

*(i) Pension cost — defined contribution plans*

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

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

*(ii) Other benefits*

*In addition, the Group's employees in Mainland China participate in state-sponsored employee social security plans, including medical, housing and other welfare benefits. The Group contributes 7% to 11% of employees' basic salaries to the medical plan and 8% to 10% of employees' basic salaries to the housing plan. The Group has no further obligation beyond the contributions.*

## 29. Directors and Senior Management's Emoluments

### (a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included three (2014: three) directors whose emoluments are reflected in the analysis presented in Note 38. The emoluments payable to the remaining two (2014: two) individuals during the year are as follows:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Salaries | 1,896 | 1,944 |
| Other benefits | 58 | 49 |
| | 1,954 | 1,993 |

The emoluments fall within the following bands:

| | Number of individuals | |
|---|---|---|
| | 2015 | 2014 |
| Nil — HKD1,000,000 (equivalent to approximately RMB838,000) | 4 | 3 |
| HKD1,000,001 (equivalent to approximately RMB838,000) — HKD1,500,000 (equivalent to approximately RMB1,257,000) | 1 | 2 |

(b) During the year ended 31 December 2015, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

## 30. Finance Income/Costs

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Finance costs: | | |
| Change in fair value of convertible bonds | | |
| — resulted from change in exchange rate | **(74,920)** | (2,400) |
| — resulted from change in bond value | **30,310** | (1,946) |
| Issuing expense of convertible bonds | **—** | (24,316) |
| Interest expense | **(27,483)** | (22,955) |
| Net foreign exchange losses | **(4,948)** | — |
| | **(77,041)** | (51,617) |
| Finance income: | | |
| Interest income on restricted bank deposits and cash and cash equivalents | **39,485** | 47,550 |
| Interest income on financial products | **125,095** | 87,276 |
| Interest income on entrusted loans | **39,731** | 27,849 |
| Net foreign exchange losses | **—** | (4,583) |
| | **204,311** | 158,092 |
| Finance income, net | **127,270** | 106,475 |

## 31. Income Tax Expense

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Current income tax | | |
| — Mainland China enterprise income tax | **245,726** | 237,148 |
| — Overseas income tax | **2,465** | 2,631 |
| Deferred taxation *(Note 22)* | **64,776** | 51,638 |
| | **312,967** | 291,417 |

## 31. Income Tax Expense (Continued)

Haitian Plastic Machinery and Haitian Huayuan qualified as High and New Technology Enterprises ("HNTE") in 2014. Wuxi Haitian qualified as HNTE in 2015 and Ningbo Zhafir qualified as HNTE in 2013. These entities were entitled to a reduced income tax rate of 15% for three years commencing from the first year when these entities were granted HNTE status. They are required to re-apply for preferential tax treatment after the current preferential tax periods expire.

The other major operating subsidiaries in Mainland China are subject to enterprise income tax rate of 25% for the year 2015 (2014: 25%).

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the taxable income for the year 2015 (2014: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2015 at the applicable rates of taxation prevailing in the countries in which the Group operates.

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

| | **2015<br>RMB'000** | 2014<br>RMB'000 |
|---|---|---|
| Profit before income tax, after excluding share of profit of an associate | **1,672,776** | 1,592,381 |
| Tax calculated at domestic tax rates applicable to profits of the respective subsidiaries | **366,369** | 365,631 |
| Expenses not deductible for tax purpose | **74,992** | 55,556 |
| Tax losses for which no deferred income tax assets were recognised | **1,751** | 16,847 |
| Effect of tax exemption | **(184,990)** | (200,988) |
| Effect of withholding tax at 5% on certain unremitted profits of subsidiaries in Mainland China | **54,845** | 54,371 |
| Income tax expense | **312,967** | 291,417 |
| Weighted average applicable tax rate | **18.7%** | 18.3% |

Share of income tax expense of an associate for the year ended 31 December 2015 amounting to RMB488 thousand (2014: RMB719 thousand) was included in the consolidated income statement in the share of profit of an associate.

For the year ended 31 December 2015, there was no tax charge relating to components of other comprehensive income (2014: Nil).

## 32. Earnings Per Share

### (a) Basic

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

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Profit attributable to owners of the Company | **1,363,335** | 1,305,016 |
| Weighted average number of ordinary shares in issue (thousands) | **1,596,000** | 1,596,000 |
| Basic EPS (RMB per share) | **0.85** | 0.82 |

### (b) Diluted

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

For the year ended 31 December 2015, diluted earnings per share is equal to basic earnings per share as the conversion of convertible bonds to ordinary shares would have anti-dilutive effect. Diluted earnings per share for the year ended 31 December 2014 was set out below:

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

## 33. Dividends

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Interim dividend paid of HK16.0 cents (2014: HK16.0 cents) per ordinary share | **210,779** | 202,782 |
| Second interim dividend of HK19.0 cents (2014: HK18.0 cents) per ordinary share | **254,197** | 227,365 |
| | **464,976** | 430,147 |

On 9 March 2016, the Company's Board of Directors has declared payment of a second interim dividend of HK19.0 cents per share for the year ended 31 December 2015 (2014: HK18.0 cents per share). The second interim dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings in the year ending 31 December 2016.

## 34. Notes to the Consolidated Statement of Cash Flows

### (a) Cash generated from operations

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Profit before income tax | **1,676,302** | 1,596,433 |
| Adjustments for: | | |
| — share of profit of an associate *(Note 8)* | **(3,526)** | (4,052) |
| — amortisation of land use rights *(Note 5)* | **8,729** | 8,481 |
| — depreciation of property, plant and equipment *(Note 6)* | **154,235** | 139,000 |
| — amortisation of deferred income *(Note 21)* | **(351)** | (369) |
| — gains on disposal of property, plant and equipment and land use right *(Note 27)* | **(8,026)** | (277) |
| — provision for impairment of trade receivables *(Note 25)* | **3,908** | 8,390 |
| — provision for write-down of inventories *(Note 25)* | **4,268** | 5,086 |
| — fair value (gains)/losses on derivative financial instruments | **(6,483)** | 1,590 |
| — finance income — net *(Note 30)* | **(127,270)** | (106,475) |
| Changes in working capital: | | |
| — increase in restricted bank deposits | **(11,200)** | (22,600) |
| — (increase)/decrease in trade and other receivables | **(181,200)** | 41,666 |
| — decrease/(increase) in inventories | **115,453** | (70,708) |
| — (decrease)/increase in trade and bills payables | **(263,776)** | 10,633 |
| — (decrease)/increase in accruals and other payables | **(35,143)** | 74,962 |
| Cash generated from operations | **1,325,920** | 1,681,760 |

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

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Net book amount *(Note 5 and 6)* | **14,957** | 1,314 |
| Gains on disposal of property, plant and equipment and land use rights *(Note 27)* | **8,026** | 277 |
| Less: Other receivables | **(8,232)** | — |
| Proceeds from disposal of property, plant and equipment and land use rights | **14,751** | 1,591 |

## 35. Commitments

### (a) Capital commitments

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Acquisition of property, plant and equipment | | |
| — Contracted but not provided for | **283,698** | 284,443 |

### (b) Operating lease commitments

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

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

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Not later than 1 year | **13,850** | 12,933 |
| Later than 1 year and no later than 5 years | **566** | 116 |
| | **14,416** | 13,049 |

## 36. Related Party Transactions

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

The Group is controlled by Sky Treasure Capital Limited (the immediate holding company), a company incorporated in the British Virgins Islands, which owns 59.77% of the Company's shares. The Company's directors regard Sky Treasure Capital Limited as being the ultimate holding company.

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

| **Company name** | **Relationships** |
|---|---|
| Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision") (寧波海天精工機械有限公司) | Controlled by directors of the Group |
| Ningbo Anson CNC Technique Co., Ltd. ("Ningbo Anson") (寧波安信數控技術有限公司) | Controlled by directors of the Group |
| Hangzhou Keqiang Intelligence Control System Co., Ltd. ("Hangzhou Keqiang") (杭州科强智能控制系統有限公司) | Associate of the Group |
| Ningbo Haitian Property Co., Ltd. ("Haitian Property") (寧波海天置業有限公司) | Controlled by directors of the Group |
| Ningbo STF Hydraulic Transmissions Co., Ltd. ("Ningbo STF") (寧波斯達弗液壓傳動有限公司) | Controlled by directors of the Group |
| Ningbo Haitian Drive Systems Co., Ltd. ("HDS") (海天驅動有限公司) | Controlled by directors of the Group |
| Ningbo Haitian Table Tennis Club Co., Ltd. ("Table Tennis Club") (寧波海天乒乓球俱樂部有限公司) | Controlled by directors of the Group |
| Ningbo SPP Hydraulics Co.,Ltd. ("Ningbo SPP") (寧波住精液壓工業有限公司) | Controlled by directors of the Group |
| Haidun Economic and Trade Industrial Co., Ltd ("Haidun") (海頓經貿實業有限公司) | Controlled by directors of the Group |
| Ningbo Hilectro Precision Machinery Co., Ltd. ("Hilectro Precision") (寧波海邁克精密機械製造有限公司) | Controlled by directors of the Group |

## 36. Related Party Transactions (Continued)

### (a) Transactions with related parties:

The following material transactions were carried out with related parties:

| | | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|---|
| (i) | Purchases of goods from: | | |
| | Ningbo Anson | **476,026** | 551,006 |
| | Ningbo STF | **111,167** | 118,404 |
| | Hangzhou Keqiang | **23,206** | 26,472 |
| | Hilectro Precision | **9,640** | 7,757 |
| | Ningbo SPP | **1,586** | 1,608 |
| | | **621,625** | 705,247 |
| (ii) | Purchase of equipment from: | | |
| | Haitian Precision | **104,734** | 46,312 |
| (iii) | Rental fees paid to: | | |
| | HDS | **2,880** | – |
| (iv) | Advertisement fees paid to: | | |
| | Table Tennis Club | **10,019** | 9,349 |

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.

## 36. Related Party Transactions (Continued)

### (b) Balances with related parties:

The Group had the following significant balances with its related parties as at 31 December 2015 and 2014:

| | 2015<br>RMB'000 | 2014<br>RMB'000 |
|---|---|---|
| Payables arising from purchase of goods: | | |
| — Ningbo Anson | **73,916** | 157,338 |
| — Ningbo STF | **32,736** | 37,567 |
| — Hangzhou Keqiang | **6,965** | 3,674 |
| — Hilectro Precision | **4,022** | 2,760 |
| — Ningbo SPP | **619** | 958 |
| | **118,258** | 202,297 |
| Payables arising from purchase of equipment: | | |
| — Haitian Precision | **4,671** | 8,779 |

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

## 36. Related Party Transactions (Continued)

### (b) Balances with related parties: (Continued)

Maximum balances outstanding for amounts due from/to related parties for the year ended 31 December 2015 and 2014 were as follows:

| | **2015** **RMB'000** | 2014 RMB'000 |
|---|---|---|
| Receivables arising from rental service: | | |
| — Haidun | **—** | 390 |
| — Haitian Property | **165** | 263 |
| — Ningbo Anson | **464** | — |
| — Haitian Precision | **1,320** | — |
| | **1,949** | 2,058 |
| Payables arising from purchase of goods: | | |
| — Ningbo Anson | **112,626** | 252,678 |
| — Ningbo STF | **44,985** | 53,965 |
| — Hangzhou Keqiang | **8,337** | 8,459 |
| — HDS | **—** | 8,078 |
| — Hilectro Precision | **4,129** | 3,571 |
| — Ningbo SPP | **858** | 1,460 |
| | **170,935** | 328,211 |
| Payables arising from purchase of equipment: | | |
| — Haitian Precision | **4,671** | 15,200 |

## 36. Related Party Transactions (Continued)

### (c) Loans to related parties

| | 2015 RMB'000 | 2014 RMB'000 |
|---|---|---|
| Loans to key management | | |
| At 1 January | **695** | 680 |
| Loans advanced during the year | **760** | 1,119 |
| Loan repayments received | **(445)** | (1,104) |
| At 31 December | **1,010** | 695 |

The loans advanced to key management have the following terms and conditions:

| Name of key management | Amount of loan At end of year RMB'000 | At beginning of year RMB'000 | Term | Interest rate |
|---|---|---|---|---|
| **2015** | | | | |
| Mr Zhang Jianming | 684 | 330 | Repayable on demand | Nil |
| Mr Zhang Jianfeng | 326 | 365 | Repayable on demand | Nil |
| **2014** | | | | |
| Mr Zhang Jianming | 330 | 263 | Repayable on demand | Nil |
| Mr Zhang Jianfeng | 365 | 417 | Repayable on demand | Nil |

No provision has been required in 2015 and 2014 for the loans made to key management personnel and associates.

## 36. Related Party Transactions (Continued)

### (d) Key management compensation:

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

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Salaries and bonus | **7,976** | 7,983 |
| Pension costs | **88** | 76 |
| Other benefits | **223** | 218 |
| | **8,287** | 8,277 |

### (e) Related party commitments:

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

| | **2015 RMB'000** | 2014 RMB'000 |
|---|---|---|
| Capital commitment for acquisition of property, plant and equipment | | |
| — Haitian Precision | **4,346** | 100,946 |

## 37. Balance Sheet and Reserve Movement of the Company

### Balance sheet of the Company

| | Note | As at 31 December<br>**2015**<br>**RMB'000** | <br>2014<br>RMB'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | **778,077** | 778,077 |
| Due from subsidiaries | | **1,369,470** | 1,289,520 |
| | | **2,147,547** | 2,067,597 |
| **Current assets** | | | |
| Due from subsidiaries | | **2,615,089** | 2,173,670 |
| Cash and cash equivalents | | **107** | 98 |
| | | **2,615,196** | 2,173,768 |
| **Total assets** | | **4,762,743** | 4,241,365 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Share capital | | **160,510** | 160,510 |
| Share premium | *i* | **1,331,913** | 1,331,913 |
| Other reserves | *i* | **314,789** | 314,789 |
| Retained earnings | *i* | **458,829** | 482,777 |
| **Total equity** | | **2,266,041** | 2,289,989 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Convertible bonds | | **1,270,356** | 1,225,746 |
| | | **1,270,356** | 1,225,746 |
| **Current liabilities** | | | |
| Due to subsidiaries | | **1,215,891** | 715,788 |
| Other payables | | **10,455** | 9,842 |
| | | **1,226,346** | 725,630 |
| **Total liabilities** | | **2,496,702** | 1,951,376 |
| **Total equity and liabilities** | | **4,762,743** | 4,241,365 |

## 37. Balance Sheet and Reserve Movement of the Company (Continued)

**Note (i) Reserve movement of the Company**

| | **Share premium** RMB'000 | **Contributed surplus** RMB'000 | **Retained earnings** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| At 1 January 2014 | 1,331,913 | 314,789 | 659,977 | 2,306,679 |
| Profit for the year | — | — | 227,855 | 227,855 |
| Dividend paid | | | | |
| — 2013 second interim | — | — | (202,273) | (202,273) |
| — 2014 interim *(Note 33)* | — | — | (202,782) | (202,782) |
| At 31 December 2014 | 1,331,913 | 314,789 | 482,777 | 2,129,479 |
| Profit for the year | — | — | 414,196 | 414,196 |
| Dividend paid | | | | |
| — 2014 second interim *(Note 33)* | — | — | (227,365) | (227,365) |
| — 2015 interim *(Note 33)* | — | — | (210,779) | (210,779) |
| At 31 December 2015 | 1,331,913 | 314,789 | 458,829 | 2,105,531 |

## 38. Benefits and Interests of Directors

### (a) Directors' emoluments

The remuneration of every director is set out below:

| | Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Fees** RMB'000 | **Salaries** RMB'000 | **Pension cost** RMB'000 | **Estimated value of other benefits** RMB'000 | **Total** RMB'000 |
| **2015** | | | | | |
| Executive directors | | | | | |
| — Mr. Zhang Jingzhang | — | 700 | — | 18 | 718 |
| — Mr. Zhang Jianming (CEO) | — | 730 | 7 | 26 | 763 |
| — Mr. Zhang Jianfeng | — | 680 | 7 | 26 | 713 |
| — Mr. Zhang Jianguo | — | 550 | 7 | 26 | 583 |
| — Ms. Chen Ningning | — | 460 | 7 | 26 | 493 |
| | — | 3,120 | 28 | 122 | 3,270 |
| Non-executive director | | | | | |
| — Professor Helmut Helmar Franz | — | 559 | — | — | 559 |
| — Mr. Guo Mingguang | — | — | — | — | — |
| — Mr. Liu Jianbo | — | — | — | — | — |
| | — | 559 | — | — | 559 |
| Independent non-executive directors | | | | | |
| — Mr. Jin Hailiang | 78 | — | — | — | 78 |
| — Mr. Gao Xunxian | 78 | — | — | — | 78 |
| — Mr. Lou Baijun | 78 | — | — | — | 78 |
| — Dr. Steven Chow | 81 | — | — | — | 81 |
| | 315 | — | — | — | 315 |
| | 315 | 3,679 | 28 | 122 | 4,144 |

## 38. Benefits and Interests of Directors (Continued)

### (a) Directors' emoluments (Continued)

| | Emoluments paid or receivable in respect of a person's services as a director, whether of the company or its subsidiary undertaking | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Fees** RMB'000 | **Salaries** RMB'000 | **Pension cost** RMB'000 | **Estimated value of other benefits** RMB'000 | **Total** RMB'000 |
| **2014** | | | | | |
| Executive directors | | | | | |
| — Mr. Zhang Jingzhang | — | 700 | — | 18 | 718 |
| — Mr. Zhang Jianming (CEO) | — | 730 | 7 | 25 | 762 |
| — Mr. Zhang Jianfeng | — | 680 | 7 | 25 | 712 |
| — Mr. Zhang Jianguo | — | 550 | 7 | 25 | 582 |
| — Ms. Chen Ningning | — | 460 | 7 | 25 | 492 |
| — Professor Helmut Helmar Franz | — | 680 | — | — | 680 |
| | — | 3,800 | 28 | 118 | 3,946 |
| Non-executive director | | | | | |
| — Mr. Guo Mingguang | — | — | — | — | — |
| — Mr. Liu Jianbo | — | — | — | — | — |
| | — | — | — | — | — |
| Independent non-executive directors | | | | | |
| — Mr. Jin Hailiang | 78 | — | — | — | 78 |
| — Mr. Gao Xunxian | 78 | — | — | — | 78 |
| — Mr. Lou Baijun | 78 | — | — | — | 78 |
| — Dr. Steven Chow | 79 | — | — | — | 79 |
| | 313 | — | — | — | 313 |
| | 313 | 3,800 | 28 | 118 | 4,259 |

Mr. Guo Mingguang and Mr. Liu Jianbo have waived their emoluments during the years ended 31 December 2014 and 2015. None of other directors waived any emoluments during the year ended 31 December 2015 (2014: None).

During the year ended 31 December 2015, no emoluments paid or receivable in respect of a person's services as a director (whether of the company or its subsidiary undertaking) other than those disclosed in above tables, such as discretionary bonuses, housing allowance, or remunerations paid or receivable in respect of accepting office as director incurred in (2014: None), and no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking incurred (2014: None).

## 38. Benefits and Interests of Directors (Continued)

### (b) Directors' retirement benefits

During the year ended 31 December 2015, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2014: None).

### (c) Directors' termination benefits

During the year ended 31 December 2015, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2014: None).

### (d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, no consideration was provided to or receivable by third parties for making available director's services (2014: None).

### (e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities other than those disclosed in Note 36(c) (2014: None).

### (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company 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 (2014: None).

# Financial Summary

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

| | **2015 RMB'000** | 2014 RMB'000 | 2013 RMB'000 | 2012 RMB'000 | 2011 RMB'000 |
|---|---|---|---|---|---|
| Results | | | | | |
| Revenue | **7,336,445** | 7,560,266 | 7,200,653 | 6,335,642 | 7,027,607 |
| Profit before income tax | **1,676,302** | 1,596,433 | 1,475,538 | 1,194,094 | 1,338,293 |
| Income tax expenses | **(312,967)** | (291,417) | (269,302) | (208,068) | (234,665) |
| Profit attributable to shareholders | **(1,363,335)** | 1,305,016 | 1,206,236 | 986,026 | 1,103,628 |
| Assets | | | | | |
| Non-current assets | **3,421,849** | 3,136,099 | 2,265,999 | 1,872,621 | 1,735,889 |
| Current assets | **9,475,251** | 8,574,172 | 7,810,001 | 6,659,504 | 6,147,866 |
| Total assets | **12,897,100** | 11,710,271 | 10,076,000 | 8,532,125 | 7,883,755 |
| Liabilities | | | | | |
| Non-current liabilities | **1,475,551** | 1,387,269 | (124,035) | (108,801) | (107,236) |
| Current liabilities | **3,401,241** | 3,238,695 | (3,784,709) | (3,087,856) | (3,095,844) |
| Total liabilities | **4,876,792** | 4,625,964 | (3,908,744) | (3,196,657) | (3,203,080) |
| Total equity | **8,020,308** | 7,084,307 | 6,167,256 | 5,335,468 | 4,680,675 |
| Capital and reserves attributable to shareholders of the Company | **8,020,308** | 7,084,307 | 6,167,256 | 5,335,468 | 4,680,675 |

HAITIAN
INTERNATIONAL

We Create and Extend Advantage.