HAITIAN INTERNATIONAL

Trust through Communication

Annual Report 2011

Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1882

TIANJIAN PLASTICS MACHINERY

HAITIAN PLASTICS MACHINERY

ZHAFIR PLASTICS MACHINERY

We Create and Extend Advantage.

HAITIAN
PLASTICS MACHINERY

A Member of Haitian International

We Create Advantage.

A advanced technology D dependable machinery V value engineered A accessible support N new vision T team spirit A around the globe G growth driven E excellent price-performance ratio

ZHAFIR
PLASTICS MACHINERY

A Member of Haitian International

We Extend Advantage.

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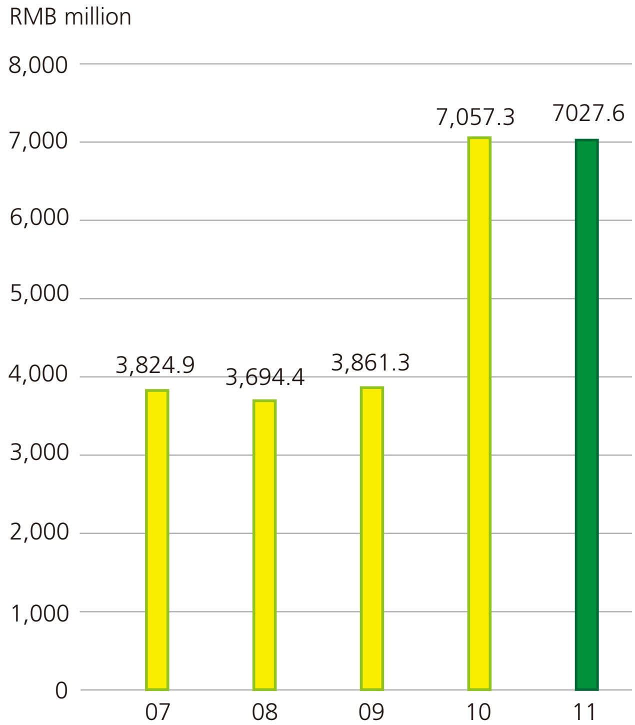
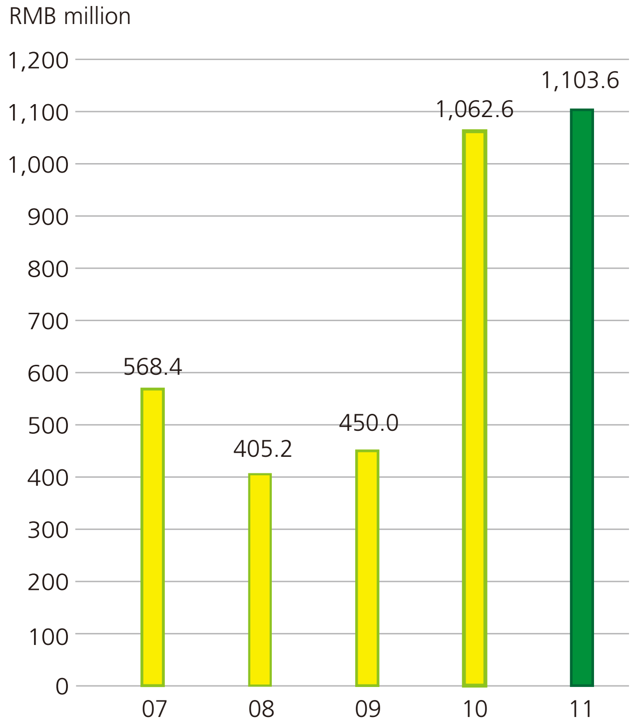
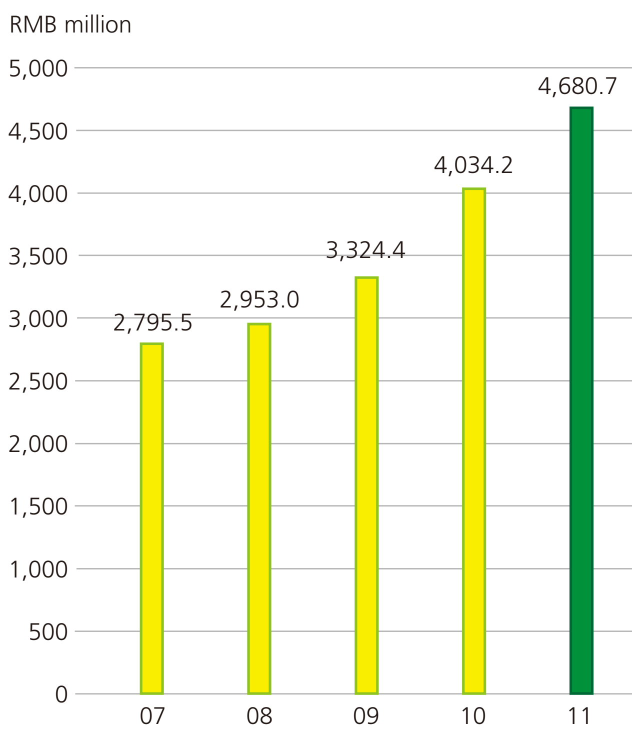
Revenue



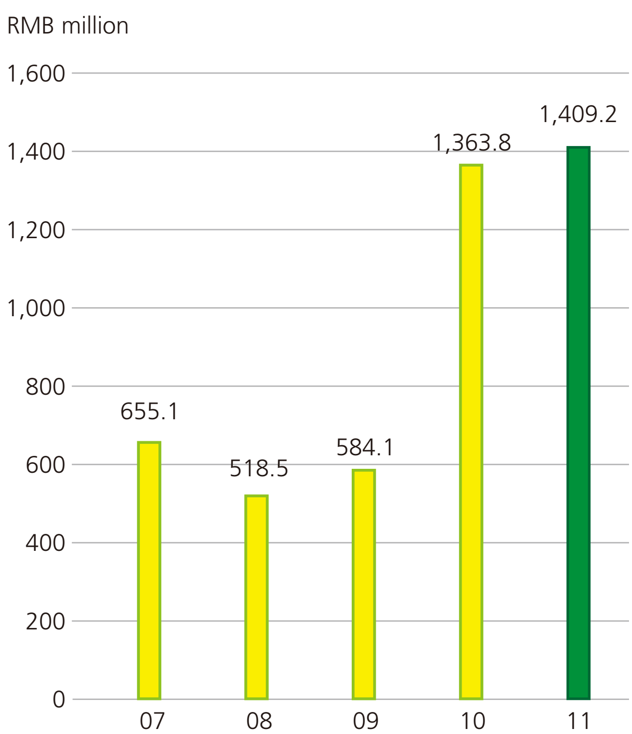
Profit attributable to the equity holders of the Company



Capital and reserves attributable to equity holders of the Company



EBITDA



Company Profile and Corporate Information

Executive Directors

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

Non-Executive Director

Mr. HU Guiqing

Independent Non-Executive Directors

Mr. DAI Guowah *(appointed on 30 March 2012)*
Mr. PAN Chaoyang
Mr. GAO Xunxian
Mr. DAI Xiangbo *(resigned on 30 March 2012)*
Mr. LOU Baijun *(appointed on 30 March 2012)*
Dr. Steven CHOW

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

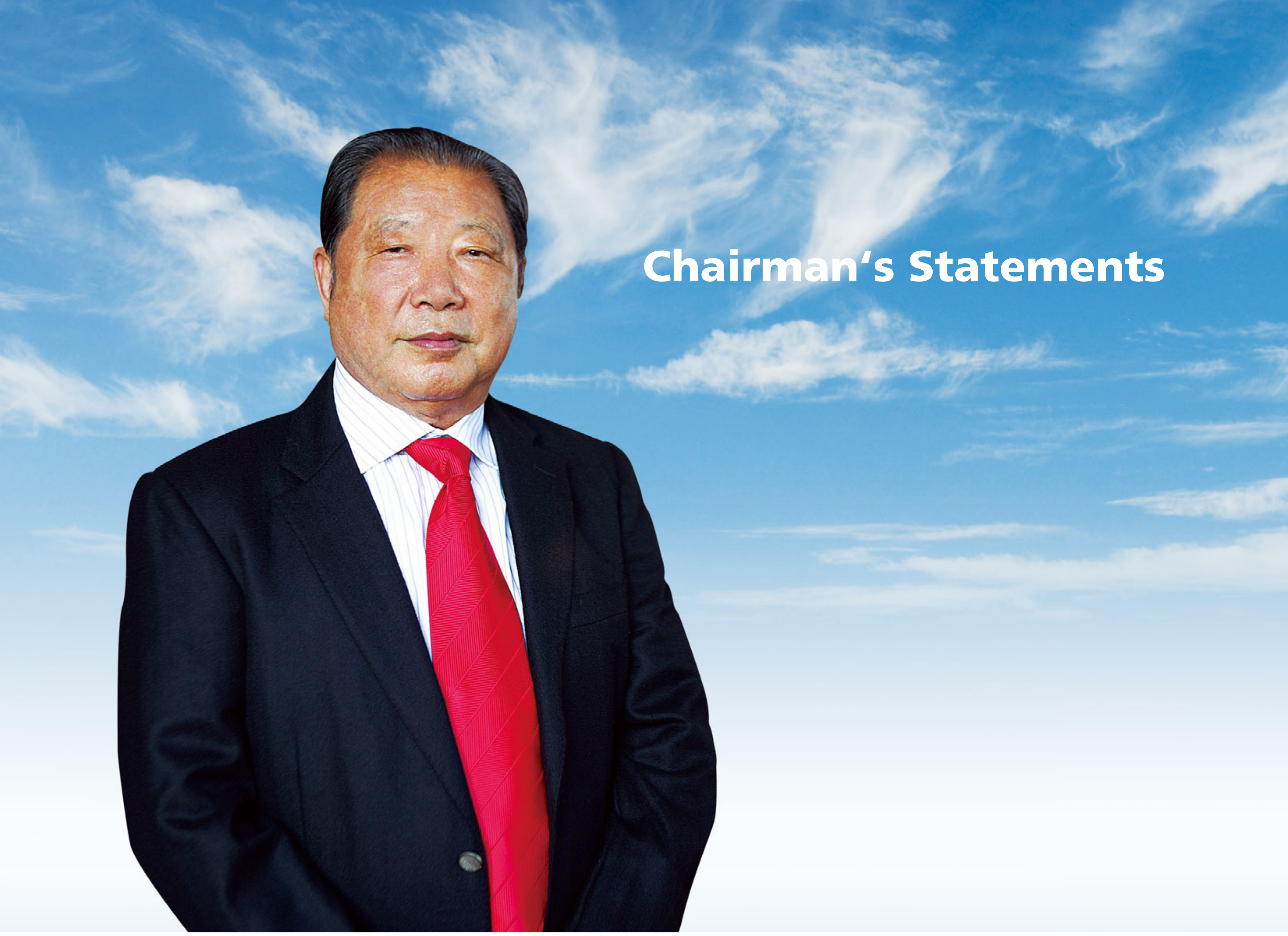
Principal Place of Business

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

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

Principal Bankers

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



Chairman's Statements

Dear Shareholders,

On behalf of Haitian International Holdings Limited, ("Haitian" or the "Company"), with its subsidiaries (together, the "Group"), I am pleased to present the Group's annual results for the year ended 31 December 2011.

Business Review

During the year ended 31 December 2011 ("Reported Period"), the global and domestic investment confidence was shaken by tight monetary policy in China, European sovereign debt crisis and worries about the progress of economic recovery in the United States. Such events, which also affected the consumer confidence in different regions of the world together inevitably undermined the demand of capital goods including plastic injection moulding machines ("PIMMs") and adversely affected the PIMMs industry. Notwithstanding the unfavourable environment of the industry, we successfully withstood these macro challenges in 2011 through our efforts in continuing to introduce new and innovative products, expanding international markets, product development and efficiency improvement. We reported a close-to-record revenue of RMB7,027.6 million which represented a negligible drop of 0.4% and a record-setting profit of RMB1,103.6 million representing a mild growth of 3.9% for the Reported Period compared with the same period in 2010. The Board of Directors has declared a final dividend of HK$0.135 per share for the year ended 31 December 2011, bringing the total dividend for 2011 to HK$0.295 per share.

During the Reported Period, our domestic sales drop by 7.2% from RMB5,228.4 million in 2010 to RMB4,854.2 million and that was partially compensated by the export sales growth of 17.3% from RMB1,698.5 million in 2010 to RMB1,992.6 million in 2011. As a result, we achieved a similar record level sales of RMB7,027.6 million in 2011.

Domestic and export sales

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

(RMB million)	**2011**	**%**	2010	%	**2011 vs 2010**
Domestic Sales	**4,854.2**	**69.1%**	5,228.4	74.1%	**(7.2)%**
Export Sales	**1,992.6**	**28.4%**	1,698.5	24.1%	**17.3%**
Parts (both domestic and export)	**180.8**	**2.5%**	130.4	1.8%	**38.7%**
Total	**7,027.6**	**100.0%**	7,057.3	100.0%	**(0.4)%**

After the strong recovery of Chinese economy since the second quarter of 2009, our domestic sales had reported a record level of RMB5,228.4 million in 2010 resulting from market share gain and restoration of deferred CAPEX in view of the financial tsunami in 2008 and early 2009. Starting from 2011, the Chinese government implemented a number of tightening measures including lifting PBOC's reserve ratio and interest rates in order to curb the overheated economy, inflation and property prices. The impact of such tightening measures gradually emerged in the second half of 2011 and hampered the domestic machinery investment sentiment. Our domestic sales in the second half of 2011 had recorded a drop of 16.0% compared with the first half of 2011. Nonetheless, benefiting from a diversified customer portfolio, especially for large corporate customers which generally have strong financial position and carefully-planned CAPEX schedule, our domestic sales is less impacted by the tightening measures than other industrial peers. Our full-year domestic sales had recorded a mild drop by 7.2% from RMB5,228.4 million in 2010 to RMB4,854.2 million in 2011. Despite the challenges in global economy presented by the European sovereign debt crisis and worries that the United States economy may falter, we continued to see outstanding performance in our export sales. Through the efforts of building international brand image, strengthening coverage in new markets and expanding export product, our export sales in the second half of 2011 had continued the momentum with the growth of 1.7% compared with the first half of 2011. Our full-year export sales had recorded an encouraging growth from RMB1,698.5 million in 2010 to RMB1,992.6 million in 2011. The sales mix in export sales increased from 24.1% in 2010 to 28.4% in 2011.

Small and medium-to-large tonnage sales

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

(RMB million)	**2011**	**%**	2010	%	**2011 vs 2010**
Small tonnage	**4,346.6**	**61.9%**	4,458.6	63.2%	**(2.5)%**
Medium-to-large tonnage sales	**2,500.2**	**35.6%**	2,468.3	35.0%	**1.3%**
Parts	**180.8**	**2.5%**	130.4	1.8%	**38.7%**
Total	**7,027.6**	**100.0%**	7,057.3	100.0%	**(0.4)%**

The medium-to-large tonnage PIMMs are usually employed by medium-to-large-size enterprises which generally have stronger financial position and carefully planned CAPEX. Therefore, the sales of medium-to-large machines were generally less sensitive to sluggish market environment and tightening of liquidity. Our sales of medium-to-large tonnage PIMMs still recorded a growth of 1.3% compared with the same period in 2010. In contrast, small tonnage PIMMs are generally more sensitive to macroeconomic changes. The strong growth in sales of all-electric PIMMs which are usually small tonnage PIMM has partly compensated the drop of sales in small tonnage hydraulic PIMMs. As a result, the sales of small tonnage PIMMs recorded a mild drop of 2.5% compared with the same period in 2010.

During the Reported Period, our total output dropped from approximately 30,000 units to 27,000 units of PIMMs while our average selling price increased from RMB229,000 in 2010 to RMB253,000 in 2011. The increase of average selling price reflects the increase in sales mix of medium-to-large tonnage PIMMs and the higher-value-added PIMMs. Despite the tough operating environment, a number of our technological advanced products still performed well in 2011. The sales of Mars series energy-saving PIMMs continued its growth and we recorded sales of RMB5,163.0 million in 2011 which represented a growth of 6.9% compared with 2010. The sales of Mars series PIMMs have increased its contribution to our total sales to 73.5% in 2011 from 68.4% in 2010. The sales of our Venus series all-electric PIMMs have been continuously accelerating after its launch and reached RMB305.2 million in 2011, representing a growth of 77.5% when compared with 2010. The high price-to-performance ratio of our Venus series all-electric PIMMs has received well recognition by customers. Our Venus series PIMMs are able to compete not only with overseas branded PIMMs imported to the PRC market but also globally with other brands in overseas market. In 2011, export sales of Venus series amounted to 152.0 million, representing 49.8% of Venus sales.

Enhancing customer benefits and innovation with sustainability are always on the top of our management's agenda. In 2011, we had made significant progress in our product innovation and R&D achievements. On 14 February 2012, our research and development projects of "Research and development of plastic precision moulding technology and equipment and respective industrialisation" and "Research and development of key integrated digital design techniques for sophisticated machinery, process and tooling equipment and the related product series" won two 2011 National Science and Technology Progress Awards (Second Prize). These two awards are the highest honours received in our history and also the first time similar awards were made to the PIMMs industry in China.

As one of the highlights of our product development, our German-Chinese Zhafir team has successfully developed the fully electric, high-tech Mercury series with features which are pioneer in the international PIMM industry. By adopting a number of pioneer technologies, the Mercury series PIMMs can process complex and precision plastic components under extra-ordinary high-melt quality with maximum injection speed acceleration which makes new application of plastic materials possible. We also enhanced the strategic cooperation with Trexel Inc. to offer the MuCell® system equipped Haitian PIMMs in China and certain designed areas internationally. Haitian has successfully worked with Trexel for joint development and offer of the Haitian Micro-Cellular Foaming ("MCF") Injection Molding system. The MuCell®technology can create many advantages in processing plastic parts. Through this technology, customers can best maintain the original mechanical properties and enhance quality of plastic parts, while reducing the manufacturing cost by using less plastic materials, shortening cycle time and reducing required clamping force of PIMMs. The addition of the MuCell® offering will complete Haitian's total solution in micro-cellular foaming. These outstanding achievements of our development team further uplift our technological level to the same level of the international first class PIMM manufacturers.

Chairman's Statements

Outlook

Looking ahead to 2012, the macro-environment remains volatile and complicated and will pose challenges to our business. It is unrealistic to expect that the European sovereign debt crisis, the Chinese tightening monetary policies and looming concerns over the growth in global economy can be entirely eased in the short-term. However, we already note some positive signals from the market in the beginning of 2012 including the gradual reduction of PBOC's reserve ratio and global efforts in formulating latest Greek bailout plan etc. With gradual restoration of consumer confidence, we observe our order level is gradually picking up from the trough of the end of 2011.

Despite the challenge of the macro-environment, we are confident that we will seize current opportunities to further strengthen our position of market and technology leader in the industry with our advanced product which well-matched the Chinese government's emphasis of developing energy-saving, low emission, environmental friendly, high value-added and high precision machines. Starting from the second half of 2012, we plan to mass launch several new, second generation versions of existing product lines including Mars II (formerly named as Pallas), Venus II and Jupiter II. The new versions will offer higher precision, reliability, speed and price-performance ratio to our customers and expect to trigger higher demand of our PIMMs under the tough market conditions. With long-term committed strategy in enhancing R&D capabilities, we expect that the new products will continue to receive positive response from the market and further propel the overall average selling price with higher value-added product mix in the near future.

With outstanding achievements in gaining market share in overseas markets and penetrating into new overseas markets in 2011, we will continue to implement our strategy for 2012 to strengthen our export sales. Besides providing additional support to new overseas markets and new customers in existing ones, we have also assigned several experienced marketing managers to set up dedicated team to serve and follow up potential and existing multi-national corporation key accounts. In view of the fact that Haitian's market shares in global market is still relatively small compared with the domestic market, we believe our export sales still have great potential for growth with increasing recognition and innovation of Haitian production inspite of sluggish consumer demand worldwide.

The success of Haitian story is largely built on our prestigious brand image of commitment in innovation, outstanding product quality and customer services. Therefore, we have set quality assurance as one of key objectives in this year. In 2012, we start "Quality Assurance Campaign" that not only focuses on production process but also extend to our supply chain management and customer service. Through the series of measures, we can improve supply chain management and product quality, raise our production efficiency and enhance pre-sales and after-sales customer satisfaction.

With our commitment to our long-term development strategy that focuses on innovation, enhancement of product quality and globalisation, we have achieved encouraging results for the past years. Riding on our business foundation, financial strengthen and outstanding product quality, we are confident we will continue to deliver outstanding achievements in gaining market share, business growth and product development in 2012.

Appreciation

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

Mr. Zhang Jingzhang
Chairman

10 April 2012

CEO's Report

Highlights

	2011 RMB' million	2010 RMB' million	Increase/ (decrease) %
Sales	**7,027.6**	7,057.3	(0.4)
Gross profit	**2,088.1**	2,133.5	(2.1)
Profit attributable to equity holders of the Company	**1,103.6**	1,062.6	3.9
Basic Earnings per share (expressed in RMB per share)	**0.69**	0.67	3.9
Dividend per share (expressed in HK$ per share)			
Proposed final	**0.135**	0.18	(25.0)
Full year (including interim)	**0.295**	0.33	(10.6)

- Recorded a negligible drop of 0.4% in revenue compared with 2010's record level despite tightening measures in China and uncertain outlook in the global economy
- Significant progress in export markets with an impressive growth of 17.3% in export sales to RMB1,992.6 million
- With stable gross profit margin of 29.7% (2010: 30.2%) and net profit margin improved to 15.7% (2010: 15.1%)
- Profit attributable to equity holders of the Company increased from RMB1,062.6 million in 2010 to RMB1,103.6 million in 2011, being a new record profit of our history
- Outstanding achievements in research and development efforts: winning two 2011 National Science and Technology Progress Awards and launching new products
- The Board proposed an final dividend of HK13.5 cents per share
- Net cash of RMB1,775.4 million to support continuous input in research and development and business expansion for future success

CEO's Report

Financial Review

Sales

Despite the tough economic environment in China and international market, we still recorded a revenue of RMB7,027.6 million during the Reported Period, representing a slight drop of 0.4%. The decline in PRC domestic sales of 7.2% to RMB4,854.2 million was substantially offset by the growth of export sales of 17.3% to RMB1,992.6 million. The overall sales level of RMB7,027.6 million in 2011 is still one of best years in our history.

Gross Profit

During the Reported Period, we recorded gross profit of approximately RMB2,088.1 million, representing a slight decrease of 2.1% compared with the 2010. Overall gross margin maintained at 29.7% in the Reported Period (2010: 30.2%).

During the Reported Period, the cost of raw materials, especially steel and related components which accounted for over 40% of our product cost, had been relatively stable. Other raw materials, parts and components had gradually increased along with inflation but we have been able to manage such increase with our economy of scale and improvement in product mix with higher level of exports sales and sales of medium-to-large tonnage PIMMs, which had higher margin than domestic and small tonnage PIMM sales.

Selling and administrative expenses

During the Reported Period, we maintained a similar level of our activities, therefore our selling and administrative expenses remained flat compared with 2010 of RMB856.5 million and amounted to RMB859.7 million in 2011.

Other income

Other income mainly consists of government subsidy and increased by 234.0% from approximately RMB23.9 million for the corresponding period in 2010 to approximately RMB79.9 million in 2011.

Other losses, net

We recorded other net losses of RMB5.5 million during the Reported Period, representing a decrease of 81.1% in net losses compared with the corresponding period in 2010. The net losses mainly represented exchange losses resulting from appreciation of Renminbi against foreign currencies, mainly including US dollars and Euro amounted to RMB31.2 million and the gain on disposal of a subsidiary amounted to RMB23.3 million.

Finance income – net

Finance income, net increased by 69.1% from RMB20.0 million in 2010 to RMB33.8 million in 2011 mainly as a result of the increase in interest rate in China and exchange gain from US denominated loans.

Income tax expenses

Income tax expenses increased slightly by 1.8% from RMB230.5 million in 2010 to RMB234.7 million in 2011. Our effective tax rate maintained a similar level of 17.5% in 2011 (2010: 17.8%).

Net profit

In view of the above, net profit attributable to equity holders increased approximately 3.9% from RMB1,062.6 million in 2010 to RMB1,103.6 million in 2011.

Acquisition

On 7 April 2011, our Group acquired 100% interests in Ningbo Export Processing Zone Haitian Precision Machinery Co., Ltd., which major assets are a land and a factory building located in Ningbo Export Processing Zone, for an aggregate consideration of approximately RMB185.2 million. The acquisition enables us to expand our production capacity for export sales promptly and seize the growth opportunity in the export markets during the recovery of international demand.

Disposal

On 21 October 2011, our Group disposed 100% interests in Haitian Guo Hua (Dalian) Plastics Machinery Co., Ltd, which major assets are a land and construction work for a factory on such land located at Dalian, for an aggregate consideration of approximately RMB107.8 million.

Capital Expenditure

In 2011, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB150.4 million (2010: RMB391.6 million).

Liquidity and Financial Resources

The gearing ratio is defined as total borrowings divided by shareholders' equity. As at 31 December 2011, our Group was in a strong financial position with a net cash position amounting to RMB1,775.4 million (2010: RMB2,025.6 million). Accordingly, no gearing ratio is presented.

Restricted Deposits

As at 31 December 2011, the bank deposits of RMB638.6 million (2010: RMB354.0 million) of our Group were restricted.

Charges on Group Assets

As at 31 December 2011, our Group had no pledged of assets.

Foreign Exchange Risk Management

During the Reporting Period, our Group exported approximately 29.0% of its products to international markets. Such sales were denominated in US dollars or other foreign currencies, while our Group's purchases denominated in US dollars or other foreign currencies accounted for less than 10.0% of our total purchases. Our Group did not use any forward contracts or other means to hedge its foreign currency exposure. Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

During the Reporting Period, our Group borrowed a US-dollar denominated bank loan amounted to RMB134.2 million and a HK-dollar denominated bank loan which amounted to RMB392.5 million to hedge the exchange risk of US-dollar denominated receivables arising from export sales.

Contingent Liabilities

As at 31 December 2011, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB901.2 million (2010: RMB523.7 million).

Employees

As at 31 December 2011, our Group had a total workforce of approximately 4,700 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 2011 amounted to RMB507.3 million, representing an increase of 14.9% compared with RMB441.6 million in 2010.

Proposed Final Dividend

The Board had resolved to recommend the payment of a final dividend of HK$0.135 per share for the financial year ended 31 December 2011 which is expected to be paid on or about 6 June 2012 to our shareholders whose names appear on the register of members at the close of business on 22 May 2012, subject to final approval at the Annual General Meeting of the Company.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the AGM

The registers of members of the Company to attend the annual general meeting (the "AGM") will be closed from 11 May 2012 to 16 May 2012 (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 Queens Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 10 May 2012, for registration.

(b) Entitlement to the Proposed Final Dividend

The registers of members of the Company for entitlement of dividend will be closed from 23 May 2012 to 28 May 2012 (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 22 May 2012, for registration.

Zhang Jianming
Chief Executive Officer

10 April 2012

Directors and Senior Management

Directors and Senior Management

Executive Directors

Mr. Zhang Jingzhang (張靜章), aged 75, 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 40 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 chairman of the China Plastic Machine Industry Association (中國塑料機械協會).

Mr. Zhang is the father of Mr. Zhang Jianming and Mr. Zhang Jianfeng and the father-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are executive 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 49, is an executive Director and the Chief Executive Officer of the Group and is responsible for the overall daily operations of the Group such as production, sales and marketing. By introduction of Mr. Zhang Jingzhang, Mr. Zhang joined the Group in August 1977 as worker and has gained extensive exposure in various departments of the Group. With over 30 years of experience in the plastic processing machinery industry, Mr. Zhang is experienced in all facet of the overall operation of the Group. He obtained a master in business administration from the Management College of Fudan University (復旦大學管理學院) in July 2002. Mr. Zhang has been appointed as the chief executive officer of the Group since April 2000. Mr. Zhang served as a member of the National Committee of the Chinese People's Political Consultative Conference in Beilun District (北侖區政協委會) in 1996 and as a director of the Quality Management Association of Beilun District of Ningbo (寧波市北侖區質量管理協會) from 1990 to 2000. In January 2006, Mr. Zhang was also selected as a representative of Ningbo's private enterprises to attend the National Science and Technology Conference. Currently, he is the chairman of Ningbo Plastic Machine Industry Association (寧波市塑料機工業協會). Mr. Zhang was also elected a deputy to the People's Congness of Beilun District (北侖區人大代表) in 2012. Mr. Zhang Jianming is the elder son of Mr. Zhang Jingzhang, the elder brother of Mr. Zhang Jianfeng and the brother-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are executive Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.

Prof. Helmut Helmar Franz, aged 62, is an executive Director and the Chief Strategic Officer of the Group. He joined the Group in September 2007 and has over 30 years of experience in the plastic processing machinery industry. Prof. Franz obtained a degree in engineering specialising in plastic machinery and processes and joined Plastmaschinenwerk Schwerin in the former German Democratic Republic in 1972. At Plastmaschinenwerk, Prof. Franz worked as a senior executive in research and development and marketing. In 1985, he joined WWW Import-Export in Berlin, Germany where he served as the managing director for WWW Import-Export's sales and services in Iraq, Egypt and Russia. In 1991, he joined Demag Ergotech (previously known as Mannesmann Demag Kunststofftechnik) ("Demag"), initially as the managing director for Demag's sales and services branch in Moscow, Russia. From 1995 until 1999, he served as the managing director for Demag's manufacturing plant for small machines in Wiehe, Germany. He was then promoted to Demag's chairman in 1999 and held the office until 2005. Prof. Franz had been a member of the board of the VDMA (the German Engineering Federation) association of German plastics machinery manufacturers for many years. He served as the chairman of the board of the VDMA from July 2003 until April 2005. Since December 2005, Prof. Franz has been the sole managing director of Zhafir Plastics Machinery GmbH, a German limited liability company which is engaged in the research and development of plastic injection moulding machineries. The Group acquired a 91% equity interest in Zhafir Plastics Machinery GmbH in August 2007 and Prof. Franz is interested in the remaining 9% equity interest in Zhafir Plastics Machinery GmbH.

Directors and Senior Management

Mr. Zhang Jianguo (張建國), aged 56, is an executive Director and the senior vice president of research and development of the Group. Mr. Zhang joined the Group in January 1974 and has more than 35 years of experience in the plastic processing machinery industry. He obtained a diploma in electrical and mechanical engineering from Zhejiang Radio TV University (浙江省廣播電視大學) in 1987. Mr. Zhang joined the Group in January 1974 initially working in the quality control division. He was subsequently promoted to the head of quality control in 1996. He has been appointed as the senior vice president of research and development of the Group since 1999. He has contributed to the Group in developing and improving its products including the HTFX series, the HTFW series and the HTK series. He was named as an outstanding technological worker in a township enterprise at provincial level (省級鄉鎮企業優秀科技工作者) in 1990 and twice named as a professional technician with outstanding contributions to the Ningbo region (區級有突出貢獻專業人員) by the People's Government of Ningbo Beilun district in 1990 and 1997. In 1999, Mr. Zhang was awarded by the Ningbo Municipal People's Government the titles of outstanding professional technician of (寧波市優秀專業技術人員) and pioneer in technological innovations in Ningbo (寧波市首屆科技創新功臣). He was also named an excellent labour model of Ningbo (寧波市特等勞動模範) in April 2000. In 2001, Mr. Zhang obtained a "Great Achievement in the World Technology" award (世界科學技術發展成就獎) from the Hong Kong International EXPO Organising Committee for Patented Technology.

Mr. Zhang is a director of Sky Treasure and Premier Capital.

Mr. Zhang Jianfeng (張劍峰), aged 42, is an executive Director and the senior vice president of sales and marketing of the Group. Mr. Zhang joined the Group in October 1985 and has more than 25 years of experience in the plastic processing machinery industry. He was promoted to the deputy head of the Group's sales division in the sales and marketing department in 1997. He has been appointed as the senior vice president of sales and marketing of the Group since 2002. Mr. Zhang is the younger son of Mr. Zhang Jingzhang, the younger brother of Mr. Zhang Jianming and the brother-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are executive Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.

Directors and Senior Management

Mr. Guo Mingguang (郭明光), aged 45, is an executive Director and the vice president of manufacturing of the Group. Mr. Guo joined the Group in January 1983 and has more than 25 years of experience in the plastic processing machinery industry. In 1985, he was transferred to the Group's customer services department, and was transferred again in 1989 to the Group's engineering department. From 1994 to 1999, he served as the deputy general manager of Ningbo Zongtian Plastic Processing Machinery Manufacturing Co., Ltd. From 1999 to 2002, he served as the general manager of factory of the Group. In 2003, he was appointed as the deputy head of production of the Group and was promoted to the vice president of production of the Group in 2004. Mr. Guo is a son-in-law of Mr. Zhang Jingzhang and the brother-in-law of Mr. Zhang Jianming and Mr. Zhang Jianfeng, all of whom are executive Directors of the Company and he is also a director of Sky Treasure and Premier Capital.

Ms. Chen Ningning (陳寧寧), aged 49, is an executive Director and the vice president of finance of the Group. Ms. Chen is a qualified accountant in China. Ms. Chen first joined the Group in May 1984. Ms. Chen served as the deputy head of the finance and accounting department, and the head of the accounting division, the cost division and the inventory division of the Group from 1999 to 2003. Since 2004, Ms. Chen has served as the vice president of finance of the Group. Since 2003, Ms. Chen has been appointed as a director of the Accounting Association of Ningbo Beilun District. She was named as an outstanding accountant of Ningbo in 2005. Ms. Chen is a director of Sky Treasure and Premier Capital.

Mr. Liu Jianbo (劉劍波), aged 43, is an executive Director and the vice president of quality control and customer service of the Group. Mr. Liu joined the quality assurance department of the Group in November 1986 and was appointed as a quality control manager in 1997. In 2000, he qualified as an internal auditor under the ISO9001:2000 certification system and since then has been responsible for the Company's internal quality control audit. He has been the Company's vice president of quality control since February 2004 and the Company's vice president of customer service since July 2004. Mr. Liu is a son-in-law of Mr. Zhang Jingzhang and the brother-in-law of Mr. Zhang Jianming and Mr. Zhang Jianfeng, all of whom are executive Directors of the Company, and he is also a director of Sky Treasure and Premier Capital.

Non-Executive Director

Mr. Hu Guiqing (胡桂青), aged 71, is a non-executive Director of the Company. Mr. Hu served as the factory manager of Zhenhai Plastic Injection Moulding Machinery Factory (鎮海塑料機械廠), the predecessor of Ningbo Haitian, from 1968 to 1970. After the establishment of Ningbo Haitian, Mr. Hu served as the vice executive officer of Ningbo Haitian until he retired at the end of 2005. Mr. Hu is a director of Sky Treasure and Premier Capital.

Independent Non-Executive Directors

Mr. Dai Guowah (戴國華), aged 60, joined the Group in March 2012 as an independent non-executive Director after retirement from the central committee of Ningbo in 2011 after more than 30 years of public service at various posts in central committees and governmental departments of Ningbo, Fenghua, Yuyao and other administrative districts. Immediately prior to his retirement, Mr. Dai was the deputy secretary of the central committee and the director of agricultural work office of Ningbo Municipal Government. He was also appointed as deputy secretary of the central committee and chief executive of Beilun district, deputy secretary of central committee of Fenghua, director of propaganda and member of the executive committee, deputy mayor and principal of party school of Yuyao. Mr. Dai graduated in applied mathematics from Hangzhou University (which merged into Zhejiang University in 1998) in 1977.

Mr. Pan Chaoyang (潘朝陽), aged 66, joined the Group in August 2006 as an independent non- executive Director. Mr. Pan has over 10 years of experience in the machinery industry. Between 1968 and 1980, Mr. Pan was employed with the Ningbo Machining Factory (寧波機床廠) and held various positions in the factory during that period. From 1980 to 1994, Mr. Pan held various governmental positions in the city of Ningbo including the Vice Office Administrator of the Ningbo Municipal People's Government (寧波市人民政府辦公廳副主任), the People's Representative of the Ningbo (寧波市人大代表), the Chief Executive of Beilun District, Ningbo (寧波市北侖區人民政府區長) and Member of Party Committee of Ningbo (寧波市市委委員). Since 1993, Mr. Pan has served as the director of The Entrepreneur Association of Ningbo and as the president of the Economic Development Association of Ningbo (寧波經濟建設促進會). In April 1994, Mr. Pan was appointed as the vice general manager of Zhong Xin Daxie Development Company (中信集團大謝開發公司).

Directors and Senior Management

Mr. Gao Xunxian (高訓賢), aged 65, joined the Group in August 2006 as an independent non- executive Director. He is a qualified accountant and a tax agent in China. During 1972 to 1980, he worked with the Taxation Bureau of Zhenhai (鎮海縣財政部稅務局) and the Taxation Bureau of Chengguan (城關財稅所) as the secretary and administrator. In 1984, he was appointed as the vice director of the Taxation Bureau of Zhenhai and from 1985 to 1987, he served as the vice director of the Finance and Taxation Bureau of Ningbo Beilun District (寧波市北侖區財政稅務局) and the general manager of Cai Zheng XinYong Investment Ltd. (財政信用投資公司). In 1987, he was promoted as the director of the Finance and Taxation Bureau of Ningbo Beilun District. From February 1998 to June 2006, he served as the vice chairman of Ningbo Beilun District Committee of the Chinese People's Politics Consultation Conference (寧波北侖政協).

Mr. Dai Xiangbo (戴祥波), aged 49, joined the Group in August 2006 as an independent non-executive Director. He graduated from Jiangxi College of Finance and Economics (江西財經學院) in 1984, majoring in industrial accounting, and completed his postgraduate study in Zhejiang University in 2002, majoring in economics. Mr. Dai has obtained PRC certified accountant and senior accountant certificates. He currently serves as the deputy secretary of Zhejiang Certified Public Accountant Association (浙江省註冊會計師協會), president of Zhejiang Internal Audit Association (浙江省內部審核計協會), a director of Zhejiang Accounting Society and a professor specially retained by the Accounting College of Zhejiang Finance Economics College (浙江財經學院會計學院). Mr. Dai served as the deputy section head of the second division of the Audit Bureau in Zhejiang (浙江省審計局二處) from 1984 to 1997, the deputy director of the Audit Bureau in Xianju County, Zhejiang (浙江仙居縣審計局) from 1992 to 1994 and the deputy head of the legal system division of Audit Office in Zhejiang (浙江省審計局法制處) 1994 to 1997. He had served as an independent non-executive director of Shenzhou International Group Holdings Limited (申洲國際集團控股有限公司) (stock code: 2313, shares listed on Main Board of the Stock Exchange) and Eastcompeace Smart Card Co., Ltd. (東信和平智能卡股份有限公司) (stock code: 002017, shares listed on Shenzhen Stock Exchange) during the past three years.

Mr. Lou Baijun (樓百均), aged 48, joined the Group in March 2012 as an independent non-executive Director. He is currently the Head of Modern Logistics School of Zhejiang Wanli University. Mr. Lou is a member of the Chinese Institute of Certified Public Accountants since 1996. Mr. Lou was appointed deputy director and deputy professor of Faculty of Financial Management of Jiangxi University of Finance and Economics between 1985 and 2001 and commenced teaching at Zhejiang Wanli University since 2001. Mr. Lou obtained a master degree in management and engineering from Wuhan University of Technology in 2006. Mr. Lou has been an independent non-executive director of Ningbo Veken Elite Group Co., Ltd. (stock code: 600152) since 19 June 2008 and was an independent non-executive director of HIT. Shouchuang Technology Co., Ltd. (stock code: 600857) between 24 June 2005 and 24 March 2012, the shares of which are both listed on the Shanghai Stock Exchange.

Dr. Steven Chow (周志文), aged 67, 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. and C.Y. Foundation Group Limited during the last three years, which shares are listed on the Main Board of the Stock Exchange. He has been a member of the Chinese People's Political Consultative Commission, Ningbo since 1989.

Senior Management

Mr. Yu Wenxian (虞文賢), aged 42, is a vice president of human resources and administration of the Group. Mr. Yu graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in mechanical engineering in 1991. He joined the Group in May 1993 as an engineer. Since 1997, Mr. Yu has been working in the areas of administration and human resources and served various managerial roles in those areas. He has been appointed as the vice president of human resources and administration of the Group since 2003 and 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 45, is the general manager of Haitian Heavywork business department. Mr. Bei joined the Group in January 1983 and has more than 25 years of experience in the plastic processing machinery industry. He was appointed as a manager responsible for after-sales services in 1997 and was promoted to deputy general manager of the Group's sales department in 1998.

Mr. Chen Weiqun (陳蔚群), aged 40, is the general manager of Haitian Huayuan. Mr. Chen graduated from Huadong Yejin College (華東冶金學院) with a bachelor's degree in mechanics in August 1993. In 2005, he obtained a master's degree in business administration from the University of Zhejiang. He joined the research and development department of the Group in 1993. In 1994, he joined the international sales team of the sales department. He was appointed as an assistant to the chief executive officer in 2000 and as the deputy general manager of international sales in 2003. He has been appointed as the deputy general manager 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 40, was appointed as the Group's Investor Relations Manager in July 2006. Mr. Shi graduated from Zhejiang Finance Economics College with a bachelor's degree in economics in 1994. He obtained a master's degree in business administration from the Open University of Hong Kong in 2003. Mr. Shi has in-depth knowledge of, and over 10 years of experience in, auditing, accounting and finance and is a certified accountant, certified valuer and registered tax agent in China. Prior to joining the Group, Mr. Shi was a partner with a local accounting firm. He was named an outstanding certified accountant in Zhejiang (浙江省優秀註冊會計師) by the Zhejiang Certified Accountants Association in 2003.

Mr. Suen Waiyu (孫懷宇), aged 34, was appointed as the Company Secretary of the Company 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 38, 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 10 years of auditing, accounting and financing experience including six years with major international accounting firms and four years in senior accounting positions in various industries.

Corporate Governance Report

Corporate Governance Report

Haitian International Holdings Limited (the "Company") recognises the importance of good corporate governance to its healthy growth and has therefore devoted much efforts into formulating the best corporate governance practices that agree with its business needs. The Company has applied the principles set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") by adopting the relevant code provisions. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the CG code. The directors of the Company ("Directors") consider that the Company has complied with the then applicable code provisions of the CG Code throughout the year ended 31 December 2011.

Board of Directors

The board of Directors (the "Board") comprises 8 Executive Directors, 1 Non-executive Director and 5 Independent Non-executive Directors.

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

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

Non-executive Director
Mr. Hu Guiqing

Independent Non-executive Directors
Mr. Dai Guowah (appointed on 30 March 2012)
Mr. Pan Chaoyang
Mr. Gao Xunxian
Mr. Dai Xiangbo (resigned on 30 March 2012)
Mr. Lou Baijun (appointed on 30 March 2012)
Dr. Steven Chow

The Board has a balance of skill and experience and a balanced composition of Executive and Non-Executive Directors and is responsible to formulate overall strategy of the Group, monitor its operational and financial performance and oversight of the management of the Company's business and affairs. The Board, 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 for at least four times a year, i.e. at approximately quarterly intervals. Special meetings the Board will be convened if the situation requires so. For the year ended 31 December 2011, the Board convened a total of 6 Board meetings and the individual attendance record of the Directors is tabulated as follows:

Attendance

Executive Directors	
Mr. Zhang Jingzhang *(Chairman)*	6/6
Mr. Zhang Jianming *(Chief Executive Officer)*	6/6
Professor Helmut Helmar Franz	6/6
Mr. Zhang Jianguo	6/6
Mr. Zhang Jianfeng	6/6
Mr. Guo Mingguang	6/6
Mr. Liu Jianbo	6/6
Ms. Chen Ningning	6/6
Non-executive Director	
Mr. Hu Guiqing	4/6
Independent Non-executive Directors*	
Mr. Pan Chaoyang	6/6
Mr. Gao Xunxian	6/6
Mr. Dai Xiangbo	6/6
Dr. Steven Chow	5/6

* *Mr. Dai Guowah and Mr. Lou Baijun were appointed on 30 March 2012 and therefore were not shown.*

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, the Company confirms that the Directors (not including Mr. Dai Guowah and Mr. Lou Baijun who were appointed on 30 March 2012) complied with the required standard set out in the Model Code throughout the year ended 31 December 2011.

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 executive directors of the Company. Mr. Zhang Jianming is also the Chief Executive Officer of the Company.

Nomination of Directors

The Company had not set up a Nomination Committee for the year ended 31 December 2011. In view of the new requirements of CG Code which became effective on 1 April 2012, the Board had set up its Nomination Committee on 30 March 2012 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 comprises three members, namely Mr. Zhang Jingzhang (the Chairman of the Committee), Mr. Dai Guowah and Mr. Gao Xunxian.

Audit Committee

The Audit Committee was established to, among others, review the Group's financial reporting, internal controls and corporate governance issues and to make relevant recommendations to the Board. During the year ended 31 December 2011, the Audit Committee comprised three Independent Non-executive Directors, namely Mr. Dai Xiangbo (Chairman of the Committee), Mr. Pan Chaoyang and Mr. Gao Xunxian. All committee members possess appropriate industry and financial expertise to advise on the above matters. The Audit Committee shall meet at least twice a year and the senior management and a representative of the external auditor of the Company shall normally be invited to attend the meetings to discuss the significant internal and external audit findings, the audit plans, the accounting principles and practices adopted by the Group, Listing Rules and statutory compliance, internal controls, risk management and financial reporting matters (including the financial statements before recommending them to the Board for approval). During the year ended 31 December 2011, there were two meetings held by the Audit committee with an attendance rate of 100%. The Audit Committee reviewed the Group's results for the year ended 31 December 2011.

Mr. Dai Xiangbo resigned as Independent Non-Executive Director on 30 March 2012 and ceased to be a member and the Chairman of the Audit Committee on the same date. Mr. Lou Baijun was appointed as Independent Non-Executive Director on 30 March 2012 and as member and Chairman of the Audit Committee on the same date. Mr. Dai Guowah was also appointed a member of the Audit Committee on 30 March 2012.

Remuneration Committee

During the year ended 31 December 2011, the Remuneration Committee comprised the Chief Executive Officer, Mr. Zhang Jianming (Chairman of the Committee) and Independent Non-executive Directors, namely Mr. Pan Chaoyang and Mr. Gao Xunxian. During the year ended 31 December 2011, there was one meeting held by the Remuneration Committee with an attendance rate of 100%. Remuneration Committee is responsible to review the policy for remuneration of the Directors and other senior management of the Group. The Group's policy for remuneration (including basic salary and performance bonus) of the Directors and other senior management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice.

In view of the new requirements of the CG Code which became effective on 1 April 2012, Mr. Zhang Jianming resigned as Chairman of the Remuneration Committee and remained as its member on 30 March 2012. Mr. Dai Guowah, an Independent Non-Executive Director, was appointed a member and the Chairman of the Remuneration Committee on 30 March 2012.

Internal Control

The Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. In 2011, the Board has conducted a review with the management of the effectiveness of the system of internal control of the Company and its subsidiaries and considered that the internal control system is effective.

Directors' and Auditor's Acknowledgement

The Board 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 page 37.

Auditor's Remuneration

During the year, the auditor of the Company, PricewaterhouseCoopers, charged RMB2,999,000 for audit services.

Investor Relations and Shareholders' Communication

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

Investor Information

Listing Information

Listing:	Hong Kong Stock Exchange
Stock code:	1882

Key Dates

19 March 2012	—	Result Announcement of 2011
11 – 16 May 2012	—	Closure of register of members (Annual General Meeting)
16 May 2012	—	Annual General Meeting
23 – 28 May 2012	—	Closure of register of members (entitlement to proposed final dividend)
about 6 June 2012	—	Paid date of proposed final dividend

Share Information

Board lot size: 1,000 shares

Shares outstanding as at 31 December 2011:
1,596,000,000 shares

Market Capitalisation as at 31 December 2011:
HK$10,661 million

Earnings per share for 2011:	RMB0.69
Dividend per share for 2011	
Interim dividend	HK16.0 cents
Proposed final dividend	HK13.5 cents
Total	HK29.5 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
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Postal code:	315821

Website

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

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 2011.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 8(a) to the financial statements. An analysis of the Group's performance for the year by business segments and geographical segments are set out in note 21 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 42. The directors declared an interim dividend of HK16.0 cents per share, totalling RMB209,553,000 which was paid on 28 September 2011. The directors recommended the payment of a final dividend of HK13.5 cents per share, totalling approximately RMB175,083,000.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 15 to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to RMB4,557,000.

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 14 to the financial statements.

Distributable Reserves

The Company's reserves available for distribution represent the share premium, contributed surplus and retained earning which in aggregate amounted to RMB1,712.4 million as at 31 December, 2011. Under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution or payment of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

Financial Summary

A summary of the results for the year ended and of the assets and liabilities of the Group as at 31 December 2011 and for the previous four financial years are set out on page 100.

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 2011, 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)*
Prof. Helmut Helmar Franz
Mr. Zhang Jianguo
Mr. Zhang Jianfeng
Mr. Guo Mingguang
Mr. Liu Jianbo
Ms. Chen Ningning

Non-executive Director
Mr. Hu Guiqing

Independent Non-executive Directors
Mr. Dai Guowah (appointed on 30 March 2012)
Mr. Pan Chaoyang
Mr. Gao Xunxian
Mr. Dai Xiangbo (resigned on 30 March 2012)
Mr. Lou Baijun (appointed on 30 March 2012)
Dr. Steven Chow

In accordance with Article 87(1) and Article 86(3) of the Company's Articles of Association, Mr. Zhang Jianguo, Mr. Zhang Jianfeng, Mr. Liu Jianbo, Mr. Gao Xunxian, Dr. Steven Chow, Mr. Dai Guowah and Mr. Lou Baijun will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. The Company has received from each independent non-executive director a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

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 Connected Transactions stated below and note 35 to the financial statements.

Biographical Details of Directors and Senior Management

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

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

As at 31 December 2011, 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)	1,036,853,370	64.97%
Mr. Zhang Jianming	Corporate Interest(1)	1,036,853,370	64.97%
	Personal Interest	5,000,000	0.31%
Prof. Helmut Helmar Franz	Personal Interest	206,000	0.01%

Note:

(1) Mr. Zhang Jingzhang and Mr. Zhang Jianming are deemed under the SFO to be interested in 1,036,853,370 shares of the Company held by Sky Treasure Capital Limited.

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]	14.08%
		Corporate[3]	54.81%
Mr. Zhang Jianming	Sky Treasure	Corporate[2]	9.55%
		Corporate[3]	54.81%
Mr. Hu Guiqing	Sky Treasure	Corporate[2]	6.92%
Mr. Zhang Jianguo	Sky Treasure	Corporate[2]	5.72%
Mr. Zhang Jianfeng	Sky Treasure	Corporate[2]	5.37%
Ms. Chen Ningning	Sky Treasure	Corporate[2]	2.98%
Mr. Guo Mingguang	Sky Treasure	Beneficiary under a trust[4]	1.79%
Prof. Helmut Helmar Franz	Sky Treasure	Corporate[2]	0.55%
	Zhafir Plastics Machinery GmbH ("Zhafir")	Personal	9%
Mr. Liu Jianbo	Sky Treasure	Beneficiary under a trust[4]	1.49%

Notes:

(1) As at 31 December 2011, Sky Treasure is the holder of 64.97% of the issued share capital of the Company and Zhafir is a non-wholly owned subsidiary of the Company and both are associated corporations under the SFO.

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

(3) Mr. Zhang Jingzhang and Mr. Zhang Jianming are separately entitled to exercise or control the exercise of one third or more voting power in the general meetings of Cambridge Management Consultants (PTC) Ltd. and Premier Capital Management (PTC) Ltd. which are respectively the trustee of the Haitian Employee Fixed Equity Trust and Haitian Employee Discretionary Equity Trust which are interested in 14.17% and 40.64% shares in Sky Treasure respectively. 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 14.17% shares of Sky Treasure.

Save as disclosed above, as at 31 December 2011, 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 2011, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding
Sky Treasure Capital Limited	Beneficial owner	1,036,853,370 (L)	64.97%
Premier Capital Management (PTC) Ltd.	Interest in a controlled corporation[1]	1,036,853,370 (L)	64.97%

(L) denotes a long position

Note:

(1) Premier Capital Management (PTC) Ltd. is deemed under the SFO to be interested in 1,036,853,370 shares held by Sky Treasure Capital Limited as at 31 December 2011.

Save as disclosed above, as at 31 December 2011, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Management Contracts

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

Major Customers and Suppliers

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

Competing Business

None of the directors of the Company had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2011.

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

Connected Transactions

On 7 April 2011, the Group entered into share transfer agreements with Anson Asia (Hong Kong) Limited and 寧波海天股份有限公司 (Ningho Haitian Co. Ltd.) which were associates of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo, all executive Directors of the Company, pursuant to which the Group acquired 100% interests in Ningbo Export Processing Zone Haitian Precision Machinery Co., Ltd., which major assets are a land and a factory building located in Ningbo Export Processing Zone, for an aggregate consideration of approximately RMB185.2 million. The acquisition enables us to expand our production capacity for export sales promptly and seize the growth opportunity in the export markets during the recovery of international demand.

The nature and reasons for the above connected transaction had previously been disclosed in the Company's announcement dated 7 April 2011.

On 28 April 2011, the Group entered into machinery equipment purchase agreements with Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision"), an associate of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo, all executive Directors of the Company, pursuant to which the Group purchased certain CNC turning machines and machining centres ("CNC Machines") manufactured by Haitian Precision for an aggregate consideration of RMB63,080,000. The CNC Machines purchased are used for processing of parts and components for the manufacture of plastic injection moulding machines by the Group.

The nature and reasons for the above connected transaction had previously been disclosed in the Company's announcement dated 28 April 2011.

On 21 October 2011, the Group entered into a share transfer agreement with Haitian Precision pursuant to which the Group disposed 100% interests in Haitian Gua Hua (Dalian) Plastics Machinery Co. Ltd., which major assets are a land and construction work for a factory on such land located at Dalian, for an aggregate consideration of approximately RMB107.8 million.

The nature and reasons for the above connected transaction had previously been disclosed in the Company's announcement dated 21 October 2011.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 35 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 20 January 2009.

Purchase of servo systems

On 20 January 2009, the Group entered into the Servo System 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 for a term commencing from the 20 January 2009 and ended on 31 December 2011, whereby the Group agreed to purchase servo system from HDS or 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 and Mr. Zhang Jianming, each of them an executive director of the Company and therefore are connected persons by virtue of Rule 14A.11(4) of the Listing Rules.

During the year, the Group's purchase of servo systems from HDS amounted to RMB544.4 million.

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

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

(2) on normal commercial terms; and

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

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

As the Servo System Purchase Framework Agreement with HDS above was going to expire on 31 December 2011, the Group entered into a framework agreement dated 28 October 2011 with HDS for the purchase of servo systems, linear motion guides, ball screws and hydraulic motors from HDS for a term of three years commencing on 1 January 2012 and ending on 31 December 2014. The relevant annual caps were approved by the shareholders of the Company at an extraordinary general meeting on 20 December 2011.

Pre-Emptive Rights

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

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

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

Auditor

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

Public Float

As at the date of this report, based on information available to the Company and within the knowledge of the Directors, 35.0% of the issued share capital of the Company was held by the public.

On behalf of the Board
Zhang Jianming
Chief Executive Officer

10 April 2012

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of Haitian International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 99, which comprise the consolidated and Company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

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

羅兵咸永道

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 April 2012

Consolidated Balance Sheet

As at 31 December 2011
(Amounts expressed in RMB)

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Land use rights	*5*	**248,024**	236,703
Property, plant and equipment	*6*	**1,430,281**	1,349,737
Intangible assets	*7*	**1,401**	3,501
Investment in an associate	*9*	**4,435**	3,074
Deferred income tax assets	*20*	**30,384**	34,498
Other receivables	*12*	**21,364**	—
		1,735,889	1,627,513
Current assets			
Inventories	*10*	**1,451,713**	1,263,230
Trade and bills receivables	*11*	**2,052,707**	1,697,043
Prepayments, deposits and other receivables	*12*	**263,757**	228,779
Restricted bank deposits	*13*	**638,622**	353,954
Cash and cash equivalents	*13*	**1,741,067**	2,016,748
		6,147,866	5,559,754
Total assets		**7,883,755**	7,187,267
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*14*	**160,510**	160,510
Reserves	*15*	**4,520,165**	3,873,703
Total equity		**4,680,675**	4,034,213

Consolidated Balance Sheet (Continued)

As at 31 December 2011
(Amounts expressed in RMB)

	Note	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	*19*	**12,871**	41,892
Deferred income tax liabilities	*20*	**94,365**	56,909
		107,236	98,801
Current liabilities			
Trade and bills payables	*16*	**1,266,423**	1,688,602
Accruals and other payables	*17*	**1,150,129**	959,163
Current income tax liabilities		**74,991**	61,428
Bank borrowings	*18*	**604,301**	345,060
		3,095,844	3,054,253
Total liabilities		**3,203,080**	3,153,054
Total equity and liabilities		**7,883,755**	7,187,267
Net current assets		**3,052,022**	2,505,501
Total assets less current liabilities		**4,787,911**	4,133,014

The accompanying notes on pages 39 to 99 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 10 April 2012 and were signed on its behalf by:

Zhang Jianming	**Chen Ningning**
Director	*Director*

Balance Sheet

As at 31 December 2011
(Amounts expressed in RMB)

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Investments in subsidiaries	*8(a)*	**778,077**	778,077
Due from subsidiaries	*8(b)*	**875,847**	919,108
		1,653,924	1,697,185
Current assets			
Due from subsidiaries	*8(c)*	**630,404**	818,081
Cash and cash equivalents	*13*	**88**	35
		630,492	818,116
Total assets		**2,284,416**	2,515,301
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the Company			
Share capital	*14*	**160,510**	160,510
Reserves	*15*	**1,712,361**	1,924,345
Total equity		**1,872,871**	2,084,855
LIABILITIES			
Current liabilities			
Due to subsidiaries	*8(c)*	**410,810**	429,681
Other payables		**735**	765
Total liabilities		**411,545**	430,446
Total equity and liabilities		**2,284,416**	2,515,301
Net current assets		**218,947**	387,670
Total assets less current liabilities		**1,872,871**	2,084,855

The accompanying notes on pages 39 to 99 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 10 April 2012 and were signed on its behalf by:

Zhang Jianming
Director

Chen Ningning
Director

Consolidated Income Statement

For the year ended 31 December 2011
(Amounts expressed in RMB)

	Note	2011 RMB'000	2010 RMB'000
Revenue	21	**7,027,607**	7,057,328
Cost of sales	22	**(4,939,552)**	(4,923,817)
Gross profit		**2,088,055**	2,133,511
Selling and marketing expenses	22	**(556,206)**	(566,221)
General and administrative expenses	22	**(303,523)**	(290,259)
Other income	23	**79,858**	23,913
Other losses — net	24	**(5,522)**	(29,168)
Operating profit		**1,302,662**	1,271,776
Finance income	27	**38,177**	27,949
Finance costs	27	**(4,396)**	(7,977)
Finance income — net	27	**33,781**	19,972
Share of profit of an associate	9	**1,850**	1,316
Profit before income tax		**1,338,293**	1,293,064
Income tax expense	28	**(234,665)**	(230,505)
Profit for the year	29	**1,103,628**	1,062,559
Attributable to:			
Equity holders of the Company		**1,103,628**	1,062,559
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
— basic	30	**0.69**	0.67
Dividends	31	**384,636**	451,016

The accompanying notes on pages 39 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(Amounts expressed in RMB)

	2011 RMB'000	2010 RMB'000
Profit for the year	**1,103,628**	1,062,559
Other comprehensive income:		
Currency translation differences	**(5,450)**	(3,501)
Total comprehensive income for the year	**1,098,178**	1,059,058
Total comprehensive income attributable to:		
Equity holders of the Company	**1,098,178**	1,059,058

The accompanying notes on pages 39 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Amounts expressed in RMB)

		Attributable to equity holders of the Company		
		Share capital	Reserves	Total equity
		(Note 14)	*(Note 15)*	
	Note	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010		160,510	3,163,877	3,324,387
Comprehensive income				
Profit for the year		—	1,062,559	1,062,559
Other comprehensive income				
Currency translation differences		—	(3,501)	(3,501)
Total comprehensive income for the year ended 31 December 2010		—	1,059,058	1,059,058
Transactions with owners				
Dividend paid				
— 2009 final		—	(140,379)	(140,379)
— 2010 interim	*31*	—	(208,853)	(208,853)
Total transactions with owners		—	(349,232)	(349,232)
Balance at 31 December 2010		160,510	3,873,703	4,034,213
Balance at 1 January 2011		160,510	3,873,703	4,034,213
Comprehensive income				
Profit for the year		—	1,103,628	1,103,628
Other comprehensive income				
Currency translation differences		—	(5,450)	(5,450)
Total comprehensive income for the year ended 31 December 2011		—	1,098,178	1,098,178
Transactions with owners				
Dividend paid				
— 2010 final	*31*	—	(242,163)	(242,163)
— 2011 interim	*31*	—	(209,553)	(209,553)
Total transactions with owners		—	(451,716)	(451,716)
Balance at 31 December 2011		160,510	4,520,165	4,680,675

The accompanying notes on pages 39 to 99 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

For the year ended 31 December 2011
(Amounts expressed in RMB)

	Note	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	581,675	1,213,948
Interest paid		(4,931)	(8,802)
Income tax paid		(170,457)	(140,168)
Net cash generated from operating activities		406,287	1,064,978
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	32(b)	(149,825)	—
Purchase of property, plant and equipment		(148,989)	(278,454)
Purchase of land use rights		—	(38,433)
Entrusted loans granted to distributors		(228,493)	—
Entrusted loans repayments from distributors		188,493	—
Payment for increase in investment in an associate		—	(169)
Interest received from banks		34,695	19,620
Interest received from other loans		8,479	5,400
Dividends received from an associate		489	—
Proceeds from disposal of a subsidiary, net of cash disposal	32(c)	86,966	—
Proceeds from disposal of property, plant and equipment	32(d)	4,580	3,960
Net cash used in investing activities		(203,605)	(288,076)
Cash flows from financing activities			
Proceeds from bank borrowings		493,960	275,227
Repayments of bank borrowings		(234,719)	(167,355)
Payment of bank deposits for securing bank borrowings		(285,888)	(214,912)
Dividends paid to the Company's equity holders	31	(451,716)	(349,232)
Net cash used in financing activities		(478,363)	(456,272)
Net (decrease)/increase in cash and cash equivalents		(275,681)	320,630
Cash and cash equivalents at beginning of year	13	2,016,748	1,696,118
Cash and cash equivalents at end of year	13	1,741,067	2,016,748

The accompanying notes on pages 39 to 99 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

1. General Information

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

The Company was incorporated in Cayman Islands on 13 July 2006, as an exempted company with limited liability under the Companies Law of Cayman Islands. The Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, George Town, 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 since 22 December 2006.

These consolidated financial statements are presented in Chinese Renminbi ("RMB"), unless otherwise stated. They have been approved for issue by the Company's Board of Directors on 10 April 2012.

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011:

- Amendment to HKAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The changes in accounting policy only results in additional disclosures.

(b) **New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant/significant to the Group (although they may affect the accounting for future transactions and events)**

		Effective for annual periods beginning on or after
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to HKFRS 1	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKAS 24 (Revised)	Related Party Disclosures	1 January 2011
Amendment to HK(IFRIC) — Int 14	Prepayments of a minimum funding requirement	1 January 2011

Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 "Interim financial reporting" as disclosed in note 2.1(a), all are not currently relevant/significant to the Group.

		Effective for annual periods beginning on or after
HKFRS 3	Business combinations	1 July 2010
HKAS 27	Consolidated and separate financial statements	1 July 2010
HKFRS 1	First time adoption of Hong Kong Financial Reporting Standards	1 January 2011
HKFRS 7	Financial instruments: Disclosure	1 January 2011
HKAS 1	Presentation of financial statements	1 January 2011
HK(IFRIC) — Int 13	Customer loyalty programmes	1 January 2011

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(c) **New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted**

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

		Effective for annual periods beginning on or after
HKFRS 7 (Amendment)	Disclosures — Transfers of financial assets	1 July 2011
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

The Group is in the process of making assessment of the impact of those new or revised HKFRSs upon initial adoption.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

2. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(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. Summary of Significant Accounting Policies (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount to 'share of profit/(loss) 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. Summary of Significant Accounting Policies (Continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other losses — 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 as a separate component of equity.

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

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.

2. Summary of Significant Accounting Policies (Continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

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

2.7 Land use rights

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

2. Summary of Significant Accounting Policies (Continued)

2.8 Intangible asset

(a) Technology know-how

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

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

(b) Research and development

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

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

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

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

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

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. Summary of Significant Accounting Policies (Continued)

2.10 Financial assets — loans and receivables

The Group's financial assets are loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater 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 other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 2.13 and 2.14).

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

2.11 Impairment of financial assets

Assets carried at amortised cost

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

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

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment 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.

2.12 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. Summary of Significant Accounting Policies (Continued)

2.13 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.

2.14 Cash and cash equivalents

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

2.15 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.

2.16 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.

2.17 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)

2.18 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.

2.19 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 directly in equity. In this case, the tax is also recognised in equity.

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes 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. Summary of Significant Accounting Policies (Continued)

2.20 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.

2.21 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.

2.22 Government grants

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.23 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) Sale of services

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

(c) Interest income

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

2.24 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.

2.25 Dividend distribution

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

2.26 Contingent liabilities

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

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

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, fair value and cash flow interest rate risk, credit risk and liquidity risk. Its risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures on changes in foreign currency exchange rates and interest rates.

(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"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, such as trade receivables, cash and cash equivalents, trade payables and borrowings.

As at 31 December 2011, if RMB had strengthened/weakened by 4.8% (2010: 3.2%) against the USD and HKD with all other variables held constant, profit before income tax would have been approximately RMB8,877,000 (2010: RMB4,046,000) 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 bank borrowings.

As at 31 December 2011, if RMB had strengthened/weakened by 7.3% (2010: 10.1%) against the Euro with all other variables held constant, profit before income tax would have been approximately RMB16,144,000 (2010: RMB14,780,000) lower/higher mainly as a result of foreign exchange difference on translation of Euro denominated trade receivables, cash and cash equivalents and trade payables.

The Group also has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Most of the Group's net assets of the foreign operations are denominated in Euro and Brazilian Real. As at 31 December 2011, the net liabilities denominated in Euro and Brazilian Real are approximately RMB135,701,375 (2010: RMB111,147,175) and RMB631,942 (2010: net assets of RMB7,895,620) respectively. All translation exchanges differences are recognised as translation differences in equity.

(b) Fair value and cash flow interest rate risk

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

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

As at 31 December 2011, if interest rates on USD — denominated borrowings had been 0.35 percentage-point (2010: 0.20 percentage-point) lower/higher with all other variables held constant, profit before income tax would have been RMB460,000 (2010: RMB273,000) higher/lower, mainly as a result of lower/higher interest expense on floating rate borrowings.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

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

As at 31 December 2011, if interest rates on Japanese Yen ("JPY") — denominated borrowings had been 0.10 percentage-point (2010: 0.03 percentage-point) higher/lower with all other variables held constant, profit before income tax would have been RMB79,000 (2010: RMB24,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

As at 31 December 2011, if interest rates on HKD — denominated borrowings had been 0.18 percentage-point (2010: 0.03 percentage-point) higher/lower with all other variables held constant, profit before income tax would have been RMB405,000 (2010: RMB25,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(c) Credit risk

The Group has policy 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 24 months.

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

The Group has policies to place its cash and cash equivalents only with major financial institutions, and limits the amount of credit exposure to any financial institution. As at 31 December 2011, most of the restricted bank deposits and cash and cash equivalents are placed with major financial institutions in Mainland China.

(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.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

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

	2011 Within 1 year RMB'000	2010 Within 1 year RMB'000
Borrowings *(i)*	**610,676**	348,267
Trade and other payables	**2,416,089**	2,635,634
	3,026,765	2,983,901

(i) The balance includes interest payments which is calculated based on borrowings outstanding as at 31 December 2011 and 2010, without taking into account any subsequent changes in the amount of borrowings. Floating rate interest is based on current interest rate as at 31 December 2011 and 2010.

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 equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

As at 31 December 2011, 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	
	2011 RMB'000	2010 RMB'000
Total borrowings *(Note 18)*	**604,301**	345,060
Total equity	**4,680,675**	4,034,213
Gearing ratio	**13%**	9%

The increase in the gearing ratio resulted primarily from increase in borrowings to finance working capital.

4. Critical Accounting Estimates and Judgements

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

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

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

The Group determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

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

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

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

(c) Impairment of receivables

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

(d) Net realisable value of inventories

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

4. Critical Accounting Estimates and Judgements (Continued)

(e) Income taxes and deferred income tax

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

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

(f) Provision for loss on guarantees

The Group provides guarantees for loans granted by PRC 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 payable amounts. 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 judgments or estimates could significantly affect the provision amounts and materially impact the results of operations.

5. Land Use Rights — Group

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

	2011 RMB'000	2010 RMB'000
At beginning of year		
Cost	**254,185**	150,453
Accumulated amortisation	**(17,482)**	(12,657)
Net book amount	**236,703**	137,796
Opening net book amount	**236,703**	137,796
Exchange differences	**(1,096)**	—
Additions	**—**	103,732
Acquisition of a subsidiary	**46,965**	—
Disposal of a subsidiary	**(28,083)**	—
Amortisation	**(6,465)**	(4,825)
Closing net book amount	**248,024**	236,703
At end of year		
Cost	**271,489**	254,185
Accumulated amortisation	**(23,465)**	(17,482)
Net book amount	**248,024**	236,703

Majority of the Group's land use rights are located in Mainland China. As at 31 December 2011, the remaining period of land use rights ranges from 22 to 48 years (2010: 23 to 50 years).

Amortisation has been included in general and administrative expenses.

6. Property, Plant and Equipment — Group

	Freehold land* and buildings RMB'000	Plant and machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2010						
Cost	767,757	763,675	107,375	46,665	47,768	1,733,240
Accumulated depreciation	(135,330)	(346,902)	(65,726)	(26,823)	—	(574,781)
Net book amount	632,427	416,773	41,649	19,842	47,768	1,158,459
Year ended 31 December 2010						
Opening net book amount	632,427	416,773	41,649	19,842	47,768	1,158,459
Exchange differences	(8,453)	(79)	4	(395)	—	(8,923)
Additions	15,133	90,421	17,940	5,300	159,089	287,883
Transfers	3,383	14,636	—	3,464	(21,483)	—
Disposals	—	(2,368)	(467)	(1,066)	—	(3,901)
Depreciation	(22,828)	(42,347)	(13,312)	(5,294)	—	(83,781)
Closing net book amount	619,662	477,036	45,814	21,851	185,374	1,349,737
At 31 December 2010						
Cost	777,341	852,416	122,126	50,187	185,374	1,987,444
Accumulated depreciation	(157,679)	(375,380)	(76,312)	(28,336)	—	(637,707)
Net book amount	619,662	477,036	45,814	21,851	185,374	1,349,737
Year ended 31 December 2011						
Opening net book amount	619,662	477,036	45,814	21,851	185,374	1,349,737
Exchange differences	(6,001)	(59)	(93)	(1,057)	—	(7,210)
Acquisition of a subsidiary	87,586	3,828	—	11,446	—	102,860
Additions	8,445	54,840	9,896	12,713	64,498	150,392
Transfers	73,289	29,293	1,266	5,300	(109,148)	—
Disposal of a subsidiary	—	—	—	(66)	(63,796)	(63,862)
Disposals	—	(39)	(1,424)	(113)	(3,968)	(5,544)
Depreciation	(26,199)	(48,533)	(13,609)	(7,751)	—	(96,092)
Closing net book amount	756,782	516,366	41,850	42,323	72,960	1,430,281
At 31 December 2011						
Cost	939,850	939,907	119,180	77,893	72,960	2,149,790
Accumulated depreciation	(183,068)	(423,541)	(77,330)	(35,570)	—	(719,509)
Net book amount	756,782	516,366	41,850	42,323	72,960	1,430,281

* *Freehold land is located in Germany. It is stated at cost of RMB3,802,000 (2010: RMB4,102,000) and is not subject to depreciation.*

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

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

	2011 RMB'000	2010 RMB'000
Cost of sales	**67,243**	58,728
General and administrative expenses	**24,471**	20,542
Selling and marketing expenses	**4,378**	4,511
	96,092	83,781

7. Intangible Assets — Group

Intangible assets consist of technology know-how.

	2011 RMB'000	2010 RMB'000
At beginning of year		
Cost	**10,501**	10,501
Accumulated amortisation	**(7,000)**	(4,900)
Net book amount	**3,501**	5,601
Opening net book amount	**3,501**	5,601
Amortisation	**(2,100)**	(2,100)
Closing net book amount	**1,401**	3,501
At end of year		
Cost	**10,501**	10,501
Accumulated amortisation	**(9,100)**	(7,000)
Net book amount	**1,401**	3,501

Amortisation has been included in general and administrative expenses.

8. Investments in and Loans to Subsidiaries — Company

(a) Investments in subsidiaries

	2011 RMB'000	2010 RMB'000
Investments, at cost:		
— Unlisted shares	**778,077**	778,077

The following is a list of the principal subsidiaries, which are unlisted, at 31 December 2011:

Name	Place of incorporation and kind of legal entity	Paid up capital	Attributable equity interest to the Company Direct	Indirect	Principal activities and place of operations
Guo Hua Limited	British Virgin Islands ("BVI"), limited liability company	USD50,000	100%	—	Investment holding, BVI
Guo Hua Enterprises Group Limited	Hong Kong, limited liability company	HKD1	—	100%	Investment holding, Hong Kong
Dahai (H.K.) Company Limited	Hong Kong, limited liability company	HKD10,000	—	100%	Trading of machinery and machinery accessories, Hong Kong
Haitian Europe S.p.A	Italy, limited liability company	EURO100,000	—	100%	Sale of plastic injection moulding machines, Italy
Haitian Europe GmbH	Germany, limited liability company	EURO25,000	—	100%	Sale of plastic injection moulding machines, Germany
Ningbo Export Processing Zone Haitian Precision Machinery Co., Ltd. ("Ningbo EPZ Haitian Precision") (寧波出口加工區海天精工機械有限公司)	Mainland China, foreign equity joint venture	USD15,000,000	—	100%	Manufacture and sale of plastic injection moulding machines to foreign countries, Mainland China
Haitian Huayuan (Hong Kong) Limited	Hong Kong, limited liability company	HKD779,999	—	100%	Trading of machinery and machinery accessories, Hong Kong
Haitian Huayuan Middle East Makina Dis Ticaret Limited Sirketi	Turkey, limited liability company	LIRA500,000	—	100%	Sale of plastic injection moulding machines, Turkey
Haitian Huayuan South America Com. De MAQS. Ltd.	Brazil, limited liability company	REAL5,360,000	—	100%	Sale of plastic injection moulding machines, Brazil
Haitian Plastic Processing Machinery Guangzhou Co., Ltd. (海天塑料機械(廣州)有限公司)	Mainland China, wholly owned foreign enterprise	USD2,400,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Huayuan (Vietnam) Machinery Co., Ltd.	Vietnam, limited liability company	VND22,800,000,000	—	100%	Manufacture, processing and maintaining all kinds of plastic injection moulding machines, Vietnam
Ningbo Daxie Development Zone Haitian Machinery Co., Ltd. ("Daxie Haitian") (寧波大榭開發區海天機械有限公司)	Mainland China, foreign equity joint venture	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

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

(a) Investments in subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Paid up capital	Attributable equity interest to the Company Direct	Indirect	Principal activities and place of operations
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	USD18,000,000	—	100%	Manufacture and sale of plastic injection moulding machines to foreign countries, Mainland China
Ningbo Haitian Logistic Co., Ltd. (寧波海天物流有限公司)	Mainland China, limited liability company	RMB10,000,000	—	100%	Logistic, sale of plastic injection moulding machines, Mainland China
Haitian Plastic Machinery Group Limited ("Haitian Plastic Machinery") (海天塑機集團有限公司)	Mainland China, wholly owned foreign enterprise	USD198,460,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Zhafir Plastics Machinery Co., Ltd. ("Ningbo Zhafir") (寧波長飛亞塑料機械製造有限公司)	Mainland China, foreign equity joint venture	USD30,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
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	DM100,000	—	91%	Research and development, manufacture, sale of plastic injection moulding machines, Germany

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2011 (2010: None).

The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names as they do not have official English names.

In January 2011, four then subsidiaries of the Company, Ningbo Haitian Heavywork Machinery Co., Ltd. ("Haitian Heavywork"), Ningbo Haitian Machinary Sales Co,. Ltd. ("Haitian Sales"), Ningbo Haitian Shili Machinery Co., Ltd. ("Haitian Shili") and Ningbo Haitian Technology Co., Ltd. ("Haitian Technology") were merged into Haitian Plastic Machinery and dissolved subsequently, pursuant to a group restructuring.

On 7 April 2011, the Group entered into Share Transfer Agreements with two related parties, Ningbo Haitian Co., Ltd. ("Ningbo Haitian") and Anson Asia (Hong Kong) Limited ("Anson Asia") to acquire 100% equity interest in the share capital of Ningbo EPZ Haitian Precision. The total consideration paid by the Group for the shares transfers was RMB185,150,000. The shares transfers have been completed and Ningbo EPZ Haitian Precision has become a wholly owned subsidiary of the Group since April 2011.

On 21 October 2011, the Group entered into a Share Transfer Agreement with Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision") to transfer 100% equity interests in the share capital of Haitian Guohua (Dalian) Plastic Processing Machinery Co., Ltd., the then subsidiary of the Group, to Haitian Precision. The total proceeds received by the Group from the share transfer was RMB107,800,000. As at 31 December 2011, the share transfer has been completed.

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

(b) Due from subsidiaries — non-current

Due from subsidiaries represent equity funding by the Company to the subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries. They are unsecured, non-interest bearing and denominated in the following currencies:

	2011 **RMB'000**	2010 RMB'000
HKD	**872,497**	915,436
USD	**3,350**	3,672
	875,847	919,108

(c) Due from/(to) subsidiaries

These balances are unsecured, non-interest bearing without fixed repayment terms.

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

	2011 **RMB'000**	2010 RMB'000
HKD	**598,886**	785,000
Euro	**30,872**	32,404
USD	**646**	677
	630,404	818,081

9. Investment in an Associate — Group

	2011 **RMB'000**	2010 RMB'000
Beginning of the year	**3,074**	1,589
Acquisition of additional interest	**—**	169
Dividend received	**(489)**	—
Share of profit	**1,850**	1,316
End of the year	**4,435**	3,074

Investment in an associate at 31 December 2011 includes goodwill of RMB186,000 (2010: RMB186,000).

9. Investment in an Associate — Group (Continued)

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

	2011 RMB'000	2010 RMB'000
Assets	**4,862**	3,699
Liabilities	**613**	811
Sales	**6,177**	4,934
Profit for the year	**1,850**	1,316

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

Name	Place of incorporation and kind of legal entity	Paid up capital	Attributable indirect equity interest to the Company	Principal activities and place of operation
Hangzhou Keqiang Intelligence Control System Co., Ltd. ("Hangzhou Keqiang") (杭州科強智能控制系統有限公司)	Mainland China, limited liability company	RMB2,080,000 (2010: RMB1,735,000)	49%	Manufacture and sale of intelligence control system in Mainland China

The English name of the associate represents the best effort by the management of the Group to translate the Chinese name as it does not have an official English name.

10. Inventories — Group

	2011 RMB'000	2010 RMB'000
Raw materials	**774,298**	653,008
Work-in-progress	**151,715**	153,168
Finished goods	**525,700**	457,054
	1,451,713	1,263,230

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB4,928,963,000 (2010: RMB4,910,671,000).

In 2011, the Group recorded reversal of write-down of inventories of approximately RMB7,748,000 (2010: reversal of write-down of inventories of RMB6,277,000). This amount has been included in cost of sales.

11. Trade and Bills Receivables — Group

	2011 RMB'000	2010 RMB'000
Trade and bills receivables	**2,092,337**	1,726,094
Less: provision for impairment	**(39,630)**	(29,051)
	2,052,707	1,697,043

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

As at 31 December 2011, there was no individual customer with outstanding balance exceeding 10% of the Group's total trade and bills receivables (2010: None). There was no concentration of credit risk with respect to the Group's trade and bills receivables.

Majority of trade and bills receivables are with customers having an appropriate credit history. Most of the Group's sales are covered by guarantees from distributors, credit arrangements from insurance companies in Mainland China, or letters of credit issued by banks. The Group grants its customers credit terms ranging from 15 days to 24 months. The ageing analysis of trade and bills receivables is as follows:

	2011 RMB'000	2010 RMB'000
Up to 6 months	**1,786,105**	1,520,486
6 months to 1 year	**177,208**	136,837
1 year to 2 years	**101,812**	51,293
Over 2 years	**27,212**	17,478
	2,092,337	1,726,094

As at 31 December 2011, trade receivables of RMB13,994,000 (2010: RMB7,246,000) were past due but considered not to be 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:

	2011 RMB'000	2010 RMB'000
Up to 6 months	**2,613**	3,530
6 months to 1 year	**3,201**	207
1 year to 2 years	**2,634**	1,263
Over 2 years	**5,546**	2,246
	13,994	7,246

11. Trade and Bills Receivables — Group (Continued)

As at 31 December 2011, trade receivables of approximately RMB78,717,000 (2010: RMB58,114,000) were impaired, with the amount of the related provision of RMB39,630,000 (2010: RMB29,051,000). The individually impaired receivables mainly relate to customers with different credit history. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	2011 RMB'000	2010 RMB'000
Up to 6 months	**—**	616
1 year to 2 years	**57,051**	42,266
Over 2 years	**21,666**	15,232
	78,717	58,114

Trade and bills receivables are denominated in the following currencies:

	2011 RMB'000	2010 RMB'000
RMB	**1,583,073**	1,272,627
USD	**354,178**	271,213
Brazilian Real	**89,961**	120,152
Euro	**56,722**	58,317
Vietnam Dong ("VND")	**6,919**	—
Others	**1,484**	3,785
	2,092,337	1,726,094

Movements of the provision for impairment of trade receivables are:

	2011 RMB'000	2010 RMB'000
At 1 January	**29,051**	14,437
Provision for trade receivables	**10,581**	16,110
Written off as uncollectible	**(2)**	(1,496)
At 31 December	**39,630**	29,051

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

As at 31 December 2011, the maximum exposure to credit risk is the fair value of trade and bills receivables.

12. Prepayments, Deposits and Other Receivables — Group

	2011 RMB'000	2010 RMB'000
Entrusted loan to a distributor *(i)*	**40,000**	—
Advances to customers *(ii)*	**5,628**	954
Prepayments and deposits		
— for purchases of raw materials	**174,547**	173,277
— others	**10,218**	6,907
Value Added Tax recoverable	**11,690**	12,461
Prepaid current income tax	**—**	411
Loans to employees *(iii)*	**32,206**	24,899
Interest receivables	**1,784**	6,781
Due from related parties *(Note 35(b))*	**6,808**	2,157
Others	**2,240**	932
	285,121	228,779
Less non-current portion: loans to employees	**(21,364)**	—
Current portion	**263,757**	228,779

Note:

(i) Entrusted loan to a distributor is unsecured, repayable within one year with an interest rate of 9% per annum.

(ii) Advances to customers are secured by guarantees provided by the relevant distributors.

(iii) Loans to employees are for housing and car and due within six years and bear interest at rates ranging from 0 to 3.4% (2010: nil) per annum as at 31 December 2011.

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

	2011 RMB'000	2010 RMB'000
Loans to employees	**21,364**	—

The fair values of loans to employees are based on cash flows discounted using a rate based on the borrowings rate of 3.4% (2010: nil).

13. Restricted Bank Deposits and Cash and Cash Equivalents

	Group		Company	
	2011 RMB'000	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Restricted bank deposits	**638,622**	353,954	**—**	—
Cash at bank and in hand	**1,232,047**	1,443,233	**88**	35
Short-term bank deposits	**509,020**	573,515	**—**	—
Cash and cash equivalents	**1,741,067**	2,016,748	**88**	35
	2,379,689	2,370,702	**88**	35

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

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

As at 31 December 2011, the weighted average effective interest rate on restricted bank deposits and cash and cash equivalents of the Group is 1.8% (2010: 1.1%) per annum.

The restricted bank deposits have maturities of 12 months at inception (2010: 12 months). The short-term bank deposits have maturities ranging from 7 days to 12 months at inception (2010: ranging from 7 days to 12 months).

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

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

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**1,993,525**	2,193,354	**—**	—
USD	**305,572**	109,903	**—**	—
Euro	**58,138**	50,141	**1**	1
Brazilian Real	**14,131**	13,437	**—**	—
VND	**3,410**	—	**—**	—
HKD	**2,754**	3,166	**87**	34
Others	**2,159**	701	**—**	—
	2,379,689	2,370,702	**88**	35

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.

14. Share Capital

	Authorised share capital		
	Number of shares	**Amount**	
	'000	HKD'000	RMB'000
As at 31 December 2010 and 2011 (shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid up		
	Number of shares	**Amount**	
	'000	HKD'000	RMB'000
As at 31 December 2010 and 2011 (shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

15. Reserves

Group

	Share premium RMB'000	Merger reserve RMB'000	Statutory reserves RMB'000 *(note i)*	Translation differences RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2010	1,331,913	152,573	250,331	(5,626)	1,434,686	3,163,877
Profit for the year	—	—	—	—	1,062,559	1,062,559
Appropriations	—	—	20,115	—	(20,115)	—
Dividend paid						
— 2009 final	—	—	—	—	(140,379)	(140,379)
— 2010 interim *(Note 31)*	—	—	—	—	(208,853)	(208,853)
Currency translation differences	—	—	—	(3,501)	—	(3,501)
At 31 December 2010	1,331,913	152,573	270,446	(9,127)	2,127,898	3,873,703
Profit for the year	—	—	—	—	1,103,628	1,103,628
Appropriations	—	—	27,749	—	(27,749)	—
Dividend paid						
— 2010 final *(Note 31)*	—	—	—	—	(242,163)	(242,163)
— 2011 interim *(Note 31)*	—	—	—	—	(209,553)	(209,553)
Currency translation differences	—	—	—	(5,450)	—	(5,450)
At 31 December 2011	1,331,913	152,573	298,195	(14,577)	2,752,061	4,520,165

(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 equity holders. 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 percentages to be appropriated to other funds are at the discretion of the board of directors of the respective subsidiaries.

15. Reserves (Continued)

Group (Continued)

(i) Statutory reserves (Continued)

Such statutory reserves, depending on their nature, can only be used to offset accumulated losses or to increase capital of the relevant subsidiaries, and cannot be distributed to equity holders of the subsidiaries. Movements in the statutory reserves are as follows:

	Statutory reserve fund RMB'000	**Statutory welfare fund** RMB'000	**Enterprise expansion fund** RMB'000	**Discretionary reserve fund** RMB'000	**Total** RMB'000
At 1 January 2010	28,085	556	123,534	98,156	250,331
Additions	1,047	—	19,068	—	20,115
At 31 December 2010	29,132	556	142,602	98,156	270,446
Additions	3,306	—	24,443	—	27,749
At 31 December 2011	32,438	556	167,045	98,156	298,195

Company

	Share premium RMB'000	**Contributed surplus** RMB'000 *(note ii)*	**(Accumulated losses)/retained earnings** RMB'000	**Total** RMB'000
At 1 January 2010	1,331,913	314,789	(136,898)	1,509,804
Profit for the year	—	—	763,773	763,773
Dividend paid				
— 2009 final	—	—	(140,379)	(140,379)
— 2010 interim *(Note 31)*	—	—	(208,853)	(208,853)
At 31 December 2010	1,331,913	314,789	277,643	1,924,345
Profit for the year	—	—	239,732	239,732
Dividend paid				
— 2010 final *(Note 31)*	—	—	(242,163)	(242,163)
— 2011 interim *(Note 31)*	—	—	(209,553)	(209,553)
At 31 December 2011	1,331,913	314,789	65,659	1,712,361

(ii) Contributed surplus

Contributed surplus arose when the Company issued shares in exchange for the shares of subsidiaries being acquired in connection with a reorganisation of the Group prior to the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Contributed surplus is distributable to equity holders according to Companies Law of Cayman Islands subject to a solvency test.

16. Trade and Bills Payables — Group

	2011 RMB'000	2010 RMB'000
Trade payables	**801,785**	887,987
Bills payable	**433,180**	699,760
Trade and bills payables	**1,234,965**	1,587,747
Due to related parties *(Note 35(b))*	**31,458**	100,855
	1,266,423	1,688,602

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

	2011 RMB'000	2010 RMB'000
Up to 6 months	**1,265,351**	1,686,195
6 months to 1 year	**255**	350
1 year to 2 years	**—**	1,637
Over 2 years	**817**	420
	1,266,423	1,688,602

Trade and bills payables are denominated in the following currencies:

	2011 RMB'000	2010 RMB'000
RMB	**1,223,968**	1,638,384
Euro	**27,184**	28,706
USD	**10,529**	19,391
JPY	**3,758**	—
HKD	**68**	802
Others	**916**	1,319
	1,266,423	1,688,602

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

17. Accruals and Other Payables — Group

	2011 RMB'000	2010 RMB'000
Welfare payables	**83,246**	88,817
Salaries, wages and bonus payables	**61,952**	77,718
Sales commission and expenses payables	**418,538**	303,112
Customers deposits	**514,413**	406,297
Payable for purchase of property, plant and equipment	**18,006**	16,603
Accrued operating expenses	**12,580**	13,902
Value Added Tax payables	**17,136**	23,382
Deferred income — current portion *(Note 19)*	**463**	12,131
Other payables	**23,795**	17,201
	1,150,129	959,163

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

18. Bank Borrowings — Group

	2011 RMB'000	2010 RMB'000
At floating rate in USD	**134,209**	131,129
At floating rate in HKD	**392,460**	136,149
At floating rate in JPY	**77,632**	77,782
	604,301	345,060

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

	2011	2010
USD	**2.1%**	2.1%
HKD	**2.2%**	2.1%
JPY	**1.4%**	1.4%

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

19. Deferred Income — Group

	2011 RMB'000	2010 RMB'000
Deferred government grants	**13,334**	54,023
Less: Current portion included in current liabilities *(Note 17)*	**(463)**	(12,131)
	12,871	41,892

Movements are as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	**54,023**	24,625
Granted during the year	**1,274**	31,516
Amortised as income *(Note 23)*	**(13,691)**	(2,118)
Disposal of a subsidiary	**(28,272)**	—
At 31 December	**13,334**	54,023

20. Deferred Income Tax — Group

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

	2011 RMB'000	2010 RMB'000
Deferred income tax assets to be recovered within 12 months	**30,384**	34,498
Deferred income tax liabilities to be settled after more than 12 months	**85,496**	48,233
Deferred income tax liabilities to be settled within 12 months	**8,869**	8,676
	94,365	56,909

The movements in deferred income tax assets are as follows:

	Temporary differences in respect of provisions and accruals RMB'000	**Tax losses** RMB'000	**Unrealised profit on inventories** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2010	25,253	3,003	8,559	316	37,131
Recognised in the consolidated income statement	(2,380)	(3,003)	2,925	(175)	(2,633)
At 31 December 2010	22,873	—	11,484	141	34,498
Recognised in the consolidated income statement	(1,596)	—	(2,377)	(141)	(4,114)
At 31 December 2011	21,277	—	9,107	—	30,384

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 RMB41,668,000 (2010: RMB31,318,000) in respect of losses amounting to RMB161,518,000 (2010: RMB120,365,000) that can be carried forward against future taxable income. Cumulative tax losses of RMB139,998,000 (2010: RMB99,792,000) can be carried forward indefinitely; while cumulative tax losses of RMB21,520,000 (2010: RMB20,573,000) will expire within five years.

20. Deferred Income Tax — Group (Continued)

The movements in deferred income tax liabilities during the year are as follows:

	Withholding tax RMB'000	Temporary differences in respect of receivables RMB'000	Total RMB'000
At 1 January 2010	11,004	3,678	14,682
Recognised in the consolidated income statement	46,402	1,775	48,177
Transferred to tax payable	(6,006)	—	(6,006)
Exchange differences	—	56	56
At 31 December 2010	51,400	5,509	56,909
Recognised in the consolidated income statement	44,447	1,673	46,120
Transferred to tax payable	(7,700)	—	(7,700)
Exchange differences	—	(964)	(964)
At 31 December 2011	88,147	6,218	94,365

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 after 31 December 2007. The Group's subsidiaries in Mainland China are held by Guo Hua Enterprises Group Limited, a company incorporated in Hong Kong, and accordingly the applicable withholding tax rate is 5%.

As at 31 December 2011, deferred income tax liabilities of RMB65,782,000 (2010: RMB54,670,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are expected to be permanently reinvested in Mainland China. Unremitted earnings that deferred income tax liabilities have not been recognised totaled RMB1,315,633,000 at 31 December 2011 (2010: RMB1,093,398,000).

21. Sales and Segment Information

	2011 RMB'000	2010 RMB'000
Sales of plastic injection moulding machines and related products	**7,027,607**	7,057,328

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 reports, the executive committee has determined that no segment information is presented as substantially all of the Group's sales and operating profits are derived from the sales of plastic injection moulding machines, and over 90% of the Group's productions and operating assets are located in Mainland China, which is considered as one segment with similar risks and returns.

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

	2011 RMB'000	2010 RMB'000
Mainland China	**4,989,601**	5,332,069
Hong Kong and overseas countries	**2,038,006**	1,725,259
	7,027,607	7,057,328

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

	2011 RMB'000	2010 RMB'000
Total non-current assets other than deferred tax assets		
— Mainland China	**1,599,858**	1,484,253
— Hong Kong and overseas countries	**105,647**	108,762
Deferred income tax assets	**30,384**	34,498
	1,735,889	1,627,513

22. Expenses by Nature

	2011 RMB'000	2010 RMB'000
Depreciation and amortisation *(Notes 5, 6 and 7)*	**104,657**	90,706
Raw materials and consumables used	**4,611,953**	4,717,041
Changes in inventories of finished goods and work in progress	**(77,521)**	(163,918)
Operating lease for buildings	**4,629**	5,099
Sales commission and after-sales service expenses	**394,231**	414,675
Provision for impairment of trade receivables *(Note 11)*	**10,581**	16,110
Reversal of write-down of inventories *(Note 10)*	**(7,748)**	(6,277)
Employment costs *(Note 25)*	**507,343**	441,637
Freight charges	**44,451**	54,627
Utilities	**59,500**	59,560
Travelling expenses	**19,988**	15,473
Auditor's remuneration	**2,999**	2,780
Others	**124,218**	132,784
Total cost of sales, selling and marketing expenses and general and administrative expenses	**5,799,281**	5,780,297

23. Other Income

	2011 RMB'000	2010 RMB'000
Government grants *(i)*	**66,167**	21,795
Amortisation of deferred income *(Note 19)*	**13,691**	2,118
	79,858	23,913

(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.

24. Other Losses — Net

	2011 RMB'000	2010 RMB'000
Net exchange losses	**(31,154)**	(32,663)
(Loss)/gain on disposals of property, plant and equipment, net	**(964)**	59
Gain on disposal of a subsidiary	**23,293**	—
Others	**3,303**	3,436
	(5,522)	(29,168)

25. Employment Costs

	2011 RMB'000	2010 RMB'000
Salaries, wages and bonus	**401,233**	362,901
Pension cost — defined contribution plan *(note i)*	**16,721**	16,831
Other benefits *(note ii)*	**89,389**	61,905
	507,343	441,637

(i) Pension cost — defined contribution plan

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 salary, while the Group contributes 12% to 20% of employees' basic salary 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' jurisdiction. 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 8% to 11% of employees' basic salary to the medical plan and 8% to 10% of employees' basic salary to the housing plan.

26. Directors and Senior Management's Emoluments

(a) Directors' emoluments

The emoluments of individual director are set out below:

Name of Director	Fees RMB'000	Salaries RMB'000	Pension cost RMB'000	Other benefits RMB'000	Total RMB'000
2011					
Executive directors					
— Mr. Zhang Jingzhang	—	700	—	13	713
— Mr. Zhang Jianming	—	730	8	21	759
— Mr. Zhang Jianfeng	—	500	8	21	529
— Mr. Zhang Jianguo	—	450	8	21	479
— Mr. Guo Mingguang	—	420	8	21	449
— Ms. Chen Ningning	—	400	8	21	429
— Mr. Liu Jianbo	—	400	8	21	429
— Professor Helmut Helmar Franz	—	680	—	—	680
	—	4,280	48	139	4,467
Non-executive director					
— Mr. Hu Guiqing	—	50	—	—	50
Independent non-executive directors					
— Mr. Pan Chaoyang	64	—	—	—	64
— Mr. Gao Xunxian	64	—	—	—	64
— Mr. Dai Xiangbo	64	—	—	—	64
— Dr. Steven Chow	87	—	—	—	87
	279	—	—	—	279
	279	4,330	48	139	4,796

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

(a) Directors' emoluments (Continued)

Name of Director	Fees RMB'000	Salaries RMB'000	Pension cost RMB'000	Other benefits RMB'000	Total RMB'000
2010					
Executive directors					
— Mr. Zhang Jingzhang	—	700	—	7	707
— Mr. Zhang Jianming	—	730	8	14	752
— Mr. Zhang Jianfeng	—	500	8	14	522
— Mr. Zhang Jianguo	—	450	8	14	472
— Mr. Guo Mingguang	—	420	8	14	442
— Ms. Chen Ningning	—	400	8	14	422
— Mr. Liu Jianbo	—	400	8	14	422
— Professor Helmut Helmar Franz	—	680	—	—	680
	—	4,280	48	91	4,419
Non-executive director					
— Mr. Hu Guiqing	—	50	—	—	50
Independent non-executive directors					
— Mr. Pan Chaoyang	64	—	—	—	64
— Mr. Gao Xunxian	64	—	—	—	64
— Mr. Dai Xiangbo	64	—	—	—	64
— Dr. Steven Chow	87	—	—	—	87
	279	—	—	—	279
	279	4,330	48	91	4,748

None of the directors waived any emoluments during the year ended 31 December 2011 (2010: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included one (2010: none) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2010: five) individuals during the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries	**2,557**	5,308
Pension cost	**—**	8
Other benefits	**688**	198
	3,245	5,514

The emoluments fall within the following bands:

	Number of individuals 2011	2010
Nil — HKD1,000,000 (equivalent to approximately RMB811,000)	**4**	1
HKD1,000,001 (equivalent to approximately RMB811,000) — HKD1,500,000 (equivalent to approximately RMB1,216,000)	**1**	3
HKD1,500,001 (equivalent to approximately RMB1,216,000) — HKD2,000,000 (equivalent to approximately RMB1,621,000)	**—**	1

(c) During the year ended 31 December 2011, 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 (2010: Nil).

27. Finance Income/Costs

	2011 RMB'000	2010 RMB'000
Finance costs:		
Interest expense	**(6,769)**	(7,218)
Net foreign exchange gains/(losses) on borrowings	**2,373**	(759)
	(4,396)	(7,977)
Finance income:		
Interest income on restricted bank deposits and cash and cash equivalents	**29,698**	22,549
Interest income on loans to distributors	**8,479**	5,400
	38,177	27,949
Finance income, net	**33,781**	19,972

28. Income Tax Expense

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

	2011 RMB'000	2010 RMB'000
Current income tax		
— Mainland China enterprise income tax	**182,817**	179,084
— Overseas tax	**1,614**	611
Deferred taxation *(Note 20)*	**50,234**	50,810
	234,665	230,505

Ningbo Zhafir and Daxie Haitian were entitled for a reduced tax rate of 12% and 24% for the year 2011, respectively.

Wuxi Haitian, Haitian Plastic Machinery, and Haitian Huayuan were certified as High and New Technology Enterprises in 2009 (for Wuxi Haitian) or 2011 (for Haitian Plastic Machinery and Haitian Huayuan) and were entitled to a reduced tax rate of 15% for three years commencing from 1 January 2009 (for Wuxi Haitian) or 2011 (for Haitian Plastic Machinery and Haitian Huayuan). They are entitled to re-apply for preferential tax treatment when the preferential tax period expires.

28. Income Tax Expense (Continued)

Other major operating subsidiaries in Mainland China are subject to enterprise income tax rate of 25% for the year 2011.

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 2011 (2010: 16.5%).

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

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

	2011 **RMB'000**	2010 RMB'000
Profit before income tax, after excluding share of profit of an associate	**1,336,443**	1,291,748
Tax calculated at domestic tax rates applicable to profits of the respective subsidiaries	**312,130**	335,804
Expenses not deductible for tax purpose	**1,332**	2,390
Tax losses for which no deferred income tax assets was recognised	**10,350**	8,303
Effect of tax concession	**(133,594)**	(162,394)
Effect of withholding tax at 5% on certain unremitted profits of subsidiaries in Mainland China	**44,447**	46,402
Income tax expense	**234,665**	230,505
The weighted average applicable tax rate	**17.6%**	17.8%

Share of income tax expense of an associate for the year ended 31 December 2011 amounting to RMB9,000 (2010: RMB28,000) was included in the consolidated income statement for the share of profit of an associate.

For the year ended 31 December 2011, there was no tax charge relating to components of other comprehensive income (2010: Nil).

29. Profit Attributable to the Equity Holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB239,732,000 (2010: RMB763,773,000).

30. Earnings per Share

The calculation of basic earnings per share for the year is based on the profit attributable to the equity holders of the Company of approximately RMB1,103,628,000 (2010: RMB1,062,559,000) and on the weighted average number of 1,596,000,000 (2010: 1,596,000,000) ordinary shares in issue during the year.

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

31. Dividends

	2011 RMB'000	2010 RMB'000
Interim dividend paid of HK16.0 cents (2010: HK15.0 cents) per ordinary share	**209,553**	208,853
Proposed final dividend of HK13.5 cents (2010: HK18.0 cents) per ordinary share	**175,083**	242,163
	384,636	451,016

The Company's Board of Directors has recommended payment of a final dividend of HK13.5 cents per share for the year ended 31 December 2011 (2010: HK18.0 cents per share), which is subject to the approval by the Company's shareholders at the upcoming Annual General Meeting. The proposed dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings during the year ending 31 December 2012.

32. Notes to Consolidated Statement of Cash Flows

(a) Cash generated from operations

	2011 RMB'000	2010 RMB'000
Profit before income tax	**1,338,293**	1,293,064
Adjustments for:		
— share of profit of an associate *(Note 9)*	**(1,850)**	(1,316)
— amortisation of land use rights *(Note 5)*	**6,465**	4,825
— depreciation of property, plant and equipment *(Note 6)*	**96,092**	83,781
— amortisation of intangible assets *(Note 7)*	**2,100**	2,100
— amortisation of deferred income *(Note 19)*	**(13,691)**	(2,118)
— loss/(gain) on disposal of property, plant and equipment *(Note 24)*	**964**	(59)
— gain on disposal of a subsidiary *(Note 24)*	**(23,293)**	—
— provision for impairment of trade receivables *(Note 22)*	**10,581**	16,110
— reversal of write-down of inventories *(Note 22)*	**(7,748)**	(6,277)
— finance income — net *(Note 27)*	**(33,781)**	(19,972)
Changes in working capital:		
— decrease/(increase) in restricted bank deposits	**1,220**	(1,012)
— increase in trade and other receivables	**(387,993)**	(376,176)
— increase in inventories	**(180,735)**	(316,791)
— (decrease)/increase in trade and bills payables	**(422,179)**	158,012
— increase in accruals and other payables	**197,230**	379,777
Cash generated from operations	**581,675**	1,213,948

(b) In the statement of cash flows, acquisition of a subsidiary, net of cash acquired comprise:

	RMB'000
Consideration paid for acquisition of a subsidiary *(i)*	(185,150)
Cash and cash equivalent of the subsidiary	35,325
Acquisition of a subsidiary, net of cash acquired	(149,825)

(i) Net assets of the subsidiary upon acquisition represent:

Property, plant and equipment	(102,860)
Land use rights	(46,965)
Cash and cash equivalent	(35,325)
	(185,150)

32. Notes to Consolidated Statement of Cash Flows (Continued)

(c) In the statement of cash flows, proceeds from disposal of a subsidiary, net of cash disposal comprise:

	RMB'000
Book amount of the subsidiary's net assets *(i)*	84,507
Gain on disposal of a subsidiary *(Note 24)*	23,293
Cash and cash equivalent of the subsidiary	(20,834)
Proceeds from disposal of a subsidiary, net of cash disposal	86,966

(i) Net assets of the subsidiary upon disposal represent:

Property, plant and equipment	63,862
Land use rights	28,083
Cash and cash equivalent	20,834
Deferred income	(28,272)
	84,507

The net assets of acquired and disposed subsidiaries mainly represent the property, plant and equipment, and land use right. The acquisition and disposal have insignificant contributions to the Group's profit.

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

	2011 **RMB'000**	2010 RMB'000
Net book amount *(Note 6)*	**5,544**	3,901
(Loss)/gain on disposal of property, plant and equipment *(Note 24)*	**(964)**	59
Proceeds from disposal of property, plant and equipment	**4,580**	3,960

33. Commitments

(a) Capital commitments

	2011 RMB'000	2010 RMB'000
Acquisition of property, plant and equipment — Contracted but not provided for	**68,423**	99,173

(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:

	2011 RMB'000	2010 RMB'000
Not later than 1 year	**958**	636
Later than 1 year and not later than 5 years	**287**	230
	1,245	866

34. Contingent Liabilities

Contingent liabilities not provided for in the consolidated financial statements is as follows:

	2011 RMB'000	2010 RMB'000
Guarantee given to the banks in connection with banking facilities granted to customers	**901,203**	523,681

35. 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 64.97% of the Company's shares. The Company's directors regard Sky Treasure Capital Limited as being the ultimate holding company.

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

Company name	Relationships
Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision") (寧波海天精工機械有限公司)	Controlled by directors of the Group
Ningbo Anson CNC Technique Co., Ltd. ("Ningbo Anson") (寧波安信數控技術有限公司)	Controlled by directors of the Group
Hangzhou Keqiang Intelligence Control System Co., Ltd. ("Hangzhou Keqiang") (杭州科強智能控制系統有限公司)	Associate of the Group
Ningbo Haitian Century Enterprise Co., Ltd. ("Haitian Century Enterprise") (寧波海天世紀實業有限公司)	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
Anson Asia (Hong Kong) Limited ("Anson Asia") (安信亞洲(香港)有限公司)	Controlled by directors of the Group
Ningbo Haitian Co., Ltd. ("Ningbo Haitian") (寧波海天股份有限公司)	Controlled by directors of the Group

35. Related Party Transactions (Continued)

(a) Transactions with related parties:

The following material transactions were carried out with related parties:

		2011 RMB'000	2010 RMB'000
(i)	Sales of goods to:		
	Ningbo STF	636	—
(ii)	Purchases of goods from:		
	Ningbo Anson	544,355	436,977
	Hangzhou Keqiang	10,759	10,850
	Ningbo STF	4,742	—
	Haitian Precision	—	427
		559,856	448,254
(iii)	Purchase of equipment from:		
	Haitian Precision	36,297	78,936
(iv)	Acquisition of a subsidiary from:		
	Ningbo Haitian	129,605	—
	Anson Asia	55,545	—
		185,150	—
(v)	Disposal of a subsidiary to:		
	Haitian Precision	107,800	—

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.

35. Related Party Transactions (Continued)

(b) Balances with related parties:

The Group had the following significant balances with its related parties as at 31 December 2011 and 2010:

	2011 RMB'000	2010 RMB'000
Due from related parties		
Trade related		
— Ningbo STF	**24**	—
Non-trade related		
— Haitian Precision	**6,127**	1,745
— Mr. Zhang Jianming	**376**	174
— Mr. Zhang Jianfeng	**207**	155
— Haitian Century Enterprise	**98**	83
	6,808	2,157
Due to related parties		
Trade related		
— Ningbo Anson	**25,279**	98,399
— Ningbo STF	**5,450**	—
— Hangzhou Keqiang	**729**	2,456
	31,458	100,855

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

35. Related Party Transactions (Continued)

(b) Balances with related parties: (Continued)

Maximum balance outstanding for amounts due from/to related parties for the year ended 31 December 2011 and 2010 were as follows:

	2011 RMB'000	2010 RMB'000
Due from related parties		
Trade related		
— Ningbo STF	1,775	—
— Hangzhou Keqiang	—	1,000
	1,775	1,000
Non-trade related		
— Haitian Precision	16,037	37,500
— Mr. Zhang Jianming	572	291
— Mr. Zhang Jianfeng	380	261
— Haitian Century Enterprise	98	83
	17,087	38,135
Due to related parties		
Trade related		
— Ningbo Anson	110,929	117,099
— Ningbo STF	5,450	—
— Hangzhou Keqiang	3,424	3,105
	119,803	120,204
Non-trade related		
— Anson Asia	52,902	—
— Haitian Precision	9,814	23,950
	62,716	23,950

35. Related Party Transactions (Continued)

(c) Key management compensation:

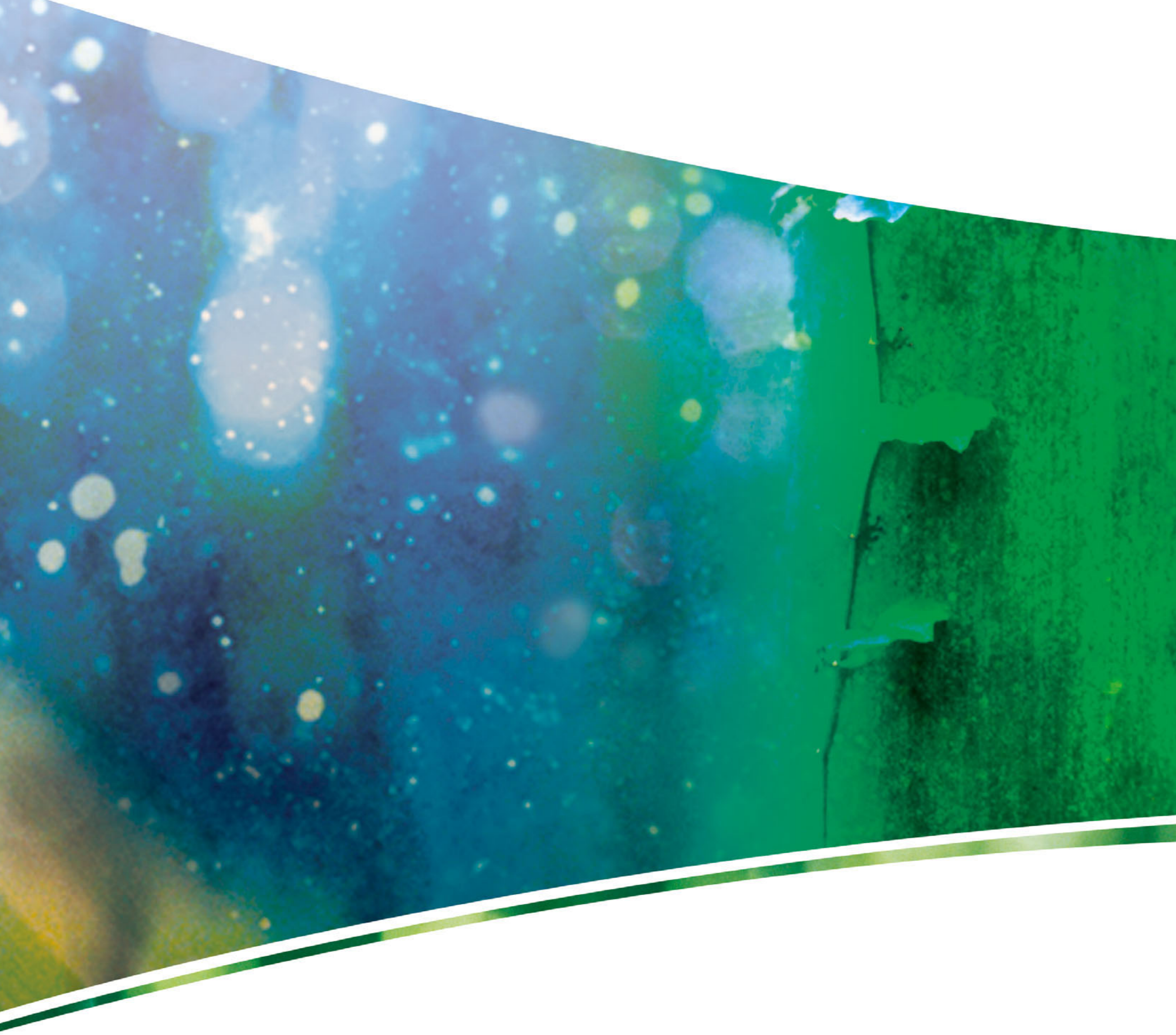
Key management includes directors, general managers of certain subsidiaries, Chief Financial Officer, Investment Relations Manager and the Head of Human Resources and Administration. The compensation paid or payable to key management for employee services is:

	2011 **RMB'000**	2010 RMB'000
Salaries and bonus	**7,767**	7,584
Other benefits	**304**	204
	8,071	7,788

Financial Summary

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

	2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Results					
Revenue	**7,027,607**	7,057,328	3,861,341	3,694,370	3,824,850
Profit before income tax	**1,338,293**	1,293,064	512,990	442,028	600,116
Income tax expenses	**(234,665)**	(230,505)	(62,964)	(36,781)	(31,948)
Minority interests	**—**	—	—	—	255
Profit attributable to shareholders	**1,103,628**	1,062,559	450,026	405,247	568,423
Assets					
Non-current assets	**1,735,889**	1,627,513	1,340,576	1,426,925	1,155,046
Current assets	**6,147,866**	5,559,754	4,405,667	3,135,138	3,649,418
Total assets	**7,883,755**	7,187,267	5,746,243	4,562,063	4,804,464
Liabilities					
Non-current liabilities	**(107,236)**	(98,801)	(27,870)	(22,369)	—
Current liabilities	**(3,095,844)**	(3,054,253)	(2,393,986)	(1,586,692)	(2,007,902)
Total liabilities	**(3,203,080)**	(3,153,054)	(2,421,856)	(1,609,061)	(2,007,902)
Total equity	**4,680,675**	4,034,213	3,324,387	2,953,002	2,796,562
Minority interests	**—**	—	—	—	(1,060)
Capital and reserves attributable to equity holders of the Company	**4,680,675**	4,034,213	3,324,387	2,953,002	2,795,502



Haitian International Holdings Limited