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2016

Interim Report

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PLASTICS MACHINERY

 **HAITIAN**
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 **ZHAFIR**
PLASTICS MACHINERY

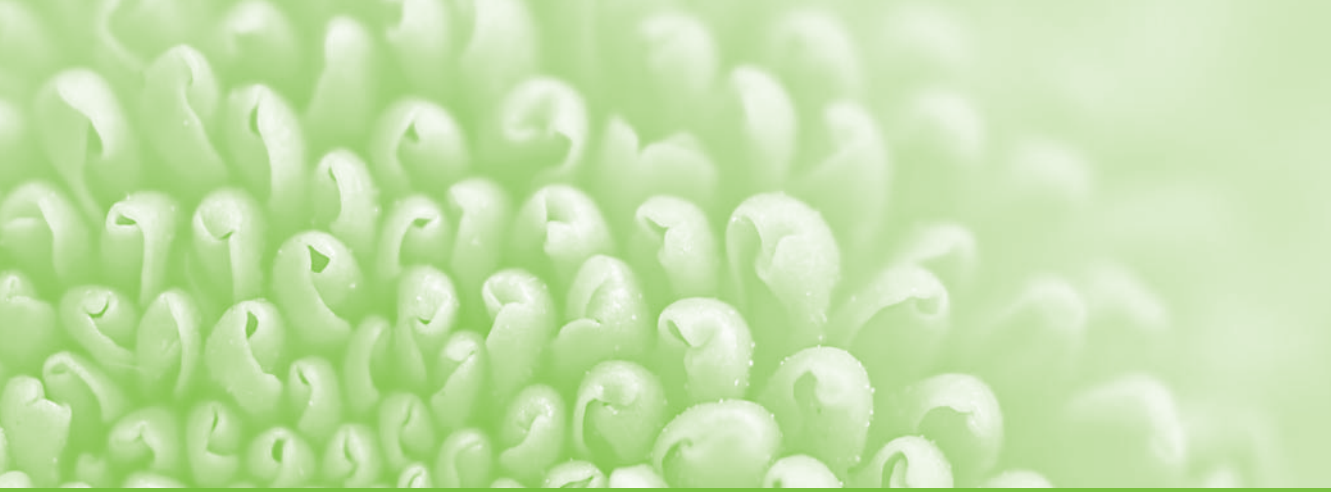
 **HAITIAN**
INTERNATIONAL

Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1882





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Highlights

	Six months ended 30 June		
	2016 RMB' million	2015 RMB' million	Increase/ (decrease) %
Revenue	3,860.9	3,850.2	0.3
Gross profit	1,318.1	1,242.6	6.1
Operating profit	799.5	722.0	10.7
Profit attributable to shareholders of the Company excluding change in fair value of convertible bonds	712.8	656.6	8.6
Profit attributable to shareholders of the Company	690.2	585.0	18.0
Basic Earnings per share (expressed in RMB per share)	0.43	0.37	18.0
Dividend per share (expressed in HK\$ per share)			
Proposed interim dividend	0.17	0.16	6.3

- Under the current uncertain and complicated economic environment, we managed to maintain satisfactory sales performance. Revenue increased by 0.3% to RMB3,860.9 million compared to the results recorded in first half of 2015 and was 10.8% higher than the sales in the second half of 2015, reflecting a path of recovery in the sales of the Company
- Continuous progress in shifting small tonnage PIMMs to full-electric PIMMs and large tonnage PIMMs to two-plate PIMMs. The sales of our Zhafir Venus Series (full-electric PIMMs) and our Jupiter Series (large two-plate PIMMs) increased by 2.3% and 24.4% and amounted to RMB340.4 million and RMB453.7 million respectively compared to the first half of 2015
- Gross profit margin continued to improve to 34.1% due to improvement in operational efficiency and low steel related raw material prices (1H 2015: 32.3%)
- Excluding the non-cash accounting loss of change in fair value of convertible bonds, the adjusted net profit margin improved to 18.5%, a record high in the Group's history as a result of improved efficiency in operation (1H 2015: 17.1%)
- Profit attributable to shareholders of the Company increased to RMB690.2 million, representing an increase of 18.0% compared to the first half of 2015. Excluding the non-cash accounting loss of change in fair value in convertible bonds, profit attributable to shareholders of the Company increased to RMB712.8 million, representing an increase of 8.6% compared to the first half of 2015
- Basic Earnings per share amounted to RMB0.43 during the period
- The Board proposed an interim dividend of HK17.0 cents per share



Company Profile and Corporate Information

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Company Secretary

Mr. SUEN Wai Yu

Registered Office

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Place of Business

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

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

Principal Bankers

China
Agricultural Bank of China
Bank of China
China Guangfa Bank
Industrial and Commercial Bank of China
Industrial Bank
Ping An Bank
Shanghai Pudong Development Bank Co., Ltd.

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

Investor Information

Listing Information

Listing: Hong Kong Stock Exchange
Stock code: 1882

Key Dates

17 August 2016 – Interim Result
Announcement
13–15 September 2016 – Closure of register of
members
23 September 2016 or before – Payment date of
interim dividend

Share Information

Board lot size: 1,000 shares

Shares outstanding as
at 30 June 2016: 1,596,000,000 shares

Market Capitalisation as
at 30 June 2016: HK\$21,769 million

Earnings per share for
six months ended
30 June 2016: RMB0.43

Interim Dividend per share
for six months ended
30 June 2016: HK17 cents

Share Registrar Transfer Offices

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

Enquiries Contact

Investor Relations Department

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852-24282999

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Beilun District, Ningbo,
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Postal code: 315800

Website

<http://www.haitianinter.com>

<http://www.haitian.com>



Management Discussion and Analysis

Business Review

In the first half of 2016, the world economy remained uncertain and complicated. A number of events continued to lead to an under-performing world economy: the expected but pending rate hike by U.S. Federal Reserve, continuous attacks and terrorist incidents in Europe, and the vote for Brexit referendum. In China, economic growth decelerated to 6.7% and economic development at a lower speed becomes new ordinary mode while excess capacity and further reform remained in slow progress. All these to some extent affected the investment confidence and purchasing power of corporations and hence posted a challenging operating environment for the Company. Despite all these unfavourable conditions, the Company still managed to maintain satisfactory sales performance relying on the success of our second generation and “Plus” series products.

Although the external macro-economic environment is not in our favour, our second generation machines have established well recognition in the market during the past years and the advantages in performance and efficiency of our second generation machines and our newly launched “Plus” series upgraded machines are well recognised by customers. As a result, we still managed to delivery satisfactory sales performance. The sales of our Jupiter Series (large two-platen PIMMs) reached new record on the foundation built in 2015 and increased to RMB453.7 million, representing an increase of 24.4% compared to same period in 2015. During the first half of 2016, the sales mix of two-platen PIMMs in medium-to-large tonnage PIMMs reached 34.5% (1H 2015: 27.0%). The strong growth in sales of our newly launched “Plus” series two-platen PIMMs was able to support our sales under such adverse operating environment. During the same period, the sales of our Zhafir Venus Series (full-electric PIMMs) remained stable and reached RMB340.4 million, representing an increase of 2.3% compared to the same period in 2015 and its sales mix in small tonnage PIMMs reached 13.8% (1H 2015: 13.7%). We recorded revenue of RMB3,860.9 million in the six months ended 30 June 2016, representing an increase of 0.3% compared to the revenue of RMB3,850.2 million in the same period in 2015 and was 10.8% higher than the sales in the second half of 2015, reflecting a path of recovery in the sales of the Company along with the slow recovery of economy.

During the period, as a result of structural change in sales after the full launch of “Plus” series machines and stable raw material costs, we continued to make progress in our operational efficiency and profitability. During the six months ended 30 June 2016, our gross margin increased to 34.1% from 32.3% in the same period in 2015. The rise of gross margin was attributable to i) improvement in operational efficiency and ii) lower steel related raw material costs. As a result of improved gross margin, our operating profit increased from RMB722.0 million in the same period in 2015 to RMB799.5 million for the six months ended 30 June 2016, representing an increase of 10.7%. Our adjusted net profit margin (excluding the non-cash accounting loss of change in fair value of convertible bonds) also improved from 17.1% in the same period of 2015 to 18.5% in the first half of 2016, which was a record high in the Group’s history as a result of improved efficiency in operation.

Management Discussion and Analysis (Continued)

Business Review (Continued)

Our net profit attributable to equity holders for the six months ended 30 June 2016 increased to RMB690.2 million, representing an increase of 18.0% compared to the same period in 2015. Excluding the non-cash accounting loss of change in fair value of convertible bonds, the adjusted net profit attributable to shareholders for the six months ended 30 June 2016 would increase to RMB712.8 million, representing an increase of 8.6% compared to the same period in 2015.

The Board of Directors has declared a first interim dividend of HK\$0.17 per share for the six months ended 30 June 2016 (1H 2015: HK\$0.16 per share).

Domestic and export sales

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

(RMB million)	1st half of 2016		1st half of 2015		1st half 2016 Vs 1st half 2015
		%		%	
Domestic Sales	2,741.0	71.0%	2,605.8	67.7%	5.2%
Export Sales	1,042.3	27.0%	1,166.5	30.3%	(10.6%)
Parts	77.6	2.0%	77.9	2.0%	(0.4%)
Total	3,860.9	100.0%	3,850.2	100.0%	0.3%

With domestic economic development at a lower speed becoming the new ordinary mode, the domestic market in China is still moving slowly to reduce excess capacity and built-up inventory while Government's progress in reform is not effective enough. However, with the new policy of encouragement for new entrepreneurs and innovation, the demand in domestic PIMM market has seen a mild recovery. For the first half of 2016, our domestic sales recorded an increase of 5.2% to RMB2,741.0 million and this further reinforced our leading market position in China.

For our export business, the expectation of rate hike by U.S. Federal Reserve after the end of its quantitative easing and uncertainty in global economy brought by the vote for Brexit referendum continued to drive depreciation of currencies of and political instabilities in countries in emerging markets. These prolong the weakness of global economy and reduce the investment and purchase momentum in these markets. Our sales to countries in South America and South-East Asia had recorded certain decline during the period. But at the same time, we have increased our investment in Germany and India and are planning for more resource input to markets with potential in order to enhance our service capabilities to customers, which would further strengthen our advantage in diversification in different markets. During the first half of 2016, we recorded export sales of RMB1,042.3 million, representing a decrease of 10.6% compared to the same period in 2015.



Management Discussion and Analysis (Continued)

Business Review (Continued)

Sales mix of PIMMs by product series

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

(RMB million)	1st half of 2016		1st half of 2015		1st half 2016 Vs 1st half 2015
		%		%	
Mars series					
(energy-saving features PIMMs)	2,685.5	69.6%	2,742.1	71.2%	(2.1%)
Venus series (full-electric PIMMs)	340.4	8.8%	332.8	8.6%	2.3%
Jupiter series (two-platen PIMMs)	453.7	11.7%	364.6	9.5%	24.4%
Other series	303.7	7.9%	332.8	8.7%	(8.8%)
Parts	77.6	2.0%	77.9	2.0%	(0.4%)
Total	3,860.9	100.0%	3,850.2	100.0%	0.3%

Amid the transition in domestic economy and global complicated environment, the overall demand of PIMMs remained stable in the first half of 2016. The sale of our Mars series PIMMs decreased from RMB2,742.1 million in the first half of 2015 to RMB2,685.5 million in the first half of 2016, representing a drop of 2.1%. Mars series PIMMs remained our principal products and accounted for approximately 70% of our total sales. With its continuous build-up of market presence, the sales of Mars series will be more in line with the development of the PIMM market in general.

As a result of our continuous progress of shifting small tonnage hydraulic PIMMs to full-electric PIMMs and large tonnage PIMMs to two-platen PIMMs, the sales of our Zhafir Venus Series (full-electric PIMMs) in the first half of 2016 increased to RMB340.4 million, representing an increase of 2.3% compared to the same period in 2015 and its sales mix in small tonnage PIMMs maintained at 13.8% (1H 2015: 13.7%). The sales of our Jupiter Series (large two-platen PIMMs) during the first half of 2016 increased to RMB453.7 million, representing an increase of 24.4% compared to the same period in 2015 and its sales mix in medium-to-large tonnage PIMMs reached 34.5% (1H 2015: 27.0%).

Management Discussion and Analysis (Continued)

Prospect

The recovery in global economy is fragile, as reflected in the fluctuations in commodity prices and low inflation rate of major economies. With more frequent regional political conflicts, terrorist incidents and immigrant issues and UK leaving EU, the uncertainties in global economy increase. Chinese economy is undergoing transformation and during this process a slower growth rate will become inevitable. Future growth of China will depend on domestic consumption and its service industry. The return to growth requires adjustment to economic structures which should target to improve people's livelihood and this would create room for growth in plastic injection moulding machinery industry, which is essentially related to consumption of people.

In China, the Government is adjusting its economic policy to direct the financial industry credit flow to real economy in view of the drop in private investment and difficulties in obtaining financing by small and medium enterprises. We believe the successful implementation of such policy will bring new support to the investment confidence and economic activities. In the 13th Five-Year Plan, Chinese Government has launched various new strategies including "Made in China 2025". The State Council recently approved the 13th Five-Year National Technology and Innovation Plan and it encourages development and innovation.

Adhering to the principles of customer demand in our product development, we would strive to utilize intelligent manufacturing tools to seize such opportunities and provide customers with complete set of integrated solutions to production process automation. This is in line with our strategy change from "service-oriented" to "application-oriented" and pave the path for future success when the market recovers. The new "Plus" series machines have recorded satisfactory performance after its launch and with the progressive upgrade of all existing models to "Plus" series, we would be able to meet customers' demand and build a good foundation for future growth in sales.

For international markets, although International Monetary Fund lowered the forecast of global growth rate, in the statement after the G20 Ministers and Governors meeting, they agreed to take actions to foster confidence and support growth, and reiterated their determination to use all policy tools individually and collectively to achieve their goal of strong, sustainable, balanced and inclusive growth in global economy. They also reiterated the importance of open trade policy and safe global trade system to the global economy and measures should be taken to promote worldwide trade and investment. We believe that with such international efforts, the global trade and currency exchange rate will steer towards to the benefits of international trade and our strategy of diversification in worldwide markets will take advantage of such development. Our new factory in Germany commenced operation in June 2016 and we believe this would help us capture new opportunities in the international market.



Management Discussion and Analysis (Continued)

Prospect (Continued)

The path to recovery for Chinese and global economies is a long one and the influence from political instabilities is still looming. This year marked the 50th anniversary of Haitian and in the past decades we had witnessed increasing fluctuations and instabilities in business environment. But we strongly believe the key to success lies in greater flexibility and we would strengthen our flexibilities in these aspects:

- I. In research and development, we will increase flexibility in our product portfolio by introducing modular production to enhance our ability to flexibly respond to fast changing demands of market;
- II. To further enhance training to and preparation for management to swiftly respond to new developments and demands in market; and
- III. To meet requirements of expanding markets and improve our image in order to increase market and customer perception as a flexible and internationally operating partner,

We will continue to rely on our leading research and development capabilities and product innovation technologies to provide products with good price-to-performance ratio for customers in the world and in different industries. We hold our belief in the combination of extensive distribution network, efficient and flexible production capabilities and strong financial positions with innovation in technology, management and services to create greater value for our customers, shareholders and employees. We expect through our determined efforts the second half of 2016 will record better sales performance than the same period last year and we would strive for another outstanding record to celebrate the 50th anniversary of Haitian.

Financial Review

Revenue

The under-performing world economy and deceleration of growth in China affected the investment confidence and purchasing power of corporations. Despite such unfavourable economic conditions, the Company still managed to maintain satisfactory sales performance in the current difficult operating environment relying on the success of our second generation and “Plus” series machines. Our sales increased to RMB3,860.9 million, representing an increase of 0.3% compared to the first half of 2015. During the period under review, our domestic sales increased by 5.2% to RMB2,741.0 million and our export sales decreased by 10.6% to RMB1,042.3 million.

Gross Profit

In the first half of 2016, we recorded gross profit of approximately RMB1,318.1 million, representing an increase of 6.1% compared to the first half of 2015. Overall gross margin improved to 34.1% in the first half of 2016 (1H 2015: 32.3%) as a result of i) improvement in operational efficiency and ii) low steel related raw material prices.

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Selling and administrative expenses

The selling and administrative expenses increased by 1.3% from RMB548.7 million in the first half of 2015 to RMB555.8 million in the first half of 2016. The increase was due to drop in selling expenses from drop in export sales being off-set by increase in expenses for overseas business expansion.

Other income

Other income mainly consists of government subsidy and decreased by 4.2% from RMB22.8 million in the first half of 2015 to RMB21.8 million in the first half of 2016.

Finance income – net

We recorded a significant increase in net finance income from RMB3.3 million in the first half of 2015 to RMB49.3 million in the first half 2016. The changes were mainly attributable to i) increase in interest income from RMB96.4 million in the 1st half of 2015 to RMB105.0 million in the 1st half of 2016 resulted from increase of average bank balances and wealth management product, ii) we recorded net foreign exchange gains of RMB4.9 million in the first half of 2016 compared to net foreign exchange losses of RMB9.6 million in the same period in 2015, and iii) we recorded non-cash accounting loss of change in fair value of convertible bonds of RMB50.1 million in the first half of 2016 compared to non-cash accounting loss of change in fair value of convertible bonds of RMB70.5 million in the first half of 2015.

Income tax expenses

Income tax expenses increased by 13.7% from RMB140.4 million in the first half of 2015 to RMB159.7 million in the first half of 2016. Our effective tax rate maintained at a similar level of 18.8% in the first half of 2016 (1H 2015: 19.4%).

Net profit attributable to equity holders

As a result, our net profit attributable to equity holders for the six months ended 30 June 2016 increased to RMB690.2 million, representing an increase of 18.0% compared to the first half of 2015. Excluding the change in fair value of convertible bonds, the adjusted net profit attributable to shareholders for the six months ended 30 June 2016 increased to RMB712.8 million, representing an increase of 8.6% compared to the first half of 2015.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 30 June 2016, the Group's total cash and cash equivalents and restricted cash amounted to RMB2,460.9 million and RMB166.5 million respectively (31 December 2015: RMB2,349.5 million and RMB164.0 million). The Group's short-term bank borrowing amounted to RMB780.2 million as at 30 June 2016 (31 December 2015: RMB436.0 million). In February 2014, we issued US dollar denominated 2.00 coupon convertible bonds due 2019 of USD200 million for general corporate purposes. As at 30 June 2016, the convertible bonds balance amounted to RMB1,320.5 million which represented the market fair value of convertible bonds (31 December 2015: RMB1,270.4 million).



Management Discussion and Analysis (Continued)

Financial Review (Continued)

Liquidity, Financial Resources, Borrowing and Gearing (Continued)

The Group also placed certain surplus fund into wealth management product which recorded as available for sale financial assets. The wealth management products with floating interests ranging from 2.8% to 7.5% (2015: 4.5% to 9.9%) per annum. As at 30 June 2016, the Group's available for sale financial assets amounted to RMB3,563.1 million (31 December 2015: RMB2,813.0 million).

The gearing ratio is defined as total borrowings net of cash divided by shareholders' equity. As at 30 June 2016, our Group was in a strong financial position with a net cash position amounting to RMB526.7 million (31 December 2015: RMB807.2 million). Accordingly, no gearing ratio is presented.

Capital Expenditure

During the first half of 2016, our capital expenditure consisted of additions of property, plant and equipment which amounted to RMB236.3 million (1H 2015: RMB168.1 million).

Charges on Group Assets

As at 30 June 2016, restricted bank deposits amounted to approximately RMB51.4 million and available-for-sale financial assets amounted to RMB240.0 million were pledged for issuing the letter of guarantee for borrowings (31 December 2015: restricted bank deposits amounted to approximately RMB51.4 million and available-for-sale financial assets amounted to RMB100.0 million were pledged for issuing the letter of guarantee for borrowings).

Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 27.0% of its products to international markets. Such sales were denominated in U.S. dollars or other foreign currencies, while our Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of our total purchases. During the Reported Period, our Group borrowed certain Euro denominated bank loans to hedge the exchange risk of Euro denominated receivables arising from export sales.

Financial guarantee

As at 30 June 2016, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB1,037.2 million (31 December 2015: RMB979.4 million).

Management Discussion and Analysis (Continued)

Employees

As at 30 June 2016, our Group had a total workforce of approximately 5,533 employees. Most of our employees were located in China. We offered our staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and our performance. We are committed to nurturing a learning culture in our organization.

Proposed Interim Dividend

The Board had resolved to recommend the payment of an interim dividend of HK\$0.17 per share for the six months ended 30 June 2016 which is expected to be paid on or before 23 September 2016 to our shareholders whose names appear on the register of members of the Company on 15 September 2016.

Closure of Register of Members

The register of members of the Company will be closed from 13 September 2016 to 15 September 2016 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 12 September 2016.



Other Information

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

As at 30 June 2016, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Long position in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding in the Company
Mr. Zhang Jingzhang	Corporate Interest ⁽¹⁾	953,912,672	59.77%
Mr. Zhang Jianming	Corporate Interest ⁽¹⁾	953,912,672	59.77%
	Personal Interest	4,212,000	0.26%
Prof. Helmut Helmar Franz	Corporate Interest ⁽²⁾	4,931,334	0.31%
Mr. Liu Jianbo	Corporate Interest ⁽²⁾	500,000	0.03%
Ms. Chen Ningning	Corporate Interest ⁽²⁾	270,000	0.02%
Mr. Guo Mingguang	Corporate Interest ⁽²⁾	200,000	0.01%

Notes:

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

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

Other Information (Continued)

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

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

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

Notes:

- (1) As at 30 June 2016, Sky Treasure is the holder of 59.77% of the issued share capital of the Company and therefore is an associated corporation under the SFO.
- (2) Such Directors are deemed under the SFO to be interested in shares of Sky Treasure which are held by their wholly-owned investment holding companies.
- (3) Mr. Zhang Jingzhang and Mr. Zhang Jianming are separately entitled to exercise or control the exercise of one third or more voting power in the general meetings of Cambridge Management Consultants (PTC) Ltd. and Premier Capital Management (PTC) Ltd. Premier Capital Management (PTC) Ltd. is the trustee of the Haitian Employee Discretionary Equity Trust which is interested in 34.80% equity interests in Sky Treasure while Cambridge Management Consultants (PTC) Ltd. is the trustee of the Haitian Employee Fixed Equity Trust and the Haitian Employee Fixed Equity Trust II which collectively are interested in 19.72% equity interests in Sky Treasure. Accordingly, they are deemed under SFO to be interested in such shares in Sky Treasure.
- (4) Such Directors are beneficiaries under a trust which is interested in 15.09% shares of Sky Treasure.



Other Information (Continued)

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

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

Save as disclosed above, as at 30 June 2016, none of the directors and chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company and the Stock Exchange pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code. At no time during the Reported Period was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

Interests and Short Positions of Shareholders

As at 30 June 2016, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding
Sky Treasure Capital Limited	Beneficial owner	953,912,672 (L)	59.77%
Premier Capital Management (PTC) Ltd.	Interest in a controlled corporation ⁽¹⁾	953,912,672 (L)	59.77%
Schroders Plc	Interest in a controlled corporation ⁽²⁾	127,506,916 (L)	7.99%

(L) denotes a long position

Note:

- (1) Premier Capital Management (PTC) Ltd. is deemed under the SFO to be interested in 953,912,672 shares held by Sky Treasure Capital Limited as at 30 June 2016.
- (2) Schroders Plc is deemed under the SFO to be interested in 127,506,916 shares held by its wholly-owned entities.

Save as disclosed above, as at 30 June 2016, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Other Information (Continued)

Compliance With the Code on Corporate Governance

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphasizes on maintaining a Board with balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the Directors, except for the deviation set out below, the Company complied with all the applicable code provisions set out in Corporate Governance Code in existing Appendix 14 of the Listing Rules during 6 months ended 30 June 2016.

Two non-executive directors and one independent non-executive director were unable to attend the annual general meeting of the Company held on 18 May 2016 due to other business engagements. This was not in compliance with Code Provision A.6.7 which requires non-executive director and independent non-executive director to attend general meetings of the Company.

Purchases, Sale or Redemption of Shares

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

Audit Committee

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

The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the period ended 30 June 2016, including the accounting principles adopted by the Group, with the Company's management.

Model Code for Securities Transactions by Directors of the Company

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

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

Hong Kong, 7 September 2016



Condensed Consolidated Income Statement

(Amounts expressed in RMB'000 unless otherwise stated)

Unaudited Interim Results

The Board of Directors (the "Board") of Haitian International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2015 as follows:

	Note	Unaudited Six months ended 30 June	
		2016	2015
Revenue	5	3,860,897	3,850,163
Cost of sales		(2,542,788)	(2,607,606)
Gross profit		1,318,109	1,242,557
Selling and marketing expenses		(333,142)	(344,965)
General and administrative expenses		(222,695)	(203,725)
Other income		21,798	22,753
Other gain – net		15,447	5,351
Operating profit	6	799,517	721,971
Finance income	7	109,838	96,413
Finance costs	7	(60,566)	(93,110)
Finance income – net	7	49,272	3,303
Share of profit of an associate		1,039	165
Profit before income tax		849,828	725,439
Income tax expense	8	(159,660)	(140,431)
Profit for the period		690,168	585,008
Attributable to:			
Shareholders of the Company		690,168	585,008
Dividends	9	231,124	210,779
Earnings per share for profit attributable to Shareholders of the Company during the period (expressed in RMB per share)			
– Basic and diluted	10	0.43	0.37

Condensed Consolidated Statement of Comprehensive Income

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2016	2015
Profit for the period	690,168	585,008
Other comprehensive income for the period:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in value of available-for-sale financial assets	205	3,841
Currency translation differences	(1,517)	3,677
Total comprehensive income for the period	688,856	592,526
Total comprehensive income attributable to:		
Shareholders of the Company	688,856	592,526



Condensed Consolidated Balance Sheet

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	30 June 2016 Unaudited	31 December 2015 Audited
ASSETS			
Non-current assets			
Land use rights		380,126	381,663
Property, plant and equipment		2,577,375	2,416,698
Investment in an associate		10,645	13,602
Deferred income tax assets		58,610	49,291
Other receivables		8,320	510,595
Restricted bank deposits		50,000	50,000
		3,085,076	3,421,849
Current assets			
Inventories		1,530,638	1,557,437
Trade and bills receivables	12	2,638,222	2,414,225
Prepayments, deposits and other receivables		663,406	227,134
Available-for-sale financial assets	13	3,563,122	2,812,987
Restricted bank deposits		116,527	114,010
Cash and cash equivalents		2,460,859	2,349,458
		10,972,774	9,475,251
Total assets		14,057,850	12,897,100
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	14	160,510	160,510
Share premium		1,331,913	1,331,913
Other reserves		836,009	837,321
Retained earnings		6,126,535	5,690,564
Total equity		8,454,967	8,020,308

Condensed Consolidated Balance Sheet (Continued)

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	30 June 2016 Unaudited	31 December 2015 Audited
LIABILITIES			
Non-current liabilities			
Deferred income		9,995	9,784
Deferred income tax liabilities		209,138	195,411
Convertible bonds	16	1,320,484	1,270,356
		1,539,617	1,475,551
Current liabilities			
Trade and bills payables	15	1,944,097	1,642,732
Accruals and other payables		1,252,186	1,250,663
Current income tax liabilities		86,735	71,471
Bank borrowings		780,248	435,961
Derivative financial instruments		–	414
		4,063,266	3,401,241
Total liabilities		5,602,883	4,876,792
Total equity and liabilities		14,057,850	12,897,100
Net current assets		6,909,508	6,074,010
Total assets less current liabilities		9,994,584	9,495,859



Condensed Consolidated Statement of Changes in Equity

(Amounts expressed in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company					Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total	
Balance at 1 January 2015	160,510	1,331,913	788,923	4,802,961	7,084,307	7,084,307
Comprehensive income						
Profit for the period	–	–	–	585,008	585,008	585,008
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Change in value of available-for-sale financial assets	–	–	3,841	–	3,841	3,841
Currency translation differences	–	–	3,677	–	3,677	3,677
Total comprehensive income for the period ended 30 June 2015	–	–	7,518	585,008	592,526	592,526
Transactions with owners						
Dividend paid – 2014 second interim	–	–	–	(227,365)	(227,365)	(227,365)
Total transactions with owners	–	–	–	(227,365)	(227,365)	(227,365)
Balance at 30 June 2015	160,510	1,331,913	796,441	5,160,604	7,449,468	7,449,468
Balance at 1 January 2016	160,510	1,331,913	837,321	5,690,564	8,020,308	8,020,308
Comprehensive income						
Profit for the period	–	–	–	690,168	690,168	690,168
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Change in value of available-for-sale financial assets	–	–	205	–	205	205
Currency translation differences	–	–	(1,517)	–	(1,517)	(1,517)
Total comprehensive income for the period ended 30 June 2016	–	–	(1,312)	690,168	688,856	688,856
Transactions with owners						
Dividend paid – 2015 second interim	–	–	–	(254,197)	(254,197)	(254,197)
Total transactions with owners	–	–	–	(254,197)	(254,197)	(254,197)
Balance at 30 June 2016	160,510	1,331,913	836,009	6,126,535	8,454,967	8,454,967

Condensed Consolidated Cash Flow Statement

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	Six months ended 30 June	
		2016	2015
Cash flows from operating activities:			
Net cash generated from operating activities		907,535	462,546
Cash flows from investing activities:			
Purchase of property, plant and equipment	11	(236,318)	(168,081)
Net changes in loan receivables and available-for-sale financial assets		(749,930)	(369,500)
Interests received		100,024	84,320
Net cash used in investing activities		(886,224)	(453,261)
Cash flows from financing activities:			
Net changes in bank borrowings		344,287	273,428
Dividends paid to the Company's shareholders		(254,197)	(227,365)
Net cash generated from financing activities		90,090	46,063
Net increase in cash and cash equivalents		111,401	55,348
Cash and cash equivalents at beginning of period		2,349,458	2,202,827
Cash and cash equivalents at end of period		2,460,859	2,258,175



Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2016

1. General Information

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

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

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

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

This unaudited condensed consolidated interim financial information was approved for issue on 17 August 2016.

2. Basis Of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

3. Significant Accounting Policies (Continued)

(a) New and amended standards adopted by the Group

HKFRS 7 (Amendments) "Financial instruments: Disclosures condensed interim financial statements" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies that the additional disclosure required by the amendments to HKFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.

HKAS 34 (Amendments) "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends HKAS 34 to require a cross-reference from the interim financial statements to the location of that information.

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

(b) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2016 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2016
HKAS 27 (Amendment)	Separate financial statements	1 January 2016
HKAS 38 (Amendment)	Intangible assets	1 January 2016
HKAS 41 (Amendment)	Agriculture	1 January 2016
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Application of the disclosure requirements to a servicing contract	1 January 2016
HKFRS 11 (Amendment)	Joint arrangements	1 January 2016
HKFRS 12 (Amendment)	Disclosure of interests in other entities	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKAS 19	Employee benefits	1 January 2016

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

3. Significant Accounting Policies (Continued)

- (c) New standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 (Amendment)	Consolidated financial statements	To be determined
HKAS 28 (Amendment)	Investment in associates	To be determined

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

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

4.2 Liquidity risk

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2016 and 31 December 2015.

As at 30 June 2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	3,563,122	3,563,122
Liabilities				
Convertible bonds	–	1,320,484	–	1,320,484
<hr/>				
As at 31 December 2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets	–	–	2,812,987	2,812,987
Liabilities				
Convertible bonds	–	1,270,356	–	1,270,356
Derivative financial instruments	–	414	–	414
<hr/>				
Total liabilities	–	1,270,770	–	1,270,770

During the six months ended 30 June 2016, there were no transfers among levels of the fair value hierarchy.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

4 FINANCIAL RISK MANAGEMENT (Continued)

4.4 Valuation techniques used to derive Level 2 fair values

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

4.5 Fair value measurements using significant unobservable inputs (Level 3)

30 June 2016	Available- for-sale financial assets RMB'000
Opening balance	2,812,987
Additions	3,769,930
Change in value of available-for-sale financial assets	205
Settlements	(3,088,115)
Gains recognised in profit or loss	68,115
Closing balance	3,563,122
Total gains or losses for the year realised in profit or loss for assets held at the end of the year, under "Finance income – net"	68,115
<hr/>	
30 June 2015	Available- for-sale financial assets RMB'000
Opening balance	2,106,524
Additions	2,375,708
Change in value of available-for-sale financial assets	3,841
Settlements	(2,050,887)
Gains recognised in profit or loss	44,679
Closing balance	2,479,865
Total gains or losses for the year realised in profit or loss for assets held at the end of the year, under "Finance income – net"	44,679

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

5. Revenue and Segment Information

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Sales of plastic injection moulding machines and related products	3,860,897	3,850,163

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

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Mainland China	2,783,414	2,656,941
Hong Kong and overseas countries	1,077,483	1,193,222
	3,860,897	3,850,163

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
	Total non-current assets other than restricted bank deposits, financial assets and deferred income tax assets	
– Mainland China	2,802,130	2,691,324
– Hong Kong and overseas countries	166,016	120,639



Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

6. Operating Profit

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Depreciation and amortisation	89,018	80,547
Reversal of impairment of trade receivables	(7,060)	(1,541)
Reversal of write-down of inventories	(461)	(4,292)
Raw materials and consumables used	2,225,226	2,307,731
Net foreign exchange losses/(gains)	13,534	(3,210)
(Gains)/losses on disposal of property, plant and equipment	(412)	989

7. Finance Income, Net

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Finance cost:		
Changes in fair value of convertible bonds		
– resulted from change in exchange rate	(27,520)	1,080
– resulted from change in bond value	(22,608)	(71,564)
Interest expenses on bank loans and convertible bonds	(10,438)	(13,039)
Net foreign exchange losses	–	(9,587)
	(60,566)	(93,110)
Finance income:		
Interest income on bank deposits, financial products and entrusted loans	104,985	96,413
Net foreign exchange gains	4,853	–
	109,838	96,413
Finance income, net	49,272	3,303

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

8. Income Tax Expense

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax		
– Mainland China enterprise income tax (“EIT”)	138,932	116,719
– Overseas tax	1,133	743
Deferred taxation	19,595	22,969
	159,660	140,431

9. Dividends

At a meeting held on 17 August 2016 the directors declared an interim dividend of HK17.0 cents (equivalent to RMB14.5 cents) per share. This proposed dividend is not reflected as a dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2016.

10. Earnings Per Share

The calculation of basic earnings per share for the period is based on the profit attributable to the shareholders of the Company of approximately RMB690,168,000 (2015: RMB585,008,000) and on the weighted average number of 1,596,000,000 (2015: 1,596,000,000) ordinary shares in issue during the period.

Diluted earnings per share is not presented as the conversion of convertible bonds to ordinary shares would have anti-dilutive effect.

11. Capital Expenditure

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Property, plant and equipment	236,318	168,081



Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

12. Trade and Bills Receivables

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Up to 6 months	2,275,541	2,024,710
6 months to 1 year	171,574	243,789
1 year to 2 years	131,356	126,594
2 year to 3 years	61,135	50,364
Over 3 years	54,174	20,689
	2,693,780	2,466,146
Less: provision for impairment	(55,558)	(51,921)
	2,638,222	2,414,225

13. Available-for-Sale Financial Assets

Available-for-sale financial assets are RMB denominated financial products with floating interests ranging from 2.8% to 7.5% (2015: 4.5% to 9.9%) per annum and with maturity dates between 4 days and 365 days (2015: between 7 days and 302 days). None of these assets is either past due or impaired (2015: None).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

14. Share Capital

	Authorised share capital		
	Number of shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2016	5,000,000	500,000	502,350

	Issued and fully paid up		
	Number of shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2016	1,596,000	159,600	160,510

15. Trade and Bills Payables

Ageing analysis of trade and bills payables is as follows:

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Up to 6 months	1,940,929	1,641,669
6 months to 1 year	1,846	190
1 year to 2 years	437	86
Over 2 years	885	787
	1,944,097	1,642,732



Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

16. Convertible Bonds

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

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

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

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Convertible bonds issued by the Company		
At 1 January	1,270,356	1,225,746
Change in fair value of convertible bonds	50,128	44,610
At 30 June/31 December	1,320,484	1,270,356

The fair value of the convertible bonds as at 30 June 2016 is approximately US\$199,132,000, equivalent to approximately RMB1,320,484,000, which is determined by valuation technique using observable inputs (Level 2): quoted prices for identical or similar instruments in active markets.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

17. Commitments

(a) Capital commitments

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Acquisition of property, plant and equipment contracted but not provided for:	137,193	283,698

(b) Operating lease commitments

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

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Not later than 1 year	15,700	13,850
Later than 1 year and no later than 5 years	420	566
	16,120	14,416

18. Related Party Transactions

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

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



Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

18. Related Party Transactions (Continued)

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

Company name	Relationships
Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision") (寧波海天精工股份有限公司)	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 STF Hydraulic Transmissions Co., Ltd. ("Ningbo STF") (寧波斯達弗液壓傳動有限公司)	Controlled by directors of the Group
Ningbo Haitian Table Tennis Club Co., Ltd. ("Table Tennis Club") (寧波海天乒乓球俱樂部有限公司)	Controlled by directors of the Group
Ningbo SPP Hydraulics Co., Ltd. ("Ningbo SPP") (寧波住精液壓工業有限公司)	Controlled by directors of the Group
Ningbo Haitian Co., Ltd. ("Ningbo Haitian") (寧波海天股份有限公司)	Controlled by directors of the Group
Ningbo Hilectro Precision Machinery Co., Ltd. ("Hilectro Precision") (寧波海邁克精密機械製造有限公司)	Controlled by directors of the Group
Ningbo Hilectro Power Technology Co., Ltd. ("Hilectro Power") (寧波海邁克動力科技有限公司)	Controlled by directors of the Group
Ningbo Haitian Drive Systems Co., Ltd. ("HDS") (寧波海天驅動有限公司)	Controlled by directors of the Group

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

18. Related Party Transactions (Continued)

(a) Transactions with related parties

The following material transactions were carried out with related parties:

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Purchasing of goods from related parties		
Ningbo Anson	245,679	240,337
Ningbo STF	61,790	54,871
Hangzhou Keqiang	17,807	9,595
Hilectro Precision	5,364	4,485
Ningbo SPP	790	766
Hilectro Power	–	156
	331,430	310,210
Purchasing of equipment from related parties		
Haitian Precision	222	45,584
Hilectro Power	223	325
	445	45,909
Advertisement fees paid to:		
Table Tennis Club	–	2,170

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.



Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

18. Related Party Transactions (Continued)

(b) Balances with related parties

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
Outstanding amounts due to related parties		
Trade related		
– Ningbo Anson	116,207	73,916
– Ningbo STF	48,715	32,736
– Hangzhou Keqiang	11,115	6,965
– Hilectro Precision	4,566	4,022
– Ningbo SPP	648	619
	181,251	118,258
Non-trade related		
– Haitian Precision	–	4,671

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2016

18. Related Party Transactions (Continued)

(c) Key management compensation

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

	Six months ended 30 June	
	2016 RMB'000	2015 RMB'000
Salaries and bonus	2,107	3,237
Other benefits	81	80
	2,188	3,317

(d) Related party commitments

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

	As at 30 June 2016 RMB'000	As at 31 December 2015 RMB'000
	Capital commitment for acquisition of property, plant and equipment	
– Haitian Precision	858	4,346
Other commitment		
– Ningbo Haitian	574	–
– HDS	2,880	–

