

2017

Interim Report



HAITIAN
INTERNATIONAL



Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1882





CONTENTS

2	Highlights
3	Company Profile and Corporate Information
4	Investor Information
5	Management Discussion and Analysis
16	Condensed Consolidated Statement of Profit or Loss
17	Condensed Consolidated Statement of Comprehensive Income
18	Condensed Consolidated Balance Sheet
20	Condensed Consolidated Statement of Changes in Equity
21	Condensed Consolidated Statement of Cash Flows
22	Notes to the Condensed Consolidated Financial Information



Highlights

	Six months ended 30 June		
	2017 RMB' million	2016 RMB' million	Increase %
Revenue	5,036.9	3,860.9	30.5
Gross profit	1,769.5	1,318.1	34.2
Operating profit	1,160.7	799.5	45.2
Profit attributable to shareholders of the Company excluding change in fair value of convertible bonds ("CB")	1,023.9	712.8	43.6
Profit attributable to shareholders of the Company	941.9	690.2	36.5
Basic Earnings per share (expressed in RMB per share)	0.59	0.43	36.5
Dividend per share (expressed in HK\$ per share)			
Proposed interim dividend	0.25	0.17	47.1

- The strong recovery in the second half of 2016 continued its momentum into the first half of 2017 and we achieved another record sales. The revenue recorded in the first half of 2017 reached RMB5,036.9 million, representing an increase of 30.5% compared to the results recorded in the same period in 2016.
- We made further progress in shifting small-tonnage PIMMs to electrical PIMMs and large-tonnage PIMMs to two-platen PIMMs. The sales of our Zhafir electrical series PIMMs and Jupiter series (large two-platen PIMMs) increased by 53.1% and 38.8% compared to the first half of 2016 and reached RMB521.0 million and RMB629.8 million respectively.
- Gross profit margin continued to improve to 35.1% as a result of improvement in operational efficiency, economy of scale and change in sales mix (1H2016: 34.1%).
- Net profit margin reached a record high of 18.7% (1H2016: 17.9%) as a result of improvement in operational efficiency.
- Profit attributable to shareholders of the Company increased to RMB941.9 million, representing an increase of 36.5% compared to the first half of 2016. Excluding the non-cash accounting loss of change in fair value in CB, profit attributable to shareholders of the Company would increase to RMB1,023.9 million, representing an increase of 43.6% compared to the first half of 2016.
- Basic earnings per share amounted to RMB0.59 during the period, representing an increase of 36.5% compared to the same period in last year.
- The Board proposed an interim dividend of HK25.0 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. LOU Baijun
Dr. Steven CHOW
Mr. JIN Hailiang
Mr. Guo Yonghui

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

21 August 2017 – Interim Result
Announcement
5–7 September 2017 – Closure of register of
members
22 September 2017 or before – Payment date of
interim dividend

Share Information

Board lot size: 1,000 shares

Shares outstanding as
at 30 June 2017: 1,596,000,000 shares

Market Capitalisation as
at 30 June 2017: HK\$34,952 million

Earnings per share for
six months ended
30 June 2017: RMB0.59

Interim Dividend per share
for six months ended
30 June 2017: HK25 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

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Website

<http://www.haitianinter.com>

<http://www.haitian.com>

Management Discussion and Analysis

Business Review

In the first half of 2017, the global economy showed a mild recovery against the backdrop of a number of positive signs, including less uncertainty in the Eurozone after the French presidential election, improving labour data in the US and a more stable development in the commodity prices and exchange rate for currencies of developing countries. In China, with further progress in supply-side reform and removal of excess and out-of-date capacities and upgrade in industries following improvement in domestic consumption, the economy resumed a healthy growth, as reflected in the above-50 figures of China manufacturing PMI for the majority of the first half of 2017. We observed a clear signal in resumption of corporate CAPEX and a strong demand in the plastic injection moulding machine industry.

Through the commitment of all employees of the Company and its business partners and relying on the outstanding “Plus” series and second generation machines, we achieved another record sales which reached RMB5,036.9 million, representing an increase of 30.5% compared to the results in the same period in 2016. Our operational efficiency and profitability continued to improve and achieve new level as a result of increase in sales, change in sales mix and use of new generation of processing equipment. During the first half of 2017, our gross margin increased to 35.1% from 34.1% in the same period in 2016. The rise of gross margin was attributable to i) improvement in operational efficiency, ii) economy of scale and iii) change in sales mix.

Based on the increase in sales and improvement in gross margin, our operating profits during the six months ended 30 June 2017 increased by 45.2% to RMB1,160.7 million from RMB799.5 million for the same period in 2016. With enhancement in operational efficiency, our net profit margin (excluding the non-cash accounting loss of change in fair value of convertible bonds) improved from 18.5% in the first half of 2016 to 20.3% in the first half of 2017, reaching a record high level. The net profit attributable to shareholders of the Company for the six months ended 30 June 2017 increased to RMB941.9 million, representing an increase of 36.5% compared to the same period in 2016. Excluding the non-cash accounting loss of change in fair value of convertible bonds, the adjusted net profit attributable to shareholders of the Company would increase to RMB1,023.9 million, representing an increase of 43.6% compared to the same period in 2016.

The Board of Directors has declared a first interim dividend of HK\$0.25 per share for the six months ended 30 June 2017 (1H2016: HK\$0.17 per share).



Management Discussion and Analysis (Continued)

Business Review (Continued)

Domestic and export sales

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

(RMB million)	1st half of 2017	%	1st half of 2016	%	1st half of 2017 Vs 1st half of 2016
Domestic Sales	3,540.9	70.3%	2,741.0	71.0%	29.2%
Export Sales	1,392.0	27.6%	1,042.3	27.0%	33.6%
Parts	104.0	2.1%	77.6	2.0%	34.0%
Total	5,036.9	100%	3,860.9	100%	30.5%

The domestic economy in China remained stable and improved gradually in the first half of 2017. The resumption of corporate investment activities in the real economy since the fourth quarter of 2016 continued into 2017 and our sales in China regained a strong momentum. For the first half of 2017, our domestic sales increased by 29.2% to RMB3,540.9 million, way ahead among industrial peers.

For the international market, we observed recovery in the developed economies in Europe and US markets in the first half of 2017. The commodity prices and exchange rate for currencies of developing countries recorded stable development, whereby generating more purchasing activities in such countries. Our continuous investment and input in the overseas markets such as Germany, India and Mexico further drive the sales in such regions and enhance our service quality. During the first half of 2017, we recorded export sales of RMB1,392.0 million, representing an increase of 33.6% compared to the same period in 2016.

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 2017	%	1st half of 2016	%	1st half of 2017 Vs 1st half of 2016
Mars series (energy-saving features PIMMs)	3,526.8	70.0%	2,685.5	69.6%	31.3%
Zhafir electrical series	521.0	10.3%	340.4	8.8%	53.1%
Jupiter series (two-platen PIMMs)	629.8	12.5%	453.7	11.7%	38.8%
Other series	255.3	5.1%	303.7	7.9%	(15.9%)
Parts	104.0	2.1%	77.6	2.0%	34.0%
Total	5,036.9	100%	3,860.9	100%	30.5%

With support from the recovery in key overseas economies and growth in domestic economy, the demand in the plastic injection moulding machinery industry was strong in the first half of 2017. The sales of our Mars series PIMMs recorded a strong growth during this period, which increased from RMB2,685.5 million in the first half of 2016 to RMB3,526.8 million in the first half of 2017, representing an increase of 31.3%. Mars series PIMMs remained our principal products and accounted for approximately 70.0% of our total sales. With its rising market share, the sales of Mars series will be more in line with the demand in the PIMM market in general.

We continued to make progress in shifting small tonnage PIMMs to electrical PIMMs and large tonnage PIMMs to two-platen PIMMs and with the upgrade in industries following improvement in domestic consumption, our Zhafir electrical series PIMMs and Jupiter series two-platen PIMMs receive increasing recognition from customers and their sales reached RMB521.0 million and RMB629.8 million in the first half of 2017, representing an increase of 53.1% and 38.8% compared to the same period in 2016 respectively. The sales mix of electrical PIMMs in small tonnage PIMMs reached 16.3% (1H2016: 13.8%) and that of two-platen PIMMs in medium-to-large PIMMs reached 36.3% (1H2016: 34.5%).

Management Discussion and Analysis (Continued)

Prospect

The growth in global economy resumed its momentum since the fourth quarter in 2016 with a stable speed. The PMI index is also back on its growth track while IMF maintains a positive outlook for recovery of global economy. On the other side of the coin, however, are the potential rise of protectionism in global trade, uncertainty in regulatory and fiscal policy of the US government, the path that BREXIT will finally choose and other geopolitical conflicts, all of which would have major impacts to the improving economies of major countries in the world and the global economy itself.

The Chinese government is making progress in executing the policies of supply-side reform, removal of excess capacities, deleverage in economy and diverting financial capital towards real economy. This injection of new energy leads to increase in investment in manufacturing industry and private sectors.

We remain cautiously optimistic on the current recovery in global economy. We will continue to adhere to the principles of customer demand as guidance and implement the transformation from sale-and-service focus to market-and-application focus in order to generate better response to market demand. We will also make further progress in our modular production and enhancement of the flexibility and efficiency of our production flow through upgrading our manufacturing equipment with automation features. This will direct us towards our production management target of “8+16” which will reduce personnel costs and enhance efficiency. We will execute our global planning through implementing the strategies of local manufacturing in regions such as Germany, India, Vietnam and other key markets and set up application centres in other key regions. This will prepare us for challenges in international markets and the opportunities in recovery of global economies.

We will further innovate in our product development. Our third generation PIMMs with advanced technologies in all aspects of specification will be officially introduced in the second half of 2017 and their launch to the market will commence in 2018. Under the national strategy of “Made in China 2025”, we will continue to match our products with the enhanced opportunities resulting from new technologies in digitalization and automation in manufacturing and provide customized solution to our customers through Haitian Smart Solution. While we make progress in business development and technological evolution, we will continue to fulfill our social responsibility and pursue a sustainable development. With ISO 9001 quality management system certification already in place, we will continue our preparation for certification under ISO 14001 environmental management system and OHSAS 18001 occupation health and safety management system. We believe we will maintain our leading role in the next age of digitalization and the use of applicable elements of artificial intelligence and continue to lead in the competitive industry in the world and create greater value for our customers, shareholders and employees.

Management Discussion and Analysis (Continued)

Financial Review

Revenue

With the recovery of the world economy, we observed a clear signal in resumption of corporate CAPEX and this momentum since the second half of 2016 continued into the first half of 2017. Relying on the outstanding “Plus” series and second generation machines, we achieved another record sales and our sales reached RMB5,036.9 million, representing an increase of 30.5% compared to the results in the same period in 2016. During the period under review, our domestic sales increased by 29.2% to RMB3,540.9 million and our export sales increased by 33.6% to RMB1,392.0 million.

Gross Profit

In the first half of 2017, we recorded gross profit of approximately RMB1,769.5 million, representing an increase of 34.2% compared to the first half of 2016. Overall gross margin improved to 35.1% in the first half of 2017 (1H 2016: 34.1%) as a result of i) improvement in operational efficiency, ii) economy of scale and iii) change in sales mix.

Selling and administrative expenses

The selling and administrative expenses increased by 14.4% from RMB555.8 million in the first half of 2016 to RMB635.6 million in the first half of 2017. The increase was mainly due to the increase in selling expenses resulting from the increase in sales.

Other income

Other income mainly consists of government subsidy and decreased by 35.3% from RMB21.8 million in the first half of 2016 to RMB14.1 million in the first half of 2017.

Finance income – net

We recorded a net finance income of RMB5.1 million in the first half of 2017 compared to a net finance income of RMB49.3 million for the first half of 2016. The changes were mainly attributable to i) increase in interest income from RMB105.0 million in the first half of 2016 to RMB124.0 million in the first half of 2017 resulting from increase of average bank balances and wealth management products, ii) increase in interest expense from RMB10.4 million in the first half of 2016 to RMB22.9 million in the first half of 2017 resulting from increase of bank loans, iii) we recorded net foreign exchange losses of RMB39.2 million in the first half of 2017 compared to net foreign exchange gains of RMB4.9 million in the same period in 2016, and iv) we recorded non-cash accounting loss of change in fair value of CB of RMB56.7 million in the first half of 2017 compared to RMB50.1 million in the first half of 2016.

Income tax expenses

Income tax expenses increased by 41.0% from RMB159.7 million in the first half of 2016 to RMB225.1 million in the first half of 2017. Our effective tax rate maintained at a similar level of 19.3% in the first half of 2017 (1H 2016: 18.8%).

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Net profit attributable to shareholders

As a result, our net profit attributable to shareholders for the six months ended 30 June 2017 increased to RMB941.9 million, representing an increase of 36.5% compared to the first half of 2016. Excluding the change in fair value of CB, the adjusted net profit attributable to shareholders for the six months ended 30 June 2017 increased to RMB1,023.9 million, representing an increase of 43.6% compared to the first half of 2016.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 30 June 2017, the Group's total cash and cash equivalents, term deposits and restricted cash amounted to RMB3,012.6 million, RMB150.0 million and RMB174.1 million respectively (31 December 2016: RMB3,263.9 million, RMB150.0 million and RMB112.7 million). The Group's short-term bank borrowing amounted to RMB849.6 million as at 30 June 2017 (31 December 2016: RMB677.7 million).

In February 2014, we issued US dollar denominated 2.00 coupon CB due 2019 of USD200 million for general corporate purposes. In February 2017, we redeemed CB of USD75.25 million and the remaining outstanding aggregate principal amount of CB was reduced to USD124.75 million. As at 30 June 2017, the convertible bonds balance amounted to RMB931.6 million which represented its market fair value of CB (31 December 2016: RMB1,392.0 million).

The Group also placed certain surplus fund into wealth management products which were recorded as available-for-sale financial assets. The wealth management products with floating interests ranging from 2.8% to 6.8% (2016: 2.8% to 7.5%) per annum. As at 30 June 2017, the Group's available-for-sale financial assets amounted to RMB4,194.5 million (31 December 2016: RMB3,729.0 million).

The gearing ratio is defined by management as total borrowings net of cash divided by shareholders' equity. As at 30 June 2017, our Group was in a strong financial position with a net cash position amounting to RMB1,555.4 million (31 December 2016: RMB1,457.0 million). Accordingly, no gearing ratio is presented.

Capital Expenditure

During the first half of 2017, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB327.7 million (1H2016: RMB236.3 million).

Charges on Group Assets

As at 30 June 2017, our group had no pledge of assets (31 December 2016: available-for-sale financial assets amounted to RMB100.0 million were pledged for issuing the letter of guarantee for borrowings).

Management Discussion and Analysis (Continued)

Financial Review (Continued)

Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 28.5% 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 2017, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB1,226.2 million (31 December 2016: RMB1,250.5 million).

Employees

As at 30 June 2017, our Group had a total workforce of approximately 5,500 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\$0.25 per share for the six months ended 30 June 2017 which is expected to be paid on or before 22 September 2017 to our shareholders whose names appear on the register of members of the Company on 7 September 2017.

Closure of Register of Members

The register of members of the Company will be closed from 5 September 2017 to 7 September 2017 (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 4 September 2017.

Management Discussion and Analysis (Continued)

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

As at 30 June 2017, 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%
	Corporate Interest ⁽²⁾	3,213,000	0.20%
	Personal Interest	4,212,000	0.26%
Prof. Helmut Helmar Franz	Corporate Interest ⁽²⁾	4,000,000	0.25%
Mr. Liu Jianbo	Corporate Interest ⁽²⁾	320,000	0.02%
Ms. Chen Ningning	Corporate Interest ⁽²⁾	160,000	0.01%
Mr. Guo Mingguang	Corporate Interest ⁽²⁾	100,000	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.

Management Discussion and Analysis (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 2017, 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 19.71% 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.

Management Discussion and Analysis (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 2017, 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 2017, 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⁾	127,512,822 (L)	7.99%

(L) denotes a long position

Notes:

(1) Premier Capital Management (PTC) Ltd. is deemed under the SFO to be interested in 953,912,672 shares held by Sky Treasure Capital Limited as at 30 June 2017.

(2) Schroders Plc is deemed under the SFO to be interested in 127,512,822 shares held by its wholly-owned entities.

Save as disclosed above, as at 30 June 2017, 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 Discussion and Analysis (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 six months ended 30 June 2017.

Three non-executive directors and two independent non-executive directors were unable to attend the annual general meeting of the Company held on 18 May 2017 due to other business engagements. This was not in compliance with Code Provision A.6.7 which provides that non-executive directors and independent non-executive directors shall 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 2017, 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 have 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, 11 September 2017

Condensed Consolidated Statement of Profit or Loss

(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 2017 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2016 as follows:

	Note	Unaudited Six months ended 30 June	
		2017	2016
Revenue	4	5,036,916	3,860,897
Cost of sales		(3,267,409)	(2,542,788)
Gross profit		1,769,507	1,318,109
Selling and marketing expenses		(390,540)	(333,142)
General and administrative expenses		(245,081)	(222,695)
Other income		14,114	21,798
Other gain – net		12,674	15,447
Operating profit	5	1,160,674	799,517
Finance income	6	123,995	109,838
Finance costs	6	(118,853)	(60,566)
Finance income – net	6	5,142	49,272
Share of profit of an associate		1,246	1,039
Profit before income tax		1,167,062	849,828
Income tax expense	7	(225,144)	(159,660)
Profit for the period		941,918	690,168
Profit attributable to:			
Shareholders of the Company		941,891	690,168
Non-controlling interests		27	–
		941,918	690,168
Dividends	8	340,247	231,124
Earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share)			
– Basic and Diluted	9	0.59	0.43

Condensed Consolidated Statement of Comprehensive Income

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2017	2016
Profit for the period	941,918	690,168
Other comprehensive income for the period:		
<i>Items that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets	13,439	205
Currency translation differences	(2,359)	(1,517)
Total comprehensive income for the period	952,998	688,856
Total comprehensive income attributable to:		
Shareholders of the Company	952,961	688,856
Non-controlling interests	37	–

Condensed Consolidated Balance Sheet

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	30 June 2017 Unaudited	31 December 2016 Audited
ASSETS			
Non-current assets			
Land use rights		368,688	373,307
Property, plant and equipment		2,917,734	2,712,312
Investment in an associate		14,303	13,057
Deferred income tax assets		55,874	55,263
Other receivables		13,798	10,855
Term deposits		100,000	100,000
		3,470,397	3,264,794
Current assets			
Inventories		2,023,914	1,720,104
Trade and bills receivable	11	3,197,308	2,593,435
Prepayments, deposits and other receivables		138,146	364,094
Prepaid income tax		3,700	2,184
Available-for-sale financial assets	12	4,194,514	3,729,044
Restricted bank deposits		174,118	112,741
Term deposits		50,000	50,000
Cash and cash equivalents		3,012,585	3,263,893
		12,794,285	11,835,495
Total assets		16,264,682	15,100,289
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	13	160,510	160,510
Share premium		1,331,913	1,331,913
Other reserves		915,985	904,915
Retained earnings		7,379,121	6,721,130
		9,787,529	9,118,468
Non-controlling interests		647	610
Total equity		9,788,176	9,119,078

Condensed Consolidated Balance Sheet (Continued)

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	30 June 2017 Unaudited	31 December 2016 Audited
LIABILITIES			
Non-current liabilities			
Deferred income		10,303	9,714
Deferred income tax liabilities		257,647	237,180
Convertible bonds	15	931,645	1,391,965
		1,199,595	1,638,859
Current liabilities			
Trade and bills payable	14	2,955,886	2,141,068
Accruals and other payables		1,380,641	1,440,239
Current income tax liabilities		90,740	83,387
Bank borrowings		849,644	677,658
		5,276,911	4,342,352
Total liabilities		6,476,506	5,981,211
Total equity and liabilities		16,264,682	15,100,289
Net current assets		7,517,374	7,493,143
Total assets less current liabilities		10,987,771	10,757,937

Condensed Consolidated Statement of Changes in Equity

(Amounts expressed in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
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							
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
Balance at 1 January 2017	160,510	1,331,913	904,915	6,721,130	9,118,468	610	9,119,078
Comprehensive income							
Profit for the period	–	–	–	941,891	941,891	27	941,918
Other comprehensive income							
Change in value of available-for-sale financial assets	–	–	13,439	–	13,439	–	13,439
Currency translation differences	–	–	(2,369)	–	(2,369)	10	(2,359)
Total comprehensive income for the period ended 30 June 2017	–	–	11,070	941,891	952,961	37	952,998
Transactions with owners							
Dividend paid – 2016 second interim	–	–	–	(283,900)	(283,900)	–	(283,900)
Total transactions with owners	–	–	–	(283,900)	(283,900)	–	(283,900)
Balance at 30 June 2017	160,510	1,331,913	915,985	7,379,121	9,787,529	647	9,788,176

Condensed Consolidated Statement of Cash Flows

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	Six months ended 30 June	
		2017	2016
Cash flows from operating activities:			
Net cash generated from operating activities		897,050	907,535
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(327,668)	(236,318)
Net changes in loan receivables and available-for-sale financial assets		(311,481)	(749,930)
Interests received		119,748	100,024
Net cash used in investing activities		(519,401)	(886,224)
Cash flows from financing activities:			
Net changes in bank borrowings		171,986	344,287
Dividends paid to the Company's shareholders		(283,900)	(254,197)
Redemption of convertible bonds		(517,043)	–
Net cash (used in)/generated from financing activities		(628,957)	90,090
Net (decrease)/increase in cash and cash equivalents		(251,308)	111,401
Cash and cash equivalents at beginning of period		3,263,893	2,349,458
Cash and cash equivalents at end of period		3,012,585	2,460,859

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2017

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 21 August 2017.

2. Basis Of Preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

3. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2017.

(a) New and amended standards adopted by the Group

Amendments to HKAS 12 'Income taxes' is effective for annual periods beginning on or after 1 January 2017. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Amendment to HKAS 7 "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. There is no material impact to the Group for adoption of this amended standard.

(b) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2017 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**

Amendments to HKFRS 12	Disclosure of interest in other entities	1 January 2017
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Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

3. Accounting Policies (Continued)

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKFRS 15 ⁽ⁱⁱ⁾	Revenue from contracts with customers	1 January 2018
HKFRS 9 ⁽ⁱ⁾	Financial Instruments	1 January 2018
Amendments to HKFRS 4	Insurance Contracts	1 January 2018
Amendment to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
HK(IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16 ⁽ⁱⁱⁱ⁾	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

3. Accounting Policies (Continued)

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

(i) HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

The debt instruments that are currently classified as available-for-sale financial assets do not appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) nor being measured at amortised cost. Hence, the debt instruments will be measured at fair value through profit or loss (FVPL).

The Group's financial liabilities that are designated at fair value through profit or loss are convertible bonds. There are no significant impact on the Group's accounting for financial liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not identify any hedge relationships. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group is still assessing the actual impact affected by the new model, it may result in an earlier recognition of credit losses for trade receivables. But according to the preliminary result, the financial impact is expected to be immaterial.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

3. Accounting Policies (Continued)

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

(ii) HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

Management has identified the following areas that are likely to be affected:

- unique products – the application of HKFRS 15 may result in a change of revenue recognition pattern to over-time recognition, which could affect the time of the recognition of revenue, and
- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

The Group does not intend to adopt HKFRS 15 before its mandatory date.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

3. Accounting Policies (Continued)

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

(iii) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB14,659 thousand. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

4. Revenue and Segment Information

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Sales of plastic injection moulding machines and related products	5,036,916	3,860,897

The Group is mainly engaged in the manufacturing and the 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	
	2017 RMB'000	2016 RMB'000
Mainland China	3,600,077	2,783,414
Hong Kong and overseas countries	1,436,839	1,077,483
	5,036,916	3,860,897

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

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
	Mainland China	2,994,165
Hong Kong and overseas countries	306,560	209,099

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

5. Operating Profit

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

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Depreciation and amortisation	104,059	89,018
Provision for/(reversal of) impairment of trade receivables	10,167	(7,060)
Provision for/(reversal of) write down of inventories	25,673	(461)
Raw materials and consumables used	2,862,250	2,225,226
Net foreign exchange losses	17,827	13,534
Gains on disposal of property, plant and equipment	(5,235)	(412)

6. Finance Income – Net

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Finance cost:		
Changes in fair value of convertible bonds		
– resulted from change in exchange rate	25,251	(27,520)
– resulted from change in bond value	(81,974)	(22,608)
Interest expenses on bank loans and convertible bonds	(22,946)	(10,438)
Net foreign exchange losses	(39,184)	–
	(118,853)	(60,566)
Finance income:		
Interest income on restricted bank deposits, term deposits, cash and cash equivalents, wealth management products and entrusted loans	123,995	104,985
Net foreign exchange gains	–	4,853
	123,995	109,838
Finance income – net	5,142	49,272

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

7. Income Tax Expense

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current income tax		
– Mainland China enterprise income tax ("EIT")	174,921	138,932
– Overseas income tax	499	1,133
Deferred taxation	49,724	19,595
	225,144	159,660

8. Dividends

At a meeting held on 21 August 2017 the directors declared an interim dividend of HK25.0 cents (equivalent to approximately RMB21.3 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 2017.

9. 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 RMB941,891,000 (2016: RMB690,168,000) and on the weighted average number of 1,596,000,000 (2016: 1,596,000,000) ordinary shares in issue during the period.

Diluted earnings per share is equal to basic earnings per share as the conversion of convertible bonds to ordinary shares would have anti-dilutive effect.

10. Capital Expenditure

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Property, plant and equipment	327,668	236,318

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

11. Trade and Bills Receivable

Majority of trade and bills receivable 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 receivable is as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Up to 6 months	2,966,641	2,303,021
6 months to 1 year	128,010	159,511
1 year to 2 years	77,023	109,518
2 years to 3 years	23,802	48,949
Over 3 years	49,004	20,253
	3,244,480	2,641,252
Less: provision for impairment	(47,172)	(47,817)
	3,197,308	2,593,435

12. Available-for-Sale Financial Assets

Available-for-sale financial assets are RMB denominated wealth management products with expected return rate ranging from 2.8% to 6.8% (2016: 2.8% to 7.5%) per annum and with maturity dates between 1 day and 371 days (2016: between 4 days and 365 days). None of these assets is either past due or impaired (2016: None).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

13. Share Capital

	Authorised share capital		
	Number of shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2017	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2017	1,596,000	159,600	160,510

14. Trade and Bills Payable

The ageing analysis of trade and bills payable is as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Up to 6 months	2,953,990	2,139,747
6 months to 1 year	540	285
1 year to 2 years	382	202
Over 2 years	974	834
	2,955,886	2,141,068

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

15. Convertible Bonds

On 13 February 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of USD200,000,000 (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 up to the close of business on the day falling seven days prior to 13 February 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before Maturity Date, then up to and including the close of business on a date no later than seven days prior 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.

On 13 February 2017, the Company redeemed convertible bonds with an aggregate principal amount of USD75,250,000 according to the requirement of the Bondholders. Accordingly, the Redeemed Bonds were redeemed at 100% of their principal amount, together with any accrued but unpaid interest thereon. The Redeemed Bonds were cancelled upon redemption and the remaining outstanding aggregate principal amount of the Bonds will be reduced to USD124,750,000.

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 2017 RMB'000	As at 31 December 2016 RMB'000
Convertible bonds issued by the Company		
At 1 January	1,391,965	1,270,356
Redeem of convertible bonds during the period	(517,043)	–
Change in fair value of convertible bonds	56,723	121,609
At 30 June/31 December	931,645	1,391,965

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2017

15. Convertible Bonds (Continued)

The fair value of the convertible bonds as at 30 June 2017 is approximately USD137,524,000 (equivalent to approximately RMB931,645,000), which is determined by valuation technique using observable inputs (Level 2): quoted prices for identical or similar instruments in active markets.

16. COMMITMENTS

(a) Capital commitments

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Acquisition of property, plant and equipment contracted but not provided for:	407,643	107,857

(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 2017 RMB'000	As at 31 December 2016 RMB'000
Not later than 1 year	14,289	14,441
Later than 1 year and no later than 5 years	370	4,026
	14,659	18,467

17. 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 2017

17. 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 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 2017

17. Related Party Transactions (Continued)

(a) Transactions with related parties

The following material transactions were carried out with related parties:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Purchasing of goods from related parties		
Ningbo Anson	373,848	245,679
Ningbo STF	83,218	61,790
Hangzhou Keqiang	19,300	17,807
Hilectro Precision	9,603	5,364
Ningbo SPP	642	790
	486,611	331,430
Purchasing of equipment from related parties		
Haitian Precision	53,706	222
Hilectro Power	541	223
	54,247	445

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 2017

17. Related Party Transactions (Continued)

(b) Balances with related parties

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

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Outstanding amounts due to related parties		
Trade related		
– Ningbo Anson	237,283	135,628
– Ningbo STF	63,306	51,182
– Hangzhou Keqiang	10,795	10,025
– Hilectro Precision	8,513	6,225
– Ningbo SPP	563	484
	320,460	203,544
Non-trade related		
– Haitian Precision	–	4,059

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 2017

17. 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	
	2017 RMB'000	2016 RMB'000
Salaries and bonus	2,455	2,107
Other benefits	77	81
	2,532	2,188

(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 2017 RMB'000	As at 31 December 2016 RMB'000
	Capital commitment for acquisition of property, plant and equipment – Haitian Precision	18,418