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## HAITIAN INTERNATIONAL HOLDINGS LIMITED

海天國際控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1882)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### HIGHLIGHTS

	<b>2009</b>	2008	Change
	<i>RMB'million</i>	<i>RMB'million</i>	%
Sales	<b>3,861.3</b>	3,694.4	4.5
Profit before taxation	<b>513.0</b>	442.0	16.1
Profit attributable to equity holders of the Company	<b>450.0</b>	405.2	11.0
Basic Earnings per share (expressed in RMB per Share)	<b>0.28</b>	0.25	11.0
Dividend per share (expressed in HK\$ per Share)			
Proposed final	<b>0.100</b>	0.030	233.3
Full year (including interim)	<b>0.130</b>	0.095	36.8

- Strong sales picked up in the second half 2009 of 80.8% which resulted in turnaround the sales shortfall in the first half. The sales of 2009 increased by 4.5%
- Improved net profit margin from 11.0% in 2008 to 11.7% in 2009
- Profit attributable to equity holders of the Company increased to RMB450.0 million, representing an increase of 11.0%
- Achieved a record setting half yearly sales and profit
- The Board proposed an final dividend of HK10.0 cents per share, total dividend for the year amounted to HK13.0 cents increased by 36.8%
- Significant increase in net cash from RMB925.1 million in 2008 to RMB1,597.0 million in 2009

The board of directors (the “Board”) of Haitian International Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2009 with comparative figure for the year ended 31 December 2008 as follows:

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

(Amounts expressed in RMB’000 unless otherwise stated)

	Note	2009 RMB’000	2008 RMB’000
Sales	3	3,861,341	3,694,370
Cost of sales		<u>(2,862,617)</u>	<u>(2,708,606)</u>
<b>Gross profit</b>		<b>998,724</b>	985,764
Selling and marketing expenses		(333,370)	(386,212)
General and administrative expenses		(207,639)	(194,192)
Other income		23,812	26,554
Other gains/(losses) – net	4	<u>18,927</u>	<u>(14,963)</u>
<b>Operating profit</b>	5	<u>500,454</u>	<u>416,951</u>
Finance income		21,115	29,982
Finance costs		<u>(8,901)</u>	<u>(5,066)</u>
Finance income – net	6	<u>12,214</u>	<u>24,916</u>
Share of profit of an associate		<u>322</u>	<u>161</u>
<b>Profit before income tax</b>		<b>512,990</b>	442,028
Income tax expense	7	<u>(62,964)</u>	<u>(36,781)</u>
<b>Profit for the year</b>		<u>450,026</u>	<u>405,247</u>
<b>Attributable to:</b>			
Equity holders of the Company		<u>450,026</u>	<u>405,247</u>
<b>Earnings per share for profit attributable to equity holders of the Company during the year</b> (expressed in RMB per share)			
– basic	8	<u>0.28</u>	<u>0.25</u>
<b>Dividends</b>	9	<u>182,547</u>	<u>136,732</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

(Amounts expressed in RMB'000 unless otherwise stated)

	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
<b>Profit for the year</b>	<b>450,026</b>	405,247
<b>Other comprehensive income:</b>		
Currency translation differences	<u>5,743</u>	<u>(9,406)</u>
<b>Total comprehensive income for the year</b>	<b><u>455,769</u></b>	<b><u>395,841</u></b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	<b><u>455,769</u></b>	<b><u>395,841</u></b>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2009

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	2009 RMB'000	2008 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		137,796	248,983
Property, plant and equipment		1,158,459	1,135,898
Intangible assets		5,601	7,701
Investment in an associate		1,589	642
Deferred income tax assets		37,131	33,701
		<u>1,340,576</u>	<u>1,426,925</u>
<b>Current assets</b>			
Inventories		940,162	896,295
Trade and bills receivables	10	1,251,591	865,048
Prepayments, deposits and other receivables		379,766	136,342
Pledged bank deposits		138,030	2,373
Cash and cash equivalents		1,696,118	1,235,080
		<u>4,405,667</u>	<u>3,135,138</u>
<b>Total assets</b>		<u>5,746,243</u>	<u>4,562,063</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	12	160,510	160,510
Reserves		3,163,877	2,792,492
<b>Total equity</b>		<u>3,324,387</u>	<u>2,953,002</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		13,188	22,369
Deferred income tax liabilities		14,682	–
		<u>27,870</u>	<u>22,369</u>

**CONSOLIDATED BALANCE SHEET (Continued)***As at 31 December 2009**(Amounts expressed in RMB'000 unless otherwise stated)*

	<i>Note</i>	<b>2009</b> <b>RMB'000</b>	2008 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and bills payables	<i>11</i>	<b>1,530,590</b>	793,059
Accruals and other payables		<b>601,076</b>	479,131
Current income tax liabilities		<b>25,132</b>	2,149
Bank borrowings		<b>237,188</b>	312,353
		<b><u>2,393,986</u></b>	<u>1,586,692</u>
<b>Total liabilities</b>		<b><u>2,421,856</u></b>	<u>1,609,061</u>
<b>Total equity and liabilities</b>		<b><u>5,746,243</u></b>	<u>4,562,063</u>
<b>Net current assets</b>		<b><u>2,011,681</u></b>	<u>1,548,446</u>
<b>Total assets less current liabilities</b>		<b><u>3,352,257</u></b>	<u>2,975,371</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

(Amounts expressed in RMB'000 unless otherwise stated)

	Attributable to equity holders of the Company		Minority interest	Total equity
	Share capital (Note 12)	Reserves		
Note	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2008</b>	160,510	2,634,992	1,060	2,796,562
<b>Comprehensive income</b>				
Profit for the year	–	405,247	–	405,247
<b>Other comprehensive income</b>				
Currency translation differences	–	(9,406)	–	(9,406)
<b>Total comprehensive income for the year ended 31 December 2008</b>	–	395,841	–	395,841
<b>Transactions with owners</b>				
Dividend paid				
– 2007 final	–	(144,885)	–	(144,885)
– 2008 interim	9	(94,516)	–	(94,516)
Total distributions to owners	–	(239,401)	–	(239,401)
Contribution from minority interest	–	1,060	(1,060)	–
<b>Total transactions with owners</b>	–	(238,341)	(1,060)	(239,401)
<b>Balance at 31 December 2008</b>	<u>160,510</u>	<u>2,792,492</u>	<u>–</u>	<u>2,953,002</u>
<b>Balance at 1 January 2009</b>	160,510	2,792,492	–	2,953,002
<b>Comprehensive income</b>				
Profit for the year	–	450,026	–	450,026
<b>Other comprehensive income</b>				
Currency translation differences	–	5,743	–	5,743
<b>Total comprehensive income for the year ended 31 December 2009</b>	–	455,769	–	455,769
<b>Transactions with owners</b>				
Dividend paid				
– 2008 final	9	(42,216)	–	(42,216)
– 2009 interim	9	(42,168)	–	(42,168)
Total distributions to owners	–	(84,384)	–	(84,384)
<b>Total transactions with owners</b>	–	(84,384)	–	(84,384)
<b>Balance at 31 December 2009</b>	<u>160,510</u>	<u>3,163,877</u>	<u>–</u>	<u>3,324,387</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW***For the year ended 31 December 2009**(Amounts expressed in RMB'000 unless otherwise stated)*

	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
Net cash generated from operating activities	<b>786,421</b>	222,816
Net cash used in investing activities	<b>(28,834)</b>	(393,507)
Net cash used in financing activities	<b>(296,549)</b>	(85,814)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>461,038</b>	(256,505)
Cash and cash equivalents at beginning of year	<u><b>1,235,080</b></u>	<u>1,491,585</u>
<b>Cash and cash equivalents at end of year</b>	<u><b>1,696,118</b></u>	<u>1,235,080</u>

Notes:

## 1. BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) New and amended standards effective in 2009 and relevant to the Group

- HKFRS 7 ‘Financial Instruments – Disclosures’ (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. It does not have any material impact on the Group’s financial statements, as the major financial instruments of the Group are receivables and payables carried at amortised cost.
- HKFRS 8, ‘Operating segments’ – effective 1 January 2009. HKFRS 8 replaces HKAS 14 ‘Segment reporting’ and aligns segment reporting with the requirements of the US standard SFAS 131 ‘Disclosures about segments of an enterprise and related information’. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

The Group is mainly engaged in the manufacturing and the sale of plastic injection moulding machines business. The internal reporting for the chief operating decision-maker is provided on a whole-entity basis as over 90% of the Group’s sales and operating profits are derived from the sales of plastic injection moulding machines and over 90% of the Group’s productions and operating assets are located in Mainland China. Accordingly the Group only has one reportable segment which is the same as previously reported.

- HKAS 1 (revised) ‘Presentation of financial statements’ – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- HKAS 23 (Revised), ‘Borrowing costs’ – effective 1 January 2009. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Group has applied HKAS 23 (Revised) from 1 January 2009, but it has no impact on the Group’s financial statements as the Group has already chosen the allowed alternative treatment to capitalise borrowing cost attributable to qualifying assets under the original HKAS 23.

(b) **New and amended standards effective in 2009 but not relevant to the Group's operations**

HKFRS 2 (amendment) Share-based payment

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

HK (IFRIC) 17	Distribution of non-cash assets to owners
HKAS 27 (revised)	Consolidated and separate financial statements
HKFRS 3 (revised)	Business combinations
HKAS 38 (amendment)	Intangible Assets
HKFRS 5 (amendment)	Measurement of non-current assets (or disposal groups) classified as held for sale
HKAS 1 (amendment)	Presentation of financial statements
HKFRS 2 (amendments)	Group cash-settled share-based payment transactions

HKICPA's improvements to HKFRS published in May 2009

HKFRS 2 (amendment)	Share-based payment
HKFRS 5(amendment)	Non-current assets held for sale and discounted operations
HKFRS 8 (amendment)	Operating segments
HKAS 1(amendment)	Presentation of financial statements
HKAS 7 (amendment)	Statement of cash flows
HKAS 17 (amendment)	Lease
HKAS 18 (amendment)	Revenue
HKAS 36 (amendment)	Impairment of assets
HKAS 38 (amendment)	Intangible assets
HKAS 39 (amendment)	Financial instruments: Recognition and measurement
HK(IFRIC) 9 (amendment)	Reassessment of embedded derivatives
HK(IFRIC) 16 (amendment)	Hedges of a net investment in a foreign operation

**2. CHANGE IN CRITICAL ACCOUNTING ESTIMATES**

According to HKAS 16 'Property, Plant and Equipment', the useful life of an asset shall be reviewed at least once at each financial year-end. During the year, the management of the Group has reviewed and revised the useful lives of certain categories of property, plant and equipment as following:

	<b>Previous useful lives</b>	<b>Revised useful lives</b>
Buildings	20 years	30 years
Plant and machinery	10 years	10-15 years

The change in accounting estimates on the useful lives of property, plant and equipment has decreased the depreciation charge by RMB28,797,000 for the year ended 31 December 2009 and is expected to have approximately the same impact for each subsequent financial year.

### 3. SALES AND SEGMENT INFORMATION

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Sales of plastic injection moulding machines and related products	<u>3,861,341</u>	<u>3,694,370</u>

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and top management. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources.

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

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
– Mainland China	3,003,365	2,331,238
– Hong Kong and other overseas countries	<u>857,976</u>	<u>1,363,132</u>
Total sales	<u>3,861,341</u>	<u>3,694,370</u>

Sales are attributed to countries on the basis of the customers' location.

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Total non-current assets other than deferred tax assets		
– Mainland China	1,196,615	1,329,976
– Hong Kong and other overseas countries	106,830	63,248
Deferred tax assets	<u>37,131</u>	<u>33,701</u>
Total non-current assets	<u>1,340,576</u>	<u>1,426,925</u>

### 4. OTHER GAINS/(LOSSES) – NET

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Net exchange gains/(losses)	9,547	(14,689)
Loss on disposals of property, plant and equipment, net	(712)	(574)
Gain on disposal of land use rights, net	8,436	–
Others	<u>1,656</u>	<u>300</u>
	<u>18,927</u>	<u>(14,963)</u>

## 5. OPERATING PROFIT

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Depreciation and amortisation	83,617	101,540
Changes in inventories of finished goods and work in progress	49,996	112,447
Raw materials and consumables used	2,530,984	2,314,177
Sales commission and after-sales service expenses	220,259	265,623
Provision for/(reversal of) impairment of trade receivables	3,297	(1,665)
Provision for write-down of inventories	20,688	15,326
Employee costs	<u>287,419</u>	<u>283,283</u>

## 6. FINANCE INCOME/COSTS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Finance costs:		
Interest expense on borrowings	(8,072)	(7,681)
Net foreign exchange (losses)/gains on borrowings	<u>(829)</u>	<u>2,615</u>
	<u>(8,901)</u>	<u>(5,066)</u>
Finance income:		
Interest income on pledged bank deposits and cash and cash equivalents	19,847	27,909
Interest income on loans to distributors and suppliers	<u>1,268</u>	<u>2,073</u>
	<u>21,115</u>	<u>29,982</u>
Finance income, net	<u>12,214</u>	<u>24,916</u>

## 7. INCOME TAX EXPENSE

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Current income tax		
– Mainland China enterprise income tax	47,992	52,104
– Overseas tax	4,188	232
Deferred taxation	<u>10,784</u>	<u>(15,555)</u>
	<u>62,964</u>	<u>36,781</u>

Haitian Shili, Wuxi Haitian and Haitian Heavywork (subsidiaries) were entitled for a reduced tax rate of 12.5% for the year 2009. Haitian Technology and Ningbo Zhafir (subsidiaries) were entitled for exemption of enterprise income tax for the year 2009.

Haitian Beihua, Haitian Plastic Machinery, Haitian Heavywork, Haitian Huayuan and Wuxi Haitian (subsidiaries) were certified as High and New Technology Enterprises in 2008 or 2009 and were entitled to a reduced tax rate of 15% respectively for three years commencing from 1 January 2008 or 2009. They are entitled to re-apply for preferential tax treatment when the preferential tax period expires.

Daxie Haitian (subsidiary)'s enterprise income tax rate would gradually increase to 20% for the year 2009, 22% for the year 2010, 24% for the year 2011 and 25% for the year 2012.

Other major operating subsidiaries in Mainland China are subject to enterprise income tax rate of 25% for the year 2009.

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the taxable income for the year 2009 (2008: 16.5%).

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

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit attributable to the equity holders of the Company of approximately RMB450,026,000 (2008: RMB405,247,000) and on the weighted average number of approximately 1,596,000,000 (2008: 1,596,000,000) ordinary shares in issue during the year.

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

## 9. DIVIDENDS

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Interim dividend paid of HKD3.0 cents (2008: HKD6.5 cents) per ordinary share	42,168	94,516
Proposed final dividend of HKD10.0 cents (2008: HKD3.0 cents) per ordinary share	<u>140,379</u>	<u>42,216</u>
	<u><b>182,547</b></u>	<u><b>136,732</b></u>

The Company's Board of Directors has recommended payment of a final dividend of HKD10.0 cents per share for the year ended 31 December 2009 (2008: HKD3.0 cents per share), which is subject to the approval by the Company's shareholders at the upcoming Annual General Meeting. The proposed dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings during the year ending 31 December 2010.

## 10. TRADE AND BILLS RECEIVABLES

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Up to 6 months	1,148,360	728,784
6 months to 1 year	67,523	97,448
1 year to 2 years	38,744	42,536
Over 2 years	<u>11,401</u>	<u>16,228</u>
	1,266,028	884,996
Less: provision for impairment	<u>(14,437)</u>	<u>(19,948)</u>
	<u><b>1,251,591</b></u>	<u><b>865,048</b></u>

## 11. TRADE AND BILLS PAYABLES

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

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Up to 6 months	1,527,373	791,390
6 months to 1 year	2,289	605
1 year to 2 years	570	1,064
Over 2 years	<u>358</u>	<u>–</u>
	<u><b>1,530,590</b></u>	<u><b>793,059</b></u>

## 12. SHARE CAPITAL

	<b>Authorised share capital</b>		
	<b>Number of shares '000</b>	<b>Amount HKD'000</b>	<b>RMB'000</b>
As at 31 December 2008 and 2009 (shares with a par of HKD0.1 per share)	<u>5,000,000</u>	<u>500,000</u>	<u>502,350</u>
	<b>Issued and fully paid up</b>		
	<b>Number of shares '000</b>	<b>Amount HKD'000</b>	<b>RMB'000</b>
As at 31 December 2008 and 2009 (shares with a par of HKD0.1 per share)	<u>1,596,000</u>	<u>159,600</u>	<u>160,510</u>

## 13. COMMITMENTS

### (a) Capital commitments

	<b>2009 RMB'000</b>	<b>2008 RMB'000</b>
Acquisition of property, plant and equipment – Contracted but not provided for	<u>7,456</u>	<u>91,059</u>

### (b) Operating lease commitments

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

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

	<b>2009 RMB'000</b>	<b>2008 RMB'000</b>
Not later than 1 year	<u>2,529</u>	<u>2,623</u>
Later than 1 year and not later than 5 years	<u>880</u>	<u>1,896</u>
	<u>3,409</u>	<u>4,519</u>

## 14. CONTINGENT LIABILITIES

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

	<b>2009 RMB'000</b>	<b>2008 RMB'000</b>
Guarantee given to the banks in connection with banking facilities granted to customers	<u>457,218</u>	<u>309,221</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Following the outbreak of the global financial crises in the fourth quarter of 2008, year 2009 began with a sharp decline in sales and orders. The operating environment improved since the second quarter of 2009 due to massive stimulus packages implemented by governments worldwide. With the launch of the Chinese Government RMB four-trillion Economic Stimulus Package and the national plans for readjustment and revitalization of key industries, China was one of the first economies to recover from the impact of the financial crises. The financial crisis has driven the focus of the plastic injection moulding machine manufacturing industry in the world to the China market. The Chinese market demonstrated an impressive and sustained recovery since the second quarter of 2009. As market conditions gradually stabilized in other parts of the world, the pace of our sales recovery from the second quarter onwards was so remarkable that it turned around the shortfall of sales in the first half of 2009. Total sales in the second half of 2009 was up 80.8% compared to the first half. Consequently, the Group achieved turnover of RMB3,861.3 million in 2009, representing an increase of 4.5% compared with RMB3,694.4 million in 2008.

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

<i>(RMB million)</i>	1H2008	2H2008	2008	1H2009	2H2009	2009	09 Vs 08 Change	2H Vs 1H Change
Domestic Sales	1,348.9	914.1	2,263.0	1,011.2	1,905.7	2,916.9	28.9%	88.5%
Export Sales	667.4	676.1	1,343.5	313.6	527.5	841.1	-37.4%	68.2%
Parts	43.7	44.2	87.9	50.2	53.1	103.3	17.5%	5.8%
	<u>2,060.0</u>	<u>1,634.4</u>	<u>3,694.4</u>	<u>1,375.0</u>	<u>2,486.3</u>	<u>3,861.3</u>	4.5%	80.8%

Boosted by the execution of the RMB four-trillion Economic Stimulus Package and the plans to resuscitate key industries in China, domestic demand for properties and motor vehicles increased substantially. Demand for the relevant plastic consumer products also showed a remarkable increase, which posted an impressive growth and thus brought the sequential improvement in investor confidence. Since the Value-Added Tax (VAT) reform that allows companies to deduct 17% VAT for fixed assets purchased, corporate investment in equipment in China has been encouraged and the replacement cycle of equipment has been shortened. Therefore, we recorded an impressive sales growth of 28.9% for the domestic market amounting to RMB2,916.9 million in 2009.

Even though there appeared to be signs of economic stabilization and recovery in the export markets since the second half of 2009, the levels of intensity and paces for China were unmatched. The economic revival in other parts of the world was still at a preliminary stage. Our export sales in the second half of 2009 were up 68.2% compared to the first half, yet the results were still approximately 20% lower than the pre-crisis level. Consequently, the overall export sales recorded a decline of 37.4% and amounted to RMB841.1 million for the year.

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

<i>(RMB million)</i>	<b>1H2008</b>	<b>2H2008</b>	<b>2008</b>	<b>1H2009</b>	<b>2H2009</b>	<b>2009</b>	<b>09 Vs 08 Change</b>	<b>2H Vs 1H Change</b>
Small tonnage	1,280.1	948.8	2,228.9	956.1	1,668.7	2,624.8	17.8%	74.5%
Medium-to-large tonnage	736.2	641.4	1,377.6	368.7	764.5	1,133.2	-17.7%	107.4%
Parts	43.7	44.2	87.9	50.2	53.1	103.3	17.5%	5.8%
	<u>2,060.0</u>	<u>1,634.4</u>	<u>3,694.4</u>	<u>1,375.0</u>	<u>2,486.3</u>	<u>3,861.3</u>	4.5%	80.8%

During the year under review, the sales of small-tonnage PIMMs increased by 17.8% and the sales of medium-to-large-tonnage PIMMs decreased by 17.7%. Generally, the sales of small tonnage PIMMs are usually more sensitive and response faster to change in market situation. Riding on the gradual market improvement, the small-tonnage PIMMs showcased a strong recovery in the beginning of the second quarter. Coupled with a significant market share gain from Mars (J5 series), of which PIMMs come with strong energy-saving and higher-precision features, the sales of small-tonnage PIMMs surged by 17.8% amounting to RMB2,624.8 million in 2009.

Due to the longer delivery time lag of medium-to-large-tonnage PIMMs, the sales improvement could only be realized starting from the third quarter. The sales of medium-to-large-tonnage PIMMs in the second half was up by a remarkable 107.4% against the first half. Despite the robust results, which were approximately 5% higher than the pre-crisis level, overall sales of this category still decreased by 17.7% year-over-year.

In year 2009, our profitability also improved. Our continuous efforts in implementation of cost control measures and optimization in production process to lower the production and logistic costs, coupled with correction in raw material and component costs after the financial crisis, all contributed to the Group's net profit margin improvement from 11.0% in 2008 to 11.7% in 2009. The Group's profit attributable to equity holders for year 2009 is RMB450.0 million, which is 11.0% higher than that of 2008.

For Haitian International, 2009 was a difficult but rewarding year. Although 2009 was not one of our most profitable years, we achieved a record setting half-yearly sales and profit in the second half of 2009. Our success is not only built on the stabilization of market environment in 2009, but also on the long-term strategy of expanding our product penetration in different industries and markets, as well as persistent efforts in research and development of innovative and affordable products to cater to customer needs. It is also the result of the Company's effort of diversification and adjustment to the sales network area during the financial crisis. Our diversified customer portfolio allowed us to be more resilient to the market downturn and avoid unnecessary scale-down of business caused by short-term adjustment to market conditions. We are in an unrivaled position to benefit from opportunities arising from the strong market recovery. With our ace-product, Mars (J5), which currently accounted for more than 50% of our total sales, we gained a remarkable market share from other industry players during the recovery. During the year, the sales of Mars increased by 104.9% from RMB1,016.5 million in 2008 to RMB2,082 million in 2009. Continuous increase in the sales ratio of the Mars machine is also due to its compliance with the macro policy of low-carbon, energy saving and environmental-friendly promoted by the PRC government. As a result, we have significantly outperformed our industry players as the PIMM market improved.

## **Products and Research and Development (“R&D”)**

Recognising the importance of the ability to continuously develop new and advanced products and to meet the changing needs of market demand, we are committed to product innovation and enhancement. The Group accelerated the technological and product development and emerged in to a better position compared to some of our competitors who scaled back the R&D spending during the financial crises. We have started several product development projects to meet the increasing need of customer including:

Zhafir Mercury Series – a high end series of all electric PIMMs which open new horizons for the design of moulded parts and for the use of innovative plastics that are difficult to process and using totally new design principles for customer benefits

Haitian Pallas Series – an enhanced version of our Mars series with significant improvement in injection speed, precision, cycle time and operating efficiency

Haitian Talos Series – an affordable high precision PIMMs, combining hydraulic and electric drive principles which particularly fits for the production of IT components, thin-wall plastic product and packaging plastics products.

## **Prospects**

We believes that the worst of the financial crises is over and the global economy is on the right track to a sustainable recovery. There is a clear sign of continued economic recovery from recent economic data, which indicated the rebound in global manufacturing activities, stablization of unemployment rate and improved consumer sentiment and investment confidence. The pace and scale of recovery vary in different countries. It is very clear that the growth rate of the PRC economy will take the lead against the rest of the world. With more than 70% of sales in domestic market, we will be in a prime position to benefit from the economic growth. In the second half of 2009, our export sales resumed to approximately 80% against the normal level. As other countries started gaining momentum, we expect a full recovery of export business to be witnessed in 2010.

Business momentum for our sales in the first two months of 2010 remained encouraging. Despite the usual low level of sales activities during the Chinese New Year holidays, the billing and delivery of PIMMs for the first two months reached RMB863.3 million, setting a new record for the same period. With sales activities being well-above the pre-crisis period, we have already returned back to the growth phase and expect to record another year of strong performance compared to past record-breaking years.

With the ambition in future growth, we cannot disregard that there remains some fragility in the economic outlook and we need to be cautious dealing with uncertainties, including possible hiking of steel and component costs, timing of fiscal policy adjustments in response to inflation and overheat economy, and possible sovereign-debt crunch in certain EU nations. We have established a track record of steady growth as well as the capability to overcome challenges and difficulties, such as that of the recent financial crisis. Leveraging on our prestigious brand, unmatched quality, self-developed core technology and efficient production scale, we are confident to create much higher value in the production process than industry peers and maintain satisfactory profitability in this environment. Building on our strong performance in 2009 and our past efforts in consolidating our businesses, we are well-prepared to reach new heights in the future.

## Sales

Gaining from the growing signs of domestic demand and global economic stabilization since the second quarter of 2009, the Group's sales rebounded with strong momentum in the second half of 2009. In fact, the remarkable sales improvement in the second half of 2009 contributed to the turnaround of the full-year performance. The Group's sales recorded a surge from RMB3,694.4 million to RMB3,861.3 million, representing an increase of 4.5% during the year.

The Group's sales by geographic areas is shown in the following table:

	<b>2009</b> <i>RMB million</i>	2008 <i>RMB million</i>	
Domestic	<b>2,916.9</b>	2,263.0	28.9%
Export	<b>841.1</b>	1,343.5	-37.4%
Others	<b>103.3</b>	87.9	17.5%
Total	<b><u>3,861.3</u></b>	<u>3,694.4</u>	4.5%

We benefitted from the increase in domestic fixed asset investment which was derived from the initiatives of the RMB four-trillion Economic Stimulus Package implemented by the Chinese Government, as well as the VAT reform in China that eases the VAT tax burden on machines purchased. During the year, the sales in domestic market substantially increased by 28.9% to RMB2,916.9 million.

On the contrary, the rest of the world showed a slower pace of recovery than China. Despite signs of economic stabilization and recovery since the second half of 2009, yet at different levels of intensity and slower paces than China, the recovery of other world economies was only beginning. Therefore, the sales in international market posted a decrease by 37.4% to RMB841.1 million.

## Gross Profit

During the year, the Group recorded gross profit of approximately RMB998.7 million, representing an increase of approximately 1.3% compared to the corresponding period in 2008. Overall gross margin has decreased from 26.7% in 2008 to 25.9% in 2009. The decrease in gross margin for the year was mainly due to the low gross margin of 22.1% recorded in the first half of 2009 which was caused by: i) the consumption of higher cost of materials and components which were purchased before the financial crisis, and ii) low utilization of plants and machineries in the first quarter of 2009, and iii) the decrease in sales mix in export sales and medium-to-large-tonnage PIMMs which yield higher profit margin. In the second half of 2009, our gross profit margin restored back to normal level and was approximately 27.9%.

### **Selling and administrative expenses**

The selling and administrative expenses decreased by 6.8% from RMB580.4 million in 2008 to RMB541.0 million in 2009, primarily due to: i) our efforts in cost-saving measures implemented, and ii) the decrease in sales commission expenses and transportation charges resulted from decrease in export sales which generally incurs a higher percentage of sales commission and transportation charges.

### **Other income**

Other income, mainly represented by government subsidy, decreased by 10.3% from RMB26.6 million in 2008 to RMB23.8 million in 2009.

### **Other gains/(losses), net**

Other gains/(losses), net, mainly referred to exchange gains/(losses) and gains/(losses) of disposal in fixed assets and land use rights.

### **Operating profit**

As a result of the abovementioned, the operating profit increased from RMB417.0 million in 2008 to RMB500.5 million in 2009.

### **Finance income, net**

Finance income, net, decreased by 51.0% from RMB24.9 million in 2008 to RMB12.2 million in 2009. The reduction was due to substantial decline in interest rate resulted from the fiscal monetary policies in response to the financial crisis.

### **Income tax expenses**

Income tax expenses increased by 71.2% from RMB36.8 million in 2008 to RMB63.0 million in 2009 due to: i) the increase in operating profit and ii) the provision of 5% dividend withholding tax for the Chinese subsidiaries.

### **Profit attributable to equity holders of the Company**

As a result of the abovementioned, the profit increased from RMB405.2 million in 2008 to RMB450.0 million in 2009.

### **Capital Expenditure**

In the year ended 31 December 2009, our capital expenditure consisted of additions of land use rights and property, plant and equipment amounted to RMB135.5 million (2008: RMB406.8 million).

## **Liquidity and Financial Resources**

The gearing ratio is defined as net debt (represented by borrowings net of time deposits and bank balances and cash) divided by shareholders' equity. As at 31 December 2009, the Group is in a strong financial position with a net cash position amounting to RMB1,597.0 million (2008: RMB925.1 million). Hence, no gearing ratio is presented.

## **Charges on Group Assets**

As at 31 December 2009, the Group has pledged deposits of RMB1.0 million (2008: RMB2.4 million) as collaterals against certain trade finance facilities granted by banks and of RMB137 million (2008: Nil) secured for certain U.S. dollars-denominated bank borrowings.

## **Foreign Exchange Risk Management**

The Group exports approximately 22% of its products to international markets which sales are denominated in U.S. dollars or other foreign currencies, while the Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of total purchases. The Group has not used any forward contracts or other means to hedge its foreign currency exposure however the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts. During the year, the Group borrowed a US dollar denominated bank loan amounted to RMB137.4 million to hedge the exchange risk of US dollar denominated receivable arising from export sales.

## **Contingent Liabilities**

As at 31 December 2009, the Group has RMB457.2 million (2008: RMB309.2 million) guarantee given to the banks in connection with facilities granted to customers.

## **Human Resources**

As at 31 December 2009, the Group had a total workforce of approximately 3,800, majority of which is located in Mainland China. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and Group performance. The Group is committed to nurturing a learning culture in the organization. Total staff costs for 2009 amounted to RMB287.4 million compared against RMB283.3 million in 2008.

## **Proposed Final Dividend**

The Board has resolved to recommend the payment of a final dividend of HK\$0.10 per share for the year ended 31 December 2009 which is expected to be paid on or before 27 May 2010 to its shareholders whose names appear on the register of members at the close of business on 17 May 2010, subject to final approval at the Annual General Meeting of the Company.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 13 May 2010 to 17 May 2010 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final 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 May 2010.

## **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 period.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")**

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, the Company complied with all the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules during the period.

## **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 the three independent non-executive directors of the Company.

The Audit Committee has reviewed the Group's condensed consolidated financial information for the year ended 31 December 2009, including the accounting principles adopted by the Group, with the Company's management. The audit committee, together with the management and the external auditors, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **PURCHASES, SALE OR REDEMPTION OF SHARES**

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

## **PUBLICATION OF RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the Company's website (<http://www.haitian.com>). The annual report will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

**Zhang Jianming**  
*Chief Executive Officer*

Hong Kong, 23 March 2010

*As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jingzhang, Mr. Zhang Jianming, Prof. Helmut Helmar Franz, Mr. Zhang Jianfeng, Mr. Zhang Jianguo, Mr. Guo Mingguang, Ms. Chen Ningning and Mr. Liu Jianbo; the Non-executive Director is Mr. Hu Guiqing; and the Independent Non-executive Directors are Mr. Pan Chaoyang, Mr. Gao Xunxian, Mr. Dai Xiangbo and Dr. Steven Chow.*