



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 2007

Highlights

	Year ended 31 December		change %
	2007 RMB' million	2006 RMB' million	
Sales	3,824.9	3,175.7	20.4%
Operating profit	575.8	470.1	22.5%
Profit before income tax	600.1	483.6	24.1%
Profit attributable to equity holders of the Company	568.4	450.9	26.1%
Basic earnings per share (expressed in RMB per share)	0.36	0.37	-2.7%
Proposed final dividend per share	HK10.0 cents	N/A	

- Outstanding performance in 2007 with sales of RMB3,824.9 million, an increase of 20.4% over 2006. If adjusting the effect of group reorganization in 2006, the sales growth of plastic injection moulding machine (“PIMM”) business will be 22.0%.
- Profit attributable to equity holders of the Company increased to RMB568.4 million, representing an increase of 26.1%.
- Net margin of profit attributable to equity holders of the Company increased from 14.2% to 14.9%.
- Basic earnings per share decreased by 2.7% was due to the dilution effect of issuing 25% new shares in 2006.
- The Board proposed an final dividend of HK10.0 cents per share. Aggregating the interim dividend paid, the dividend pay out ratio was approximately 50%.
- Solid balance sheet with net cash of RMB1,339 million to fund future growth.

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 2007 with comparative figure for the year ended 31 December 2006 as follows:

CONSOLIDATED INCOME STATEMENT

(Amounts expressed in RMB’000 unless otherwise stated)

		Year ended 31 December	
	Note	2007	2006
Sales	2	3,824,850	3,175,732
Cost of sales		<u>(2,704,001)</u>	<u>(2,282,064)</u>
Gross profit		1,120,849	893,668
Selling and marketing expenses		(362,137)	(285,234)
General and administrative expenses		(162,244)	(167,426)
Other income	3	23,374	25,201
Other (losses)/gains — net	4	<u>(44,076)</u>	<u>3,888</u>
Operating profit		575,766	470,097
Finance income		31,189	29,017
Finance costs		<u>(6,845)</u>	<u>(15,544)</u>
Finance income — net	5	24,344	13,473
Share of profit of an associate		<u>6</u>	<u>66</u>
Profit before income tax	6	600,116	483,636
Income tax expense	7	<u>(31,948)</u>	<u>(21,863)</u>
Profit for the year		<u>568,168</u>	<u>461,773</u>
Attributable to:			
Equity holders of the Company		568,423	450,867
Minority interest		<u>(255)</u>	<u>10,906</u>
		<u>568,168</u>	<u>461,773</u>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— basic	8	<u>0.36</u>	<u>0.37</u>
— diluted	8	<u>N/A</u>	<u>N/A</u>
Dividends	9	<u>139,403</u>	<u>—</u>

CONSOLIDATED BALANCE SHEET
(Amounts expressed in RMB'000 unless otherwise stated)

	<i>Note</i>	As at 31 December	
		2007	2006
ASSETS			
Non-current assets			
Land use rights		141,564	106,734
Property, plant and equipment		960,554	695,648
Intangible assets		9,801	—
Investment in an associate		481	475
Deferred tax assets		18,146	10,657
Deposits and other receivables		24,500	—
		<u>1,155,046</u>	<u>813,514</u>
Current assets			
Inventories		992,109	651,649
Trade and bills receivables	10	1,032,955	878,605
Prepayments, deposits and other receivables		117,642	72,232
Current income tax recoverable		8,906	—
Pledged bank deposits		6,221	27,177
Cash and cash equivalents		1,491,585	1,712,097
		<u>3,649,418</u>	<u>3,341,760</u>
Total assets		<u><u>4,804,464</u></u>	<u><u>4,155,274</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	160,510	160,510
Reserves	12	2,634,992	2,208,547
		<u>2,795,502</u>	<u>2,369,057</u>
Minority interest		<u>1,060</u>	<u>1,308</u>
Total equity		<u>2,796,562</u>	<u>2,370,365</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings		—	150,000
Current liabilities			
Trade and bills payables	11	1,294,215	1,101,889
Accruals and other payables		554,921	429,008
Current income tax liabilities		—	12,817
Bank borrowings		158,766	91,195
		<u>2,007,902</u>	<u>1,634,909</u>
Total liabilities		<u>2,007,902</u>	<u>1,784,909</u>
Total equity and liabilities		<u><u>4,804,464</u></u>	<u><u>4,155,274</u></u>
Net current assets		<u>1,641,516</u>	<u>1,706,851</u>
Total assets less current liabilities		<u><u>2,796,562</u></u>	<u><u>2,520,365</u></u>

Notes:

1. CHANGE IN ACCOUNTING POLICIES

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.

(a) Standards, amendments and interpretations effective in 2007

- HKFRS 7, ‘Financial instruments: Disclosures’, and the complementary amendment to HKAS 1, ‘Presentation of financial statements — Capital disclosures’, introduces new disclosures relating to financial instruments and does not have any significant financial impact on the Group’s financial statements except certain disclosures are extended.
- HK(IFRIC)-Int 8, ‘Scope of HKFRS 2’, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. The adoption of this interpretation does not have a significant impact on the Group’s financial statements.
- HK(IFRIC)-Int 10, ‘Interim financial reporting and impairment’, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of this interpretation does not have a significant impact on the Group’s financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant for the Group’s operations

- HK(IFRIC)-Int 7, ‘Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies’; and
- HK(IFRIC)-Int 9, ‘Re-assessment of embedded derivatives’.

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

- HKAS 1 (Revised), “Presentation of Financial Statements” (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

The following new standards, amendments and interpretations are not expected to have any significant impact on the Group’s financial statements:

- HKAS 23 (Amendment), ‘Borrowing costs’ (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs and remove the option of immediately expensing those borrowing costs.

- HKFRS 8, ‘Operating segments’ (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes.
- HK(IFRIC)-Int 11, “HKFRS-2 Group and Treasury Share Transactions” (effective for annual periods beginning on or after 1 March 2007). This standard provides guidance on how to account for share based payment arrangements to an entity’s employees involving equity instruments of its parent company.

(d) Interpretations to existing standards that are not yet effective and not relevant to the Group’s operations

- HK(IFRIC)-Int 12, ‘Service concession arrangements’ (effective for annual accounting periods beginning on or after 1 January 2008).
- HK(IFRIC)-Int 13, ‘Customer loyalty programmes’ (effective from 1 July 2008).
- HK(IFRIC)-Int 14, ‘HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction’ (effective from 1 January 2008).

These financial statements are presented in thousands of units of Renminbi (“RMB”), unless otherwise stated.

2. SALES AND SEGMENT INFORMATION

	Year ended 31 December	
	2007	2006
Sales of plastic moulding injection machine and related products	3,824,850	3,134,291
Others	<u>—</u>	<u>41,441</u>
	<u>3,824,850</u>	<u>3,175,732</u>

The Group is mainly engaged in the Plastic Injection Moulding Machines Business in Mainland China and more than 90% of its operation and assets are located in Mainland China. Less than 10% of the Group’s turnover and contribution to operation is attributable to any single overseas market. Therefore no business segment or geographical segment is presented.

3. OTHER INCOME

	Year ended 31 December	
	2007	2006
Government grants	23,137	24,821
Interest income from loans and receivables	<u>237</u>	<u>380</u>
	<u>23,374</u>	<u>25,201</u>

4. OTHER (LOSSES)/GAINS — NET

Year ended 31 December

2007 2006

Gain on financial assets at fair value through profit or loss	—	6,593
Exchange losses	(43,506)	(2,460)
Loss on disposal of property, plant and equipment, net	(1,557)	(3,030)
Loss on disposal of a subsidiary	—	(1,031)
Gain on acquisition of a subsidiary	68	—
Others	919	3,816
	<u>919</u>	<u>3,816</u>
	<u>(44,076)</u>	<u>3,888</u>

5. FINANCE INCOME, NET

Year ended 31 December

2007 2006

Interest expense:		
Bank borrowings wholly repayable within five years	(6,845)	(15,544)
Finance income:		
Interest income on short-term bank deposits	31,189	5,781
Interest income from over subscription of New Issue	—	23,236
	<u>31,189</u>	<u>29,017</u>
Finance income, net	<u>24,344</u>	<u>13,473</u>

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

Year ended 31 December

2007 2006

Depreciation of property, plant and equipment	77,205	74,344
Amortisation of land use rights	1,448	1,475
Amortisation of intangible assets	700	882
Loss on disposal of property, plant and equipment	1,557	3,030
Loss on disposal of a subsidiary	—	1,031
Provision for/(reversal of) impairment of trade receivables	7,876	(4,105)
Provision for write down of inventories	25,449	8,865
Interest income from over subscription of New Issue	—	(23,236)
Gain on financial asset at fair value through profit or loss	—	(6,593)
	<u>—</u>	<u>(6,593)</u>

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2007	2006
Current income tax		
— Mainland China current income tax (“EIT”)	39,437	23,421
— Hong Kong profits tax	—	318
Deferred taxation	<u>(7,489)</u>	<u>(1,876)</u>
	<u>31,948</u>	<u>21,863</u>

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 RMB568,423,000 (2006: RMB450,867,000) and on the weighted average number of approximately 1,596,000,000 (2006: 1,205,745,205) ordinary shares in issue during the year.

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

9. DIVIDENDS

	Year ended 31 December	
	2007	2006
Dividend paid		
Interim dividend of HK\$0.09 (2006: Nil) per ordinary share	<u>139,403</u>	<u>—</u>
Proposed dividend		
Proposed final dividend of HK\$0.10 (2006: Nil) per ordinary share	<u>144,438</u>	<u>—</u>

The final dividend of HK\$0.10 (2006: Nil) per share have been proposed by the directors and are subject to approval by the shareholders in the forthcoming Annual General Meeting (“Annual General Meeting”).

10. TRADE AND BILLS RECEIVABLES

The credit terms granted to customers are negotiable depending on individual customer's credit history and not exceeding 18 months. Ageing analysis of trade and bills receivables as at 31 December 2007 and 2006 are as follows:

	Year ended 31 December	
	2007	2006
Up to 6 months	884,228	780,743
6 months to 1 year	97,510	79,621
1 year to 2 years	52,424	26,989
Over 2 years	<u>21,657</u>	<u>19,370</u>
	1,055,819	906,723
Less: provision for impairment of receivables	<u>(22,864)</u>	<u>(28,118)</u>
Trade and bills receivables-net	<u><u>1,032,955</u></u>	<u><u>878,605</u></u>

11. TRADE AND BILLS PAYABLES

Ageing analysis of trade and bills payables is as follows:

	Year ended 31 December	
	2007	2006
Up to 6 months	1,291,274	1,101,771
6 months to 1 year	2,796	118
1 year to 2 years	<u>145</u>	<u>—</u>
	<u><u>1,294,215</u></u>	<u><u>1,101,889</u></u>

12. EQUITY MOVEMENT

	Attributable to equity holders of the Company			Total
	Share capital	Reserves	Minority interest	
Balance at 1 January 2006	101	1,449,864	102,810	1,552,775
Profit for the year	—	450,867	10,906	461,773
Issue of shares	40,127	1,544,906	—	1,585,033
Share issue costs	—	(92,711)	—	(92,711)
Capitalisation of share premium	120,282	(120,282)	—	—
Contribution of minority interest in subsidiaries by then equity holders	—	6,536	(6,536)	—
Disposal of a subsidiary	—	—	(5,334)	(5,334)
Acquisition of minority interest in subsidiaries by then group companies	—	(74)	(526)	(600)
Dividends paid by group companies to then equity holders	—	(30,370)	(12,747)	(43,117)
Currency translation differences	—	(1,184)	—	(1,184)
Distributions to then equity holders on 30 April 2006	—	(999,005)	(87,265)	(1,086,270)
Balance at 31 December 2006	<u>160,510</u>	<u>2,208,547</u>	<u>1,308</u>	<u>2,370,365</u>
Balance at 1 January 2007	160,510	2,208,547	1,308	2,370,365
Profit for the year	—	568,423	(255)	568,168
Minority interest recognised on the acquisition of a subsidiary	—	—	7	7
2007 interim dividend	—	(139,403)	—	(139,403)
Currency translation differences	—	(2,575)	—	(2,575)
Balance at 31 December 2007	<u>160,510</u>	<u>2,634,992</u>	<u>1,060</u>	<u>2,796,562</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group had another record-breaking year in 2007 with remarkable growth in business and financial performance. The Group's revenue increased 20.4% year-on-year to RMB3,824.9 million and net profit attributable to equity holders increased 26.1% year-on-year to RMB568.4 million in 2007.

We saw steady growth in revenue and net profit during the year despite unfavourable market conditions emerged since the second half including continued increases in oil and material costs and the downturn in US economy growth resulted from the credit crunch. Nevertheless, the Group continued to achieve impressive growth which is attributed to the combination of our comprehensive product range and launch of higher valued added products to customers. This remarkable performance is a clear indication that the Group's successful strategy in capturing the fastest growing sectors in the PIMM industry namely (1) large tonnage PIMMs (2) environmental friendly PIMMs and (3) high speed and precision

PIMMs. We broadened our product categories to meet existing customers' needs and at the same time expanded our customer base. As a result, we continued to gain market share and maintained our leading position in the plastic injection moulding machine business. And once again, the growth rates of the Group's revenue in the PIMM business outpaced those of the global market as a whole.

Under the 2007's difficult operating environment, we continued to improve production efficiency by implementing effective cost-saving measures and increasing sales mix of higher margin products including the new generation of energy saving PIMMs Mars (J5) and large tonnage PIMMs. Our gross profit margin has increased to approximately 29.3% as compared to approximately 28.1% in 2006.

Profits attributable to equity shareholders during the year was approximately RMB568.4 million representing an increase of approximately 26.1% as compared to 2006 and the respective margin improved from 14.2% to 14.9% in 2007.

Basic earnings per share was RMB0.36 for the year (2006: RMB0.37). The Board of Directors recommend the payment of a proposed final dividend of HK\$0.10 per share for the year ended 31 December 2007 payable to shareholders whose names appear on the Register of Members of the Company was on 20 May 2007.

Market Review

In 2007, the China economy kept steady growth with improved average income and consumer spending of the people. The GDP, fixed asset investments and per capita disposable income recorded a year-on-year growth of 11.4%, 24.8% and 17.2% respectively. The steady growth of plastic injection moulding machines' demand continued to be driven by China's ongoing industrialization efforts and rising personal income levels, spurring plastics product output and consumption. The Group's sales increased from RMB3,175.7 million to RMB3,824.9 million representing an increase of 20.4%. The impressive sales performance was mainly benefited by the strong demand of medium to large tonnage PIMMs and significant growth in the international sales. The Group's performance was also benefited by excellent market response for newly launch new energy-saving machines namely Mars (J5) series in the end of 2006.

With the fast expansion of production capacity for automobiles, electrical appliances and plastic containers (e.g. recycle bin and pallets) industries, the demand of medium to large tonnage PIMMs remained strong and even accelerated in 2007. The Group's medium to large machines sales increased to RMB1,200 million or represented a 33% growth. The application of ultra-large PIMMs by China increased at even higher speed. In order to meet the strong demand of large tonnage machines from our customer, the Group re-organized of our factory space and acquired more advanced machines to increase the production capacity and efficiency of large PIMM production lines. Consequently, the sales of PIMMs with clamping force higher than 1000 tonnes enabled to achieve a remarkable growth of more than 40%.

The international sales recorded robust growth of 31.0% and reached RMB1,250 million in 2007. This growth was partially driven by the rapid economic growth of the developing countries but more importantly attributed to the successful market development and penetration by the Group in the new markets like India, Brazil and Poland which have recorded more than 50% growth in 2007. In addition, with the increase in Haitian's brand awareness and reputation, we have also made great progress in entering the developed countries' market. Our sales to North America and certain European region have doubled in 2007.

After the internationally launch of Mars (J5) series and extension of its product range to large tonnage, the increase in sales of Mars (J5) series further accelerated. In the second half of 2007, the sales of Mars (J5) series has further increased by 50% compared to the first half of 2007 and recorded a sales of RMB430.0 million for the full year. Mars (J5) series' high precision and energy saving features were highly praised by our customers and we expect more customers will switch to this energy saving machines in next year and the sales of Mars (J5) series will continue to contribute more significantly in our sales mix.

During the year, Haitian was awarded with the "China Top Brand" and "China Famous Trade Mark" by respective Chinese authority, in addition to the "China Export Top Brand" awarded in 2005. Haitian is the only brand to receive all these awards in the industry. These accreditations evidence the long-term commitment of the Group's investment in quality control, customer-care and product innovation.

Financial Review

Sales

The demand for PIMMs continued to experience robust and sustainable growth in 2007. To capture the growth of the market, our production capacity increased from 18,000 to 22,000 PIMMs in 2007 after the operation of our Wuxi factory. The Group's sales increased from RMB3,175.7million to RMB3,824.9 million representing an increase of 20.4%. The impressive sales performance was mainly benefited by the strong demand of medium to large tonnage PIMMs and significant growth in the international sales. It was also benefited by extremely successful market response for the launch of energy-saving machines namely Mars(J5) series in the end of 2006.

During the year, the sales to domestic and international market increased by 17.7% and 31.0% respectively. The number of unit sold and average selling price increased from 17,000 units to 19,000 units and RMB187,000 to RMB200,000 during the year. The increase in average selling price is mainly attributed to increase in sales mix of large tonnage machines and the introduction of the new generation of energy saving PIMMs.

After excluding the sales of other products previously conducted by Non-transferred Companies (as defined in the prospectus of the Company dated 11 December 2006) amounted to RMB41.4 million in 2006, our PIMM business's growth rate will be 22.0%.

Sales Breakdown	Year ended 31 December		
	2007	2006	
Plastic Injection Moulding Machines			
Domestic Sales	2,502,580	2,125,779	17.7%
International Sales	1,250,425	954,513	31.0%
Related Parts	<u>71,845</u>	<u>53,999</u>	33.0%
	3,824,850	3,134,291	22.0%
Others	<u>—</u>	<u>41,441</u>	-100.0%
	<u><u>3,824,850</u></u>	<u><u>3,175,732</u></u>	20.4%

Gross Profit

During the year under review, gross profit reached approximately RMB1,120.8 million representing an increase of approximately 25.4% compared with the corresponding period in 2006. Overall gross margin has improved from 28.1% in 2006 to 29.3% in 2007. The increase in gross margin for the year was mainly attributed to the followings: (i) improved product mix to higher margin products including new generation of energy saving PIMMs and large tonnage PIMMs; (ii) cost savings from streamlined production process and enhanced product designs through R&D efforts ; (iii) cost savings from in-sourcing of the production of selected components and (iv) improved economies of scales of production.

Selling and administrative expenses

The selling and administrative expenses increased by 15.8% from RMB452.7 million in 2006 to RMB524.4 million in 2007. The increase is in line with the sales growth and expansion of the Group's business.

Other income

Other income mainly represented by government grants remained stable in 2007.

Other (losses)/gains — net

We recorded a net losses of RMB44.1 million in 2007 as compared with gains of RMB3.9 million in 2006. The net losses mainly represented the exchange losses of RMB43.5million. Included in the exchange loss, there was an accounting translation losses aroused from the global offering's proceeds deposited in Hong Kong amounted to RMB18.0million. In June 2007, the Group has remitted substantial portion of the global offering's proceeds back to China and such losses are not expected to recur in future.

Operating profit

As a result of the foregoing, the operating profit increased by 22.5% from RMB470.1 million in 2006 to RMB575.8 million during the period.

Finance income — net

Finance income, net increased by 80.7% from RMB13.5 million to RMB24.3 million was resulted from increase in average bank balances and decrease in average bank borrowings after the global offering in December 2006.

Income tax expenses

Income tax expenses increased by 46.1% from RMB21.9 million in 2006 to RMB31.9 million for the year due to the increase in profit and tax holiday incentive of certain operating units expired.

(Loss)/profit attributable to minority interests

Profit attributable to minority interests of RMB10.9 million in 2006 has changed to loss attributable to by minority interests of RMB0.3 million in 2007 as a result of the substantial decrease in minority shareholdings in the operating subsidiaries after last year's restructuring.

New Products and Research and Development

Recognising the importance of the ability to continuously develop new and advanced products and to meet the changing needs of market, we are committed to product innovation and enhancement. As at 31 December 2007, the Group's research and development team is comprised of more than 250 engineers and technicians, representing approximately 7% of our total staff. In addition, the Group is working with a number of academic institutions including Beijing University of Chemical Technology and Zhejiang University to jointly research in projects related to high precision PIMMs and electric-servo motor transmission etc. Such projects were included in "2007 National Science and Technology Support Program (國家科技支撐計劃課題)" by Ministry of Finance and Ministry of Science and Technology. In order to further enhance our R&D capabilities, we started an post-Phd R&D programme in January 2008. Under which, Haitian will fund a team of Phd graduate working with Beijing University of Chemical Technology to conduct researches in new plastic processing technology and developing new PIMM models for future commercialisation.

For the large tonnage PIMMs, the Group continuously places the R&D efforts in enhancing the performance of the two platen PIMMs series. Compared with traditional three platen PIMMs, two Technology platen PIMMs not only consume 20% less energy but also enable production of larger plastic products with same tonnage clamping force so production floor space can be saved. In 2007, the Group's two platen PIMM, Jupiter Series — HTK2000L received the Ningbo City — First-runner up of Technological Achievement (寧波市科技成果二等獎).

The Group has also been focusing on advancement in energy saving and environmental frontier. The Group introduced the new generation energy saving PIMMs, Mars (J5) series in the last quarter of 2006. In 2007, we successfully developed a Mars (J5) PIMMs with the clamping force up to 2,400 tonnes. Our Mars (J5) series has received the Ningbo City — Key Promotional Energy Saving Product Award (寧波市重點推廣節能產品) and Ningbo City — Energy Saving Special Award (寧波市資源節能特別獎).

For the all-electric PIMMs, the Group acquired Zhafir Plastics Machinery GmbH (“Zhafir”) in 2007. Zhafir has a team of highly qualified European engineers from a variety of special fields and the acquisition has further strengthened the Group’s technology capabilities in all-electric injection moulding machines. By upgrading with innovative and breakthrough solutions in the HTD series, Zhafir launched its first all-electric PIMM, a Venus Series which was exhibited in Germany K-Show (the largest international plastic related product trade show) in October 2007. In future, Zhafir will concentrate on developing new generation of premium innovative all-electric PIMMs, Mercury Series. Our all-electric PIMMs has received the Ningbo City — the Best Innovative Products Award (寧波市最佳自主創新獎).

In addition, we also offer innovative solution to our customers. Due to increasing needs of higher quality and complexity of products, the multi-components plastic parts previously manufactured by multi-stage plastic processing have gradually shifted to using multi-colour plastic injection moulding machine which involves one plastic processing cycle only and saves the subsequent assembly works. Our self-developed multi-colour plastic injection moulding machines, Iapteus series also recognised as 2007 China Torch Program (2007國家火炬計劃).

Future prospect

Since the second half of 2007, the growth of general PIMM market have been softening due to the concerns of US economy’s slow down, lower export VAT rebates for Chinese plastic, tightening of Chinese austerity measure and the implementation of Chinese have labour law. All these factors have certain degree of pressure to small-sized or export-oriented plastic component manufacturers in China and resulted in a slow down of growth in small PIMMs. Thanks to the Group’s strategy of offering comprehensive product range to support diversified market segments for both export-oriented and domestic-oriented PIMM users, the softening in demand from small PIMMs and from export-oriented users in China was well compensated by the robust growth of demand in medium to large PIMMs and from domestic-oriented PIMM users in China . Therefore, the sales of second half result in 2007 still recorded a growth of 20.2% against the same period last year. We are of the view that the fundamentals of the PIMM industry remain healthy. In 2008 the PIMM demand will still experience a steady growth benefiting from China’s growing economy, high growth rate of capital investment and per capita disposable income. Together with the growth momentum of medium to large PIMMs, our persistent effort in exploring international markets, increasing market acceptances of our energy saving and all electric PIMMs, we are confident the Group’s growth will continue in 2008. In order to support the expected growth, we have already been in the progress of constructing two new factories in Ningbo and Guangzhou which will be completed in the end of 2008 and the beginning of 2009 respectively.

On the cost side, the continue rise in steel price brings some cost and margin pressure to the Group. In the face of this challenge, we will continue to place measures to minimise the adverse impact of rising material prices on our financial performance. These measures include increasing sales prices, optimizing the product portfolio, introducing more higher value added product, shifting production and component purchases to lower cost sources, changing the type of raw materials and improving our operating efficiency. On the other hand, the increase in material price will speed up the application of plastic material as replacement for other expensive materials for production and consequently increase the demand of PIMM in long run.

Although the adverse market conditions affecting the demand of small PIMM machines and the increasing cost of steel may continue in the next six months, we are optimistic for the prospects of the Group and confident in it's future performance and profitability. With our highly-recognised brand, decades-long built business foundation based on comprehensive products serving broad application markets, continuous improvement in product portfolio, economy of scales and strong net-cash financial position, we are much more resilient to these adverse market conditions than the other players in the industry. We consider the current market situations present challenges but as well as opportunities for the Group. As further consolidation in the industry appears inevitable, the Group is well-positioned to further enhance our market leader position and market share. We are confident that the Group will have another record breaking year in 2008.

Acquisition

In August 2007, the Group acquired 91% of interest in Zhafir Plastics Machinery GmbH and its former shareholders' loan at an aggregate consideration of RMB67.9 million. The Acquisitions will enable the Group to gain access to the advanced and new technologies and industrial expertise for plastic injection moulding machinery in Germany which will strengthen the research and development capability of the Group for its hydro-electric and all-electric plastic injection moulding machineries.

Capital Expenditure

In the year ended 31 December 2007, our capital expenditure consisted of additions of land use rights and property, plant and equipment amounted to RMB340.9 million (2006: RMB161.0 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 2007, the Group is in a strong financial position with a net cash position amounting to RMB1,339.0 million (2006: RMB1,498.1 million). Hence, no gearing ratio is presented.

Charges on Group Assets

As at 31 December 2007, the Group has pledged deposits of RMB6.2 million as collaterals against certain trade finance facilities granted by banks.

Foreign Exchange Risk Management

The Group exports approximately 31% 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.

Contingent Liabilities

As at 31 December 2007, the Group has RMB221.1 million (2006: RMB300.6 million) guarantee given to the banks in connection with facilities granted to customers.

Human Resources

As at 31 December 2007, the Group had a total workforce of approximately 3,700, majority of which is located in the 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 2007 amounted to RMB248.8 million compared against RMB200.3 million in 2006.

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 2007 which is expected to be paid on or before 30 May 2008 to its shareholders whose names appear on the register of members at the close of business on 20 May 2008, 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 16 May 2008 to 20 May 2008 (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 15 May 2008.

CORPORATE GOVERNANCE

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 set 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 Appendix 14 to the Listing Rules during the period.

Compliance with the 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.

Audit Committee

The audit committee, together with the management and the external auditors, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

The annual results for the year ended 31 December 2007 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2007 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.

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

Zhang Jianming
Chief Executive Officer

25 March 2008

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.