



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 2006

Highlights

	Year ended 31 December		Change %
	2006 RMB'million	2005 RMB'million	
Sales	3,175.7	2,577.6	23.2
Operating profit	470.1	354.1	32.8
Profit attributable to equity holders of the Company	450.9	306.9	46.9
Profit attributable to equity holders of the Company excluding one-off interest income from over subscription of new issue of shares ("New Issue")	427.6	306.9	39.3
Basic earnings per share (expressed in RMB per share)	0.37	0.26	42.3

- Successfully listed on the Main Board of Hong Kong Stock Exchange on 22 December 2006 with strong response from the market.
- Outstanding performance in 2006 with sales of RMB3,175.7 million, an increase of 23.2% over 2005.
- Profit attributable to equity holders of the Company excluding one-off interest income from over subscription of New Issue increased to RMB427.6 million, representing an increase of 39.3%.
- Net margin of profit attributable to equity holders of the Company excluding one-off interest income from over subscription of New Issue increased from 11.9% to 13.5%.
- Solid balance sheet with net cash of RMB1,498.1 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 2006 with comparative figure for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

(Amounts expressed in RMB'000 unless otherwise stated)

	<i>Note</i>	Year ended 31 December	
		2006	2005
Sales	3	3,175,732	2,577,589
Cost of sales		<u>(2,282,064)</u>	<u>(1,868,213)</u>
Gross profit		893,668	709,376
Selling and marketing expenses		(285,234)	(202,733)
General and administrative expenses		(167,426)	(149,549)
Other income	4	25,201	17,755
Other gains/(losses) — net	5	<u>3,888</u>	<u>(20,775)</u>
Operating profit		470,097	354,074
Finance income		29,017	3,870
Finance costs		<u>(15,544)</u>	<u>(6,362)</u>
Finance income/(costs) — net	6	13,473	(2,492)
Share of results of an associate		<u>66</u>	<u>(193)</u>
Profit before income tax	7	483,636	351,389
Income tax expense	8	<u>(21,863)</u>	<u>(22,056)</u>
Profit for the year		<u>461,773</u>	<u>329,333</u>
Attributable to:			
Equity holders of the Company		450,867	306,898
Minority interest		<u>10,906</u>	<u>22,435</u>
		<u>461,773</u>	<u>329,333</u>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
— Basic	10	<u>0.37</u>	<u>0.26</u>
— Diluted	10	<u>N/A</u>	<u>N/A</u>
Dividends		<u>—</u>	<u>—</u>

CONSOLIDATED BALANCE SHEET

(Amounts expressed in RMB'000 unless otherwise stated)

		As at 31 December	
	Note	2006	2005
ASSETS			
Non-current assets			
Land use rights		106,734	152,270
Property, plant and equipment		695,648	886,080
Intangible assets		—	5,595
Investments in associates		475	2,272
Deferred tax assets		10,657	8,781
		<u>813,514</u>	<u>1,054,998</u>
Current assets			
Inventories		651,649	589,488
Trade and bills receivables	11	878,605	806,159
Prepayments and other receivables		72,232	183,452
Financial assets at fair value through profit or loss		—	18,533
Assets held for sale		—	9,000
Pledged bank deposits		27,177	8,137
Bank deposits with initial terms of over three months		—	3,000
Cash and cash equivalents		1,712,097	591,499
		<u>3,341,760</u>	<u>2,209,268</u>
Total assets		<u>4,155,274</u>	<u>3,264,266</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		160,510	101
Reserves		2,208,547	1,449,864
		2,369,057	1,449,965
Minority interest		<u>1,308</u>	<u>102,810</u>
Total equity		<u>2,370,365</u>	<u>1,552,775</u>
LIABILITIES			
Non-current liabilities			
Bank borrowings		150,000	—
Current liabilities			
Trade and bills payables	12	1,101,889	900,536
Accruals and other payables		429,008	551,789
Current income tax liabilities		12,817	26,315
Bank borrowings		91,195	232,851
		<u>1,634,909</u>	<u>1,711,491</u>

	<i>Note</i>	As at 31 December	
		2006	2005
Total liabilities		<u>1,784,909</u>	<u>1,711,491</u>
Total equity and liabilities		<u>4,155,274</u>	<u>3,264,266</u>
Net current assets		<u>1,706,851</u>	<u>497,777</u>
Total assets less current liabilities		<u>2,520,365</u>	<u>1,552,775</u>

Notes:

1. GROUP REORGANSIATION AND BASIS OF PRESENTATION

Company background

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. Pursuant to a group reorganization (see (a) below), the Company acquired all equity interests in Guo Hua Limited (“Guo Hua”), and became the holding company of the companies now comprising the Group on 5 December 2006.

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.

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, Grand Cayman KY1-1111 Cayman Islands.

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

(a) Group Reorganisation

Before the formation of the Group, the Plastic Injection Moulding Machines Business was carried out by the subsidiaries now comprising the Group and certain other companies not included in the Group (hereinafter referred to as the “Non-transferred Companies”), all of which were controlled by senior management members of the Group (hereinafter collectively referred to as the “Haitian Management”).

For the preparation of the listing of the shares of the Company on the Stock Exchange, the group reorganization (“Reorganisation”) was carried out to transfer the Plastic Injection Moulding Machines Business and its related assets and liabilities to Guo Hua and its subsidiaries.

After the completion of Reorganisation as set out in the prospectus of the Company dated 11 December 2006 (the “Prospectus”), all the Plastic Injection Moulding Machines Business except for those carried out by Haitian America do Sul, Industria e Comercio de Maquinas Ltda. (Haitian South American, Industry and Machinery Commerce Limited) (“Haitian Brazil”) and Sea-Sky Plastik Makinalari Ithalat Ihracat Limited Sirketi (Sea Sky Plastic Machines Import Export Limited Liability Company) (“Haitian Turkey”), was transferred to Guo Hua and its subsidiaries and Non-transferred Companies other than Haitian Brazil and Haitian Turkey ceased their operations in Plastic Injection Moulding Machines Business after 30 April 2006.

Pursuant to an agreement dated 5 December 2006, the Company acquired the entire issued capital of Guo Hua through a share swap and became the holding company of the companies now comprising the Group.

(b) Basis of presentation

These consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The consolidated financial statements include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since 1 January 2005, or since their respective dates of incorporation/establishment and as if all of the Plastic Injection Moulding Machines Business were transferred to the Group as of the earliest period presented. For companies acquired from (or disposed to) a third party during the period, they would be included in (excluded from) the consolidated financial statements of the Group from the date of that acquisition (disposal).

The Non-transferred Companies formed an integral part of the businesses of the companies comprising the Group as they were under the control of the Haitian Management and were not managed separately from the Plastic Injection Moulding Machines Business. Accordingly, they were reflected in the financial statements up to 30 April 2006, the effective date when they ceased their operations in the Plastic Injection Moulding Machines Business. Assets and liabilities retained by the Non-transferred Companies as at 30 April 2006, totaling approximately RMB1,086,270,000 are reflected in the consolidated financial statements as a distribution made to then equity holders on 30 April 2006.

Except for the Reorganisation which is accounted as a common control combination; the purchase method of accounting is used to account for the acquisition of additional equity interests in subsidiaries (including the Non-transferred Companies) by the Group from third parties during the year ended 31 December 2006 and 2005.

All significant intercompany transactions and balances within the Group are eliminated upon consolidation.

Minority interests represents the interest of outside shareholders in the operating results and net assets of the subsidiaries. The increases in equity interests of certain companies comprising the Group during the year ended 31 December 2006 and 2005 as a result of injections of capital were reflected in the financial statements as contributions from their then equity holders.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

(a) New standards and amendments to published standards and interpretations effective in 2006

- Amendment to HKAS 39 and HKFRS 4, Amendment “Financial Guarantee Contracts” (effective for annual periods beginning on or after 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. The adoption of this amendment does not have a significant impact on these consolidated financial statements.
- HK(IFRIC)-Int 4 “Determining Whether an Arrangement Contains a Lease” (effective for annual periods beginning on or after 1 January 2006). It requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (i) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (ii) the arrangement conveys a right to use the asset. The adoption of this interpretation does not have a significant impact on the Group’s financial statements.
- HKAS 21 Amendment “Net Investment in a Foreign Operation” (effective for annual periods beginning on or after 1 January 2006). This amendment permits inter-company loans denominated in any currency to be part of a net investment in a foreign operation, and therefore any relating exchange difference to be treated as equity in the consolidated financial statements. Previously such loans had to be denominated in the functional currency of one of the parties to the transaction. The adoption of this amendment does not have a significant impact on the Group’s financial statements.

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

The following are the new standards and interpretations to existing standards that have been published and are mandatory for accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

- HKFRS 7 “Financial instruments: Disclosures” (effective for annual periods beginning on or after 1 January 2007), and HKAS 1 “Amendments to capital disclosures” (effective for annual periods beginning on or after 1 January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. The Group has assessed

the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will adopt HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

- HKFRS 8 “Operating Segment” (effective for accounting periods beginning on or after 1 January 2009) HKFRS 8 supersedes HKAS 14, “Segment Reporting”, which requires segments to be identified and reported based on risk and return analysis for external reporting purposes. HKFRS 8 requires segments to be reported based on the Group’s internal reporting pattern as they represent components of the Group regularly reviewed by management. Management considers the adoption of HKFRS 8 has no significant impact to the segment disclosure of the Group. The Group will apply HKFRS 8 from 1 January 2009.
- HK(IFRIC)-Int 8 “Scope of HKFRS 2” (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC)-Int 8 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 — to establish whether or not they fall within the scope of HKFRS 2. The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group’s consolidated financial statements;
- HK(IFRIC)-Int 10 “Interim Financial Reporting and Impairment” (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007, but it is not expected to have any significant impact on the Group’s financial statements;
- HK(IFRIC)-Int 11 “HKFRS 2 — Group and Treasury Share Transfer” (effective for annual periods beginning on or after 1 March 2007). This interpretation addresses how certain share-based payment arrangements between group companies should be accounted for in the financial statements. The Group will apply HK(IFRIC)-Int 11 from 1 January 2008 but it is not expected to have any significant impact on the Group’s financial statements.
- HK(IFRIC)-Int 9 “Reassessment of Embedded Derivatives” (effective for annual periods beginning on or after 1 June 2006). Management believes that this interpretation should not have significant impact on the Group’s accounting policies as the Group has already assessed whether embedded derivatives should be separated using principles consistent with HK(IFRIC)-Int 9.

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

The following interpretations to existing standards have been published that are mandatory for the Group’s accounting periods beginning on or after 1 May 2006 or later periods but are not relevant for the Group’s operations.

- HK(IFRIC)-Int 7 “Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies” (effective from 1 March 2006). HK(IFRIC)-Int 7 provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC)-Int 7 is not relevant to the Group’s operations;
- HK(IFRIC)-Int 12 “Service Concession Arrangement”, (effective for annual accounting periods beginning on or after 1 January 2008). This interpretation sets out general principles on recognizing and measuring the obligation and related rights in service concession arrangements. The Group has no service concession arrangements and management considers the interpretation is not relevant to the Group.

(d) Standards, amendments and interpretations effective in 2006 but not relevant for the Group’s operations

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group’s operations:

- HKAS 19 Amendment — Employee Benefits;
- HKAS 39 Amendment — Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKFRS 1 Amendment — First-time Adoption of International Financial Reporting Standards;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment.

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

3. SALES AND SEGMENT INFORMATION

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 the businesses other than Plastic Injection Moulding Machines Business or to any single overseas market. Therefore no business segment or geographical segment is presented.

Turnover for the year ended 31 December 2006 consists of the following:

	Year ended 31 December	
	2006	2005
Sales of plastic injection moulding machines and related products	3,134,291	2,535,959
Others	<u>41,441</u>	<u>41,630</u>
	<u>3,175,732</u>	<u>2,577,589</u>

4. OTHER INCOME

	Year ended 31 December	
	2006	2005
Government grants	24,821	16,211
Interest income from loans and receivables	<u>380</u>	<u>1,544</u>
	<u>25,201</u>	<u>17,755</u>

5. OTHER GAINS/(LOSSES) — NET

	Year ended 31 December	
	2006	2005
Gain on financial assets at fair value through profit or loss	6,593	110
Exchange losses	(2,460)	(20,634)
Loss on disposal of property, plant and equipment, net	(3,030)	(92)
Loss on disposal of a subsidiary	(1,031)	—
Loss on disposal of an associate	—	(447)
Others	<u>3,816</u>	<u>288</u>
	<u>3,888</u>	<u>(20,775)</u>

6. FINANCE COSTS

	Year ended 31 December	
	2006	2005
Interest expense:		
Bank borrowings wholly repayable within five years	15,544	6,362
Finance income:		
Interest income on short-term bank deposits	(5,781)	(3,870)
Interest income from over subscription of New Issue	<u>(23,236)</u>	<u>—</u>
	(29,017)	(3,870)
Net finance costs	<u>(13,473)</u>	<u>2,492</u>

7. PROFIT BEFORE TAXATION

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

	Year ended 31 December	
	2006	2005
Depreciation of property, plant and equipment	74,344	74,686
Amortisation of land use rights	1,475	1,154
Amortisation of intangible assets	882	2,260
Loss on disposal of property, plant and equipment	3,030	92
Loss on disposal of an associate	—	447
Loss on disposal of a subsidiary	1,031	—
Gain on financial asset at fair value through profit or loss	(6,593)	(110)

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2006	2005
Current income tax		
— Mainland China current income tax	23,421	23,438
— Hong Kong profits tax	318	153
— Overseas taxation	—	351
Deferred taxation	(1,876)	(1,886)

	<u>21,863</u>	<u>22,056</u>
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9. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

Dividends paid by Group companies to their then equity holders during the years ended 31 December 2006 and 2005 of approximately RMB30,370,000 and RMB30,370,000 represented dividends declared out of the retained earnings of these companies to their then equity holders.

10. 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 RMB450,867,000 (2005: RMB306,898,000) and on the weighted average number of approximately 1,205,745,205 (2005: 1,197,000,000 shares) ordinary shares in issue during the year. In determining the number of shares in issue, a total of 1,197,000,000 shares issued pursuant to the issues of shares and capitalisation issue were deemed to have been issued since 1 January 2005.

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

11. TRADE AND BILLS RECEIVABLES

Customers are generally granted with credit terms ranging from 0 to 18 months. Ageing analysis of trade and bills receivables as at 31 December 2006 and 2005 are as follows:

	As at 31 December	
	2006	2005
0 to 6 months	780,743	714,598
6 months to 1 year	79,621	73,395
1 year to 2 years	26,989	41,234
Over 2 years	19,370	13,645

	<u>906,723</u>	<u>842,872</u>
Less: provision for impairment	(28,118)	(36,713)

Trade and bills receivables-net	<u>878,605</u>	<u>806,159</u>
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12. TRADE AND BILLS PAYABLES

Ageing analysis of trade and bills payables is as follows:

	As at 31 December	
	2006	2005
0 to 6 months	1,101,771	893,166
6 months to 1 year	118	898
1 year to 2 years	—	2,325
Over 2 years	—	4,147
	<u>1,101,889</u>	<u>900,536</u>

13. EQUITY MOVEMENT

	<u>Attributable to equity holders of the Company</u>			Minority interest	Total
	Share capital	Reserves			
Balance at 1 January 2005	101	1,165,843	83,396	1,249,340	
Profit for the year	—	306,898	22,435	329,333	
Capital injection by then equity holders	—	11	—	11	
Contributions from minority shareholders	—	—	7,066	7,066	
Dividends paid by group companies to then equity holders	—	(30,370)	(10,087)	(40,457)	
Currency translation differences	—	7,482	—	7,482	
Balance at 31 December 2005	<u>101</u>	<u>1,449,864</u>	<u>102,810</u>	<u>1,552,775</u>	
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)	—	—	
Acquisition of minority interest by then equity holders	—	6,536	(6,536)	—	
Disposal of a subsidiary	—	—	(5,334)	(5,334)	
Acquisition of minority interest	—	(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>	

MANAGEMENT DISCUSSION AND ANALYSIS

The Group had an outstanding year of 2006 with remarkable growth in business and financial performance. The Group's turnover increased 23.2% from approximately RMB2,577.6 million in 2005 to approximately RMB3,175.7 million in 2006. During the year, the Group's profit attributable to the equity holders of the Company reached RMB450.9 million representing an increase of 46.9% compared to 2005 and was 6.7% above the profit forecast as stated in the Company's prospectus dated 11 December 2006 ("Prospectus"). The better than forecast results was mainly resulted from strong market response to our New Issue and we recorded an one-off interest income from over subscription which amounted to RMB23.2 million. After taking out the effect of this one-off item, the Group's profit attributable to the equity holders of the Company will be RMB427.6 million representing an increase of 39.3% compared to 2005 and the net profit margin improved from 11.9% in 2005 to 13.5% in 2006.

Basic earnings per share was RMB0.37 in 2006 (2005: RMB0.26). The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2006.

2006 was also a special year for the Group as we were successfully listed on the Main Board of the Stock Exchange and celebrating 40th Anniversary of Haitian Group. Whilst we are proud of our achievements over the past four decades, we would like to take this opportunity to express our gratitude to the Groups employees for their invaluable contributions to the Group and customers, suppliers and business partners for their continued confidence in and support to the Group.

Financial Review

Sales

In 2006 the market condition continued to improve after adjustment to the austerity measures by Chinese government and fluctuation crude oil prices. These have boosted investment confidence and the demand for plastic injection moulding machines (PIMMs) rebounded satisfactorily. We were successful in capturing the improved market condition and demand through our continuous efforts in expansion of both domestic and international markets which contributed to the growth of the Group's revenue. As a result, we reported a revenue of RMB3,175.7 million in 2006, representing an increase of 23.2% compared with 2005. During the year, the sales to domestic and international market increased by 26.2% and 21.8% respectively.

Table 1. Sales Breakdown

	Year ended 31 December		
	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>	
Plastic Injection Moulding Machines			
Domestic Sales	2,125,779	1,684,675	26.2%
International Sales	954,513	783,487	21.8%
Others (i)	<u>95,440</u>	<u>109,427</u>	-12.8%
	<u>3,175,732</u>	<u>2,577,589</u>	23.2%

(i) Other products include related parts for plastic injection moulding machines and products of the non-plastic injection moulding machines business conducted by Non-transferred Companies

Gross Profit

During the year under review, gross profits reached approximately RMB893.7 million, representing an increase of 26.0% compared with 2005. Benefiting from the relatively stable average iron and steel price and effective cost control, our gross profit margin has improved from 27.5% in 2005 to 28.1% in 2006.

Selling and administrative expenses

The selling and administrative expenses increased by 28.5% from RMB352.3 million in 2005 to RMB452.7 million in 2006 which was in line with our effort in sales development, including an increase of sales incentive and commission to achieve stronger growth of sales and expansion of the Group's business.

Other income

Other income increased by 41.9% from RMB17.8 million in 2005 to RMB25.2 million in 2006 resulted from the increase in government subsidies received.

Other gains/(losses), net

We recorded a net income of RMB3.9 million for other gains/(losses) in 2006 as compared to a net expenses of RMB20.8 million in 2005. This change was primarily due to the decrease in exchange losses during the year.

Finance income/(costs) net

For finance income/(costs), we recorded a net income of RMB13.5 million in 2006 as compared to a net expenses of RMB2.5 million in 2005. This change was primarily due to the one-off interest income from over subscription of New Issue which amounted to RMB23.2 million recorded during the year.

Income tax expenses

After the Group Reorganisation, there was an increase in profit contribution from subsidiaries which enjoyed tax holiday. Consequently, the effective tax rate decreased from 6.3% in 2005 to 4.5% in 2006.

Profit attributable to minority interests

Profit attributable to minority interests decreased from RMB22.4 million in 2005 to RMB10.9 million in 2006 as a result of the substantial decrease in minority shareholdings in the operating subsidiaries of the Group after the Group Reorganisation.

Profit attributable to shareholders of the Company

As a result of foregoing, the profit attributable to shareholders of the Company increased by 46.9% from RMB306.9 million in 2005 to RMB450.9 million in 2006

Table 2. Key Financial Ratios

	Year ended 31 December	
	2006	2005
Gross profit margin	28.1%	27.5%
Operating profit margin	14.8%	13.7%
Net margin of profit attributable to equity holders of the Company	14.2%	11.9%
Net margin of profit attributable to equity holders of the Company excluding one-off interest income from oversubscription of New Issue	13.5%	11.9%

Business Review

Market Review

In 2006, China continued to experience robust and sustainable growth in its economy with a 10.7% increase in GDP year-on-year. This created an increasing demand for plastic products. According to the China Plastic Machine Industry Association, China's estimated demand for PIMMs was approximately RMB28.3 billion in 2006, with an estimated growth at a CAGR of 9.9% to approximately RMB41.3 billion in 2010.

In addition to the strong domestic demand for PIMMs, overseas demand has been rising over the past year.

The Group has approximately 60% of the market share for medium-to-large tonnage PIMMs in China and is the world's largest producer of PIMMs by production volume. Leveraging on our strong brand, manufacturing capability and economies of scale, the Group will further strengthen its market leading position in the industry.

Sales Network

The Group has dedicated teams of third-party sales agents/distributors to market our products, provide after-sales and technical support services to its end-user customers both domestically and worldwide. Currently, the Group sells products to end-user customers in China and over 80 countries worldwide.

As at 31 December 2006, The Group's sales network comprised 25 third-party sales agents/distributors in China covering 24 provinces and 12 overseas third-party sales agents/distributors with a sales network covering more than 80 countries in Europe, Middle East, South America, North America, Asia Pacific and Africa. In addition, the Group has 14 service centers throughout China and a service centre in Italy to provide after-sales technical support, product demonstrations, system integration and training to end-user customers.

To further strengthen our sales network and high quality after-sales service coverage, the Group will continue to seek strategic partners to pursue business opportunities in China and overseas.

Research and Development

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. With decades-long commitment in R&D activities, the Group is the only plastic machinery producer recognized as one of 103 pioneers for innovative enterprises by the Stated-owned Assets Supervision and Administration Commission of the State Council, All China Federation of Trade Unions and Ministry of Science and Technology of China in 2006. The 103 pioneers for innovative enterprises also including Lenovo (China) Co. Ltd, ZTE Corporation and Huawei Technologies Co. Ltd. etc.

As at 31 December 2006, the Group's research and development team comprises of more than 190 engineers and technicians, representing approximately 6% of our total staff. We are also dedicated in technological advancement and have been working with a number of academic institutions in technological research. We have formed a joint venture with Beijing University of Chemical Technology, a leading academic institution in the area of plastic machinery to further strengthen our R&D capabilities including: 1) improvements on the existing products such as the high-speed, high-precision plastic injection moulding machines and two-platen plastic injection moulding machines; 2) research and development of new plastic processing technologies; and 3) provide technical advisory services and technical training to the Group.

The Group successfully developed and launched two series of new products in the last quarter of 2006, namely J5 series, a new generation of energy saving injection machines and HTD series, the full electric injection machines. These new products certainly will be another source of revenue driver in future.

Future Prospects

The Directors remain optimistic about the Group's performance in 2007 in view of the recent development in new products, increased production capacity in Wuxi and steady growth of demand for PIMMs globally.

In order to capture the opportunity of the growing market demand of three types of PIMMs identified by the Group namely 1) large tonnage PIMMs, 2) environmental friendly PIMMs; and 3) high speed and high precision PIMMs, the Group will continue to maintain strong commitment in R&D focusing on these three areas. In 2006, the Group introduced two series of new products in the fourth quarter of 2006, namely J5 series, a new generation of energy saving PIMMs and HTD series, the full electric PIMMs. The market response of these two new series has been very encouraging. The J5 series was considered a revolution of old energy saving PIMMs by using a electric servo motors to replace variable pump or frequency conversion electromotor to drive hydraulic system of PIMMs. It has not only higher energy saving features and cycle time but also higher precision than fully hydraulic systems. The introduction of HTD series, the full electric PIMMs also enable the Group to enter the new market segment previously dominated by Japanese manufacturers. Being the first Chinese domestic player to mass produce full electric PIMMs with cost advantages, the Directors believe that a higher penetration rate of the new market can be attained at a fast pace.

The Directors expect the growth of demand in PIMMs will continue in coming years as the increasing trend in the use of plastic materials, which are considered to be relatively inexpensive, durable and light-weight substitution to timber and steel and with wide application for automotive, logistic and recycling businesses. The Directors remains optimistic on the overall global economy and expect there will be steady growth in

demand for the PIMMs market in 2007. To capture the growth of the market, we have built a new factory in Wuxi, which commenced its operation in the last quarter of 2006. The Wuxi factory is strategically located in one of the three regions with highest demand for PIMMs and named plastic material manufacturing provinces in China. This factory will further increase the Group's production capacity to approximately 22,000 PIMMs in 2007.

After the Group's listing in December 2006, the increase in reputation and brand awareness of "Haitian" will certainly improve our export operations to better promote our products to overseas and multi-national corporate customers. In the coming years, the Group will continue to expand our export operations by introducing more technologically advanced and high-end products, enhancing our international third party sales network and improving the quality of end-customer service by establishing more overseas service centres such as North Africa, Russia and India etc.

With competitive new PIMMs, strong R&D team and increased production capacity with favourable market demand, the Directors are confident of achieving an excellent business performance to enhance the values of our shareholders.

The Group aims to maintain our leading position in China and increase our global market share so as to become the world's largest producer of PIMM in terms of sales by leveraging our competitive strengths and implementing the following strategies:

1. continue to invest in R&D to develop high-margin, high value-added products: the Group plans to develop or acquire a new R&D centre to research and develop more advanced technologies for PIMMs.
2. further increase production capacity and efficiency: the Group plans to construct a new facility in each of Ningbo and Guangzhou, both of which are expected to be completed in 2008 and 2009 respectively.
3. increase market share in China and overseas: the Group intends to establish additional service centres in Xiamen, Shanghai, Chongqing and Chengdu in China, as well as new overseas service centres in countries such as Russia and India and in North Africa.
4. pursue strategic acquisitions and joint ventures overseas: currently the Group is considering different opportunities to acquire overseas PIMM manufacturers with high capability and advanced technologies in all-electric PIMM, strong R&D capabilities, experienced management team and established scale of operation.

Liquidity and Financial Resources

On 22 December 2006, the Company's shares were listed on the Main Board of the Stock Exchange. The Company raised approximately RMB1,492.6 million, net of direct listing expenses from the issue of 399 million new ordinary shares in the Company. The listing enlarged the base of shareholders of the Company and provided additional funds for the Group's future development.

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 2006, the Group is in a strong financial position with a net cash position amounting to RMB1,498.1 million. Hence, no gearing ratio is presented.

Charges on Group Assets

As at 31 December 2006, the Group has pledged deposits of RMB27.2 million as collaterals against certain trade finance facilities granted by banks and bank borrowings of RMB84.3 million were secured by the discounted bill receivables.

Foreign Exchange Risk Management

For year 2006, the Group exported approximately 30% of its products to international markets which sales were 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 did not utilize 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 2006, the Group provided guarantee to banks in connection with facilities granted to the customers amounted to RMB300.6 million. (2005: RMB213.5 million)

Employees

As at 31 December 2006, the Group had a total workforce of approximately 3,000 employees, the majority of which was located in China.

The Group offers its staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and the Group's performance. The Group is committed to nurturing a learning culture in the organization. Total staff costs for 2006 amounted to RMB200.3 million compared against RMB163.9 million in 2005.

Use of Proceeds

The Company raised approximately RMB1,492.6 million, net of direct listing expenses from the issue of 399 million new ordinary shares in the Company in December 2006.

The proceeds will be applied in the coming years in accordance with the proposed applications set out in the Prospectus as follows:

- approximately HK\$625.4 million is expected to be applied for the expansion and upgrade of the Group's production facilities
- approximately HK\$132.0 million is expected to be applied for the enhancement of the Group's research and development activities and facilities
- approximately HK\$47.7 million will be used for establishment of new services centres
- approximately HK\$414.6 million will be used for repayment of bank loans,
- The balance in an amount of not more than 10% of the aggregate net proceeds will be used for working capital and general corporate purposes.

As at 31 December 2006, the unused funds raised of approximately RMB1,264.2 million were placed on short-term deposits with licensed banks in Hong Kong. They will be applied in the coming years for their intended uses.

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 sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the directors, the Company had during the period commencing from the listing of its shares on 22 December 2006 to 31 December 2006 complied with all the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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 regularly 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 2006 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 2006 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.

PUBLICATION OF FINANCIAL INFORMATION

This preliminary results announcement and the annual report will be despatched to the shareholders at the appropriate time and will be published on the Stock Exchange’s website (www.hkex.com.hk).

Zhang Jianming
Chief Executive Officer

10 April 2007

As at the date of this announcement, the directors of the Company are:

Executive Directors

Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianguo, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Ms. Chen Ningning

Non-executive Director

Mr. Hu Guiqing

Non-executive Director

Mr. Pan Chaoyang, Mr. Gao Xunxian and Mr. Dai Diangbo

*“Please also refer to the published version of this announcement in **The Standard**.”*