



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 Interim Result For the Six Months Ended 30 June 2007

HIGHLIGHTS

	Six months ended 30 June		Change %
	2007 RMB'million	2006 RMB'million	
Sales	1,889.1	1,566.6	20.6
Profit before taxation	310.3	258.0	20.3
Profit attributable to shareholders	286.8	227.0	26.3
Basic Earnings per share (expressed in RMB per Share)	0.18	0.19	(5.3)
Dividend per share	HK9.0 cents	—	N/A

- Outstanding performance for the first half of 2007 with sales of RMB1,889.1 million representing a period to period growth of 20.6%. If adjusting the effect of group reorganization in 2006, the period to period sales growth of plastic injection moulding machine ("PIMM") business will be 23.9%.
- Profit attributable to shareholders increased to RMB286.8 million, representing an increase of 26.3%.
- Net margin of profit attributable to shareholders increased from 14.5% to 15.2%.
- Basic Earnings per share decreased by 5.3% was due to the dilution effect of issuing 25% new shares in 2006.
- The Board proposed an interim dividend of HK9.0 cents per share, representing a pay out ratio of approximately 50%.
- Solid balance sheet with net cash of RMB1,399 million to fund future growth.

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Haitian International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (Amounts expressed in RMB’000 unless otherwise stated)

		Unaudited six months ended 30 June	
	Note	2007	2006
Sales	3	1,889,132	1,566,648
Cost of sales		<u>(1,339,970)</u>	<u>(1,124,952)</u>
Gross profit		549,162	441,696
Selling and marketing expenses		(156,629)	(126,326)
General and administrative expenses		(90,390)	(86,057)
Other income		17,390	24,285
Other gains/(losses) — net		<u>(23,733)</u>	<u>7,965</u>
Operating profit	4	295,800	261,563
Finance income	5	17,910	1,875
Finance costs	5	<u>(3,331)</u>	<u>(5,526)</u>
Finance income/(costs) — net	5	14,579	(3,651)
Share of results of an associate		<u>(115)</u>	<u>50</u>
Profit before income tax		310,264	257,962
Income tax expense	6	<u>(23,274)</u>	<u>(19,736)</u>
Profit for the period		<u>286,990</u>	<u>238,226</u>
Attributable to:			
Equity holders of the Company		286,837	227,027
Minority interest		<u>153</u>	<u>11,199</u>
		<u>286,990</u>	<u>238,226</u>
Dividends	7(a)	<u>139,330</u>	<u>—</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in RMB per share)			
— Basic	8	<u>0.18</u>	<u>0.19</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

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

		30 June 2007	31 December
	<i>Note</i>	Unaudited	2006 Audited
ASSETS			
Non-current assets			
Land use rights	9	117,604	106,734
Property, plant and equipment	9	739,493	695,648
Investments in an associate		361	475
Deferred tax assets		<u>12,950</u>	<u>10,657</u>
		<u>870,408</u>	<u>813,514</u>
Current assets			
Inventories		821,337	651,649
Trade and bills receivables	10	1,026,591	878,605
Prepayments and other receivables		76,884	72,232
Pledged bank deposits		25,960	27,177
Cash and cash equivalents		<u>1,561,724</u>	<u>1,712,097</u>
		<u>3,512,496</u>	<u>3,341,760</u>
Total assets		<u>4,382,904</u>	<u>4,155,274</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		160,510	160,510
Reserves	11	<u>2,495,854</u>	<u>2,208,547</u>
		2,656,364	2,369,057
Minority interest		<u>1,461</u>	<u>1,308</u>
Total equity		<u>2,657,825</u>	<u>2,370,365</u>

		30 June 2007	31 December
	<i>Note</i>	Unaudited	2006
			Audited
LIABILITIES			
Non-current liabilities			
Bank borrowings		<u>—</u>	<u>150,000</u>
Current liabilities			
Trade and bills payables	12	1,142,619	1,101,889
Accruals and other payables		385,652	429,008
Current income tax liabilities		7,918	12,817
Bank borrowings		<u>188,890</u>	<u>91,195</u>
		<u>1,725,079</u>	<u>1,634,909</u>
Total liabilities		<u>1,725,079</u>	<u>1,784,909</u>
Total equity and liabilities		<u>4,382,904</u>	<u>4,155,274</u>
Net current assets		<u>1,787,417</u>	<u>1,706,851</u>
Total assets less current liabilities		<u>2,657,825</u>	<u>2,520,365</u>

Notes:

1. GENERAL 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.

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”).

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.

2. BASIS OF PRESENTATION

Basis of presentation

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This unaudited condensed consolidated financial information should be read in conjunction with the 2006 annual financial statements.

The comparative figures of the condensed consolidated financial information 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 HKICPA. The condensed consolidated financial information include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the accounting period. For companies acquired from (or disposed to) a third party during the period, they would be included in (excluded from) the consolidated financial information of the Group from the date of that acquisition (disposal).

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 period ended 30 June 2006 as a result of injections of capital were reflected in the financial information as contributions from their then equity holders.

The adoption of new/revised HKFRS

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2006.

In 2007, the Group adopted the new standard, amendment and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”) below, which are relevant to its operations.

HKAS 1(Amendment)	Presentation of Financial Statements : Capital Disclosures
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Reporting and Impairment
HKFRS 7	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these new standard, amendment and interpretations and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual consolidated accounts.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2007 and have not been early adopted:

HKFRS 8 “Operating Segment” (effective for accounting periods beginning on or after 1 January 2009)

(Amounts expressed in RMB’000 unless otherwise stated)

3. SALES AND SEGMENT INFORMATION

	Six months ended 30 June	
	2007	2006
Sales of plastic moulding injection machine and related products	1,889,132	1,525,207
Others	<u>—</u>	<u>41,441</u>
	<u>1,889,132</u>	<u>1,566,648</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 operation is attributable to the Other Businesses or to any single overseas market. Therefore no business segment or geographical segment is presented.

4. OPERATING PROFIT

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

	Six months ended 30 June	
	2007	2006
Depreciation and Amortisation	39,010	41,054
Provision for warranty	5,883	4,071
Provision for bad and doubtful debts	3,678	6,809
Provision for/(reversal of) obsolete inventories	3,901	(8,536)
Raw materials and consumables used	1,207,561	1,010,452
Exchange loss/(gain)	24,543	(4,481)
Loss/(gain) on disposal of property, plant and equipment	<u>(178)</u>	<u>2,965</u>

5. FINANCE INCOME/(COSTS) — NET

Six months ended 30 June

2007 2006

Interest expense:

Bank borrowings wholly repayable within five years (3,331) (5,526)

Finance income:

Interest income on short-term bank deposits 17,910 1,875

Finance income/(costs) — net 14,579 (3,651)

6. INCOME TAX EXPENSE

Six months ended 30 June

2007 2006

Current income tax

— Mainland China current income tax (“EIT”) 25,567 17,001

— Hong Kong profits tax — 27

— Overseas taxation — 127

Deferred taxation (2,293) 2,581

23,274 19,736

7. DIVIDENDS

- (a) At a meeting held on 20 August 2007, the directors declared an interim dividend of HK9.0 cents per share amounting to HK\$143,640,000 (equivalent to RMB139,330,000). This proposed dividend is not reflected as a dividend payable in this condensed financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2007.
- (b) Dividends paid by Group companies to their then equity holders during the period ended 30 June 2006 of approximately RMB30,370,000 represented dividends declared out of the retained earnings of these companies to their then equity holders.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit attributable to the equity holders of the Company of approximately RMB286,837,000 (2006: RMB227,027,000) and on the weighted average number of approximately 1,596,000,000 shares (2006: 1,197,000,000 shares) ordinary shares in issue during the period. In determining the comparative period's number of shares in issue, a total of 1,197,000,000 shares issued pursuant to the issues of shares and capitalisation issue respectively on 13 July 2006, on 5 December 2006 and on 22 December 2006 were deemed to have been issued since 1 January 2006.

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

9. CAPITAL EXPENDITURE

	Six months ended 30 June	
	2007	2006
Land use rights	11,600	871
Property, plant and equipment	<u>84,099</u>	<u>50,871</u>
	<u>95,699</u>	<u>51,742</u>

10. TRADE AND BILLS RECEIVABLES

Customers are generally granted with credit terms ranging from 0 to 18 months. Aging analysis of trade and bills receivables is as follows:

	As at 30 June 2007	As at 31 December 2006
0 to 6 months	897,897	780,743
6 months to 1 year	108,379	79,621
1 year to 2 years	30,876	26,989
Over 2 years	<u>18,339</u>	<u>19,370</u>
	1,055,491	906,723
Less: provision for impairment	<u>(28,900)</u>	<u>(28,118)</u>
Trade and bills receivables — net	<u>1,026,591</u>	<u>878,605</u>

11. 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 period	—	227,027	11,199	238,226
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	—	(439)	—	(439)
Distributions to then equity holders on 30 April 2006	—	(999,005)	(87,265)	(1,086,270)
Balance at 30 June 2006	101	653,539	1,601	655,241
Profit for the period	—	223,840	(293)	223,547
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)	—	—
Currency translation differences	—	(745)	—	(745)
Balance at 31 December 2006	160,510	2,208,547	1,308	2,370,365
Profit for the period	—	286,837	153	286,990
Currency translation differences	—	470	—	470
Balance at 30 June 2007	<u>160,510</u>	<u>2,495,854</u>	<u>1,461</u>	<u>2,657,825</u>

12. TRADE AND BILLS PAYABLES

Aging analysis of trade and bills payables is as follows:

	As at 30 June 2007	As at 31 December 2006
0 to 6 months	1,112,081	1,101,771
6 months to 1 year	30,538	118
	<u>1,142,619</u>	<u>1,101,889</u>

MANAGEMENT DISCUSSION AND ANALYSIS

We had a spectacular first half-year of 2007 with outstanding financial performance. With successfully launch in new product and commencement of the operation of our Wuxi factory in the last quarter of 2006, the Group's sales for the period was approximately RMB1,889.1 million representing an increase of approximately 20.6% as compared to approximately RMB1,566.6 million over the same period of 2006. The Group has continued to out-perform its industry peers and gain market share in recent years. The Group maintains its number one position in the Chinese PIMM manufacturers and further widening the gap with the industry's players.

Gross profit was approximately RMB549.2 million representing an increase of approximately 24.3% when compared with the corresponding period in 2006. Overall gross margin has increased to approximately 29.1% as compared to approximately 28.2% over the same period of 2006. The increase in gross margin for the period was mainly attributable to the followings: (i) the shift of product mix to higher margin products including new generation of energy saving PIMMs and large tonnage PIMMs; (ii) cost savings from streamline production process and enhanced product designs through R&D efforts; and (iii) benefits from increased economies of scales of production. Profits attributable to equity shareholders for the period was approximately RMB286.8 million representing an increase of approximately 26.3% as compared to that of 2006. Overall net profit margin has increased to approximately 15.2% as compared to approximately 14.5% over the same period of 2006.

Basic earnings per share was RMB0.18 for the period (2006: RMB0.19). The Board of Directors recommended the payment of an interim dividend of HK9.0 cents per share (2006: Nil) for the period payable to shareholders whose names appear on the Register of Members of the Company on 7 September 2007.

Financial Review

Sales

The demand for PIMMs continue to experience robust and sustainable growth. 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. During the period, the growth of PIMMs demand was mainly driven by the increase in demand of medium to large tonnage PIMMs as a result of the growing production volume of automobiles, electrical appliances and large plastic containers (e.g. recycle bin and pallets) in China. Our sales of medium to large tonnage PIMMs increased more than 30% during the period. In addition, the successful launch of namely J5 series, a new generation of energy saving PIMMs in the last quarter of 2006, was another key sales driver during the period. The J5 series was considered as a revolution of old energy saving PIMMs by using an 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 market response of J5 series exceeded our expectation and the Group recorded a strong sales of J5 series PIMMs amounted to RMB167.0 million during the period. As a result, the Group's sales for the period was approximately RMB1,889.1 million representing an increase of approximately 20.6% as compared

to approximately RMB1,566.6 million over the same period of 2006. 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 23.9%. The number of unit sold also increased from 8,600 units to 10,000 units during the period. The sales to domestic and international market increased by 25.9% and 19.5% respectively during the period.

Sales Breakdown

	Period ended 30 June		
	2007	2006	
Plastic Injection Moulding Machines			
Domestic Sales	1,263,391	1,003,604	25.9%
International Sales	594,679	497,715	19.5%
Related parts	31,062	23,888	30.0%
Others (i)	<u>—</u>	<u>41,441</u>	(100%)
	<u>1,889,132</u>	<u>1,566,648</u>	20.6%

- (i) Others represented products of the non-plastic injection moulding machines business previously conducted by Non-transferred Companies which were excluded from the existing Group structure during last year's group restructuring.

Gross Profit

During the period under review, gross profit reached approximately RMB549.2 million representing an increase of approximately 24.3% compared with the corresponding period in 2006. Overall gross margin has improved from 28.2% for the corresponding period in 2006 to 29.1% during the period. The increase in gross margin for the period was mainly attributable to the followings: (i) the shift of product mix to higher margin products including new generation of energy saving PIMMs and large tonnage PIMMs; (ii) cost savings from streamline production process and enhanced product designs through R&D efforts ; and (iii) benefits from increased economies of scales of production.

Selling and administrative expenses

The selling and administrative expenses increased by 16.3% from RMB212.4 million for the corresponding period in 2006 to RMB247.0 million during the period. The increase is in line with the sales growth and expansion of the Group's business.

Other income

Other income decreased by 28.4% from RMB24.3 million for the corresponding period in 2006 to RMB17.4 million during the period resulted from the decrease in government subsidies received.

Other gains/(losses) — net

The period recorded other gains/(losses), net of RMB23.7 million during the period as compared with gains of RMB8.0 million in the corresponding period in 2006. Due to the Group's presentation currency of RMB and certain restriction on accounting policy, an exchange losses aroused from the global offering's proceeds deposited in Hong Kong dollars was recognized as an expense of approximately RMB18.0 million during the period. During the period, the Group has converted substantial portion of the global offerings proceeds back to Renminbi. As at 30 June 2007, the Group kept Hong Kong dollars deposits approximately RMB319.0 million for the purposes of future overseas acquisitions and dividend.

Operating profit

As a result of foregoing, the operating profit increased by 13.1% from RMB261.6 million for the corresponding period in 2006 to RMB295.8 million during the period. Resulted from the abovementioned exchange loss of RMB18.0 million, operating profit margin has decreased to approximately 15.7% as compared to approximately 16.7% over the same period of 2006. These exchange loss has been substantially off set by higher interest income derived from Hong Kong dollars deposits. After excluding this exchange loss, the adjusted operation profit margin will be 16.6% during the period.

Finance income/(costs) — net

Finance income/(costs), net for the period is an income of RMB14.6 million as compared with an expense of RMB3.7 million in 2006. This change was primarily due to significant increase in the interest income of RMB16.0 million resulted from increase in bank balances after the global offering. This increase in interest income of RMB16.0 million has substantially offset the abovementioned exchange loss of RMB18.0 million in respect of Hong Kong dollars deposits.

Income tax expenses

Income tax expenses increased by 17.9% from RMB19.7 million for the corresponding period in 2006 to RMB23.3 million for the period which is in line with the growth in the operating profit.

Profit attributable to minority interests

Profit attributable to minority interests decreased from RMB11.2 million for the corresponding period in 2006 to RMB0.2 million during the period as a result of the substantial decrease in minority shareholdings in the operating subsidiaries after last year's restructuring.

Net profit attributable to shareholders

Consistent with the growth in sales, our profit attributable to equity shareholders for the period was approximately RMB286.8 million representing an increase of approximately 26.3% as compared to that of 2006. Overall net profit margin has increased to approximately 15.2% as compared to approximately 14.5% over the same period of 2006.

Business Review

Market Review

To address the rising labour and material costs in developed countries, globalization of worldwide procurement and manufacturing activities continues to accelerate. With continued changing procurement and manufacturing practice in multinational corporations and together with the rising domestic consumer demand, the GDP and capital investment achieved growth rate of 11.5% and 25.9% for the period respectively according to the National Bureau of Statistics of China. The rapid economic growth in China has created an attractive and favourable economic environment for increasing the demand for PIMMs. According to the China Plastic Machine Industry Association (“CPMIA”), the sales value growth of Chinese PIMMs increased 14.4% in 2006.

During the past few years, certain well-established PIMM manufacturers have gradually developed and raised their technology level, brand awareness and economies of scale and the demand of PIMMs has shifted to more high end and reliable products. The PIMM market continues consolidate and the market share by volume of top 5 Chinese PIMM manufacturers in China increased from approximately 50% to approximately 60% from 2004 to 2006 according to CPMIA. As a market leader in the PIMM industry in China, we are well-positioned to take advantage of further strengthen the leading position and increasing demand of PIMMs. In 2006, the Group’s market share in China PIMM market by volume increased from 28.6% to 32% according to CPMIA.

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. As at 30 June 2007, the Group’s research and development team is comprised of more than 195 engineers and technicians, representing approximately 5.7% of our total staff. The Group’s research and development efforts focus on production process engineering, product development and product improvement.

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.

For the large tonnage PIMMs, the Group continuously places their R&D efforts in enhancing the performance of the two platen PIMMs series. Compared with traditional three platen PIMMs, two platen PIMMs do not only consume 20% less energy but also enable end-user to produce larger plastic products by same tonnage clamping force and save end-user's production floor space. During the period, the Group's two platen PIMM-HTK2000L has received an award of Technological Achievement First-runner up of Ningbo City (寧波市科技成果二等獎).

For environmental friendly PIMMs, the Group introduced the new generation energy saving PIMMs, J5 series in the last quarter of 2006 and the market response has been very encouraging. Our J5 series has received an award of Ningbo City—Key Promotional Energy-saving Product (寧波市重點推廣節能產品), Ningbo City—Energy-saving Special Award (寧波市資源節能特別獎) and Ningbo City—the Best Innovative Award (寧波市最佳自主創新獎). Currently J5 series only cover the small tonnage PIMMs. The large tonnage J5 PIMMs is in the process of development and will be introduced into the market by the end of the year.

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.

Future Prospects

Benefiting from China's rapid growing economy, high growth rate of capital investments from both foreign and domestic fund, increasing industrialization and significant increases in domestic demand in consumer products like cars, 3C products and construction material etc, the demand for PIMMs continues to experience robust and sustainable growth. We 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 strong growth momentum on large tonnage PIMMs and new J5 PIMMs is expected to continue in the remaining of the year. After the internationally launch of J5 PIMMs and expansion of its product range to large tonnage, we believe the increase in sales of J5 PIMMs will further accelerate in the second half year.

Since the launch of HTD series, full electric PIMMs in the last quarter of 2006, it enables the Group to start entering a new and attractive PIMMs market segment previously dominated by Japanese and Korean manufacturers. Our full electric PIMMs will be one of the key machines to be promoted and introduced internationally in coming tri-annual internationally Germany K-Show (the largest international plastic related product trade show) in November 2007 to start marketing those machines in the international markets as well. With our previous experience in successful substitution of import large tonnage PIMMs, we expect potential end user in China will consider sometimes switching from Japanese and Korean full electric PIMMs to the first Chinese full electric PIMMs. Being the China's

first domestic player to mass produce full electric PIMMs with certain cost advantages, we are confident that a higher penetration rate of this new market can be attained in next year and full electric PIMMs will be one of our key revenue drivers in future.

We are aware of the current fluctuations in the commodity market. Starting from June 2007, prices of iron and steel have gradually gone upwards and create uncertainties to our costs. Nevertheless, we are confident that this issue could be overcome through more stringent cost control, improved operational efficiency and gradually increasing the proportion of higher margin products.

With the positive business momentum continuing since the beginning of the year, we are confident that 2007 will be another excellent year for our Company.

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 30 June 2007, the Group is in a strong financial position with a net cash position amounting to RMB1,398.8 million (31 December 2006: RMB1,498.1 million). Hence, no gearing ratio is presented.

Charges on Group Assets

As at 30 June 2007, the Group has pledged deposits of RMB26.0 million as collaterals against certain trade finance facilities granted by banks and bank borrowings of RMB33.9 million were secured by the discounted bill receivables.

Foreign Exchange Risk Management

During the period, the Group exported approximately 30% of its products to international markets which 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 30 June 2007, the Group provided guarantee to banks in connection with facilities granted to the customers amounted to RMB306.9 million (31 December 2006: RMB300.6 million).

Employees

As at 30 June 2007, the Group had a total workforce of approximately 3,500 employees, the majority of which were 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.

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK9.0 cents per share for the six months ended 30 June 2007 to shareholders whose names appear on the Register of Members of the Company at the close of business on 7 September 2007. The interim dividend declared will be paid on or about 28 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 September 2007 to 7 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, Shop 1712 – 1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 5 September 2007.

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.

PURCHASES, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's condensed consolidated financial information for the period ended 30 June 2007, including the accounting principles adopted by the Group, with the Company's management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited (“HKEx”) at www.hkex.com.hk and on the Company’s website at www.haitianinter.com. The interim report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

On behalf of the Board
Zhang Jianming
Chief Executive Officer

20 August 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, Independent Non-executive Director Mr. Pan Chaoyang, Mr. Gao Xunxian and Mr. Dai Xiangbo