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 2015

HIGHLIGHTS

	2015	2014	Increase/ (decrease)
	RMB' million	*RMB' million*	*%*
Revenue	**7,336.4**	7,560.3	(3.0)
Gross profit	**2,419.3**	2,452.7	(1.4)
Operating profit	**1,545.5**	1,485.9	4.0
Net Profit attributable to shareholders of the Company excluding issuing expense of Convertible bonds ("CB") and change in fair value of CB resulted from bond value changes	**1,333.0**	1,331.3	0.1
Profit attributable to shareholders of the Company	**1,363.3**	1,305.0	4.5
Basic Earnings per share (expressed in RMB per share)	**0.85**	0.82	4.5
Dividend per share (expressed in HK$ per share)			
Second Interim	**0.19**	0.18	5.6
Fully year (including interim)	**0.35**	0.34	2.9

- Under the current adverse environment, we can still achieve encouraging sales results. Revenue decreased to RMB7,336.4 million, representing a decrease of only 3.0% compared to sales record reported in 2014

- Remarkable progress was made in the strategy in shifting from small tonnage hydraulic PIMMs to full-electric PIMMs and from large tonnage to two-plate PIMMs. The sales of our Zhafir Venus Series (full-electric PIMMs) and our Jupiter Series (large two-plate PIMMs) increased to RMB675.7 million and RMB741.3 million in 2015, representing an increase of 29.5% and 39.8% respectively compared to 2014

- Continuous improvement of gross profit margin to 33.0% (2014: 32.4%) resulting mainly from improvement in operational efficiency as also shown in the increase of the operating profit by 4.0%

- Profit attributable to shareholders of the Company increased to RMB1,363.3 million, representing an increase of 4.5% compared to 2014. Excluding the once off issuing expense of CB in 2014 and non-cash accounting loss in change of fair value in CB resulted from bond value changes, profit attributable to shareholders of the Company increased to RMB1,333.0 million, representing an increase of 0.1% compared to 2014

- Basic earnings per share amounted to RMB0.85 during the period

- The Board declared a second interim dividend of HK$0.19 per share, together with interim dividend of HK$0.16 per share paid, constitute a total dividend of HK$0.35 per share (2014: HK$0.34 per share)

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 2015 with comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED INCOME STATEMENT
For the Year Ended 31 December 2015
(Amounts expressed in RMB)

	Note	**2015** **RMB’000**	2014 RMB’000
Revenue	2	**7,336,445**	7,560,266
Cost of sales		**(4,917,178)**	(5,107,526)
Gross profit		**2,419,267**	2,452,740
Selling and marketing expenses		**(602,499)**	(636,820)
General and administrative expenses		**(428,635)**	(415,203)
Other income		**104,347**	98,325
Other gains/(losses) – net	3	**53,026**	(13,136)
Operating profit	4	**1,545,506**	1,485,906
Finance income		**204,311**	158,092
Finance costs		**(77,041)**	(51,617)
Finance income – net	5	**127,270**	106,475
Share of profit of an associate		**3,526**	4,052
Profit before income tax		**1,676,302**	1,596,433
Income tax expense	6	**(312,967)**	(291,417)
Profit for the year		**1,363,335**	1,305,016
Attributable to:			
Shareholders of the Company		**1,363,335**	1,305,016
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
– basic	7	**0.85**	0.82
– diluted	7	**0.85**	0.81
Dividends	8	**464,976**	430,147

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2015
(Amounts expressed in RMB)

	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**1,363,335**	1,305,016
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Change in value of available-for-sale financial assets	**7,963**	14,730
Currency translation differences	**2,847**	2,360
Total comprehensive income for the year	**1,374,145**	1,322,106
Total comprehensive income attributable to:		
Shareholders of the Company	**1,374,145**	1,322,106

CONSOLIDATED BALANCE SHEET
As at 31 December 2015
(Amounts expressed in RMB)

	Note	**2015** **RMB'000**	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights		**381,663**	391,559
Property, plant and equipment		**2,416,698**	2,116,413
Investment in an associate		**13,602**	13,489
Deferred income tax assets		**49,291**	53,311
Other receivables		**510,595**	510,925
Available-for-sale financial assets	*11*	**–**	50,402
Restricted bank deposits		**50,000**	–
		3,421,849	3,136,099
Current assets			
Inventories		**1,557,437**	1,677,158
Trade and bills receivables	*10*	**2,414,225**	2,217,412
Prepayments, deposits and other receivables		**227,134**	267,843
Available-for-sale financial assets	*11*	**2,812,987**	2,056,122
Restricted bank deposits		**114,010**	152,810
Cash and cash equivalents		**2,349,458**	2,202,827
		9,475,251	8,574,172
Total assets		**12,897,100**	11,710,271
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	*12*	**160,510**	160,510
Share premium		**1,331,913**	1,331,913
Other reserves		**837,321**	788,923
Retained earnings		**5,690,564**	4,802,961
Total equity		**8,020,308**	7,084,307

CONSOLIDATED BALANCE SHEET (*Continued*)
As at 31 December 2015
(Amounts expressed in RMB)

	Note	***2015*** ***RMB'000***	*2014* *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income		**9,784**	10,650
Deferred income tax liabilities		**195,411**	150,873
Convertible bonds	*14*	**1,270,356**	1,225,746
		1,475,551	1,387,269
Current liabilities			
Trade and bills payables	*13*	**1,642,732**	1,906,508
Accruals and other payables		**1,250,663**	1,261,253
Current income tax liabilities		**71,471**	66,328
Bank borrowings		**435,961**	–
Derivative financial instruments		**414**	4,606
		3,401,241	3,238,695
Total liabilities		**4,876,792**	4,625,964
Total equity and liabilities		**12,897,100**	11,710,271

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2015
(Amounts expressed in RMB)

		Attributable to shareholders of the Company					
	Note	**Share capital** *RMB'000*	**Share premium** *RMB'000*	**Other reserves** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2014		160,510	1,331,913	640,943	4,033,890	6,167,256	6,167,256
Comprehensive income							
Profit for the year		–	–	–	1,305,016	1,305,016	1,305,016
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss							
Change in value of available-for-sale financial assets		–	–	14,730	–	14,730	14,730
Currency translation differences		–	–	2,360	–	2,360	2,360
Total comprehensive income for the year ended 31 December 2014		–	–	17,090	1,305,016	1,322,106	1,322,106
Transactions with owners							
Dividend paid							
– 2013 second interim		–	–	–	(202,273)	(202,273)	(202,273)
– 2014 interim	8	–	–	–	(202,782)	(202,782)	(202,782)
Appropriations		–	–	130,890	(130,890)	–	–
Total transactions with owners		–	–	130,890	(535,945)	(405,055)	(405,055)
Balance at 31 December 2014		160,510	1,331,913	788,923	4,802,961	7,084,307	7,084,307
Balance at 1 January 2015		**160,510**	**1,331,913**	**788,923**	**4,802,961**	**7,084,307**	**7,084,307**
Comprehensive income							
Profit for the year		**–**	**–**	**–**	**1,363,335**	**1,363,335**	**1,363,335**
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss							
Change in value of available-for-sale financial assets		**–**	**–**	**7,963**	**–**	**7,963**	**7,963**
Currency translation differences		**–**	**–**	**2,847**	**–**	**2,847**	**2,847**
Total comprehensive income for the year ended 31 December 2015		**–**	**–**	**10,810**	**1,363,335**	**1,374,145**	**1,374,145**
Transactions with owners							
Dividend paid							
– 2014 second interim	8	**–**	**–**	**–**	**(227,365)**	**(227,365)**	**(227,365)**
– 2015 interim	8	**–**	**–**	**–**	**(210,779)**	**(210,779)**	**(210,779)**
Appropriations		**–**	**–**	**37,588**	**(37,588)**	**–**	**–**
Total transactions with owners		**–**	**–**	**37,588**	**(475,732)**	**(438,144)**	**(438,144)**
Balance at 31 December 2015		**160,510**	**1,331,913**	**837,321**	**5,690,564**	**8,020,308**	**8,020,308**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2015
(Amounts expressed in RMB)

	2015	2014
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,056,025**	1,414,122
Net cash used in investing activities	**(907,211)**	(1,479,776)
Net cash (used)/generated in financing activities	**(2,183)**	155,841
Net increase in cash and cash equivalents	**146,631**	90,187
Cash and cash equivalents at beginning of year	**2,202,827**	2,112,640
Cash and cash equivalents at end of year	**2,349,458**	2,202,827

Notes

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets (including derivative instruments) at their fair value through profit or loss and convertible bonds, which are carried at fair value. The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards and amendments adopted by the Group

The following amendments to standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015:

Amendments from annual improvements to HKFRSs – 2010–2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'.

Amendments from annual improvements to HKFRSs – 2011–2013 Cycle, on HKFRS 13, 'Fair value measurement'.

There is no material impact to the Group for adoption of these new and amended standards.

(b) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2015 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

		Effective for annual periods beginning on or after
Amendment to HKAS 19	Defined benefits	1 July 2014
HKFRS 3	Business combinations	1 July 2014
HKAS 40	Investment property	1 July 2014

(c) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been removed
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019

Apart from the above, the HKICPA has issued the annual improvements project which addresses several issues in the 2012-2014 reporting cycle, and includes changes to the following standards. The Group has not applied the following revised HKFRSs published in the annual improvements project.

		Effective for annual periods beginning on or after
HKFRS 5	Non-current assets held for sale and discontinued operations	1 January 2016
HKFRS 7	Financial instruments: Disclosures	1 January 2016
HKAS 19	Employee benefits	1 January 2016
HKAS 34	Interim financial reporting	1 January 2016

The Group is assessing the full impact of the amendments and standards, and according to the preliminary assessment, there is no significant impact on the consolidated financial statements. The Group intends to adopt the amendments no later than the respective effective dates of the amendments.

(d) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

	2015	2014
	RMB'000	*RMB'000*
Sales of plastic injection moulding machines and related products	**7,336,445**	7,560,266

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and senior management. The executive committee reviews the Group's internal reporting in order to assess performance and allocate resources. Based on these internal reports, the executive committee has determined that no segment information is presented as substantially all of the Group's sales and operating profits are derived from the sales of plastic injection moulding machines, and no geographical segment information is presented as management reviews the business performance based on type of business, not geographically.

The Group is domiciled in Mainland China. Analysis of its sales to external customers in different countries, based on the customers' locations is as follows:

	2015	2014
	RMB'000	*RMB'000*
Mainland China	**4,981,093**	5,184,244
Hong Kong and overseas countries	**2,355,352**	2,376,022
	7,336,445	7,560,266

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

	2015	2014
	RMB'000	*RMB'000*
Total non-current assets other than restricted bank deposits, financial assets and deferred income tax assets		
– Mainland China	**2,691,324**	2,420,495
– Hong Kong and overseas countries	**120,639**	100,966

3. OTHER GAINS/(LOSSES) – NET

	2015	2014
	RMB'000	*RMB'000*
Net foreign exchange gains/(losses)	**34,422**	(18,915)
Gains on disposals of property, plant and equipment and land use rights, net	**8,026**	277
Others	**10,578**	5,502
	53,026	(13,136)

4. OPERATING PROFIT

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

	2015	2014
	RMB'000	*RMB'000*
Depreciation and amortisation	**162,964**	147,481
Raw materials and consumables used	**4,242,767**	4,622,365
Changes in inventories of finished goods and work in progress	**92,546**	(54,656)
Operating lease for buildings	**12,861**	5,485
Sales commission and after-sales service expenses	**358,542**	403,802
Provision for impairment of trade receivables	**3,908**	8,390
Provision for write-down of inventories	**4,268**	5,086
Employment costs	**688,967**	632,192

5. FINANCE INCOME/COSTS

	2015	2014
	RMB'000	*RMB'000*
Finance costs:		
Change in fair value of convertible bonds		
– resulted from change in exchange rate	**(74,920)**	(2,400)
– resulted from change in bond value	**30,310**	(1,946)
Issuing expense of convertible bonds	**–**	(24,316)
Interest expense	**(27,483)**	(22,955)
Net foreign exchange losses	**(4,948)**	–
	(77,041)	(51,617)
Finance income:		
Interest income on restricted bank deposits and cash and cash equivalents	**39,485**	47,550
Interest income on financial products	**125,095**	87,276
Interest income on entrusted loans	**39,731**	27,849
Net foreign exchange gains	**–**	(4,583)
	204,311	158,092
Finance income, net	**127,270**	106,475

6. INCOME TAX EXPENSE

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

	2015	2014
	RMB'000	*RMB'000*
Current income tax		
– Mainland China enterprise income tax	**245,726**	237,148
– Overseas income tax	**2,465**	2,631
Deferred taxation	**64,776**	51,638
	312,967	291,417

Haitian Plastic Machinery Group Limited ("Haitian Plastic Machinery") and Ningbo Haitian Huayuan Co., Ltd. ("Haitian Huayuan") qualified as High and New Technology Enterprises ("HNTE") in 2014. Wuxi Haitian Machinery Co., Ltd. ("Wuxi Haitian") renewed its HNTE status in 2015 and Ningbo Zhafir Plastic Machinery Co., Ltd. ("Ningbo Zhafir") qualified as HNTE in 2013. These entities were entitled to a reduced income tax rate of 15% for three years commencing from the first year when these entities were granted HNTE status. They are required to re-apply for preferential tax treatment after the current preferential tax periods expire.

The other major operating subsidiaries in Mainland China are subject to enterprise income tax rate of 25% for the year 2015 (2014: 25%).

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the taxable income for the year 2015 (2014: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2015 at the applicable rates of taxation prevailing in the countries in which the Group operates.

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
	RMB'000	*RMB'000*
Profit attributable to owners of the Company	**1,363,335**	1,305,016
Weighted average number of ordinary shares in issue (thousands)	**1,596,000**	1,596,000
Basic EPS (RMB per share)	**0.85**	0.82

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company issued convertible bonds in 2014. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the convertible bonds.

For the year ended 31 December 2015, diluted earnings per share is equal to basic earnings per share as the conversion of convertible bonds to ordinary shares would have anti-dilutive effect. Diluted earnings per share for the year ended 31 December 2014 was set out below:

	2014 *RMB'000*
Earnings	
Profit attributable to owners of the Company	1,305,016
Interest expense on convertible bonds	21,500
Change in fair value of convertible bonds	4,346
Profit used to determine diluted earnings per share	1,330,862
Weighted average number of ordinary shares in issue (thousands)	1,596,000
Adjustments for:	
– Assumed conversion of convertible debt (thousands)	56,046
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,652,046
Diluted EPS (RMB per share)	0.81

8. DIVIDENDS

	2015 ***RMB'000***	2014 *RMB'000*
Interim dividend paid of HK16.0 cents (2014: HK16.0 cents) per ordinary share	**210,779**	202,782
Second interim dividend of HK19.0 cents (2014: HK18.0 cents) per ordinary share	**254,197**	227,365
	464,976	430,147

On 9 March 2016, the Company's Board of Directors has declared payment of a second interim dividend of HK19.0 cents per share for the year ended 31 December 2015 (2014: HK18.0 cents per share). The second interim dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings in the year ending 31 December 2016.

9. CAPITAL EXPENDITURE

	2015	2014
	RMB'000	*RMB'000*
Land use rights	**–**	74,496
Property, plant and equipment	**475,156**	403,983
	475,156	478,479

10. TRADE AND BILLS RECEIVABLES

Most of the Group's sales are covered by guarantees from distributors, credit arrangements from insurance companies in Mainland China, or letters of credit issued by banks. The Group grants its customers credit terms ranging from 15 days to 36 months. The ageing analysis of trade and bills receivables based on invoice date is as follows:

	2015	2014
	RMB'000	*RMB'000*
Up to 6 months	**2,024,710**	1,926,194
6 months to 1 year	**243,789**	193,590
1 year to 2 years	**126,594**	108,900
2 year to 3 years	**50,364**	15,215
Over 3 years	**20,689**	22,246
	2,466,146	2,266,145
Less: provision for impairment	**(51,921)**	(48,733)
	2,414,225	2,217,412

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are RMB denominated financial products with expected return rate ranging from 2.1% to 8.1% (2014: 4.7% to 9.9%) per annum and with maturity dates between 2 days and 351 days (2014: between 5 days and 424 days). None of these assets is either past due or impaired (2014: None).

Bank borrowings are secured by available-for-sale financial assets for the value of RMB100,000 thousand (2014: Nil).

12. SHARE CAPITAL

	Authorised share capital		
	Number of shares	**Amount**	**Amount**
	'000	*HKD'000*	*RMB'000*
As at 1 January 2014, 31 December 2014 and 31 December 2015 (shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares	**Amount**	**Amount**
	'000	*HKD'000*	*RMB'000*
As at 1 January 2014, 31 December 2014 and 31 December 2015 (shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

13. TRADE AND BILLS PAYABLES

The ageing analysis of the trade and bills payables based on invoice date is as follows:

	2015	2014
	RMB'000	*RMB'000*
Up to 6 months	**1,641,669**	1,905,214
6 months to 1 year	**190**	138
1 year to 2 years	**86**	92
Over 2 years	**787**	1,064
	1,642,732	1,906,508

14. CONVERTIBLE BONDS

On 13 February 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of USD200,000 thousand (equivalent to approximately RMB1,221,400 thousand). Interest of 2.00% per annum will be paid semi-annually. The convertible bonds may be converted into ordinary shares of the company, at the option of holder thereof, at any time after 26 March, 2014 up to the close of business on the day falling seven days prior to 13 February 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment) of HKD24.6740 per share.

The convertible bonds are designated as financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value at initial recognition with transaction cost charge to the profit or loss accounts. Subsequently, the fair values are remeasured, gains and losses from changes therein are recognised in the profit or loss account.

None of convertible bonds were converted into ordinary shares of the Company during the period.

	Convertible bonds
	RMB'000
At 1 January 2014	**–**
Issue of convertible bonds during the period	**1,221,400**
Change in fair value of convertible bonds	**4,346**
At 31 December 2014	**1,225,746**
Change in fair value of convertible bonds	**44,610**
At 31 December 2015	**1,270,356**

The fair value of the convertible bonds as at 31 December 2015 is approximately USD195,632 thousand (2014: USD200,318 thousand), equivalent to approximately RMB1,270,356 thousand (2014: RMB1,225,746 thousand), which is determined by valuation technique using observable inputs (Level 2): quoted prices for identical or similar instruments in active markets.

15. COMMITMENTS

(a) Capital commitments

	2015	2014
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment		
– Contracted but not provided for	**283,698**	284,443

(b) Operating lease commitments

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

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

	2015	2014
	RMB'000	*RMB'000*
Not later than 1 year	**13,850**	12,933
Later than 1 year and no later than 5 years	**566**	116
	14,416	13,049

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 December 2015, the domestic and global markets remained challenging and the economic environment was complicated. The China manufacturing PMI index has been in economic contraction (below 50) since March 2015. China's economic growth continues to experience downward pressure. The GDP growth rate moderated to 6.9% for 2015, the slowest growth rate in previous 25 years. Globally, the capital outflow triggered by the end of quantitative easing and the raise of interest rate of US as well as the sharp decline of commodity price of bulk materials resulted in the significant depreciation of currencies in various emerging economies. These have shrunk our overseas customer's purchasing power and affected the business confidence in global trade environment. All of these have created a very tough market environment for our customers and us, and the market sentiment has further deteriorated since August 2015.

Amidst these market challenges, we leveraged on our early adoption of a business development strategy of shifting small tonnage hydraulic PIMMs to full-electric PIMMs and from large tonnage to two-plate PIMMs. Our sales continue to deliver solid performance and outperform industry peers. The sales of our Zhafir Venus Series (full-electric PIMMs) and our Jupiter Series (large two-plate PIMMs) increased to RMB675.7 million and RMB741.3 million in 2015, representing an increase of 29.5% and 39.8% respectively compared to 2014. In 2015, the sales mix of full-electric PIMMs in small tonnage PIMMs and that of two-plate PIMMs in medium-to-large tonnage PIMMs reached 14.8% (2014: 11.1%) and 28.5% (2014: 19.5%) respectively. The strong growth of full-electric and two-plate PIMMs are able to substantially offset the general weak demand of PIMMs industry and maintain our sales at similar scale in current adverse environment. We recorded revenue of RMB7,336.4 million in 2015, representing a decrease of only 3.0% compared to the record revenue of RMB7,560.3 million in 2014.

At the same time, we continue to enhance our operational efficiencies and productivity through streamlining manufacturing process and up-grading IT system and manufacturing capabilities. As a result, we continued to make a satisfactory progress in operational efficiency and profitability. In 2015, our gross margin increased to 33.0% from 32.4% in 2014. The rise of gross margin was attributable to i) improvement in operational efficiency and ii) lower steel related raw material costs. As a result of the improved gross margin, our operating profit increased from RMB1,485.9 million in 2014 to RMB1,545.5 million in 2015, representing an increase of 4.0%.

Our net profit attributable to shareholders of the Company in 2015 increased to RMB1,363.3 million, representing an increase of 4.5% compared to 2014. Excluding the issuing expense of CB in 2014 and non-cash accounting loss of change in fair value of CB resulted from bond value changes (excluding exchange loss of CB), the adjusted net profit attributable to shareholders of the Company in 2015 would be RMB1,333.0 million, representing an increase of 0.1% compared to 2014.

The Board of Directors has declared a second interim dividend of HK$0.19 per share for the year ended 31 December 2015 (2014: HK$0.18), bringing the total dividend for 2015 to HK$0.35 per share (2014: HK$0.34).

Domestic and export sales

Domestic and export sales of the Group by geographic areas are summarized in the following table:

(RMB million)	**2015**	**%**	2014	%	**2015 Vs 2014**
Domestic Sales	**4,869.2**	**66.4%**	5,071.1	67.1%	**(4.0%)**
Export Sales	**2,293.0**	**31.3%**	2,331.4	30.8%	**(1.6%)**
Parts	**174.2**	**2.3%**	157.8	2.1%	**10.4%**
Total	**7,336.4**	**100%**	7,560.3	100.0%	**(3.0%)**

The domestic demand of PIMMs remained sluggish in 2015. The investment sentiment and expansion plan in domestic markets were further adversely affected by several unexpected market changes including A shares market crash and sharp depreciation of RMB in the second half of 2015. We observed certain domestic peers recorded more than double-digit drop in sales figures in 2015. Benefiting from well market acceptance of our full-electric PIMMs and two-plate PIMMs as well as the brand reputation of the Company, our domestic sales outperformed the industry peers and recorded only a mild drop of 4.0% to RMB4,869.2 million in 2015 and further reinforced our leading market position in China.

For our export, certain traditional strong markets like Brazil, Turkey and Russia experienced pressures from the continuous depreciation of currencies and political instabilities which adversely affect the CAPEX in these markets. In face of such complicated environments, our diversified market advantages allowed us to mitigate some of these impacts. Despite the unfavorable export environment in general, the results of the export of the Company were encouraging and performed well through strengthening the sales network and enhancing the pre-sales and after-sales services. New service projects such as setting up newly established overseas Service, Application and Test Centers at locations including Thailand, Indonesia and Mexico can provide target customers with a package of solutions promptly. Certain overseas markets such as Vietnam, Korea, India, Europe and Mexico recorded impressive growth after years of efforts invested in these markets. We recorded our export sales at RMB2,293.0 million in 2015, representing a minor drop of 1.6% compared to 2014.

Small and medium-to-large tonnage sales

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

(RMB million)	**2015**	%	2014	%	**2015 Vs 2014**
Small tonnage	**4,562.7**	**62.2%**	4,687.7	62.0%	**(2.7%)**
Medium-to-large tonnage	**2,599.5**	**35.4%**	2,714.8	35.9%	**(4.2%)**
Parts	**174.2**	**2.4%**	157.8	2.1%	**10.4%**
Total	**7,336.4**	**100%**	7,560.3	100%	**(3.0%)**

Due to the tough market environment mentioned above, the sales of small tonnage and medium to large PIMMs decreased to RMB4,562.7 million and RMB2,599.5 million in 2015, representing a decrease of 2.7% and 4.2% respectively compared to 2014.

Sales mix of PIMMs by product series

The Group's sales by product series machines are summarized in the following table:

(RMB million)	**2015**	%	2014	%	**2015 Vs 2014**
Mars series (energy-saving features PIMMs)	**5,086.1**	**69.3%**	5,726.7	75.7%	**(11.2%)**
Venus series (full-electric PIMMs)	**675.7**	**9.2%**	521.6	6.9%	**29.5%**
Jupiter series (two-plate PIMMs)	**741.3**	**10.1%**	530.3	7.0%	**39.8%**
Others Series	**659.1**	**9.0%**	623.9	8.3%	**5.6%**
Parts	**174.2**	**2.4%**	157.8	2.1%	**10.4%**
Total	**7,336.4**	**100%**	7,560.3	100%	**(3.0%)**

Amid the domestic and global challenging environment, the overall demand of PIMMs decreased in 2015. Therefore, the sales of our energy-saving Mars series, which is designed for most of plastic components production, decreased from RMB5,726.7 million in 2014 to RMB5,086.1 million in 2015, representing a drop of 11.2%. However, by continuous improvement and the success of the introduction of the second generation, the Mars series remained the best selling series representing nearly 70% of the total sales. We expect that Mars series will continue to be the major series to meet the needs of most plastic component production and will pick up once the overall PIMM market recovers. We also set our strategies in the continuation of shifting small tonnage hydraulic PIMMs to full-electric PIMMs and large tonnage to two-plate PIMMs. Our Venus full-electric PIMMs are specifically designed for increasing demand of complex and precise as well as complicated thin-wall plastic components. The sales of our Zhafir Venus Series (full-electric PIMMs) increased to RMB675.7 million in 2015, representing an increase of 29.5%, while its sales mix in small tonnage PIMMs reached 14.8% (2014: 11.1%). Our Jupiter series two-plate large PIMMs, which have the advantages of space saving and efficiency enhancement, increased its sales to RMB741.3 million in 2015, representing an increase of 39.8% compared to 2014, while its sales mix in medium-to-large tonnage PIMMs reached 28.5% (2014: 19.5%).

Our efforts in R&D and new product innovation as well as in communication are well reflected in our Haitian brand. In the “2015 China Brand Evaluation List” conducted by CCTV together with China National Institute of Standardization, China Association for Brand Construction Promotion, China Council for the Promotion of International Trade and China Appraisal Society, our Haitian Brand achieved a brand value of RMB6.14 billion and brand strength of 844, ranking the third in Chinese machinery manufacturing industry list, up from the fourth in 2014. We believed our long term committed efforts in R&D, innovation in management, technology and services enable us to continuously improve our worldwide image from Made in China to Created in China, from Chinese efficiency only to Chinese efficiency and quality and from just Chinese products to be recognized as a worldwide Chinese brand.

Prospect

Looking ahead, the operating environment will remain challenging under the existing macro-factors of slowing China’s economy growth, volatility of currency exchange rate caused by expected gradual increase of US interest rate and continuous drop in bulk commodity prices, which weakened business confidence. In short term, we do not expect the demand of PIMMs and investment sentiment will have dramatic improvement nor significant deteroiation.

We have full confidence in the soundness of our long-term business strategy and the future of its market environment. Under the Chinese new economic normal era of shifting to product quality and sustainable growth, there are opportunities as well as challenges for developments in our industry. We believe in plastics applications as basic necessities and their consumption will keep increasing no matter how the global or Chinese economy perform. The change in the economic climates of different regions will only result in inter-shifting of plastic production bases among regions. One of our long term strategies is to enhance our pre-sales and aftersales service network by setting up overseas service centers and expanding overseas assembly bases and to gradually provide customers with services including test and application centers and whole set of solutions for their production. This will support the customers' expansion of plastic production facilities all over the world. Being the largest PIMM exporter in China, we are in absolute prime position to capture the business opportunities of increasing plastic production expanding to other regions resulted from shifting of production bases to relative lower cost countries or continuous outbound investment by Chinese enterprises. The gradual development of Chinese economy to domestic consumption-driven model will make the role of Chinese domestic market not only as a world plastic factory but also a major plastic consumer, which will boost the continuous increase in plastic consumption per capita in China.

In the 13th Five-Year Plan, Chinese government has launched various new strategies, including "Made in China 2025" and "Internet Plus". "Made in China 2025" and "Internet Plus" will drive technological upgrades and application of mid to high end PIMMs. PIMMs will offer energy saving features, high operational efficiency, the flexibility of industrial and information integration and automation.

In order to capitalize on the future trend of the manufacturing industry, we enhanced our proven "service-oriented sales model" by an "application-oriented sales model". Such enhancement represents our change from being solely a supplier of individual units of equipment to a supplier of a complete set of equipment providing customers with overall solutions for their production. Therefore, we have also built up a professional team for the supporting and offering of intelligent manufacturing business so as to align with the change in market strategies from the sales model of "service-oriented" to "application-oriented", resulting in providing the customers with complete set of integrated solutions to production process automation.

At the same time, we will comprehensively launch upgraded machines of "Plus" series second generation of all models in 2016 accompany with the strategies in shifting small tonnage hydraulic PIMMs to full-electric PIMMs and from large tonnage to two-plate PIMMs. We will take this opportunity to expand the market share and to lay the foundation of enhancing market presence in the future.

2016 is an important milestone in the history of Haitian, marking the 50th anniversary of our Group since our founding in 1966. Over the past five decades, we developed from an individual workshop to one of the largest and most profitable PIMM manufacturers in the world. This success was built upon the basis of our committed customer-oriented R&D efforts, uncompromised product and service quality, extensive distribution network, efficient and flexible production capabilities and strong financial positions with innovation in technology, management and services. We believe that, in the long run, with the economic reform made by Chinese government, Chinese economy will be on a more balanced and sustainable development path. We have experienced different crisis and structural changes of the Chinese economy and we will continue to navigate through the existing adverse environment and capture business opportunities again so as to grow stronger, and to achieve satisfactory results for our employees, customers, business partners and shareholders.

Financial Review

Revenue

Due to the tough economic environment in China and certain export markets resulted from continued slowdown of China's economic growth and significant depreciation of currencies of certain emerging markets, the demand of general PIMM was weakening. The growth of high end full-electric and two-plate PIMMs had partially offset the decrease. In 2015, our domestic sales and export sales decreased by 4.0% and 1.6% to RMB4,869.2 million and RMB2,293.0 million respectively compared to 2014. The overall sales recorded a mild decline of 3.0% from RMB7,560.3 million in 2014 to RMB7,336.4 million in 2015.

Gross Profit

In 2015, we recorded gross profit of approximately RMB2,419.3 million, representing a decrease of 1.4% compared to 2014. Overall gross margin had increased from 32.4% in 2014 to 33.0% in 2015. The increase of gross margin was attributable to i) improvement in operational efficiency and ii) lower steel related raw material costs.

Selling and administrative expenses

The selling and administrative expenses decrease by 2.0% from RMB1,052.0 million in 2014 to RMB1,031.1 million in 2015. The decrease of expense was attributable to decrease in sales commission expenses and transportation charges resulting from lower level of sales in 2015 and partially offset by increase in administrative expense related to business expansion and implementation of Lean Manufacturing process to raise operational efficiency.

Other income

Other income mainly consists of government subsidy and increased by 6.1% from RMB98.3 million in 2014 to RMB104.3 million in 2015.

Other gains/(losses) – net

We recorded other gains, net of RMB53.0 million in 2015 as compared with other net losses of RMB13.1 million in 2014. Other gains/(losses) net mainly consists of exchange gains/losses from US dollars denominated receivables resulting from RMB fluctuation. The above changes were mainly attributable to RMB depreciation against USD in 2015 but mild appreciation against USD in 2014.

Finance income – net

Finance income, net increased by 19.5% from RMB106.5 million in 2014 to RMB127.3 million in 2015. The increase is mainly attributable to i) an one-off issuing expense of CB which amounted to RMB24.3 million incurred in 2014, ii) an increase of interest income from RMB162.7 million in 2014 to RMB204.3 millon in 2015 resulted from increase of surplus fund from operation and enhanced efficiency in treasury management, and partially offset by iii) the increase in loss from change in fair value of CB resulted from exchange rate fluctuation of RMB72.5 million which offset by gain in change of fair value of CB resulted from bond value change of RMB32.3 million.

We have borrowed certain amounts of USD denominated convertible bonds and Euro denominated bank loans to reduce the exchange risk of USD/Euro denominated export receivables. The respective exchange loss is classified as the finance income-net and loss from change in fair value of CB.

Income tax expenses

Income tax expenses increased by 7.4% from RMB291.4 million in 2014 to RMB313.0 million in 2015. Our effective tax rate increased from 18.3% in 2014 to 18.7% in 2015.

Net profit attributable to shareholders

As a resulted, our net profit attributable to shareholders in 2015 increased to RMB1,363.3 million, representing an increase of 4.5% compared to 2014. Excluding the issuing expense of CB and change in fair value of CB resulted from bond value changes, the adjusted net profit attributable to shareholders for 2015 increased to RMB1,333.0 million, representing an increase of 0.1% compared to 2014.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 31 December 2015, the Group's total cash and cash equivalents and restricted cash amounted to RMB2,349.5 million and RMB164.0 million respectively (2014: RMB2,202.8 million and RMB152.8 million). As at 31 December 2015, the Group had short-term bank borrowing amounted to RMB436.0 million (2014: Nil).

In February 2014, we issued US dollar denominated 2.00 coupon CB due 2019 of USD200 million for general corporate purposes. As at 31 December 2015, the convertible bonds balance amounted to RMB1,270.4 million which represented the market fair value of CB (2014: RMB1,225.7 million). The Group also placed certain surplus fund into wealth management product which recorded as available-for-sale financial assets. The wealth management products with floating interests ranging from 2.1% to 8.1% (2014: 4.7% to 9.9%) per annum. As at 31 December 2015, the Group's available-for-sale financial assets amounted to RMB2,813.0 million. (2014: RMB2,106.5 million).

The net gearing ratio is defined by management as total borrowings net of cash divided by shareholders' equity. As at 31 December 2015, our Group was in a strong financial position with a net cash position amounting to RMB807.2 million (2014: RMB1,129.9 million). Accordingly, no gearing ratio is presented.

Capital Expenditure

In 2015, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB475.2 million (2014: RMB478.5 million).

Restricted Deposits

As at 31 December 2015, the bank deposits of RMB164.0 million (2014: RMB152.8 million) of our Group were restricted.

Charges on Group Assets

As at 31 December 2015, restricted bank deposits amounted to approximately RMB51.4 million and available-for-sale financial assets amounted to RMB100.0 million were pledged for issuing the letter of guarantee for borrowings (2014: Nil).

Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 32.1% of its products to international markets. Such sales were denominated in US dollars or other foreign currencies, while our Group's purchases denominated in US dollars or other foreign currencies accounted for less than 10.0% of our total purchases. Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts. Our Group purchased certain forward contracts or other means to reduce its foreign currency exposure. In addition, our Group borrowed US-dollar denominated convertible bonds and Euro denominated bank loans to hedge the exchange risk of USD/Euro denominated receivables arising from export sales.

Financial guarantees

As at 31 December 2015, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB979.4 million (2014: RMB1,025.8 million).

Employees

As at 31 December 2015, our Group had a total workforce of approximately 5,300 employees. Most of our employees were located in China. We offered our staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and our performance. We are committed to nurturing a learning culture in our organization. Total staff costs for 2015 amounted to RMB689.0 million, representing an increase of 9.0% compared with RMB632.2 million in 2014.

Payment of second interim dividend

The Board has declared a second interim dividend for the year ended 31 December 2015 of HK$0.19 per share (2014: HK$0.18 per share), which, together with the interim dividend of HK$0.16 per share paid in September 2015 will constitute a total dividend of HK$0.35 per share (2014: HK$0.34 per share) for the full year. The second interim dividend will be paid on or about 22 April 2016 in cash to shareholders whose names appear on the register of members at the close of business on 15 April 2016.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held in Ningbo on 18 May 2016. Notice of the AGM will be issued and disseminated to shareholders in due course.

Closure of Register of Members

(a) Entitlement to the Second Interim Dividend

The registers of members of the Company for entitlement of second interim dividend will be closed from 13 April 2016 to 15 April 2016 (both days inclusive). All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Registrar of Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 12 April 2016, for registration.

(b) Entitlement to Attend and Vote at the AGM

The registers of members of the Company to attend the AGM will be closed from 16 May 2016 to 18 May 2016 (both days inclusive). All properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Registrar of Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 13 May 2016, for registration.

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 (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding directors" securities transactions. Specific enquiry has been made to all directors, who have confirmed that they had complied with the required standard set out in the Model Code for the Reported Period.

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, except for the deviation set out below, the Company complied with all the applicable code provisions in Corporate Governance Code in Appendix 14 of the Listing Rules for the year ended 31 December 2015.

The Company only held three board meetings during the year ended 31 December 2015 and this was not in compliance with Code Provision A.1.1 which requires the Company to hold board meetings regularly and at least four times a year. The Company will ensure regular board meetings will be held in the future.

One non-executive director was unable to attend the annual general meeting of the Company held on 18 May 2015 due to other engagement. This was not in compliance with Code Provision A.6.7 which requires non-executive directors to attend general meetings of the Company.

Details of the implementation of the Company's corporate governance practices will be set out in the corporate governance report in the annual report of the Company to be published in due course.

AUDIT COMMITTEE

The Company has set up an audit committee in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company. The Audit Committee has reviewed the Group's condensed consolidated financial information for the year ended 31 December 2015, including the accounting principles adopted by the Group, with the Company's management. The audit committee, together with the management and the external auditors, has reviewed constantly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASES, SALE OR REDEMPTION OF SHARES

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

PUBLICATION OF RESULTS AND ANNUAL 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.haitian.com. The annual report will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

By Order of the Board
Haitian International Holdings Limited
Mr. Zhang Jingzhang
Chairman

Hong Kong, 9 March 2016

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Zhang Jianguo and Ms. Chen Ningning; the Non-executive Directors are Prof. Helmut Helmar Franz, Mr. Guo Mingguang and Mr. Liu Jianbo; and the Independent Non-executive Directors are Mr. Lou Baijun, Mr. Gao Xunxian, Dr. Steven Chow and Mr. Jin Hailiang.