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 2012

HIGHLIGHTS

	2012	2011	Increase/ (decrease)
	RMB' million	*RMB' million*	%
Sales	**6,335.6**	7,027.6	(9.8)
Gross profit	**1,907.3**	2,088.1	(8.7)
Profit attributable to equity holders of the Company	**986.0**	1,103.6	(10.7)
Basic Earnings per share (expressed in RMB per share)	**0.62**	0.69	(10.7)
Dividend per share (expressed in HK$ per share)			
Proposed final	**0.15**	0.135	11.1
Full year (including interim)	**0.27**	0.295	(8.5)

- Stable level of business despite the tough environment and recorded sales of RMB6,335.6 million, representing a drop of 9.8% in revenue compared to 2011's sales

- Slightly improvement in gross profit margin to 30.1% (2011: 29.7%)

- Maintained stable net profit margin of 15.6% (2011: 15.7%) despite the drop of revenue

- Profit attributable to equity holders of the Company amounted to RMB986.0 million represented a drop of 10.7% compared to 2011 which was the highest profit level in our Group's history

- The Board proposed an final dividend of HK15.0 cents per share

- Continued improvement in operating cashflow and the net cash position increased from RMB1,775.4 million as of 31 December 2011 to RMB2,261.5 million as of 31 December 2012

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 2012 with comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012
(Amounts expressed in RMB)

	Note	2012 RMB'000	2011 RMB'000
Revenue	2	**6,335,642**	7,027,607
Cost of sales		**(4,428,321)**	(4,939,552)
Gross profit		**1,907,321**	2,088,055
Selling and marketing expenses		**(527,876)**	(556,206)
General and administrative expenses		**(302,280)**	(303,523)
Other income		**43,600**	79,858
Other gains/(losses) – net	3	**9,515**	(5,522)
Operating profit	4	**1,130,280**	1,302,662
Finance income		**73,819**	38,177
Finance costs		**(12,375)**	(4,396)
Finance income – net	5	**61,444**	33,781
Share of profit of an associate		**2,370**	1,850
Profit before income tax		**1,194,094**	1,338,293
Income tax expense	6	**(208,068)**	(234,665)
Profit for the year		**986,026**	1,103,628
Attributable to:			
Equity holders of the Company		**986,026**	1,103,628
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in RMB per share)			
– basic	7	**0.62**	0.69
Dividends	8	**350,169**	384,636

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012
(Amounts expressed in RMB)

	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**986,026**	1,103,628
Other comprehensive income:		
Currency translation differences	**586**	(5,450)
Total comprehensive income for the year	**986,612**	1,098,178
Total comprehensive income attributable to:		
Equity holders of the Company	**986,612**	1,098,178

CONSOLIDATED BALANCE SHEET
As at 31 December 2012
(Amounts expressed in RMB)

	Note	**2012** **RMB'000**	2011 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**242,623**	248,024
Property, plant and equipment		**1,568,770**	1,430,281
Intangible assets		**–**	1,401
Investment in an associate		**6,315**	4,435
Deferred income tax assets		**34,552**	30,384
Other receivables		**20,361**	21,364
		1,872,621	1,735,889
Current assets			
Inventories		**1,417,376**	1,451,713
Trade and bills receivables	*9*	**2,048,193**	2,052,707
Prepayments, deposits and other receivables		**240,034**	263,757
Available-for-sale financial assets		**180,000**	–
Derivative financial instruments		**6,297**	–
Financial assets at fair value through profit or loss		**78,000**	–
Restricted bank deposits		**79,053**	638,622
Cash and cash equivalents		**2,610,551**	1,741,067
		6,659,504	6,147,866
Total assets		**8,532,125**	7,883,755
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	*11*	**160,510**	160,510
Share premium		**1,331,913**	1,331,913
Other reserves		**529,228**	436,191
Retained earnings			
– Proposed final dividend		**193,433**	175,083
– Others		**3,120,384**	2,576,978
Total equity		**5,335,468**	4,680,675

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 December 2012
(Amounts expressed in RMB)

	Note	**2012** **RMB'000**	2011 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		**12,644**	12,871
Deferred income tax liabilities		**96,157**	94,365
		108,801	107,236
Current liabilities			
Trade and bills payables	*10*	**1,481,115**	1,266,423
Accruals and other payables		**1,105,301**	1,150,129
Current income tax liabilities		**73,292**	74,991
Bank borrowings		**428,148**	604,301
		3,087,856	3,095,844
Total liabilities		**3,196,657**	3,203,080
Total equity and liabilities		**8,532,125**	7,883,755
Net current assets		**3,571,648**	3,052,022
Total assets less current liabilities		**5,444,269**	4,787,911

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012
(Amounts expressed in RMB)

		Attributable to owners of the Company					
		Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**	**Total equity**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011		160,510	1,331,913	413,892	2,127,898	4,034,213	4,034,213
Comprehensive income							
Profit for the year		–	–	–	1,103,628	1,103,628	1,103,628
Other comprehensive income							
Currency translation differences		–	–	(5,450)	–	(5,450)	(5,450)
Total comprehensive income for the year ended 31 December 2011		–	–	(5,450)	1,103,628	1,098,178	1,098,178
Transactions with owners							
Dividend paid							
– 2010 final		–	–	–	(242,163)	(242,163)	(242,163)
– 2011 interim	*8*	–	–	–	(209,553)	(209,553)	(209,553)
Appropriations		–	–	27,749	(27,749)	–	–
Total transactions with owners		–	–	27,749	(479,465)	(451,716)	(451,716)
Balance at 31 December 2011		160,510	1,331,913	436,191	2,752,061	4,680,675	4,680,675
Balance at 1 January 2012		**160,510**	**1,331,913**	**436,191**	**2,752,061**	**4,680,675**	**4,680,675**
Comprehensive income							
Profit for the year		**–**	**–**	**–**	**986,026**	**986,026**	**986,026**
Other comprehensive income							
Currency translation differences		**–**	**–**	**586**	**–**	**586**	**586**
Total comprehensive income for the year ended 31 December 2012		**–**	**–**	**586**	**986,026**	**986,612**	**986,612**
Transactions with owners							
Dividend paid							
– 2011 final	*8*	**–**	**–**	**–**	**(175,083)**	**(175,083)**	**(175,083)**
– 2012 interim	*8*	**–**	**–**	**–**	**(156,736)**	**(156,736)**	**(156,736)**
Appropriations		**–**	**–**	**92,451**	**(92,451)**	**–**	**–**
Total transactions with owners		**–**	**–**	**92,451**	**(424,270)**	**(331,819)**	**(331,819)**
Balance at 31 December 2012		**160,510**	**1,331,913**	**529,228**	**3,313,817**	**5,335,468**	**5,335,468**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012
(Amounts expressed in RMB)

	2012	2011
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,792,137**	406,287
Net cash used in investing activities	**(414,681)**	(203,605)
Net cash used in financing activities	**(507,972)**	(478,363)
Net increase/(decrease) in cash and cash equivalents	**869,484**	(275,681)
Cash and cash equivalents at beginning of year	**1,741,067**	2,016,748
Cash and cash equivalents at end of year	**2,610,551**	1,741,067

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, which are carried at fair value. Certain items in the financial statements were reclassified in order to align current year presentation.

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. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of events and actions, actual results ultimately may differ from those estimates.

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

(a) New and amended standards adopted by the Group

The following amended standard is mandatory for the first time for the financial year beginning 1 January 2012.

Amendment to HKFRS 7 "Disclosures – Transfers of financial assets" is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The adoption of this amendment does not have significant impact on Group's financial statements.

(b) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2012 but not currently relevant/significant to the Group (although they may affect the accounting for future transactions and events)

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRSs 10, 11 and 12 (Amendment)	Transition guidance	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (Revised 2011)	Associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1 January 2015

Apart from the above, the HKICPA has issued the annual improvements project (2011) which addresses several issues in the 2009-2011 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
HKAS 1	Presentation of financial statements	1 January 2013
HKAS 16	Property plant and equipment	1 January 2013
HKAS 32	Financial instruments: Presentation	1 January 2013
HKAS 34	Interim financial reporting	1 January 2013

The Group has assessed HKFRS 10's full impact and concluded there is no significant impact on the consolidated financial statements. The Group intends to adopt HKFRS 10 in the accounting period beginning on 1 January 2013.

The Group is in the process of making assessment of the impact of other new or revised HKFRSs upon initial adoption.

2. SALES AND SEGMENT INFORMATION

	2012	2011
	RMB'000	*RMB'000*
Sales of plastic injection moulding machines and related products	**6,335,642**	7,027,607

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 over 90% of the Group's productions and operating assets are located in Mainland China, which is considered as one segment with similar risks and returns.

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

	2012	2011
	RMB'000	*RMB'000*
Mainland China	**4,295,769**	4,989,601
Hong Kong and overseas countries	**2,039,873**	2,038,006
	6,335,642	7,027,607

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

	2012	2011
	RMB'000	*RMB'000*
Total non-current assets other than financial assets and deferred income tax assets		
– Mainland China	**1,695,789**	1,578,494
– Hong Kong and overseas countries	**121,919**	105,647
Deferred income tax assets	**34,552**	30,384
Other receivables	**20,361**	21,364
	1,872,621	1,735,889

3. OTHER GAINS/(LOSSES) – NET

	2012	2011
	RMB'000	*RMB'000*
Net foreign exchange gains/(losses)	**4,914**	(31,154)
Losses on disposals of property, plant and equipment, net	**(55)**	(964)
Gain on disposal of a subsidiary	**–**	23,293
Others	**4,656**	3,303
	9,515	(5,522)

4. OPERATING PROFIT

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

	2012	2011
	RMB'000	*RMB'000*
Depreciation and amortisation	**123,702**	104,657
Changes in inventories of finished goods and work in progress	**(99,741)**	(77,521)
Raw materials and consumables used	**4,054,199**	4,611,953
Operating lease for buildings	**3,909**	4,629
Sales commission and after-sales service expenses	**339,831**	394,231
(Reversal of)/provision for impairment of trade receivables	**(7,195)**	10,581
Reversal of write-down of inventories	**(1,231)**	(7,748)
Employment costs	**491,210**	507,343

5. FINANCE INCOME/COSTS

	2012	2011
	RMB'000	*RMB'000*
Finance costs:		
Interest expense	**(18,539)**	(6,769)
Net foreign exchange gains on borrowings	**6,164**	2,373
	(12,375)	(4,396)
Finance income:		
Interest income on restricted bank deposits and cash and cash equivalents	**68,202**	29,698
Interest income on financial products	**3,987**	–
Interest income on loans to a distributor	**1,630**	8,479
	73,819	38,177
Finance income, net	**61,444**	33,781

6. INCOME TAX EXPENSE

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

	2012	2011
	RMB'000	*RMB'000*
Current income tax		
– Mainland China enterprise income tax	**172,105**	182,817
– Overseas income tax	**762**	1,614
Deferred taxation	**35,201**	50,234
	208,068	234,665

Ningbo Zhafir Plastics Machinery Co., Ltd. ("Ningbo Zhafir") was entitled to two-year exemption from income tax followed by three-year of 50% tax reduction. Year 2012 is the third year to enjoy 50% tax reduction. Hence, Ningbo Zhafir applied a reduced income tax rate of 12.5% for the year 2012 (2011: 12%).

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 2011 while Wuxi Haitian Machinery Co., Ltd. ("Wuxi Haitian") qualified as HNTE in 2012. These entities were entitled to apply 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 2012 (2011: 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 2012 (2011: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2012 at the applicable rates of taxation prevailing in the countries in which the Group operates.

7. 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 RMB986,026 thousand (2011: RMB1,103,628 thousand) and on the weighted average number of 1,596,000 thousand (2011: 1,596,000 thousand) ordinary shares in issue during the year.

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

8. DIVIDENDS

	2012 *RMB'000*	2011 *RMB'000*
Interim dividend paid of HK12.0 cents (2011: HK16.0 cents) per ordinary share	**156,736**	209,553
Proposed final dividend of HK15.0 cents (2011: HK13.5 cents) per ordinary share	**193,433**	175,083
	350,169	384,636

The Company's Board of Directors has recommended payment of a final dividend of HK15.0 cents per share for the year ended 31 December 2012 (2011: HK13.5 cents per share), which is subject to the approval by the Company's shareholders at the upcoming Annual General Meeting. The proposed dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings in the year ending 31 December 2013.

9. 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 24 months. The ageing analysis of trade and bills receivables is as follows:

	2012 *RMB'000*	2011 *RMB'000*
Up to 6 months	**1,704,326**	1,786,105
6 months to 1 year	**225,368**	177,208
1 year to 2 years	**110,828**	101,812
Over 2 years	**40,023**	27,212
	2,080,545	2,092,337
Less: provision for impairment	**(32,352)**	(39,630)
	2,048,193	2,052,707

10. TRADE AND BILLS PAYABLES

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

	2012 *RMB'000*	2011 *RMB'000*
Up to 6 months	**1,479,669**	1,265,351
6 months to 1 year	**865**	255
1 year to 2 years	**267**	–
Over 2 years	**314**	817
	1,481,115	1,266,423

11. SHARE CAPITAL

	Authorised share capital		
	Number of shares	**Amount**	
	'000	*HKD'000*	*RMB'000*
As at 31 December 2011 and 2012 (shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares	**Amount**	
	'000	*HKD'000*	*RMB'000*
As at 31 December 2011 and 2012 (shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

12. COMMITMENTS

(a) Capital commitments

	2012	2011
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment – Contracted but not provided for	**105,712**	68,423

(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:

	2012	2011
	RMB'000	*RMB'000*
Not later than 1 year	**14,882**	958
Later than 1 year and not later than 5 years	**–**	287
	14,882	1,245

MANAGEMENT AND DISCUSSIONS

Business Review

The year 2012 was a challenging year for the machine manufacturing industry due to the unresolved sovereign debt crisis in Europe, uncertainties surrounding the United States fiscal cliff and the moderating pace of the economic growth in the PRC, have resulted in lackluster market environment. These, along with the state leader or the legislative elections in certain major global economies, added more uncertainties to the global economic outlook. The uncertainty in the global economy and the shrinking overseas demand have shakened the investment confidence of not only overseas customers but also export-driven domestic customers. At the same time, China also experienced a notable slowdown in growth as a result of monetary policy tightening measures implemented since the mid of 2011. With the challenging environment in the machine manufacturing industry and following an exceptional high demand of plastic injection moulding machines in 2010 and 1st half of 2011, most plastic injection moulding machine manufacturers recorded dramatic drops in revenue and some of our domestic industry peers were downsizing their scales or even suspended production. Such adverse market conditions inevitably hampered our sales performance in 2012. With the full launch of our Generation 2 plastic injection moulding machines, staying focused on our strategies to speed up product innovation cycles, and enhancing both the domestic and the export sales network, we alleviate the adverse impacts of the macro-environment to our business and reported a mild drop of revenue by 9.8% to RMB6,335.6 million for the year ended 31 December 2012 (the "Reported Period") compared to 2011, continuing to maintain the leading position in our industry.

During the Reported Period, we noted a pick-up in our sales from the trough of October 2011 but at a slow pace. In the second half of 2012, the market conditions were still tough but became more stable and we recorded a revenue of RMB3,156.6 million for the second half of 2012 which represented a negligible drop of 0.71% compared to the first half of 2012. Under the sluggish market conditions, improving profitability and generating healthy operating cashflow have been important targets for our business. We are committed to our core strategy of technological evolution and would focus on developing new and resource-efficient machineries under the current difficult environment and not turning to low margin products with less profits at this stage. Such commitment led our efforts in increasing the sales mix in new and innovative products with higher margin, raising our operational efficiency through introduction of Lean Manufacturing Concepts, and decrease in steel related component costs, which let us achieve a good progress in improving the gross profit margin to 30.5% (1H 2012: 29.8%) and net profit margin to 15.9%(1H 2012: 15.3%) in the second half of 2012. We recorded a net profit of RMB500.4 million for the second half of 2012 which represented a mild increase of 3.0% compared to the first half of 2012. Overall, our net profit of RMB986.0 million during the Reported Period only recorded a drop of 10.7% when compared to 2011 which was our Group's record highest profit year. With committed efforts in working capital management and some observed relaxation of the tightening monetary measures in China, we reported an operating cash inflow excluding change of restricted cash of RMB1,232.6 million, representing an increase of 204.3% during the Reported Period when compared to the same period in 2011.

The Board of Directors has declared a final dividend of HK$0.15 per share for the year ended 31 December 2012, bringing the dividend for 2012 to HK$0.27 per share.

Domestic and export sales

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

(RMB million)	**2012**	**%**	2011	%	**2012 Vs 2011**
Domestic Sales	**4,189.7**	**66.1%**	4,854.2	69.1%	**(13.7)%**
Export Sales	**1,990.0**	**31.4%**	1,992.6	28.4%	**(0.1)%**
Parts (both domestic and export)	**155.9**	**2.5%**	180.8	2.5%	**(13.8)%**
Total	**6,335.6**	**100.0%**	7,027.6	100.0%	**(9.8)%**

The persistent impact of the Chinese tightening measures implemented since 2011 and slowdown of growth in the Chinese economy as a result of both sluggish domestic consumption and external demand from export, all together adversely affected the confidence of our customers in China. This led to a slowdown in PIMM demand in China and affected our domestic sales in 2012. In the mid of 2012, we observed gradual relaxation of credit tightening policy in China including the reduction of reserve ratio and interest rate by PBOC. These measures helped to stabilize the domestic economy and prevent it from further weakening. Benefiting from a diversified customer portfolio, especially for large corporate customers which generally have strong financial position and carefully-planned CAPEX schedule, our domestic sales was less impacted by the tightening measures than other industrial peers. Our full-year domestic sales recorded a drop by 13.7% from RMB4,854.2 million in 2011 to RMB4,189.7 million in 2012.

The European sovereign debt crisis and the United States economy entering a softer growth phase together continued to pose challenges to the export markets. In view of our relatively low global market share in countries excluding China, we still have rooms to minimise the adverse impact of these challenges through committed strategies in expanding export sales including developing new markets, operating overseas service centers and assembly facilities and enhancing the pre-sale and after-sales services. Our export sales remained stable during the Reported Period and recorded a negligible drop of 0.1% from RMB1,992.6million in 2011 to RMB1,990.0 million in 2012. This minor drop was a result from appreciation of RMB against US Dollars in 2012. The sales mix of export sales to our total revenue increased from 28.4% in 2011 to 31.4% in 2012.

Small and medium-to-large tonnage sales

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

(RMB million)	**2012**	**%**	2011	%	**2012 Vs 2011**
Small tonnage	**3,747.0**	**59.1%**	4,346.6	61.9%	**(13.8)%**
Medium-to-large tonnage sales	**2,432.7**	**38.4%**	2,500.2	35.6%	**(2.7)%**
Parts	**155.9**	**2.5%**	180.8	2.5%	**(13.8)%**
Total	**6,335.6**	**100.0%**	7,027.6	100.0%	**(9.8)%**

The medium-to-large tonnage PIMMs are usually employed by medium-to-large-size enterprises which generally have stronger financial position and carefully planned CAPEX. Accordingly, the sales of medium-to-large machines is generally less sensitive to a sluggish market environment. Our sales of medium-to-large tonnage PIMMs recorded a mild drop of 2.7% compared to the same period in 2011. In contrast, small tonnage PIMMs are generally more sensitive to macroeconomic changes. The growth in sales of all-electric PIMMs which are usually small tonnage PIMM has partly compensated the drop of sales in small tonnage hydraulic PIMMs. As a result, the sales of small tonnage PIMMs recorded a drop of 13.8% compared to the same period in 2011.

During the Reported Period, the average selling price of our PIMMs increased from RMB253,000 in 2011 to RMB279,000. The increase of average selling price reflected the increase in the sales mix to medium-to-large tonnage PIMMs and the higher-value-added PIMMs. Despite the tough operating environment, a number of our technological advanced products still performed well in 2012. Sales of the Venus Series (All-electric PIMMs), Jupiter series (Two platen PIMMs) and IA series (Multi-colour PIMMs) increased to RMB348.6 million, RMB273.8 million and RMB186.6 million, representing growth of 14.2%, 10.8% and 42.8% respectively when compared to 2011. Their solid sales performance evidenced the importance of the product innovation, setting the platform for our future growth in technological advanced PIMMs.

Innovation is one of the keys to our success. Our strong capacity for product innovation continues to bring us greater differentiation and extends our leading position in the PIMM market. In the second half of 2012, we start launching "Generation 2" of existing product lines including Mars II, Venus II and Jupiter II. "Generation 2" provides improvements in performance and ergonomics that are based to a large extend on continuous customer feedbacks. This means the Generation 2 is even more customer oriented than all series before. With several patented new features in the Generation 2 such as optimized injection, new mechanical clamping systems and new software for enhanced applications, the Generation 2 offers higher precision, reliability, speed and price-performance ratio to our customers. The market response for the launch of Generation 2 is encouraging and the sales mix of Generation 2 in December 2012 accounted for 36% of our total sales in that month and is expected to further grow in 2013. We expect the launch of Generation 2 can further enhance our competitiveness in product and cost position.

Outlook

There are signs that the market slowdown had stabilized towards the end of 2012. With firmer labour market conditions, improving domestic demand and expectation in supportive government policy for different industries in China, we noted that the China's manufacturing PMI has been in expansionary territory with 50 above for four straight months starting from November 2012. After the election of the state leaders or legislative elections in certain major global economies including China, US and Japan, the new leaders are expected to set out the future blue-prints for their countries' developments and ease away policy uncertainties and boost the consumer and investment sentiment. Following the conclusion of the National People's Congress and Chinese People's Political Consultation Conference in March this year, the Chinese government is likely to launch a series of economic stimulus policies to maintain the economic growth of China in the second half of 2013. Therefore, we believe that the PIMMs market in China is likely to recover gradually albeit on a slow pace in 2013 and remain optimistic about the prospect of the industry in the long run. The demand of PIMMs (especially in large tonnage and all electric PIMMs) will continue to be driven by an on-going industrialisation, rising personal income levels, spurring plastics product output and consumption and increasing applications of plastic material in different areas. We will increase our future resources to develop new products to capture these growing opportunities in large tonnage and all electric PIMMs. By leveraging on our core strengths including our prestigious branding, unmatched product and service quality, R&D capabilities, efficient production scale and strong financial position, we believe we will continue to be one of a few winners under this headwind and hold a cautiously optimistic view of a satisfactory growth of our business for the year 2013.

We commit ourselves to achieving sustainable business growth in the long run. We will continue to prepare ourselves to capture business opportunities once market picks up with the following measures:

- To speed up the product innovation cycle and develop machines by breaking down market demand into micro-segments with increased details and analysis so that more sophisticated PIMM can be launched for different industries and customers.

- To raise operational efficiency by introduction of Lean Manufacturing concept to our Group and raise the product quality and customer services by starting Quality Assurance Campaign. Through these measures, we can enhance our competitiveness in cost position, quality and services.

- To further enhance our three brand strategy, namely Haitian, Zhafir and Tianjian, with dedicated R&D and sales teams to provide the technology "to the point", at the price and technology level required to efficiently manufacture the respective plastics parts at our customers place.

- To enhance our sales mix with higher margin product and to address the increasing demand of technological advanced PIMMs, our small PIMM will continue to move towards higher precision and all-electric driven and large PIMM will move towards two-platen and compact design.

- To strengthen and enhance our sales network including the increase of the number of service centres for pre-sales and after-sales support, assigning dedicated teams to serve and follow up multi-national corporation key accounts and regularly meet up with customers and distributors to collect latest market development information so as to response to the market changes effectively and efficiently.

We believe that through the above-mentioned measures, Haitian will be able to lay a solid foundation for growth in 2013 and bring satisfactory returns to our shareholders.

Financial Review

Sales

Due to the adverse macroeconomic factors including the uncertainty of Eurozone's sovereign debt crisis, slow recovery of US economy and slow down of the China economic growth, we recorded a revenue of RMB6,335.6 million during the Reported Period, representing a decrease of 9.8% compared to 2011. The decrease was mainly attributable to the decrease in domestic sales by 13.7% to RMB4,189.7 million during the Reported Period compared to 2011. The export sales only recorded a negligible decrease by 0.1% to RMB1,990.0 million during the Reported Period compared to 2011 through our committed strategy of strengthening export sales including developing new markets and enhancing the pre-sales and after-sales services.

Gross Profit

During the Reported Period, we recorded gross profit of approximately RMB1,907.3 million, representing a decrease of 8.7% compared to 2011.

Although our revenue decreased by 9.8% during the Reported Period, our manufacturing plants still operated in the optimal utilization through adopting a stretch production plan comprising working overtime and outsourcing certain production processes during the exceptional high level of sales activities in 2010 and 2011. Accompanied with an enhanced sales mix of new and technological advance machines with higher margin, higher operational efficiency and the decrease in cost of steel related components, our gross margin improved from 29.7% in 2011 to 30.1% in 2012.

Selling and administrative expenses

During the Reported Period, the selling and administrative expenses decreased by 3.4% from RMB859.7 million in 2011 to RMB830.2 million in 2012, primarily due to the decrease in sales commissions expenses and transportation charges resulting from lower level of sales in 2012. However such decreases were partly offset by i) increase in marketing expenses in developing export markets and enhancing the pre-sale and after sales services and ii) increase in research and development expenses with continuing effort for the next generation products and other R&D projects.

Other income

Other income mainly consists of government subsidy and it decreased by 45.4% from RMB79.9 million in 2011 to RMB43.6 million in 2012.

Finance income – net

Finance income, net increased by 81.7% from RMB33.8 million in 2011 to RMB61.4 million in 2012 mainly as a result of the increase net cash balances and increase in effort in treasury management.

Income tax expense

Income tax expense decreased by 11.3% from RMB234.7 million in 2011 to RMB208.1 million in 2012. Our effective tax rate maintained at a similar level of 17.4% in 2012 (2011: 17.5%).

Net profit

In view of the above, net profit attributable to equity holders decreased approximately 10.7% from RMB1,103.6 million in 2011 to RMB986.0 million in 2012.

Capital Expenditure

In 2012, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB258.0 million (2011: RMB150.4 million).

Liquidity and Financial Resources

The gearing ratio is defined as total borrowings divided by shareholders' equity. As at 31 December 2012, our Group was in a strong financial position with a net cash position amounting to RMB2,261.5 million (2011: RMB1,775.4 million). Accordingly, no gearing ratio is presented.

Restricted Deposits

As at 31 December 2012, the bank deposits of RMB79.1 million (2011: of RMB638.6 million) of our Group were restricted.

Charges on Group Assets

As at 31 December 2012, our Group had no pledged of assets.

Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 32.2% 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 Group used certain forward contracts means to reduce its foreign currency exposure. Our management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

During the Reported Period, our Group borrowed a US-dollar denominated bank loan amounted to RMB358.2 million to hedge the exchange risk of US-dollar denominated receivables arising from export sales.

Financial guarantees

As at 31 December 2012, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB861.6 million (2011: RMB901.2 million).

Employees

As at 31 December 2012, our Group had a total workforce of approximately 4,800 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 2012 amounted to RMB491.2 million, representing an decrease of 3.2% compared with RMB507.3 million in 2011.

Proposed Final Dividend

The Board had resolved to recommend the payment of a final dividend of HK$0.15 per share for the financial year ended 31 December 2012 which is expected to be paid on or around 11 June 2013 to our shareholders whose names appear on the register of members at the close of business on 27 May 2013, subject to final approval at the Annual General Meeting of the Company.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held in Hong Kong on 21 May 2013. Notice of the AGM will be issued and disseminated to shareholders in due course.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the AGM

The registers of members of the Company to attend the AGM will be closed from 14 May 2013 to 21 May 2013 (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 2013, for registration.

(b) Entitlement to the Proposed Final Dividend

The registers of members of the Company for entitlement of dividend will be closed from 28 May 2013 to 31 May 2013 (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 27 May 2013, 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 as set out in Appendix 10 of 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 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, the Company complied with all the applicable code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules which were effective until 31 March 2012 and those in Corporate Governance Code in existing Appendix 14 of the Listing Rules which become effective from 1 April 2012 for the nine months ended 31 December 2012. Details of the implementation of the Company 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 2012, 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 2012 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 announcement is published on the web site of the Stock Exchange (http://www.hkex.com.hk) and the Company's website (http://www.haitian.com). The annual report will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 26 March 2013

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