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 2013

HIGHLIGHTS

	2013	2012	Increase
	RMB' million	*RMB' million*	*%*
Revenue	**7,200.7**	6,335.6	13.7
Gross profit	**2,273.7**	1,907.3	19.2
Profit attributable to shareholders of the Company	**1,206.2**	986.0	22.3
Basic Earnings per share (expressed in RMB per share)	**0.76**	0.62	22.3
Dividend per share (expressed in HK$ per share)			
Second interim (in lieu of the final)	**0.16**	–	N/A
Proposed final	**–**	0.15	N/A
Full year (including interim)	**0.31**	0.27	14.8

- Achieved record revenue and profit attributable to shareholders during the year
- Currently, our sales are substantially attributable to our second generation ("Generation 2") of existing product lines
- Benefiting from the successful launch of Generation 2 and modest recovery of Chinese PIMM market in 2013, our sales increased to RMB7,200.7 million, representing an increase of 13.7% compared to 2012
- Continuous improvement in gross profit margin to 31.6% (2012: 30.1%) resulting from the launch of Generation 2, raise of operational efficiency, benefiting from economic of scale and lower cost of raw materials
- Profit attributable to shareholders increased to RMB1,206.2 million, representing an increase of 22.3% when compared to 2012
- The Board declared a second interim dividend (in lieu of the final) of HK$0.16 per share, together with interim dividend paid constitute a total dividend of HK$0.31 per share (2012: HK$0.27 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 2013 with comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013
(Amounts expressed in RMB)

	Note	**2013** *RMB'000*	2012 *RMB'000*
Revenue	*2*	**7,200,653**	6,335,642
Cost of sales		**(4,926,988)**	(4,428,321)
Gross profit		**2,273,665**	1,907,321
Selling and marketing expenses		**(606,277)**	(527,876)
General and administrative expenses		**(372,242)**	(302,280)
Other income		**70,495**	43,600
Other (losses)/gains – net	*3*	**(9,719)**	9,515
Operating profit	*4*	**1,355,922**	1,130,280
Finance income		**127,990**	79,983
Finance costs		**(13,566)**	(18,539)
Finance income – net	*5*	**114,424**	61,444
Share of profit of an associate		**5,192**	2,370
Profit before income tax		**1,475,538**	1,194,094
Income tax expense	*6*	**(269,302)**	(208,068)
Profit for the year		**1,206,236**	986,026
Attributable to:			
Shareholders of the Company		**1,206,236**	986,026
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
– basic	*7*	**0.76**	0.62
Dividends	*8*	**392,751**	350,169

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013
(Amounts expressed in RMB)

	2013 *RMB'000*	2012 *RMB'000*
Profit for the year	**1,206,236**	986,026
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Change in value of available-for-sale financial assets	**12,294**	–
Currency translation differences	**(2,831)**	586
Total comprehensive income for the year	**1,215,699**	986,612
Total comprehensive income attributable to:		
Shareholders of the Company	**1,215,699**	986,612

CONSOLIDATED BALANCE SHEET
As at 31 December 2013
(Amounts expressed in RMB)

	Note	2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Land use rights		**325,410**	242,623
Property, plant and equipment		**1,862,452**	1,568,770
Investment in an associate		**10,868**	6,315
Deferred income tax assets		**50,578**	34,552
Other receivables		**16,691**	20,361
		2,265,999	1,872,621
Current assets			
Inventories		**1,611,536**	1,417,376
Trade and bills receivables	*9*	**2,285,968**	2,048,193
Prepayments, deposits and other receivables		**168,353**	240,034
Available-for-sale financial assets	*10*	**1,469,294**	180,000
Derivative financial instruments		**–**	6,297
Financial assets at fair value through profit or loss		**32,000**	78,000
Restricted bank deposits		**130,210**	79,053
Cash and cash equivalents		**2,112,640**	2,610,551
		7,810,001	6,659,504
Total assets		**10,076,000**	8,532,125
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		**640,943**	529,228
Retained earnings			
– Proposed final dividend		**–**	193,433
– Others		**4,033,890**	3,120,384
Total equity		**6,167,256**	5,335,468

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31 December 2013
(Amounts expressed in RMB)

	Note	2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		**12,442**	12,644
Deferred income tax liabilities		**111,593**	96,157
		124,035	108,801
Current liabilities			
Trade and bills payables	*11*	**1,895,875**	1,481,115
Accruals and other payables		**1,169,246**	1,105,301
Current income tax liabilities		**80,384**	73,292
Bank borrowings		**636,188**	428,148
Derivative financial instruments		**3,016**	–
		3,784,709	3,087,856
Total liabilities		**3,908,744**	3,196,657
Total equity and liabilities		**10,076,000**	8,532,125
Net current assets		**4,025,292**	3,571,648
Total assets less current liabilities		**6,291,291**	5,444,269

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013
(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 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							
Items that may be reclassified subsequently to profit or loss							
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		–	–	–	(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
Balance at 1 January 2013		**160,510**	**1,331,913**	**529,228**	**3,313,817**	**5,335,468**	**5,335,468**
Comprehensive income							
Profit for the year		**–**	**–**	**–**	**1,206,236**	**1,206,236**	**1,206,236**
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss							
Change in value of available-for-sale financial assets		**–**	**–**	**12,294**	**–**	**12,294**	**12,294**
Currency translation differences		**–**	**–**	**(2,831)**	**–**	**(2,831)**	**(2,831)**
Total comprehensive income for the year ended 31 December 2013		**–**	**–**	**9,463**	**1,206,236**	**1,215,699**	**1,215,699**
Transactions with owners							
Dividend paid							
– 2012 final	*8*	**–**	**–**	**–**	**(193,433)**	**(193,433)**	**(193,433)**
– 2013 interim	*8*	**–**	**–**	**–**	**(190,478)**	**(190,478)**	**(190,478)**
Appropriations		**–**	**–**	**102,252**	**(102,252)**	**–**	**–**
Total transactions with owners		**–**	**–**	**102,252**	**(486,163)**	**(383,911)**	**(383,911)**
Balance at 31 December 2013		**160,510**	**1,331,913**	**640,943**	**4,033,890**	**6,167,256**	**6,167,256**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2013
(Amounts expressed in RMB)

	2013	2012
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,298,570**	1,792,137
Net cash used in investing activities	**(1,620,610)**	(414,681)
Net cash used in financing activities	**(175,871)**	(507,972)
Cash and cash equivalents at beginning of year	**2,610,551**	1,741,067
Cash and cash equivalents at end of year	**2,112,640**	2,610,551

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.

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

The following new and amended standards are mandatory for the first time for the financial year beginning on or after 1 January 2013.

Amendment to HKAS 1 "Financial statements presentation" regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

HKFRS 10 "Consolidated financial statements", with related amendment for transition guidance, is effective for annual periods beginning on or after 1 January 2013. The objective of HKFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

HKAS 27 (Revised 2011) "Separate financial statements" is effective for annual periods beginning on or after 1 January 2013. HKAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10.

HKAS 28 (Revised 2011) "Associates and joint ventures" is effective for annual periods beginning on or after 1 January 2013. HKAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11.

HKFRS 12 "Disclosure of interests in other entities", with related amendment for transition guidance, is effective for annual periods beginning on or after 1 January 2013. HKFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 "Fair value measurements" is effective for annual periods beginning on or after 1 January 2013. HKFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs or US GAAP.

There is no significant 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 2013 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 HKFRS 1	'First time adoption', on government loans	1 January 2013
Amendment to HKFRS 11	Transition guidance	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
Amendment to HKAS 19	Employee benefits	1 January 2013
Amendment to HKFRS 7	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
HKFRIC 20	Stripping costs in the production phase of a surface mine	1 January 2013

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.

		Effective for annual periods beginning on or after
HKFRS 1	First time adoption	1 January 2013
HKAS 1	Financial statement presentation	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

(c) **New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2013 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
Amendment to HKAS 32	'Financial instruments: Presentation' on asset and liability offsetting	1 January 2014
Amendments to HKFRS 10, 12 and HKAS 27 (revised 2011)	Consolidation for investment entities	1 January 2014
Amendment to HKAS 36	'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendment to HKAS 39	Financial instruments: Recognition and Measurement – Novation of derivatives	1 January 2014
HKFRIC 21	Levies	1 January 2014
HKFRS 9	Financial Instruments	1 January 2015

2. REVENUE AND SEGMENT INFORMATION

	2013	2012
	RMB'000	*RMB'000*
Sales of plastic injection moulding machines and related products	**7,200,653**	6,335,642

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:

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**5,094,558**	4,295,769
Hong Kong and overseas countries	**2,106,095**	2,039,873
	7,200,653	6,335,642

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

	2013	2012
	RMB'000	*RMB'000*
Total non-current assets other than financial assets and deferred income tax assets		
– Mainland China	**2,085,971**	1,695,789
– Hong Kong and overseas countries	**112,759**	121,919
Deferred income tax assets	**50,578**	34,552
Other receivables	**16,691**	20,361
	2,265,999	1,872,621

3. OTHER (LOSSES)/GAINS – NET

	2013	2012
	RMB'000	*RMB'000*
Net foreign exchange (losses)/gains	**(11,139)**	4,914
Losses on disposals of property, plant and equipment, net	**(167)**	(55)
Others	**1,587**	4,656
	(9,719)	9,515

4. OPERATING PROFIT

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

	2013	2012
	RMB'000	*RMB'000*
Depreciation and amortisation	**123,398**	123,702
Raw materials and consumables used	**4,532,256**	4,054,199
Changes in inventories of finished goods and work in progress	**(125,874)**	(99,714)
Operating lease for buildings	**3,419**	3,909
Sales commission and after-sales service expenses	**386,963**	339,831
Provision for/(reversal of) impairment of trade receivables	**11,917**	(7,195)
Provision for/(reversal of) write-down of inventories	**9,356**	(1,231)
Employment costs	**592,619**	491,210

5. FINANCE INCOME/COSTS

	2013 RMB'000	2012 RMB'000
Finance costs:		
Interest expense	**(13,566)**	(18,539)
Finance income:		
Interest income on restricted bank deposits and cash and cash equivalents	**68,249**	68,202
Interest income on financial products	**17,760**	3,987
Interest income on entrusted loans	**9,640**	1,630
Net foreign exchange gains	**32,341**	6,164
	127,990	79,983
Finance income, net	**114,424**	61,444

6. INCOME TAX EXPENSE

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

	2013 RMB'000	2012 RMB'000
Current income tax		
– Mainland China enterprise income tax	**237,145**	172,105
– Overseas income tax	**1,012**	762
Deferred taxation	**31,145**	35,201
	269,302	208,068

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. Wuxi Haitian Machinery Co., Ltd. ("Wuxi Haitian") qualified as HNTE in 2012 and Ningbo Zhafir Plastics Machinery Co., Ltd. ("Ningbo Zhafir") qualified as HNTE in 2013. 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 2013 (2012: 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 2013 (2012: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2013 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 shareholders of the Company of approximately RMB1,206,236 thousand (2012: RMB986,026 thousand) and on the weighted average number of 1,596,000 thousand (2012: 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

	2013	2012
	RMB'000	*RMB'000*
Interim dividend paid of HK15.0 cents (2012: HK12.0 cents) per ordinary share	**190,478**	156,736
Proposed final dividend of Nil (2012: HK15.0 cents) per ordinary share	**–**	193,433
Second interim dividend of HK16.0 cents (2012: Nil) per ordinary share	**202,273**	–
	392,751	350,169

The Company's Board of Directors has declared payment of a second interim dividend of HK16.0 cents per share for the year ended 31 December 2013. 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 2014.

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

	2013	2012
	RMB'000	*RMB'000*
Up to 6 months	**1,995,640**	1,704,326
6 months to 1 year	**165,965**	225,368
1 year to 2 years	**109,893**	110,828
Over 2 years	**58,739**	40,023
	2,330,237	2,080,545
Less: provision for impairment	**(44,269)**	(32,352)
	2,285,968	2,048,193

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are RMB denominated financial products with floating interests ranging from 4.3% to 7.1% (2012: 3.6% to 5%) per annum and with maturity dates between 6 days and 315 days (2012: between 48 days and 337 days). None of these assets is either past due or impaired (2012: None)

11. TRADE AND BILLS PAYABLES

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

	2013	2012
	RMB'000	*RMB'000*
Up to 6 months	**1,892,841**	1,479,669
6 months to 1 year	**1,773**	865
1 year to 2 years	**685**	267
Over 2 years	**576**	314
	1,895,875	1,481,115

12. SHARE CAPITAL

	Authorised share capital		
	Number of shares	**Amount**	
	'000	*HKD'000*	*RMB'000*
As at 31 December 2012 and 2013 (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 2012 and 2013 (shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

13. COMMITMENTS

(a) Capital commitments

	2013	2012
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment		
– Contracted but not provided for	**256,214**	105,712

(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:

	2013	2012
	RMB'000	*RMB'000*
Not later than 1 year	**14,493**	14,882

MANAGEMENT DISCUSSIONS AND ANALYSIS

Business Review

2013 continued to be a challenging year for the machine manufacturing industry but it was also a year of achievements for Haitian. In 2013, we achieved both record revenue and profit. This sensational achievement evidences our committed efforts in maintaining our industry leadership in terms of revenue, technology innovation and operational efficiency.

In 2013, China continued to experience a mild slowdown in economic growth. Although the domestic operating environment stabilized, the PIMM market is still far from full recovery. The global economy performance is also mixed. We observed gradual recovery in the US economy and stabilization of the Europe sovereign debt issues. In contrast, many emerging markets experience a slow-down of economic growth and currency deprecation issues in view of US's quantitative easing measures approaching the end, which affect investment confidence in these markets. Faced with complicated and volatile operating environments, we adhered to our core development strategy of commitment to product innovation to address customer need. With our launch of Generation 2 of existing product lines since 2nd half of 2012, the Generation 2's features of high precision, reliability and price-performance ratio continue to attract customers and induce them to invest in new Haitian machines even under the relatively sluggish market environment. Once again, we outperformed the industry peers and achieved the highest-ever revenue in our history. We recorded revenue of RMB7,200.7 million for the year ended 31 December 2013 (the "Reported Period") increased by 13.7% compared to 2012, continuing to maintain the leading position in our industry.

With better cost position and margin of Generation 2, and accompanied with improved operational efficiency, benefit of economic of scale and relatively stable steel related component costs, we continued to improve the gross profit margin to 31.6% (2012: 30.1%) and net profit margin to 16.8% (2012: 15.6%). As a result, the Group's profit attributable to shareholders for the Reported Period increased to RMB1,206.2 million, representing an increase of 22.3% when compared to 2012, achieving a new record in our history.

The Board of Directors has declared a second interim dividend of HK$0.16 per share for the year ended 31 December 2013 (2012: final dividend: HK$0.15), bringing the total dividend for 2013 to HK$0.31 per share (2012: HK$0.27).

Domestic and export sales

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

(RMB million)	**2013**	**%**	2012	%	**2013 Vs 2012**
Domestic Sales	**4,975.9**	**69.1%**	4,189.7	66.1%	**18.8%**
Export Sales	**2,061.3**	**28.6%**	1,990.0	31.4%	**3.6%**
Parts (both domestic and export)	**163.5**	**2.3%**	155.9	2.5%	**4.9%**
Total	**7,200.7**	**100%**	6,335.6	100.0%	**13.7%**

The domestic PIMM market had experienced a softening in the past two years and the market has started to move from stagnation to slight recovery, driven by the continuous increase in plastic products consumption and stabilizing economic environment. Customers start to resume capital expenditure in PIMMs in view of a more clear business outlook. With our highly competitive Generation 2, we are in a prime position to capitalise on the growing demand from this positive momentum and raise our market share in the industry. Our domestic sales recorded an increase of 18.8% from RMB4,189.7 million in 2012 to RMB4,975.9 million in 2013.

Through our strategy of strengthening export sales including developing new markets, setting up a Vietnam manufacturing base and enhancing the pre-sales and after-sales services, we made an impressive double digit growth in certain markets like Southeast Asia, Middle East, Africa and North America. By offering high-end machines with reasonable price-performance and technology to the point, we also made a remarkable progress in increasing the market share in certain developed and high-technology-requirement countries, which evidenced the increasing recognition of Haitian as a world-class brand. In 2013, we recorded a strong increase in sales to United States and South Korea and United States has become our third largest single export market. Meanwhile, the sales of certain emerging countries like Brazil and Turkey dropped in 2013 due to their suffering from slow-down of economic growth, currency depreciation and political instability. As a result of the above-mentioned reasons, our export sales recorded an increase of 3.6% from RMB1,990.0 million in 2012 to RMB2,061.3 million in 2013, reaching another new record for our export business.

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)	**2013**	*%*	2012	*%*	**2013 Vs 2012**
Small tonnage	**4,545.5**	**63.1%**	3,747.0	59.1%	**21.3%**
Medium-to-large tonnage	**2,491.7**	**34.6%**	2,432.7	38.4%	**2.4%**
Parts	**163.5**	**2.3%**	155.9	2.5%	**4.9%**
Total	**7,200.7**	**100%**	6,335.6	100.0%	**13.7%**

In general, the sales of small tonnage PIMM are more sensitive and response faster to changes of market situation and economic performance. Matching the initial recovery of domestic PIMM markets in China, the sales of the small tonnage PIMMs increased to RMB4,545.5 million in 2013, representing an increase of 21.3% when compared to the sales in 2012. The sales of medium-to-large tonnage PIMMs remain at high level even during the previous industry slow down because of relatively low sensitivity to sluggish market environment. With the continuous increase in the application of large PIMM machines to various industries, we recorded a stable sales of medium-to-large tonnage PIMMs which amounted to RMB2,491.7million in 2013, representing a stable growth of 2.4% when compared to the sales in 2012.

Research and Development

Sustainable success in innovation is founded upon bringing new technology consistently meeting the demand of customers. Fundamentally, this means each new technology must bring the customers new advantages and concrete benefits exactly to the point with justified costs. Therefore we developed our Generation 2 machines with a target to expand the potential of standardized processes and optimize the cost position and profitability of customers to achieve a perfect symbiosis of the greatest possible economic efficiency and the best possible performance.

With several patented new features such as optimized injection, new mechanical clamping systems and new software for enhanced applications, Generation 2 offers higher precision, reliability, speed and price-performance to our customers. The market response to Generation 2 is extremely positive: the sales of Mars, Venus and Jupiter series increased by 18%, 22% and 39% respectively in 2013. Currently, our sales are mainly attributable to Generation 2 machines.

Our efforts in R&D and innovation are well reflected in our Haitian brand. In the "2013 value evaluation results of Chinese independent brands in manufacturing industry" 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 RMB7.3 billion and brand strength of 83.13%, being one of the top 10 brand value in the machinery manufacturing industry. Our prestigious brand value is the evidence of our long term commitment in attentive customer services, customer-orientated innovation and rigorous quality. We will continue our striving as a world-class brand.

Prospect

Notwithstanding the fact that Chinese PIMM market is still far from full recovery and only showed a mild recovery in 2013, we still achieved a record level of revenue and profit. Unlike the overheated level in 2010 which was distorted by the release of suppressed CAPEX after the financial crisis in 2008 and 2009, we believe the growth of demand in PIMMs will be in a more sustainable way which is driven by continuous increase in plastics consumption and new plastic application, on-going urbanization and rising personal income levels in China. Accordingly, we plan to expand our production capacity to meet the further growth along with increasing our flexibility by adopting a temporarily stretched production plans using working over time and outsourcing production. In order to further increase our production capacity, raise our efficiency through modernization of the production process and upgrading vertical production capabilities, we are in the progress of constructing two new factories in Ningbo which will be completed and ready for operation in 2014. This also coincides with our strategies of the full-scale development of our Zhafir brand high-end series of full electric PIMMs and upgrading the medium-to-large size PIMMs towards manufacturing large size two-platen PIMMs.

In order to maintain our competitive advantages to be sustainable in the future, we see communication, innovation and efficiency as the three most important pillars for joint success. We will continue to actively communicate with our customers, employees and suppliers to exchange information and experience, obtain the feedback and then deal with their demand. Through the active communication, we can also achieve innovation that offers meaningful benefits to customers in the plastic processing process and also efficiency in our operation to further increase the profitability. In November 2013, our key management and major departments (including domestic and export sales, R&D, IT and administrative department etc.) were relocated to our new centralised headquarter building in Ningbo which further enhances our communication and efficiency. The new headquarter building set another milestone for Haitian to reach next height.

With the ambition in sustainable steady development of our business, we cannot disregard that there remains some fragility in the economic outlook and we need to be cautious in considering such uncertainties, including possible impact of scale down of US quantitative easing polices, recent slow-down of China's manufacturing sector as indicated from China PMI falling below 50 since January 2014, the possibility of further currency depreciation in certain emerging countries and latest development in Ukraine's situation etc. We will continue to increase our flexibility to tackle the challenges and react quickly to the maket dynamics amidst uncertain economic environment through our long term committed strategies in speeding up product innovation, providing technological product to the point by addressing customers' needs, carefully adjusting our production plan to achieve optimized utilization of production capacity, launching quality assurance campaign and enhancing our pre-sales and after-sales services. Leveraging on our prestigious brand, outstanding price-to-performance ratio, self-developed core technology and efficient production scale, we are confident to maintain our industry-leading position, deliver solid performance in 2014 and bring satisfactory returns to our shareholders.

Financial Review

Revenue

Benefiting from the successful launch of our Generation 2 of existing product lines and modest recovery of Chinese PIMM market in 2013, revenue increased to RMB7,200.7 million, representing an increase of 13.7% compared to 2012. The increase was mainly attributable to the 18.8% increase of domestic sales to RMB4,975.9 million compared to 2012. In addition, our export sales reached a new record of RMB2,061.3 million in 2013, representing a growth of 3.6% when compared to the sales in 2012.

Gross Profit

In 2013, we recorded gross profit of approximately RMB2,273.7 million, representing an increase of 19.2% compared to 2012. Overall gross margin had increased from 30.1% in 2012 to 31.6% in 2013. The increase of gross margin is attributable to better gross margin for Generation 2, improvement in operational efficiency, benefiting from economic of scale and relatively stable and low steel related component costs.

Selling and administrative expenses

The selling and administrative expenses increase by 17.9% from RMB830.2 million in 2012 to RMB978.5 million in 2013. The increase of expense is roughly in line with sales which i) primarily due to the increase in sales commission expenses and transportation charges resulting from higher level of sales in 2013 ii) increase in administrative expense related to business expansion and implementation of Lean Manufacturing process to raise operational efficiency and iii) increase in R&D for further production innovation.

Other income

Other income mainly consists of government subsidy and increased by 61.7% from RMB43.6 million in 2012 to RMB70.5 million in 2013.

Other losses – net

Other losses mainly consists of exchange losses from US dollars denominated export receivables result from RMB appreciation.

We have borrowed certain amounts of US dollars or Hong Kong dollars denominated loans to reduce the above exchange risk of US denominated export receivables. The respective exchange gain will be classified as the finance income-net in accordance with accounting requirements.

Finance income – net

Finance income, net increased by 86.2% from RMB61.4 million in 2012 to RMB114.4 million in 2013. The increase is mainly attributable to i) an exchange gain of RMB32.3 million recorded from foreign currencies denominated loans and cash balance ii) increase of interest income resulted from increase in average bank balances and enhance efficiency in treasury management.

Income tax expenses

Income tax expenses increased by 29.4% from RMB208.1 million in 2012 to RMB269.3 million in 2013. Our effective tax rate increased from 17.4% in 2012 to 18.3% in 2013.

Events after the balance sheet date

The Company issued USD denominated 2% convertible bonds of USD200 million (the "bonds") on 13 February 2014. The bonds will mature five years from the issue date and are convertible into shares at the holder's option on or after 26 March 2014 to the close of business on the date falling seven days prior to 13 February 2019. The conversion price was initially HKD24.6740 per share with a fixed rate of exchange on conversion of HKD7.7544 = USD1.00, subject to adjustment.

Capital Expenditure

In 2013, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB516.4 million (2012: 258.0 million).

Liquidity and Financial Resources

The gearing ratio is defined as total borrowings divided by shareholders' equity. As at 31 December 2013, our Group was in a strong financial position with a net cash position amounting to RMB1,606.7 million (2012: RMB2,261.5 million). Accordingly, no gearing ratio is presented.

Restricted Deposits

As at 31 December 2013, the bank deposits of RMB130.2 million (2012: of RMB79.1 million) of our Group were restricted.

Charges on Group Assets

As at 31 December 2013, our Group had no pledge of assets.

Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 29.2% 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 US-dollar denominated bank loans amounted to RMB609.7 million to hedge the exchange risk of US-dollar denominated receivables arising from export sales.

Financial guarantees

As at 31 December 2013, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB960.2 million (2012: RMB861.6 million).

Employees

As at 31 December 2013, our Group had a total workforce of approximately 5,000 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 2013 amounted to RMB592.6 million, representing a increase of 20.6% compared with RMB491.2 million in 2012.

Payment of second interim dividend (in lieu of final dividend) for 2013

The Board has resolved to change the current practice from paying an interim dividend and a final dividend for a financial year to paying two interim dividends (i.e. first interim dividend and second interim dividend) with effect from the financial year ended 31 December 2013.

Accordingly, the Board has declared a second interim dividend for the year ended 31 December 2013 of HK$0.16 per share (2012 final dividend: HK$0.15 per share), which, together with the interim dividend of HK$0.15 per share paid in September 2013 will constitute a total dividend of HK$0.31 per share (2012: HK$0.27 per share) for the full year.

The second interim dividend will be paid on or about 25 April 2014 in cash to shareholders whose names appear on the register of members at the close of business on 11 April 2014.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held in Ningbo on 26 May 2014. 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 14 April 2014 to 17 April 2014 (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 11 April 2014, 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 19 May 2014 to 26 May 2014 (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 16 May 2014, 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 2013.

The Chairman of the Board, Mr. Zhang Jingzhang, and two non-executive Directors, Mr. Guo Mingguang and Mr. Liu Jianbo, were unable to attend the annual general meeting of the Company held on 21 May 2013 due to other important engagement. This was not in compliance with the following Code Provisions:

Code Provision A.6.7: independent non-executive directors and other non-executive directors shall attend general meetings.

Code Provision E.1.2: the chairman of the board should attend the annual general meeting.

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 2013, 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 2013 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 2014

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. Lou Baijun, Mr. Gao Xunxian, Dr. Steven Chow and Mr. Jin Hailiang.