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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 2016

HIGHLIGHTS

	2016 <i>RMB' million</i>	2015 <i>RMB' million</i>	Increase %
Revenue	8,098.1	7,336.4	10.4
Gross profit	2,783.2	2,419.3	15.0
Operating profit	1,811.0	1,545.5	17.2
Profit attributable to shareholders of the Company excluding change in fair value of convertible bonds	1,583.8	1,333.0	18.8
Profit attributable to shareholders of the Company	1,550.9	1,363.3	13.8
Basic Earnings per share (expressed in RMB per share)	0.97	0.85	13.8
Dividend per share (expressed in HK\$ per share)			
Second interim dividend	0.20	0.19	5.3
Full year dividend (including interim dividend)	0.37	0.35	5.7

- Amid the volatile market, we achieved extraordinary sales performance. Revenue increased 10.4% to RMB8,098.1 million compared to the results record in 2015
- Our strategic focus of small-tonnage full-electric machines and large-tonnage two-platen machines continued to deliver outstanding results. In 2016, the sales of our Zhafir electrical series and two-platen Jupiter series (large-tonnage two-platen PIMMs) increased to RMB795.1 million and RMB982.2 million, representing an increase of 17.7% and 32.5% compared to the results in 2015 respectively
- Gross profit margin improved to 34.4% (2015: 33.0%) as a result of enhancement in operation efficiency, stable steel related raw material costs and change in sales mix
- Profit attributable to the shareholders of the Company increased 13.8% to RMB1,550.9 million compared to the results of 2015. Excluding the non-cash accounting loss of change in fair value of convertible bonds issued in 2014 (“CB”), profit attributable to the shareholders of the Company would increase to RMB1,583.8 million, representing an increase of 18.8% to the results in 2015
- Earnings per share amounted to RMB0.97 per share during the period
- The Board declared a second interim dividend of HK\$0.20 per share and, together with the interim dividend of HK\$0.17 per share, constitute a total dividend of HK\$0.37 per share (2015: HK\$0.35 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 2016 with comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 December 2016

(Amounts expressed in RMB)

	<i>Note</i>	2016 RMB’000	2015 RMB’000
Revenue	2	8,098,053	7,336,445
Cost of sales		(5,314,869)	(4,917,178)
Gross profit		2,783,184	2,419,267
Selling and marketing expenses		(608,393)	(602,499)
General and administrative expenses		(488,147)	(428,635)
Other income		99,330	104,347
Other gains – net	3	25,053	53,026
Operating profit	4	1,811,027	1,545,506
Finance income		251,925	204,311
Finance costs		(152,335)	(77,041)
Finance income – net	5	99,590	127,270
Share of profit of an associate		3,045	3,526
Profit before income tax		1,913,662	1,676,302
Income tax expense	6	(362,787)	(312,967)
Profit for the year		1,550,875	1,363,335
Profit attributable to:			
Shareholders of the Company		1,550,890	1,363,335
Non-controlling interests		(15)	–
		1,550,875	1,363,335
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
– basic	7	0.97	0.85
– diluted	7	0.97	0.85
Dividends	8	515,024	464,976

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2016

(Amounts expressed in RMB)

	2016 RMB'000	2015 RMB'000
Profit for the year	1,550,875	1,363,335
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
Change in value of available-for-sale financial assets	26,097	7,963
Currency translation differences	6,438	2,847
Total comprehensive income for the year	1,583,410	1,374,145
Total comprehensive income attributable to:		
Shareholders of the Company	1,583,481	1,374,145
Non-controlling interests	(71)	–
	1,583,410	1,374,145

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

(Amounts expressed in RMB)

	<i>Note</i>	2016 RMB'000	2015 <i>RMB'000</i>
ASSETS			
Non-current assets			
Land use rights		373,307	381,663
Property, plant and equipment		2,712,312	2,416,698
Investment in an associate		13,057	13,602
Deferred income tax assets		55,263	49,291
Other receivables		10,855	510,595
Restricted bank deposits		–	50,000
Term deposits		100,000	–
		3,264,794	3,421,849
Current assets			
Inventories		1,720,104	1,557,437
Trade and bills receivable	10	2,593,435	2,414,225
Prepayments, deposits and other receivables		364,094	227,134
Prepaid income tax		2,184	–
Available-for-sale financial assets	11	3,729,044	2,812,987
Restricted bank deposits		112,741	114,010
Term deposits		50,000	–
Cash and cash equivalents		3,263,893	2,349,458
		11,835,495	9,475,251
Total assets		15,100,289	12,897,100
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		904,915	837,321
Retained earnings		6,721,130	5,690,564
		9,118,468	8,020,308
Non-controlling interests		610	–
Total equity		9,119,078	8,020,308

CONSOLIDATED BALANCE SHEET (Continued)*As at 31 December 2016**(Amounts expressed in RMB)*

	<i>Note</i>	2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		9,714	9,784
Deferred income tax liabilities		237,180	195,411
Convertible bonds	<i>14</i>	1,391,965	1,270,356
		1,638,859	1,475,551
Current liabilities			
Trade and bills payable	<i>13</i>	2,141,068	1,642,732
Accruals and other payables		1,440,239	1,250,663
Current income tax liabilities		83,387	71,471
Bank borrowings		677,658	435,961
Derivative financial instruments		–	414
		4,342,352	3,401,241
Total liabilities		5,981,211	4,876,792
Total equity and liabilities		15,100,289	12,897,100

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2016

(Amounts expressed in RMB)

	Note	Attributable to shareholders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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								
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		–	–	–	(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		<u>160,510</u>	<u>1,331,913</u>	<u>837,321</u>	<u>5,690,564</u>	<u>8,020,308</u>	<u>–</u>	<u>8,020,308</u>
Balance at 1 January 2016		160,510	1,331,913	837,321	5,690,564	8,020,308	–	8,020,308
Comprehensive income								
Profit for the year		–	–	–	1,550,890	1,550,890	(15)	1,550,875
Other comprehensive income								
Change in value of available-for-sale financial assets		–	–	26,097	–	26,097	–	26,097
Currency translation differences		–	–	6,494	–	6,494	(56)	6,438
Total comprehensive income for the year ended 31 December 2016		–	–	32,591	1,550,890	1,583,481	(71)	1,583,410
Transactions with owners								
Dividend paid								
– 2015 second interim	8	–	–	–	(254,197)	(254,197)	–	(254,197)
– 2016 interim	8	–	–	–	(231,124)	(231,124)	–	(231,124)
Appropriations		–	–	35,003	(35,003)	–	–	–
Capital injection from non-controlling interests		–	–	–	–	–	681	681
Total transactions with owners		–	–	35,003	(520,324)	(485,321)	681	(484,640)
Balance at 31 December 2016		<u>160,510</u>	<u>1,331,913</u>	<u>904,915</u>	<u>6,721,130</u>	<u>9,118,468</u>	<u>610</u>	<u>9,119,078</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*For the Year Ended 31 December 2016**(Amounts expressed in RMB)*

	2016 RMB'000	2015 <i>RMB'000</i>
Net cash generated from operating activities	1,927,784	1,056,025
Net cash used in investing activities	(770,406)	(907,211)
Net cash used in financing activities	(242,943)	(2,183)
Net increase in cash and cash equivalents	914,435	146,631
Cash and cash equivalents at beginning of year	2,349,458	2,202,827
Cash and cash equivalents at end of year	3,263,893	2,349,458

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, 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 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 2016:

- Clarification of acceptable methods of depreciation and amortisation – Amendments to HKAS 16 and HKAS 38
- Equity method in separate financial statements – Amendment to HKAS 27
- Financial instruments: Disclosures – Annual improvements to HKFRSs 2012–2014 cycle on HKFRS 7
- Employee benefits: Disclosures – Annual improvements to HKFRSs 2012–2014 cycle on HKFRS 19
- Interim financial reporting: Disclosures – Annual improvements to HKFRSs 2012–2014 cycle on HKFRS 34
- Investment entities: applying the consolidation exception – Amendments to HKFRS 10, HKFRS 12 and HKAS 28, and
- Disclosure initiative – amendments to HKAS 1

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 2016 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
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 41	Agriculture: bearer plants	1 January 2016
HKFRS 5 (Annual improvements to HKFRSs 2012–2014 cycle)	Non-current assets held for sale and discontinued operations	1 January 2016

(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 2016 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Income taxes	1 January 2017
Amendments to HKAS 7	Statement of cash flows	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16	Leases	1 January 2019
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 deferred/removed. Early application of the amendments continues to be permitted.

The Group is assessing the full impact of the standards and amendments, 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.

2. REVENUE AND SEGMENT INFORMATION

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Sales of plastic injection moulding machines and related products	<u>8,098,053</u>	<u>7,336,445</u>

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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Mainland China	5,663,200	4,981,093
Hong Kong and overseas countries	<u>2,434,853</u>	<u>2,355,352</u>
	<u>8,098,053</u>	<u>7,336,445</u>

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Total non-current assets other than term deposits, restricted bank deposits, financial assets and deferred income tax assets		
– Mainland China	2,889,577	2,691,324
– Hong Kong and overseas countries	<u>209,099</u>	<u>120,639</u>

3. OTHER GAINS – NET

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net foreign exchange gains	21,389	34,422
(Losses)/gains on disposals of property, plant and equipment and land use rights, net	(1,483)	8,026
Others	<u>5,147</u>	<u>10,578</u>
	<u>25,053</u>	<u>53,026</u>

4. OPERATING PROFIT

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Depreciation and amortisation	186,762	162,964
Raw materials and consumables used	4,563,636	4,242,767
Changes in inventories of finished goods and work in progress	(10,380)	92,546
Operating lease for buildings	11,538	12,861
Sales commission and after-sales service expenses	359,887	358,542
(Reversal of)/provision for impairment of trade receivables	(2,425)	3,908
Provision for write-down of inventories	37,990	4,268
Employment costs	774,600	688,967

5. FINANCE INCOME/COSTS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Finance costs:		
Change in fair value of convertible bonds		
– resulted from change in exchange rate	(88,680)	(74,920)
– resulted from change in bond value	(32,929)	30,310
Interest expense	(30,726)	(27,483)
Net foreign exchange losses	–	(4,948)
	(152,335)	(77,041)
Finance income:		
Interest income on restricted bank deposits, term deposits and cash and cash equivalents	32,599	39,485
Interest income on wealth management products	148,415	125,095
Interest income on entrusted loans	22,646	39,731
Net foreign exchange gains	48,265	–
	251,925	204,311
Finance income, net	99,590	127,270

6. INCOME TAX EXPENSE

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

	2016 RMB'000	2015 RMB'000
Current income tax		
– Mainland China enterprise income tax	288,911	245,726
– Overseas income tax	4,043	2,465
Deferred taxation	69,833	64,776
	<u>362,787</u>	<u>312,967</u>

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”) qualified as HNTE in 2015 and Ningbo Zhafir Plastic Machinery Co., Ltd. (“Ningbo Zhafir”) renewed its HNTE status in 2016. 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 2016 (2015: 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 2016 (2015: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2016 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.

	2016 RMB'000	2015 RMB'000
Profit attributable to shareholders of the Company	<u>1,550,890</u>	<u>1,363,335</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,596,000</u>	<u>1,596,000</u>
Basic EPS (RMB per share)	<u>0.97</u>	<u>0.85</u>

(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 2016 and 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.

8. DIVIDENDS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Interim dividend paid of HK 17.0 cents (2015: HK16.0 cents) per ordinary share	231,124	210,779
Second interim dividend of HK 20.0 cents (2015: HK19.0 cents) per ordinary share	<u>283,900</u>	<u>254,197</u>
	<u>515,024</u>	<u>464,976</u>

On 21 March 2017, the Company's Board of Directors has declared payment of a second interim dividend of HK20.0 cents per share for the year ended 31 December 2016 (2015: HK19.0 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 2017.

9. CAPITAL EXPENDITURE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Property, plant and equipment	<u>469,169</u>	<u>475,156</u>

10. TRADE AND BILLS RECEIVABLE

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 receivable based on invoice date is as follows:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Up to 6 months	2,303,021	2,024,710
6 months to 1 year	159,511	243,789
1 year to 2 years	109,518	126,594
2 year to 3 years	48,949	50,364
Over 3 years	<u>20,253</u>	<u>20,689</u>
	2,641,252	2,466,146
Less: provision for impairment	<u>(47,817)</u>	<u>(51,921)</u>
	<u>2,593,435</u>	<u>2,414,225</u>

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are RMB denominated wealth management products with expected return rate ranging from 2.8% to 6.8% (2015: 2.1% to 8.1%) per annum and with maturity dates between 4 days and 355 days (2015: between 2 days and 351 days). None of these assets is either past due or impaired (2015: None).

Bank borrowings are secured by available-for-sale financial assets for the value of RMB100,000 thousand (2015: RMB100,000 thousand).

12. SHARE CAPITAL

	Authorised share capital		
	Number of shares '000	Amount HKD'000	Amount RMB'000
As at 1 January 2015, 31 December 2015, and 31 December 2016 (shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350
	Issued and fully paid		
	Number of shares '000	Amount HKD'000	Amount RMB'000
As at 1 January 2015, 31 December 2015, and 31 December 2016 (shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

13. TRADE AND BILLS PAYABLE

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

	2016 RMB'000	2015 RMB'000
Up to 6 months	2,139,747	1,641,669
6 months to 1 year	285	190
1 year to 2 years	202	86
Over 2 years	834	787
	2,141,068	1,642,732

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 <i>RMB'000</i>
At 1 January 2015	1,225,746
Change in fair value of convertible bonds	<u>44,610</u>
At 31 December 2015	1,270,356
Change in fair value of convertible bonds	<u>121,609</u>
At 31 December 2016	<u>1,391,965</u>

The fair value of the convertible bonds as at 31 December 2016 is approximately USD200,658 thousand (2015: USD195,632 thousand), equivalent to approximately RMB1,391,965 thousand (2015: RMB1,270,356 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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Acquisition of property, plant and equipment – Contracted but not provided for	<u>107,857</u>	<u>283,698</u>

(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:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Not later than 1 year	14,441	13,850
Later than 1 year and no later than 5 years	<u>4,026</u>	<u>566</u>
	<u>18,467</u>	<u>14,416</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2016, the global market remained unstable for a number of reasons, including volatility in exchange rate of developing countries' currencies as a result of expected rate increase by US Federal Reserve and regional political tension resulting from a series of “Black Swan” events such as Brexit and results of US presidential election. As the China manufacturing PMI was below 50 for most of the time of the year, going through a period of slower growth in economic development has become a reality for domestic market in China. Even though Chinese economic growth still faces significant pressure, it is far more stable than most other regions in the world and a mild recovery in demand for plastic injection moulding machine industry arrived in the second half of 2016, even before a concrete full recovery in the domestic manufacturing sector.

2016 marked the 50th anniversary of the Group. Through the commitment of every employee of the Company and its business partners, we achieved another historical sales record this year and our sales reached RMB8,098.1 million, representing an increase of 10.4% compared to RMB7,336.4 million recorded in 2015. During the Period, as a result of stable raw materials costs, structural change in sales after the full launch of the “Plus” series machines and increase in sales, our operational efficiency and profitability continued to improve and enhance. Our gross profit margin improved from 33.0% in 2015 to 34.4% in 2016, as a result of (i) improvement in operational efficiency, (ii) stable steel related raw material costs, and (iii) aforesaid change in sales structure.

The improvement in gross profit margin led to increase of our operating profit to RMB1,811.0 million, representing an increase of 17.2% compared to RMB1,545.5 million in 2015. At the same time, the enhancement in operational efficiency led to an increase in the net profit margin (excluding the non-cash accounting loss of change in fair value of CB) from 18.2% in 2015 to 19.6% in 2016, reaching another record high in our history. The net profit attributable to shareholders of the Company amounted to RMB1,550.9 million in 2016, representing an increase of 13.8% when compared to the results in 2015. Excluding the non-cash accounting loss of change in fair value of CB, the adjusted net profit attributable to the shareholders of the Company would increase to RMB1,583.8 million, representing an increase of 18.8% compared to results in 2015.

The Board of Directors has declared a second interim dividend of HK\$0.20 per share for the year ended 31 December 2016 (2015: HK\$0.19) and the total dividend for 2016 would amount to HK\$0.37 (2015: HK\$0.35) per share.

Domestic and export sales

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

<i>(RMB million)</i>	2016	%	2015	%	2016 vs 2015
Domestic Sales	5,552.7	68.6%	4,869.2	66.4%	14.0%
Export Sales	2,360.8	29.2%	2,293.0	31.3%	3.0%
Parts	184.6	2.2%	174.2	2.3%	6.0%
Total	8,098.1	100%	7,336.4	100.0%	10.4%

Against the backdrop of new ordinary slower growth rate in domestic economy, the Chinese manufacturing PMI gradually improved in the second half of 2016 and stood above 50 since the fourth quarter. This reflected a mild recovery in the domestic manufacturing industries, among which the demand for plastic injection moulding machines started to resume its momentum. For 2016, our domestic sales increased by 14.0% to RMB5,552.7 million and further strengthened its leading position among industrial peers in China.

For international market, the consecutive Black Swan events in Europe and US led to an increasingly stronger US dollars, which caused the increased volatility in exchange rate of developing countries' currencies. This to a certain extent dampened the purchasing power of our customers in related regions. Nonetheless, our diversified market strategy continued to compensate such external adverse factors and our investment in Germany and India for the past years started to drive the sales growth in relevant regional markets. We recorded a historical high export sales of RMB2,360.8 million in 2016, representing an increase of 3.0% compared to results in 2015.

Sales mix of PIMMs by product series

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

<i>(RMB million)</i>	2016	%	2015	%	2016 vs 2015
Mars series (energy-saving features PIMMs)	5,548.9	68.5%	5,086.1	69.3%	9.1%
Zhafir electrical series	795.1	9.8%	675.7	9.2%	17.7%
Jupiter series (two-platen PIMMs)	982.2	12.1%	741.3	10.1%	32.5%
Other series	587.3	7.3%	659.1	9.0%	(10.9%)
Parts	184.6	2.3%	174.2	2.4%	6.0%
Total	<u>8,098.1</u>	<u>100%</u>	<u>7,336.4</u>	<u>100%</u>	<u>10.4%</u>

Despite the adverse influence on demand of some overseas customers in view of continuing adjustment in global economy which falls short of a full recovery, the domestic economy in China saw a mild recovery and this drove the demand in plastic injection moulding machines. That recovery in the second half of 2016 was more obvious in the sales of small tonnage machines, which are more sensitive and response faster to changes of market situation and economic performance. This led to improvement in the sales of our Mars series PIMMs, which increased 9.1% to RMB5,548.9 million in 2016 from RMB5,086.1 million in 2015.

Our strategy of shifting small tonnage PIMMs towards full-electric PIMMs and large-tonnage PIMMs to two-platen PIMMs continued to deliver outstanding results. The sales of our Zhafir electrical series and two-platen Jupiter Series (large two-platen PIMMs) in 2016 reached RMB795.1 million and RMB982.2 million, representing an increase of 17.7% and 32.5% respectively. In 2016, the sales mix of electric PIMMs in small tonnage PIMMs and that of two-platen PIMMs in medium-to-large tonnage PIMMs reached 15.3% (2015: 14.8%) and 36.3% (2015: 28.5%) respectively.

Prospect

While the global economy is far from a solid recovery, conflicts related to illegal immigrants and refugees after the recent terrorist incidents in Europe and regional political conflicts in Europe and US indirectly fuels the populism movements in many countries in the world. At the same time, the social instability following stagnation in economic growth in many countries bring further uncertainty for the country leaders in their management of economy and politics and may lead to increased measures of protectionism. After a slower economic growth is recognized as normal in China, the future growth in economy during such “L” shape growth period will rely on domestic consumption and will deliver a comparatively more stable development than other economies in the world.

Since the second half of 2016, the Chinese government implemented a number of policies including “Stable Growth, Reduce Overcapacity” with the target to bring the financial industry back on track. This strengthened the investment confidence among local customers and with Chinese manufacturing PMI above 50 the new investment in real economy becomes more active. This trend continued into early 2017 and the orders from customers well exceeded our expectation. The records achieved in 2016 proved that our business strategies are successful and we will continue to adhere to the principles of customer demand as guidance and implement “application-oriented” in our marketing strategy. This will allow us to seize the opportunity in the recent recovery and continue to deliver innovative products with high price-to-performance ratio to the customers.

US Federal Reserve’s plan to raise interest rate is becoming clear and the strengthening of US dollars is under way. With a more predictable path, the volatility from such factors and their impacts may become less disruptive and its magnitude much less. The global supply chain built under the World Trade Organization and its trade agreements brings the major economies and the world economy closer together and we are cautiously optimistic on the path to recovery for different economies in the world following the growth in Europe and US. We are also well prepared to the challenges in international markets by further implementing the strategies of local manufacturing in different regions such as Germany, India, Vietnam and other key markets.

Our strategy of innovation in technology, management and service once again received official recognition. Our wholly-owned subsidiary, Haitian Plastics Machinery Group Co., Ltd. was awarded winner for the plastic injection moulding machine industry among the list of manufacturing enterprises receiving awards from Ministry of Industry and Information Technology of Chinese Government. Our green and smart large-tonnage two-platen plastic injection moulding machine was awarded China Machinery Industrial First Grade Technology Award.

We believe our advanced research and development capabilities and innovation would match the new national strategy of “Made in China 2025” by Chinese Government. We will further innovate in our product development, manufacturing process and service to ride on the third industrial revolution of artificial intelligence. We target to build a solid foundation in providing smart automation product to our customers and continue to lead in the competitive industry in the world and create greater value for our customers, shareholders and employees.

Financial Review

Revenue

The still unstable global market and China going through a period of slower growth in economic development both posed challenges to the business of the Group. But we did witness a mild recovery in demand for plastic injection moulding machine industry in China in the second half of 2016 and we achieved another historical sales record in 2016. Our sales increased to RMB8,098.1 million, representing an increase of 10.4% compared to RMB7,336.4 million recorded in 2015. The recovery in domestic sales was more obvious with an increase of 14.0% to RMB5,552.7 million compared to results of 2015, while our export sales recorded a historical high of RMB2,360.8 million, representing an increase of 3.0% compared to results in 2015.

Gross Profit

In 2016, our gross profit reached RMB2,783.2 million, representing an increase of 15.0% compared to 2015. Overall gross margin increased from 33.0% in 2015 to 34.4% in 2016, as a result of (i) improvement in operational efficiency, (ii) stable steel related raw material costs, and (iii) change in sales mix after the full launch of the “Plus” series machines.

Selling and administrative expenses

The selling and administrative expenses increased by 6.3% from RMB1,031.1 million in 2015 to RMB1,096.5 million in 2016. The increase was due to increase in labour and administrative costs, research and development expenses and sales commission expenses.

Other income

Other income mainly consists of government subsidy and decreased by 4.8% from RMB104.3 million in 2015 to RMB99.3 million in 2016.

Finance income – net

We recorded a drop in net finance income from RMB127.3 million in 2015 to RMB99.6 million in 2016. The changes were mainly attributable to (i) our non-cash accounting loss of change in fair value of convertible bonds of RMB121.6 million in 2016 was significantly more than the same accounting loss of RMB44.6 million in 2015, which was partially off-set by (ii) net foreign exchange gains of RMB48.3 million in 2016 compared to net foreign exchange losses of RMB4.9 million in 2015.

Income tax expenses

Income tax expenses increased by 15.9% from RMB313.0 million in 2015 to RMB362.8 million in 2016. Our effective tax rate maintained at a similar level of 19.0% in 2016 (2015: 18.7%).

Net profit attributable to shareholders

As a result, our net profit attributable to shareholders of the Company in 2016 increased to RMB1,550.9 million, representing an increase of 13.8% compared to 2015. Excluding the change in fair value of convertible bonds, the adjusted net profit attributable to shareholders of the Company for 2016 increased to RMB1,583.8 million, representing an increase of 18.8% compared to 2015.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 31 December 2016, the Group's total cash and cash equivalents, term deposits and restricted cash amounted to RMB3,263.9 million, RMB150.0 million and RMB112.7 million respectively (31 December 2015: RMB2,349.5 million, nil and RMB164.0 million respectively). The Group's short-term bank borrowing amounted to RMB677.7 million as at 31 December 2016 (31 December 2015: RMB436.0 million).

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 2016, the convertible bonds balance amounted to RMB1,392.0 million which represented the market fair value of convertible bonds (31 December 2015: RMB1,270.4 million). CB of an aggregate principal amount of USD75,250,000 were redeemed by the Company on 13 February 2017 pursuant to exercise of rights of redemption by holders of such CB and please refer to the Company's announcement dated 16 January 2017 for details of such redemption.

The Group also placed certain surplus fund into wealth management products which recorded as available-for-sale financial assets. The wealth management products with floating interests ranging from 2.8% to 6.8% (2015: 2.1% to 8.1%) per annum. As at 31 December 2016, the Group's available for sale financial assets amounted to RMB3,729.0 million (31 December 2015: RMB2,813.0 million).

The net gearing ratio is defined by management as total borrowings net of cash divided by shareholders' equity. As at 31 December 2016, our Group was in a strong financial position with a net cash position amounting to RMB1,457.0 million (31 December 2015: RMB807.2 million). Accordingly, no gearing ratio is presented.

Capital Expenditure

In 2016, our capital expenditure consisted of additions of property, plant and equipment and land use rights which amounted to RMB469.2 million (2015: RMB475.2 million).

Charges on Group Assets

As at 31 December 2016, available-for-sale financial assets amounted to RMB100.0 million were pledged for issuing the letter of guarantee for borrowings (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).

Foreign Exchange Risk Management

During the Reported Period, our Group exported approximately 30.1% of its products to international markets. Such sales were denominated in U.S. dollars or other foreign currencies, while our Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of our total purchases. During the Reported Period, our Group borrowed certain Euro denominated bank loans to hedge the exchange risk of Euro denominated receivables arising from export sales.

Financial guarantee

As at 31 December 2016, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB1,250.5 million (31 December 2015: RMB979.4 million).

EMPLOYEES

As at 31 December 2016, our Group had a total workforce of approximately 5,140 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.

PAYMENT OF SECOND INTERIM DIVIDEND

The Board had declared a second interim dividend of HK\$0.20 per share for the year ended 31 December 2016 (2015: HK\$0.19 per share) which, together with the interim dividend of HK\$0.17 per share paid in September 2016 will constitute a total dividend of HK\$0.37 per share (2015: HK\$0.35 per share) for the full year. The second interim dividend is expected to be paid on or before 21 April 2017 to our shareholders whose names appear on the register of members of the Company on 12 April 2017.

ANNUAL GENERAL MEETING (“AGM”)

The AGM of the Company will be held in Ningbo on 18 May 2017. 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 register of members of the Company will be closed from 10 April 2017 to 12 April 2017 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the second interim dividend, all properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 7 April 2017.

(b) Entitlement to Attend and Vote at the AGM

The register of members of the Company to attend the AGM will be closed from 15 May 2017 to 18 May 2017 (both days inclusive). In order to be eligible to attend the AGM, all properly completed share 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 May 2017, for registration.

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 set out in Corporate Governance Code in Appendix 14 of the Listing Rules for the year ended 31 December 2016.

Two non-executive directors and one independent non-executive director were unable to attend the annual general meeting of the Company held on 18 May 2016 due to other business engagements. This was not in compliance with Code Provision A.6.7 which requires non-executive director and independent non-executive director 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 an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises 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 2016, 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 regularly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2016 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

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

PUBLICATION OF ANNUAL 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 of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

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

Ningbo, Zhejiang, China, 21 March 2017

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, Dr. Steven Chow, Mr. Jin Hailiang, and Mr. Guo Yonghui.