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 2017

HIGHLIGHTS

	2017	2016	Increase
	RMB' million	*RMB' million*	*%*
Revenue	**10,186.1**	8,098.1	25.8
Gross profit	**3,596.8**	2,783.2	29.2
Operating profit	**2,372.9**	1,811.0	31.0
Profit attributable to shareholders of the Company excluding change in fair value of convertible bonds	**2,101.3**	1,583.8	32.7
Profit attributable to shareholders of the Company	**2,005.4**	1,550.9	29.3
Basic Earnings per share (expressed in RMB per share)	**1.26**	0.97	29.3
Dividend per share (expressed in HK$ per share)			
Second interim dividend	**0.27**	0.20	35.0
Full year dividend (including interim dividend)	**0.52**	0.37	40.5

- With a consistent recovery in the market in 2017 and successful strategies in place, we achieved another sales record. Revenue increased 25.8% to RMB10,186.1 million compared to the results recorded in 2016

- Our strategic focus on small-tonnage full-electric machines and large-tonnage two-platen machines continued to deliver outstanding results. In 2017, the sales of our Zhafir electrical series PIMMs and Jupiter series large-tonnage two-platen PIMMs increased to RMB1,010.8 million and RMB1,323.1 million, representing an increase of 27.1% and 34.7% compared to the results in 2016 respectively

- Gross profit margin continued to improve to 35.3% (2016:34.4%) as a result of enhancement in operation efficiency, economy of scale and change in product mix by introduction of upgraded models of products

- Profit attributable to shareholders of the Company increase 29.3% to RMB2,005.4 million compared to the results of 2016. Excluding the non-cash accounting loss of change in fair value of convertible bonds issued in 2014 ("CB"), profit attributable to shareholders of the Company would increase to RMB2,101.3 million, representing an increase of 32.7% compared to the results in 2016

- Earnings per share amounted to RMB1.26 per share during the year

- The Board declared a second interim dividend of HK$0.27 per share and, together with the interim dividend of HK$0.25 per share constitute a total dividend of HK$0.52 per share (2016: HK$0.37 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 2017 with comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Year Ended 31 December 2017
(Amounts expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
Revenue	2	**10,186,066**	8,098,053
Cost of sales		**(6,589,259)**	(5,314,869)
Gross profit		**3,596,807**	2,783,184
Selling and marketing expenses		**(813,986)**	(608,393)
General and administrative expenses		**(511,263)**	(488,147)
Other income		**127,109**	99,330
Other (losses)/gains – net	3	**(25,778)**	25,053
Operating profit	4	**2,372,889**	1,811,027
Finance income		**229,628**	251,925
Finance costs		**(139,616)**	(152,335)
Finance income – net	5	**90,012**	99,590
Share of profit of an associate		**4,640**	3,045
Profit before income tax		**2,467,541**	1,913,662
Income tax expense	6	**(462,241)**	(362,787)
Profit for the year		**2,005,300**	1,550,875
Profit attributable to:			
Shareholders of the Company		**2,005,394**	1,550,890
Non-controlling interests		**(94)**	(15)
		2,005,300	1,550,875
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
– basic	7	**1.26**	0.97
– diluted	7	**1.26**	0.97
Dividends	8	**688,469**	515,024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2017
(Amounts expressed in RMB)

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**2,005,300**	1,550,875
Other comprehensive income:		
Items that maybe reclassified to profit or loss		
Change in value of available-for-sale financial assets	**63,224**	26,097
Currency translation differences	**(2,102)**	6,438
Total comprehensive income for the year	**2,066,422**	1,583,410
Total comprehensive income attributable to:		
Shareholders of the Company	**2,066,532**	1,583,481
Non-controlling interests	**(110)**	(71)
	2,066,422	1,583,410

CONSOLIDATED BALANCE SHEET
As at 31 December 2017
(Amounts expressed in RMB)

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Land use rights		**361,794**	373,307
Property, plant and equipment		**3,287,040**	2,712,312
Investment in an associate		**16,744**	13,057
Deferred income tax assets		**88,070**	55,263
Other receivables		**13,045**	10,855
Trade and bills receivable	*10*	**160,599**	–
Term deposits		**100,000**	100,000
		4,027,292	3,264,794
Current assets			
Inventories		**2,771,531**	1,720,104
Trade and bills receivable	*10*	**3,252,825**	2,593,435
Prepayments, deposits and other receivables		**242,393**	364,094
Prepaid income tax		**692**	2,184
Available-for-sale financial assets	*11*	**4,779,309**	3,729,044
Restricted bank deposits		**190,613**	112,741
Term deposits		**–**	50,000
Cash and cash equivalents		**3,029,252**	3,263,893
		14,266,615	11,835,495
Total assets		**18,293,907**	15,100,289
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		**1,129,513**	904,915
Retained earnings		**7,938,917**	6,721,130
		10,560,853	9,118,468
Non-controlling interests		**500**	610
Total equity		**10,561,353**	9,119,078

CONSOLIDATED BALANCE SHEET (*Continued*)
As at 31 December 2017
(Amounts expressed in RMB)

	Note	**2017** **RMB'000**	2016 *RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income		**9,987**	9,714
Deferred income tax liabilities		**267,695**	237,180
Convertible bonds	*14*	**915,591**	1,391,965
		1,193,273	1,638,859
Current liabilities			
Trade and bills payable	*13*	**3,368,057**	2,141,068
Accruals and other payables		**1,840,435**	1,440,239
Current income tax liabilities		**158,767**	83,387
Bank borrowings		**1,172,022**	677,658
		6,539,281	4,342,352
Total liabilities		**7,732,554**	5,981,211
Total equity and liabilities		**18,293,907**	15,100,289

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2017
(Amounts expressed in RMB)

		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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		–	–	–	(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		160,510	1,331,913	904,915	6,721,130	9,118,468	610	9,119,078
Balance at 1 January 2017		**160,510**	**1,331,913**	**904,915**	**6,721,130**	**9,118,468**	**610**	**9,119,078**
Comprehensive income								
Profit for the year		**–**	**–**	**–**	**2,005,394**	**2,005,394**	**(94)**	**2,005,300**
Other comprehensive income								
Change in value of available-for-sale financial assets		**–**	**–**	**63,224**	**–**	**63,224**	**–**	**63,224**
Currency translation differences		**–**	**–**	**(2,086)**	**–**	**(2,086)**	**(16)**	**(2,102)**
Total comprehensive income for the year ended 31 December 2017		**–**	**–**	**61,138**	**2,005,394**	**2,066,532**	**(110)**	**2,066,422**
Transactions with owners								
Dividend paid								
– 2016 second interim	8	**–**	**–**	**–**	**(283,900)**	**(283,900)**	**–**	**(283,900)**
– 2017 interim	8	**–**	**–**	**–**	**(340,247)**	**(340,247)**	**–**	**(340,247)**
Appropriations		**–**	**–**	**163,460**	**(163,460)**	**–**	**–**	**–**
Total transactions with owners		**–**	**–**	**163,460**	**(787,607)**	**(624,147)**	**–**	**(624,147)**
Balance at 31 December 2017		**160,510**	**1,331,913**	**1,129,513**	**7,938,917**	**10,560,853**	**500**	**10,561,353**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2017

(Amounts expressed in RMB)

	2017	2016
	RMB'000	*RMB'000*
Net cash generated from operating activities	**1,797,692**	1,927,784
Net cash used in investing activities	**(1,361,953)**	(770,406)
Net cash used in financing activities	**(670,380)**	(242,943)
Net (decrease)/increase in cash and cash equivalents	**(234,641)**	914,435
Cash and cash equivalents at beginning of year	**3,263,893**	2,349,458
Cash and cash equivalents at end of year	**3,029,252**	3,263,893

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 new and amended standards are mandatory for the first time for the financial year beginning 1 January 2017:

Amendments to HKAS 12 'Income taxes' is effective for annual periods beginning on or after 1 January 2017. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKAS 7 'Statement of cash flows' is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments and interpretations as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2017 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
Amendments to HKFRS 12	Disclosure of interest in other entities	1 January 2017

(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 2017 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
Amendments to HKFRS 1	First time adoption of HKFRS	1 January 2018
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments HKFRS 4	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018 *(i)*
HKFRS 15	Revenue from contracts with customers	1 January 2018 *(ii)*
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
Amendment to HKAS 28	Investments in associates and joint ventures	1 January 2018
Amendments to HKAS 40	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2019 *(iii)*
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021 or when apply HKFRS 15 and HKFRS 9

(i) HKFRS 9, Financial instruments

Nature of change

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The debt instruments that are currently classified as available-for-sale financial assets do not appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) nor being measured at amortised cost. Hence, the debt instruments will be measured at fair value through profit or loss (FVPL).

The Group's financial liabilities that are designated at fair value through profit or loss are convertible bonds. There are no significant impact on the Group's accounting for financial liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not identify any hedge relationships. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group is still assessing the actual impact affected by the new model, it may result in an earlier recognition of credit losses for trade receivables. But according to the preliminary result, the financial impact is expected to be immaterial.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by Group

Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

(ii) *HKFRS 15, Revenue from Contracts with Customers*

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the likely effects of applying the new standard on the group's financial statements and has identified the following areas that will be affected:

- Accounting for unique products – the application of HKFRS 15 may result in a change of revenue recognition pattern to over-time recognition, which could affect the time of the recognition of revenue, and

- Accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15.

- Accounting for revenue from contracts with financial component – the transaction price may need to be adjusted for the effects of the time value of money under HKFRS 15.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(iii) *HKFRS 16, Leases*

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the 31 December 2017, the Group has non-cancellable operating lease commitments of RMB6,523 thousand. The group estimates that approximately 100% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the group's profit or loss and classification of cash flows going forward.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. REVENUE AND SEGMENT INFORMATION

	2017	2016
	RMB'000	*RMB'000*
Sales of plastic injection moulding machines and related products	**10,186,066**	8,098,053

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:

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**7,134,943**	5,663,200
Hong Kong and overseas countries	**3,051,123**	2,434,853
	10,186,066	8,098,053

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:

	2017	2016
	RMB'000	*RMB'000*
Total non-current assets other than term deposits, restricted bank deposits, financial assets and deferred income tax assets		
– Mainland China	**3,134,925**	2,889,577
– Hong Kong and overseas countries	**530,653**	209,099
	3,665,578	3,098,676

3. OTHER (LOSSES)/GAINS – NET

	2017	2016
	RMB'000	*RMB'000*
Net foreign exchange (losses)/gains	**(39,746)**	21,389
Gains/(losses) on disposals of property, plant and equipment and land use rights,net	**11,300**	(1,483)
Others	**2,668**	5,147
	(25,778)	25,053

4. OPERATING PROFIT

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

	2017 *RMB'000*	2016 *RMB'000*
Depreciation and amortisation	**215,767**	186,762
Raw materials and consumables used	**6,455,650**	4,563,636
Changes in inventories of finished goods and work in progress	**(692,005)**	(10,380)
Operating lease for buildings	**9,190**	11,538
Sales commission and after-sales service expenses	**542,794**	359,887
Reversal of impairment of trade receivables	**(4,706)**	(2,425)
(Reversal of)/provision for write-down of inventories	**(32,762)**	37,990
Employment costs[(i)]	**873,100**	774,600

(i) In the year ended 31 December 2017, the employment costs related to the research and development activities were RMB111,751 thousand (2016: RMB102,966 thousand).

5. FINANCE INCOME/COSTS

	2017 *RMB'000*	2016 *RMB'000*
Finance costs:		
Change in fair value of convertible bonds		
– resulted from change in exchange rate	**55,216**	(88,680)
– resulted from change in bond value	**(95,885)**	(32,929)
Interest expense	**(42,435)**	(30,726)
Net foreign exchange losses	**(56,512)**	–
	(139,616)	(152,335)
Finance income:		
Interest income on restricted bank deposits, term deposits and cash and cash equivalents	**39,659**	32,599
Interest income on wealth management products	**188,638**	148,415
Interest income on entrusted loans	**1,331**	22,646
Net foreign exchange gains	**–**	48,265
	229,628	251,925
Finance income, net	**90,012**	99,590

6. INCOME TAX EXPENSE

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

	2017	2016
	RMB'000	*RMB'000*
Current income tax		
– Mainland China enterprise income tax	**380,266**	288,911
– Overseas income tax	**17,781**	4,043
Deferred taxation	**64,194**	69,833
	462,241	362,787

Haitian Plastic Machinery Group Limited ("Haitian Plastic Machinery") and Ningbo Haitian Huayuan Co., Ltd. ("Haitian Huayuan") renewed their High and New Technology Enterprises ("HNTE") status in 2017. Wuxi Haitian Machinery Co., Ltd. ("Wuxi Haitian") renewed 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 2017 (2016: 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 2017 (2016: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2017 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.

	2017	2016
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**2,005,394**	1,550,890
Weighted average number of ordinary shares in issue (thousands)	**1,596,000**	1,596,000
Basic EPS (RMB per share)	**1.26**	0.97

(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. In 2017, pursuant to the terms and conditions of the Bonds, the Company redeemed convertible bonds with an aggregate percentage of 37.625% of the principal value according to the requirement of the Bondholders. The remaining 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 2017 and 31 December 2016, 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

	2017 ***RMB'000***	2016 *RMB'000*
Interim dividend paid of HK25.0 cents (2016: HK17.0 cents) per ordinary share	**340,247**	231,124
Second interim dividend of HK27.0 cents (2016: HK20.0 cents) per ordinary share	**348,222**	283,900
	688,469	515,024

On 21 March 2018, the Company's Board of Directors has declared payment of a second interim dividend of HK27.0 cents per share for the year ended 31 December 2017 (2016: HK20.0 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 2018.

9. CAPITAL EXPENDITURE

	2017 ***RMB'000***	2016 *RMB'000*
Property, plant and equipment	**796,926**	469,169

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:

	2017	2016
	RMB'000	*RMB'000*
Up to 6 months	**2,863,170**	2,303,021
6 months to 1 year	**480,392**	159,511
1 year to 2 years	**69,689**	109,518
2 year to 3 years	**23,025**	48,949
Over 3 years	**18,410**	20,253
	3,454,686	2,641,252
Less: provision for impairment	**(41,262)**	(47,817)
	3,413,424	2,593,435

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are RMB denominated wealth management products with expected return rate ranging from 3.1% to 7.5% (2016: 2.8% to 6.8%) per annum and with maturity dates between 7 days and 360 days (2016: between 4 days and 355 days). None of these assets is either past due or impaired (2016: None).

12. SHARE CAPITAL

	Authorised share capital		
	Number of shares	**Amount**	**Amount**
	'000	*HKD'000*	*RMB'000*
As at 1 January 2016, 31 December 2016, and 31 December 2017 (shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares	**Amount**	**Amount**
	'000	*HKD'000*	*RMB'000*
As at 1 January 2016, 31 December 2016, and 31 December 2017 (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:

	2017	2016
	RMB'000	*RMB'000*
Up to 6 months	**3,366,648**	2,139,747
6 months to 1 year	**289**	285
1 year to 2 years	**75**	202
Over 2 years	**1,045**	834
	3,368,057	2,141,068

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 the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK$24.6740 per share.

On 13 February 2017, pursuant to the terms and conditions of the Bonds, the Company redeemed convertible bonds with an aggregate principal amount of USD75,250 thousand according to the requirement of the Bondholders. Accordingly, the Redeemed Bonds were redeemed at 100% of their principal amount, together with any accrued but unpaid interest thereon. The Redeemed Bonds were cancelled upon redemption and the remaining outstanding aggregate principal amount of the Bonds will be reduced to USD124,750 thousand.

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 year.

	Convertible bonds
	RMB'000
At 1 January 2016	**1,270,356**
Change in fair value of convertible bonds	**121,609**
At 31 December 2016	**1,391,965**
Change in fair value of convertible bonds	**40,669**
Repayment of Convertible bonds	**(517,043)**
At 31 December 2017	**915,591**

The fair value of the convertible bonds as at 31 December 2017 is approximately USD140,123 thousand (2016: USD200,658 thousand), equivalent to approximately RMB915,591 thousand (2016: RMB1,391,965 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

	2017	2016
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment		
– Contracted but not provided for	**284,002**	107,857

(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:

	2017	2016
	RMB'000	*RMB'000*
Not later than 1 year	**6,024**	14,441
Later than 1 year and no later than 5 years	**499**	4,026
	6,523	18,467

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2017, the Chinese government adopted a proactive fiscal policy which focused on the implementation of supply-side structural reform over economic policies such as reducing over-capacity, de-leveraging and de-stocking, with the purpose to match the needs of the new economic norms. Such policy approach led to recovery of the investment sentiment of domestic enterprises and improvement in the overall economic outlook. From a global economic perspective, developments tend to be more diverse from country to country and in different regions. After experiencing domestic political conflicts, the refugee crisis and Brexit, European Union member states saw a better-than-expected economic recovery. In the United States, with the implementation of various policies adopted by the new administration, inflation and employment indices moved towards the government's goal while the domestic economic growth momentum further augmented. In spite of the rise of trade protectionism in some regions, the global economy gradually recovered from the downturn while both developed economies and emerging markets have been on a gradual up-swing. However, more and more regional and bilateral trade relationships need to be observed and considered in the future. In China, under various factors such as increasing domestic demand and recovering external demand, the growth rate of GDP rose for the first time in seven years, with a year-on-year increase of 6.9%, providing a strong impetus also for the growth in the plastic injection moulding machine market.

Through the commitment of all employees of the Company and its business partners, we achieved another record sales of RMB10,186.1 million for the year ended 31 December 2017, representing an increase of 25.8% compared to the same period in 2016. During the period, as a result of the increase in the Company's production efficiency and change in product mix, our operational efficiency and profitability continued to improve and enhance throughout the year. For the year of 2017, our gross profit margin improved to 35.3% from 34.4% in the same period of 2016, mainly as a result of (i) improvement in operational efficiency, (ii) economy of scale and (iii) change in product mix by introduction of upgraded models of products.

For the year ended 31 December 2017, the increase in sales volume and improvement in gross profit margin led to increase of our operating profit to RMB2,372.9 million, representing an increase of 31.0% when compared to RMB1,811.0 million in the same period of 2016. 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 19.6% in 2016 to 20.6% in 2017, reaching another record high in our history. The net profit attributable to shareholders of the Company for the year ended 31 December 2017 amounted to RMB2,005.4 million, representing an increase of 29.3% when compared to that of 2016. Excluding the non-cash accounting loss of change in fair value of CB, the adjusted net profit attributable to shareholders of the Company would increase to RMB2,101.3 million, representing an increase of 32.7% when compared to the same period in 2016.

The Board of Directors has declared a second interim dividend of HK$0.27 per share for the year ended 31 December 2017 (2016: HK$0.20) and the total dividend for 2017 would amount to HK$0.52 (2016: HK$0.37) per share.

Domestic and export sales

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

(RMB million)	**2017**	%	2016	%	**2017 vs 2016**
Domestic Sales	**6,989.3**	**68.6%**	5,552.7	68.6%	**25.9%**
Export Sales	**2,954.7**	**29.0%**	2,360.8	29.2%	**25.2%**
Parts	**242.1**	**2.4%**	184.6	2.2%	**31.1%**
Total	**10,186.1**	**100%**	8,098.1	100%	**25.8%**

In China, with the first GDP growth rate increase in seven years in 2017, the domestic corporate investment momentum improved and fueled the domestic plastic injection moulding machinery industry with strong demand. In 2017, our domestic sales increased by 25.9% to RMB6,989.3 million, way ahead among industrial peers.

Under a gradual up-swing of the global economy, although at larger diversification, not only the developed economies (such as U.S., Europe and Japan) showed signs of recovery, but the general growth rate of emerging markets also rebounded. For example, both Russia and Brazil reversed their negative growth rate in last year. At the same time, the labour markets in the U.S. and Europe continue to improve while the international commodity prices are relatively stable. Our continuous investment in particular important overseas markets such as Germany, India and Mexico further drove the sales in such regions and enhance our service quality. During the year of 2017, we recorded export sales of RMB2,954.7 million, representing an increase of 25.2% as compared to the same period in 2016.

Sales mix of PIMMs by product series

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

(RMB million)	**2017**	%	2016	%	**2017 vs 2016**
Mars series (energy-saving features PIMMs)	**7,072.7**	**69.4%**	5,548.9	68.5%	**27.5%**
Zhafir electrical series PIMMs	**1,010.8**	**9.9%**	795.1	9.8%	**27.1%**
Jupiter series (two-platen PIMMs)	**1,323.1**	**13.0%**	982.2	12.1%	**34.7%**
Other series	**537.4**	**5.3%**	587.3	7.3%	**(8.5%)**
Parts	**242.1**	**2.4%**	184.6	2.3%	**31.2%**
Total	**10,186.1**	**100%**	8,098.1	100%	**25.8%**

As the majority of economies in the world have been improving gradually, the demand in the plastic injection moulding machinery industry was strong throughout the year. The sales of our Mars series PIMMs, which feature highly efficient energy-saving servo-system and enhanced machine structure, recorded a strong growth, which increased from RMB5,548.9 million in 2016 to RMB7,072.7 million in 2017, representing an increase of 27.5%. Mars series PIMMs, with successful introduction of its second generation, remained our principal products and accounted for 69.4% of our total sales. With its rising market share, the sales of Mars series is in line with the demand in the mass application PIMM market.

Our Zhafir electrical series PIMMs and Jupiter series two-platen PIMMs receive increasing recognition from domestic and overseas customers since the launch of our strategy of shifting small-tonnage PIMMs to full-electric PIMMs and large-tonnage PIMMs to two-platen PIMMs. The production upgrade for domestic manufacturers in China also witnessed the increasing popularity of our Zhafir electrical and Jupiter two-platen PIMMs and their sales reached RMB1,010.8 million and RMB1,323.1 million in 2017, representing an increase of 27.1% and 34.7% compared to the same period in 2016 respectively. For 2017, the sales mix of electrical PIMMs in small tonnage PIMMs reached 15.8% (2016: 15.3%) and that of two-platen PIMMs in medium-to-large PIMMs reached 37.3% (2016: 36.3%) respectively.

Prospect

The recovery momentum of different economies in the world was further sustained and strengthened since 2017 and we are optimistic that this trend will continue in 2018. The approval and implementation of the U.S. government's tax reform policy would put the U.S. economy on the track of recovery. Economies in Europe have become diversified and regionalized under the leadership of different governments but the recovery momentum in Europe shall continue. However, we are also aware of the rising trend of trade protectionism in certain countries and this will affect the growth of free trade under globalization. The economic conflicts between some countries and regions may also bring uncertainties to the economic growth from a global perspective.

From the global competitive landscape, China's economic growth in 2018 is subject to a number of uncertainties. China's goods and services face increasingly stronger pressure and obstacles in the worldwide markets. The wave of conservatism around the world is confronting with the Chinese economy in an unprecedented way. However, as the Chinese government continues to deepen the supply-side structural reform, promote industrial transformation and upgrades, and optimize investment structures, we can clearly observe the progress in maintenance of steady growth for industrial production and consolidation in recovery of private investment, especially after the business tax-to-value-added tax reform where taxes can be offset by fixed-asset investment directly. For foreign investments, the Chinese government further stepped up its effort in opening up to attract foreign investment, including a series of measures such as the implementation of negative list management on foreign invested industries, reducing the restrictions on foreign-invested services industry to a larger extent, and introducing the suspension of tax levy against foreign-invested entities regarding their reinvested foreign earnings. We remain confident of China's economic growth in general.

We remain cautiously optimistic with regards to the complicated global economic conditions. Inflation has emerged worldwide, although at different paces. This will lead to a corresponding growth in prices, which include production material prices, thereby causing the continuous increase in raw material costs which affect production enterprises while driving the continuous growth of the economy globally.

The diversified strategic measures, based on the proven three pillar strategy "Communication – Innovation – Efficiency" adopted by the Company towards different markets around the world over the years, have achieved remarkable results. After several years of strenuous efforts, the U.S. market in the North America has become the Company's largest single export market last year, achieving a growth rate of 16.0% in 2017. The high-end product markets in the Europe and Germany in particular also achieved a remarkable growth of 19.1% and 24.0% in 2017. Therefore, we remain optimistic about the market demand in the countries along the Belt and Road, and will further increase the investment in the Indian market, which is expected to become another very strong geographical market for our future growth.

2018 marks the year of transformation in efficiency for Haitian. Besides further stepping up in the implementation of transformation from a sales-and-service focus to market-and-application focus, we also actively perform internal reforms so as to enhance the Company's productivity and efficiency. We will continue to execute our production automation target "8+16" to enhance our production efficiency and reduce costs.

Our previous effort in promoting quality management has successfully transformed our product strategy from the "high price-to-performance ratio" to "high quality" and has obtained outstanding results. We were awarded with "China machinery industry quality brand benchmarking" (中國機械工業質量品牌標杆) and "China machinery industry quality work (project)" (中國機械工業優質工程（項目）) on the 2017 National Machinery Industry Quality Brand Promotion Conference (2017 年全國機械工業質量品牌提升大會), where Haitian is the only awardee from the plastics injection moulding machine industry.

The industrial upgrade and innovation development in China benefit its domestic economy, as well as support development in other countries around the world. Under the national strategy of Made in China 2025, we will continue to develop and design our products with the enhanced opportunities resulting from new technologies in digitalization and automation in manufacturing. We will also continue to provide customized solution to our customers through Haitian Smart Solution, striving to create greater value for our customers, shareholders and employees.

Financial Review

Revenue

In 2017, our sales increased to RMB10,186.1 million, representing an increase of 25.8% compared to RMB8,098.1 million recorded in 2016. The domestic sales were increased by 25.9% to RMB6,989.3 million compared to results of 2016, way ahead among industrial peers, while our export sales recorded a historical high of RMB2,954.7 million, representing an increase of 25.2% compared to results in 2016.

Gross Profit

In 2017, our gross profit reached RMB3,596.8 million, representing an increase of 29.2% compared to 2016. Overall gross margin increased from 34.4% in 2016 to 35.3% in 2017, as a result of (i) improvement in operational efficiency, (ii) economy of scale and (iii) change in product mix by introduction of upgraded models of products.

Selling and administrative expenses

The selling and administrative expenses increased by 20.9% from RMB1,096.5 million in 2016 to RMB1,325.2 million in 2017. The increase was due to increase in sales commission expenses and labour and administrative costs. The labour costs related to the research and development activities increased from RMB103.0 million in 2016 to RMB111.8 million in 2017.

Other income

Other income mainly consists of government subsidy and increased by 28.0% from RMB99.3 million in 2016 to RMB127.1 million in 2017.

Finance income – net

We recorded a drop in net finance income from RMB99.6 million in 2016 to RMB90.0 million in 2017. The changes were mainly attributable to (i) net foreign exchange losses of RMB56.5 million in 2017 compared to net foreign exchange gains of RMB48.3 million in 2016, (ii) our non-cash accounting loss of change in fair value of convertible bonds of RMB40.7 million in 2017 was less than the same accounting loss of RMB121.6 million in 2016, (iii) increase in interest income from RMB203.7 million in 2016 to RMB229.6 million in 2017, resulting from increase average bank balance and wealth management products, and (iv) increase in interest expense from RMB30.7 million in 2016 to RMB42.4 million in 2017, as a result of increase in bank loans.

Income tax expenses

Income tax expenses increased by 27.4% from RMB362.8 million in 2016 to RMB462.2 million in 2017. Our effective tax rate maintained at a similar level of 18.7% in 2017 (2016: 19.0%).

Net profit attributable to shareholders

As a result, our net profit attributable to shareholders of the Company in 2017 increased to RMB2,005.4 million, representing an increase of 29.3% compared to 2016. Excluding the change in fair value of convertible bonds, the adjusted net profit attributable to shareholders of the Company for 2017 increased to RMB2,101.3 million, representing an increase of 32.7% compared to 2016.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 31 December 2017, the Group's total cash and cash equivalents, term deposits and restricted cash amounted to RMB3,029.3 million, RMB100.0 million and RMB190.6 million respectively (31 December 2016: RMB3,263.9 million, RMB150.0 million and RMB112.7 million respectively). The Group's short-term bank borrowing amounted to RMB1,172.0 million as at 31 December 2017 (31 December 2016: RMB677.7 million).

In February 2014, we issued US dollar denominated 2.00 coupon CB due 2019 of USD200 million for general corporate purposes. In February 2017, we redeemed CB of USD75.25 million and the remaining outstanding aggregate principal amount of CB was reduced to USD124.75 million. As at 31 December 2017, the convertible bonds balance amounted to RMB915.6 million which represented its market fair value of CB (31 December 2016: RMB1,392.0 million).

The Group also placed certain surplus fund into wealth management products which were recorded as available-for-sale financial assets. The wealth management products carry floating interests ranging from 3.1% to 7.5% (2016: 2.8% to 6.8%) per annum. As at 31 December 2017, the Group's available-for-sale financial assets amounted to RMB4,779.3 million (31 December 2016: RMB3,729.0 million).

The net gearing ratio is defined by our management as total borrowings net of cash divided by shareholders' equity. As at 31 December 2017, our Group was in a strong financial position with a net cash position amounting to RMB1,232.3 million (31 December 2016: RMB1,457.0 million). Accordingly, no net gearing ratio is presented.

Capital Expenditure

In 2017, our capital expenditure consisted of additions of property, plant and equipment and land use rights, which amounted to RMB796.9 million (2016: RMB469.2 million).

Charges on Group Assets

As at 31 December 2017, no assets were pledged for our Group (31 December 2016: 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 29.9% 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 2017, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB1,158.5 million (31 December 2016: RMB1,250.5 million).

EMPLOYEES

As at 31 December 2017, our Group had a total workforce of approximately 6,000 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.

PAYMENT OF SECOND INTERIM DIVIDEND

The Board had declared a second interim dividend of HK$0.27 per share for the year ended 31 December 2017 (2016: HK$0.20 per share) which, together with the interim dividend of HK$0.25 per share paid in September 2017 will constitute a total dividend of HK$0.52 per share (2016: HK$0.37 per share) for the full year. The second interim dividend is expected to be paid on or before 23 April 2018 to our shareholders whose names appear on the register of members of the Company on 12 April 2018.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held on 25 May 2018. 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 2018 to 12 April 2018 (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 at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4 :30 p.m. on 9 April 2018.

(b) Entitlement to Attend and Vote at the AGM

The register of members of the Company to attend the AGM will be closed from 21 May 2018 to 25 May 2018 (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 18 May 2018, 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 2017.

Three non-executive directors and two independent non-executive directors were unable to attend the annual general meeting of the Company held on 18 May 2017 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 2017, 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 confirmed that they had complied with the required standard set out in the Model Code during 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 2017 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 2018

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.