HAITIAN INTERNATIONAL HOLDINGS LIMITED

海天國際控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock Code: 1882)

Announcement of Annual Results For the year ended 31 December 2008

HIGHLIGHTS

	Year ended 31 December		
	2008	2007	Change
	RMB'million	*RMB'million*	*%*
Sales	**3,694.4**	3,824.9	(3.4)
Profit before income tax	**442.0**	600.1	(26.3)
Profit attributable to equity holders of the Company	**405.2**	568.4	(28.7)
Basic earnings per share (expressed in RMB per share)	**0.25**	0.36	(28.7)
Dividend per share (expressed in HK cents per share)			
Proposed final	**3.0**	10.0	(70.0)
Full year	**9.5**	19.0	(50.0)

- Under the tough business environment, a mild decrease of sales by 3.4% to RMB3,694.4 million
- Profit attributable to equity holders of the Company decreased to RMB405.2 million, representing a decrease of 28.7%
- Basic earnings per share amounted to RMB0.25 during the year
- The Board proposed a final dividend of HK3.0 cents per share
- Solid balance sheet with net cash of RMB925.1 million to fund future growth

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 2008 with comparative figure for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the Year Ended 31 December 2008
(Amounts expressed in RMB)

	Note	**2008** *RMB'000*	2007 *RMB'000*
Sales	*2*	**3,694,370**	3,824,850
Cost of sales		**(2,708,606)**	(2,704,001)
Gross profit		**985,764**	1,120,849
Selling and marketing expenses		**(386,212)**	(362,137)
General and administrative expenses		**(194,192)**	(162,244)
Other income	*3*	**26,554**	23,374
Other losses — net	*4*	**(14,963)**	(44,076)
Operating profit	*5*	**416,951**	575,766
Finance income		**29,982**	31,189
Finance costs		**(5,066)**	(6,845)
Finance income — net	*6*	**24,916**	24,344
Share of profit of an associate		**161**	6
Profit before income tax		**442,028**	600,116
Income tax expense	*7*	**(36,781)**	(31,948)
Profit for the year		**405,247**	568,168
Attributable to:			
Equity holders of the Company		**405,247**	568,423
Minority interest		**—**	(255)
		405,247	568,168
Earnings per share for profit attributable to equity holders of the Company during the year *(expressed in RMB per share)*			
— basic	*8*	**0.25**	0.36
Dividends	*9*	**136,741**	284,288

CONSOLIDATED BALANCE SHEET
As at 31 December 2008
(Amounts expressed in RMB)

	Note	2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Land use rights		**248,983**	141,564
Property, plant and equipment		**1,135,898**	960,554
Intangible assets		**7,701**	9,801
Investment in an associate		**642**	481
Deferred income tax assets		**33,701**	18,146
Deposits and other receivables		**—**	24,500
		1,426,925	1,155,046
Current assets			
Inventories		**896,295**	992,109
Trade and bills receivables	10	**865,048**	1,032,955
Prepayments, deposits and other receivables		**136,342**	126,548
Pledged bank deposits		**2,373**	6,221
Cash and cash equivalents		**1,235,080**	1,491,585
		3,135,138	3,649,418
Total assets		**4,562,063**	4,804,464
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	12	**160,510**	160,510
Reserves		**2,792,492**	2,634,992
		2,953,002	2,795,502
Minority interest		**—**	1,060
Total equity		**2,953,002**	2,796,562
LIABILITIES			
Non-current liabilities			
Deferred income		**22,369**	—
Current liabilities			
Trade and bills payables	11	**793,059**	1,294,215
Accruals and other payables		**479,131**	554,921
Current income tax liabilities		**2,149**	—
Bank borrowings		**312,353**	158,766
		1,586,692	2,007,902
Total liabilities		**1,609,061**	2,007,902
Total equity and liabilities		**4,562,063**	4,804,464
Net current assets		**1,548,446**	1,641,516
Total assets less current liabilities		**2,975,371**	2,796,562

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2008
(Amounts expressed in RMB)

	Attributable to equity holders of the Company			
	Share capital *RMB'000*	**Reserves** *RMB'000*	**Minority interest** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2007	160,510	2,208,547	1,308	2,370,365
Profit for the year	—	568,423	(255)	568,168
Minority interest recognised upon the acquisition of a subsidiary	—	—	7	7
Dividend paid — 2007 interim	—	(139,403)	—	(139,403)
Currency translation differences	—	(2,575)	—	(2,575)
Balance at 31 December 2007	160,510	2,634,992	1,060	2,796,562
Balance at 1 January 2008	160,510	2,634,992	1,060	2,796,562
Contribution from minority interest	—	1,060	(1,060)	—
Profit for the year	—	405,247	—	405,247
Dividend paid				
— 2007 final	—	(144,885)	—	(144,885)
— 2008 interim	—	(94,516)	—	(94,516)
Currency translation differences	—	(9,406)	—	(9,406)
Balance at 31 December 2008	**160,510**	**2,792,492**	**—**	**2,953,002**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 31 December 2008

(Amounts expressed in RMB)

	2008	2007
	RMB'000	*RMB'000*
Net cash generated from operating activities	**222,816**	329,336
Net cash used in investing activities	**(393,507)**	(312,828)
Net cash used in financing activities	**(85,814)**	(237,020)
Net decrease in cash and cash equivalents	**(256,505)**	(220,512)
Cash and cash equivalents at beginning of year	**1,491,585**	1,712,097
Cash and cash equivalents at end of year	**1,235,080**	1,491,585

Notes:

1. **BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention.

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

Standards, amendments and interpretations to existing standards effective in 2008

The following standards, amendments and interpretations to existing standards, which are relevant to the Group's operations, are mandatory for year ended 31 December 2008. The adoption of these HKFRS has no impact on the Group's financial statements.

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement

The following interpretation to existing standards is mandatory for year ended 31 December 2008 but is not relevant the Group's operations:

HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirement and their Interaction

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments

Apart from the above, the HKICPA has also issued improvements to HKFRS. The amendments are primarily effective for annual periods beginning on or after 1 January 2009, with earlier application permitted. The Group does not expect adoption of the amendments to have a significant effect on the consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are currently not relevant for the Group's operations.

HKAS 32 (Amendments) and HKAS 1 (Amendments)	Financial Instruments: Presentation and Presentation of Financial Statements — Puttable financial instruments and obligations arising on liquidation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible hedged items
HKFRS 1 (Amendment) and HKAS 27	First-time Adoption of Hong Kong Financial Reporting Standards and Consolidated and separate financial statements
HKFRS 2 (Amendment)	Share-based payment
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfer of Assets from Customers

2. SALES AND SEGMENT INFORMATION

	2008	2007
	RMB'000	*RMB'000*
Sales of plastic moulding injection machine and related products	**3,694,370**	3,824,850

The Group is principally engaged in manufacturing and distribution of plastic injection moulding machines. Substantially of the Group's operations and its assets are located in Mainland China. Therefore no business segment or geographical segment is presented.

3. OTHER INCOME

	2008	2007
	RMB'000	*RMB'000*
Government grants	**26,120**	23,137
Amortisation of deferred income	**434**	—
Others	**—**	237
	26,554	23,374

4. OTHER LOSSES — NET

	2008	2007
	RMB'000	*RMB'000*
Net exchange loss	**(14,689)**	(43,506)
Loss on disposals of property, plant and equipment, net	**(574)**	(1,557)
Others	**300**	987
	(14,963)	(44,076)

5. OPERATIING PROFIT

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

	2008	2007
	RMB'000	*RMB'000*
Depreciation and amortisation	**101,540**	79,353
Warranty expenses	**13,001**	13,361
(Reversal of)/provision for impairment of trade receivables	**(1,665)**	7,876
Provision for write-down of inventories	**15,326**	25,449
Raw materials and consumables used	**2,314,177**	2,646,710

6. FINANCE INCOME/COSTS

	2008	2007
	RMB'000	*RMB'000*
Finance costs:		
Interest expense on borrowings	**(7,681)**	(6,845)
Net foreign exchange gains on borrowings	**2,615**	—
	(5,066)	(6,845)
Finance income:		
Interest income on pledged bank deposits and cash and cash equivalents	**27,909**	31,189
Interest income on loans to distributors	**2,073**	—
	29,982	31,189
Finance income, net	**24,916**	24,344

7. INCOME TAX EXPENSE

	2008	2007
	RMB'000	*RMB'000*
Current income tax		
— Mainland China enterprise income tax	**52,104**	39,437
— Overseas tax	**232**	—
Deferred taxation	**(15,555)**	(7,489)
	36,781	31,948

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit attributable to the equity holders of the Company of approximately RMB405,247,000 (2007: RMB568,423,000) and on the weighted average number of approximately 1,596,000,000 (2007: 1,596,000,000) ordinary shares in issue during the year.

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

9. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Interim dividend paid of HK6.5 cents (2007: HK9.0 cents) per ordinary share	**94,516**	139,403
Proposed final dividend of HK3.0 cents (2007: HK10.0 cents) per ordinary share	**42,225**	144,885
	136,741	284,288

The Company's Board of Directors has recommended payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2008 (2007: HK10.0 cents per share), which is subject to the approval by the Company's shareholders at the upcoming Annual General Meeting. The proposed dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings during the year ending 31 December 2009.

10. TRADE AND BILLS RECEIVABLES

The credit terms granted to customers are different depending on individual customer's credit history and ranging from 15 days to 24 months. The ageing analysis of trade and bills receivables is as follows:

	2008	2007
	RMB'000	*RMB'000*
Up to 6 months	**728,784**	884,228
6 months to 1 year	**97,448**	97,510
1 year to 2 years	**42,536**	52,424
Over 2 years	**16,228**	21,657
	884,996	1,055,819
Less: provision for impairment	**(19,948)**	(22,864)
	865,048	1,032,955

11. TRADE AND BILLS PAYABLES

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

	2008	2007
	RMB'000	*RMB'000*
Up to 6 months	**791,390**	1,291,274
6 months to 1 year	**605**	2,796
1 year to 2 years	**1,064**	145
	793,059	1,294,215

12. SHARE CAPITAL

	Authorised share capital		
	Number of shares	**Amount**	
	'000	*HK$'000*	*RMB'000*
As at 31 December 2007 and 2008	5,000,000	500,000	502,350

	Issued and fully paid up		
	Number of shares	**Amount**	
	'000	*HK$'000*	*RMB'000*
As at 31 December 2007 and 2008	1,596,000	159,600	160,510

The total number of authorised ordinary shares is 5,000,000,000 shares (2007: 5,000,000,000 shares) with a par value of HK$0.1 per share.

13. COMMITMENTS

(a) Capital commitments

	2008	2007
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment		
— Contracted but not provided for	**91,059**	121,222

(b) Operating lease commitments

The Group leases certain of its office premises, 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:

	2008	2007
	RMB'000	*RMB'000*
Not later than 1 year	**2,623**	2,788
Later than 1 year and not later than 5 years	**1,896**	1,564
	4,519	4,352

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The year 2008 was a challenging and difficult year for every sector of the global industry. The Group was confronted by a challenging business environment including outbreak of the US sub-prime mortgage crisis, shrinkage in the consumer demand and the unprecedented fluctuation of raw material price. With the effort of our strategy in continuous product advancement and diversification, we still managed to record a mild sales growth in the first half of 2008. However, the sales growth momentum prevailing in the first half of 2008 was hit by the drastic market downturn in the second half of the year. The adverse effect of US sub-prime mortgage crisis began to prominently surface in the fourth quarter of 2008 and caused the demand for the Group's products dropped. On top of the negative impact of badly shaken investment confidence resulting from rapid spread of the financial turmoil, the Group's business was also suffered from temporarily delay of orders resulted from the value-added tax ("VAT") reform of Mainland China in the fourth quarter of 2008. Under the VAT reform, our customers are allowed to deduct input VAT for fixed-asset purchased after 1 January 2009. Even though the policy would effectively encourage the corporate investment in machineries by saving 17% VAT cash outflow in the long-run, it led to our customers postponing their purchase plans until after 1 January 2009. As a result, the Group's sales performance in 2008 was seriously affected by these external factors and recorded turnover amounting to RMB3,694.4 million, representing a decrease of 3.4% as compared with RMB3,824.9 million for 2007.

Due to the change in market condition as evident by plummeting market demand for plastic injection moulding machines ("PIMMs") especially for small tonnage PIMMs and sales of our small tonnage PIMMs experienced a decline of 12.4% to RMB2,228.9 million. Nonetheless, our strategy of product diversification and improvement allowed us to be more resilient to the market softening than other industry peers. The continued acceptance of our energy-saving machines namely Mars (J5) series and the increase in sales of medium to large tonnage PIMMs, which are more often used by industries less influenced by the financial turmoil such as logistics and electrical home appliances, has partially offset the decline in demand in small tonnage PIMMs. For the year under review, our medium to large tonnage PIMMs, increased by 13.9% to RMB1,377.6 million. In addition, our Mars (J5) series, the high precision and energy saving PIMMs has recorded a significant increase in sales to RMB1,016.5 million for the year representing a growth of 136.3% compared to 2007. Currently, the Mars (J5) series accounted for 27.5% of our total sales for the year under review.

Besides the shrinkage in demand of capital goods hit our business, we also experienced another challenge of the pressure of the surge of raw material costs during the year. The unprecedented fluctuation of iron and steel price has adversely affected our profitability. With the pressure of hiking material cost, we took decisive actions towards cost optimization by raising our selling price of products by approximately 6% in 2008, improving our product mix in higher margin products (medium to large tonnage PIMMs and Mars (J5) series) and adopting certain cost saving measures to minimize the adverse impact on our financial performance during the year. The gross profit margin has decreased to 26.7% as compared to approximately 29.3% in 2007. Coupled with increase in our operating expense and effective tax rate resulting from expiry of tax holiday of a number of subsidiaries, the Group's profit attributable to equity holders of the Company for year 2008 is RMB405.2 million, which is 28.7% less than 2007.

Outlook

In 2009, this dynamic and challenging environment caused by the financial tsunami will persist until the global consumer confidence restores. In the short term, the recession of the global economy will inevitably remain disturbed in the development of industry and hamper in our sales performance in 2009. On the other hand, we noted several unfavorable factors suffering us in the first half of 2008, such as hiking plastic and steel prices, appreciation of Renminbi and tightening of Chinese austerity have been dramatically swept away by this financial tsunami.

The Group remains optimistic about the prospect for the PIMMs industry in the medium and long term because of its strong fundamentals. In response to the rapidly deteriorating global economy devastated by the financial tsunami, the Mainland China Government embarked on a four trillion RMB stimulus package in 2008. In addition, following 1 January 2009, the effective date of the VAT reform, our customers are allowed to deduct input VAT for fixed-asset purchases. These measures will help encourage corporate investment in equipment in the long run and drive the growth of the domestic demand of PIMMs in the future. Since it takes time for the stimulus plan to re-activate the economy with remarkable results, the market is still clouded with uncertainties. We expect our business performance this year may be worse than that of the year 2008. We believe that Mainland China's macro-economy can recover from the financial turmoil at a pace faster than other countries. With approximately 60% sales in domestic market, we will be in a prime position to benefit from its recovery.

With history of more than 40 years, the Group has navigated through the different crises over the decades such as Asian financial turmoil in 1997 and the SARS crisis in 2003. The Group consistently overcame the crises and emerged even stronger. Under the current tough environment, the Group is consistently to be one of a few winners by delivering value to our customers, strengthening our pre-sales and after-sales services, improving product mix, and increasing market share. The Group has proactively addressed the impacts of the global financial tsunami by implementing stringent cost control measures, optimising production process to lower the production and logistic costs, adjusting management structure and trimming hierarchical structure to enhance management efficiency as well as expediting product development to gear to the market demands. Having our prestigious brand, unmatched quality and price-performance ratio, self-developed core technology and efficient production scale, we are able to create much higher value in the production process than industry peer and maintain satisfactory profitability in this environment. The Group is confident that the current difficulties can be overcome and we are well positioned to reach a new height while the future demand for PIMMs will again grow at a healthy pace.

Products and Research and Development

We believe research and development ("R&D") is one of the core competitivenesses of the Group in meeting the dynamic needs of customers and sustaining our leading position in future. We are committed to product innovation and our research and development team is comprised of more than 270 engineers and technicians, representing approximately nearly 8% of our total staff. In the next 12 months, more R&D resources and effort will be devoted to introducing new generations of products. Even under the adverse market conditions, we believe that demand can be created by introduction of latest and quality products which properly fulfill the consumer needs especially the increasing consumer concerns in cost, effectiveness and reliability. By capitalising on our cutting edge R&D technology in energy saving solution and two platen PIMMs, we combined these two self-developed knowhow to develop a new series of two platen PIMMs equipped with Mars technology. In addition, we are in the progress of developing new version of the energy-saving PIMMs, Mars (J5), which is expected to be launched in 2009. In order to further enhance our R&D capabilities, we started a post-PHD R&D programme in January 2008. Under this programme, Haitian will fund a team of PHD graduates working with Beijing University of Chemical Technology to conduct researches in new plastic processing technology and the development of new PIMM models for future commercial use.

In July 2008, the Group was recognized as one of the innovative enterprises amongst the other 90 companies in China. The companies with such honor must have their own patented technologies, well-known brands, strong international competitive edge and technological sustainable development potential, and also passing expert panel evaluations jointly conducted by Ministry of Science and Technology, the State Council's Assets Supervision and Administration Commission (SASAC) and the All-China Federation of Trade Unions after two year trial observation period. In future, the government will give certain policy incentives and increase public funding to bolster research and development in these awarded companies. Other awarded companies include China Aerospace Science and Technology Co, China Aluminum Co, ZTE Corporation and Lenovo Group.

During the year, the Group's research projects for high precision PIMMs jointly partnered with Chinese academic institutions, is one of the "2007 National Science and Technology Support Program", which received a subsidy funding from government amounted to RMB9.5 million during the year (This subsidy has not yet been fully recognized as income during the year in accordance with prevailing accounting requirements).

During the year, our products continued to receive excellent technological and market achievements. The Group received the following major awards and market achievements for its products:

Zhafir all-electric machines:	the evaluation panel of the Kielce exhibition (Poland International Fair of Plastics Processing Plastpol) awarded the medal of "excellent rating".
Energy-saving PIMMs, Mars (J5):	the Municipal Government of Ningbo awarded the First Class Award of Scientific and Technological Advancement of Ningbo （寧波市科學技術進步一等獎） in 2008.
	The sales increased to RMB1,016.5 million for the year representing a growth of 136.2% compared to 2007.
Two platen PIMM series:	The sales increased to RMB95.2 million for the year representing a growth of 170.2% compared to 2007.

Financial Review

Sales

Despite the ongoing adverse business environment in the general PIMM market due to the above unfavorable factors, the Group's sales recorded a mild decreased from RMB3,824.9 million to RMB3,694.4 million, representing a decrease of 3.4%.

The Group's sales by geographic areas is shown in the following table:

	2008 *RMB'000*		2007 *RMB'000*		*Change*
PIMMs					
— Domestic	**2,262,999**	**61.2%**	2,502,580	65.4%	(9.6%)
— Export	**1,343,544**	**36.4%**	1,250,425	32.7%	7.4%
Related Parts	**87,827**	**2.4%**	71,845	1.9%	22.2%
	3,694,370		3,824,850		

During the year, the sales in domestic market decreased by 9.6% which was due to the weakening market demand caused by the financial turmoil and postponement of purchases during the transitional period of Mainland China's VAT reform. In contrast the international market still strived to maintain a mild growth of 7.4% as a result of the Group's continuous strategy to develop new markets and clients with renowned brandnames of Haitian.

The decrease of sales in 2008 was mainly attributable to the decrease of sales in our small tonnage PIMMs by 12.4% compared to 2007 but was partially offset by i) the growth in medium to large tonnage PIMMs of 13.9% compared to corresponding period in 2007, ii) improvement of sales mix, and iii) increase in selling price of products by approximately 6% during the year.

During the year, the average selling price was increased from RMB197,000 to RMB236,000 and the number of unit sold decreased from 19,000 to 15,300. The increase in average selling price is mainly due to the increase in sales mix of higher margin products (energy saving PIMMs and large tonnage PIMMs) and the increase of selling price during the year.

Gross Profit

During the year, the Group recorded gross profit of approximately RMB985.8 million representing a decrease of approximately 12.1% compared with the corresponding period in 2007. Overall gross margin has decreased from 29.3% in 2007 to 26.7% in 2008. The decrease in gross margin for the year was mainly due to rapid surge in raw material cost in the first three quarters which, however, was partially offset by i) raising of selling price by 6% during 2008 and ii) improved product mix to higher margin products including new generation of energy saving PIMMs and large tonnage PIMMs.

Selling and administrative expenses

The selling and administrative expenses increased by 10.7% from RMB524.4 million in 2007 to RMB580.4 million in 2008, primarily due to i) the increase in sales commission expenses resulting from higher commission rate paid for higher margin products ii) the commencement of operation of new factory in Ningbo, and iii) increase in R&D expenses for certain PIMMs projects.

Other income

Other income mainly represented government subsidy and increased by 13.6% from RMB23.4 million in 2007 to RMB26.6 million in 2008. Besides, the Group also received approximately RMB9.5 million research subsidies for a research project recognized as a National Science and Technology Support Program during the year. However, this subsidy has not yet fully recognized as income during the year in accordance with prevailing accounting requirements.

Other losses, net

Other losses, net decreased by 66.1% from RMB44.1 million in 2007 to RMB15.0 million in 2008 which was represented mainly by the exchange losses. In the first half of 2007, there was a significant accounting translation losses incurred from the global offering's proceeds deposited in Hong Kong dollars. In 2008, the Group has deposited most cash in Renminbi and therefore the exchange losses decreased significantly. In order to hedge the exchange risk of US dollar denominated receivable arised from export sales, the Group has also borrowed a US dollar denominated bank loan amounted to RMB268.3 million during the year.

Operating profit

As a result of the foregoing, the operating profit decreased from RMB575.8 million in 2007 to RMB417.0 million during the year.

Finance income — net

Finance income, net increased by 2.5% from RMB24.3 million in 2007 to RMB24.9 million during the year.

Income tax expenses

Income tax expenses increased by 15.1% from RMB31.9 million in 2007 to RMB36.8 million for the year due to the expiration of tax holiday of certain operating subsidiaries expired after 2007.

Capital Expenditure

In the year ended 31 December 2008, our capital expenditure consisted of additions of land use rights and property, plant and equipment amounted to RMB406.8 million (2007: RMB340.9 million).

Liquidity and Financial Resources

The gearing ratio is defined as net debt (represented by borrowings net of time deposits and bank balances and cash) divided by shareholders' equity. As at 31 December 2008, the Group is in a strong financial position with a net cash position amounting to RMB925.1 million (2007: RMB1,339.0 million). Hence, no gearing ratio is presented. The bank loan increased from RMB 158.8 million at 31 December 2007 to RMB312.4 million at 31 December 2008 was due to the Group has borrowed a US dollar denominated bank loan amounted to RMB268.3 million to hedge the exchange risk of US dollar denominated receivable arised from export sales and offset by the settlement of previous year's Renminbi bank loans.

Charges on Group Assets

As at 31 December 2008, the Group has pledged deposits of RMB2.4 million (2007: RMB6.2 million) as collaterals against certain trade finance facilities granted by banks.

Foreign Exchange Risk Management

The Group exports approximately 35% of its products to international markets which sales are denominated in U.S. dollars or other foreign currencies, while the Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of total purchases. The Group has not used any forward contracts or other means to hedge its foreign currency exposure however the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts. During the year, the Group has borrowed a U.S. dollar denominated bank loan amounted to RMB268.3 million to hedge the exchange risk of U.S. dollar denominated receivable arised from export sales.

Contingent Liabilities

As at 31 December 2008, the Group has RMB309.2 million (2007: RMB221.1 million) guarantee given to the banks in connection with facilities granted to customers.

Human Resources

As at 31 December 2008, the Group had a total workforce of approximately 3,700, majority of which is located in the Mainland China. The Group offers its staff competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and Group performance. The Group is committed to nurturing a learning culture in the organization. Total staff costs for 2008 amounted to RMB283.3 million compared against RMB248.8 million in 2007.

Proposed Final Dividend

The Board has resolved to recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2008 which is expected to be paid on or before 3 June 2009 to its shareholders whose names appear on the register of members at the close of business on 28 May 2009, subject to final approval at the Annual General Meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 May 2009 to 28 May 2009 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares 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 25 May 2009.

CORPORATE GOVERNANCE

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 set of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the directors, the Company complied with all the applicable code provisions of the Code as set out in the Appendix 14 to the Listing Rules during the year.

Compliance with the 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 have confirmed that they had complied with the standards set out in the Model Code during the Period.

AUDIT COMMITTEE REVIEW

The audit committee, together with the management, has reviewed constantly the accounting principles and practices adopted by the Group, discussed internal controls and financial reporting matters. It has also reviewed the financial results of the Group for the year ended 31 December 2008 and recommended them to the Board for approval. The financial information and figures as disclosed in this announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditor, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.

PUBLICATION OF RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk) and the Company's website (http://www.haitian.com). The annual report will be dispatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

Zhang Jianming
Chief Executive Officer

PRC, 1 April 2009

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