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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

	Six months ended 30 June		Change %
	2019 <i>RMB' million</i>	2018 <i>RMB' million</i>	
Revenue	5,008.9	5,877.4	-14.8
Gross profit	1,584.6	1,824.3	-13.1
Operating profit	1,104.3	1,362.8	-19.0
Profit attributable to shareholders of the Company excluding change in fair value of convertible bonds ("CB") resulted from bond value changes	911.5	1,076.3	-15.3
Profit attributable to shareholders of the Company	908.0	1,169.4	-22.3
Basic Earnings per share (expressed in RMB per share)	0.57	0.73	-22.3
Dividend per share (expressed in HK\$ per share)			
Proposed interim dividend	0.21	0.25	-16.0

- With the slow-down in global economic growth and the emergence of trade protectionism, we recorded a first-half year revenue of RMB5,008.9 million for the six months ended 30 June 2019, representing a decrease of 14.8% compared to the same period in 2018.
- With adjustment in the Company's business development strategy and the demand for upgraded products in the market, the sales of our Zhafir electrical series PIMMs increased by 13.6%, to RMB773.1 million, compared to the first half of 2018 and its share in sales of small-tonnage PIMMs increased to 22.5%. With the influence by the downside of automotive and household appliance industries, Jupiter series (large two-platen PIMMs) dropped by 20.5% to RMB663.7 million, compared to RMB835.2 million in the first half of 2018. However, its share in sales of large-tonnage PIMMs increased to 44.1%.
- Gross profit margin increased to 31.6% mainly resulting as a result of a combination of the increase of RMB-denominated export revenue resulting from the fluctuation of the exchange rate and the slight decrease in raw material prices compared to the same period of last year (1H2018: 31.0%).
- Net profit attributable to shareholders of the Company for the six months ended 30 June 2019 decreased to RMB908.0 million, representing a decrease of 22.3% compared to the first half of 2018. Excluding the non-cash accounting gain of change in fair value in CB, net profit attributable to shareholders of the Company for the six months ended 30 June 2019 would amount to RMB911.5 million, representing a decrease of 15.3% compared to the first half of 2018.
- The Company always keeps focusing on flexibility and efficiency in operation and has solid capital management capacity. The cash flow of the Company from operation for the six months ended on June 2019 reached RMB1,365.6 million (1H2018: RMB882.1 million) and the net cash position (including wealth management product) increased to RMB7,389.0 million (31 December 2018: RMB6,652.0 million).
- Basic earnings per share amounted to RMB0.57 during the period, representing a decrease of 22.3% compared to the same period in last year.
- The Board declared an interim dividend of HKD0.21 per share.

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Haitian International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts expressed in RMB'000 unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2019	2018
Revenue	4	5,008,929	5,877,350
Cost of sales		(3,424,338)	(4,053,026)
Gross profit		1,584,591	1,824,324
Selling and marketing expenses		(402,840)	(439,930)
General and administrative expenses		(362,786)	(302,292)
Other income		201,159	119,172
Other gain – net		84,173	161,480
Operating profit	5	1,104,297	1,362,754
Finance income	6	61,860	118,347
Finance costs	6	(34,690)	(20,769)
Finance income – net	6	27,170	97,578
Share of profit of an associate		–	2,147
Profit before income tax		1,131,467	1,462,479
Income tax expense	7	(223,458)	(293,094)
Profit for the period		908,009	1,169,385
Profit attributable to:			
Shareholders of the Company		909,359	1,169,365
Non-controlling interests		(1,350)	20
		908,009	1,169,385
Dividends	8	301,587	354,312
Earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share)			
– Basic and Diluted	9	0.57	0.73

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2019	2018
Profit for the period	908,009	1,169,385
Other comprehensive income for the period:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>4,110</u>	<u>(12,116)</u>
Total comprehensive income for the period	<u>912,119</u>	<u>1,157,269</u>
Total comprehensive income attributable to:		
Shareholders of the Company	913,449	1,157,231
Non-controlling interests	<u>(1,330)</u>	<u>38</u>

CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts expressed in RMB'000 unless otherwise stated)

		30 June 2019	31 December 2018
	<i>Note</i>	Unaudited	Audited
ASSETS			
Non-current assets			
Land use rights	3(c)	–	487,485
Property, plant and equipment		3,579,940	3,552,607
Right-of-use assets	3(c)	485,195	–
Intangible assets		55,802	56,462
Deferred income tax assets		120,478	120,113
Other financial assets at amortized cost		117,698	8,838
Trade and bills receivable	11	107,838	117,152
Term deposits		760,000	50,000
		5,226,951	4,392,657
Current assets			
Inventories		2,384,193	2,708,011
Trade and bills receivable	11	2,835,838	2,950,611
Other financial assets at amortized cost		125,320	88,432
Prepayments and other assets		128,736	181,883
Prepaid income tax		1,595	6,708
Financial assets at fair value through profit or loss	12	4,214,741	4,349,616
Restricted bank deposits		92,551	244,990
Term deposits		–	100,000
Cash and cash equivalents		3,320,988	3,769,637
		13,103,962	14,399,888
Total assets		18,330,913	18,792,545
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	13	160,510	160,510
Share premium		1,331,913	1,331,913
Other reserves		1,503,945	1,526,670
Retained earnings		9,578,428	8,901,433
		12,574,796	11,920,526
Non-controlling interests		5,256	6,586
Total equity		12,580,052	11,927,112

CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*
(Amounts expressed in RMB'000 unless otherwise stated)

	<i>Note</i>	30 June 2019 Unaudited	31 December 2018 Audited
LIABILITIES			
Non-current liabilities			
Deferred income		36,594	30,286
Deferred income tax liabilities		239,563	192,314
Lease liabilities	<i>3(c)</i>	615	–
		<u>276,772</u>	<u>222,600</u>
Current liabilities			
Trade and bills payable	<i>14</i>	2,788,597	2,669,190
Accruals and other payables		939,501	1,046,344
Contract liabilities		608,303	756,807
Current income tax liabilities		137,615	308,327
Bank borrowings		999,200	1,009,397
Convertible bonds	<i>15</i>	–	852,768
Lease liabilities	<i>3(c)</i>	873	–
		<u>5,474,089</u>	<u>6,642,833</u>
Total liabilities		<u>5,750,861</u>	<u>6,865,433</u>
Total equity and liabilities		<u>18,330,913</u>	<u>18,792,545</u>
Net current assets		<u>7,629,873</u>	<u>7,757,055</u>
Total assets less current liabilities		<u>12,856,824</u>	<u>12,149,712</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts expressed in RMB'000 unless otherwise stated)

	Attributable to shareholders of the Company					Non- controlling interests	Total equity
	Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2018	160,510	1,331,913	1,129,513	7,938,917	10,560,853	500	10,561,353
Change in accounting policy	–	–	(124,308)	124,308	–	–	–
Restated total equity at 1 January 2018	160,510	1,331,913	1,005,205	8,063,225	10,560,853	500	10,561,353
Comprehensive income							
Profit for the period	–	–	–	1,169,365	1,169,365	20	1,169,385
Other comprehensive income							
Currency translation differences	–	–	(12,134)	–	(12,134)	18	(12,116)
Total comprehensive income for the period ended 30 June 2018	–	–	(12,134)	1,169,365	1,157,231	38	1,157,269
Transactions with owners							
Dividend paid – 2017 second interim	–	–	–	(348,222)	(348,222)	–	(348,222)
Appropriations	–	–	139,390	(139,390)	–	–	–
Total transactions with owners	–	–	139,390	(487,612)	(348,222)	–	(348,222)
Balance at 30 June 2018	160,510	1,331,913	1,132,461	8,744,978	11,369,862	538	11,370,400
Balance at 1 January 2019	160,510	1,331,913	1,526,670	8,901,433	11,920,526	6,586	11,927,112
Comprehensive income							
Profit for the period	–	–	–	909,359	909,359	(1,350)	908,009
Other comprehensive income							
Currency translation differences	–	–	4,090	–	4,090	20	4,110
Total comprehensive income for the period ended 30 June 2019	–	–	4,090	909,359	913,449	(1,330)	912,119
Transactions with owners							
Dividend paid – 2018 second interim	–	–	–	(259,179)	(259,179)	–	(259,179)
Utilisation of other reserves	–	–	(26,815)	26,815	–	–	–
Total transactions with owners	–	–	(26,815)	(232,364)	(259,179)	–	(259,179)
Balance at 30 June 2019	160,510	1,331,913	1,503,945	9,578,428	12,574,796	5,256	12,580,052

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in RMB'000 unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2019	2018
Cash flows from operating activities:			
Net cash generated from operating activities		<u>1,365,578</u>	<u>882,129</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(264,838)	(365,205)
Payment for acquisition of an associate		–	(38,686)
Net (purchase of)/proceeds from financial instruments		(564,941)	303,000
Interests received		<u>128,296</u>	<u>157,533</u>
Net cash (used in)/generated from investing activities		<u>(701,483)</u>	<u>56,642</u>
Cash flows from financing activities:			
Net changes in bank borrowings		(10,197)	(583,061)
Dividends paid to the Company's shareholders		(259,179)	(348,222)
Redemption of convertible bonds		<u>(843,368)</u>	<u>–</u>
Net cash used in financing activities		<u>(1,112,744)</u>	<u>(931,283)</u>
Net (decrease)/increase in cash and cash equivalents		(448,649)	7,488
Cash and cash equivalents at beginning of period		<u>3,769,637</u>	<u>3,029,252</u>
Cash and cash equivalents at end of period		<u>3,320,988</u>	<u>3,036,740</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. GENERAL INFORMATION

Haitian International Holdings Limited (the “Company”) was incorporated on 13 July 2006, as an exempted company with limited liability under the Companies Law, Cap. 22, (Law 3 of 1961, as combined and revised) of the Cayman Islands.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 22 December 2006 and its registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company and its subsidiaries (the “Group”) are principally engaged in manufacturing and sale of plastic injection moulding machines (the “Plastic Injection Moulding Machines Business”).

In the opinion of the directors, the ultimate holding company of the Company is Sky Treasure Capital Limited, a company incorporated in the British Virgin Islands.

This unaudited condensed consolidated interim financial information was approved for issue on 26 August 2019.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

3. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The new standard became applicable for the current Reporting Period and the Group had to change its accounting policies accordingly. The impact of adopting following standard is disclosed in note (c) below

- HKFRS 16 Leases

The other standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

		Effective for annual periods beginning on or after
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint venture	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019

(b) New standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

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

(c) Changes in accounting policy

The Group leases various offices, plant and equipment. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The range of lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75% to 6.25%.

	<i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	3,168
Less:	
Short-term leases recognised on a straight-line basis as expense	(2,496)
	<u>672</u>
Discounted using the lessee’s incremental borrowing rate at the date of initial application, lease liability recognised as at 1 January 2019	<u>591</u>
Of which are:	
Current lease liabilities	430
Non-current lease liabilities	<u>161</u>
Add:	
Reclassification of land use rights	<u>487,485</u>
Right-of-use assets recognised as at 1 January 2019	<u><u>488,076</u></u>

The right-of-use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Land use rights	483,641	487,485
Buildings	1,372	272
Equipment and others	182	319
	<hr/>	<hr/>
Total right-of-use assets	485,195	488,076
	<hr/>	<hr/>
Current lease liabilities	873	430
Non-current lease liabilities	615	161
	<hr/>	<hr/>
Total lease liabilities	1,488	591
	<hr/>	<hr/>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB488,076 thousand
- Land use rights – decrease by RMB487,485 thousand
- Lease liabilities (current portion) – increase by RMB430 thousand
- Lease liabilities (non-current portion) – increase by RMB161 thousand

There was no impact on retained earnings on 1 January 2019.

(i) *Impact on segment disclosures and profit*

Based on 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, therefore no segment information are affected by the change in policy.

(ii) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

4. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of plastic injection moulding machines and related products	<u>5,008,929</u>	<u>5,877,350</u>

The Group is mainly engaged in the manufacturing and the sale of plastic injection moulding machines. The internal reporting for the chief operating decision-maker is provided on a whole-entity basis. Accordingly the Group only has one reportable segment and no further segment information is provided.

The Group is domiciled in Mainland China. The result of its sales from external customers in different countries is as follows:

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	3,405,073	4,246,791
Hong Kong and overseas countries	<u>1,603,856</u>	<u>1,630,559</u>
	<u>5,008,929</u>	<u>5,877,350</u>

The total of non-current assets other than term deposits, deferred income tax assets, other financial assets at amortized cost and trade and bills receivable located in different countries are as follows:

	As at	As at
	30 June	31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	3,555,784	3,564,847
Hong Kong and overseas countries	<u>565,153</u>	<u>531,707</u>

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Depreciation and amortisation	141,041	122,240
(Reversal of)/provision for impairment of trade receivables	(3,526)	6,530
Provision for/(reversal of) write down of inventories	4,475	(5,006)
Raw materials and consumables used	2,676,858	3,484,947
Net foreign exchange losses/(gains)	12,066	(9,483)
Losses/(gains) on disposal of property, plant and equipment	142	(658)
Fair value gains on financial assets at fair value through profit or loss	(92,743)	(129,211)
	<u> </u>	<u> </u>

6. FINANCE INCOME – NET

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Finance cost:		
Interest expenses on bank loans and convertible bonds	(34,690)	(20,769)
	<u> </u>	<u> </u>
	(34,690)	(20,769)
	<u> </u>	<u> </u>
Finance income:		
Changes in fair value of convertible bonds		
– resulted from change in exchange rate	12,038	(10,279)
– resulted from change in bond value	(3,516)	93,071
Interest income on restricted bank deposits, term deposits, cash and cash equivalents and entrusted loans	39,008	25,690
Net foreign exchange gains	14,330	9,865
	<u> </u>	<u> </u>
	61,860	118,347
	<u> </u>	<u> </u>
Finance income – net	27,170	97,578
	<u> </u>	<u> </u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– Mainland China enterprise income tax (“EIT”)	165,372	186,281
– Overseas income tax	10,823	1,589
Deferred taxation	47,263	105,224
	<u>223,458</u>	<u>293,094</u>

8. DIVIDENDS

At a meeting held on 26 August 2019 the directors declared an interim dividend of HKD0.21 (equivalent to approximately RMB0.19) per share. This proposed interim dividend is not reflected as a dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2019.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit attributable to the shareholders of the Company of approximately RMB909,359,000 (2018: RMB1,169,365,000) and on the weighted average number of 1,596,000,000 (2018: 1,596,000,000) ordinary shares in issue during the period.

10. CAPITAL EXPENDITURE

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>264,838</u>	<u>365,205</u>

11. TRADE AND BILLS RECEIVABLE

Majority of trade and bills receivable are with customers having an appropriate credit history. 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 is as follows:

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Up to 6 months	2,379,892	2,506,970
6 months to 1 year	398,907	406,053
1 year to 2 years	181,823	173,350
2 years to 3 years	9,890	26,324
Over 3 years	36,885	22,313
	<u>3,007,397</u>	<u>3,135,010</u>
Less: provision for impairment	(63,721)	(67,247)
	<u>2,943,676</u>	<u>3,067,763</u>

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are RMB denominated wealth management products with expected return rate ranging from 2.0% to 8.5% (2018: 1.8% to 7.5%) per annum and with maturity dates between 1 day and 359 days (2018: between 1 days and 335 days).

13. SHARE CAPITAL

	<u>Authorised share capital</u>		
	Number of shares '000	HKD'000	RMB'000
As at 1 January and 30 June 2019	<u>5,000,000</u>	<u>500,000</u>	<u>502,350</u>
	<u>Issued and fully paid</u>		
	Number of shares '000	HKD'000	RMB'000
As at 1 January and 30 June 2019	<u>1,596,000</u>	<u>159,600</u>	<u>160,510</u>

14. TRADE AND BILLS PAYABLE

The ageing analysis of trade and bills payable is as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Up to 6 months	2,785,383	2,666,679
6 months to 1 year	2,691	2,462
1 year to 2 years	485	13
Over 2 years	38	36
	<u>2,788,597</u>	<u>2,669,190</u>

15. CONVERTIBLE BONDS

On 13 February 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of USD200,000,000 (equivalent to approximately RMB1,221,400,000). 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 HKD24.6740 per share.

On 13 February 2017, the Company redeemed convertible bonds with an aggregate principal amount of USD75,250,000 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 were reduced to USD124,750,000.

On 13 February 2019, the convertible bonds were matured and none of the principle amount of the convertible bonds were converted into ordinary shares. The Company redeemed the outstanding convertible bonds in whole at a redemption price equal to 100% of the outstanding amount of USD124,750,000 together with all accrued and unpaid interests thereon and completed all the relevant procedures thereafter pursuant to the terms and conditions of the bonds (the "Full Redemption").

The total price payable by the Company for the Full Redemption was funded by the internal resource of the Company and the Company considers that there will be no material impact on its financial position as a result of the Full Redemption.

Following the Full Redemption, the convertible bonds were cancelled in whole and the Company is discharged from all of the obligations under and in respect of the convertible bonds.

16. COMMITMENTS

(a) Capital commitments

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Acquisition of property, plant and equipment contracted but not provided for:	<u>254,762</u>	<u>233,002</u>

(b) Operating lease commitments

The Group leases various offices, plant and equipment under non-cancellable operating leases agreements. The operating lease commitment at 30 June 2019 presented below represents the future aggregate minimum lease payments for the leases with lease terms less than one year. Leases with lease terms over one year have been recorded as lease liabilities at 30 June 2019 under application of HKFRS 16. The operating lease commitment at 31 December 2018 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases.

	As at 30 June 2019 <i>RMB'000</i>	As at 31 December 2018 <i>RMB'000</i>
Not later than 1 year	1,083	2,942
Later than 1 year and no later than 5 years	<u>–</u>	<u>226</u>
	<u>1,083</u>	<u>3,168</u>

BUSINESS REVIEW

For the first half of 2019, global economic growth slowed down in general. The global trade conflicts and trade protectionism aroused by the US-led countries have been widely spread, which has caused great impact and influence on the free trade in the world. Not only have these factors slowed down the economic growth of developed countries including Europe, the United States (the “US”) and Japan, but they have also attacked the economic growth of emerging markets. Major international economic organizations including the International Monetary Fund have revised down the 2019 global economic growth forecast. With the increasing uncertainty of external demand due to the trade war, the purchasing managers’ index for China’s manufacturing sector in the first half of the year hovered around 50, indicating the decline in demand in China’s market resulting from the lack of domestic consumption. Such drop of domestic demand was especially noticeable in the industries like automobile manufacturing and household appliance exporting. This has dwindled investors’ confidence in corporations in general and hence slowed down the domestic economic growth.

Amidst the easing of global economic growth and the emergence of trade protectionism, the sales of the Company amounted to RMB5,008.9 million for the six months ended 30 June 2019, representing a decrease of 14.8% compared to the same period in 2018. Due to the increase of RMB-denominated export revenue resulting from the fluctuation of the exchange rate and the slight decrease in raw material prices compared to the same period last year, the gross profit margin increased by 0.6 percentage points to 31.6%. Meanwhile, the net profit margin for the six months ended 30 June 2019 was 18.2%, representing a decrease of 0.1% compared to the same period in 2018, excluding the non-cash accounting gain of change in fair value of convertible bonds resulted from the change in bond value.

The net profit attributable to shareholders of the Company for the six months ended 30 June 2019 amounted to RMB908.0 million (1H2018: RMB1,169.4 million). Excluding the non-cash accounting gain of change in fair value of CB resulting from the change in bond value, the adjusted net profit attributable to shareholders of the Company amounted RMB911.5 million (1H2018: RMB1,076.3 million), representing a decrease of 15.3% compared to the same period last year.

The Board of Directors has declared an interim dividend of HKD0.21 per share for the six months ended 30 June 2019 (1H2018: HKD0.25 per share).

Domestic and export sales

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

<i>(RMB million)</i>	1st half of 2019	%	1st half of 2018	%	1st half of 2019 Vs 1st half of 2018
Domestic Sales	3,320.2	66.3%	4,178.5	71.1%	–20.5%
Export Sales	1,546.5	30.9%	1,580.2	26.9%	–2.1%
Parts	142.2	2.8%	118.7	2.0%	19.8%
Total	5,008.9	100%	5,877.4	100%	–14.8%

The domestic sales recorded a decrease of 20.5% to RMB3,320.2 million due to the slowdown in global economic growth and the lack of investor confidence in non-financial enterprises. The intensifying international trade protectionism and the depreciation of certain currencies have resulted in a decline of sales in most of our overseas markets and a decrease in export sales by 2.1% to RMB1,546.5 million.

Sales mix of PIMMs by product series

The following table summarizes the sales amount of the Group by product series:

<i>(RMB million)</i>	1st half of 2019	%	1st half of 2018	%	1st half of 2019 Vs 1st half of 2018
Mars series (energy-saving features PIMMs)	3,171.5	63.3%	3,910.2	66.5%	-18.9%
Zhafir electrical series PIMMs	773.1	15.4%	680.5	11.6%	13.6%
Jupiter series (two-platen PIMMs)	663.7	13.3%	835.2	14.2%	-20.5%
Other series	258.4	5.2%	332.8	5.7%	-22.4%
Parts	142.2	2.8%	118.7	2.0%	19.8%
Total	<u>5,008.9</u>	<u>100%</u>	<u>5,877.4</u>	<u>100%</u>	<u>-14.8%</u>

As the domestic economic growth rate continued to slow down, sales of the Mars series, being the main products of the Company, was fairly sensitive to the change in economic environment and slightly decreased from RMB3,910.2 million in the first half of 2018 to RMB3,171.5 million in the first half of 2019, representing a decrease of 18.9%. Zhafir electrical series increased by 13.6% to RMB773.1 million in the first half of 2019 as compared with the corresponding period of last year due to the adjustment in the Company's business development strategy and the demand for upgraded products in the market. Influenced by the markets of automotive and household appliance industries, the sales of Jupiter two-platen PIMMs decreased by 20.5% as compared with the corresponding period of last year from RMB835.2 million in 2018 to RMB663.7 million. Our sales of full-electric PIMMs out of small-tonnage PIMMs and of two platen PIMMs out of middle/large-tonnage PIMMs in 2019 accounted for 22.5% (1H2018: 19.2%) and 44.1% (1H2018: 37.7%) respectively.

Prospect

For the second half of the year, as the trade tension has led to major economies' concern regarding the global economic growth, the Federal Reserve of the US (the "Federal Reserve") announced interest rate reduction in late July as the market expected, further proving the Federal Reserve's worry about the US economy downturn. The United Kingdom and the European Union still could not reach an agreement on Brexit which may cause unpredictable attack on the European economy. The recent trade conflicts between Japan and Korea have indirectly caused adverse impact on the economic development of other emerging economies in Asia. In this way, many factors have shown that the global economy is highly uncertain and is exposed to possible downside risks.

In China, the economic policy for the second half of the year has been confirmed at the recent Central Political Bureau's meeting, which mentioned the downside pressure on the domestic economy and requested to continually perform the policy of steady growth, deepen the supply-side structural reform, stick to the new development philosophy as well as promote high-quality development. Meanwhile, in the near term, it is likely that the trade conflicts between China and the US will last for a certain period, and the economy in China will continue to face the dual impact from both internal structural deleveraging and external trade conflicts. As such, we remain cautious and less optimistic about the prospects of China and the global economy in the second half of 2019.

Under such complicated economic situation, the Company has responded to the supply-side structural reform proposed by the state, resulting in the continuous growth of sales of high value-added electrical products despite the challenging market environment. The Company continues to promote internal in-depth reforms by introducing new management software platforms and strengthening the building of younger management teams and transforming to digitalized factory management, so as to improve efficiency. The Company will also implement an internal settlement system with small information circulation and smaller accounting units, and set 2019 to 2020 as the milestone of management innovation for the Company. At the same time, we will promote research and development on new products and further expand overseas markets based on the "five center".

For the purpose of enabling the Company to better cater for the market needs, we satisfy customers' personalized needs while applying advanced technology to our products. We will also continue to promote standardized production of components, and increase penetration into various market segments. The Company will strive to become a leader in all aspects of the industry. The Group will continue to create value for customers with better quality and more convenient services, and will grow and develop together with customers, employees and business partners.

FINANCIAL REVIEW

Revenue

Despite the slowdown in global economic growth and the liquidity tightening policy under the deleveraging in China, we still managed to achieve a revenue of RMB5,008.9 million for the six months ended 30 June 2019, representing a decrease of 14.8% compared to the same period in 2018. During the Reporting Period, our domestic sales decreased by 20.5% to RMB3,320.2 million and our export sales decreased by 2.1% to RMB1,546.5 million.

Gross Profit

In the first half of 2019, we recorded gross profit of approximately RMB1,584.6 million, representing a decrease of 13.1% compared to the first half of 2018. Overall gross margin increased to 31.6% in the first half of 2019(1H 2018: 31.0%) as a result of (i) the increase of RMB-denominated export sales resulting from the fluctuation of the exchange rate and (ii) the slight decrease in raw material prices.

Selling and administrative expenses

The selling and administrative expenses increased by 3.2% from RMB742.2 million in the first half of 2018 to RMB765.6 million in the first half of 2019. The increase was mainly due to the rise of labor cost and depreciation resulting from the capacity expansion, and reserve for the potential litigation.

Other income

Other income mainly consists of government subsidy and increased by 68.8% from RMB119.2 million in the first half of 2018 to RMB201.2 million in the first half of 2019.

Finance income – net

We recorded a net finance income of RMB27.2 million in the first half of 2019 compared to a net finance income of RMB97.6 million for the first half of 2018. The changes were mainly attributable to the following factors: (i) we recorded non-cash accounting gains of change in fair value of CB of RMB8.5 million in 2019 compared to gains of RMB82.8 million in the first half of 2018; (ii) we recorded RMB39.0 million interest income from term deposits, restricted bank deposits, cash and cash equivalent etc. in the first half of 2019 compared to RMB25.7 million in the first half of 2018; (iii) we recorded RMB34.7 million interest expense on bank loans and convertible bonds in the first half of 2019 compared to RMB20.8 million in the first half of 2018; and (iv) we recorded net foreign exchange gains of RMB14.3 million in the first half of 2019 compared to net foreign exchange gains of RMB9.9 million in the same period in 2018.

Income tax expenses

Income tax expenses decreased by 23.8% from RMB293.1 million in the first half of 2018 to RMB223.5 million in the first half of 2019. Our effective tax rate maintained at a similar level of 19.8% in the first half of 2019 (1H 2018: 20.0%).

Net profit attributable to shareholders

As a result, our net profit attributable to shareholders for the six months ended 30 June 2019 decreased to RMB908.0 million, representing a decrease of 22.3% compared to the first half of 2018. Excluding the change in fair value of CB resulted from bond value changes, the adjusted net profit attributable to shareholders of the Company for the six months ended 30 June 2019 would amount to RMB911.5 million, representing a decrease of 15.3% compared to the first half of 2018.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 30 June 2019, the Group's total cash and cash equivalents, term deposits and restricted cash amounted to RMB3,321.0 million, RMB760.0 million and RMB92.6 million respectively (31 December 2018: RMB3,769.6 million, RMB150.0 million and RMB245.0 million). The Group's short-term bank borrowing amounted to RMB999.2 million as at 30 June 2019 (31 December 2018: RMB1,009.4 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 redeemed the rest of USD124.75 million in February 2019 when the CB was matured. As at 30 June 2019, we are discharged from all of the obligations under and in respect of the CB (31 December 2018: RMB852.8 million).

The Group also placed certain surplus fund into wealth management products which were recorded as financial assets at fair value through profit or loss. The wealth management products with floating interests ranging from 2.0% to 8.5% (2018: 1.8% to 7.5%) per annum. As at 30 June 2019, the Group's financial assets at fair value through profit or loss amounted to RMB4,214.7 million (31 December 2018: RMB4,349.6 million).

The gearing ratio is defined by management as total borrowings net of cash divided by shareholders' equity. As at 30 June 2019, our Group was in a strong financial position with a net cash position amounting to RMB3,174.3 million (31 December 2018: RMB2,302.4 million). Accordingly, no gearing ratio is presented.

Capital Expenditure

During the first half of 2019, our capital expenditure consisted of additions of property, plant and equipment which amounted to RMB264.8 million (1H2018: RMB365.2 million).

Charges on Group Assets

As at 30 June 2019, no assets were pledged for our Group (31 December 2018: no assets were pledged for our Group).

Foreign Exchange Risk Management

During the Reporting Period, our Group exported approximately 32.0% of its products to international markets. Such sales were denominated in US dollars or other foreign currencies, while our Group's purchases denominated in US dollars or other foreign currencies accounted for less than 10% of our total purchases.

Financial guarantee

As at 30 June 2019, our Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB702.8 million (31 December 2018: RMB840.9 million).

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 18 July 2019, the Group entered into an agreement with Haitian Driving System (Hong Kong) Limited (“HDS Hong Kong”) on 18 July 2019 (the “Share Transfer Agreement”), pursuant to which the Group agreed to acquire and HDS Hong Kong agreed to sell 25% of the equity interest(s) of 寧波安信數控技術有限公司 (Ningbo Anson CNC Technology Co., Ltd.*) (“Anson CNC”) (the “Acquisition”), at a consideration of RMB515 million (equivalent to approximately HK\$588 million), which shall be settled by cash.

As at the date of the Share Transfer Agreement, HDS Hong Kong was owned as to approximately 25% by Lordachive Investments Ltd, 15% by Broad Commend Limited, 12% by Fiery Force Inc, 10% by Sky Advantage Holdings Limited, 9% by Sino Thrill International Limited, 5% by Ocean Violet Limited and as to approximately 24% by other independent shareholders. Mr. Zhang Jingzhang and his associates (including Mr. Zhang Jianming and Mr. Zhang Jianfeng, both being executive Directors and the sons of Mr. Zhang Jingzhang, and Mr. Guo Mingguang and Mr. Liu Jianbo, both being non-executive Directors and the sons-in-law of Mr. Zhang Jingzhang) were interested in 76% equity interest in HDS Hong Kong. Pursuant to Rules 14A.06 and 14A.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), HDS Hong Kong is a connected person of the Company. In addition, Mr. Zhang Bin (son of Mr. Zhang Jianming) is director of Lordachive Investments Ltd. As certain applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) with respect to the Acquisition are higher than 0.1% but less than 5%, the Acquisition was subject to the reporting and announcement requirements but was exempt from the circular, independent financial advice and shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

The acquisition was completed on 22 July 2019 and the Group currently holds 25% of the equity interests of Anson CNC as at the date of this announcement.

EMPLOYEES

As at 30 June 2019, our Group had a total workforce of approximately 6,300 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.

* *for identification purpose only*

PROPOSED INTERIM DIVIDEND

The Board had resolved to declare the payment of an interim dividend of HKD0.21 per share for the six months ended 30 June 2019 which is expected to be paid on or before 18 September 2019 to our shareholders whose names appear on the register of members of the Company on 12 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 September 2019 to 12 September 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the interim 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 9 September 2019.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphasizes on maintaining a Board with balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the Directors, the Company complied with all the applicable code provisions set out in the Corporate Governance Code in existing Appendix 14 of the Listing Rules during six months ended 30 June 2019.

PURCHASES, SALE OR REDEMPTION OF SHARES

Save for the redemption of CB as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period under review.

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 interim financial information for the six months ended 30 June 2019, including the accounting principles adopted by the Group, with the Company's management.

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 required standard set out in the Model Code for the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM 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 interim 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

Hong Kong, 26 August 2019

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Chen Weiqun and Mr. Zhang Bin; the Non-executive Directors are Prof. Helmut Helmar Franz, Mr. Guo Mingguang, Mr. Liu Jianbo, Mr. Zhang Jianguo and Ms. Chen Ningning; and the Independent Non-executive Directors are Mr. Lou Baijun, Dr. Yu Junxian, Mr. Jin Hailiang, Mr. Guo Yonghui and Mr. Lo Chi Chiu.