

2019

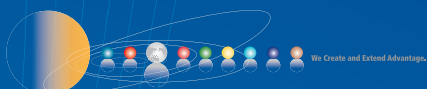
Interim Report



Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1882





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Highlights

	Six months ended 30 June		
	2019 RMB' million	2018 RMB' million	Change %
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	912.9	1,076.3	-15.2
Profit attributable to shareholders of the Company	909.4	1,169.4	-22.2
Basic Earnings per share (expressed in RMB per share)	0.57	0.73	-22.2
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 RMB909.4 million, representing a decrease of 22.2% 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 RMB912.9 million, representing a decrease of 15.2% 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 22.2% compared to the same period in last year.
- The Board declared an interim dividend of HKD0.21 per share.

Company Profile and Corporate Information

Executive Directors

Mr. ZHANG Jingzhang (*Chairman*)
Mr. ZHANG Jianming (*Chief Executive Officer*)
Mr. ZHANG Jianfeng
Mr. CHEN Weiqun
Mr. ZHANG Bin

Non-Executive Directors

Mr. GUO Mingguang
Mr. LIU Jianbo
Prof. Helmut Helmar FRANZ
Mr. ZHANG Jianguo
Ms. CHEN Ningning

Independent Non-Executive Directors

Mr. LOU Baijun
Mr. JIN Hailiang
Mr. GUO Yonghui
Dr. YU Junxian
Mr. LO Chi Chiu

Company Secretary

Ms. LEE Ka Man

Registered Office

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman KY1-1111
Cayman Islands

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Place of Business

China
No. 1688 Haitian Road
Beilun District, Ningbo
Zhejiang Province, China
315800

Hong Kong
Unit 1105, Level 11
Metroplaza, Tower 2
223 Hing Fong Road
Kwai Fong, N.T.
Hong Kong

Principal Banks

China
Agricultural Bank of China
Bank of China
China Everbright Bank
China Guangfa Bank
Industrial and Commercial Bank of China
Industrial Bank
Ping An Bank
Shanghai Pudong Development Bank Co., Ltd.
The Export-Import Bank of China

Hong Kong
Hang Seng Bank
Oversea – Chinese Banking Corporation
Standard Chartered Bank (Hong Kong)
The Hongkong and Shanghai Banking Corporation

Investor Information

Listing Information

Listing: Hong Kong Stock Exchange
Stock code: 1882

Key Dates

26 August 2019 – Interim Result
Announcement
10–12 September 2019 – Closure of register of
members
18 September 2019 or before – Payment date of
interim dividend

Share Information

Board lot size: 1,000 shares
Shares outstanding as
at 30 June 2019: 1,596,000,000 shares
Market Capitalisation as
at 30 June 2019: HK\$25,887 million
Earnings per share for
six months ended
30 June 2019: RMB0.57
Interim Dividend per share
for six months ended
30 June 2019: HK21 cents

Share Registrar Transfer Offices

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

Enquiries Contact

Investor Relations Department

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<http://www.haitian.com>

Management Discussion and Analysis

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 RMB909.4 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 RMB912.9 million (1H2018: RMB1,076.3 million), representing a decrease of 15.2% 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).



Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Domestic and export sales

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

(RMB million)	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:

(RMB million)	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	5,008.9	100%	5,877.4	100%	-14.8%

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 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% compared to the same period last year. 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.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

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.

Management Discussion and Analysis (Continued)

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 a 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 the first half of 2019 compared to gains of RMB82.8 million in the first half of 2018; (ii) we recorded RMB39.0 million interest income from restricted bank deposits, term deposits, cash and cash equivalents 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 same period in 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%).

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (Continued)

Net profit attributable to shareholders

As a result, our net profit attributable to shareholders for the six months ended 30 June 2019 decreased to RMB909.4 million, representing a decrease of 22.2% 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 RMB912.9 million, representing a decrease of 15.2% 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).

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (Continued)

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 Ningbo Anson CNC Technology Co., Ltd.* (寧波安信數控技術有限公司) ("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.

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.

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.

Management Discussion and Analysis (Continued)

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.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2019, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

Long position in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding in the Company
Mr. Zhang Jingzhang	Corporate Interest ⁽¹⁾	944,737,672	59.19%
	Corporate Interest ⁽²⁾	535,000	0.03%
Mr. Zhang Jianming	Corporate Interest ⁽¹⁾	944,737,672	59.19%
	Corporate Interest ⁽²⁾	3,123,000	0.20%
	Personal Interest	4,212,000	0.26%
Prof. Helmut Helmar Franz	Corporate Interest ⁽²⁾	3,250,000	0.20%
Mr. Liu Jianbo	Corporate Interest ⁽²⁾	520,000	0.03%
Mr. Guo Mingguang	Corporate Interest ⁽²⁾	200,000	0.01%
	Spouse Interest ⁽³⁾	277,000	0.02%
Ms. Chen Ningning	Corporate Interest ⁽²⁾	413,000	0.03%
Mr. Zhang Jianguo	Corporate Interest ⁽²⁾	450,000	0.03%
Mr. Chen Weiqun	Corporate Interest ⁽²⁾	250,000	0.02%
	Personal Interest	20,000	0.00%

Notes:

- (1) Mr. Zhang Jingzhang and Mr. Zhang Jianming were deemed under the SFO to be interested in 944,737,672 shares of the Company held by Sky Treasure Capital Limited.
- (2) These directors were deemed under the SFO to be interested in the respective shares of the Company held by their wholly-owned investment holding companies.
- (3) Ms. Zhang Xiaofei, wife of Mr. Guo Mingguang, beneficially owned 277,000 shares of the Company.

Management Discussion and Analysis (Continued)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations (Continued)

Long Position in Shares and Underlying Shares of Associated Corporations of the Company

Name of Director	Name of associated corporation ⁽¹⁾	Capacity/Nature of interest	Approximate percentage of shareholding in the associated corporations
Mr. Zhang Jingzhang	Sky Treasure Capital Limited ("Sky Treasure")	Founder of a trust ⁽²⁾ Corporate ⁽³⁾	14.49% 54.07%
Mr. Zhang Jianming	Sky Treasure	Founder of a trust ⁽²⁾ Corporate ⁽³⁾	9.83% 54.07%
Mr. Zhang Jianguo	Sky Treasure	Founder of a trust ⁽²⁾	5.89%
Mr. Zhang Jianfeng	Sky Treasure	Founder of a trust ⁽²⁾	5.53%
Ms. Chen Ningning	Sky Treasure	Founder of a trust ⁽²⁾	3.07%
Mr. Guo Mingguang	Sky Treasure	Beneficiary under a trust ⁽⁴⁾	1.85%
Mr. Liu Jianbo	Sky Treasure	Beneficiary under a trust ⁽⁴⁾	1.54%

Notes:

- (1) As at 30 June 2019, Sky Treasure was the holder of 59.19% of the issued share capital of the Company and therefore was an associated corporation under the SFO.
- (2) Such Directors were deemed under the SFO to be interested in shares of Sky Treasure which were held by discretionary trusts set up by them respectively.
- (3) Mr. Zhang Jingzhang and Mr. Zhang Jianming were separately entitled to exercise or control the exercise of one third or more voting power in the general meetings of Cambridge Management Consultants (PTC) Ltd. and Premier Capital Management (PTC) Ltd.. Premier Capital Management (PTC) Ltd. was the trustee of the Haitian Employee Discretionary Equity Trust which was interested in 35.04% equity interests in Sky Treasure while Cambridge Management Consultants (PTC) Ltd. was the trustee of the Haitian Employee Fixed Equity Trust and the Haitian Employee Fixed Equity Trust II which were collectively interested in 19.03% equity interests in Sky Treasure. Accordingly, they were deemed under SFO to be interested in such shares in Sky Treasure.
- (4) Such Directors are beneficiaries under a trust which was interested in 14.28% shares of Sky Treasure.

Management Discussion and Analysis (Continued)

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations (Continued)

Long Position in Shares and Underlying Shares of Associated Corporations of the Company (Continued)

Save as disclosed above, as at 30 June 2019, none of the directors and chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company and the Stock Exchange pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code. At no time during the year was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

Interests and Short Positions of Shareholders

As at 30 June 2019, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding as at 30 June 2019
Sky Treasure Capital Limited	Beneficial owner	944,737,672 (L)	59.19%
Premier Capital Management (PTC) Ltd.	Interest in a controlled corporation ⁽¹⁾	944,737,672 (L)	59.19%
UBS Trustees (B.V.I.) Limited	Trustee	944,737,672 (L)	59.19%
Schroders Plc	Interest in a controlled corporation ⁽²⁾	94,102,966 (L)	5.90%

(L) denotes a long position

Notes:

(1) Premier Capital Management (PTC) Ltd. is deemed under the SFO to be interested in 944,737,672 shares held by Sky Treasure Capital Limited as at 30 June 2019.

(2) Schroders Plc is deemed under the SFO to be interested in 94,102,966 shares held by its wholly-owned entities.

Save as disclosed above, as at 30 June 2019, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

Other Information

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 the six months ended 30 June 2019.

PURCHASES, SALE OR REDEMPTION OF SHARES

Save for the redemption of CB as disclosed in this interim report, 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.

Condensed Consolidated Statement of Profit or Loss

(Amounts expressed in RMB'000 unless otherwise stated)

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:

	Note	Unaudited Six months ended 30 June	
		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	4,110	(12,116)
Total comprehensive income for the period	912,119	1,157,269
Total comprehensive income attributable to:		
Shareholders of the Company	913,449	1,157,231
Non-controlling interests	(1,330)	38

Condensed Consolidated Balance Sheet

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	30 June 2019 Unaudited	31 December 2018 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)

	Note	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	3(c)	615	–
		276,772	222,600
Current liabilities			
Trade and bills payable	14	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	15	–	852,768
Lease liabilities	3(c)	873	–
		5,474,089	6,642,833
Total liabilities		5,750,861	6,865,433
Total equity and liabilities		18,330,913	18,792,545
Net current assets		7,629,873	7,757,055
Total assets less current liabilities		12,856,824	12,149,712

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)

	Note	Unaudited	
		Six months ended 30 June	
		2019	2018
Cash flows from operating activities:			
Net cash generated from operating activities		1,365,578	882,129
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		128,296	157,533
Net cash (used in)/generated from investing activities		(701,483)	56,642
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		(843,368)	–
Net cash used in financing activities		(1,112,744)	(931,283)
Net (decrease)/increase in cash and cash equivalents		(448,649)	7,488
Cash and cash equivalents at beginning of period		3,769,637	3,029,252
Cash and cash equivalents at end of period		3,320,988	3,036,740

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

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 Revised Conceptual Framework	Definition of a Business Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

3. ACCOUNTING POLICIES (Continued)

(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: (Continued)

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. These lease agreements do not impose any covenants, but the 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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

3. ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policy (Continued)

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%.

	RMB'000
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)
	672
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liability recognised as at 1 January 2019	591
Of which are:	
Current lease liabilities	430
Non-current lease liabilities	161
Add:	
Reclassification of land use rights	487,485
Right-of-use assets recognised as at 1 January 2019	488,076

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

3. Accounting Policies (Continued)

(c) Changes in accounting policy (Continued)

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
Total right-of-use assets	485,195	488,076
Current lease liabilities	873	430
Non-current lease liabilities	615	161
Total lease liabilities	1,488	591

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

3. Accounting Policies (Continued)

(c) Changes in accounting policy (Continued)

(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 RMB'000	2018 RMB'000
Sales of plastic injection moulding machines and related products	5,008,929	5,877,350

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

4. REVENUE AND SEGMENT INFORMATION (Continued)

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 RMB'000	2018 RMB'000
Mainland China	3,405,073	4,246,791
Hong Kong and overseas countries	1,603,856	1,630,559
	5,008,929	5,877,350

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 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
	Mainland China	3,555,784
Hong Kong and overseas countries	565,153	531,707

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2019 RMB'000	2018 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)

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

6. FINANCE INCOME – NET

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Finance cost:		
Interest expenses on bank loans and convertible bonds	(34,690)	(20,769)
	(34,690)	(20,769)
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
	61,860	118,347
Finance income – net	27,170	97,578

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
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
	223,458	293,094

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 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 RMB'000	2018 RMB'000
Property, plant and equipment	264,838	365,205

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 RMB'000	As at 31 December 2018 RMB'000
	Up to 6 months	2,379,892
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
	3,007,397	3,135,010
Less: provision for impairment	(63,721)	(67,247)
	2,943,676	3,067,763

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 day and 335 days).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

13. SHARE CAPITAL

	Authorised share capital		
	Number of shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2019	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2019	1,596,000	159,600	160,510

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
	2,788,597	2,669,190

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

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 the 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 (the "Redeemed Bonds"). 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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

16. COMMITMENTS

(a) Capital commitments

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

(b) Operating lease commitments

The Group leases various offices, plant and equipment under non-cancellable operating leases agreements. The operating lease commitment as 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 as at 30 June 2019 under application of HKFRS 16. The operating lease commitment as at 31 December 2018 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases.

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

17. Related Party Transactions

Parties are considered to be related if one party has the ability to, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The Group is controlled by Sky Treasure Capital Limited (the immediate holding company), a company incorporated in the British Virgin Islands, which owns 59.19% of the Company's shares. The Company's directors regard Sky Treasure Capital Limited as being the ultimate holding company.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

17. Related Party Transactions (Continued)

The following companies are considered to be related parties of the Group:

Company name	Relationships
Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision") (寧波海天精工股份有限公司)	Controlled by directors of the Group
Ningbo Anson CNC Technique Co., Ltd. ("Ningbo Anson") (寧波安信數控技術有限公司)	Controlled by directors of the Group
Zhejiang Keqiang Intelligence Control System Co., Ltd. ("Zhejiang Keqiang") (浙江科強智能控制系統有限公司)	Associate of the Group before 30 June 2018
Ningbo STF Hydraulic Transmissions Co., Ltd. ("Ningbo STF") (寧波斯達弗液壓傳動有限公司)	Controlled by directors of the Group
Ningbo SPP Hydraulics Co., Ltd. ("Ningbo SPP") (寧波住精液壓工業有限公司)	Controlled by directors of the Group
Ningbo Hilectro Precision Machinery Co., Ltd. ("Hilectro Precision") (寧波海邁克精密機械製造有限公司)	Controlled by directors of the Group
Ningbo Hilectro Power Technology Co., Ltd. ("Hilectro Power") (寧波海邁克動力科技有限公司)	Controlled by directors of the Group
Ningbo Haitian Drive Systems Co., Ltd. ("HDS") (寧波海天驅動有限公司)	Controlled by directors of the Group

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

17. Related Party Transactions (Continued)

(a) Transactions with related parties

The following material transactions were carried out with related parties:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
(i) Purchasing of goods from:		
Ningbo Anson	305,323	472,918
Ningbo STF	59,246	79,733
Hilectro Precision	22,115	22,490
Ningbo SPP	249	774
Zhejiang Keqiang	–	6,762
	386,933	582,677
(ii) Purchasing of equipment from:		
Haitian Precision	16,891	105,187
Hilectro Power	1,553	630
	18,444	105,817
(iii) Rental fees paid to:		
HDS	1,274	1,309

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

17. Related Party Transactions (Continued)

(b) Balances with related parties

The Group had the following significant balances with its related parties:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Payables arising from purchase of goods		
– Ningbo Anson	264,418	335,014
– Ningbo STF	52,449	38,147
– Hilectro Precision	19,021	13,997
– Ningbo SPP	127	140
– Hilectro Power	–	174
	336,015	387,472
Payables arising from purchase of equipment		
– Hilectro Power	1,401	903
– Haitian Precision	937	16,030
	2,338	16,933

Balances with related parties were unsecured, non-interest bearing, and had no pre-determined repayment terms.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2019

17. Related Party Transactions (Continued)

(c) Key management compensation

Key management includes directors, general managers of certain subsidiaries, Chief Financial Officer, Investment Relations Manager, Company Secretary and the Head of Human Resources and Administration. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Salaries and bonus	4,111	3,749
Other benefits	101	133
	4,212	3,882

(d) Related party commitments

Related party commitments which are contracted but not recognised in the consolidated balance sheet as at the balance sheet date are as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
	Capital commitment for acquisition of property, plant and equipment – Haitian Precision	37,683