HAITIAN INTERNATIONAL HOLDINGS LIMITED

海天國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1882)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

	2019 *RMB' million*	2018 *RMB' million*	Change %
Revenue	**9,809.7**	10,851.2	–9.6
Gross profit	**3,098.7**	3,426.3	–9.6
Operating profit	**2,143.4**	2,237.4	–4.2
Profit attributable to shareholders of the Company, excluding change in fair value of convertible bonds resulted from bond value change	**1,753.9**	1,813.0	–3.3
Profit attributable to shareholders of the Company	**1,750.5**	1,916.9	–8.7
Basic Earnings per share (expressed in RMB per share)	**1.10**	1.20	–8.7
Dividend per share (expressed in HKD per share)			
Second interim dividend	**0.19**	0.19	–
Full year dividend (including interim dividend)	**0.40**	0.44	–9.1

- Amidst the lowest growth of global economy over the past decade, the sales revenue of the Company amounted to RMB9,809.7 million for the year ended 31 December 2019, representing a decrease of 9.6% compared to the same period in 2018.

- The export revenue recorded a historical high of RMB3,447.7 million for 2019, representing an increase of 2.9% compared to the export sales in 2018 (2018: RMB3,351.3).

- Compared to corresponding period in 2018, Gross profit margin remained flat at 31.6% as the price of raw material was relatively stable during 2019 (2018: 31.6%).

- Profit attributable to shareholders of the Company decreased 8.7% to RMB1,750.5 million compared to that of 2018. Excluding the non-cash accounting gain from change in fair value of convertible bonds, profit attributable to shareholders of the Company would be RMB1,753.9 million, representing a decrease of 3.3% compared to that of 2018.

- Earnings per share amounted to RMB1.10 during the year.

- The Board declared a second interim dividend of HKD0.19 per share and which, together with the interim dividend of HKD0.21 per share, constitute a total dividend of HKD0.40 per share (2018: HKD0.44 per share).

The board (the "Board") of directors (the "Directors") of Haitian International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Reported Period") with comparative figures for the year ended 31 December 2018. The annual results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 December 2019
(Amounts expressed in RMB)

	Note	**2019** *RMB'000*	2018 *RMB'000*
Revenue	*2*	**9,809,716**	10,851,245
Cost of sales		**(6,711,046)**	(7,424,960)
Gross profit		**3,098,670**	3,426,285
Selling and marketing expenses		**(752,191)**	(811,495)
General and administrative expenses		**(689,080)**	(694,300)
Other income		**233,655**	145,447
Other gains – net	*3*	**252,337**	171,496
Operating profit	*4*	**2,143,391**	2,237,433
Finance income		**90,645**	165,267
Finance costs		**(52,094)**	(42,434)
Finance income – net	*5*	**38,551**	122,833
Share of profit of an associate		**2,249**	2,147
Profit before income tax		**2,184,191**	2,362,413
Income tax expense	*6*	**(433,540)**	(446,181)
Profit for the year		**1,750,651**	1,916,232
Profit attributable to:			
Shareholders of the Company		**1,750,519**	1,916,883
Non-controlling interests		**132**	(651)
		1,750,651	1,916,232
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
– basic	*7*	**1.10**	1.20
– diluted	*7*	**1.10**	1.20
Dividends	*8*	**575,158**	613,491

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2019
(Amounts expressed in RMB)

	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**1,750,651**	1,916,232
Other comprehensive income:		
Items that maybe reclassified to profit or loss		
Currency translation differences	**8,806**	145,361
Total comprehensive income for the year	**1,759,457**	2,061,593
Total comprehensive income attributable to:		
Shareholders of the Company	**1,759,303**	2,062,207
Non-controlling interests	**154**	(614)
	1,759,457	2,061,593

CONSOLIDATED BALANCE SHEET

As at 31 December 2019
(Amounts expressed in RMB)

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Right-of-use assets	*9*	**480,791**	–
Land use rights		**–**	487,485
Property, plant and equipment	*9*	**3,667,506**	3,552,607
Investment in an associate		**517,249**	–
Intangible assets		**55,136**	56,462
Deferred income tax assets		**143,001**	120,113
Other financial assets at amortised cost		**546,042**	8,838
Trade and bills receivable	*10*	**200,384**	117,152
Term deposits		**995,000**	50,000
		6,605,109	4,392,657
Current assets			
Inventories		**2,370,729**	2,708,011
Trade and bills receivable	*10*	**2,566,381**	2,950,611
Other financial assets at amortised cost		**115,116**	88,432
Prepayments and other assets		**183,743**	181,883
Prepaid income tax		**17,815**	6,708
Financial assets at fair value through profit or loss	*11*	**5,664,205**	4,349,616
Restricted bank deposits		**51,886**	244,990
Term deposits		**190,000**	100,000
Cash and cash equivalents		**1,538,360**	3,769,637
		12,698,235	14,399,888
Total assets		**19,303,344**	18,792,545
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	*12*	**160,510**	160,510
Share premium		**1,331,913**	1,331,913
Other reserves		**1,543,510**	1,526,670
Retained earnings		**10,083,130**	8,901,433
		13,119,063	11,920,526
Non-controlling interests		**6,740**	6,586
Total equity		**13,125,803**	11,927,112

CONSOLIDATED BALANCE SHEET (*Continued*)
As at 31 December 2019
(Amounts expressed in RMB)

	Note	**2019** **RMB'000**	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,133**	–
Deferred income		**45,503**	30,286
Deferred income tax liabilities		**279,072**	192,314
		325,708	222,600
Current liabilities			
Trade and bills payable	*13*	**2,959,618**	2,669,190
Accruals and other payables		**1,059,247**	1,046,344
Contract liabilities		**710,047**	756,807
Current income tax liabilities		**99,893**	308,327
Bank borrowings		**1,021,898**	1,009,397
Lease liabilities		**1,130**	–
Convertible bonds	*14*	**–**	852,768
		5,851,833	6,642,833
Total liabilities		**6,177,541**	6,865,433
Total equity and liabilities		**19,303,344**	18,792,545

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2019
(Amounts expressed in RMB)

		Attributable to shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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 year		–	–	–	1,916,883	1,916,883	(651)	1,916,232
Other comprehensive income								
Currency translation differences		–	–	145,324	–	145,324	37	145,361
Total comprehensive income for the year ended 31 December 2018		–	–	145,324	1,916,883	2,062,207	(614)	2,061,593
Transactions with owners								
Dividend paid								
– 2017 second interim		–	–	–	(348,222)	(348,222)	–	(348,222)
– 2018 interim	8	–	–	–	(354,312)	(354,312)	–	(354,312)
Appropriations		–	–	376,141	(376,141)	–	–	–
Capital injection from non-controlling interests		–	–	–	–	–	6,700	6,700
Total transactions with owners		–	–	376,141	(1,078,675)	(702,534)	6,700	(695,834)
Balance at 31 December 2018		**160,510**	**1,331,913**	**1,526,670**	**8,901,433**	**11,920,526**	**6,586**	**11,927,112**
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 year		**–**	**–**	**–**	**1,750,519**	**1,750,519**	**132**	**1,750,651**
Other comprehensive income								
Currency translation differences		**–**	**–**	**8,784**	**–**	**8,784**	**22**	**8,806**
Total comprehensive income for the year ended 31 December 2019		**–**	**–**	**8,784**	**1,750,519**	**1,759,303**	**154**	**1,759,457**
Transactions with owners								
Dividend paid								
– 2018 second interim	8	**–**	**–**	**–**	**(259,179)**	**(259,179)**	**–**	**(259,179)**
– 2019 interim	8	**–**	**–**	**–**	**(301,587)**	**(301,587)**	**–**	**(301,587)**
Appropriations		**–**	**–**	**35,948**	**(35,948)**	**–**	**–**	**–**
Utilisation of statutory reserves		**–**	**–**	**(27,892)**	**27,892**	**–**	**–**	**–**
Total transactions with owners		**–**	**–**	**8,056**	**(568,822)**	**(560,766)**	**–**	**(560,766)**
Balance at 31 December 2019		**160,510**	**1,331,913**	**1,543,510**	**10,083,130**	**13,119,063**	**6,740**	**13,125,803**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2019
(Amounts expressed in RMB)

	2019	2018
	RMB'000	*RMB'000*
Net cash generated from operating activities	**2,729,775**	1,548,283
Net cash (used in)/generated from investing activities	**(3,569,001)**	45,738
Net cash used in financing activities	**(1,392,051)**	(853,636)
Net (decrease)/increase in cash and cash equivalents	**(2,231,277)**	740,385
Cash and cash equivalents at beginning of year	**3,769,637**	3,029,252
Cash and cash equivalents at end of year	**1,538,360**	3,769,637

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared and reassessed under the historical cost convention, except for the financial assets at fair value through profit or loss ("Financial assets at FVPL"), and the amendments of convertible bonds, as those items are measured at fair value. The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the first time for the financial year beginning on 1 January 2019:

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HK (IFRIC) Interpretation 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKAS 2	Long-term interests in associates and joint venture	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements 2015-2017 Cycle		1 January 2019

The Group had changed its accounting policies as a result of adopting HKFRS 16. The Group elected not to adopt the new rules retrospectively and recognised the cumulative effect of initially applying the new standard on 1 January 2019. The other newly adopted standards or amendments listed above did not have material impact on these financial statements.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period on 31 December 2019, and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current on future reporting periods and on foreseeable future transactions.

		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

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's financial statements.

The Group has adopted HKFRS 16 "Leases" retrospectively from 1 January 2019, and has not restated comparatives for the reporting period in 2018, as permitted under the specific transition 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 in each territory or region where the lease assets are located. The range of the lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.25% to 6.25%.

(i) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	3,168
Discounted using the lessee's incremental borrowing rate as at 1 January 2019	3,013
Less:	
Short-term leases not recognised as a liability	(2,422)
Lease liabilities 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

(ii) *Measurement of right-of-use assets*

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by prepayment or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(iii) *Adjustments recognised in the balance sheet on 1 January 2019*

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

- Right-of-use assets – increased by RMB488,076 thousands
- Land use rights – decreased by RMB487,485 thousands
- Lease liabilities (current portion) – increased by RMB430 thousands
- Lease liabilities (non-current portion) – increased by RMB161 thousands

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

(iv) *Practical expedients applied*

In applying HKFRS 16 for the first time, the Group has used the following practical expedients as permitted under 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 as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;

- 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 HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease.

(v) *Accounting for lessor*

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2. REVENUE AND SEGMENT INFORMATION

	2019	2018
	RMB'000	*RMB'000*
Sales revenue of plastic injection moulding machines and related products	**9,809,716**	10,851,245

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and the top management. The executive committee reviews the Group's internal reports in order to assess performance and allocate resources. Based on these internal reports, the executive committee has determined that no segment information is presented as substantially all of the Group's sales and operating profits are derived from the sales of plastic injection moulding machines, and no geographical segment information is presented as the management reviews the business performance based on type of business, not geographic location.

The Group is domiciled in Mainland China. Analysis of its sales to external customers in different countries, based on the customers' locations is as follows:

	2019	2018
	RMB'000	*RMB'000*
Mainland China	**6,328,151**	7,499,857
Hong Kong and overseas countries	**3,481,565**	3,351,388
	9,809,716	10,851,245

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

	2019	2018
	RMB'000	*RMB'000*
Total non-current assets other than term deposits, trade and bills receivable, other financial assets at amortised cost and deferred income tax assets		
– Mainland China	**4,104,664**	3,564,847
– Hong Kong and overseas countries	**616,018**	531,707
	4,720,682	4,096,554

3. OTHER GAINS – NET

	2019	2018
	RMB'000	*RMB'000*
Interest income on financial assets at FVPL	**193,358**	225,524
Investment income from business combination	**–**	21,997
Net foreign exchange gains/(losses)	**43,485**	(83,721)
Gains/(losses) on disposals of property, plant and equipment and land use rights, net	**5,977**	(1,162)
Others	**9,517**	8,858
	252,337	171,496

4. OPERATING PROFIT

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

	2019	2018
	RMB'000	*RMB'000*
Depreciation and amortisation	**297,496**	268,095
Raw materials and consumables used	**5,594,204**	6,465,866
Changes in inventories of finished goods and work in progress	**183,776**	(7,380)
Sales commission and after-sales service expenses	**446,687**	507,042
Provision for impairment of trade receivables	**4,783**	27,361
Provision for write-down of inventories	**40,660**	17,620
Employment costs[(i)]	**980,489**	954,964

(i) For the year ended 31 December 2019, the employment costs related to research and development activities were RMB151,068 thousands (2018: RMB141,190 thousands).

5. FINANCE INCOME/COSTS

	2019	2018
	RMB'000	*RMB'000*
Finance costs:		
Interest expense	**(48,726)**	(42,434)
Net foreign exchange losses	**(3,190)**	–
Lease liabilities	**(178)**	–
	(52,094)	(42,434)
Finance income:		
Change in fair value of convertible bonds		
– resulted from change in exchange rate	**11,937**	(41,043)
– resulted from change in bond price	**(3,416)**	103,866
Net foreign exchange gains	**–**	22,700
Interest income on restricted bank deposits, term deposits and cash and cash equivalents	**76,269**	66,275
Interest income on entrusted loans	**5,855**	13,469
	90,645	165,267
Finance income, net	**38,551**	122,833

6. INCOME TAX EXPENSE

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

	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– Mainland China enterprise income tax	**332,190**	343,488
– Overseas income tax	**37,480**	37,074
Deferred taxation	**63,870**	65,646
	433,540	446,181

Haitian Plastic Machinery Group Limited ("Haitian Plastic Machinery") renewed its status as a High and New Technology Enterprise ("HNTE") in 2017. Wuxi Haitian Machinery Co., Ltd. ("Wuxi Haitian") renewed its status as HNTE in 2018. Ningbo Zhafir Plastic Machinery Co., Ltd. ("Ningbo Zhafir") renewed its status as HNTE in 2019. Zhejiang Keqiang Intelligence Control System Co., Ltd. ("Zhejiang Keqiang") renewed its status as HNTE in 2019. These entities were entitled to a reduced income tax rate of 15% for three years commencing from the first year when these entities were granted the HNTE status. They are required to re-apply for preferential tax treatment after the current preferential tax periods expire.

The other major operating subsidiaries of the Group in Mainland China are subject to an enterprise income tax rate of 25% for the year 2019 (2018: 25%).

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the taxable income for the year 2019 (2018: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2019 at the applicable rates of taxation prevailing in the countries in which the Group operates.

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
	RMB'000	*RMB'000*
Profit attributable to shareholders of the Company	**1,750,519**	1,916,883
Weighted average number of ordinary shares in issue (thousands)	**1,596,000**	1,596,000
Basic earnings per share (RMB per share)	**1.10**	1.20

(b) Diluted

For the year ended 31 December 2019, the diluted earnings per share amounted to RMB1.10 (2018: RMB1.20).

8. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Interim dividend paid of HK21.0 cents (2018: HK25.0 cents) per ordinary share	**301,587**	354,312
Second interim dividend of HK19.0 cents (2018: HK19.0 cents) per ordinary share	**273,571**	259,179
	575,158	613,491

On 16 March 2020, the Board of Directors of the Company has declared payment of a second interim dividend of HK19.0 cents per share for the year ended 31 December 2019 (2018: HK19.0 cents per share). Such dividend has been approved by the Board which has complied with the related regulations in Cayman Island. The second interim dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2020.

9. CAPITAL EXPENDITURE

	2019	2018
	RMB'000	*RMB'000*
Property, plant and equipment	**429,197**	492,794
Land use rights	**2,116**	135,419
	431,313	628,213

10. TRADE AND BILLS RECEIVABLE

Most of the Group's sales are covered by guarantees from distributors, credit arrangements from insurance companies in Mainland China, or letters of credit issued by banks. The Group grants its customers credit terms ranging from 15 days to 48 months. The ageing analysis of trade and bills receivable based on invoice date is as follows:

	2019	2018
	RMB'000	*RMB'000*
Up to 6 months	**2,180,189**	2,506,970
6 months to 1 year	**410,884**	406,053
1 year to 2 years	**194,683**	173,350
2 years to 3 years	**30,177**	26,324
Over 3 years	**23,683**	22,213
	2,839,616	3,135,010
Less: provision for impairment	**(72,851)**	(67,247)
	2,766,765	3,067,763

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2019, the Group held financial assets at fair value through profit or loss amounting to approximately RMB5,664,205 thousands (2018: RMB4,349,616 thousands). These financial assets represented various wealth management products held by the Group such as structure deposits and wealth management products from banks, trusts and investment funds, etc., which were conducive to improving the capital usage efficiency and generating investment returns from the Group's idle funds of which the expected return rates ranged from 1.5% to 8.5% (2018: 2.4% to 5.0%) per annum with maturity dates between 0 day and 366 days (2018: between 0 day and 335 days). None of these assets is either past due or impaired (2018: none).

12. SHARE CAPITAL

	Authorised share capital		
	Number of shares *'000*	**Amount** *HKD'000*	**Amount** *RMB'000*
As at 1 January 2018, 31 December 2018 and 31 December 2019 (shares with a par value of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares *'000*	**Amount** *HKD'000*	**Amount** *RMB'000*
As at 1 January 2018, 31 December 2018 and 31 December 2019 (shares with a par value of HKD0.1 per share)	1,596,000	159,600	160,510

13. TRADE AND BILLS PAYABLE

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

	2019 *RMB'000*	2018 *RMB'000*
Up to 6 months	**2,954,811**	2,666,679
6 months to 1 year	**2,132**	2,462
1 year to 2 years	**2,646**	13
Over 2 years	**29**	36
	2,959,618	2,669,190

14. 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). An 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 and up to the close of business on the day falling seven days prior to 13 February 2019 (the "Maturity Date") (both days inclusive) or if such convertible bonds shall have been called for redemption before Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment 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 to convert the convertible bonds into the ordinary shares of the Company.

On 13 February 2017, the Company redeemed the 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, all convertible bonds were cancelled and the Company has been discharged from all its obligations under and in connection to the convertible bonds.

15. CAPITAL COMMITMENTS

	2019	2018
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment		
– Contracted but not provided for	**340,623**	233,002

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2019 witnessed the most difficult year for global economy since the financial crisis in 2008 under the gloom of trade conflicts between the major economies. The uncertainties brought by trade conflicts have caused adverse impacts on business confidence and economic activities around the world. The growth of the major developed economies, including Europe, the United States and Japan has further slowed down. In order to avoid global economic recession caused by the lack of investment confidence in non-financial enterprises, many countries have started a new round of interest rate cut to stimulate the weak demand in the global market, due to the uncertainties brought by trade disputes and insufficient demand from both home and abroad. Particularly, the phase I trade agreement entered into between China and the United States at the end of the fourth quarter of 2019 has showed a sign of economic recovery to the market.

Amidst the lowest growth of global economy over the past decade, the sales revenue of the Company amounted to RMB9,809.7 million for the year ended 31 December 2019, representing a decrease of 9.6% compared to the same period in 2018 due to a sharp drop in the market demand. As the price of raw material was relatively stable and the strategic measures taken for the development of our Company were effective, the gross profit margin for 2019 could be maintained at 31.6% as compared with the same period in 2018. Meanwhile, the net profit margin for the year was 17.9%, representing an increase of 1.2 pps compared to the same period in 2018, excluding the non-cash accounting gain of change in fair value of convertible bonds resulting from the change in bond value.

The net profit attributable to shareholders of the Company for the year ended 31 December 2019 amounted to RMB1,750.5 million (2018: RMB1,916.9 million). Excluding the non-cash accounting gain from change in fair value of convertible bonds resulting from the change in bond value, the adjusted net profit attributable to shareholders of the Company was RMB1,753.9 million (2018: RMB1,813.0 million), representing a decrease of 3.3% compared to the same period last year.

The Board of Directors has declared a second interim dividend of HKD0.19 per share for the year ended 31 December 2019 (2018: HKD0.19 per share), resulting in dividend with a total of HKD0.40 per share (2018: HKD0.44 per share) in 2019.

Domestic and export sales

The following table summarizes the Group's domestic and export sales by geographic areas:

(RMB million)	**2019**	**%**	2018	%	**2019 Vs 2018**
Domestic Products Sales	**6,173.2**	**62.9%**	7,311.2	67.4%	**–15.6%**
Export Products Sales	**3,304.4**	**33.7%**	3,231.9	29.8%	**2.2%**
Domestic Parts	**188.8**	**1.9%**	188.7	1.7%	**0.1%**
Overseas Parts	**143.3**	**1.5%**	119.4	1.1%	**20.0%**
Total	**9,809.7**	**100%**	10,851.2	100%	**–9.6%**

As the growth of global economy slows down and China is also affected as an important part of globalization, the domestic products sales experienced a decrease of 15.6% to RMB6,173.2 million for the year ended 31 December 2019. While the intensified international trade protectionism has resulted in a slump in sales in some decrease of our overseas markets, our sales to Southeast Asia increased, which have in turn resulted in an overall increase in total products export sales by 2.2% to a record high of RMB3,304.4 million. Our export products sales proportion will keep increasing in our total sales as part of the Company's long term strategies.

Sales mix of PIMMs by product series

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

(RMB million)	**2019**	**%**	2018	%	**2019 Vs 2018**
Mars series (energy-saving features PIMMs)	**6,387.5**	**65.1%**	6,872.8	63.3%	**–7.1%**
Zhafir electrical series PIMMs	**1,348.6**	**13.7%**	1,514.1	14.0%	**–10.9%**
Jupiter series (two-platen PIMMs)	**1,263.0**	**12.9%**	1,500.4	13.8%	**–15.8%**
Other series	**478.5**	**4.9%**	655.8	6.1%	**–27.0%**
Parts	**332.1**	**3.4%**	308.1	2.8%	**7.8%**
Total	**9,809.7**	**100%**	10,851.2	100%	**–9.6%**

As the global economic growth continued to slow down, sales of the Mars series, the main products of the Company, decreased from RMB6,872.8 million throughout 2018 to RMB6,387.5 million in 2019, representing a decrease of 7.1%. However, it remains to be the most successful PIMM across the industry and worldwide. Sales of Zhafir electrical series decreased by 10.9% to RMB1,348.6 million throughout 2019 due to the impact of automotive and household appliance industries, which accounts for the processing of the majority of high-tech plastic parts and the use of the most advanced plastic materials, for which such machines are superior. The sales of Jupiter two-platen PIMMs decreased by 15.8% from RMB1,500.4 million in 2018 to RMB1,263.0 million in 2019, but regarding the parentage of sales contribution of the Company's large-tonnage PIMMs, Jupiter series still had an increase.

Our sales of full-electric PIMMs out of small/middle-tonnage PIMMs and of two platen PIMMs out of large-tonnage PIMMs accounted for 16.7% (2018: 18.9%) and 39.9% (2018: 38.2%) of the Company's total sales for the year ended 31 December 2019, respectively.

Outlook

With the close of the phase I trade deal between China and the United States before the 2020 United States presidential election, the global economy sees a moderate upward trend after suffering from a difficult and painful year of 2019. International economic organizations, which are led by the IMF, have projected a positive outlook for the global economic growth in the new year based on the strong financial data of the United States and Japan. However, the outbreak of the novel coronavirus in early 2020 has casted a shadow on the recovering global economies. The Chinese government has adopted various measures to effectively control the further spreading of the coronavirus, including quarantine and close management to cut the source of infection. Such measures have caused temporary suspension of economic activities in China who plays a key role in the globalization network which indirectly affected world economy. The U.S. Federal Reserve's emergency rate cut in early March 2020 and a further rate cut to zero at the previous weekend has also indicated that it worries that the novel coronavirus might bring negative impacts to its economic growth. Central banks of various countries were also cutting their respective interest rates so as to prevent the economies from going into recession due to the spread of novel coronavirus. We are not able to precisely determine the potential impacts on the global economies caused by the novel coronavirus. However, as we have been working on globalization for years, our overseas operating centers have completed business functions, such as local production and sales, which are able to satisfy the needs of local customers under current situation of international travel restrictions. Compared with other peer companies, we have such key localization advantage across the world. We believe that the competitive advantages we have over the peer companies will further take effect when this pandemic is under control worldwide.

Facing complicated and severe external situations, coupled with inadequate demand from the domestic and international markets, the Chinese economy has entered the new normal, i.e. shifting from seeking quick growth to optimizing the structure under a reasonable growth rate, continuously deepening the supply-side structural reform and adopting the "six stabilities" (keep stable for employment, financial sector, foreign trade, investment and public expectation) measures. After successfully signing the phase I trade agreement between China and the United States, we see the intensity of the trade war has been lowered, but it has not been completely over. The lockdown and quarantine measures adopted by different local governments in China in response to the outbreak of novel coronavirus have not only stopped spreading the viruses, but also stagnated economic activities at the same time. Although business has gradually been resuming back to normal activities in China from mid-February, time is still needed for production activities to return to the pre-novel-coronavirus level. The Chinese government has implemented various economic measures to counter the novel coronavirus, including tax and tariffs reduction, in addition to the roll out of new investment measures on the infrastructures in the areas like 5G, artificial intelligence, industrial internet and smart city. We believe that the Chinese government is able to control the epidemic in a reasonably short period and the domestic economy will resume growth after the pandemic.

For us at Haitian International, the year 2020 remains the year of our management innovation. With the main direction of focusing on smart manufacturing, we speed up transforming into a digitalized, networked and smart enterprise. Last year, the Company was added to the list of digitalized workshops and smart factories in Zhejiang Province. The Company will continue to promote small-scale information circulation, and reduce the internal settlement system of the auditing unit, so as to encourage and promote the younger workforce in the management team. At the same time, we have also strengthened the research and development efforts on new products, and further explored the overseas market on the basis of "5 Centers", including manufacturing, sales and other relevant fields.

Over the past few days, the outbreak of novel coronavirus has affected the feelings of all people in China. On top of our prevention and control efforts for the pandemic, the Company encourages our staff to return to work and resume production, and to keep our employment stable in an orderly manner. On the premise of the concept and proven strategy "technology to the point", we satisfy our customers' personal needs and demand from each niche market, while we will implement standardized production of our components. We strive to maintain our leading position in every aspect of the PIMMs. As always, the Group will continue to create value for our customers with better quality and more convenient services, and will grow and develop together with our customers, employees and business partners.

Financial Review

Revenue

Amidst the slowest growth of global economy over the past decade, the Company still managed to achieve a revenue of RMB9,809.7 million for the year ended 31 December 2019, representing a decrease of 9.6% compared to 2018. The domestic products sales decreased by 15.6% to RMB6,173.2 million compared to 2018, while our export products sales recorded increase by 2.2% to RMB3,304.4 million, as compared to 2018. Regarding the sales of the Company, our export products sales have been increasing in recent years.

Gross Profit

In 2019, we had a gross profit of approximately RMB3,098.7 million, representing a decrease of 9.6% comparing to 2018. Overall gross margin remained flat at 31.6% in 2019 (2018: 31.6%) as a result of the stable price of the raw material during 2019.

Selling and administrative expenses

The selling and administrative expenses decreased by 4.3% from RMB1,505.8 million in 2018 to RMB1,441.3 million in 2019. The decrease was mainly due to the decrease in commissions caused by the decrease in revenue. The labor costs related to research and development activities were RMB151.1 million in 2019 (2018: RMB141.2 million).

Other income

Other income mainly consists of government subsidy and increased by 60.7% from RMB145.4 million in 2018 to RMB233.7 million in 2019.

Finance income – net

We had a decrease in net finance income of RMB38.6 million in 2019 compared to a net finance income of RMB122.8 million in 2018. The decrease was mainly attributable to the fact that i) we had non-cash accounting gains of change in fair value of convertible bonds of RMB8.5 million in 2019 compared to non-cash accounting gains of RMB62.8 million in 2018, ii) we had net foreign exchange losses of RMB3.2 million in 2019 compared to net foreign exchange gains of RMB22.7 million in 2018, and iii) we recorded increase in interest income from restricted bank deposits, term deposits and cash and cash equivalents to RMB76.3 million in 2019 compared to RMB66.3 million in 2018.

Income tax expenses

Income tax expenses decreased by 2.8% from RMB446.2 million in 2018 to RMB433.5 million in 2019. Our effective tax rate maintained at a similar level of 19.8% in 2019 (2018: 18.9%).

Net profit attributable to shareholders

As a result of the foregoing, our net profit attributable to shareholders of the Company in 2019 decreased to RMB1,750.5 million, representing a decrease of 8.7% compared to 2018. Excluding the change in fair value of convertible bonds, the adjusted net profit attributable to shareholders of the Company for 2019 decreased to RMB1,753.9 million, representing a decrease of 3.3% compared to 2018.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 31 December 2019, the Group's total cash and cash equivalents, term deposits and restricted bank deposits amounted to RMB1,538.4 million, RMB1,185.0 million and RMB51.9 million respectively (31 December 2018: RMB3,769.6 million, RMB150.0 million and RMB245.0 million respectively). The Group's short-term bank borrowing amounted to RMB1,021.9 million as at 31 December 2019 (31 December 2018: RMB1,009.4 million).

In February 2014, we issued US dollar denominated 2.00% coupon convertible bonds due 2019 of USD200 million for general corporate purposes. In February 2017, we redeemed convertible bonds of USD75.25 million, and further redeemed the outstanding convertible bonds in whole at a redemption price equal to 100% of the outstanding principal amount of USD124.75 million in February 2019 when the convertible bonds matured. As at 31 December 2019, we are discharged from all of the obligations under and in respect of the convertible bonds (31 December 2018: RMB852.8 million).

The Group also placed certain surplus fund into wealth management products which were recorded as financial assets at FVPL. The wealth management products carry floating interests ranging from 1.5% to 8.5% (2018: 2.4% to 5.0%) per annum. As at 31 December 2019, the Group's financial assets at FVPL amounted to RMB5,664.2 million (31 December 2018: RMB4,349.6 million).

The net gearing ratio is defined by our management as total borrowings net of cash divided by shareholders' equity. As at 31 December 2019, the Group was in a strong financial position with a net cash position amounting to RMB1,753.3 million (31 December 2018: RMB2,302.4 million). Accordingly, no net gearing ratio is presented.

Capital Expenditure

In 2019, our capital expenditure consisted of additions of property, plant and equipment and land use rights, which amounted to RMB431.3 million (2018: RMB628.2 million).

Charges on Group Assets

As at 31 December 2019, no assets were pledged by the Group (31 December 2018: no assets were pledged by the Group).

Foreign Exchange Risk Management

As of 31 December 2019, the Group exported approximately 35.2% of its products to international markets. Such sales were denominated in U.S. dollars or other foreign currencies, while the Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of the total purchases.

Financial guarantee

As at 31 December 2019, the Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB657.4 million (31 December 2018: RMB840.9 million). As at 31 December 2019, the Group reassessed the provisions based on the credit history of its customers and the current market condition. No significant provision is noticed.

EMPLOYEES

As at 31 December 2019, the Group had a total workforce of approximately 6,300 employees. Most of our employees were located in China. The Group offered its staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and the Group's performance. The Group is committed to nurturing a learning culture in its organization.

PAYMENT OF SECOND INTERIM DIVIDEND

The Board had declared a second interim dividend of HKD0.19 per share for the year ended 31 December 2019 (2018: HKD0.19 per share) which, together with the interim dividend of HKD0.21 per share paid in September 2019, will constitute a total dividend of HKD0.40 per share (2018: HKD0.44 per share) for the full year. The second interim dividend is expected to be paid on or before 17 April 2020 to the shareholders whose names appear on the register of members of the Company on 6 April 2020.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held on 19 May 2020. Notice of the AGM will be issued and disseminated to shareholders in due course.

Closure of Register of Members

(a) *Entitlement to the Second Interim Dividend*

The register of members of the Company will be closed from 2 April 2020 to 6 April 2020 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the second interim dividend, all properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 1 April 2020.

(b) *Entitlement to Attend and Vote at the AGM*

The register of members of the Company to attend the AGM will be closed from 14 May 2020 to 19 May 2020 (both days inclusive). In order to be eligible to attend the AGM, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Registrar of Shares in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 13 May 2020, for registration.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphasizes on maintaining a Board with a balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. The Company complied with all the applicable code provisions set out in Corporate Governance Code in Appendix 14 to the Listing Rules for the year ended 31 December 2019.

Details of the implementation of the Company's corporate governance practices will be set out in the corporate governance report in the annual report of the Company to be published in due course.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three independent non-executive directors of the Company.

The audit committee has reviewed the Group's condensed consolidated financial information for the year ended 31 December 2019, including the accounting principles adopted by the Group, with the Company's management. The audit committee, together with the management and the external auditors, has reviewed regularly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

According to rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive directors representing at least one-third of the members of the Board. Following the re-designation of Mr. Zhang Jianguo and Ms. Chen Ningning from executive directors to non-executive directors and the appointment of Mr. Chen Weiqun and Mr. Zhang Bin as executive directors on 20 April 2018, the number of independent non-executive directors on the Board represents less than one-third of the members of the Board.

Immediately following the resignation of Dr. Steven Chow as an independent non-executive director of the Company and appointment of Dr. Yu Junxian and Mr. Lo Chi Chiu as independent non-executive directors of the Company on 1 February 2019, the Board comprises fifteen directors with five executive directors, five non-executive directors and five independent non-executive directors and accordingly, the Company has complied with the requirement under Rule 3.10A of the Listing Rules for having independent non-executive directors representing at least one-third of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASES, SALE OR REDEMPTION OF SHARES

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkex.com.hk and on the Company's website at www.haitian.com. The annual report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

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

Hong Kong, China, 16 March 2020

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, Mr. Jin Hailiang, Mr. Guo Yonghui, Dr. Yu Junxian and Mr. Lo Chi Chiu.