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HAITIAN INTERNATIONAL HOLDINGS LIMITED

海天國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1882)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

	Six months ended 30 June		Change %
	2020 <i>RMB' million</i>	2019 <i>RMB' million</i>	
Revenue	5,015.7	5,008.9	0.1
Gross profit	1,686.1	1,584.6	6.4
Operating profit	1,228.9	1,104.3	11.3
Profit attributable to shareholders of the Company	1,028.0	909.4	13.0
Basic Earnings per share (expressed in RMB per share)	0.64	0.57	13.0
Dividend per share (expressed in HK\$ per share)			
Proposed interim dividend	0.24	0.21	14.3

- Amidst the impacts of COVID-19 Pandemic and global economic downturn, the sales of the Company amounted to RMB5,015.7 million for the six months ended 30 June 2020, representing an increase of 0.1% compared to the same period in 2019.
- Gross profit margin increased to 33.6%, attributed to (i) improvement in operational efficiency, (ii) the decrease in the raw material price and (iii) the increase of RMB-denominated export sales resulting from the fluctuation of exchange rate (1H2019: 31.6%).
- The net profit attributable to shareholders of the Company for the six months ended 30 June 2020 increased to RMB1,028.0 million, representing an increase of 13.0% compared to the same period last year. Meanwhile, the net profit margin for this period was 20.5%, representing an increase of 2.4pps compared to the same period in 2019.
- The Company has always been focusing on the 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 30 June 2020 reached RMB1,224.7 million (1H2019: RMB1,365.6 million) and the net cash position (including wealth management products) was RMB8,314.0 million (31 December 2019: RMB7,417.6 million).
- Basic earnings per share amounted to RMB0.64 during the Reporting Period, representing an increase of 13.0% compared to the same period last year.
- The Board declared an interim dividend of HKD0.24 per share.

UNAUDITED INTERIM RESULTS

The Board of Directors (the “Board”) of Haitian International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts expressed in RMB'000 unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2020	2019
Revenue	4	5,015,675	5,008,929
Cost of sales		(3,329,578)	(3,424,338)
Gross profit		1,686,097	1,584,591
Selling and marketing expenses		(358,883)	(402,840)
General and administrative expenses		(293,982)	(362,786)
Other income		106,134	201,159
Other gain – net		89,523	84,173
Operating profit	5	1,228,889	1,104,297
Finance income	6	60,537	61,860
Finance costs	6	(17,225)	(34,690)
Finance income – net	6	43,312	27,170
Share of profit of an associate		11,476	–
Profit before income tax		1,283,677	1,131,467
Income tax expense	7	(256,428)	(223,458)
Profit for the period		1,027,249	908,009
Profit attributable to:			
Shareholders of the Company		1,027,987	909,359
Non-controlling interests		(738)	(1,350)
		1,027,249	908,009
Dividends	8	342,782	301,587
Earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share)			
– Basic and Diluted	9	0.64	0.57

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2020	2019
Profit for the period		
Other comprehensive income for the period:	1,027,249	908,009
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>(9,647)</u>	<u>4,110</u>
Total comprehensive income for the period	<u>1,017,602</u>	<u>912,119</u>
Total comprehensive income attributable to:		
Shareholders of the Company	1,018,331	913,449
Non-controlling interests	<u>(729)</u>	<u>(1,330)</u>

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

		30 June	31 December
		2020	2019
	<i>Note</i>	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment		3,689,045	3,667,506
Right-of-use assets		474,307	480,791
Intangible assets		54,606	55,136
Deferred income tax assets		137,723	143,001
Other financial assets at amortized cost		536,288	546,042
Trade and bills receivable	<i>11</i>	103,538	200,384
Investment in an associate		529,119	517,249
Term deposits		2,100,000	995,000
		7,624,626	6,605,109
Current assets			
Inventories		2,504,996	2,370,729
Trade and bills receivable	<i>11</i>	2,608,381	2,566,381
Other financial assets at amortized cost		152,811	115,116
Prepayments and other assets		182,745	183,743
Prepaid income tax		873	17,815
Financial assets at fair value through profit or loss	<i>12</i>	4,362,912	5,664,205
Restricted bank deposits		36,796	51,886
Term deposits		185,000	190,000
Cash and cash equivalents		2,868,043	1,538,360
		12,902,557	12,698,235
Total assets		20,527,183	19,303,344
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	<i>13</i>	160,510	160,510
Share premium		1,331,913	1,331,913
Other reserves		1,534,513	1,543,510
Retained earnings		10,836,887	10,083,130
		13,863,823	13,119,063
Non-controlling interests		6,011	6,740
Total equity		13,869,834	13,125,803

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

		30 June 2020	31 December 2019
	<i>Note</i>	Unaudited	Audited
LIABILITIES			
Non-current liabilities			
Deferred income		46,713	45,503
Deferred income tax liabilities		320,568	279,072
Lease liabilities		868	1,133
		<hr/> 368,149	<hr/> 325,708
Current liabilities			
Trade and bills payable	<i>14</i>	3,406,068	2,959,618
Accruals and other payables		936,387	1,059,247
Contract liabilities		521,197	710,047
Current income tax liabilities		185,888	99,893
Bank borrowings		1,238,773	1,021,898
Lease liabilities		887	1,130
		<hr/> 6,289,200	<hr/> 5,851,833
Total liabilities		<hr/> 6,657,349	<hr/> 6,177,541
Total equity and liabilities		<hr/> 20,527,183	<hr/> 19,303,344
Net current assets		<hr/> 6,613,357	<hr/> 6,846,402
Total assets less current liabilities		<hr/> 14,237,983	<hr/> 13,451,511

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 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
Balance at 1 January 2020	160,510	1,331,913	1,543,510	10,083,130	13,119,063	6,740	13,125,803
Comprehensive income							
Profit for the period	-	-	-	1,027,987	1,027,987	(738)	1,027,249
Other comprehensive income							
Currency translation differences	-	-	(9,656)	-	(9,656)	9	(9,647)
Total comprehensive income for the period ended 30 June 2020	-	-	(9,656)	1,027,987	1,018,331	(729)	1,017,602
Transactions with owners							
Dividend paid – 2019 second interim	-	-	-	(273,571)	(273,571)	-	(273,571)
Appropriations	-	-	659	(659)	-	-	-
Total transactions with owners	-	-	659	(274,230)	(273,571)	-	(273,571)
Balance at 30 June 2020	160,510	1,331,913	1,534,513	10,836,887	13,863,823	6,011	13,869,834

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in RMB'000 unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2020	2019
Cash flows from operating activities:			
Net cash generated from operating activities		<u>1,224,703</u>	<u>1,365,578</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(177,761)	(264,838)
Net proceeds from/(purchase of) financial instruments		170,528	(564,941)
Interests received		<u>164,457</u>	<u>128,296</u>
Net cash generated from/(used in) investing activities		<u>157,224</u>	<u>(701,483)</u>
Cash flows from financing activities:			
Net changes in bank borrowings		221,326	(10,197)
Dividends paid to the Company's shareholders		(273,571)	(259,179)
Redemption of convertible bonds		<u>-</u>	<u>(843,368)</u>
Net cash used in financing activities		<u>(52,245)</u>	<u>(1,112,744)</u>
Net increase/(decrease) in cash and cash equivalents		1,329,683	(448,649)
Cash and cash equivalents at beginning of period		<u>1,538,360</u>	<u>3,769,637</u>
Cash and cash equivalents at end of period		<u>2,868,043</u>	<u>3,320,988</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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.

This unaudited condensed consolidated interim financial information was approved for issue on 17 August 2020.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) except for the adoption of new and amended standards as disclosed in Note 3.

3. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	COVID-19-related Rent Concessions	1 June 2020

(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 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

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

4. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of plastic injection moulding machines and related products	<u>5,015,675</u>	<u>5,008,929</u>

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

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	3,410,337	3,405,073
Hong Kong and overseas countries	<u>1,605,338</u>	<u>1,603,856</u>
	<u>5,015,675</u>	<u>5,008,929</u>

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

	As at	As at
	30 June	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	4,062,467	4,104,664
Hong Kong and overseas countries	<u>684,610</u>	<u>616,018</u>

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Depreciation and amortisation	123,704	141,041
Provision for/(reversal of) impairment of trade receivables	17,193	(3,526)
Provision for write down of inventories	31,065	4,475
Raw materials and consumables used	2,868,074	2,676,858
Net foreign exchange losses	25,467	12,066
(Gains)/losses on disposal of property, plant and equipment	(935)	142
Fair value gains on financial assets at fair value through profit or loss	(115,475)	(92,743)

6. FINANCE INCOME – NET

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Finance cost:		
Interest expenses on bank loans and convertible bonds	(17,175)	(34,643)
Lease liabilities	(50)	(47)
	<u>(17,225)</u>	<u>(34,690)</u>
Finance income:		
Changes in fair value of convertible bonds		
– resulted from change in exchange rate	–	12,038
– resulted from change in bond value	–	(3,516)
Interest income on restricted bank deposits, term deposits, cash and cash equivalents and entrusted loans	59,163	39,008
Net foreign exchange gains	1,374	14,330
	<u>60,537</u>	<u>61,860</u>
Finance income – net	<u>43,312</u>	<u>27,170</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– Mainland China enterprise income tax (“EIT”)	196,400	165,372
– Overseas income tax	18,148	10,823
Deferred taxation	41,880	47,263
	256,428	223,458

8. DIVIDENDS

At a meeting held on 17 August 2020, the directors declared an interim dividend of HKD0.24 (equivalent to approximately RMB0.22) 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 2020.

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 RMB1,027,987,000 (2019: RMB909,359,000) and on the weighted average number of 1,596,000,000 (2019: 1,596,000,000) ordinary shares in issue during the period.

10. CAPITAL EXPENDITURE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	177,761	264,838

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 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Up to 6 months	2,108,208	2,180,189
6 months to 1 year	400,008	410,884
1 year to 2 years	210,742	194,683
2 years to 3 years	58,415	30,177
Over 3 years	24,590	23,683
	2,801,963	2,839,616
Less: provision for impairment	(90,044)	(72,851)
	2,711,919	2,766,765

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2020, the Group held financial assets at fair value through profit or loss amounting to approximately RMB4,362,912 thousand (31 December 2019: RMB5,664,205 thousand). 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 2.7% to 7.5% (2019: 1.5% to 8.5%) per annum with maturity dates between 0 day and 366 days (2019: between 0 day and 366 days). None of these assets is either past due or impaired (2019: none).

13. SHARE CAPITAL

	Authorised share capital		
	Number of shares '000	<i>HKD'000</i>	<i>RMB'000</i>
As at 1 January and 30 June 2020	5,000,000	500,000	502,350
	Issued and fully paid		
	Number of shares '000	<i>HKD'000</i>	<i>RMB'000</i>
As at 1 January and 30 June 2020	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 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Up to 6 months	3,400,220	2,954,811
6 months to 1 year	2,225	2,132
1 year to 2 years	3,623	2,646
Over 2 years	–	29
	<u>3,406,068</u>	<u>2,959,618</u>

15. CAPITAL COMMITMENTS

	As at 30 June 2020 <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
Acquisition of property, plant and equipment contracted but not provided for:	<u>362,816</u>	<u>340,623</u>

BUSINESS REVIEW

For the first half of 2020, the sudden outbreak of COVID-19 Pandemic (“COVID-19 Pandemic” or “pandemic”) at the beginning of the year has resulted in closure and suspension of business in many countries around the world and dealt a severe blow to the already fragile global economy. The US-led global trade dispute and deglobalization trend continued to intensify. Under the influence of COVID-19 Pandemic, the global economy suffered shutdown or even fell into recession. Major economies such as the United States (the “US”) and Europe have been deeply affected by COVID-19 Pandemic and experienced severe economic recession. The central banks of the US and Europe have to introduce exceptionally loose monetary policies and release unlimited liquidity to stimulate the insufficient domestic and overseas demand. On the contrary, after the pandemic in China had been promptly and effectively controlled in the early stage, its economic growth rate has steadily improved following a number of loose policies, such as stabilizing investment, stabilizing exports, and firm support for small and medium enterprises, being introduced.

Amidst the impacts of COVID-19 Pandemic and global economic downturn, the sales of the Company amounted to RMB5,015.7 million for the six months ended 30 June 2020, representing an increase of 0.1% compared to the same period in 2019. Our gross profit margin increased by 2.0 pps to 33.6%, attributed to (i) improvement in operational efficiency, (ii) the decrease in the raw material price and (iii) the increase of RMB-denominated export sales resulting from the fluctuation of exchange rate.

The net profit attributable to shareholders of the Company for the six months ended 30 June 2020 amounted to RMB1,028.0 million (1H2019: RMB909.4 million), representing an increase of 13.0% compared to the same period last year. Meanwhile, the net profit margin for this period was 20.5%, representing an increase of 2.4pps compared to the same period in 2019.

The Board has declared a first interim dividend of HKD0.24 per share for the six months ended 30 June 2020 (1H2019: HKD0.21 per share).

Domestic and export sales

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

<i>(RMB million)</i>	1st half of 2020	%	1st half of 2019	%	1st half of 2020 Vs 1st half of 2019
Domestic Sales	3,320.6	66.2%	3,320.2	66.3%	0.0%
Export Sales	1,548.4	30.9%	1,546.5	30.9%	0.1%
Parts & Service	146.7	2.9%	142.2	2.8%	3.2%
Total	<u>5,015.7</u>	<u>100%</u>	<u>5,008.9</u>	<u>100%</u>	<u>0.1%</u>

In light of the global spread of COVID-19 Pandemic, the domestic sales were greatly affected by the pandemic in the first quarter of 2020. After COVID-19 Pandemic being effectively under control since the second quarter of 2020, China started to resume work and production. From the second quarter of 2020, the Company has fully rolled out the third-generation machines under years of R&D work, which has been widely recognized in the market. In virtue of the smooth transition from the second-generation to the third-generation machines and the use of IPD model, the Company's domestic sales still managed to make a remarkable achievement despite suffering a month-long shutdown in the first quarter. The domestic sales in the first half of the year reached RMB3,320.6 million, which remained flat as compared with the same period last year. Due to the outbreak of the pandemic, sales in most of the regional markets overseas have declined. Given the Company's overseas network expansion over the years, the efforts made by the localized management team during the COVID-19 Pandemic showed a good performance with sales in the certain countries such as Turkey, Vietnam and the Philippines recorded significant increase. Our export sales increased slightly by 0.1% to RMB1,548.4 million.

Sales mix of PIMMs by product series

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

<i>(RMB million)</i>	1st half of 2020	%	1st half of 2019	%	1st half of 2020 Vs 1st half of 2019
Mars series (energy-saving features PIMMs)	3,655.7	72.9%	3,171.5	63.3%	15.3%
Zhafir electrical series PIMMs	566.5	11.3%	773.1	15.4%	-26.7%
Jupiter series (two-platen PIMMs)	465.3	9.3%	663.7	13.3%	-29.9%
Other series	181.5	3.6%	258.4	5.2%	-29.8%
Parts & Service	146.7	2.9%	142.2	2.8%	3.2%
Total	<u>5,015.7</u>	<u>100%</u>	<u>5,008.9</u>	<u>100%</u>	<u>0.1%</u>

During the pandemic in the first half of the year, sales of the Mars series, the main products of the Company, increased from RMB3,171.5 million in the first half of 2019 to RMB3,655.7 million in the first half of 2020, representing an increase of 15.3% due to the increased demand for pandemic-related medical products and consumer products such as packaging products. The sales of Zhafir electrical series decreased by 26.7% to RMB566.5 million in the first half of 2020 as compared with the same period last year due to the weakening demands in the automotive and other industries. Similarly, influenced by the markets of automotive, household appliance and other industries, the sales of Jupiter two-platen PIMMs decreased from RMB663.7 million in 2019 to RMB465.3 million in the first half of 2020, representing a year-on-year decrease of 29.9%.

Prospect

Since the beginning of the year, economic activities across the globe have come to a halt due to COVID-19 Pandemic. Following the US, Brazil, India, Russia, South Africa, Mexico and other emerging market countries have also ushered in a major outbreak. COVID-19 Pandemic will continue to affect the global economy, and the world will enter into a post-pandemic era. In the second half of the year, as the US presidential election is approaching, campaigns of key issues surrounding China will bring more disadvantages to the domestic economy. Meanwhile, trade disputes, deglobalization, and geopolitical crises among countries will continue to bring many uncertain risks to the global economy in the second half of the year. The three major economic organizations and the world's major investment banks have substantially lowered their economic expectations of the world and major economies.

Looking back at China, in the most recent meeting of the Political Bureau of the Central Committee of the Communist Party of China, it has once again emphasized to strengthen the "six stability" work and fully implement the "six security" measures, continue to expand the domestic demands and expand the main policy of ultimate consumption. On this basis, the construction of "new infrastructure" will accelerate after the domestic economy stabilizes, with new areas such as 5G, big data, artificial intelligence, industrial internet and the construction of new urbanization as the main directions for future development. Owing to the COVID-19 Pandemic, governments in all levels have recognised the strong anti-risk capability of the manufacturing industry and therefore are giving more support to the real economy, especially to the manufacturing industry. After COVID-19 Pandemic has been brought under control, the benefits of stimulus will gradually appear in the second half of the year. We believe that by adopting the "domestic and international dual cycle" policy, namely from one hand relying on the "internal cycle" of the domestic consumption-driven economy, especially in promoting household consumption, increase domestic investment, tax and fee cuts for enterprises and other measures in the short term, and on the other hand further opening up domestic market to foreign investment will enable China's economy to grow steadily. We maintain an optimistic attitude towards the outlook of the domestic economy in the second half of 2020.

In the second half of the year, the Company will continue to realize digital transformation and management innovation reform, and introduce big data management concepts to promote the development of the Company's manufacturing intelligence and localization. Meanwhile, we will assist in the "online upgrade", including data marketing and online management with actual demand and market orientation as our direction, and "Internet+" and innovative technologies as our means, so as to strengthen and develop overseas market on the basis of "5 centers".

On the premise of the concept and proven strategy of "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 impacts of COVID-19 Pandemic and global economic downturn, the sales of the Company amounted to RMB5,015.7 million for the six months ended 30 June 2020, representing an increase of 0.1% compared to the same period in 2019. During the Reporting Period, our domestic and export sales achieved a revenue of RMB3,320.6 million and RMB1,548.4 million respectively, basically remaining flat as compared with the same period last year.

Gross Profit

In the first half of 2020, we recorded gross profit of approximately RMB1,686.1 million, representing an increase of 6.4% compared to the first half of 2019. Overall gross margin increased to 33.6% in the first half of 2020 (1H 2019: 31.6%) as a result of (i) improvement in the efficiency, (ii) the decrease in the raw material price, (iii) the increase of RMB-denominated export sales resulting from the fluctuation of the exchange rate.

Selling and administrative expenses

The selling and administrative expenses decreased by 14.7% from RMB765.6 million in the first half of 2019 to RMB652.9 million in the first half of 2020. The decrease was mainly due to the decrease of the sales commission, travel expense, and the reduction of the social insurance premium by the government.

Other income

Other income mainly consisting of government subsidy decreased by 47.3% from RMB201.2 million in the first half of 2019 to RMB106.1 million in the first half of 2020.

Finance income – net

We recorded a net finance income of RMB43.3 million in the first half of 2020 compared to a net finance income of RMB27.2 million for the first half of 2019. The changes were mainly attributable to the following factors: (i) we recorded RMB59.2 million interest income from term deposits, restricted bank deposits, cash and cash equivalent etc. in the first half of 2020 compared to RMB39.0 million in the first half of 2019; (ii) we recorded RMB17.2 million interest expense on bank loans, convertible bonds and lease liabilities in the first half of 2020 compared to RMB34.7 million in the first half of 2019; and (iii) we recorded net foreign exchange gains of RMB1.4 million in the first half of 2020 compared to net foreign exchange gains of RMB14.3 million in the same period in 2019.

Income tax expenses

Income tax expenses increased by 14.7% from RMB223.5 million in the first half of 2019 to RMB256.4 million in the first half of 2020. Our effective tax rate maintained at a similar level of 20.0% in the first half of 2020 (1H 2019: 19.8%).

Net profit attributable to shareholders

As a result, our net profit attributable to shareholders for the six months ended 30 June 2020 increased to RMB1,028.0 million, representing an increase of 13.0% compared to the first half of 2019.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 30 June 2020, the Group's total cash and cash equivalents, term deposits and restricted cash amounted to RMB2,868.0 million, RMB2,285.0 million and RMB36.8 million respectively (31 December 2019: RMB1,538.4 million, RMB1,185.0 million and RMB51.9 million). The Group's short-term bank borrowings amounted to RMB1,238.8 million as at 30 June 2020 (31 December 2019: RMB1,021.9 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 2.7% to 7.5% (2019: 1.5% to 8.5%) per annum. As at 30 June 2020, the Group's financial assets at fair value through profit or loss amounted to RMB4,362.9 million (31 December 2019: RMB5,664.2 million).

The gearing ratio is defined by the management as total borrowings net of cash divided by shareholders' equity. As at 30 June 2020, the Group was in a strong financial position with a net cash position amounting to RMB3,951.1 million (31 December 2019: RMB1,753.3 million). Accordingly, no gearing ratio is presented.

Capital Expenditure

During the first half of 2020, our capital expenditure consisted of additions of property, plant and equipment which amounted to RMB177.8 million (1H2019: RMB264.8 million).

Charges on Group Assets

As at 30 June 2020, no assets were pledged for the Group (31 December 2019: no assets were pledged for the Group).

Foreign Exchange Risk Management

During the Reporting Period, the Group exported approximately 32.0% of its products to international markets. Such sales were denominated in US dollars or other foreign currencies, while the 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 2020, the Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB651.4 million (31 December 2019: RMB657.4 million).

EMPLOYEES

As at 30 June 2020, the 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 HKD0.24 per share for the six months ended 30 June 2020 which is expected to be paid on or before 15 September 2020 to our shareholders whose names appear on the register of members of the Company on 3 September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 September 2020 to 3 September 2020 (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 at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 31 August 2020.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2020.

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 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 2020, 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 of the Company, who have confirmed that they had complied with the required standard set out in the Model Code for the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 17 August 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 Mr. Guo Mingguang and Mr. Liu Jianbo; and the Independent Non-executive Directors are Mr. Lou Baijun, Mr. Guo Yonghui, Dr. Yu Junxian and Mr. Lo Chi Chiu.