



2020

Interim Report

Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1882



CONTENTS

2	Highlights
3	Company Profile and Corporate Information
4	Investor Information
5	Management Discussion and Analysis
13	Other Information
14	Condensed Consolidated Statement of Profit or Loss
15	Condensed Consolidated Statement of Comprehensive Income
16	Condensed Consolidated Balance Sheet
18	Condensed Consolidated Statement of Changes in Equity
19	Condensed Consolidated Statement of Cash Flows
20	Notes to the Condensed Consolidated Financial Information



Highlights

	Six months ended 30 June		
	2020 RMB' million	2019 RMB' million	Change %
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.

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

Independent Non-Executive Directors

Mr. LOU Baijun
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

17 August 2020 – Interim Result
Announcement
1–3 September 2020 – Closure of register of
members
15 September 2020 – Payment date of
or before interim dividend

Share Information

Board lot size: 1,000 shares
Shares outstanding as
at 30 June 2020: 1,596,000,000 shares
Market Capitalisation as
at 30 June 2020: HKD25,121 million
Earnings per share for
six months ended
30 June 2020: RMB0.64
Interim Dividend per share
for six months ended
30 June 2020: HKD24 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

Tel (China): 86-574-86182786
Tel (Hong Kong): 852-24282999
Fax: 86-574-86182787
E-mail: andy@mail.haitian.com
Address: No. 1688 Haitian Road,
Beilun District, Ningbo,
Zhejiang Province, China
Postal code: 315800

Website

<http://www.haitianinter.com>
<http://www.haitian.com>

Management Discussion and Analysis

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).



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 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	5,015.7	100%	5,008.9	100%	0.1%

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:

(RMB million)	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	5,015.7	100%	5,008.9	100%	0.1%

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Sales mix of PIMMs by product series (Continued)

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.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Prospect (Continued)

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, and (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.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (Continued)

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).

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (Continued)

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.

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

As at 30 June 2020, 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⁾	514,836,219	32.26%
	Corporate Interest ⁽²⁾	535,000	0.03%
Mr. Zhang Jianming	Corporate Interest ⁽¹⁾	514,836,219	32.26%
	Corporate Interest ⁽²⁾	3,957,000	0.25%
	Personal Interest	4,212,000	0.26%
Mr. Zhang Jianfeng	Corporate Interest ⁽²⁾	1,000,000	0.06%
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%
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, both being executive directors of the Company, were deemed under the SFO to be interested in 327,042,016 shares of the Company held by Premier Capital Management (PTC) Ltd. and in 187,794,203 shares of the Company held by Cambridge Management Consultant (PTC) Ltd. As at 30 June 2020, each of Premier Capital Management (PTC) Ltd. and Cambridge Management Consultant (PTC) Ltd. was owned as to 40% and 60% by Mr. Zhang Jingzhang and Mr. Zhang Jianming respectively.
- (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

Sky Treasure Capital Limited ceased to be an associated corporation of the Company after completion of repurchase of its shares held by Premier Capital Management (PTC) Ltd. and Cambridge Management Consultants (PTC) Ltd. on 16 June 2020. For details, please refer to the announcement of the Company dated 16 June 2020.

Save as disclosed above, as at 30 June 2020, 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 Reporting Period 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 2020, 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 2020
Sky Treasure Capital Limited	Beneficial owner	433,888,453 (L)	27.18%
Premier Capital Management (PTC) Ltd.	Beneficial owner	327,042,016 (L)	20.49%
Cambridge Management Consultants (PTC) Ltd.	Beneficial owner	187,794,203 (L)	11.77%
UBS Trustees (B.V.I.) Limited	Trustee	433,888,453 (L)	27.18%
Schroders Plc	Investment Manager ⁽¹⁾	95,814,266 (L)	6.00%

(L) denotes a long position

Notes:

(1) Schroders Plc is deemed under the SFO to be interested in 95,814,266 shares held by its wholly-owned entities.

Save as disclosed above, as at 30 June 2020, 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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

There were no significant investments held by the Company as at 30 June 2020, nor other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING

The Company has no specific future plans for material investments or capital assets as at 30 June 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 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.

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 (the "Model Code") as set out in Appendix 10 to the Listing Rules 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.

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 2020 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2019 as follows:

	Note	Unaudited Six months ended 30 June	
		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	(9,647)	4,110
Total comprehensive income for the period	1,017,602	912,119
Total comprehensive income attributable to:		
Shareholders of the Company	1,018,331	913,449
Non-controlling interests	(729)	(1,330)

Condensed Consolidated Balance Sheet

(Amounts expressed in RMB'000 unless otherwise stated)

Note	30 June 2020 Unaudited	31 December 2019 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	11 103,538	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	11 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	12 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	13 160,510	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)

<i>Note</i>	30 June 2020 Unaudited	31 December 2019 Audited
LIABILITIES		
Non-current liabilities		
	46,713	45,503
	320,568	279,072
	868	1,133
	368,149	325,708
Current liabilities		
14	3,406,068	2,959,618
	936,387	1,059,247
	521,197	710,047
	185,888	99,893
	1,238,773	1,021,898
	887	1,130
	6,289,200	5,851,833
	6,657,349	6,177,541
	20,527,183	19,303,344
	6,613,357	6,846,402
	14,237,983	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)

	Note	Unaudited	
		Six months ended 30 June	
		2020	2019
Cash flows from operating activities:			
Net cash generated from operating activities		1,224,703	1,365,578
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		164,457	128,296
Net cash generated from/(used in) investing activities		157,224	(701,483)
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		–	(843,368)
Net cash used in financing activities		(52,245)	(1,112,744)
Net increase/(decrease) in cash and cash equivalents		1,329,683	(448,649)
Cash and cash equivalents at beginning of period		1,538,360	3,769,637
Cash and cash equivalents at end of period		2,868,043	3,320,988

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

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.

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

4. REVENUE AND SEGMENT INFORMATION

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

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 RMB'000	2019 RMB'000
Mainland China	3,410,337	3,405,073
Hong Kong and overseas countries	1,605,338	1,603,856
	5,015,675	5,008,929

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 2020 RMB'000	As at 31 December 2019 RMB'000
	Mainland China	4,062,467
Hong Kong and overseas countries	684,610	616,018

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2020 RMB'000	2019 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 RMB'000	2019 RMB'000
Finance cost:		
Interest expenses on bank loans and convertible bonds	(17,175)	(34,643)
Lease liabilities	(50)	(47)
	(17,225)	(34,690)
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
	60,537	61,860
Finance income – net	43,312	27,170

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

7. INCOME TAX EXPENSE

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

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

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 RMB'000	As at 31 December 2019 RMB'000
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).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

13. SHARE CAPITAL

	Authorised share capital		
	Number of shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2020	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 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 RMB'000	As at 31 December 2019 RMB'000
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
	3,406,068	2,959,618

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2020

15. CAPITAL COMMITMENTS

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

16. 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.

Each of Sky Treasure Capital Limited, Premier Capital Management (PTC) Ltd. and Cambridge Management Consultants (PTC) Ltd. respectively holds in 433,888,453, 327,042,016 and 187,794,203 shares of the Company, representing approximately 27.18%, 20.49% and 11.77% of the issued share capital of the Company.

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
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 2020

16. Related Party Transactions (Continued)

(a) Transactions with related parties

The following material transactions were carried out with related parties:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
(i) Purchasing of goods from:		
Ningbo Anson	258,808	305,323
Ningbo STF	66,342	59,246
Hilectro Precision	26,253	22,115
Ningbo SPP	216	249
	351,619	386,933
(ii) Purchasing of equipment from:		
Haitian Precision	–	16,891
Hilectro Power	27	1,553
	27	18,444
(iii) Rental fees paid to:		
HDS	1,321	1,274

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 2020

16. Related Party Transactions (Continued)

(b) Balances with related parties

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

	As at 30 June 2020 RMB'000	As at 31 December 2019 RMB'000
Payables arising from purchase of goods		
– Ningbo Anson	141,738	226,795
– Ningbo STF	62,867	46,768
– Hilectro Precision	22,354	19,634
– Ningbo SPP	175	209
– Hilectro Power	–	324
	227,134	293,730
Payables arising from purchase of equipment		
– Hilectro Power	1,270	1,244
– Haitian Precision	1,797	1,812
	3,067	3,056

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 2020

16. 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	
	2020 RMB'000	2019 RMB'000
Salaries and bonus	3,759	4,111
Pension costs	33	33
Other benefits	103	101
	3,895	4,245

(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 2020 RMB'000	As at 31 December 2019 RMB'000
	Capital commitment for acquisition of property, plant and equipment – Haitian Precision	44,836