



2022

Interim Report

Haitian International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1882



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Highlights

	Six months ended 30 June		
	2022 RMB' million	2021 RMB' million	Change %
Revenue	6,509.6	8,225.8	-20.9
Gross profit	2,000.2	2,659.2	-24.8
Operating profit	1,354.6	1,863.7	-27.3
Profit attributable to shareholders of the Company	1,172.3	1,583.8	-26.0
Basic Earnings per share (expressed in RMB per share)	0.73	0.99	-26.0

- Under the complicated foreign situation and the negative impact of domestic outbreaks of COVID-19 pandemic on the Company's business, the sales of the Company amounted to RMB6,509.6 million for the six months ended 30 June 2022 (the "Reporting Period"), representing a decrease of 20.9% compared to the same period in 2021.
- As the raw material prices remained high and the utilisation of new production capacity was low during the Reporting Period, the gross profit margin decreased to 30.7% (1H2021: 32.3%).
- The net profit attributable to shareholders of the Company (the "Shareholders") for the six months ended 30 June 2022 decreased to RMB1,172.3 million, representing a decrease of 26.0% compared to the same period in 2021.
- The Company has always been focusing on the flexibility and efficiency in operation and has solid capacity in working capital management. The net cash generated from operating activities of the Company for the six months ended 30 June 2022 reached RMB811.0 million (1H2021: RMB1,478.8 million) with a net cash position (including wealth management products) amounting to RMB9,585.2 million (31 December 2021: RMB10,685.4 million).
- Basic earnings per share amounted to RMB0.73 during the Reporting Period, representing a decrease of 26.0% compared to the same period in 2021.
- The board of directors of the Company (the "Board") has resolved not to declare an interim dividend for the Reporting Period, but may consider a distribution after review of the annual results by the Board.

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
Ms. YU Junxian
Mr. LO Chi Chiu

Audit Committee

Mr. LOU Baijun (*Chairman*)
Mr. GUO Yonghui
Ms. YU Junxian

Nomination Committee

Mr. ZHANG Jingzhang (*Chairman*)
Mr. GUO Yonghui
Ms. YU Junxian

Remuneration Committee

Ms. YU Junxian (*Chairman*)
Mr. LOU Baijun (appointed on 22 March 2022)
Mr. ZHANG Jianming (resigned on 22 March 2022)
Mr. GUO Yonghui

Company Secretary

Ms. LEE Ka Man

Registered Office

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

Principal Share Registrar and Transfer Office in Cayman Islands

Suntera (Cayman) Limited (formerly known as SMP Partners (Cayman) Limited)
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay Grand Cayman, KY1-1100
Cayman Islands

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Place of Business

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

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

Principal Banks

Mainland 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 SAR, China
Hang Seng Bank
Oversea – Chinese Banking Corporation
Standard Chartered Bank (Hong Kong)
The Hongkong and Shanghai Banking Corporation
BNP Paribas

Investor Information

Listing Information

Listing: Hong Kong Stock Exchange
Stock code: 1882

Key Dates

15 August 2022 – Interim Results
Announcement

Share Information

Board lot size: 1,000 shares

Shares outstanding as
at 30 June 2022: 1,596,000,000 shares

Market Capitalisation as
at 30 June 2022: HKD32,000 million

Earnings per share for the
six months ended
30 June 2022: RMB0.73

Share Registrar Transfer Offices

Computershare Hong Kong Investor
Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
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Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2022, the economic growth of major economies such as Europe, the United States and Japan has slowed down amid a complex situation of intensified geopolitical conflicts, rising global inflation and Fed rate hikes. In particular, Europe's economy has been significantly hit by the surging energy price driven by the Russia-Ukraine conflict. Affected by multiple domestic and foreign pressures and recurring COVID-19 pandemic, China has experienced a demand-side slump and deteriorating market expectations. Its economy deviated from its normal growth trajectory in the first half of 2022, leading to a short-term economic downturn.

Under the complicated foreign situation and the negative impact of domestic outbreaks of COVID-19 pandemic on the Company's business, the sales of the Company amounted to RMB6,509.6 million for the six months ended 30 June 2022, representing a decrease of 20.9% compared to the same period in 2021. As the raw material prices remained high and the utilisation of new production capacity was low during the Reporting Period, the gross profit margin decreased by 1.6 percentage points to 30.7%.

The net profit attributable to the Shareholders for the six months ended 30 June 2022 amounted to RMB1,172.3 million (1H2021: RMB1,583.8 million), representing a decrease of 26.0% compared to the same period in 2021. Meanwhile, the net profit margin for the Reporting Period was 18.0%, representing a decrease of 1.2 percentage points compared to the same period in 2021.

The Board has resolved not to distribute the interim dividend for the time being, but may consider a distribution after the annual results are agreed by the Board.



Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Domestic and export sales

The following table summarises the Group's domestic and overseas sales by geographic areas:

(RMB million)	1H2022		1H2021		Percentage change of 1H2022 compare to 1H2021
		%		%	
Domestic Sales	4,213.3	64.7%	5,720.3	69.5%	-26.3%
Overseas Sales	2,296.3	35.3%	2,505.5	30.5%	-8.3%
Total	6,509.6	100%	8,225.8	100%	-20.9%

During the first half of 2022, many regions in China were subject to pandemic control policies. In particular, the outbreak of COVID-19 pandemic in East China had a material impact on the Company. The Company recorded total domestic sales of RMB4,213.3 million, representing a decrease of 26.3% as compared with the same period last year. In terms of overseas market, the sales in North America experienced a significant increase in the first half of 2022, but the sales in Europe, Southeast Asia and South America declined due to geopolitical conflicts and rising global inflation. As a result, the Company recorded total overseas sales of RMB2,296.3 million, representing a decrease of 8.3% as compared with the same period last year.

Sales mix of PIMMs by product series

(RMB million)	1H2022		1H2021		Percentage change of 1H2022 compare to 1H2021
		%		%	
Mars series (energy-saving features PIMMs)	4,005.8	61.5%	5,787.6	70.4%	-30.8%
Zhafir electrical series	1,032.5	15.9%	1,054.3	12.8%	-2.1%
Jupiter series (two-platen PIMMs)	1,156.6	17.8%	891.1	10.8%	29.8%
Other PIMMs series	77.0	1.1%	256.5	3.1%	-70.0%
Parts & Service	237.7	3.7%	236.2	2.9%	0.6%
Total	6,509.6	100%	8,225.8	100%	-20.9%

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Sales mix of PIMMs by product series (Continued)

In the first half of 2022, the sales of Mars series reached RMB4,005.8 million, representing a decrease of 30.8% as compared with the same period last year due to global inflation and recurring COVID-19 pandemic, as well as the impact of slowing demand in the real estate market on home appliances, daily necessities, building materials and packaging. As the global automotive industry (particularly the new energy vehicle market) continued to rebound, the sales of Jupiter two-platen series increased by 29.8% to RMB1,156.6 million as compared with the same period last year. Due to the combined impact of automotive and other industries, the sales of Zhafir electrical series of the Company decreased by 2.1% to RMB1,032.5 million as compared with the same period last year.

Prospect

In the second half of 2022, in anticipation of sustained trade protectionism and geopolitical risks, global inflationary pressures are expected to spread, stagflation risks in major developed countries such as Europe, the United States and Japan are expected to intensify, and may ripple through emerging market countries, resulting in a slowdown in global economic growth. In China, as the COVID-19 pandemic has begun to be under relatively effective control, a series of growth stabilisation policies formulated this year could gradually become effective, and the improvement of domestic demand will become the key to stabilising the economy. However, affected by overseas economic stagflation, the weakening of external demand will cause an impact on the export of domestic downstream industries and affect the momentum of domestic economic growth, bringing uncertainty to China's economy in the second half of 2022.

The Company will continue to accelerate technological innovation and the promotion of customised models by applying the IPD management model to maintain product leadership and ultimately enhance the competitiveness of products. Based on the current market supply and demand, the Company has begun to promote the newly developed models to the market in a targeted manner at the end of the second quarter. The Company will continue to enhance its control on raw material costs and manufacturing costs and continue to facilitate factory automation and intelligent production. Furthermore, we will also continue to provide one-stop solutions for customers to improve customer satisfaction and loyalty and strengthen our market position.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Prospect (Continued)

The Company will expedite domestic and overseas development and comprehensively build a global “6+2” layout, including 6 overseas regional centers and 2 domestic centers in Ningbo and Shunde. Domestically, the No. 1 plant of South China Headquarters was officially put into operation in July 2022. In terms of our overseas development, the Mexican factory has been officially commenced its operation, further expanding into the North America market. Furthermore, we purchased land in Serbia as a manufacturing base in East Europe in the second quarter of 2022 to further serve and expand the Europe and Middle-East markets. We also look to expand our layout in Southeast Asia in the future. We will continue to penetrate into foreign markets, realise the localisation in production of our products in overseas regions, and further improve overseas marketing, application and service networks to form a multi-industry and multi-form foreign competition layout and constantly enhance the Company’s global market share.

On the premise of the strategic concept of “technology to the point”, we satisfy customised needs and demand from each niche market while standardising the production of our components. We strive to maintain our leading position in every aspect. As always, the Company 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, partners and investors.

FINANCIAL REVIEW

Revenue

Under the complicated foreign situation and the negative impact of domestic outbreaks of COVID-19 pandemic on the Company’s business, the revenue of the Company amounted to RMB6,509.6 million for the six months ended 30 June 2022, representing a decrease of 20.9% compared to the same period in 2021. During the Reporting Period, our domestic and overseas sales reached RMB4,213.3 million and RMB2,296.3 million respectively.

Gross profit

In the first half of 2022, we recorded gross profit of approximately RMB2,000.2 million, representing a decrease of 24.8% compared to the first half of 2021. Overall gross profit margin decreased to 30.7% in the first half of 2022 (1H2021: 32.3%) as a result of the fact that raw material prices remained high, and the utilisation of new production capacity was low during the Reporting Period.

Selling and administrative expenses

The selling and administrative expenses decreased by 11.3% from RMB1,041.4 million in the first half of 2021 to RMB924.0 million in the first half of 2022. The decrease was mainly due to the decrease in sales commission, labour cost, and other administrative expenses.

Other income

Other income mainly consisting of government subsidy, which increased by 42.0% from RMB126.2 million in the first half of 2021 to RMB179.2 million in the first half of 2022.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (Continued)

Finance income – net

We recorded a net finance income of RMB71.6 million in the first half of 2022 compared to a net finance income of RMB74.4 million for the first half of 2021. The changes were mainly attributable to the following factors: (i) interest income of RMB101.8 million from restricted bank deposits, term deposits, cash and cash equivalents etc. in the first half of 2022 compared to RMB94.6 million in the first half of 2021; (ii) a total of RMB25.1 million in interest expense on bank loans and lease liabilities in the first half of 2022 compared to RMB22.6 million in the same period in 2021; and (iii) net foreign exchange losses of RMB5.1 million in the first half of 2022 compared to net foreign exchange gains of RMB2.4 million in the same period in 2021.

Income tax expense

Income tax expense decreased by 29.0% from RMB375.9 million in the first half of 2021 to RMB266.9 million in the first half of 2022. Our effective tax rate maintained at a similar level of 18.6% in the first half of 2022 (1H2021: 19.2%).

Net profit attributable to Shareholders

As a result, our net profit attributable to Shareholders for the six months ended 30 June 2022 decreased to RMB1,172.3 million, representing a decrease of 26.0% compared to the first half of 2021.

Liquidity, financial resources, borrowing and gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 30 June 2022, the Group's total cash and cash equivalents, term deposits and restricted cash amounted to RMB3,112.1 million, RMB3,039.8 million and RMB59.1 million respectively (31 December 2021: RMB3,592.6 million, RMB3,012.5 million and RMB87.9 million). The Group's bank borrowings amounted to RMB2,247.6 million as at 30 June 2022 (31 December 2021: RMB2,161.0 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 2.5% to 7.6% (2021: 1.0% to 6.0%) per annum. As at 30 June 2022, the Group's financial assets at fair value through profit or loss amounted to RMB5,621.9 million (31 December 2021: RMB6,153.4 million).

The gearing ratio is defined by the management as total borrowings net of cash divided by Shareholders' equity. As at 30 June 2022, the Group was in a strong financial position with a net cash position amounting to RMB3,963.4 million (31 December 2021: RMB4,532.0 million). Accordingly, no gearing ratio is presented.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW (Continued)

Capital expenditure

During the first half of 2022, the Group's capital expenditure consisted of land use rights, additions of property, plant and equipment amounted to RMB636.3 million (1H2021: RMB456.4 million).

Charges on group assets

As at 30 June 2022, no assets were pledged for the Group (31 December 2021: no assets were pledged for the Group).

Foreign exchange risk management

During the Reporting Period, the Group sold approximately 35.3% of its products to overseas 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 2022, the Group provided guarantee to banks in connection with facilities granted to the customers with an aggregate amount of RMB518.4 million (31 December 2021: RMB579.5 million).

EMPLOYEES

As at 30 June 2022, the Group had a total workforce of approximately 7,100 employees. Most of our employees were located in Mainland China. We offered our staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on the performance of individual and the Group. The Group is committed to nurturing a learning culture in our organisation.

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 2022, 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 (Chapter 571 of the laws of Hong Kong) ("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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (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⁾	527,072,219	33.03%
	Corporate Interest ⁽²⁾	493,000	0.03%
Mr. Zhang Jianming	Corporate Interest ⁽¹⁾	527,072,219	33.03%
	Corporate Interest ⁽²⁾	3,957,000	0.25%
	Personal Interest	4,212,000	0.26%
Mr. Zhang Jianfeng	Corporate Interest ⁽²⁾	1,401,000	0.09%
Mr. Liu Jianbo	Corporate Interest ⁽²⁾	470,000	0.029%
Mr. Guo Mingguang	Corporate Interest ⁽²⁾	100,000	0.01%
	Spouse Interest ⁽³⁾	177,000	0.01%
Mr. Chen Weiqun	Corporate Interest ⁽²⁾	250,000	0.02%

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 339,278,016 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 2022, 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 177,000 shares of the Company.

Save as disclosed above, as at 30 June 2022, none of the directors and chief executive of the Company had or was deemed to have any interest 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 interest or short position in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

Management Discussion and Analysis (Continued)

Interests and Short Positions of Shareholders

As at 30 June 2022, the persons or corporations (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified the Company were as follows:

Name of Shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding as at 30 June 2022
Sky Treasure Capital Limited	Beneficial owner	433,888,453 (L)	27.19%
Premier Capital Management (PTC) Ltd.	Beneficial owner	339,278,016 (L)	21.26%
Cambridge Management Consultants (PTC) Ltd.	Beneficial owner	187,794,203 (L)	11.77%
UBS Trustees (B.V.I.) Limited	Trustee	433,888,453 (L)	27.19%

(L) denotes a long position

Save as disclosed above, as at 30 June 2022, the Directors were 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, nor other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the Reporting Period.

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

The Company had no specific future plans for material investments or capital assets as at 30 June 2022.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphasises on maintaining a Board with balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. The Directors is of the view that the Company complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix 14 of the Listing Rules during the six months ended 30 June 2022.

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 (the "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 control. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. LOU Baijun, Mr. GUO Yonghui and Ms. YU Junxian.

The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the six months ended 30 June 2022, including the accounting principles adopted by the Group, with the Company's management, and confirms that the applicable accounting principles, standards and requirements have been complied with.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes of director's information of the Company since the date of the 2021 annual report is as follows:

Mr. Lo Chi Chiu (盧志超) has been resigned as an independent non-executive director, chairman of the audit committee and a member of the nomination committee and the remuneration committee of Edvantage Group Holdings Limited (stock code: 382) with effect from 16 February 2022, the shares of which listed on the Stock Exchange.

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 2022 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2021 as follows:

	Note	Unaudited Six months ended 30 June	
		2022	2021
Revenue	4	6,509,609	8,225,795
Cost of sales		(4,509,434)	(5,566,551)
Gross profit		2,000,175	2,659,244
Selling and marketing expenses		(535,236)	(594,023)
General and administrative expenses		(388,755)	(447,379)
Other income		179,226	126,188
Other gain – net		99,183	119,647
Operating profit	5	1,354,593	1,863,677
Finance income	6	101,818	96,996
Finance costs	6	(30,261)	(22,627)
Finance income – net	6	71,557	74,369
Share of profit of an associate		12,989	19,700
Profit before income tax		1,439,139	1,957,746
Income tax expense	7	(266,896)	(375,880)
Profit for the period		1,172,243	1,581,866
Profit attributable to:			
Shareholders of the Company		1,172,258	1,583,757
Non-controlling interests		(15)	(1,891)
		1,172,243	1,581,866
Dividends	8	–	–
Earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share)			
– Basic and Diluted	9	0.73	0.99

Condensed Consolidated Statement of Comprehensive Income

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit for the period		
Other comprehensive income for the period:	1,172,243	1,581,866
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	33,914	(20,032)
Total comprehensive income for the period	1,206,157	1,561,834
Total comprehensive income attributable to:		
Shareholders of the Company	1,206,317	1,563,777
Non-controlling interests	(160)	(1,943)

Condensed Consolidated Balance Sheet

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	30 June 2022 Unaudited	31 December 2021 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		4,760,235	4,366,451
Right-of-use assets		716,182	703,787
Intangible assets		51,864	52,494
Deferred income tax assets		212,959	207,501
Other financial assets at amortised cost		249,766	8,920
Prepayment and other assets		75,342	82,912
Trade and bills receivable	11	163,408	133,637
Financial assets at fair value through profit or loss	12	792,655	260,000
Investment in an associate		531,514	518,533
Financial assets at fair value through other comprehensive income		–	500
Term deposits		870,000	2,067,541
		8,423,925	8,402,276
Current assets			
Inventories		3,092,713	3,009,566
Trade and bills receivable	11	2,767,469	3,506,940
Other financial assets at amortised cost		379,023	483,647
Prepayments and other assets		61,544	211,808
Prepaid income tax		17,067	20,210
Financial assets at fair value through profit or loss	12	4,829,205	5,893,364
Restricted bank deposits		59,068	87,882
Term deposits		2,169,845	945,000
Cash and cash equivalents		3,112,053	3,592,622
		16,487,987	17,751,039
Total assets		24,911,912	26,153,315
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		2,194,043	1,779,452
Retained earnings		12,220,936	12,662,502
		15,907,402	15,934,377
Non-controlling interests		473	633
Total equity		15,907,875	15,935,010

Condensed Consolidated Balance Sheet (Continued)

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	30 June 2022 Unaudited	31 December 2021 Audited
LIABILITIES			
Non-current liabilities			
Deferred income		50,356	48,420
Deferred income tax liabilities		408,868	527,169
Bank borrowings		33,717	300,000
Lease liabilities		276	270
		493,217	875,859
Current liabilities			
Trade and bills payable	14	4,060,469	4,222,289
Accruals and other payables		1,568,005	1,850,738
Contract liabilities		530,581	1,089,035
Current income tax liabilities		137,615	319,134
Bank borrowings		2,213,886	1,860,970
Lease liabilities		264	280
		8,510,820	9,342,446
Total liabilities		9,004,037	10,218,305
Total equity and liabilities		24,911,912	26,153,315
Net current assets		7,977,167	8,408,593
Total assets less current liabilities		16,401,092	16,810,869

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 2021	160,510	1,331,913	1,613,756	11,671,055	14,777,234	8,802	14,786,036
Comprehensive income							
Profit for the period	-	-	-	1,583,757	1,583,757	(1,891)	1,581,866
Other comprehensive income							
Currency translation differences	-	-	(19,980)	-	(19,980)	(52)	(20,032)
Total comprehensive income for the period ended 30 June 2021	-	-	(19,980)	1,583,757	1,563,777	(1,943)	1,561,834
Transactions with owners							
Dividend paid – 2020 second interim	-	-	-	(868,791)	(868,791)	-	(868,791)
Dividend paid – 2020 special interim	-	-	-	(1,002,452)	(1,002,452)	-	(1,002,452)
Disposal of a subsidiary	-	-	-	-	-	(6,214)	(6,214)
Total transactions with owners	-	-	-	(1,871,243)	(1,871,243)	(6,214)	(1,877,457)
Balance at 30 June 2021	160,510	1,331,913	1,593,776	11,383,569	14,469,768	645	14,470,413
Balance at 1 January 2022	160,510	1,331,913	1,779,452	12,662,502	15,934,377	633	15,935,010
Comprehensive income							
Profit for the period	-	-	-	1,172,258	1,172,258	(15)	1,172,243
Other comprehensive income							
Currency translation differences	-	-	34,059	-	34,059	(145)	33,914
Total comprehensive income for the period ended 30 June 2022	-	-	34,059	1,172,258	1,206,317	(160)	1,206,157
Transactions with owners							
Dividend paid – 2021 second interim	-	-	-	(1,233,292)	(1,233,292)	-	(1,233,292)
Appropriations	-	-	380,532	(380,532)	-	-	-
Total transactions with owners	-	-	380,532	(1,613,824)	(1,233,292)	-	(1,233,292)
Balance at 30 June 2022	160,510	1,331,913	2,194,043	12,220,936	15,907,402	473	15,907,875

Condensed Consolidated Statement of Cash Flows

(Amounts expressed in RMB'000 unless otherwise stated)

	Note	Unaudited	
		Six months ended 30 June	
		2022	2021
Cash flows from operating activities:			
Net cash generated from operating activities		810,961	1,478,779
Cash flows from investing activities:			
Purchase of property, plant and equipment	10	(636,345)	(456,389)
Net gain on disposal of shares of a subsidiary		–	14,225
Net proceeds/(Purchase of) from disposal of financial instruments		439,839	(315,684)
Interests received		73,508	129,697
Net cash used in from investing activities		(122,998)	(628,151)
Cash flows from financing activities:			
Net changes in bank borrowings		64,760	38,653
Dividends paid to the Company's shareholders		(1,233,292)	(1,871,243)
Net cash used in financing activities		(1,168,532)	(1,832,590)
Net decrease in cash and cash equivalents		(480,569)	(981,962)
Cash and cash equivalents at beginning of period		3,592,622	3,746,430
Cash and cash equivalents at end of period		3,112,053	2,764,468

Notes to the Condensed Consolidated Financial Information

For the six months ended 30 June 2022

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 distribution of plastic injection moulding machines.

This unaudited condensed consolidated interim financial information was approved for issue on 15 August 2022.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021, 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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

		Effective for annual periods beginning on or after
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
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

3. ACCOUNTING POLICIES (Continued)

(b) New standards and interpretations not yet adopted

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 2022 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 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
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
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

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 2022

4. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Sales of plastic injection moulding machines and related products	6,509,609	8,225,795

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 has one reportable segment only 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	
	2022 RMB'000	2021 RMB'000
Mainland China	4,213,255	5,720,252
Hong Kong and overseas countries	2,296,354	2,505,543
	6,509,609	8,225,795

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
	Mainland China	5,087,885
Hong Kong and overseas countries	1,047,252	745,718

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Depreciation and amortisation	190,133	149,879
(Reversal of)/Provision for impairment of trade receivables	(1,555)	415
(Reversal of)/Provision for write-down of inventories	(8,519)	7,437
Raw materials and consumables used	3,873,142	4,215,864
Net foreign exchange (gains)/losses	(327)	42,320
Gains on disposal of property, plant and equipment	(442)	(440)
Fair value gains on financial assets at fair value through profit or loss	(89,499)	(94,119)

6. FINANCE INCOME – NET

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Finance cost:		
Interest expenses on bank loans	(25,121)	(22,576)
Lease liabilities	(13)	(51)
Net foreign exchange losses	(5,127)	–
	(30,261)	(22,627)
Finance income:		
Interest income on restricted bank deposits, term deposits, cash and cash equivalents and entrusted loans	101,818	94,598
Net foreign exchange gains	–	2,398
	101,818	96,996
Finance income – net	71,557	74,369

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current income tax		
– Mainland China enterprise income tax	182,486	300,191
– Overseas income tax	37,022	27,250
Deferred taxation	47,388	48,439
	266,896	375,880

8. DIVIDENDS

At a meeting held on 15 August 2022, the Board has resolved not to declare an interim dividend for the Reporting Period, but may consider a distribution after review of the annual results by the Board.

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 RMB1,172,258,000 (2021: RMB1,583,757,000) and on the weighted average number of 1,596,000,000 (2021: 1,596,000,000) ordinary shares in issue during the period. Diluted earnings per share is not presented as there were no dilutive ordinary shares.

10. CAPITAL EXPENDITURE

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Land use rights	20,665	–
Property, plant and equipment	615,680	456,389

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

11. TRADE AND BILLS RECEIVABLE

A majority of trade and bills receivable are associated 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 2022 RMB'000	As at 31 December 2021 RMB'000
Up to 6 months	2,660,822	3,522,779
6 months to 1 year	58,362	–
1 year to 2 years	237,387	143,641
2 years to 3 years	41,385	43,013
Over 3 years	32,869	33,155
	3,030,825	3,742,588
Less: provision for impairment	(99,948)	(102,011)
	2,930,877	3,640,577

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2022, the Group held financial assets at fair value through profit or loss amounting to approximately RMB5,621,860,000 (31 December 2021: RMB6,153,364,000). These financial assets represented various wealth management products held by the Group such as structure deposits and wealth management products from banks, trusts and funds products, etc., which were conducive to improving the capital usage efficiency and generating investment returns from the Group's idle funds. The expected return rates ranged from 2.5% to 7.6% (2021: 1.1% to 6.0%) per annum with maturity dates between 0 day and 1,094 days (2021: between 0 day and 1,096 days). None of these assets is past due or impaired (2021: none).

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

13. SHARE CAPITAL

	Authorised share capital		
	Number of ordinary shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2022	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of ordinary shares		
	'000	HKD'000	RMB'000
As at 1 January and 30 June 2022	1,596,000	159,600	160,510

14. TRADE AND BILLS PAYABLE

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

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Up to 6 months	4,041,176	4,210,477
6 months to 1 year	11,002	–
1 year to 2 years	5,298	2,674
Over 2 years	2,993	9,138
	4,060,469	4,222,289

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

15. CAPITAL COMMITMENTS

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Acquisition of property, plant and equipment contracted but not provided for	785,629	819,344

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, 339,278,016 and 187,794,203 shares of the Company, representing approximately 27.19%, 21.26% 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
Ningbo Haitian Smart Solutions Technology Co., Ltd. ("Haitian Smart Solutions") (寧波海天智聯科技 有限公司)	Controlled by directors of the Group
Ningbo Free Trade Zone Haitian Zhisheng Die-Casting Equipment Co., Ltd. ("Haitian Zhisheng") (寧波保稅區海天智勝金屬成型設備有限公司)	Controlled by directors of the Group

Notes to the Condensed Consolidated Financial Information (Continued)

For the six months ended 30 June 2022

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	
	2022 RMB'000	2021 RMB'000
(i) Purchasing of goods from:		
Ningbo Anson	310,746	451,973
Ningbo STF	67,981	113,927
Haitian Smart Solutions	63,581	–
Hilectro Precision	30,223	35,955
Ningbo SPP	1	480
	472,532	602,335
(ii) Purchasing of equipment from:		
Haitian Precision	3,748	19,668
Hilectro Power	431	495
	4,179	20,163
(iii) Rental fees paid to:		
HDS	1,566	1,388
(iv) Sales of Services to:		
Haitian Precision	1,433	–
Haitian Zhisheng	2,933	–
	4,366	–

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 2022

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 2022 RMB'000	As at 31 December 2021 RMB'000
Payables arising from purchase of goods		
– Ningbo Anson	182,105	264,163
– Haitian Smart Solutions	68,344	1,556
– Ningbo STF	49,971	57,108
– Hilectro Precision	23,524	20,228
– Ningbo SPP	–	61
– Hilectro Power	–	324
	323,944	343,440
Payables arising from purchase of equipment		
– Haitian Precision	3,941	12,937
– Hilectro Power	3,558	2,076
	7,499	15,013
Receivables arising from sales of services		
– Haitian Precision	1,473	–
– Haitian Zhisheng	1,364	–
	2,837	–

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 2022

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	
	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	4,961	4,737
Contribution to pension scheme	54	48
Discretionary bonuses	849	–
	5,864	4,785

(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 2022 RMB'000	As at 31 December 2021 RMB'000
	Capital commitment for acquisition of property, plant and equipment – Haitian Precision	174,701