

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HAITIAN INTERNATIONAL HOLDINGS LIMITED

海天國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1882)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

	2022	2021	Change
	<i>RMB' million</i>	<i>RMB' million</i>	%
Revenue	12,308.2	16,018.3	-23.2
Gross profit	3,917.5	5,151.1	-23.9
Operating profit	2,632.4	3,596.7	-26.8
Profit attributable to shareholders of the Company	2,264.7	3,052.0	-25.8
Basic earnings per share (expressed in RMB per share)	1.42	1.91	-25.8
Dividend per share (expressed in HKD per share)			
Full year dividends	0.55	0.95	

- In 2022, multiple unexpected domestic and international factors weakened the demand and reduced the capital expenditures in most of the downstream industries of the Company, affecting the orders of PIMMs to a certain extent. The revenue of the Company amounted to RMB12,308.2 million for the year ended 31 December 2022, representing a decrease of 23.2% compared to 2021.
- Benefitting from the lower raw material prices in the second half of 2022 which partially offset the impact of insufficient utilisation of production capacity, the gross profit margin rebounded as compared to the first half of 2022 and reached 31.8% for the full year (2021: 32.2%).
- Profit attributable to shareholders of the Company amounted to RMB2,264.7 million for the year ended 31 December 2022 (2021: RMB3,052.0 million), representing a decrease of 25.8% compared to 2021.
- Earnings per share amounted to RMB1.42 for the year ended 31 December 2022, representing a decrease of 25.8% compared to 2021.
- The Board declared a second interim dividend of HKD0.55 per share, resulting in total dividends for 2022 of HKD0.55 per share (2021: total dividends of HKD0.95 per share).

The board (the “Board”) of directors (the “Directors”) of Haitian International Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022 (the “Reported Period”) with comparative figures for the year ended 31 December 2021. The annual results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 December 2022

(Amounts expressed in RMB)

	<i>Note</i>	2022 RMB’000	2021 RMB’000
Revenue	4	12,308,186	16,018,272
Cost of sales		(8,390,657)	(10,867,200)
Gross profit		3,917,529	5,151,072
Selling and marketing expenses		(1,001,949)	(1,035,890)
General and administrative expenses		(796,821)	(811,940)
Other income		328,569	158,947
Other gains – net	5	185,030	134,470
Operating profit	6	2,632,358	3,596,659
Finance income		190,970	194,392
Finance costs		(60,315)	(55,390)
Finance income – net	7	130,655	139,002
Share of profit of associates		16,455	33,309
Profit before income tax		2,779,468	3,768,970
Income tax expense	8	(514,451)	(718,871)
Profit for the year		2,265,017	3,050,099
Profit attributable to:			
Shareholders of the Company		2,264,668	3,051,968
Non-controlling interests		349	(1,869)
		2,265,017	3,050,099
Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)			
– basic	9	1.42	1.91
Dividends	10	768,277	1,233,292

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2022

(Amounts expressed in RMB)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit for the year	2,265,017	3,050,099
Other comprehensive income: <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>45,414</u>	<u>(19,468)</u>
Total comprehensive income for the year	<u>2,310,431</u>	<u>3,030,631</u>
Total comprehensive income attributable to:		
Shareholders of the Company	2,310,032	3,032,587
Non-controlling interests	<u>399</u>	<u>(1,956)</u>
	<u>2,310,431</u>	<u>3,030,631</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

(Amounts expressed in RMB)

	Note	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	5,461,755	4,366,451
Right-of-use assets	11	719,121	703,787
Investment in associates		534,988	518,533
Intangible assets		51,195	52,494
Trade and bills receivables	12	111,794	133,637
Other financial assets at amortised cost		317,922	8,920
Prepayments and other assets		112,114	82,912
Financial asset at fair value through profit or loss	13	990,806	260,000
Term deposits		590,000	2,067,541
Deferred income tax assets		208,408	207,501
Financial assets at fair value through other comprehensive income		500	500
		<u>9,098,603</u>	<u>8,402,276</u>
Current assets			
Inventories		3,150,558	3,009,566
Trade and bills receivables	12	3,175,473	3,506,940
Other financial assets at amortised cost		337,276	483,647
Prepayments and other assets		216,623	211,808
Prepaid income tax		11,449	20,210
Financial assets at fair value through profit or loss	13	3,664,622	5,893,364
Restricted bank deposits		35,242	87,882
Term deposits		2,510,509	945,000
Cash and cash equivalents		3,590,846	3,592,622
		<u>16,692,598</u>	<u>17,751,039</u>
Total assets		<u>25,791,201</u>	<u>26,153,315</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	14	160,510	160,510
Share premium		1,331,913	1,331,913
Other reserves		2,261,593	1,779,452
Retained earnings		13,257,101	12,662,502
		<u>17,011,117</u>	<u>15,934,377</u>
Non-controlling interests		<u>28,883</u>	<u>633</u>
Total equity		<u>17,040,000</u>	<u>15,935,010</u>

CONSOLIDATED BALANCE SHEET (Continued)*As at 31 December 2022**(Amounts expressed in RMB)*

	<i>Note</i>	2022 RMB'000	2021 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,139	270
Bank borrowings		112,389	300,000
Deferred income		41,132	48,420
Deferred income tax liabilities		361,748	527,169
		516,408	875,859
Current liabilities			
Lease liabilities		2,695	280
Trade and bills payables	15	3,573,553	4,222,289
Accruals and other payables		1,739,804	1,850,738
Contract liabilities		1,353,374	1,089,035
Current income tax liabilities		208,451	319,134
Bank borrowings		1,322,866	1,860,970
Derivative financial instruments		34,050	–
		8,234,793	9,342,446
Total liabilities		8,751,201	10,218,305
Total equity and liabilities		25,791,201	26,153,315

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2022

(Amounts expressed in RMB)

	Attributable to shareholders of the Company					Non-controlling interests	Total equity	
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			Total RMB'000
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 year		-	-	-	3,051,968	3,051,968	(1,869)	3,050,099
Other comprehensive income								
Currency translation differences		-	-	(19,381)	-	(19,381)	(87)	(19,468)
Total comprehensive income for the year ended 31 December 2021		-	-	(19,381)	3,051,968	3,032,587	(1,956)	3,030,631
Transactions with owners								
Dividend paid								
- 2020 second interim		-	-	-	(870,742)	(870,742)	-	(870,742)
- 2020 special interim		-	-	-	(1,004,702)	(1,004,702)	-	(1,004,702)
Appropriations		-	-	185,077	(185,077)	-	-	-
Dividends paid to non-controlling interests in subsidiaries		-	-	-	-	-	(1,675)	(1,675)
Disposal of a subsidiary		-	-	-	-	-	(4,538)	(4,538)
Total transactions with owners		-	-	185,077	(2,060,521)	(1,875,444)	(6,213)	(1,881,657)
Balance at 31 December 2021		<u>160,510</u>	<u>1,331,913</u>	<u>1,779,452</u>	<u>12,662,502</u>	<u>15,934,377</u>	<u>633</u>	<u>15,935,010</u>
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 year		-	-	-	2,264,668	2,264,668	349	2,265,017
Other comprehensive income								
Currency translation differences		-	-	45,364	-	45,364	50	45,414
Total comprehensive income for the year ended 31 December 2022		-	-	45,364	2,264,668	2,310,032	399	2,310,431
Transactions with owners								
Dividend paid								
- 2021 second interim	10	-	-	-	(1,233,292)	(1,233,292)	-	(1,233,292)
Appropriations		-	-	436,777	(436,777)	-	-	-
Capital injection from non-controlling interests		-	-	-	-	-	27,851	27,851
Total transactions with owners		-	-	436,777	(1,670,069)	(1,233,292)	27,851	(1,205,441)
Balance at 31 December 2022		<u>160,510</u>	<u>1,331,913</u>	<u>2,261,593</u>	<u>13,257,101</u>	<u>17,011,117</u>	<u>28,883</u>	<u>17,040,000</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2022

(Amounts expressed in RMB)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net cash generated from operating activities	1,780,608	3,124,082
Net cash generated from/(used in) investing activities	171,307	(2,265,777)
Net cash used in financing activities	(1,953,691)	(1,012,113)
Net decrease in cash and cash equivalents	(1,776)	(153,808)
Cash and cash equivalents at beginning of year	3,592,622	3,746,430
Cash and cash equivalents at end of year	3,590,846	3,592,622

Notes:

1. GENERAL INFORMATION

Haitian International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and distribution of plastic injection moulding machines.

The Company was incorporated in Cayman Islands on 13 July 2006, as an exempted company with limited liability under the Companies Law of Cayman Islands. The Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Directors consider there is no ultimate holding company as at 31 December 2022. Mr. Zhang Jingzhang and Mr. Zhang Jianming are the ultimate controlling parties of the Company.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited on 22 December 2006.

These consolidated financial statements are presented in Chinese Renminbi (“RMB”), unless otherwise stated. They have been approved for issue by the Company’s Board of Directors on 20 March 2023.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The financial statements have been prepared on a historical cost basis, except for the following:

- financial assets at fair value through profit or loss (“Financial assets at FVPL”); and
- financial assets at fair value through other comprehensive income (“Financial assets at FVOCI”).

3. CHANGES IN 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. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		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
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022
AG5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) **New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	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
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

4. REVENUE AND SEGMENT INFORMATION

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of plastic injection moulding machines and related products	<u>12,308,186</u>	<u>16,018,272</u>

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

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

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	7,916,193	11,088,162
Hong Kong and overseas countries	<u>4,391,993</u>	<u>4,930,110</u>
	<u>12,308,186</u>	<u>16,018,272</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Total non-current assets other than term deposits, trade and bills receivable, other financial assets at amortised cost, financial assets at FVOCI and deferred income tax assets		
– Mainland China	5,426,375	4,978,459
– Hong Kong and overseas countries	1,452,798	745,718
	<u>6,879,173</u>	<u>5,724,177</u>

5. OTHER GAINS – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Net fair value and disposal gains on financial assets at FVPL	188,730	228,119
Net fair value change on derivative financial instruments	(34,050)	–
Net foreign exchange gains/losses	38,685	(118,409)
Gains/(losses) on disposals of property, plant and equipment, net	1,706	(6,297)
Gain on disposal of a subsidiary	–	20,915
Others	(10,041)	10,142
	<u>185,030</u>	<u>134,470</u>

6. OPERATING PROFIT

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Depreciation and amortisation	360,878	325,754
Raw materials and consumables used	7,541,067	9,837,444
Changes in inventories of finished goods and work in progress	(361,909)	(203,732)
Sales commission and after-sales service expenses	567,473	646,116
Provision for impairment of trade receivables	2,685	7,192
Reversal of write-down of inventories	(21,804)	(15,632)
Employment costs ⁽ⁱ⁾	1,360,013	1,384,366
	<u>1,360,013</u>	<u>1,384,366</u>

- (i) For the year ended 31 December 2022, the employment costs related to research and development activities were RMB231,531 thousand (2021: RMB209,727 thousand).

7. FINANCE INCOME – NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Finance costs:		
Interest expense	(57,553)	(46,468)
Net foreign exchange losses	(2,438)	(8,885)
Interest and finance charges paid/payable for lease liabilities	(324)	(37)
	<u>(60,315)</u>	<u>(55,390)</u>
Finance income:		
Interest income on restricted bank deposits, term deposits and cash and cash equivalents	183,184	177,716
Interest income on entrusted loans	7,786	16,676
	<u>190,970</u>	<u>194,392</u>
Finance income, net	<u>130,655</u>	<u>139,002</u>

8. INCOME TAX EXPENSE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current income tax		
– Mainland China enterprise income tax and Hong Kong profit tax	629,100	589,551
– Overseas income tax	51,679	32,698
Deferred taxation	<u>(166,328)</u>	<u>96,622</u>
	<u>514,451</u>	<u>718,871</u>

Haitian Plastic Machinery Group Limited (“Haitian Plastic Machinery”) renewed its status as a High and New Technology Enterprise (“HNTE”) in 2020. Wuxi Haitian Machinery Co., Ltd. (“Wuxi Haitian”) renewed its status as HNTE in 2021. Ningbo Zhafir Plastic Machinery Co., Ltd. (“Ningbo Zhafir”) renewed its status as HNTE in 2022. Zhejiang Keqiang Intelligence Control System Co., Ltd. (“Zhejiang Keqiang”) renewed its status as HNTE in 2022. Ningbo Haitian Intelligent Manufacture Technology Co., Ltd. (“Haitian Software”) qualified as HNTE in 2021. These entities were entitled to a reduced income tax rate of 15% for three consecutive years commencing from the first year when these entities were granted the HNTE status. They are required to re-apply for preferential tax treatment after the current preferential tax periods expire.

The other major operating subsidiaries of the Group in Mainland China are subject to an enterprise income tax rate of 25% for the year ended 31 December 2022 (2021: 25%).

Subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the taxable income for the year ended 31 December 2022 (2021: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2022 at the applicable rates of taxation prevailing in the countries in which the Group operates.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the profit attributable to the shareholders of the Company of approximately RMB2,264,668 thousand (2021: RMB3,051,968 thousand) and on the weighted average number of 1,596,000 thousand (2021: 1,596,000 thousand) ordinary shares in issue during the year.

	For the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit attributable to shareholders of the Company	<u>2,264,668</u>	<u>3,051,968</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,596,000</u>	<u>1,596,000</u>
Basic EPS (RMB per share)	<u>1.42</u>	<u>1.91</u>

Diluted earnings per share is not presented as there were no dilutive ordinary shares.

10. DIVIDENDS

	2022	2021
	RMB'000	RMB'000
Interim dividend of nil (2021: nil) per ordinary share	–	–
Second interim dividend of HKD0.55 (2021: HKD0.95) per ordinary share	<u>768,277</u>	<u>1,233,292</u>
	<u>768,277</u>	<u>1,233,292</u>

On 20 March 2023, the Board of Directors of the Company has declared payment of a second interim dividend of HKD0.55 per share (2021: HKD0.95 per share) for the year ended 31 December 2022. Such dividend has been approved by the Board which has complied with the related regulations in Cayman Islands. The second interim dividend has not been reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

11. CAPITAL EXPENDITURES

	2022	2021
	RMB'000	RMB'000
Property, plant and equipment (except freehold land)	1,151,994	847,998
Freehold land*	275,049	–
Land use rights	<u>28,730</u>	<u>–</u>
	<u>1,455,773</u>	<u>847,998</u>

* During the 2022 financial year, part of the addition to freehold land was stated at construction in progress.

12. TRADE AND BILLS RECEIVABLES

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 receivables based on invoice date is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Up to 1 year	3,052,421	3,522,779
1 year to 2 years	284,580	143,641
2 years to 3 years	24,586	43,013
Over 3 years	36,168	33,155
	<u>3,397,755</u>	<u>3,742,588</u>
Less: provision for impairment	(110,488)	(102,011)
	<u>3,287,267</u>	<u>3,640,577</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022, the Group held financial assets at fair value through profit or loss amounting to approximately RMB4,655,428 thousand (2021: RMB6,153,364 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 1.14% to 7.50% (2021: 1.14% to 5.95%) per annum with maturity dates between 0 day and 974 days (2021: between 0 day and 1,096 days).

14. SHARE CAPITAL

	Authorised share capital		
	Number of shares '000	Amount <i>HKD'000</i>	Amount <i>RMB'000</i>
As at 1 January 2021, 31 December 2021 and 31 December 2022 (shares with a par value of HKD0.1 per share)	5,000,000	500,000	502,350
Issued and fully paid			
	Number of shares '000	Amount <i>HKD'000</i>	Amount <i>RMB'000</i>
As at 1 January 2021, 31 December 2021 and 31 December 2022 (shares with a par value of HKD0.1 per share)	1,596,000	159,600	160,510

15. TRADE AND BILLS PAYABLES

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Up to 1 year	3,562,532	4,210,477
1 year to 2 years	5,444	2,674
Over 2 years	5,577	9,138
	<u>3,573,553</u>	<u>4,222,289</u>

16. CAPITAL COMMITMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Acquisition of property, plant and equipment – Contracted but not provided for	<u>453,510</u>	<u>819,344</u>

17. EVENT AFTER THE REPORTING PERIOD

On 3 January 2023, Haitian Plastics Machinery Group Co., Ltd. (海天塑機集團有限公司) (“Haitian Plastics Machinery”), an indirect wholly-owned subsidiary of the Company, entered into a capital increase agreement with Ningbo Haitian Enterprise Management Co., Ltd. (寧波海天企業管理有限公司), Ningbo Zhice Enterprise Management Partnership (Limited Partnership) (寧波智策企業管理合夥企業(有限合夥)), Jiangsu Jinhongda Industrial Co., Ltd. (江蘇金紅達實業有限公司) (collectively, the “Existing Shareholders”), Ascension Tech Holding Limited, Nanjing Gaorong Equity Investment Partnership V No. 1 (Limited Partnership) (南京高榕五期一號股權投資合夥企業(有限合夥)), Sanya Gaorong Equity Investment Fund Partnership V No. 2 (Limited Partnership) (三亞高榕五期二號股權投資基金合夥企業(有限合夥)), Beijing Xiaomi Zhizao Equity Investment Fund Partnership (Limited Partnership) (北京小米智造股權投資基金合夥企業(有限合夥)), VNTR IX HK Holdings Limited, MAUT IV HK Holdings Limited (collectively, the “Other Investors”), Ningbo Free Trade Zone Haitian Zhisheng Metal Forming Equipment Co., Ltd. (寧波保稅區海天智勝金屬成型設備有限公司) (“Haitian Zhisheng”), an associate and connected person of the Company, Mr. Zhang Jianming and Mr. Zhang Bin, pursuant to which (i) Haitian Plastics Machinery agreed to contribute RMB99,800,000 to Haitian Zhisheng, of which RMB23,971,273 will be included in the increased registered capital and RMB75,828,727 will be included in the capital reserve; and (ii) the Other Investors agreed to contribute RMB243,200,000 (including the approximate USD equivalent of RMB102,144,847) in aggregate to Haitian Zhisheng, of which RMB58,414,967 (including the approximate USD equivalent of RMB24,534,490) will be included in the increased registered capital and RMB184,785,033 (including the approximate USD equivalent of RMB77,610,357) will be included in the capital reserve. Upon completion of the capital increase, the registered capital of Haitian Zhisheng increased from RMB398,000,000 to RMB480,386,240, and the equity interest of Haitian Zhisheng is owned as to approximately 4.99% by Haitian Plastics Machinery, 12.16% in aggregate by the Other Investors and 82.85% in aggregate by the Existing Shareholders of Haitian Zhisheng.

Further details of the capital increase are set out in the announcement of the Company dated 3 January 2023 and the supplemental announcement of the Company dated 2 February 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2022, geopolitical conflicts intensified and unstable factors increased internationally. In addition, amid high global inflation, driven by the continuous interest rate hikes and tapering by the Federal Reserve, monetary policies in many countries have shifted and the overall global economic growth has slowed down significantly. In China, under multiple domestic and international pressures such as the recurring pandemic, contraction of demand, supply shocks and weakening expectations, the contribution of consumption and exports to economic growth shrank, volatility in economic growth intensified and the economy deviated from its normal trajectory in 2022.

Multiple unexpected domestic and international factors weakened the demand and reduced the capital expenditures in most of the downstream industries of the Company, affecting the orders of PIMMs to a certain extent. For the year ended 31 December 2022, the sales revenue of the Company amounted to RMB12,308.2 million, representing a decrease of 23.2% as compared to the corresponding period in 2021. Benefitting from the lower raw material prices in the second half of 2022, which partially offset the impact of insufficient utilisation of production capacity, the gross profit margin rebounded as compared to the first half of 2022 and reached 31.8% for the full year (2021: 32.2%).

The net profit attributable to shareholders of the Company for the year ended 31 December 2022 amounted to RMB2,264.7 million (2021: RMB3,052.0 million), representing a decrease of 25.8% compared to the same period last year. Meanwhile, the net profit margin for the reporting period amounted to 18.4% (2021: 19.1%).

The Board has declared a second interim dividend of HKD0.55 per share for the year ended 31 December 2022, resulting in total dividends for 2022 of HKD0.55 per share (2021: total dividends of HKD0.95).

Domestic and overseas sales

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

<i>(RMB million)</i>	2022	%	2021	%	2022 VS 2021
Domestic sales	7,916.2	64.3%	11,088.2	69.2%	-28.6%
Overseas sales	4,392.0	35.7%	4,930.1	30.8%	-10.9%
Total	12,308.2	100%	16,018.3	100%	-23.2%

In 2022, total domestic sales of the Company decreased by 28.6% year-on-year to RMB7,916.2 million as a result of the recurring pandemic and contraction of demand in domestic downstream industries. In terms of overseas markets, the sales in North America was able to maintain a year-on-year growth, but sales in Europe and Southeast Asia declined year-on-year due to geopolitical conflicts and high inflation rates around the world. Hence, the Company recorded total overseas sales of RMB4,392.0 million in 2022, representing a decrease of 10.9% year-on-year.

Sales mix of PIMMs by product series

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

<i>(RMB million)</i>	2022	%	2021	%	2022 VS 2021
Mars series (energy-saving features PIMMs)	7,288.3	59.2%	10,944.0	68.3%	-33.4%
Jupiter series (two-platen PIMMs)	2,438.8	19.8%	2,017.3	12.6%	20.9%
Zhafir electrical PIMMs series	1,961.4	15.9%	2,077.5	13.0%	-5.6%
Other PIMMs series	81.7	0.7%	478.0	3.0%	-82.9%
Parts & Service	538.0	4.4%	501.5	3.1%	7.3%
Total	12,308.2	100%	16,018.3	100%	-23.2%

In 2022, affected by various factors such as recurring pandemics in China, downturn in real estate market and slowdown of exports growth, the demand from the Company's downstream industries such as home appliances, daily necessities and building materials was weak. Therefore, the sales of Mars series decreased by 33.4% year-on-year to RMB7,288.3 million. Benefitting from the booming global automotive industry, especially the new energy vehicle market, the sales of Jupiter two-platen series increased by 20.9% year-on-year to RMB2,438.8 million. Due to the combined impact from automotive and other industries, the sales of Zhafir electrical series of the Company decreased by 5.6% year-on-year to RMB1,961.4 million.

Prospect

In 2023, various factors such as intensifying geopolitical conflicts, high global inflation rates, and the anticipated continuous tightening of monetary policies by central banks in major economies such as Europe and the United States, are expected to put pressure on the global economic recovery for a while. However, in the medium to long term, major economies still have strong resilience. On the other hand, driven by the ongoing impact from the pandemic in recent years, countries worldwide have placed higher requirements for supply chain stability, diversity and localisation, which also brought about new demand for machinery and equipment and new development opportunities for some regions.

In terms of China, exports growth is expected to slow down. Nonetheless, with the adjustment of the pandemic prevention and control measures, various provinces and cities quickly passed the peak of the pandemic. As a series of growth stabilisation policies gradually take effect, the domestic demand is witnessing recovery and manufacturing investment is set to pick up growth momentum.

Faced with the new development landscape, the Company has sped up the construction of a younger management team which serves as an impetus for the transformation and development of the Group. In the future, led by the management, the Company will further carry out reforms in the aspects of marketing, supply chain and technology etc., and deeply optimise regional development strategy and product strategy, in order to adapt to the new challenges from domestic and overseas markets and capture new development opportunities.

The Company has put forward the “Five Five” strategy to accelerate the overseas deployment while consolidating the domestic market. The Company will place extra emphasis on the overseas market in terms of capital expenditures, organisational structure and human resources investment. The Company will, on the one hand, capture the current demand stemmed from localised production in some countries and from overseas expansion of downstream customers; on the other hand, the Company will position itself for future overseas economic recovery. In 2022, the Company has purchased land in Serbia and Malaysia, which will be built as the manufacturing bases in Europe/Middle East and Southeast Asia, respectively, to further serve and acquire local customers. We will continue to deepen our presence in foreign markets and further improve our localised manufacturing, marketing, application and service networks overseas to continuously increase our overseas market share. As for the domestic market, the No. 1 plant of South China Headquarters has commenced operation in the second half of 2022. In the future, we will leverage our South China Headquarters to effectively serve and expand the South China market and consolidate the leading position of the Company in the domestic market.

In addition to enhancing the regional development strategy, the Company will continue to accelerate product technology innovation through the IPD management model to maintain the leading advantages and competitiveness of our products. The Company has recently completed the research and development and trial production of the new fifth-generation models, and will commence mass production within this year. The fifth-generation models have achieved an overall performance upgrade. In particular, there are significant enhancements in terms of high energy efficiency and intelligence. Specifically, the fifth-generation hydraulic machine is at least 20% more energy efficient than the last generation. Moreover, the fifth-generation models have applied AI algorithm and sensor technology to achieve intelligence in various functions such as energy management, open die system, lubrication, diagnosis and assistance. In the future, we will continue to actively deploy product solutions and technological innovations in intelligent technology, flexible integration, green and energy-efficiency as well as sustainable development. Our continuous product upgrades, synergising with our regional development strategy, will help us further expand our domestic and overseas customer base to increase our market share.

The Company continues to increase its sustainability and corporate social responsibility efforts, not only by actively launching new generation models with high energy efficiency and customised machines for biodegradable and recyclable materials, but also by gradually promoting the application of rooftop photovoltaic power generation equipment at various plants. Our sustainable development efforts have also received recognition from international authorities, as evidenced by the fact that MSCI upgraded the Company's ESG rating to BB in January 2023 and EcoVadis, a global CSR rating service provider, recently awarded the Company the Bronze certification medal. As a leader in the PIMM industry, the Company will continue to spare no efforts in areas such as the research and development of clean and energy-saving technologies and the application of green energy, in a bid to lead the sustainable development of the industry in the domestic market and contribute to achieving the goal of "Carbon Peak and Carbon Neutrality".

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

In 2022, multiple unexpected domestic and international factors weakened the demand and reduced the capital expenditures in most of the downstream industries of the Company, affecting the orders of PIMMs to a certain extent. The sales revenue of the Company amounted to RMB12,308.2 million for the year ended 31 December 2022, representing a decrease of 23.2% compared to 2021. The domestic sales decreased by 28.6% to RMB7,916.2 million compared to 2021, while our overseas sales decreased by 10.9% to RMB4,392.0 million, as compared to 2021.

Gross Profit

In 2022, the Company had a gross profit of approximately RMB3,917.5 million, representing a decrease of 23.9% compared to 2021. Benefitting from lower raw material prices in the second half of 2022, which partially offset the impact of insufficient utilisation of production capacity, the gross profit margin rebounded as compared to the first half of 2022 and reached 31.8% for the full year (2021: 32.2%).

Selling and administrative expenses

The selling and administrative expenses decreased by 2.7% from RMB1,847.8 million in 2021 to RMB1,798.8 million in 2022. The decrease in expenses was mainly due to the decrease of sales commissions, labour costs, and other administrative expenses. The labour costs related to research and development activities were RMB231.5 million in 2022 (2021: RMB209.7 million).

Other income

Other income mainly consists of government subsidy and increased by 106.8% from RMB158.9 million in 2021 to RMB328.6 million in 2022.

Finance income – net

The Company recorded a net finance income of RMB130.7 million in 2022, representing a decrease as compared to a net finance income of RMB139.0 million in 2021. The decrease was mainly attributable to the fact that i) the interest income of RMB183.2 million from restricted bank deposits, term deposits and cash and cash equivalents in 2022 compared to RMB177.7 million in 2021; ii) interest expense of RMB57.6 million in 2022 as compared to RMB46.5 million in 2021; and iii) net foreign exchange losses of RMB2.4 million in 2022 compared to RMB8.9 million in 2021.

Income tax expenses

Income tax expenses decreased by 28.4% from RMB718.9 million in 2021 to RMB514.5 million in 2022. The Company's effective tax rate maintained at a similar level of 18.5% in 2022 (2021: 19.1%).

Net profit attributable to shareholders

As a result of the foregoing, our net profit attributable to shareholders of the Company in 2022 amounted to RMB2,264.7 million, representing a decrease of 25.8% compared to 2021.

Liquidity, Financial Resources, Borrowing and Gearing

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 31 December 2022, the Group's total cash and cash equivalents, term deposits and restricted bank deposits amounted to RMB3,590.8 million, RMB3,100.5 million and RMB35.2 million respectively (31 December 2021: RMB3,592.6 million, RMB3,012.5 million and RMB87.9 million respectively). The Group's bank borrowings amounted to RMB1,435.3 million as at 31 December 2022 (31 December 2021: RMB2,161.0 million).

The Group also placed certain surplus funds into wealth management products which were recorded as financial assets at FVPL. The wealth management products carry floating interests ranging from 1.14% to 7.50% (2021: 1.14% to 5.95%) per annum. As at 31 December 2022, the Group's financial assets at FVPL amounted to RMB4,655.4 million (31 December 2021: RMB6,153.4 million).

The net gearing ratio is defined by the Company's management as total borrowings net of cash divided by shareholders' equity. As at 31 December 2022, the Group was in a strong financial position with a net cash position amounting to RMB5,291.2 million (31 December 2021: RMB4,532.0 million). Accordingly, no net gearing ratio is presented.

Capital Expenditures

In 2022, the Group's capital expenditures consisted of additions of property, plant and equipment, freehold land, and land use rights, which amounted to RMB1,455.8 million (2021: RMB848.0 million).

Charges on Group Assets

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

Foreign Exchange Risk Management

As of 31 December 2022, the Group exported approximately 35.7% of its products to international markets. Such sales were denominated in U.S. dollars or other foreign currencies, while the Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of the total purchases.

Financial guarantee

As at 31 December 2022, the Group provided guarantees to banks in connection with facilities granted to the customers with an amount of RMB73.7 million (31 December 2021: RMB579.5 million). As at 31 December 2022, the Group reassessed the provisions based on the credit history of its customers and the current market condition. No significant provision is noticed.

EMPLOYEES

As at 31 December 2022, the Group had a total workforce of 7,159 employees. Most of our employees were located in China. The Group offered its staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and the Group's performance. The Group is committed to nurturing a learning culture in its organisation.

PAYMENT OF DIVIDEND

The Board had not declared an interim dividend for the six months ended 30 June 2022. The Board has now declared a second interim dividend of HKD0.55 per share for the year ended 31 December 2022 (2021: HKD0.95 per share), resulting in total dividends for 2022 of HKD0.55 per share (2021: total dividends of HKD0.95 per share). The second interim dividend is expected to be paid on or before 17 April 2023 to the shareholders whose names appear on the register of members of the Company on 4 April 2023.

The Board has decided to consider and if think fit to declare dividends once for every fiscal year in the future. Currently, the Company does not have any predetermined dividend payout ratio.

Declaration and recommendation of payment of dividends of the Company is subject to the approval of the Directors of the Company, depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Directors of the Company may consider relevant from time to time. The Board has discretion as to the declaration and payment of dividends and there can be no assurance or guarantee that dividends will be paid in any particular amount for any given period in the future.

ANNUAL GENERAL MEETING (“AGM”)

The AGM of the Company will be held on 18 May 2023. Notice of the AGM will be issued and disseminated to shareholders in due course.

Closure of Register of Members

(a) Entitlement to the Second Interim Dividend

The register of members of the Company will be closed on 4 April 2023 whereby no transfer of shares will be registered on that date. In order to qualify for the second interim dividend, all properly completed shares transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 3 April 2023.

(b) Entitlement to Attend and Vote at the AGM

The register of members of the Company to attend the AGM will be closed from 15 May 2023 to 18 May 2023 (both days inclusive). In order to be eligible to attend the AGM, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 12 May 2023, for registration.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphasises on maintaining a Board with a balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders’ value. The Company complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the time being in force for the year ended 31 December 2022.

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

AUDIT COMMITTEE

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

The audit committee has reviewed the Group's condensed consolidated financial information for the year ended 31 December 2022, including the accounting principles adopted by the Group, with the Company's management. The audit committee, together with the management and the external auditors, has reviewed regularly the accounting principles and practices adopted by the Group, discussed auditing, internal control and financial reporting matters and reviewed the financial results of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASES, SALE OR REDEMPTION OF SHARES

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, China, 20 March 2023

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Chen Weiqun and Mr. Zhang Bin; the Non-executive Directors are Mr. Guo Mingguang and Mr. Liu Jianbo; and the Independent Non-executive Directors are Mr. Lou Baijun, Mr. Guo Yonghui, Ms. Yu Junxian and Mr. Lo Chi Chiu.