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## **HAITIAN INTERNATIONAL HOLDINGS LIMITED**

**海天國際控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1882)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **HIGHLIGHTS**

	<b>Six months ended 30 June</b>		<b>Change %</b>
	<b>2023</b>	<b>2022</b>	
	<b><i>RMB' million</i></b>	<b><i>RMB' million</i></b>	
Revenue	<b>6,380.2</b>	6,509.6	-2.0
Gross profit	<b>2,042.5</b>	2,000.2	+2.1
Operating profit	<b>1,362.5</b>	1,354.6	+0.6
Profit attributable to shareholders of the Company	<b>1,231.3</b>	1,172.3	+5.0
Basic earnings per share (expressed in RMB per share)	<b>0.77</b>	0.73	+5.0

- Under the negative impact of insufficient domestic consumer demand and manufacturing investment, the sales of the Company amounted to RMB6,380.2 million for the six months ended 30 June 2023, representing a decrease of 2.0% compared to the same period in 2022.
- As the raw material prices were relatively low during the Reporting Period, the gross profit margin increased to 32.0% (1H2022: 30.7%).
- The net profit attributable to shareholders of the Company for the six months ended 30 June 2023 increased to RMB1,231.3 million, representing an increase of 5.0% compared to the same period in 2022.
- 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 2023 reached RMB1,280.4 million (1H2022: RMB811.0 million) with a net cash position (including wealth management products) amounting to RMB10,016.5 million (31 December 2022: RMB9,946.8 million).
- Basic earnings per share amounted to RMB0.77 during the Reporting Period, representing an increase of 5.0% compared to the same period last year.
- 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.

## 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 (collectively, the “Group”) for the six months ended 30 June 2023 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2022 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Amounts expressed in RMB'000 unless otherwise stated)

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Note</i>	<b>2023</b>	<b>2022</b>
Revenue	4	<b>6,380,227</b>	6,509,609
Cost of sales		<b>(4,337,721)</b>	(4,509,434)
<b>Gross profit</b>		<b>2,042,506</b>	2,000,175
Selling and marketing expenses		<b>(546,235)</b>	(535,236)
General and administrative expenses		<b>(456,938)</b>	(388,755)
Other income		<b>183,887</b>	179,226
Other gain – net		<b>139,274</b>	99,183
<b>Operating profit</b>	5	<b>1,362,494</b>	1,354,593
Finance income	6	<b>161,597</b>	101,818
Finance costs	6	<b>(27,620)</b>	(30,261)
Finance income – net	6	<b>133,977</b>	71,557
Share of profit of associates		<b>10,902</b>	12,989
<b>Profit before income tax</b>		<b>1,507,373</b>	1,439,139
Income tax expense	7	<b>(274,476)</b>	(266,896)
<b>Profit for the period</b>		<b>1,232,897</b>	1,172,243
<b>Profit attributable to:</b>			
Shareholders of the Company		<b>1,231,279</b>	1,172,258
Non-controlling interests		<b>1,618</b>	(15)
		<b>1,232,897</b>	1,172,243
<b>Dividends</b>	8	–	–
<b>Earnings per share for profit attributable to shareholders of the Company during the period (expressed in RMB per share)</b>			
– Basic and Diluted	9	<b>0.77</b>	0.73

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in RMB'000 unless otherwise stated)

	Unaudited	
	Six months ended 30 June	
	2023	2022
<b>Profit for the period</b>		
<b>Other comprehensive income for the period:</b>	<b>1,232,897</b>	1,172,243
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<b>94,302</b>	33,914
<b>Total comprehensive income for the period</b>	<b>1,327,199</b>	1,206,157
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	<b>1,325,581</b>	1,206,317
Non-controlling interests	<b>1,618</b>	(160)

## CONDENSED CONSOLIDATED BALANCE SHEET

(Amounts expressed in RMB'000 unless otherwise stated)

		30 June 2023	31 December 2022
	Note	Unaudited	Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,986,949	5,461,755
Right-of-use assets		710,482	719,121
Intangible assets		50,524	51,195
Deferred income tax assets		242,798	208,408
Other financial assets at amortised cost		276,677	317,922
Prepayments and other assets		81,632	112,114
Trade and bills receivable	11	88,823	111,794
Financial assets at fair value through profit or loss	12	1,036,764	990,806
Investment in an associate		545,893	534,988
Financial assets at fair value through other comprehensive income		–	500
Term deposits		1,531,548	590,000
		<u>10,552,090</u>	<u>9,098,603</u>
<b>Current assets</b>			
Inventories		3,489,101	3,150,558
Trade and bills receivable	11	3,229,638	3,175,473
Other financial assets at amortised cost		159,814	337,276
Prepayments and other assets		149,424	216,623
Prepaid income tax		20,226	11,449
Financial assets at fair value through profit or loss	12	3,075,976	3,664,622
Restricted bank deposits		36,631	35,242
Term deposits		1,643,993	2,510,509
Cash and cash equivalents		5,437,087	3,590,846
		<u>17,241,890</u>	<u>16,692,598</u>
<b>Total assets</b>		<u>27,793,980</u>	<u>25,791,201</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	13	160,510	160,510
Share premium		1,331,913	1,331,913
Other reserves		2,360,238	2,261,593
Retained earnings		13,715,760	13,257,101
		<u>17,568,421</u>	<u>17,011,117</u>
<b>Non-controlling interests</b>		<u>24,692</u>	<u>28,883</u>
<b>Total equity</b>		<u>17,593,113</u>	<u>17,040,000</u>

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

	<i>Note</i>	<b>30 June 2023 Unaudited</b>	31 December 2022 Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income		47,265	41,132
Deferred income tax liabilities		300,321	361,748
Bank borrowings		2,612,389	112,389
Lease liabilities		227	1,139
		<u>2,960,202</u>	<u>516,408</u>
<b>Current liabilities</b>			
Trade and bills payable	14	4,387,367	3,573,553
Accruals and other payables		1,660,776	1,739,804
Contract liabilities		843,425	1,353,374
Current income tax liabilities		167,408	208,451
Bank borrowings		132,994	1,322,866
Lease liabilities		2,417	2,695
Derivative financial instruments		46,278	34,050
		<u>7,240,665</u>	<u>8,234,793</u>
<b>Total liabilities</b>		<u>10,200,867</u>	<u>8,751,201</u>
<b>Total equity and liabilities</b>		<u>27,793,980</u>	<u>25,791,201</u>
<b>Net current assets</b>		<u>10,001,225</u>	<u>8,457,805</u>
<b>Total assets less current liabilities</b>		<u>20,553,315</u>	<u>17,556,408</u>

## 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		
<b>Balance at 1 January 2022</b>	160,510	1,331,913	1,779,452	12,662,502	15,934,377	633	15,935,010
<b>Comprehensive income</b>							
Profit for the period	-	-	-	1,172,258	1,172,258	(15)	1,172,243
<b>Other comprehensive income</b>							
Currency translation differences	-	-	34,059	-	34,059	(145)	33,914
<b>Total comprehensive income for the period ended 30 June 2022</b>	-	-	34,059	1,172,258	1,206,317	(160)	1,206,157
<b>Transactions with owners</b>							
Dividend paid – 2021 second interim	-	-	-	(1,233,292)	(1,233,292)	-	(1,233,292)
Appropriations	-	-	380,532	(380,532)	-	-	-
<b>Total transactions with owners</b>	-	-	380,532	(1,613,824)	(1,233,292)	-	(1,233,292)
<b>Balance at 30 June 2022</b>	<u>160,510</u>	<u>1,331,913</u>	<u>2,194,043</u>	<u>12,220,936</u>	<u>15,907,402</u>	<u>473</u>	<u>15,907,875</u>
<b>Balance at 1 January 2023</b>	160,510	1,331,913	2,261,593	13,257,101	17,011,117	28,883	17,040,000
<b>Comprehensive income</b>							
Profit for the period	-	-	-	1,231,279	1,231,279	1,618	1,232,897
<b>Other comprehensive income</b>							
Currency translation differences	-	-	94,302	-	94,302	-	94,302
<b>Total comprehensive income for the period ended 30 June 2023</b>	-	-	94,302	1,231,279	1,325,581	1,618	1,327,199
<b>Transactions with owners</b>							
Transactions with non-controlling interests	-	-	-	-	-	(5,809)	(5,809)
Dividend paid – 2022 second interim	-	-	-	(768,277)	(768,277)	-	(768,277)
Appropriations	-	-	4,343	(4,343)	-	-	-
<b>Total transactions with owners</b>	-	-	4,343	(772,620)	(768,277)	(5,809)	(774,086)
<b>Balance at 30 June 2023</b>	<u>160,510</u>	<u>1,331,913</u>	<u>2,360,238</u>	<u>13,715,760</u>	<u>17,568,421</u>	<u>24,692</u>	<u>17,593,113</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts expressed in RMB'000 unless otherwise stated)

		Unaudited	
		Six months ended 30 June	
	Note	2023	2022
<b>Cash flows from operating activities:</b>			
Net cash generated from operating activities		<u>1,280,408</u>	<u>810,961</u>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	10	(633,239)	(636,345)
Net acquisition cost for shares of subsidiaries		(46,670)	–
Net proceeds from disposal of financial instruments		459,535	439,839
Interests received		<u>237,823</u>	<u>73,508</u>
Net cash generated from/(used in) investing activities		<u>17,449</u>	<u>(122,998)</u>
<b>Cash flows from financing activities:</b>			
Net changes in bank borrowings		1,316,661	64,760
Dividends paid to the Company's shareholders		<u>(768,277)</u>	<u>(1,233,292)</u>
Net cash generated from/(used in) financing activities		<u>548,384</u>	<u>(1,168,532)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,846,241</b>	<b>(480,569)</b>
Cash and cash equivalents at beginning of period		<u>3,590,846</u>	<u>3,592,622</u>
<b>Cash and cash equivalents at end of period</b>		<b><u>5,437,087</u></b>	<b><u>3,112,053</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 Act 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 30 June 2023. Mr. Zhang Jingzhang and Mr. Zhang Jianming are the ultimate controlling parties of the Company.

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

This unaudited condensed consolidated interim financial statements are presented in Chinese Renminbi (“RMB”), unless otherwise stated. They were approved for issue by the Company’s Board of Directors on 21 August 2023.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 was 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 2022, which had 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

### Material accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Income tax on revenues for the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

#### (a) *New and amended standards adopted by the Group*

A number of amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies as a result of adopting these standards except HKAS 12 (Amendments).

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance Contracts	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
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- i. right-of-use assets and lease liabilities, and
- ii. decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments as of 31 December 2022 was nil and hence no adjustment was made to the beginning retained earnings, or another component of equity.

- (b) *The following 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 2023 and have not been early adopted by the Group:*

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
HK Int 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

#### 4. REVENUE AND SEGMENT INFORMATION

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Sales of plastic injection moulding machines and related products	<b>6,380,227</b>	6,509,609

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 results of its sales from external customers in different countries or regions are as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Mainland China	<b>3,876,296</b>	4,213,255
Hong Kong and overseas countries	<b>2,503,931</b>	2,296,354
	<b>6,380,227</b>	6,509,609

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

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Mainland China	<b>5,480,450</b>	5,464,630
Hong Kong and overseas countries	<b>1,895,030</b>	1,414,543

#### 5. OPERATING PROFIT

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Depreciation and amortisation	<b>208,556</b>	190,133
Provision for/(Reversal of) impairment of trade receivables	<b>29,473</b>	(1,555)
Provision for/(Reversal of) write-down of inventories	<b>43,139</b>	(8,519)
Raw materials and consumables used	<b>3,640,723</b>	3,873,142
Net foreign exchange gain	<b>(41,120)</b>	(327)
Gains on disposal of property, plant and equipment	<b>(23)</b>	(442)
Fair value gains on financial assets at fair value through profit or loss	<b>(92,161)</b>	(89,499)

## 6. FINANCE INCOME – NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Finance cost:		
Interest expenses on bank loans	(27,539)	(25,121)
Interest and finance charges paid/payable for lease liabilities	(81)	(13)
Net foreign exchange losses	–	(5,127)
	<u>(27,620)</u>	<u>(30,261)</u>
Finance income:		
Interest income on restricted bank deposits, term deposits, cash and cash equivalents and entrusted loans	117,056	101,818
Net foreign exchange gains	44,541	–
	<u>161,597</u>	<u>101,818</u>
Finance income – net	<u>133,977</u>	<u>71,557</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax		
– Mainland China enterprise income tax and Hong Kong profits tax	305,554	201,749
– Overseas income tax	64,739	17,759
Deferred taxation	(95,817)	47,388
	<u>274,476</u>	<u>266,896</u>

## 8. DIVIDENDS

At the Board meeting held on 21 August 2023, 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 RMB1,231,279,000 (2022: RMB1,172,258,000) and on the weighted average number of 1,596,000,000 (2022: 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	
	2023	2022
	RMB'000	RMB'000
Land use rights	244,320	20,665
Property, plant and equipment	388,919	615,680

## 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 based on invoice date is as follows:

	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Up to 1 year	3,031,285	3,052,421
1 year to 2 years	340,280	284,580
2 years to 3 years	47,153	24,586
Over 3 years	40,966	36,168
	<u>3,459,684</u>	<u>3,397,755</u>
Less: provision for impairment	(141,223)	(110,488)
	<u>3,318,461</u>	<u>3,287,267</u>

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2023, the Group held financial assets at fair value through profit or loss amounting to approximately RMB4,112.7 million (31 December 2022: RMB4,655.4 million). These financial assets represented various wealth management products held by the Group such as structured 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 2.1% to 6.6% (2022: 2.5% to 7.6%) per annum with maturity dates between 0 day and 941 days (2022: between 0 day and 1,094 days).

### 13. SHARE CAPITAL

	<b>Authorised share capital</b>		
	<b>Number of ordinary shares '000</b>	<b>HKD'000</b>	<b>RMB'000</b>
As at 1 January and 30 June 2023	<u>5,000,000</u>	<u>500,000</u>	<u>502,350</u>
<b>Issued and fully paid</b>			
	<b>Number of ordinary shares '000</b>	<b>HKD'000</b>	<b>RMB'000</b>
As at 1 January and 30 June 2023	<u>1,596,000</u>	<u>159,600</u>	<u>160,510</u>

### 14. TRADE AND BILLS PAYABLE

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

	<b>As at 30 June 2023 RMB'000</b>	<b>As at 31 December 2022 RMB'000</b>
Up to 1 year	<b>4,384,298</b>	3,562,532
1 year to 2 years	<b>1,995</b>	5,444
Over 2 years	<b>1,074</b>	5,577
	<u><b>4,387,367</b></u>	<u>3,573,553</u>

### 15. CAPITAL COMMITMENTS

	<b>As at 30 June 2023 RMB'000</b>	<b>As at 31 December 2022 RMB'000</b>
Acquisition of property, plant and equipment contracted but not provided for:	<u><b>774,784</b></u>	<u>453,510</u>

## **BUSINESS REVIEW**

In the first half of 2023, the major economies over the world generally recovered from the pandemic and the momentum of the economic downturn slowed down. Major central banks around the globe generally slackened the pace of interest hikes, but as inflation levels remained high, the ongoing monetary tightening policy significantly depressed the global demand. As the manufacturing industry was affected by the structural adjustment of the global industrial chain, new demands were created in some overseas regions while the competition of the global manufacturing industry chain was intensified. The Company's continuous investment in overseas expansion over the years has also yielded positive effects in recent years, resulting in a continued climb in the Company's market share overseas. Looking back at the domestic economy, the slowdown in export growth, intensified investment contraction and insufficient consumer demand made the recovery of the domestic economy weaker than expected in the first half of the year.

Under the negative impact of insufficient domestic consumer demand and manufacturing investment, the sales of the Company amounted to RMB6,380.2 million for the six months ended 30 June 2023, representing a decrease of 2.0% compared to the same period in 2022. As the raw material prices were relatively low during the Reporting Period, the gross profit margin increased by 1.3 percentage points to 32.0%.

The net profit attributable to shareholders of the Company for the six months ended 30 June 2023 amounted to RMB1,231.3 million (1H2022: RMB1,172.3 million), representing an increase of 5.0% compared to the same period last year. Meanwhile, the net profit margin for the Reporting Period was 19.3%, representing an increase of 1.3 percentage points compared to the same period in 2022.

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.

## Domestic and export sales

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

<i>(RMB million)</i>	<b>1H2023</b>	<b>%</b>	1H2022	<b>%</b>	Percentage change of 1H2023 compare to 1H2022
Domestic sales	<b>3,876.3</b>	<b>60.8%</b>	4,213.3	64.7%	-8.0%
Overseas sales	<b>2,503.9</b>	<b>39.2%</b>	2,296.3	35.3%	9.0%
Total	<b>6,380.2</b>	<b>100%</b>	6,509.6	100%	-2.0%

In the first half of 2023, total domestic sales of the Company decreased by 8.0% year-on-year to RMB3,876.3 million as a result of slowdown in both downstream export growth and domestic consumer demand. In terms of overseas markets, benefiting from the structural adjustment of the global industrial chain, as well as the ongoing overseas deployment and investment of the Company for years, sales in certain countries and regions increased significantly. As a result, the Company recorded overseas sales of RMB2,503.9 million, representing an increase of 9.0% year-on-year.

## Sales mix of PIMMs by product series

<i>(RMB million)</i>	<b>1H2023</b>	<b>%</b>	1H2022	<b>%</b>	Percentage change of 1H2023 compare to 1H2022
Mars series (energy-saving features PIMMs)	<b>3,859.7</b>	<b>60.5%</b>	4,005.8	61.5%	-3.6%
Jupiter series (two-platen PIMMs)	<b>1,368.7</b>	<b>21.5%</b>	1,156.6	17.8%	18.3%
Zhafir electrical series	<b>810.4</b>	<b>12.7%</b>	1,032.5	15.9%	-21.5%
Other PIMMs series	<b>66.8</b>	<b>1.0%</b>	77.0	1.1%	-13.2%
Parts & Service	<b>274.6</b>	<b>4.3%</b>	237.7	3.7%	15.5%
Total	<b>6,380.2</b>	<b>100%</b>	6,509.6	100%	-2.0%

In the first half of 2023, affected by various factors such as the slowdown of domestic economic growth, the weaker-than-expected export growth and continuous downturn in real estate market, the demand from the Company's downstream industries such as home appliances and daily necessities did not show evident signs of recovery, which made the sales of Mars series decrease by 3.6% year-on-year to RMB3,859.7 million. Benefiting from the resilient global automotive industry, especially the new energy vehicle market, the sales of Jupiter two-platen series increased by 18.3% year-on-year to RMB1,368.7 million. Due to the impact from the shrinking domestic demand of the 3C products and mid-to-high-end markets, the sales of Zhafir electrical series of the Company decreased by 21.5% year-on-year to RMB810.4 million.

## **Prospect**

In the second half of 2023, against the backdrop of the ongoing Russia-Ukraine conflict, high inflation in Europe and the United States and banking crises, there are certain uncertainties in economic recovery in overseas market. At the same time, as geopolitical relations remain complex and severe, the global industrial chain is accelerating its restructuring, some overseas regions have gained new development opportunities, creating new demand for machinery and equipment, and it is expected that the overseas market as a whole will continue to grow in the second half of the year. In terms of the domestic market, recent policies have further highlighted the importance of expanding domestic demand, boosting confidence and preventing risks. We believe that with the gradual introduction and implementation of a series of specific measures to stabilise the growth, the direction of domestic economic recovery will gradually become clear.

The period from 2020 to 2025 will be an important development stage for the Company. In the current macro environment, corporate operational quality and the efficiency of its team are the key to long-term and sound development for an enterprise. The Company has placed the highest priority on quality since its inception. The quality of the products and services is the cornerstone of our continuous expansion in market share. The quality of the assets and cash flow facilitates the Company to survive economic cycles and withstand risks. The Company is also accelerating the construction of a younger management team to further enhance the operational efficiency of the Company. As approved by the Board, Mr. Zhang Jianming, an Executive Director, has been re-designated as the Chairman of the Board of the Company and is responsible for the strategic direction, while Mr. Zhang Bin, an Executive Director, has been appointed as the Chief Executive Officer and is responsible for day-to-day operation and management. We will gradually build up a more competitive cadre with young people as the main body and a combination of old, middle-aged and young people. Under the leadership of a new generation of management, Haitian is promoting a series of internal changes, strengthening technological and management innovation, and developing new product and sales strategies in response to the current market landscape.

In order to promote globalisation, implement the “Five Five” strategy, and enhance our international market competitiveness and capture overseas market share, the Company encourages and leads outstanding talents to expand into overseas, conduct in-depth research and formulate sales and product strategies targeting each overseas market segment. At the same time, the construction of our new domestic and overseas factories is also on track as planned. In particular, in order to establish a local supply chain and manufacturing network in Europe and the Middle East, the construction of manufacturing bases of Haitian in Serbia commenced in April 2023, and the first phase is expected to be operational in 2025; the construction of our new factory in Chennai, India, commenced in December 2022; and the first phase of the Company’s plant in Mexico also officially opened in June 2023. The Nos. 2, 3 and 5 plants of South China Headquarters will be completed by the end of 2023, by then the construction of the South China Headquarters will be substantially completed and ready for use.

In the first half of the year, we piloted the fifth-generation PIMMs in selected markets, and received positive customer feedback for its efficient and energy-saving features as well as intelligent and open integration functions. In the second half of the year, we will formulate specific sales and production plans to fully launch the fifth-generation models to the market through newly divided product lines, industry lines and regional lines, so as to enrich our product portfolio and satisfy the multi-level demands of different markets and customers with more competitive products. At the same time, the Company will actively promote internal cost reduction measures to enhance production and operational efficiency.

Despite the complexity and volatility of the macro environment in this year, the Company is confident that it will be able to further increase its market share in both domestic and overseas markets with the concerted efforts of the abovementioned business strategies.

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 its customers with better quality and more convenient services, and will grow and develop together with its customers, employees, partners and investors.

## **FINANCIAL REVIEW**

### **Revenue**

Under the negative impact of insufficient domestic consumer demand and manufacturing investment, the revenue of the Company amounted to RMB6,380.2 million for the six months ended 30 June 2023, representing a decrease of 2.0% compared to the same period in 2022. During the Reporting Period, our domestic and overseas sales reached RMB3,876.3 million and RMB2,503.9 million respectively.

### **Gross profit**

In the first half of 2023, we recorded gross profit of approximately RMB2,042.5 million, representing an increase of 2.1% compared to the first half of 2022. Overall gross profit margin increased to 32.0% in the first half of 2023 (1H2022: 30.7%) as the raw material prices were relatively low during the Reporting Period.

### **Selling and administrative expenses**

The selling and administrative expenses increased by 8.6% from RMB924.0 million in the first half of 2022 to RMB1,003.2 million in the first half of 2023. The increase was mainly due to the increase in provision for impairment of trade receivables, development expenses and overseas management expenses.

### **Other income**

Other income mainly consisting of government subsidy, which increased by 2.6% from RMB179.2 million in the first half of 2022 to RMB183.9 million in the first half of 2023.

### **Finance income – net**

We recorded a net finance income of RMB134.0 million in the first half of 2023 compared to a net finance income of RMB71.6 million for the first half of 2022. The changes were mainly attributable to the following factors: (i) interest income of RMB117.1 million from restricted bank deposits, term deposits, cash and cash equivalents etc. in the first half of 2023 compared to RMB101.8 million in the same period in 2022; (ii) a total of RMB27.6 million in interest on bank loans and expenses on lease liabilities in the first half of 2023 compared to RMB25.1 million in the same period in 2022; and (iii) net foreign exchange gains of RMB44.5 million in the first half of 2023 compared to net foreign exchange losses of RMB5.1 million in the same period in 2022.

### **Income tax expense**

Income tax expense increased by 2.8% from RMB266.9 million in the first half of 2022 to RMB274.5 million in the first half of 2023. Our effective tax rate maintained at a similar level of 18.2% in the first half of 2023 (1H2022: 18.6%).

## **Net profit attributable to shareholders**

As a result, our net profit attributable to shareholders for the six months ended 30 June 2023 decreased to RMB1,231.3 million, representing an increase of 5.0% compared to the first half of 2022.

## **Liquidity, financial resources, borrowing and gearing**

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 30 June 2023, the Group's total cash and cash equivalents, term deposits and restricted cash amounted to RMB5,437.1 million, RMB3,175.5 million and RMB36.6 million respectively (31 December 2022: RMB3,590.8 million, RMB3,100.5 million and RMB35.2 million). The Group's bank borrowings amounted to RMB2,745.4 million as at 30 June 2023 (31 December 2022: RMB1,435.3 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 2.1% to 6.6% (2022: 2.5% to 7.6%) per annum. As at 30 June 2023, the Group's financial assets at fair value through profit or loss amounted to RMB4,112.7 million (31 December 2022: RMB4,655.4 million).

The gearing ratio is defined by the management as total borrowings net of cash divided by shareholders' equity. As at 30 June 2023, the Group was in a strong financial position with a net cash position amounting to RMB5,903.8 million (31 December 2022: RMB5,291.2 million). Accordingly, no gearing ratio is presented.

## **Capital expenditure**

During the first half of 2023, the Group's capital expenditure consisted of land use rights, additions of property, plant and equipment, which amounted to RMB633.2 million (1H2022: RMB636.3 million).

## **Charges on group assets**

As at 30 June 2023, no assets were pledged for the Group (31 December 2022: no assets were pledged for the Group).

## **Foreign exchange risk management**

During the Reporting Period, the Group sold approximately 39.2% of its products to overseas 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 our total purchases.

## **Financial guarantee**

As at 30 June 2023, the Group provided guarantees to banks in connection with facilities granted to the customers with an aggregate amount of RMB272.8 million (31 December 2022: RMB73.7 million).

## **EMPLOYEES**

As at 30 June 2023, the Group had a total workforce of approximately 7,100 employees. Most of our employees were located in Mainland China. The Group offered its 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 its organisation.

## **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 of directors with a balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the Directors, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2023.

## **PURCHASES, SALE OR REDEMPTION OF SHARES**

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

## **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal 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 2023, 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors of the Company, who have confirmed that they had complied with the required standard set out in the Model Code for the Reporting Period.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

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

By Order of the Board  
**Haitian International Holdings Limited**  
**Zhang Jianming**  
*Executive Director*

Hong Kong, 21 August 2023

*As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jianming, Mr. Zhang Bin, Mr. Zhang Jianfeng, Mr. Chen Weiqun and Ms. Chen Lu; 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.*