

*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 2020

#### HIGHLIGHTS

	2020 <i>RMB' million</i>	2019 <i>RMB' million</i>	Change %
Revenue	<b>11,800.1</b>	9,809.7	20.3
Gross profit	<b>4,040.3</b>	3,098.7	30.4
Operating profit	<b>2,873.2</b>	2,143.4	34.0
Profit attributable to shareholders of the Company	<b>2,388.0</b>	1,750.5	36.4
Basic Earnings per share (expressed in RMB per share)	<b>1.50</b>	1.10	36.4
Dividend per share (expressed in HKD per share)			
Second interim dividend	<b>0.65</b>	0.19	242.0
Special interim dividend	<b>0.75</b>	–	–
Full year dividend (including interim dividend, second interim dividend and special interim dividend (if applicable))	<b>1.64</b>	0.40	310.0

- Amidst the macro environment of COVID-19 pandemic, as China gradually put its economic activities back on track, demand from our downstream customers was strong. The sales of the Company amounted to RMB11,800.1 million for the year ended 31 December 2020, representing an increase of 20.3% compared to the same period in 2019.
- Gross profit margin raised to 34.2% (2019: 31.6%) as a result of improving operation efficiency, achieving economies of scale and having stable price of raw material during 2020.
- Profit attributable to shareholders of the Company increased by 36.4% to RMB2,388.0 million (2019: RMB1,750.5 million) compared to the same period last year.
- As a result of consistent focus on flexibility and efficiency in business operation and strong operational capability of capital management, the net cash flow from operation of the Company in 2020 reached RMB3,278.2 million (2019: RMB2,729.8 million), and total net cash (including wealth management products) increased to RMB9,605.5 million (2019: RMB7,417.6 million).
- Earnings per share amounted to RMB1.5 during the year, increased by 36.4% compared to the same period last year.
- The Board declared a second interim dividend of HKD0.65 per share and a special interim dividend of HKD0.75 per share due to operating profit of the Company reaching record highs and sufficient cash flow, together with the interim dividend of HKD0.24 per share, which constitute a total dividend of HKD1.64 per share (2019: HKD0.40 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 2020 (the “Reported Period”) with comparative figures for the year ended 31 December 2019. 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 2020*

*(Amounts expressed in RMB)*

	<i>Note</i>	<b>2020</b> <b>RMB’000</b>	2019 <i>RMB’000</i>
Revenue	4	<b>11,800,052</b>	9,809,716
Cost of sales		<b>(7,759,797)</b>	(6,711,046)
<b>Gross profit</b>		<b>4,040,255</b>	3,098,670
Selling and marketing expenses		<b>(765,399)</b>	(752,191)
General and administrative expenses		<b>(750,968)</b>	(689,080)
Other income		<b>142,210</b>	233,655
Other gains – net	5	<b>207,096</b>	252,337
<b>Operating profit</b>	6	<b>2,873,194</b>	2,143,391
Finance income		<b>149,086</b>	90,645
Finance costs		<b>(78,779)</b>	(52,094)
Finance income – net	7	<b>70,307</b>	38,551
Share of profit of an associate		<b>26,111</b>	2,249
<b>Profit before income tax</b>		<b>2,969,612</b>	2,184,191
Income tax expense	8	<b>(579,524)</b>	(433,540)
<b>Profit for the year</b>		<b>2,390,088</b>	1,750,651
<b>Profit attributable to:</b>			
Shareholders of the Company		<b>2,388,016</b>	1,750,519
Non-controlling interests		<b>2,072</b>	132
		<b>2,390,088</b>	1,750,651
<b>Earnings per share for profit attributable to shareholders of the Company during the year</b> (expressed in RMB per share)			
– basic	9	<b>1.50</b>	1.10
Dividends	10	<b>21,218,226</b>	575,158

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2020

(Amounts expressed in RMB)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Profit for the year</b>	<b>2,390,088</b>	1,750,651
<b>Other comprehensive income:</b> <i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	<u>(113,502)</u>	<u>8,806</u>
<b>Total comprehensive income for the year</b>	<b><u>2,276,586</u></b>	<b><u>1,759,457</u></b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	<b>2,274,524</b>	1,759,303
Non-controlling interests	<u>2,062</u>	<u>154</u>
	<b><u>2,276,586</u></b>	<b><u>1,759,457</u></b>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2020

(Amounts expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	11	721,248	480,791
Property, plant and equipment	11	3,914,165	3,667,506
Investment in an associate		484,610	517,249
Intangible assets		53,815	55,136
Deferred income tax assets		157,542	143,001
Other financial assets at amortised cost		494,274	546,042
Financial assets at fair value through other comprehensive income		500	–
Trade and bills receivable	12	130,351	200,384
Term deposits		2,310,000	995,000
		<u>8,266,505</u>	<u>6,605,109</u>
<b>Current assets</b>			
Inventories		2,934,336	2,370,729
Trade and bills receivable	12	3,135,711	2,566,381
Other financial assets at amortised cost		156,348	115,116
Prepayments and other assets		223,453	183,743
Prepaid income tax		3,159	17,815
Financial assets at fair value through profit or loss	13	4,604,867	5,664,205
Dividend receivable		58,750	–
Restricted bank deposits		31,417	51,886
Term deposits		230,884	190,000
Cash and cash equivalents		3,746,430	1,538,360
		<u>15,125,355</u>	<u>12,698,235</u>
<b>Total assets</b>		<u><b>23,391,860</b></u>	<u><b>19,303,344</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	14	160,510	160,510
Share premium		1,331,913	1,331,913
Other reserves		1,613,756	1,543,510
Retained earnings		11,671,055	10,083,130
		<u>14,777,234</u>	<u>13,119,063</u>
<b>Non-controlling interests</b>		<u><b>8,802</b></u>	<u><b>6,740</b></u>
<b>Total equity</b>		<u><b>14,786,036</b></u>	<u><b>13,125,803</b></u>

**CONSOLIDATED BALANCE SHEET (Continued)***As at 31 December 2020**(Amounts expressed in RMB)*

	<i>Note</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>550</b>	1,133
Deferred income		<b>57,592</b>	45,503
Deferred income tax liabilities		<b>380,588</b>	279,072
		<hr/> <b>438,730</b>	<hr/> 325,708
<b>Current liabilities</b>			
Trade and bills payable	15	<b>4,112,557</b>	2,959,618
Accruals and other payables		<b>1,516,812</b>	1,059,247
Contract liabilities		<b>964,110</b>	710,047
Current income tax liabilities		<b>254,880</b>	99,893
Bank borrowings		<b>1,318,130</b>	1,021,898
Lease liabilities		<b>605</b>	1,130
		<hr/> <b>8,167,094</b>	<hr/> 5,851,833
<b>Total liabilities</b>		<hr/> <b>8,605,824</b>	<hr/> 6,177,541
<b>Total equity and liabilities</b>		<hr/> <b>23,391,860</b>	<hr/> 19,303,344

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2020

(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
<b>Balance at 1 January 2019</b>		160,510	1,331,913	1,526,670	8,901,433	11,920,526	6,586	11,927,112
<b>Comprehensive income</b>								
Profit for the year		-	-	-	1,750,519	1,750,519	132	1,750,651
<b>Other comprehensive income</b>								
Currency translation differences		-	-	8,784	-	8,784	22	8,806
<b>Total comprehensive income for the year ended 31 December 2019</b>		-	-	8,784	1,750,519	1,759,303	154	1,759,457
<b>Transactions with owners</b>								
Dividend paid								
- 2018 second interim	10	-	-	-	(259,179)	(259,179)	-	(259,179)
- 2019 interim	10	-	-	-	(301,587)	(301,587)	-	(301,587)
Appropriations		-	-	35,948	(35,948)	-	-	-
Utilisation of statutory reserves		-	-	(27,892)	27,892	-	-	-
<b>Total transactions with owners</b>		-	-	8,056	(568,822)	(560,766)	-	(560,766)
<b>Balance at 31 December 2019</b>		<u>160,510</u>	<u>1,331,913</u>	<u>1,543,510</u>	<u>10,083,130</u>	<u>13,119,063</u>	<u>6,740</u>	<u>13,125,803</u>
<b>Balance at 1 January 2020</b>		<b>160,510</b>	<b>1,331,913</b>	<b>1,543,510</b>	<b>10,083,130</b>	<b>13,119,063</b>	<b>6,740</b>	<b>13,125,803</b>
<b>Comprehensive income</b>								
Profit for the year		-	-	-	2,388,016	2,388,016	2,072	2,390,088
<b>Other comprehensive income</b>								
Currency translation differences		-	-	(113,492)	-	(113,492)	(10)	(113,502)
<b>Total comprehensive income for the year ended 31 December 2020</b>		-	-	(113,492)	2,388,016	2,274,524	2,062	2,276,586
<b>Transactions with owners</b>								
Dividend paid								
- 2019 second interim	10	-	-	-	(273,571)	(273,571)	-	(273,571)
- 2020 interim	10	-	-	-	(342,782)	(342,782)	-	(342,782)
Appropriations		-	-	183,738	(183,738)	-	-	-
<b>Total transactions with owners</b>		-	-	183,738	(800,091)	(616,353)	-	(616,353)
<b>Balance at 31 December 2020</b>		<u>160,510</u>	<u>1,331,913</u>	<u>1,613,756</u>	<u>11,671,055</u>	<u>14,777,234</u>	<u>8,802</u>	<u>14,786,036</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2020

(Amounts expressed in RMB)

	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Net cash generated from operating activities	<b>3,278,169</b>	2,729,775
Net cash used in investing activities	<b>(751,292)</b>	(3,569,001)
Net cash used in financing activities	<b>(318,807)</b>	(1,392,051)
Net increase/(decrease) in cash and cash equivalents	<b>2,208,070</b>	(2,231,277)
Cash and cash equivalents at beginning of year	<b>1,538,360</b>	3,769,637
Cash and cash equivalents at end of year	<b>3,746,430</b>	1,538,360



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

The ultimate holding company of the Company is Sky Treasure Capital Limited, a company incorporated in the British Virgin Islands.

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 22 March 2021.

**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”). The consolidated financial statements have been prepared under the historical cost convention, except for 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”) measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

**3. CHANGES IN 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 2020:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 and HKAS 8 (Amendments)	Definitional of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 9, HKAS39 and HKFRS7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

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 31 December 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

**4. REVENUE AND SEGMENT INFORMATION**

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Sales of plastic injection moulding machines and related products	<b><u>11,800,052</u></b>	<u>9,809,716</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 geographic location.

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Mainland China	<b>8,281,512</b>	6,328,151
Hong Kong and overseas countries	<b><u>3,518,540</u></b>	<u>3,481,565</u>
	<b><u>11,800,052</u></b>	<u>9,809,716</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 is as follows:

	2020 <i>RMB'000</i>	2019 <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	4,451,741	4,104,664
– Hong Kong and overseas countries	722,097	616,018
	<u>5,173,838</u>	<u>4,720,682</u>

#### 5. OTHER GAINS – NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net fair value gains on financial assets at FVPL	203,133	193,358
Net foreign exchange (losses)/gains	(9,514)	43,485
Gains on disposals of property, plant and equipment, net	5,178	5,977
Others	8,299	9,517
	<u>207,096</u>	<u>252,337</u>

#### 6. OPERATING PROFIT

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Depreciation and amortisation	315,689	297,496
Raw materials and consumables used	6,980,639	5,594,204
Changes in inventories of finished goods and work in progress	(246,763)	183,776
Sales commission and after-sales service expenses	449,432	446,687
Provision for impairment of trade receivables	38,542	4,783
Provision for write-down of inventories	30,274	40,660
Employment costs <sup>(i)</sup>	1,153,212	980,489

- (i) For the year ended 31 December 2020, the employment costs related to research and development activities were RMB154,388 thousands (2019: RMB151,068 thousands).

## 7. FINANCE INCOME/COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Finance costs:		
Interest expense	(35,385)	(48,726)
Net foreign exchange losses	(43,310)	(3,190)
Interest and finance charges paid/payable for lease liabilities	(84)	(178)
	<u>(78,779)</u>	<u>(52,094)</u>
Finance income:		
Change in fair value of convertible bonds		
– resulted from change in exchange rate	–	11,937
– resulted from change in bond price	–	(3,416)
Interest income on restricted bank deposits, term deposits and cash and cash equivalents	126,696	76,269
Interest income on entrusted loans	22,390	5,855
	<u>149,086</u>	<u>90,645</u>
Finance income, net	<u>70,307</u>	<u>38,551</u>

## 8. INCOME TAX EXPENSE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax		
– Mainland China enterprise income tax	448,444	332,190
– Overseas income tax	44,105	37,480
Deferred taxation	86,975	63,870
	<u>579,524</u>	<u>433,540</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 2018. Ningbo Zhafir Plastic Machinery Co., Ltd. (“Ningbo Zhafir”) renewed its status as HNTE in 2019. Zhejiang Keqiang Intelligence Control System Co., Ltd. (“Zhejiang Keqiang”) renewed its status as HNTE in 2019. 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 2020 (2019: 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 2020 (2019: 16.5%).

Taxation on overseas (other than Mainland China and Hong Kong) profits has been calculated on the estimated assessable profits for the year 2020 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 RMB2,388,016 thousand (2019: RMB1,750,519 thousand) and on the weighted average number of 1,596,000 thousand (2019: 1,596,000 thousand) ordinary shares in issue during the year.

	<b>For the year ended 31 December</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit attributable to shareholders of the Company	<u>2,388,016</u>	<u>1,750,519</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><b>1.50</b></u>	<u>1.10</u>

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

## 10. DIVIDENDS

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interim dividend paid of HK24.0 cents (2019: HK21.0 cents) per ordinary share	<b>342,782</b>	301,587
Second interim dividend of HK65.0 cents (2019: HK19.0 cents) per ordinary share	<b>870,742</b>	273,571
Special interim dividend of HK75.0 cents (2019: Nil) per ordinary share	<u><b>1,004,702</b></u>	<u>–</u>
	<u><b>2,218,226</b></u>	<u>575,158</u>

On 22 March 2021, the Board of Directors of the Company has declared payment of a second interim dividend of HK65.0 cents per share (2019: HK19.0 cents per share) and a special interim dividend of HK75.0 cents per share (2019: Nil) for the year ended 31 December 2020. Such dividend has been approved by the Board which has complied with the related regulations in Cayman Island. The second interim dividend and special interim dividend have 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 2021.

## 11. CAPITAL EXPENDITURE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Property, plant and equipment	671,095	429,197
Land use rights	254,660	2,116
	<u>925,755</u>	<u>431,313</u>

## 12. TRADE AND BILLS RECEIVABLE

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Up to 1 year	3,080,182	2,591,073
1 year to 2 years	214,141	194,683
2 years to 3 years	39,672	30,177
Over 3 years	37,625	23,683
	<u>3,371,620</u>	<u>2,839,616</u>
Less: provision for impairment	(105,558)	(72,851)
	<u>3,266,062</u>	<u>2,766,765</u>

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

As at 31 December 2020, the Group held financial assets at fair value through profit or loss amounting to approximately RMB4,604,867 thousands (2019: RMB5,664,205 thousands). 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 1.36% to 7.40% (2019: 1.50% to 8.50%) per annum with maturity dates between 0 day and 366 days (2019: between 0 day and 366 days). None of these assets is either past due or impaired (2019: none).

#### 14. SHARE CAPITAL

	<b>Authorised share capital</b>		
	<b>Number of shares '000</b>	<b>Amount HKD'000</b>	<b>Amount RMB'000</b>
As at 1 January 2019, 31 December 2019 and 31 December 2020 (shares with a par value of HKD0.1 per share)	<u>5,000,000</u>	<u>500,000</u>	<u>502,350</u>
	<b>Issued and fully paid</b>		
	<b>Number of shares '000</b>	<b>Amount HKD'000</b>	<b>Amount RMB'000</b>
As at 1 January 2019, 31 December 2019 and 31 December 2020 (shares with a par value of HKD0.1 per share)	<u>1,596,000</u>	<u>159,600</u>	<u>160,510</u>

#### 15. TRADE AND BILLS PAYABLE

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

	<b>2020 RMB'000</b>	<b>2019 RMB'000</b>
Up to 1 year	<b>4,106,219</b>	2,956,943
1 year to 2 years	<b>4,386</b>	2,646
Over 2 years	<b>1,952</b>	29
	<u><b>4,112,557</b></u>	<u>2,959,618</u>

#### 16. CAPITAL COMMITMENTS

	<b>2020 RMB'000</b>	<b>2019 RMB'000</b>
Acquisition of property, plant and equipment – Contracted but not provided for	<u><b>420,757</b></u>	<u>340,623</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In 2020, the sudden outbreak of COVID-19 pandemic has dealt a severe blow to the global economy, with no exception to major economies. To fight against the pandemic, many countries have imposed lockdown measures to keep social distance and brought economic activities to a standstill. To mitigate the pandemic-induced damage, ultra-loose easing monetary and fiscal policies were introduced in the U.S. and the Europe in a bid to stimulate their insufficient demand. However, under the continuous recurrence of the pandemic, the road to economic recovery remained bumpy for the major developed economies and also nearly all the emerging markets and developing economies were still in tough situations. By contrast, China took the lead in recording positive growth and was gradually putting its economy back on track, thanks to the strict measures taken by its government in the early days and the support by easing policies aiming to stabilize investment and export.

Due to the rapid recovery of economic activities in China following the pandemic, demand from our downstream customers was strong. The sales of the Company amounted to RMB11,800.1 million for the year ended 31 December 2020, representing an increase of 20.3% compared to the same period in 2019. Due to improving operational efficiency, achieving economies of scale and having stable of raw material price, the gross profit margin improved to 34.2% from 31.6% in the same period of 2019. Meanwhile, the net profit margin increased to 20.2% from 17.9% in the same period of 2019.

For the year ended 31 December 2020, the net profit attributable to shareholders of the Company increased by 36.4% to RMB2,388.0 million (2019: RMB1,750.5 million), compared to the same period last year.

The Board has declared a second interim dividend of HKD0.65 per share for the year ended 31 December 2020 (2019: HKD0.19 per share) and a special interim dividend of HKD0.75 per share due to operating profit of the Company reaching record highs and sufficient cash flow, resulting in dividend with a total of HKD1.64 per share (2019: HKD0.40 per share) for 2020.

### Domestic and export sales

The following table summarizes the Group's domestic and export sales by geographic areas:

<i>(RMB million)</i>	<b>2020</b>	<b>%</b>	2019	<b>%</b>	<b>2020 Vs 2019</b>
Domestic sales	<b>8,281.5</b>	<b>70.2%</b>	6,362.0	64.9%	<b>30.2%</b>
Export Sales	<b>3,518.6</b>	<b>29.8%</b>	3,447.7	35.1%	<b>2.1%</b>
Total	<b>11,800.1</b>	<b>100%</b>	9,809.7	100%	<b>20.3%</b>



Affected by the pandemic, the service and the manufacturing sectors in many countries have been put out of action owing to their respective lockdown measures. Domestically, nevertheless, the pandemic has been effectively under control since the second quarter of 2020 and the resumption of work and production has been accelerating. In order to cater the consumption demand all over the world, China continued to assume its key role as the world's factory, allowing the Company to fully roll out the third-generation machines, which have been widely recognized in the market. The Company's domestic sales still managed to make a remarkable achievement despite suffering a month-long shutdown in the first quarter. The domestic sales for the year reached RMB8,281.5 million, representing an increase of 30.2% as compared with the same period last year. As affected by the pandemic, sales in some overseas markets, such as India and Brazil have declined. Nonetheless, given the Company's continuous expansion in overseas network over the years, we recorded a significant increase in sales in certain countries such as Turkey and Vietnam. Even as the pandemic hit, our export sales increased by 2.1% to RMB3,518.6 million as compared with the same period last year.

### Sales mix of PIMMs by product series

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

<i>(RMB million)</i>	<b>2020</b>	<b>%</b>	2019	<b>%</b>	<b>2020 Vs 2019</b>
Mars series (energy-saving features PIMMs)	<b>8,214.5</b>	<b>69.6%</b>	6,387.5	65.1%	<b>28.6%</b>
Zhafir electrical series PIMMs	<b>1,439.9</b>	<b>12.2%</b>	1,348.6	13.7%	<b>6.8%</b>
Jupiter series (two-platen PIMMs)	<b>1,303.0</b>	<b>11.0%</b>	1,263.0	12.9%	<b>3.2%</b>
Other series	<b>495.8</b>	<b>4.2%</b>	478.5	4.9%	<b>3.6%</b>
Parts & Service	<b>346.9</b>	<b>3.0%</b>	332.1	3.4%	<b>4.5%</b>
Total	<b>11,800.1</b>	<b>100%</b>	9,809.7	100%	<b>20.3%</b>

Due to the strong demand for medical products and consumer products such as packaging products in the first half of the year arose from the pandemic, and different degree of recoveries in various sectors in the second half of the year, there was enormous demand for the Mars series, the main product of the Company. Its sales increased from RMB6,387.5 million in 2019 to RMB8,214.5 million in 2020, representing an increase of 28.6%. As the domestic and foreign household appliance industry continued to recover and the demand of automotive industry increased in the second half of the year, the sales of Zhafir electrical series and Jupiter two-platen series increased by 6.8% to RMB1,439.9 million and by 3.2% to RMB1,303.0 million, respectively, as compared with the same period last year.

## Outlook

In 2021, the road to recovery for the global economy is full of uncertainties under the severe impact of the pandemic. With the introduction of vaccines, the developed economies, which are led by the U.S., see a big sign of hope. The time consuming vaccination work and repeatedly recurrence of the pandemic, however, cast shadow on the economic prospects of various countries, bringing uncertainties to the global economic and trade climate. At the same time, geopolitical crisis and trade disputes among countries are likely to remain the most outstanding issues worldwide, and it seems the rivalry between China and the U.S. shall remain for a long time. On the bright side, The Association of Southeast Asian Nations became China's largest trading partner in 2020, and with China officially signing The Regional Comprehensive Economic Partnership agreement, Asia-Pacific economic cooperation is expected to be strengthened. Overall, China will face more opportunities and challenges in its economic development.

As the national 14th Five-Year Plan starts from 2021, the Company formulated the general outline for its own 14th Five-Year Plan at the beginning of 2021, which aims at strengthening the global market layout, enlarging market shares in various industries, increasing competitiveness in high-end market and creating a digital Haitian. In 2021, Haitian will call for efficient rules, meaning to carry out standardization for efficiency particularly in areas such as market strategy, product research and development, technology update, risk management and control and intelligent manufacturing. As a multi-national global manufacturing enterprise, Haitian's ongoing digital transformation starts to be effective and has achieved phased results. The third-generation machines that were fully rolled out in 2020 have been recognized by the market and customers, allowing our customers to experience products with higher performance ratio and helping them integrate into the dual-cycle economic model of the domestic and international markets. The Company will continue to increase its investment in technological research in order to respond to the state's strategy of strengthening scientific and technological capabilities. At the same time, the Company has sped up the construction of a younger management team to meet and adapt to the current reform and development needs. The Company will continue to be driven by efficiency, focus even more on intelligent manufacturing processes, and improve production capabilities in terms of flexibility and intelligence. The transformation of digital factories and successive completion of new production bases will help increase the Company's future production capacity. We remain optimistic towards the economy throughout the year, which is favourable to striving for a new high of the Company's results.

The Company has been focusing on the research and development in the plastic processing machinery industry and was awarded the Technological Advances Prize (科技進步獎) of China Machinery Industry Science and Technology Award (中國機械工業科學技術獎) in 2020. On the premise of the concept and proven strategy of "technology to the point", we satisfy our customized needs and demand from each niche market while standardizing the production of our components. We strive to maintain our leading position in every aspect of the PIMMs. 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 and business partners.

## Financial Review

### *Revenue*

Amidst the macro environment of COVID-19 pandemic, as China gradually put its economic activities back on track, demand from our downstream customers was strong. The sale revenue of the Company amounted to RMB11,800.1 million for the year ended 31 December 2020, representing an increase of 20.3% compared to the same period in 2019. The domestic sales increased by 30.2% to RMB8,281.5 million compared to 2019, while our export sales increased by 2.1% to RMB3,518.6 million, as compared to 2019.

### *Gross Profit*

In 2020, we had a gross profit of approximately RMB4,040.3 million, representing an increase of 30.4% comparing to 2019. Overall gross margin reached 34.2% in 2020 (2019: 31.6%) as a result of improving operation efficiency, achieving economies of scale and having stable price of the raw material.

### *Selling and administrative expenses*

The selling and administrative expenses increased by 5.2% from RMB1,441.3 million in 2019 to RMB1,516.4 million in 2020. The increase in expenses was mainly due to the increase of labor cost, provision made for the litigation, and other administrative expenses. The labor costs related to research and development activities were RMB154.4 million in 2020 (2019: RMB151.1 million).

### *Other income*

Other income mainly consists of government subsidy and decreased by 39.2% from RMB233.7 million in 2019 to RMB142.2 million in 2020.

### *Finance income – net*

We had an increase of RMB31.7 million in net finance income in 2020 compared to a net finance income of RMB38.6 million in 2019. The increase was mainly attributable to the fact that i) we recorded the interest income of RMB126.7 million from restricted bank deposits, term deposits and cash and cash equivalents in 2020 compared to RMB76.3 million in 2019; and ii) we recorded net foreign exchange losses of RMB43.3 million in 2020 compared to net foreign exchange losses of RMB3.2 million in 2019.

### *Income tax expenses*

Income tax expenses increased by 33.7% from RMB433.5 million in 2019 to RMB579.5 million in 2020. Our effective tax rate maintained at a similar level of 19.5% in 2020 (2019: 19.9%).

### *Net profit attributable to shareholders*

As a result of the foregoing, our net profit attributable to shareholders of the Company in 2020 increased to RMB2,388.0 million, representing an increase of 36.4% compared to 2019.

### *Liquidity, Financial Resources, Borrowing and Gearing*

The Group finances its operations and investment activities mainly with internally generated cash flow. As at 31 December 2020, the Group's total cash and cash equivalents, term deposits and restricted bank deposits amounted to RMB3,746.4 million, RMB2,540.9 million and RMB31.4 million respectively (31 December 2019: RMB1,538.4 million, RMB1,185.0 million and RMB51.9 million respectively). The Group's short-term bank borrowing amounted to RMB1,318.1 million as at 31 December 2020 (31 December 2019: RMB1,021.9 million).

The Group also placed certain surplus fund into wealth management products which were recorded as financial assets at FVPL. The wealth management products carry floating interests ranging from 1.36% to 7.40% (2019: 1.50% to 8.50%) per annum. As at 31 December 2020, the Group's financial assets at FVPL amounted to RMB4,604.9 million (31 December 2019: RMB5,664.2 million).

The net gearing ratio is defined by our management as total borrowings net of cash divided by shareholders' equity. As at 31 December 2020, the Group was in a strong financial position with a net cash position amounting to RMB5,000.6 million (31 December 2019: RMB1,753.3 million). Accordingly, no net gearing ratio is presented.

### *Capital Expenditure*

In 2020, the Group's capital expenditure consisted of additions of property, plant and equipment and land use rights, which amounted to RMB925.8 million (2019: RMB431.3 million).

### *Charges on Group Assets*

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

### *Foreign Exchange Risk Management*

As of 31 December 2020, the Group exported approximately 29.8% 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 2020, the Group provided guarantee to banks in connection with facilities granted to the customers with an amount of RMB649.1 million (31 December 2019: RMB657.4 million). As at 31 December 2020, 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 2020, the Group had a total workforce of approximately 6,700 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 organization.

## **PAYMENT OF DIVIDEND**

The Board had declared a second interim dividend of HKD0.65 per share for the year ended 31 December 2020 (2019: HKD0.19 per share) and a special interim dividend of HKD0.75 per share due to operating profit of the Company reaching record highs and sufficient cash flow which, together with the interim dividend of HKD0.24 per share paid in September 2020, will constitute a total dividend of HKD1.64 per share (2019: HKD0.40 per share) for the full year. The second interim dividend and special interim dividend are expected to be paid on or before 19 April 2021 to the shareholders whose names appear on the register of members of the Company on 13 April 2021.

The Board has decided to consider and if think fit to declare dividends once for every fiscal year in 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 the 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 2021. 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 and Special Interim Dividend*

The register of members of the Company will be closed from 9 April 2021 to 13 April 2021 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the second interim dividend and special 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 8 April 2021.

*(b) Entitlement to Attend and Vote at the AGM*

The register of members of the Company to attend the AGM will be closed from 13 May 2021 to 18 May 2021 (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 Registrar of Shares in Hong Kong, 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 2021, for registration.

**COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE “CODE”)**

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphasizes 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 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 year ended 31 December 2020.

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 2020, 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 2020 have been agreed by the Company's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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](http://www.hkex.com.hk) and on the Company's website at [www.haitian.com](http://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, 22 March 2021

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