



# 2022

## Annual Report

### **Haitian International Holdings Limited**

(Incorporated in the Cayman Islands With Limited Liability)  
Stock Code: 1882



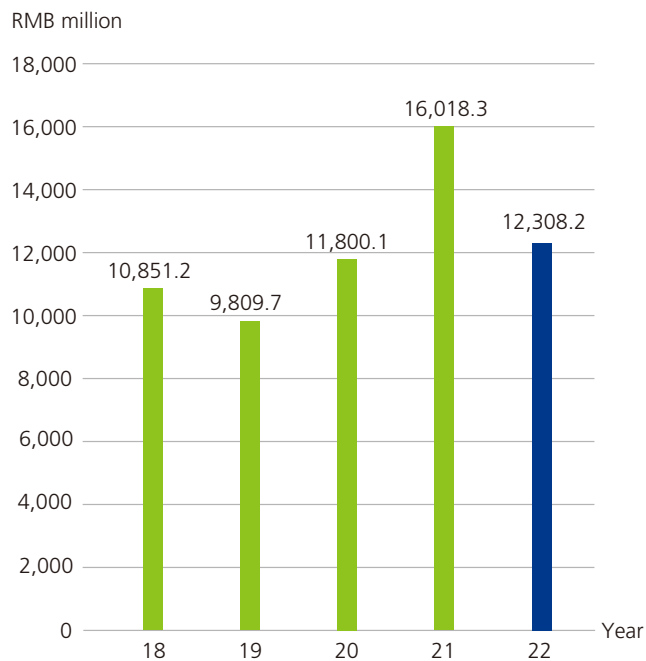
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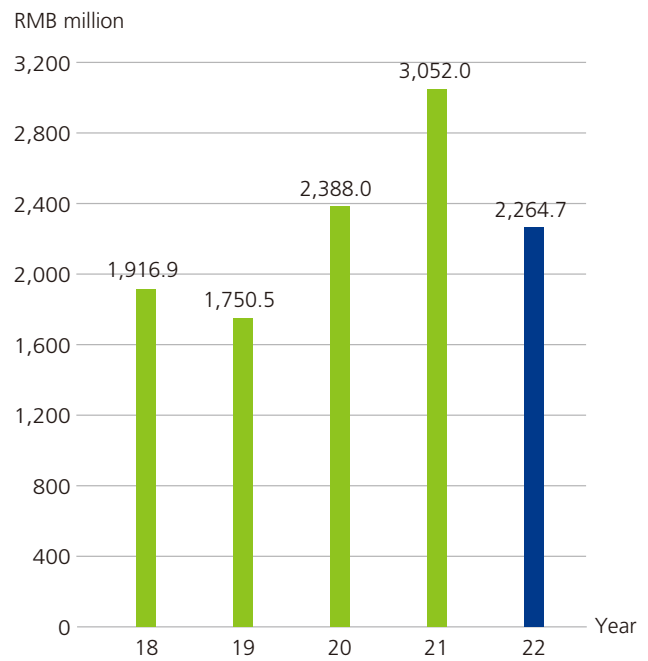


# Financial Highlights

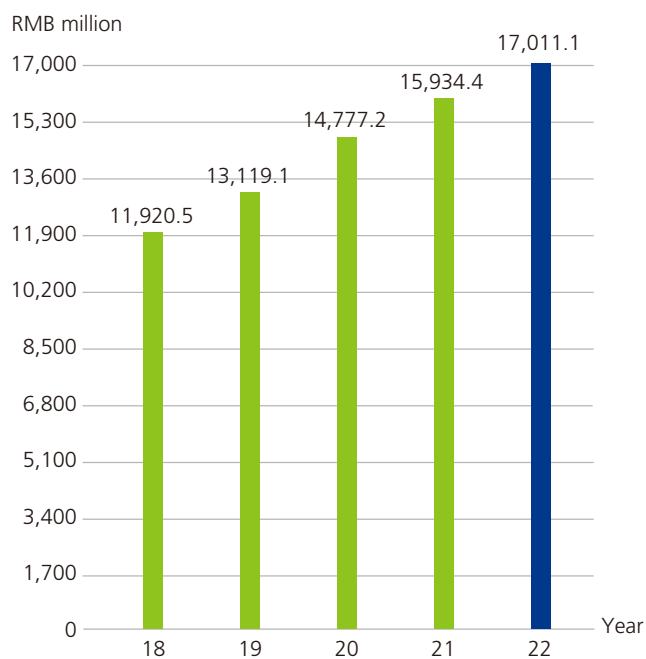
## Revenue



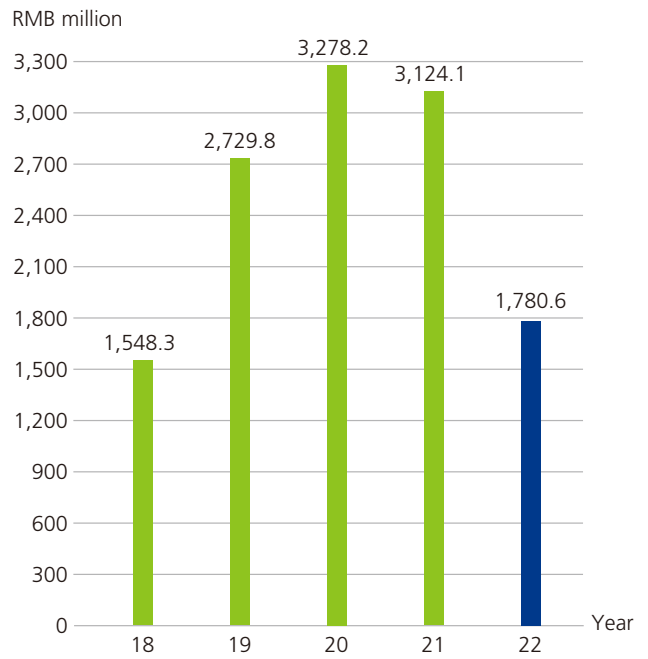
## Profit attributable to the shareholders of the Company



## Capital and reserves attributable to shareholders of the Company



## Net cash generated from operating activities



# Company Profile and Corporate Information

## Executive Directors

Mr. ZHANG Jingzhang (*Chairman*)  
Mr. ZHANG Jianming (*Chief Executive Officer*)  
Mr. ZHANG Jianfeng  
Mr. CHEN Weiqun  
Mr. ZHANG Bin

## Non-Executive Directors

Mr. GUO Mingguang  
Mr. LIU Jianbo

## Independent Non-Executive Directors

Mr. LOU Baijun  
Mr. GUO Yonghui  
Ms. YU Junxian  
Mr. LO Chi Chiu

## Audit Committee

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

## Nomination Committee

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

## Remuneration Committee

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

## Company Secretary

Ms. LEE Ka Man

## Registered Office

PO Box 309, Uglan House  
Grand Cayman, KY1-1104  
Cayman Islands

## Principal Share Registrar and Transfer Office in Cayman Islands

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

## Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*

## Principal Place of Business

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

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

## Principal Banks

*Mainland China*  
Agricultural Bank of China  
Bank of China  
China Construction Bank  
Bank of Communications  
China Everbright Bank  
China Guangfa Bank  
Industrial and Commercial Bank of China  
China Merchants Bank  
Industrial Bank  
Shanghai Pudong Development Bank Co., Ltd.  
The Export-Import Bank of China

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

A large photograph of an elderly man with grey hair, wearing a dark blue suit, a light blue striped shirt, and a red and white striped tie. He is smiling slightly and looking towards the right. The background is a vibrant green landscape with rolling hills and a clear blue sky with some clouds. The text "CHAIRMAN'S STATEMENTS" is overlaid on the left side of the image in white, bold, uppercase letters, with several yellow diamond-shaped graphic elements around it.

## CHAIRMAN'S STATEMENTS

### 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.



## Chairman's Statements

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:

	2022 (RMB million)		2021 (RMB million)		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%
<b>Total</b>	<b>12,308.2</b>	<b>100%</b>	<b>16,018.3</b>	<b>100%</b>	<b>-23.2%</b>



## Chairman's Statements

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:

Product Series	2022		2021		2022 VS 2021
	(RMB million)	%	(RMB million)	%	
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.

## Chairman's Statements

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.





## Chairman's Statements

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.



## CEO'S REPORT



### HIGHLIGHTS

	2022 (RMB million)	2021 (RMB million)	Change %
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 Haitian International Holdings Limited (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).

## CEO's Report



## 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.



## CEO's Report

### 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).

## CEO's Report

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.

# Communication

## DIRECTORS AND SENIOR MANAGEMENT



## Directors and Senior Management

### Executive Directors



**Mr. Zhang Jingzhang (張靜章)**, aged 86, is an Executive Director and the Chairman of the Group. He is also the chairman of the Nomination Committee. He is responsible for the overall business development strategy of the Group and has in-depth knowledge of, and more than 50 years of experience in, the plastic processing machinery industry. Mr. Zhang was the factory manager of Zhenhai Plastic Injection Moulding Machinery Factory (鎮海塑料機械廠), the predecessor of Ningbo Haitian Group Co., Ltd (寧波海天股份有限公司) from 1970 to 1994. He was named as an excellent model worker of Ningbo (寧波市特等勞模) in 1988 by the Ningbo Municipal People's Government, and was also awarded the title of an "Outstanding Factory Manager and Manager of Industrial Enterprise of Ningbo" (寧波市工業企業優秀廠長、經理) by the Ningbo Municipal Committee of Communist Party of China for Economic Affairs and Ningbo Economic Committee in 1993. In July 1994, Mr. Zhang founded the Group and was appointed as the chairman of the Group. Mr. Zhang was appointed as the president of Haitian Precision since March 2012, Mr. Zhang was named as an economist by the Ningbo Municipal People's Government (寧波市人民政府) in 1994, an outstanding worker in the national plastic processing machinery industry (全國塑料機械行業先進工作者) by the China Plastic Processing Machinery Industry Association in 1996 and an outstanding township entrepreneur in Zhejiang (浙江省優秀鄉鎮企業家) by the Zhejiang Township Enterprise Bureau. In December 2002, Mr. Zhang was awarded the title of New Millennium Star Entrepreneur of the National Machinery Industry (新世紀首屆全國機械工業明星企業家) by the China Machinery Industry Federation (中國機械工業聯合會), an entrepreneur of China (全國鄉鎮企業家) and outstanding factory manager (manager and chairman) of China (全國優秀鄉鎮企業廠長) and was also elected as a deputy to the People's Congress of Ningbo and Beilun District (寧波市和北侖區人大代表) in both 1988 and 1999. He was named an outstanding entrepreneur of Zhejiang (浙江省優秀創業家) in 2006. Mr. Zhang currently serves as the honorary chairman of the China Plastics Machinery Industry Association (中國塑料機械工業協會).

Mr. Zhang is the father of Mr. Zhang Jianming and Mr. Zhang Jianfeng, the father-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo and the grandfather of Mr. Zhang Bin, all of whom are directors of the Company. He is also a director of Sky Treasure Capital Limited ("Sky Treasure"), Premier Capital Management Pte. Ltd. (formerly known as Premier Capital Management (PTC) Ltd.) ("Premier Capital") and Cambridge Management Consultants (PTC) Ltd. ("Cambridge Management"). The interests of the three companies in the Company have been detailed under the section headed "Interests and Short Positions of Shareholders" in the Report of the Directors.

## Directors and Senior Management



**Mr. Zhang Jianming (張劍鳴)**, aged 60, is an Executive Director and the Chief Executive Officer of the Group and is responsible for the overall daily operations of the Group. He ceased to act as a member of the Remuneration Committee on 22 March 2022. By introduction of Mr. Zhang Jingzhang, Mr. Zhang joined the Group in August 1977 as worker and has gained extensive exposure in various departments of the Group. With over 40 years of experience in the plastic processing machinery industry, Mr. Zhang is experienced in all facet of the overall operation of the Group. He was appointed as the director of Haitian Precision since March 2012. He obtained a master in business administration from the Management College of Fudan University (復旦大學管理學院) in July 2002. Mr. Zhang has been appointed as the chief executive officer of the Group since April 2000. Mr. Zhang served as a member of the National Committee of the Chinese People's Political Consultative Conference in Beilun District (北侖區政協委員會) in 1996 and as a director of the Quality Management Association of Beilun District of Ningbo (寧波市北侖區質量管理協會) from 1990 to 2000. In January 2006, Mr. Zhang was also selected as a representative of Ningbo's private enterprises to attend the National Science and Technology Conference. From 2003 to 2011, he was the chairman of Ningbo Plastic Machine Industry Association (寧波市塑料機工業協會). Mr. Zhang was also elected a deputy to the People's Congress of Beilun District (北侖區人大代表) in 2012. Mr. Zhang Jianming is the elder son of Mr. Zhang Jingzhang, the elder brother of Mr. Zhang Jianfeng, the brother-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo and the father of Mr. Zhang Bin, all of whom are directors of the Company, and he is also a director of Sky Treasure, Premier Capital and Cambridge Management.



**Mr. Zhang Jianfeng (張劍峰)**, aged 53, is an Executive Director, the executive vice president and the director of domestic sales of the Group. Mr. Zhang joined the Group in October 1985 and has more than 30 years of experience in the plastic processing machinery industry. He was promoted to the deputy head of the Group's sales division in the sales and marketing department in 1997. He has been appointed as the senior vice president of sales and marketing of the Group since 2002. Mr. Zhang has been appointed as the chairman of Ningbo Plastic Machine Industry Association (寧波市塑料機工業協會) since 2012. Mr. Zhang is the younger son of Mr. Zhang Jingzhang, the younger brother of Mr. Zhang Jianming and the brother-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo, all of whom are directors of the Company, and he is also a director of Sky Treasure, Premier Capital and Cambridge Management.



## Directors and Senior Management



**Mr. Zhang Bin (張斌)**, aged 36, is an Executive Director and the executive vice president of the Group. Mr. Zhang joined the Group in January 2014. He obtained his Bachelor's degree in mechanical engineering from the University of Nottingham in July 2009, and his master's degree in engineering management from King's College London, the University of London, in January 2011. Upon joining the Group in January 2014, Mr. Zhang was appointed as an officer of the information management department of the Group. In January 2015, he also took up the role of assistant to general manager of Ningbo Zhafir Plastics Machinery Co., Ltd. under the Group. In January 2017, Mr. Zhang was appointed as general manager of Ningbo Zhafir Plastics Machinery Co., Ltd. under the Group. Mr. Zhang Bin is a grandson of Mr. Zhang Jingzhang, our Chairman, and a son of Mr. Zhang Jianming, our CEO. He is also a director of Cambridge Management.



**Mr. Chen Weiqun (陳蔚群)**, aged 51, is an Executive Director and the vice president of the Group. Mr. Chen graduated from Huadong Yejin College (華東冶金學院) with a bachelor's degree in mechanics in August 1993. In 2005, he obtained a master's degree in business administration from the University of Zhejiang. He joined the research and development department of the Group in 1993. In 1994, he joined the international sales team of the sales department. He was appointed as an assistant to the chief executive officer in 2000 and as the deputy general manager of international sales in 2003. He has been appointed as the deputy general manager responsible for the Group's international sales since 2004. In addition, Mr. Chen was appointed as the general manager of Haitian Huayuan in 2004. He is also a director of Cambridge Management.

## Directors and Senior Management

### Non-Executive Directors



**Mr. Guo Mingguang (郭明光)**, aged 56, is a Non-executive Director. Mr. Guo joined the Group in January 1983 and has more than 30 years of experience in the plastic processing machinery industry. In 1985, he was transferred to the Group's customer services department, and was transferred again in 1989 to the Group's engineering department. From 1994 to 1999, he served as the deputy general manager of Ningbo Zongtian Plastic Processing Machinery Manufacturing Co., Ltd. From 1999 to 2002, he served as the general manager of a factory of the Group. In 2003, he was appointed as the deputy head of production of the Group and was promoted to the vice president of production of the Group in 2004. Mr. Guo was re-designated from an Executive Director to a Non-Executive Director on 1 June 2012. Mr. Guo is a son-in-law of Mr. Zhang Jingzhang, the brother-in-law of Mr. Zhang Jianming, Mr. Zhang Jianfeng and Mr. Liu Jianbo, all of whom are directors of the Company.



**Mr. Liu Jianbo (劉劍波)**, aged 55, is a Non-executive Director. Mr. Liu joined the quality assurance department of the Group in November 1986 and was appointed as a quality control manager in 1997. In 2000, he qualified as an internal auditor under the ISO9001:2000 certification system and since then has been responsible for the Company's internal quality control audit. He has been the Company's vice president of quality control since February 2004 and the Company's vice president of customer service since July 2004. Mr. Liu was re-designated from an Executive Director to a Non-Executive Director on 1 June 2012. Mr. Liu is a son-in-law of Mr. Zhang Jingzhang and the brother-in-law of Mr. Zhang Jianming, Mr. Zhang Jianfeng and Mr. Guo Mingguang, all of whom are directors of the Company.

## Directors and Senior Management

### Independent Non-Executive Directors

**Ms. Yu Junxian (餘俊仙)**, aged 57, was appointed as an Independent Non-executive Director on 1 February 2019. Ms. Yu Junxian has been appointed as the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee with effect from 27 March 2020. Ms. Yu has in-depth knowledge of, over 30 years of experience in, auditing, accounting, and finance and is a professor level senior accountant, certified accountant, certified valuer and registered tax agent in China. Ms. Yu taught in Zhejiang Finance Economics College\* 浙江財經學院 between 1988 and 1998. Ms. Yu was a partner with Zhejiang Tianping Accounting Firm\* 浙江天平會計師事務所 in Hangzhou since 1999. Ms. Yu was an independent non-executive director of Haitian Precision from July 2013 to April 2018.

**Mr. Lou Baijun (樓百均)**, aged 59, joined the Group in March 2012 as an Independent Non-executive Director. He is also the chairman of the Audit Committee and a member of the Remuneration Committee. He is currently the professor of Modern Logistics School of Zhejiang Wanli University. Mr. Lou is a member of the Chinese Institute of Certified Public Accountants since 1996. Mr. Lou was appointed deputy director and deputy professor of Faculty of Financial Management of Jiangxi University of Finance and Economics between 1985 and 2001 and commenced teaching at Zhejiang Wanli University since 2001. Mr. Lou obtained a master degree in management and engineering from Wuhan University of Technology in 2006.

**Mr. Guo Yonghui (郭永輝)**, aged 66, joined the Group in November 2016 as an Independent Non-executive Director. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Prior to his retirement in August 2016, he was the Department General Manager of Ningbo Branch of Bank of China Limited. He was appointed to a number of roles at Finance & Local Taxation Bureau of Xiangshan District in Ningbo, China including section chief and director of Finance & Local Taxation Office between 1986 and 1994. He was appointed to the position of President of Sub-branch and Department General Manager of Ningbo Branch of Bank of China Limited since 1995. Mr. Guo graduated from Zhejiang Radio & TV University with a diploma in industrial accounting in 1990. He was a qualified economist in China since 1993. He graduated in law from PLA Dalian Naval Academy in 2003.

**Mr. Lo Chi Chiu (盧志超)**, aged 50, was appointed as an Independent Non-executive Director on 1 February 2019. Mr. Lo has over 20 years of accounting and auditing experience in international accounting firms and various corporations. He served as staff account in Ernst & Young from August 1995 to October 1997. From December 1997 to June 2001, Mr. Lo initially worked as senior associate and later was appointed as manager in PricewaterhouseCoopers Ltd. Mr. Lo was appointed as financial controller for Technicon Engineering Limited from July 2001 to July 2002. He was appointed as financial controller for Zhejiang Xinfu Biochemical Co., Ltd. from July 2002 to November 2002. From December 2002 to June 2003, Mr. Lo was appointed as financial controller for Shenzhen Glory Medical Co., Ltd. He was initially appointed as project accountant and subsequently as finance manager for Integrated Distribution Services Group Management Limited from June 2004 to August 2006. He was appointed as company secretary and chief financial officer of Truly International Holdings Limited (stock code: 732) from November 2010 to January 2011, the shares of which listed on the Stock Exchange. From February 2011 to August 2011, Mr. Lo was appointed as chief financial officer for VPower Holdings Limited. He was appointed as chief financial officer of the Company from August 2006 to November 2010 and from September 2011 to June 2016. Mr. Lo served as an independent non-executive director, chairman of the audit committee and the remuneration committee and a member of the nomination committee of Ernest Borel Holdings Limited (stock code: 1856) from June 2014 to December 2017, the shares of which listed on the Stock Exchange. He has also been appointed as an independent non-executive director, chairman of the audit committee and a member of the nomination committee and the remuneration committee of Edvantage Group Holdings Limited (stock code: 382) from 15 July 2019 to 16 February 2022, the shares of which listed on the Stock Exchange.

\* For identification purpose only

## Directors and Senior Management

### Senior Management

**Mr. Yu Wenxian (虞文賢)**, aged 53, is the vice president of human resources and administration of the Group. Mr. Yu graduated from Xi'an Jiaotong University (西安交通大學) with a bachelor's degree in mechanical engineering in 1991. He joined the Group in May 1993 as an engineer. Since 1997, Mr. Yu has been working in the areas of administration and human resources and served various managerial roles in those areas. He has been appointed as the vice president of human resources and administration of the Group since 2003 and had been serving as the executive assistant to the chief executive officer of the Group between 2004 and 2010.

**Mr. Bei Haibo (貝海波)**, aged 56, is the vice president and executive vice director of domestic sales of the Group. Mr. Bei joined the Group in January 1983 and has more than 30 years of experience in the plastic processing machinery industry. He was appointed as a manager responsible for after-sales services in 1997 and was promoted to deputy general manager of the Group's sales department in 1998.

**Mr. Xiang Linfa (項林法)**, aged 48, is the vice president and director of overseas sales of the Group. Mr. Xiang graduated from Wuhan University of Technology (武漢理工大學) with a bachelor's degree in mechanical design and manufacturing. He joined the plastics machinery quality inspection department of the Group in 1998, joined the domestic trade after-sales services in 1999, and in the next year, he worked in the plastics machinery technology department for a year. He was appointed as the overseas general manager of Brazil business department in 2003 and was appointed as the vice general manager of Ningbo Haitian Huayuan in 2008. Besides, Mr. Xiang served as the general manager of Ningbo Haitian Huayuan between 2001 and 2002.

**Mr. Fu Nanhong (傅南紅)**, aged 47, is the head of technology of our Group. Mr. Fu graduated from Dalian University of Technology with a bachelor's degree in mechanical engineering in 1997 and a master degree in mechanical and electronic engineering in 2000. He joined the research and development department of our Group in 2000. In 2003, he was appointed assistant to the head of research and development department and its deputy head in 2006. In 2008, he was also appointed deputy general manager of Ningbo Zhafir, the electric PIMM arm of our Group, and promoted to its general manager between 2014 and 2016. He was appointed as the head of technology of our Group since 2013.

**Mr. Xie Zhenfeng (解臻峰)**, aged 36, was appointed as the chief financial officer of the Group in February 2021. Mr. Xie graduated from Fudan University (復旦大學) with a bachelor's degree in science in 2008. Mr. Xie is a certified public accountant and a certified internal auditor in China. He used to serve as an auditor in Deloitte Touche Tohmatsu Certified Public Accountants LLP and has extensive work experience in enterprises and banks. In 2015, he joined the finance department of the Group and held the position of assistant to the chief financial officer.

**Ms. Yu Xiaojing (俞曉婧)**, aged 31, joined the Group in 2021 and was appointed as the director of investor relations of the Group in January 2022. Ms. Yu graduated from Peking University (北京大學) with a bachelor's degree in economics in 2014. Ms. Yu used to work at J.P. Morgan and PAG Consulting Limited.

# Investor Information

## Listing Information

Listing: Hong Kong Stock Exchange  
Stock code: 1882

## Key Dates

20 March 2023	—	Annual Results Announcement of 2022
4 April 2023	—	Closure of register of members (entitlement to second interim dividend)
Around 17 April 2023	—	Payment date of second interim dividend
15–18 May 2023	—	Closure of register of members (Annual General Meeting)
18 May 2023	—	Annual General Meeting

## Share Information

Board lot size: 1,000 shares

Shares in issue as at 31 December 2022:  
1,596,000,000 shares

Market Capitalisation as at 31 December 2022:  
HKD33,356.4 million

Basic earnings per share for 2022: RMB1.42  
Diluted earnings per share for 2022: RMB1.42

Dividend per share for 2022  
Total Interim dividends HKD55 cents

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Total HKD55 cents

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## Hong Kong Share Registrar Transfer Office

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

## Enquiries Contact

Investor Relations Department  
Tel (China): 86-574-86182786  
Tel (Hong Kong): 852-24282999  
Fax: 86-574-86182787  
E-mail: yxj0199@mail.haitian.com (Kathy Yu)  
wangjihui@mail.haitian.com (Shime Wang)  
Address: No. 1688 Haitian Road,  
Beilun District, Ningbo,  
Zhejiang Province, China  
Postal code: 315800

## Websites

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

# Summary of the Environmental, Social and Governance Report

The Group actively fulfilled its responsibilities as an industry-leading enterprise, upheld the corporate mission of “Communication, Innovation, Efficiency”, integrated Environmental, Social and Governance (“ESG”) concepts into all aspects of operation management, R&D and production, sales, customer services and community engagement, and committed to building a sustainable enterprise and society, so as to create long-term interests for internal and external stakeholders including shareholders, customers, employees and partners, etc.

In 2022, our efforts in ESG have been well recognised by the public. Haitian International’s MSCI ESG Rating has been upgraded from CCC to BB, and has been awarded Bronze medal from EcoVadis Sustainability Rating. These achievements are the recognition of Haitian International’s effort to adhere to its original aspiration, and further strengthen our commitment to continuously improving ESG performance and practising the sustainable development.

We have established a three-tier ESG governance structure, clarifying management functions and responsibilities at all levels. The Board of the Group not only assumes full responsibility for the ESG-related matters, ESG risk assessment and reporting, but also leads and supervises effective implementation of ESG strategy across the Group in a top-down manner.

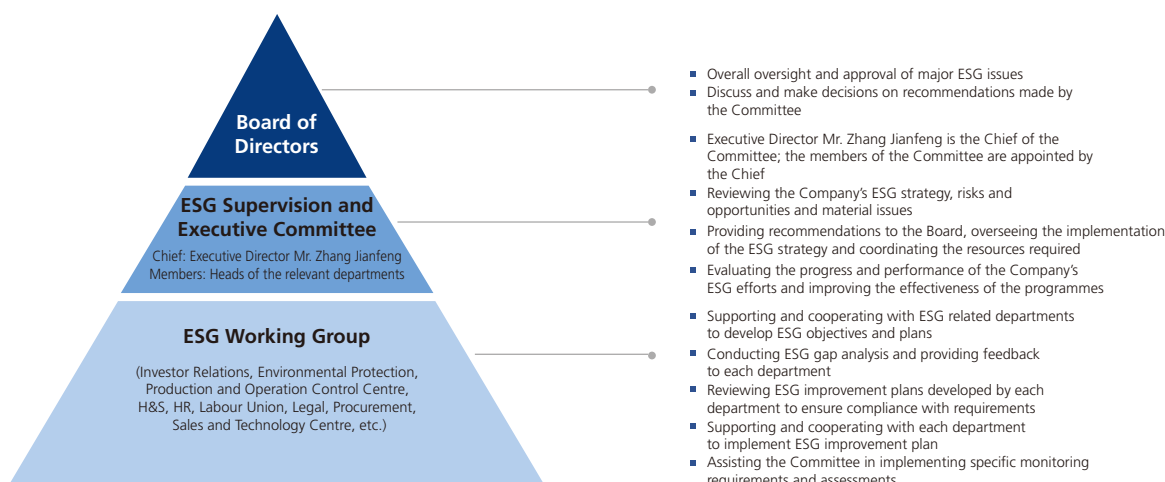


Figure: ESG Governance Structure of the Group

We are pleased to share with you some of our work in the field of ESG this year. For comprehensive ESG information of the Group, please refer to our ESG report this year:

- Promoting emissions and energy management:** The Group actively promoted waste management optimisation and carried out the construction of clean energy projects. In 2022, the Group achieved a reduction in the total carbon emissions, energy consumption and hazardous waste emissions. Specifically, the Group achieved a 28.1% reduction in total carbon emissions, a 6.4% reduction in carbon emissions per RMB10,000 revenue, a 15.0% reduction in total energy consumption and a 13.9% reduction in total hazardous waste. We encourage all plants and functional departments to reduce the waste generation at source, actively explore solutions for waste recycling, and formulate plans for waste reduction, recycling and harmless disposal. Furthermore, in September 2022, the Group’s rooftop photovoltaic (PV) project at Tongtu Road Plant was officially integrated into the power grid and its total installed capacity was 22,698 kW. By December 2022, the project had generated a total of 5,775,000 kWh of electricity. In addition, the South China Plant’s first rooftop PV project was completed at the end of 2022, with a total installed capacity of 6,200 kW.

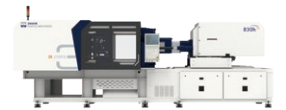
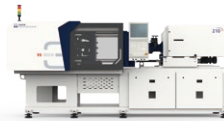
## Summary of the Environmental, Social and Governance Report

- **Upgrading investment in clean technology:** The Group has set clean technology as one of its core product strategies. In 2022, the Group's fully electric VE5500III plastic injection moulding machine (PIMM) was listed in the National Catalogue for the Recommendation on Industrial Energy-Saving Technology and Equipment 《國家工業和信息化領域節能技術裝備推薦目錄》, our HA series PIMMs were certified as the "Key Energy-Saving Products for Promotion in Ningbo" following our MA, JU, VE, ZE and JE series PIMMs. In addition, the Group has launched machines dedicated to degradable and recyclable materials. Furthermore, with the goal of making its products more energy efficient and intelligent, the Group has developed the fifth generation (G5) machines, enabling the overall operating energy consumption of the G5 hydraulic machines to be reduced by more than 20% compared with the corresponding third generation models.
- **Optimising business ethics management:** The Group has set up a series of regulations to standardise our management mechanism in anti-corruption, anti-bribery, reporting process, whistleblower protection, conflicts of interest, fair trade, and internal control and audit, including the Social Responsibility System 《社會責任制度》, the Statement of Compliance with Provisions on Anti-Money Laundering 《遵守反洗錢規定的聲明》 and the Code of Professional Ethics for Employees 《員工道德準則》. The Group has incorporated business ethics matters into corporate risk management system and taken it as the guidance to conduct business audits. All business operations are audited by the Internal Control Department at least once every three years; during the Reporting Period, all employees (including part-time employees) and directors completed training courses on anti-corruption and business ethics.
- **Effectively protecting employees' rights and interests:** We are guided by our "people-oriented" management philosophy, treating each employee with equality and respect, providing competitive remuneration and benefits, setting up personalised and diversified training courses and career development paths, ensuring smooth and close staff communication, and maintaining a safe production and working environment, thereby attracting and retaining talented people. Meanwhile, the Group provides talent apartments and public rental housing to its employees, with the aim to solve the housing problem of its employees, reduce their living costs and hence improve their living quality.
- **Adhering to our traditions of philanthropy:** We actively participate in various public welfare activities and charity events, helping families and children in need, sponsoring students from poor families to complete their studies, organising volunteers to carry out community services and helping employees in difficulty through donations and public welfare projects.

As a responsible corporate citizen, we will spare no effort in providing high quality products and services to our customers, fulfilling our corporate ESG responsibilities and working together with our internal and external partners to promote the sustainable development of the industry and society.

**Innovation**

**CORPORATE  
GOVERNANCE  
REPORT**





# Corporate Governance Report

## Purpose, Values, Strategy and Culture

The core purpose of the Company is to create value for its shareholders. It strives to become the leading pioneer in the plastic injection moulding machine industry that is trusted by its consumers, and a place where its employees are proud to work for. Its mission is to lead the development of the industry and set the industry benchmarks. In this connection, it endeavours to maintain accountability to its employees, consumers, shareholders, the society, and the environment. These purpose and values shape the Company's strategy, which are geared towards building a trusted and beloved enterprise whereby values for shareholders are created.

The Company's purpose, values and strategy form the foundations of the Company's corporate culture. Its corporate culture is centred on adherence to high ethical standards and practices, and striving for sustainable development.

The Company recognises the importance of good corporate governance to its healthy growth and has therefore devoted much efforts into formulating corporate governance practices that agree with its business needs. The Company has applied the principles set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") by adopting the relevant code provisions. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with

the CG code. The directors of the Company (the "Directors") consider that the Company complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2022.

## Board of Directors

As at the date of this annual report, the Board of Directors (the "Board") comprises 5 Executive Directors, 2 Non-executive Directors and 4 Independent Non-executive Directors.

The Directors who held office during the year and up to the date of this annual report were:

### *Executive Directors*

Mr. Zhang Jingzhang (*Chairman*)  
Mr. Zhang Jianming (*Chief Executive Officer*)  
Mr. Zhang Jianfeng  
Mr. Chen Weiqun  
Mr. Zhang Bin

### *Non-executive Directors*

Mr. Guo Mingguang  
Mr. Liu Jianbo

### *Independent Non-executive Directors*

Mr. Lou Baijun  
Mr. Guo Yonghui  
Ms. Yu Junxian  
Mr. Lo Chi Chiu



## Corporate Governance Report

The Board has a balance of skill, experience and diversity of perspectives that are essential to and would promote the business of the Group. It also has a balanced composition of Executive and Non-executive Directors and is responsible to formulate overall strategy of the Group, monitor its operational and financial performance and oversight of the management of the Company's business and affairs. The Board, especially the Independent Non-executive Directors, is also responsible to decide on acquisitions or disposals where there is conflict of interests for any Director(s). The Board has delegated the day-to-day responsibility to the Executive Directors and Senior Management of the Company. The biographies and relevant relationships amongst them are set out in the Directors and Senior Management Section of this annual report.

The Chairman and the Chief Executive Officer of the Company are Mr. Zhang Jingzhang and Mr. Zhang Jianming, respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals. It is aimed at striking a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

The Non-executive Directors, with diversified industry expertise but not involved in the day-to-day management of the Group, serve the important function of advising the Board on strategic development of the Group, and ensure that the Board maintains high standards of financial and other mandatory reporting as well as provide adequate checks and balances for safeguarding the interests of the Company and its shareholders as a whole. The Company has received confirmations of independence from all existing Independent Non-executive Directors and considers them independent, in accordance with the Rule 3.13 of the Listing Rules. All Directors have a term of office of three years and are required to retire and, being eligible, can offer themselves for re-election in accordance with the Articles of Association of the Company.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and Senior Management. The Board will also review this arrangement from time to time to ensure the insurance cover is well enough for our Directors and Senior Management.

### Board Meetings

The Board meets regularly so that all Directors are kept updated with the business development of the Group. Special meetings of the Board will be convened if the situation requires so. For the year ended 31 December 2022, the Board convened a total of four Board meetings (including four regular Board meetings) and the individual attendance record of the Directors is tabulated as follows:

#### Attendance

##### Executive Directors

Mr. Zhang Jingzhang ( <i>Chairman</i> )	4/4
Mr. Zhang Jianming ( <i>Chief Executive Officer</i> )	4/4
Mr. Zhang Jianfeng	4/4
Mr. Chen Weiqun	4/4
Mr. Zhang Bin	4/4

##### Non-executive Directors

Mr. Guo Mingguang	4/4
Mr. Liu Jianbo	4/4

##### Independent Non-executive Directors

Mr. Lou Baijun	4/4
Mr. Guo Yonghui	4/4
Ms. Yu Junxian	4/4
Mr. Lo Chi Chiu	4/4

### Non-executive Directors

Each of the Non-executive Directors and Independent Non-executive Directors has entered into a service contract with the Company for a term of three years, subject to the requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association of the Company.

# Corporate Governance Report

## Mechanisms to Ensure Independent Views

The Board has adopted effective mechanisms to ensure independent views and input are available to the Board. Subject to approval of the Chairman of the Board, Directors may seek, at the Company's expense, independent legal, financial or other professional advices from advisors independent to those advising the Company as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively. The Board will review the implementation and effectiveness of such mechanisms on an annual basis.

The Board considers that the above mechanisms are effective in ensuring that independent views and input are provided to the Board.

## Model Code for Securities Transactions by Directors of the Company

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Specific enquiry has been made to all Directors who were in office during the year ended 31 December 2022 and they all have confirmed that they had complied with the required standard set out in the Model Code during the reporting period.

## Relationship of the Directors

Among the members of the Board, Mr. Zhang Jingzhang, the Chairman, is the father of Mr. Zhang Jianming and Mr. Zhang Jianfeng, the father-in-law of Mr. Guo Mingguang and Mr. Liu Jianbo and the grandfather of Mr. Zhang Bin, all of whom are also directors of the Company. Mr. Zhang Jianming is also the Chief Executive Officer of the Company.

## Nomination Committee

The Board had set up its Nomination Committee to, among others, review the structure, size and composition of the Board and make recommendations to the Board on the appointment of Directors. The Nomination Committee has also adopted a policy of diversity for memberships of the Board which aims to achieve diversity in the Board against a range of different perspectives, including but not limited to professional and industry experience, skills and knowledge, cultural and educational background. These criteria will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. In reviewing and assessing the composition of the Board, the Nomination Committee will consider all different perspectives, including the aforesaid criteria, in order to maintain a diverse Board. And in recommending new appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria including the ones set out above, with due regard for the benefits of diversity of the Board.

## Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board on the appointment of Directors and succession planning for directors. When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidates:

- Reputation for integrity;
- Accomplishment and experience in the manufacturing industry and other relevant sectors;
- Commitment in respect of available time and relevant interest; and
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

## Corporate Governance Report

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Company's Articles of Association and other applicable rules and regulations.

Under the Nomination Policy, the Nomination Committee should upon receipt of the proposal on appointment of new director and the biographical information of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. Where appropriate, the Nomination Committee should make recommendation to shareholders in respect of the proposed election at the general meeting.

The composition of the Nomination Committee and the attendance of the one meeting of the Nomination Committee during the year ended 31 December 2022 is set out below:

### Attendance

Mr. Zhang Jingzhang ( <i>Chairman of Committee</i> )	1/1
Mr. Guo Yonghui	1/1
Ms. Yu Junxian	1/1

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board, and assessed the independence of Independent Non-executive Directors and made recommendations on re-election of directors at general meetings.

## Board Diversity Policy

The Board has formulated a Board Diversity Policy to improve the standard of management through achieving diversity on the Board in terms of management skills, experience and perspectives, and thereby enhance the quality of the management and the performance of the Company. The Board Diversity Policy requires that the appointment of Board members should be based on

the talents of the candidates. Factors including diversity in age, gender, education and cultural background, professional expertise, industry experience and independence should also be considered and assessed during the selection process to ensure diversity. The Nomination Committee of the Board monitors the implementation of the Board Diversity Policy and reports in the corporate governance report of the Company on an annual basis. The Nomination Committee will also review the Board Diversity Policy and make recommendations for revision to the Board for consideration and approval when necessary. The Board considers that it has made progress on achieving diversity of the Board by including members of different gender and education background and professional qualifications. The Board will continue to strive for diversity of the Board in accordance with the Board Diversity Policy and will review the implementation and effectiveness of the Board Diversity Policy, as appropriate, and at least on an annual basis. The Board confirmed the Board Diversity Policy is effective.

The current Board comprises 10 male members and 1 female member. The Company is determined to enhance gender diversity in the Board to achieve gender equality in terms of gender ratio within approximately 10 years. The Company expects the above is achievable with suitable effort in promoting gender diversity.

As at 31 December 2022, the Company has 7,159 employees (including Senior Management) in total comprising of approximately 776 females and 6,383 males (a female-to-male ratio of approximately 1:8.23). The Company is mindful of the objectives as set out in the diversity policy when assessing the candidacy of the employees, and will ensure that the Company shall continue to follow the policy.

As at 31 December 2022, 90.24% of the workforce were based in the PRC and the remaining 9.76% were based overseas. In terms of the age of our workforce, 32.94% were under 30 years of age, 33.40% were between 30 and 40 years of age, and 33.66% were above 40 years of age, which represents a diverse range of experience and background of the Group's workforce.

# Corporate Governance Report

## Audit Committee

The Company has set up an Audit Committee 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 with at least one of them having appropriate professional qualifications, or accounting or related financial management expertise. 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 regularly reviewed 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.

The composition of the Audit Committee and the attendance of the three meetings of the Audit Committee during the year ended 31 December 2022 are set out below:

### Attendance

Mr. Lou Baijun ( <i>Chairman of Committee</i> )	3/3
Mr. Guo Yonghui	3/3
Ms. Yu Junxian	3/3

The Audit Committee met three times during the year ended 31 December 2022. During the meetings, the Audit Committee considered the annual results of the Group for the year ended 31 December 2021 and the interim results of the Group for the six months ended 30 June 2022 as well as the reports prepared by the external auditors relating to accounting and internal control issues and major findings in the course of audit/review, and the audit plan of 2022.

## Remuneration Committee

The Remuneration Committee is responsible to review the policy for remuneration of the Directors and other Senior Management of the Group and to make recommendations to the Board on the remuneration packages of each Director and senior management to assess performance of the Executive

Directors of the Company and to approve the terms of Executive Directors' service contracts. The Group's policy for remuneration (including basic salary and performance bonus) of the Directors and other Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice.

The emoluments of Senior Management by band for the year ended 31 December 2022 is set out in the section headed "Biographical Details of and Remunerations to Directors and Senior Management" in the Report of the Directors.

## Remuneration Policy

The objective of the Company's Remuneration Policy is to help establish fair and competitive remuneration packages based on our business requirements and industry practice. The Board expects the remuneration committee of the Company to exercise independent judgement and ensures that all the directors of the Company do not participate in the determination of their own remuneration. In order to determine the level of remuneration and fees paid to members of the Board, markets rates and factors such as each director's workload, responsibility and job complexity are taken into account. The following factors are considered when determining the remuneration packages of Directors and Senior Management of the Company:

- Business requirements;
- Individual performance and contribution to results;
- Company performance and profitability;
- Retention considerations and the potential of individuals;
- Corporate goals and objectives;
- Changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- General economic situation.

## Corporate Governance Report

The composition of the Remuneration Committee and the attendance of the one meeting of the Remuneration Committee during the year ended 31 December 2022 are set out below:

### Attendance

Ms. Yu Junxian ( <i>Chairman of Committee</i> )	1/1
Mr. Zhang Jianming*	1/1
Mr. Guo Yonghui	1/1
Mr. Lou Baijun*	0/0

\* *With effect from 22 March 2022, Mr. Zhang Jianming has tendered his resignation as a member of the Remuneration Committee and Mr. Lou Baijun has been appointed as a member of the Remuneration Committee.*

The Remuneration Committee had reviewed and made recommendations to the Board on the packages of the Directors and Senior Management are in line with market standards for companies in the industry which the Group belongs to, determined the policy for the remuneration of Executive Directors, assessed performance of Executive Directors and approved the terms of Executive Directors' service contracts.

### Training and Support for Directors

The Company recognises the importance of keeping the Directors updated with latest information of duties and obligations of a director of a company whose shares are listed on the Stock Exchange and the general regulatory requirements and environment for such listed company. To meet this goal, each newly appointed Director would receive an introductory training regarding the statutory and regulatory obligations of a director of a listed company in Hong Kong. The Company would also provide regular updates in relation to the latest developments regarding Listing Rules and other applicable regulations.

During the year ended 31 December 2022, the Directors had participated in the following types of continuous professional development:

	Type of continuous professional development
<b>Executive Directors</b>	
Mr. Zhang Jingzhang	A and B
Mr. Zhang Jianming	A and B
Mr. Zhang Jianfeng	A and B
Mr. Chen Weiqun	A and B
Mr. Zhang Bin	A and B
<b>Non-executive Directors</b>	
Mr. Guo Mingguang	A and B
Mr. Liu Jianbo	A and B
<b>Independent Non-executive Directors</b>	
Mr. Lou Baijun	A and B
Mr. Guo Yonghui	A and B
Ms. Yu Junxian	A and B
Mr. Lo Chi Chiu	A and B

Note:

- A: *attending seminars and/or in-house trainings relating to duties of directors of listed companies*
- B: *reading guidance notes and updates relating to regulatory requirements for listed companies and obligations of directors*



# Corporate Governance Report

## Risk Management, Internal Control and Corporate Governance

The Board has overall responsibility for the establishment, maintenance and annual review of the Group's risk management, system of internal control and corporate governance. For the year ended 31 December 2022, the Board has conducted a review with the management of the effectiveness of the risk management and internal control systems and corporate governance of the Company and its subsidiaries and considered that the risk management and internal control systems and corporate governance measures are effective and adequate.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of risk management and internal control systems. The Company has developed and adopted different risk management procedures and guidelines with a clear division of power and responsibility. The Company would conduct self-assessment each year to confirm that all departments and the Company have properly complied with the risk management and internal control policy.

During the year, all departments have conducted regular internal control evaluation to identify risks with potential impact on the Group's business and other aspects including major operational and financial procedures, regulatory compliance and information security. The management with the leader of the department would evaluate the chance of risk occurrence to provide response plan and monitor the progress of risk management.

During the year, the internal control department has reviewed important issues including major operational policies and regulatory compliance and provided its findings and recommendations to the Company for improvement. No significant area of concern that may affect the business, major operation and financial procedures, regulatory compliance and information security and risk management of the Group has been identified.

The Company has adopted an anti-corruption policy to govern acceptance of advantages by employees and directors and a whistleblowing policy to provide guidance to employees and external stakeholders to report concerns about any suspected or actual improprieties relating to the Group.

## Handling and dissemination of inside information

The Group is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information and has adopted a policy on disclosure of inside information of the Group. The handling and dissemination of inside information of the Group is strictly controlled and remains confidential including but not limited by the following ways:

1. Restricting access to inside information to a limited number of employees on a need-to-know basis;
2. Reminder to employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;
3. Ensure appropriate confidentiality agreements are in place when the Group enters into significant negotiations or dealings with third parties;
4. Inside information is handled and communicated by designated persons to outside third parties; and
5. The Board and the Senior Management to review the safety measures regularly to ensure that inside information is properly handled and disseminated.

## Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including developing and reviewing the Company's policies and operation on corporate governance and making recommendations; reviewing and monitoring the training and continuous professional development of Directors and Senior Management; reviewing and monitoring the Company's policies and operation on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors; and reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules. The Board has performed the above duties during the year.

# Corporate Governance Report

## Internal Audit

The Group has set up an internal control department since 2012 to support the Board in its maintenance and review of the Group's risk management and internal control systems. The internal control department is a department independent from other departments inside the Group and directly reports to the Executive Directors of the Company. Its main roles include the followings:

1. to monitor the different business units and subsidiaries of the Group in their compliance with internal guidelines, policies and procedures covering budget, financial reporting, procurement, risk management etc.;
2. to make recommendations on risk control procedures to the management to address risks identified in the business operations of the Group;
3. to support and monitor the Group's compliance with laws and regulations relevant to its operations; and
4. to assist the Audit Committee of the Company in its work.

## Directors' and Auditor's Acknowledgement

The Board acknowledges its responsibility for preparing the accounts of the Company which are in compliance with statutory requirements and applicable accounting standards. The management provides all relevant information and records to the Board, which enables it to prepare the accounts and to make a clear and balanced assessment of the Company's financial position and prospects. The statement of the auditor of the Company on its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 51 to 52 of this annual report.

## Auditor's Remuneration

During the year ended 31 December 2022, the auditor of the Company, PricewaterhouseCoopers, charged RMB2.49 million for audit services.

## Company Secretary

The Company has engaged Fair Wind Secretarial Services Limited, external service provider, and Ms. Lee Ka Man ("Ms. Lee") has been appointed as the company secretary of the Company in 2019. Ms. Lee is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She has over 18 years of experience in the fields of company secretarial and compliance. Ms. Lee's primary contact at the Company is Mr. Dai Feng, General Counsel of the Company. During the year ended 31 December 2022, Ms. Lee has taken no less than 15 hours of relevant professional trainings to update her skills and knowledge. All directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

## Dividend Policy

The Board has established a Dividend Policy setting out the principles and guidelines that the Company intends to apply when considering the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. In deciding whether to propose dividends, and in determining the dividend amount, the Board shall take into account, *inter alia*: (i) the Group's unappropriated profits/earnings and the impact on the Group's long term earning capacity; (ii) the Group's results of operations, earnings performance, cash flows, financial condition, future prospects, statutory and regulatory restrictions on the payment of dividends; and (iii) any other factors that the Board considers relevant. The Company is subject to the Articles of Association of the Company and all applicable laws (including the Companies Act), rules and regulations, during declaration and payment of dividends to shareholders of the Company. The dividend policy will be reviewed periodically and when necessary in light of changes in circumstances and regulatory requirements. There is no assurance that a dividend will be proposed or declared in any specific periods.



# Corporate Governance Report

## Investor Relations and Shareholders' Communication

The Company continues to pursue a proactive policy of promoting investor relations and communications by conducting analysts' briefings, road shows, participating in investors' conferences and making corporate presentations during the conferences, arranging company visits to the Company and maintaining regular meetings with institutional shareholders and analysts. The Company's annual general meeting provides a good opportunity for communications between the Board and its shareholders. Shareholders are encouraged to attend the annual general meeting. Notice of the annual general meeting and related papers are sent to shareholders at least 20 business days before the meeting and will also be made available on the Stock Exchange's website. The Directors will answer questions on the Company's business at the meeting. External auditors will also attend the annual general meeting. All votings at the annual general meeting will be conducted by poll and poll results will be posted on the website of the Stock Exchange on the business day following the annual general meeting. As a channel to further promote effective communication, the Company maintains a website ([www.haitianinter.com](http://www.haitianinter.com)) to disseminate the Company's announcements and other relevant financial and non-financial information electronically on a timely basis.

The annual general meeting for the year ended 31 December 2022 was held on 18 May 2022 and the attendance record of the Directors at the meetings is set out below:

### Attendance

#### Executive Directors

	AGM
Mr. Zhang Jinzhang ( <i>Chairman</i> )	1/1
Mr. Zhang Jianming ( <i>Chief Executive Officer</i> )	1/1
Mr. Zhang Jianfeng	1/1
Mr. Chen Weiqun	1/1
Mr. Zhang Bin	1/1

#### Non-executive Directors

Mr. Guo Mingguang	1/1
Mr. Liu Jianbo	1/1

#### Independent Non-executive Directors

Mr. Lou Baijun	1/1
Mr. Guo Yonghui	1/1
Ms. Yu Junxian	1/1
Mr. Lo Chi Chiu	1/1

## Shareholders' Rights

The Board has adopted a Shareholders' Communication Policy in 2022 which sets out the Group's commitment of maintaining an effective ongoing dialogue with shareholders. In summary, the Company establishes different communication channels with shareholders and stakeholders including: (i) provision of printed or electronic copies of corporate communications; (ii) provision of timely corporate information on the company website; (iii) holding of annual general meetings to provide a platform for shareholders to raise comments and exchange views with the Board; and (iv) arrangement in serving the shareholders in respect of all share registration matters. The Board reviewed the validity of implementation of the Shareholders' Communication Policy during the year and considered that it remained effective in enhancing timely, transparent, accurate and open communication between the Company and the shareholders.

### How shareholders can convene an extraordinary general meeting

Any one or more shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to make a written requisition to the Board or the Company Secretary to convene an extraordinary general meeting pursuant to article 58 of the Company's Articles of Association. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the shareholder(s) who make the requisition may convene the extraordinary general meeting.

### Procedures by which enquiries regarding business or operation of the Company can be made

Shareholders can contact the Investor Relations Department for enquiries in relation to the business or other operations of the Company. The contact information of the Investor Relations Department is set out in the section headed "Investor Information" on page 20 of this annual report. Shareholders are also encouraged to attend the annual general meeting of the Company to express their view and make enquiries on the business or operation of the Company.

# Corporate Governance Report

## Procedures for putting forward proposals at general meeting

There are no provisions under the Company's Articles of Association or the Companies Act (2022 Revision) of the Cayman Islands as amended, consolidated or otherwise modified from time to time (the "Companies Act") governing shareholder's rights to put forward proposals at an annual general meeting. Shareholders who wish to put forward proposals may however follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

## Stock Ownership Policy

The Board established the Stock Ownership Policy for the Non-executive Directors on 22 March 2022.

The terms of the Stock Ownership Policy are as follows:

### 1. Ownership Requirements

Under the Stock Ownership Policy, each Non-executive Director is expected to hold shares of the Company at least equal to the aggregate number of shares (including but not limited to options or shares granted but not vested) awarded to the Non-executive Director by the Company during the three-year period ending on any given date of determination. For the avoidance of doubt, all Directors shall comply with the stock ownership guidelines published by the Stock Exchange.

### 2. Shares Counted Towards the Ownership Requirements

The following shares of the Company will be counted towards the ownership requirements:

- (a) Shares beneficially owned; and
- (b) Stock options, restricted stock or restricted stock units, including options or shares granted but not vested.

### 3. Transition Rules of the Stock Ownership Policy

Existing Non-executive Directors shall comply with the Stock Ownership Policy starting from 1 January 2022. Newly appointed Non-executive Directors will have three years from the date of appointment to satisfy the requirements. If a Non-executive Director fails to comply

with the requirements, he or she will have twelve (12) months to achieve the required level of ownership. The Nomination Committee of the Company will review each Non-executive Director's compliance with the stock ownership requirements annually. The Nomination Committee of the Company has the authority to review and alter the terms of the Stock Ownership Policy as it deems appropriate.

### 4. Enforcement of the Stock Ownership Policy

If a Non-executive Director consistently fails to comply with the stock ownership requirements, the Remuneration Committee of the Company will take such actions as it deems appropriate, including, but not limited to allocating an additional amount of the Non-executive Director's annual compensation to the purchase of stock, or reducing future equity compensation awards.

## Compensation Recovery Policy

The Board established the Compensation Recovery Policy on 22 March 2022 which gives the Remuneration Committee of the Company the discretion to recover or cancel any performance awards (after deduction of taxes paid) that were awarded to a current or former Executive Director as a result of achieving performance targets that would not have been met under the restated results, in the event of any restatement of the Company's financial statements due to material non-compliance with any financial reporting requirements under the Listing Rules.

The Company's recovery authority applies to any performance award received by a current or former Executive Director during the most-recently completed fiscal year immediately preceding the date on which the Company is required to prepare the restatement. Under the terms of the policy, a performance award means any cash or equity-based award that is made, vested or is payable based wholly or in part on the results of a financial reporting measure.

## CONSTITUTIONAL DOCUMENTS

During the year, there was no change to the Company's constitutional documents.

**Efficiency**



**REPORT OF  
THE DIRECTORS**



## Report of the Directors

The Board is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2022.

### Principal Activities and Business Review

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 7 to the financial statements. An analysis of the Group's performance for the year by business segments and geographical segments are set out in note 24 to the financial statements.

Further discussion and analysis on the activities of the Group, including review of its businesses, discussion of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's businesses can be found in the Management Discussion and Analysis section in Chairman's Statements as set out on pages 4 to 8 of the annual report. Review of the Group's financial key performance can be found in the Financial Review section in CEO's Report as set out on pages 9 to 12. These discussions form part of this Report of the Directors.

### Environmental Policies and Performance

The Group's environmental policies are driven towards two main targets, namely compliance with environmental related laws and regulations and additional measures to protect the environment in the area of energy-saving and waste reduction. For compliance with laws and regulations, the Group's major production facilities are located in China and there is a specific team inside the Group to continuously monitor the regulatory requirements and the Group's compliance with such requirements. The Group also engaged professional experts to conduct analysis of energy efficiency and waste generation in its operation and provide recommendations for area which can be improved. The Board believes that the Group has complied with environmental related laws and regulations in China and adopted additional measures which enhanced the energy efficiency and reduced waste production in its operation. Please refer to the "Summary of the Environmental, Social and Governance Report" on pages 21 to 22 for details of the Group's environmental policies and performance.

### Compliance with Laws and Regulations

The Board considers compliance with laws and regulations an important element in the business operation of the Group. The Group's major production facilities and over half of its sales are located and generated in China and compliance with domestic laws and regulations in China is particularly important. The Group has specific personnel to handle and update compliance works in China and they also have the assistance from external legal advisors. With the Group's continuous expansion into overseas markets and setting up of local entities in overseas countries, the exposure to foreign laws and regulations is increasing and the management of the Group is well aware of the compliance risk involved. Local external legal and other professional experts are engaged from the stage of establishment and continuous advice is sought before and during business operation in such overseas countries. The Board considers that the Group's compliance with laws and regulations in both China and overseas countries is well monitored.

### Results and Appropriations

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 55. The directors declared the payment of a second interim dividend of HKD55 cents per share, totalling approximately RMB768,277,000. It constitutes a total dividend of HKD55 cents per share for the full year.



## Report of the Directors

### Closure of Register of Members

The register of members of the Company will be closed on 4 April 2023 whereby no transfer of shares will be registered. 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.

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 forthcoming annual general meeting (the "AGM"), all properly completed share 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 12 May 2023, for registration.

### Key Relationships with Employees, Customers and Suppliers and Others

The Group offers comprehensive and competitive remuneration and benefits, based on the principle of "fairness and timely adjustment". Competitive salaries are offered to attract and retain employees internally. The Group also collects industry compensation data across the labour market to establish a fair, reasonable and competitive compensation system. All employees' compensation includes variable compensation and is linked with their performance and variable compensation is calculated annually and distributed based on the Group's performance assessment plans.

With employee benefits, the Group offers a wide range of non-compensation benefits to all employees, including statutory holidays, statutory benefits, social insurance programmes, and housing provident funds. Paid annual leave, working meals, working uniforms, shuttle buses, dormitories for single employees, affordable housing, public rental housing, monthly sanitation fee, financial aids from the labour union and regular health check-ups are offered to the Group's employees. The Group is required to make contribution to a social insurance scheme in the PRC. The Group and its employees in the PRC are in compliance with the rules and make contribution to a social insurance scheme in the PRC.

Continuing training development opportunities are also provided to employees of the Group to equip them to deliver their best performance and to achieve corporate goals, such as through the Group's training and career development mechanism of skill training, job rotation development, competency assessment and fair rotation.

Customers' feedback and advice could be taking into account via customer communication channel.

The Group uses suppliers that reflects its values and commitment. The Group has policies and procedures to select suppliers and contractors who share our social, environmental and labour practice standards.

### Key Risks and Uncertainties

#### Foreign Currency Risk

The Group has transactional currency exposure. These exposures arise from sale the 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.

## Report of the Directors

### Fair Value and Cash Flow Interest Rate Risk

The Group's interest rate risk arises from bank deposits, loans to employees, entrusted loans and borrowings. Bank deposits, loans to employees and entrusted loans and borrowings at fixed interest rates expose the Group to fair value interest rate risk. The Group has not used any financial instruments to hedge its exposure to cash flow interest rate risk.

The exposure of the Group's borrowings to interest rate changes is set out in note 3 to the financial statements.

### Credit Risk

The Group has policies in place to ensure credit sales are made to customers with an appropriate credit history. Most of the Group's sales are covered by guarantees from distributors, credit arrangement 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.

### Liquidity Risk

Prudent liquidity risk management implied maintaining sufficient cash and cash equivalents, the availability of funds through adequate amounts of committed credit facilities. The Group's objective is to maintain adequate committed credit facilities to ensure sufficient and flexible funding is available to the Group.

## Charitable Donations

Charitable donations made by the Group during the year amounted to RMB13.2 million.

## Permitted Indemnity

Under the Articles of Association of the Company, the Directors are indemnified and secured harmless out of the assets and profits of the Group from and against all actions, costs, charges, losses, damages and expenses, which they or any of them incur as a result of any act or failure to act in carrying out their functions other than such liability (if any), that they may incur by reason of their own fraud or dishonesty. Such permitted indemnity provision has been in force for the year ended 31 December 2022. The Group has arranged appropriate liability insurance coverage for the Directors.

## Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 18 to the financial statements.

## Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 5 to the financial statements.

## Share Capital

Details of the movements in share capital of the Company are set out in note 17 to the financial statements.



## Report of the Directors

### Distributable Reserves

The Company's reserves available for distribution represent the share premium, contributed surplus and retained earnings which in aggregate amounted to RMB2,691.1 million as at 31 December 2022. Under the Companies Act, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution or payment of dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

### Financial Summary

A summary of the results for the year ended and of the assets and liabilities of the Group as at 31 December 2022 and for the previous four financial years are set out on page 144.

### Share Option Scheme

The Company does not have any existing share option scheme as of the date of this annual report.

### Directors

The Directors who held office during the year ended 31 December 2022 and up to the date of this annual report were:

#### *Executive Directors*

Mr. Zhang Jingzhang (*Chairman*)

Mr. Zhang Jianming (*Chief Executive Officer*)

Mr. Zhang Jianfeng

Mr. Chen Weiqun

Mr. Zhang Bin

#### *Non-executive Directors*

Mr. Guo Mingguang

Mr. Liu Jianbo

#### *Independent Non-executive Directors*

Mr. Lou Baijun

Mr. Guo Yonghui

Ms. Yu Junxian

Mr. Lo Chi Chiu

In accordance with Article 87(1) of the Company's Articles of Association, Mr. Zhang Jianfeng, Mr. Liu Jianbo, Mr. Guo Yonghui and Ms. Yu Junxian will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. The Company has received from each Independent Non-executive Director a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

### Directors' Service Contracts

Each of the Executive Directors, has entered into a service contract with the Company for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other.

Each of the Non-executive Directors, has entered into a service contract with the Company for a term of three years, unless terminated by not less than one month's notice in writing served by either party on the other.

## Report of the Directors

Each of the Independent Non-executive Directors has entered into a service contract with the Company for a term of three years, all of which may also be terminated by either party by giving the other party as least one to three months' written notice.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has entered or has proposed to enter into any service agreement with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### Directors' Interests in Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under Continuing Connected Transactions stated below and note 35 to the financial statements.

### Director's Right to Acquire Shares or Debentures

Save as disclosed in the annual report, at no time during the year of 2022 and up to the date of this annual report were rights to acquire benefits by means of acquisition of shares in or debentures of the Group granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was any member of the Group a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## Biographical Details of and Remunerations to Directors and Senior Management

Brief biographical details of the Directors and Senior Management are set out on pages 14 to 19.

For details of the remunerations paid to the Directors, please refer to note 37 of the financial statements.

During the year ended 31 December 2022, total remunerations paid to members of Senior Management (who are not directors) are as follows:

	Year ended 31 December 2022 RMB'000
Salaries and discretionary bonus	6,842
Pension costs and mandatory provident fund contributions	87
	6,929

The remunerations of the Senior Management are within the following bands:

	Number of individuals
Nil to RMB1,500,000	6



## Report of the Directors

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 December 2022, the Directors and Chief Executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

#### Long position in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding in the Company
Mr. Zhang Jingzhang	Corporate Interest <sup>(1)</sup>	527,072,219	33.03%
Mr. Zhang Jianming	Corporate Interest <sup>(2)</sup>	493,000	0.03%
	Corporate Interest <sup>(1)</sup>	527,072,219	33.03%
Mr. Zhang Jianfeng	Corporate Interest <sup>(2)</sup>	3,957,000	0.25%
	Personal Interest	4,212,000	0.26%
Mr. Liu Jianbo	Corporate Interest <sup>(2)</sup>	1,401,000	0.09%
Mr. Guo Mingguang	Corporate Interest <sup>(2)</sup>	470,000	0.03%
Mr. Chen Weiqun	Corporate Interest <sup>(2)</sup>	100,000	0.01%
	Spouse Interest <sup>(3)</sup>	177,000	0.01%
	Corporate Interest <sup>(2)</sup>	250,000	0.02%

(L) denotes a long position

Notes:

- (1) Mr. Zhang Jingzhang and Mr. Zhang Jianming were deemed under the SFO to be interested in 288,000,000 shares of the Company held by Premier Capital and 239,072,219 shares of the Company held by Cambridge Management, respectively.
- (2) These Directors were deemed under the SFO to be interested in the respective shares of the Company held by their wholly-owned investment holding companies.
- (3) Ms. Zhang Xiaofei, spouse of Mr. Guo Mingguang, beneficially owned 177,000 shares of the Company.

### Interests and Short Positions of Shareholders

As at 31 December 2022, the persons or corporations (not being a Director or Chief Executive of the Company) who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding
Sky Treasure Capital Limited	Beneficial owner	433,888,453 (L)	27.18%
Premier Capital Management Pte. Ltd. (formerly known as Premier Capital Management (PTC) Ltd.)	Beneficial owner	288,000,000 (L)	18.05%
Cambridge Management Consultants (PTC) Ltd.	Beneficial owner	239,072,219 (L)	14.98%
UBS Trustees (B.V.I) Limited	Trustee <sup>(1)</sup>	433,888,453 (L)	27.18%

(L) denotes a long position

Note:

- (1) UBS Trustees (B.V.I) Limited, as the trustee of several trusts, is deemed to be interested in the shares held by Sky Treasure Capital Limited.

## Report of the Directors

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

## Management in Transactions, Arrangements and Contracts

During the year, the Company did not enter into any transaction, arrangement and contract in respect of the management or administration of the entire business or any significant business of the Group nor any such contract subsisting.

## Major Customers and Suppliers

During the year, sales to the five largest customers and purchases from the five largest suppliers of the Group accounted for less than 30% of the Group's total sales and total purchases, respectively, for the year. Save as disclosed under the section headed "Continuing Connected Transactions" below, none of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers at all times.

The Group places great emphasis on a long-term and stable relationship with its customers and suppliers for the continuous success and growth of its business. As a market leader in the plastic injection moulding machinery industry, the Group has an extensive sales network across China and exports to over 130 countries worldwide and to manage such network requires a close working relationship with our customers directly and through distributors, agents and other business partners. The Group's continuous effort to build trust and emphasise mutual benefits with its customers and suppliers has contributed to the long-term relationships with them.

## Equity-Linked Agreements

The Group has not entered into any equity-linked agreement for the year ended 31 December 2022.

## Significant Investments

During the year ended 31 December 2022, the Group had no significant investments.

## Future Plans for Material Investments or Capital Assets and Expected Sources of Funding

The Company has no specific future plans for material investments or capital assets as at 31 December 2022.

## Controlling Shareholders' Interest

No contracts of significance were entered into between the Company or any of its subsidiaries and any Controlling Shareholders (as defined in the Listing Rules) or any of its subsidiaries or any contracts of significance for the provision of services to the Company or any of its subsidiaries by any Controlling Shareholders or any of its subsidiaries.

## Competing Business

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2022.

Each member of the Haitian Management (as defined in the prospectus of the Company dated 11 December 2006), if applicable, has confirmed to the Company that he/she has complied with the non-competition undertaking as disclosed in the prospectus of the Company dated 11 December 2006.

# Report of the Directors

## Continuing Connected Transactions

Certain related party transactions as disclosed in note 35 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and are ongoing for which relevant announcements, if required under Chapter 14A of the Listing Rules, had been made by the Company.

### Purchase of Servo Systems and Components

On 21 November 2014, the Group entered into a purchase framework agreement with HDS relating to the purchase of servo systems (the "2014 Framework Agreement"), linear motion guides, ball screws and hydraulic parts for a term of three years commencing from the 1 January 2015 and ended on 31 December 2017, whereby the Group agreed to purchase these systems and components from HDS and its related companies at the price no less favourable than the terms at which HDS offers to independent third parties for the same or similar products. As the 2014 Framework Agreement has expired on 31 December 2017, the Company has entered into a purchase framework agreement with HDS (the "2018 Framework Agreement") on 26 January 2018, with a term of three years commencing from 1 January 2018 to 31 December 2020. Since the 2018 Framework Agreement has expired on 31 December 2020, the Company has entered into a purchase framework agreement with HDS (the "2021 Framework Agreement") on 27 November 2020, with a term of three years commencing from 1 January 2021 to 31 December 2023. Since the Company anticipates that the amount of relevant Existing Caps of the Purchases under the 2021 Framework Agreement for the three years ended 31 December 2021, 2022 and 2023 will not be sufficient to meet the demand of the Group. Accordingly on 10 September 2021, the Company has entered into the 2021 Supplemental Agreement with HDS to revise the Existing Caps. Save for the Revised Caps, all terms and conditions of the 2021 Framework Agreement remain unchanged. HDS was an associate of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo, each of them a Director of the Company and therefore is a connected person of the Company by virtue of Rule 14A.07 of the Listing Rules.

For the year ended 31 December 2022, the Group's purchase of these systems and components from HDS and its related companies amounted to RMB772.4 million.

### Purchase of Smart Solution Products and Services

On 29 October 2021, the Group entered into a purchase framework agreement with Haitian Smart Solutions relating to the purchase of the smart solution products and services (the "2021 Smart Solutions Framework Agreement") for a term commencing from 29 October 2021 to 31 December 2023. Haitian Smart Solutions is an associate of Mr. Zhang Jianming and Mr. Zhang Bin, each of them a Director of the Company and therefore is a connected person of the Company by virtue of Rule 14A.07 of the Listing Rules.

For the year ended 31 December 2022, the Group's purchase of these products and services from Haitian Smart Solutions amounted to RMB156.0 million.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms; and
- (3) in accordance with the agreement entered into on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its conclusions in respect of the continuing connected transactions disclosed by the Group on page 42 of the annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## Report of the Directors

### Connected Transactions

#### Purchase of CNC turning machines and machining centres

For the year ended 31 December 2022, the Group purchased automatic processing line, CNC turning machines, machining centres and related equipment from Haitian Precision for approximately RMB139.4 million. Such equipment was purchased for processing parts and components for the manufacture of products of the Group. Haitian Precision is an associate of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo, each of them a Director of the Company and therefore is a connected person of the Company. The transaction was carried out pursuant to the machinery equipment purchase agreements entered into with Haitian Precision on 27 November 2020 and 22 March 2022. Please refer to the Company's announcements dated 27 November 2020, 8 December 2020 and 22 March 2022 for details of such purchases.

#### Other Related Party Transactions

Details of the Company's transactions with other related parties during the financial year ended 31 December 2022 are set out in note 35 of the financial statements.

The transactions with Ningbo Anson, Ningbo STF, Hilectro Precision and Haitian Smart Solutions were under the continuing connected transactions for purchase of servo systems, linear motion guides, ball screws, hydraulic parts and components and smart solution products and services as described on page 134 of this annual report. The transaction with Haitian Precision was under the connected transaction for the purchase of the automatic processing line, CNC turning machines, machining centres and related equipment as described above.

In addition, for the year ended 31 December 2022, the Group entered into other transactions with Ningbo SPP, Haitian Aolin Engineering, Hilectro Power, Haitian Co, HDS, Haitian Zhisheng, Hilectro Precision, Haitian Precision and PT HUAYUAN MS as set out in note 35 of the financial statements. The Group also provided loans to some Directors during such period. All such parties are connected persons of the Company but the relevant transactions were exempted from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

### Event After the Reporting Period

On 3 January 2023, 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"), 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.

### Contingent Liabilities

As at 31 December 2022, the Group had no material contingent liabilities (2021: Nil).

## Report of the Directors

### Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year.

### Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

### Purchases, Sale or Redemption of Shares

The Company has not redeemed any of its listed shares during the reporting period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the reporting period.

### Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

### Public Float

As at the date of this annual report, based on information available to the Company and within the knowledge of the Directors, the Company has satisfied the public float as required by the Listing Rules.

### Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment. There has been no change of the auditors of the Company since the listing of the Company's shares on the Stock Exchange on 22 December 2006.

On behalf of the Board

**Zhang Jianming**

*Chief Executive Officer*

20 March 2023

# Independent Auditor's Report



羅兵咸永道

**TO THE SHAREHOLDERS OF  
HAITIAN INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Cayman Islands with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of Haitian International Holdings Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 53 to 143, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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羅兵咸永道

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### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Provision for impairment of trade and bills receivables
- Provision for write-down of inventories



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## Key Audit Matter

## How our audit addressed the Key Audit Matter

### Provision for impairment of trade and bills receivables

*Refer to notes 4 (Critical accounting estimates and judgements) and 11 of the consolidated financial statements.*

Management applied the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables.

Management exercised judgement on the recoverability of trade and bills receivables and made estimates of the impairment provision based on the ageing pattern, and credit and settlement history of the relevant customers. Management adjusted the historical loss rates by taking the time value of money into consideration and to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

We focused on this area due to the significance of the balances of trade and bills receivables and the related provision for impairment, the high degree of estimation uncertainty about impairment provision, the inherent complexity, and involvement of management's significant judgement and estimates of the provision for impairment.

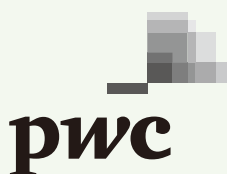
We obtained an understanding of the management's internal control and assessment process of assessing impairment of trade and bills receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as management judgement on the recoverability of trade and bills receivables, management estimates of the impairment provision based on the ageing pattern, credit and settlement history of the relevant customers and the forward-looking elements.

We evaluated and tested management's controls in respect of assessing impairment of trade and bills receivables.

We obtained the detailed listings of trade and bills receivables together with the ageing analysis and agreed the balances to the general ledgers for those operating entities which have been identified as significant components to the Group. We tested the ageing analysis on sample basis by checking to relevant supporting documents, including sales invoices, sales contracts, and goods delivery notes.

We obtained the management's expected credit losses assessment along with the historical payment profile and agreed the transactions to the sub-ledgers for those operating entities which have been identified as significant components to the Group. We tested the historical payment profile on sample basis by checking bank slips and bank statements. We recalculated the historical loss rate for each time bucket of trade and bills receivables and agreed the results to management's calculations.





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**Key Audit Matter**

**How our audit addressed the Key Audit Matter**

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We inquired with management and challenged the reasonableness of their judgements on the recoverability of trade and bills receivables, the adequacy of the impairment provision, and adjustments due to the current and forward-looking information on macroeconomic factors, primarily based on the information and evidence collected by management for the purpose of their assessment. We also considered whether the judgement made on the recoverability of trade and bills receivables and estimates of impairment provision would give rise to indicators of possible management bias.

We performed subsequent settlement tests to agree the relevant trade receivable balances to post year end cash receipts.

We assessed the adequacy of the disclosures related to provision for impairment of trade and bills receivables in the context of HKFRSs.

Based on the above, we considered that management had made reasonable judgements and estimates that were supported by the available evidence for their assessment of the provision for impairment.



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### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Provision for write-down of inventories

*Refer to notes 4 (Critical accounting estimates and judgements) and 10 of the consolidated financial statements.*

Due to the continual innovation of the Group's products, the net realised value ("NRV") of certain finished goods may fall below their cost and certain slow moving raw materials and work-in-progress with specific useful lives may become obsolete.

Inventories are carried at the lower of cost and NRV in the consolidated financial statements, provisions were provided for those inventories if their NRVs were lower than the cost.

Management assessed the provision for write-down of inventories at each balance sheet date on an item-by-item basis and identified slow moving and obsolete inventories, in particular for those items aged over one year.

For finished goods, management estimated the NRV based on the latest market information. For raw materials which were identified as obsolete and to be disposed of as scrap material, the NRV was determined according to the estimated selling price of the respective scrap material in the recycling market.

We focused on this area due to the significance of the balances of inventories, the high degree of estimation uncertainty about provision for write-down of inventories, and the inherent complexity, and the involvement of management's estimates on the determination of the NRV and inventory provision.

We obtained an understanding of the management's internal control and assessment process of assessing provision for write-down of inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as management estimation on the net realised value.

We evaluated and tested internal controls in respect of management's assessment of inventory impairment.

We reviewed and challenged management's assessment of the inventory provision which was supported by the inventory ageing analysis and management's NRV estimation. We also considered whether the estimation made on net realised value would give rise to indicators of possible management bias.

We obtained detailed inventory list with the related ageing report of those operating entities which have been identified as significant components to the Group and agreed the balances to the respective sub ledgers. We performed tests on the inventory ageing on sample basis by checking the relevant supporting documents, including suppliers' invoices and goods received notes. For the estimated NRV of finished goods, we checked the amounts to supporting documents, including the latest sales contracts with customers. For the estimated NRV of raw materials and working-in-progress which were identified as obsolete items, we checked the estimated NRV to supporting information, including the price quotation from the scrap material recycling market. We checked the calculation of inventory provisions to ensure arithmetical accuracy.

We assessed the adequacy of the disclosures related to provision for write-down of inventories in the context of HKFRSs.

Based on the above, we considered that management's estimates of the inventory provision were properly supported by the available evidence.



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### Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in Haitian International Holdings Limited 2022 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including the chairman's statement, chief executive officer's report ("CEO report") and report of the directors prior to the date of this auditor's report. The remaining other information, including the environmental, social and governance (ESG) report and corporate governance report, and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

### Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.



羅兵咸永道

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### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



羅兵咸永道

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Esmond S.C. Kwan.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 20 March 2023

# Consolidated Balance Sheet

As at 31 December 2022  
(Amounts expressed in RMB)

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	5,461,755	4,366,451
Right-of-use assets	6	719,121	703,787
Investment in associates	8	534,988	518,533
Intangible assets	9	51,195	52,494
Trade and bills receivables	11	111,794	133,637
Other financial assets at amortised cost	12	317,922	8,920
Prepayments and other assets	14	112,114	82,912
Financial assets at fair value through profit or loss	3.3, 15	990,806	260,000
Term deposits	16	590,000	2,067,541
Deferred income tax assets	23	208,408	207,501
Financial assets at fair value through other comprehensive income	15	500	500
		<b>9,098,603</b>	<b>8,402,276</b>
<b>Current assets</b>			
Inventories	10	3,150,558	3,009,566
Trade and bills receivables	11	3,175,473	3,506,940
Other financial assets at amortised cost	12	337,276	483,647
Prepayments and other assets	14	216,623	211,808
Prepaid income tax		11,449	20,210
Financial assets at fair value through profit or loss	3.3, 15	3,664,622	5,893,364
Restricted bank deposits	16	35,242	87,882
Term deposits	16	2,510,509	945,000
Cash and cash equivalents	16	3,590,846	3,592,622
		<b>16,692,598</b>	<b>17,751,039</b>
<b>Total assets</b>		<b>25,791,201</b>	<b>26,153,315</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	17	160,510	160,510
Share premium	18	1,331,913	1,331,913
Other reserves	18	2,261,593	1,779,452
Retained earnings	18	13,257,101	12,662,502
		<b>17,011,117</b>	<b>15,934,377</b>
<b>Non-controlling interests</b>		<b>28,883</b>	<b>633</b>
<b>Total equity</b>		<b>17,040,000</b>	<b>15,935,010</b>

## Consolidated Balance Sheet (Continued)

As at 31 December 2022  
(Amounts expressed in RMB)

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	6	1,139	270
Bank borrowings	21	112,389	300,000
Deferred income	22	41,132	48,420
Deferred income tax liabilities	23	361,748	527,169
		<b>516,408</b>	<b>875,859</b>
<b>Current liabilities</b>			
Lease liabilities	6	2,695	280
Trade and bills payables	19	3,573,553	4,222,289
Accruals and other payables	20	1,739,804	1,850,738
Contract liabilities	20	1,353,374	1,089,035
Current income tax liabilities		208,451	319,134
Bank borrowings	21	1,322,866	1,860,970
Derivative financial instruments	13	34,050	—
		<b>8,234,793</b>	<b>9,342,446</b>
<b>Total liabilities</b>		<b>8,751,201</b>	<b>10,218,305</b>
<b>Total equity and liabilities</b>		<b>25,791,201</b>	<b>26,153,315</b>

The accompanying notes on pages 59 to 143 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 20 March 2023 and were signed on its behalf by:

**Zhang Jianming**  
Director

**Zhang Bin**  
Director

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2022  
(Amounts expressed in RMB)

	Notes	For the year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	24	12,308,186	16,018,272
Cost of sales	25	(8,390,657)	(10,867,200)
<b>Gross profit</b>		<b>3,917,529</b>	5,151,072
Selling and marketing expenses	25	(1,001,949)	(1,035,890)
General and administrative expenses	25	(796,821)	(811,940)
Other income	26	328,569	158,947
Other gains — net	27	185,030	134,470
<b>Operating profit</b>		<b>2,632,358</b>	3,596,659
Finance income	29	190,970	194,392
Finance costs	29	(60,315)	(55,390)
Finance income — net	29	130,655	139,002
Share of profit of associates	8	16,455	33,309
<b>Profit before income tax</b>		<b>2,779,468</b>	3,768,970
Income tax expense	30	(514,451)	(718,871)
<b>Profit for the year</b>		<b>2,265,017</b>	3,050,099
<b>Profit attributable to:</b>			
Shareholders of the Company		2,264,668	3,051,968
Non-controlling interests		349	(1,869)
		<b>2,265,017</b>	3,050,099
<b>Earnings per share for profit attributable to shareholders of the Company during the year (expressed in RMB per share)</b>			
— basic	31	1.42	1.91

The accompanying notes on pages 59 to 143 are an integral part of these consolidated financial statements.



# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022  
(Amounts expressed in RMB)

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>Profit for the year</b>	<b>2,265,017</b>	3,050,099
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	45,414	(19,468)
<b>Total comprehensive income for the year</b>	<b>2,310,431</b>	3,030,631
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	2,310,032	3,032,587
Non-controlling interests	399	(1,956)
	<b>2,310,431</b>	3,030,631

The accompanying notes on pages 59 to 143 are an integral part of these consolidated financial statements.

# 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	Share premium	Other reserves	Retained earnings			Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2021</b>		160,510	1,331,913	1,613,756	11,671,055	14,777,234	8,802	14,786,036
<b>Comprehensive income</b>								
Profit for the year		—	—	—	3,051,968	3,051,968	(1,869)	3,050,099
<b>Other comprehensive income</b>								
Currency translation differences		—	—	(19,381)	—	(19,381)	(87)	(19,468)
<b>Total comprehensive income for the year ended 31 December 2021</b>		—	—	(19,381)	3,051,968	3,032,587	(1,956)	3,030,631
<b>Transactions with owners</b>								
Dividend paid								
— 2020 second interim	32	—	—	—	(870,742)	(870,742)	—	(870,742)
— 2020 special interim	32	—	—	—	(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)
<b>Total transactions with owners</b>		—	—	185,077	(2,060,521)	(1,875,444)	(6,213)	(1,881,657)
<b>Balance at 31 December 2021</b>		160,510	1,331,913	1,779,452	12,662,502	15,934,377	633	15,935,010
<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 year		—	—	—	2,264,668	2,264,668	349	2,265,017
<b>Other comprehensive income</b>								
Currency translation differences		—	—	45,364	—	45,364	50	45,414
<b>Total comprehensive income for the year ended 31 December 2022</b>		—	—	45,364	2,264,668	2,310,032	399	2,310,431
<b>Transactions with owners</b>								
Dividend paid								
— 2021 second interim	32	—	—	—	(1,233,292)	(1,233,292)	—	(1,233,292)
Appropriations		—	—	436,777	(436,777)	—	—	—
Capital injection from non-controlling interests		—	—	—	—	—	27,851	27,851
<b>Total transactions with owners</b>		—	—	436,777	(1,670,069)	(1,233,292)	27,851	(1,205,441)
<b>Balance at 31 December 2022</b>		160,510	1,331,913	2,261,593	13,257,101	17,011,117	28,883	17,040,000

The accompanying notes on pages 59 to 143 are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

(Amounts expressed in RMB)

	Notes	For the year ended 31 December	
		2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	33(a)	2,618,959	3,744,618
Interest paid		(55,650)	(45,490)
Income tax paid		(782,701)	(575,046)
Net cash generated from operating activities		1,780,608	3,124,082
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(1,467,042)	(923,788)
Purchase of land use rights		(28,730)	—
Entrusted loans granted		(268,310)	(103,500)
Entrusted loans repayments		208,190	336,842
Increase in investments in an associate	8	—	(614)
Dividends received from an associate		—	58,750
Interest received from banks		115,038	104,019
Interest received from entrusted loans		446	8,475
Proceeds from disposal of property, plant and equipment	33(b)	13,017	31,853
Purchase of financial assets at fair value through profit or loss	3.3(b)	(7,837,720)	(9,784,498)
Proceeds from disposal of financial assets at fair value through profit or loss	3.3(b)	9,524,386	8,448,520
Net payment of bank deposits with maturities over 3 months		(87,968)	(471,657)
Dispose of a subsidiary		—	29,821
Net cash generated from/(used in) investing activities		171,307	(2,265,777)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	33(c)	1,615,936	1,472,555
Repayments of bank borrowings	33(c)	(2,360,970)	(606,907)
Capital contributions from minority shareholders		27,851	—
Dividends paid to the Company's shareholders		(1,233,292)	(1,875,444)
Dividends paid to non-controlling interests in subsidiaries		—	(1,675)
Lease payment for right-of-use assets excluding land use rights		(3,216)	(642)
Net cash used in financing activities		(1,953,691)	(1,012,113)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,776)</b>	<b>(153,808)</b>
Cash and cash equivalents at beginning of year	16	3,592,622	3,746,430
<b>Cash and cash equivalents at end of year</b>	16	<b>3,590,846</b>	<b>3,592,622</b>

The accompanying notes on pages 59 to 143 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

(All amounts in RMB unless otherwise stated)

## 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 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. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 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”).

#### 2.1.1 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.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.1 Basis of preparation (Continued)

#### 2.1.1 Changes in accounting policies (Continued)

##### (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.

		<b>Effective for annual periods beginning on or after</b>
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

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

#### (a) Business combinations

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.2 Subsidiaries (Continued)

#### 2.2.1 Consolidation (Continued)

##### (b) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in reserves is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of an associate' in the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.3 Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the income statement.

### 2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions. The executive committee comprises all executive directors and senior management.

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within 'finance income/costs — net'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'other gains/(losses) — net'.

#### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.5 Foreign currency translation (Continued)

(c) **Group companies (Continued)**

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) **Disposal of foreign operation and partial disposal**

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

#### 2.6 Property, plant and equipment

Construction-in-progress represents buildings, plant and machinery under construction or pending installation is stated at cost less accumulated impairment losses. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

Freehold land is stated at cost less accumulated impairment losses, if any. Cost represents consideration paid for the purchase of the land. Freehold land is not subject to depreciation.

Other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.6 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the cost less impairment loss (if any) of the assets, other than freehold land and construction-in-progress, to their residual value over their estimated useful lives:

Buildings	20-50 years
Plant and machinery	10-15 years
Vehicles (i)	5/20 years
Office equipment and related software	3-5 years

(i) The depreciation period of main vehicles is 5 years and the certain vehicle is 20 years according to the estimated useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains — net', in the consolidated statement of profit or loss.

#### 2.7 Land use rights

Most of the land use rights is located in the People's Republic of China (the "PRC"), except for the two locating in Vietnam and India. All land in the PRC is state-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights, which are amortised over the lease periods using the straight-line method. The land use rights are stated at historical cost less accumulated amortisation and impairment losses.

#### 2.8 Intangible Assets

##### (a) Goodwill

Goodwill is measured as described in note 2.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 24).

##### (b) Licences and other intangible assets

Acquired licences and other intangible assets are shown at historical cost. Licences and other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.8 Intangible Assets (Continued)

#### (c) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- |                           |          |
|---------------------------|----------|
| • Licences                | 10 years |
| • Other intangible assets | 36 years |

### 2.9 Impairment of investments in subsidiaries, associates and non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.10 Investments and other financial assets

#### 2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### 2.10.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.10 Investments and other financial assets (Continued)

#### 2.10.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### 2.10.4 Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the Group's asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income (FVOCI) are measured at financial assets at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### 2.10.5 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(c) and note 11 for further details.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

#### 2.12 Financial guarantee contracts

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

#### 2.13 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.13 Derivatives and hedging activities (Continued)

##### (a) Cash flow hedge that quantity for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other gains/(losses).

Where option contracts are used to hedge forecast transactions, the group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.13 Derivatives and hedging activities (Continued)

##### (b) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other gains/(losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

##### (c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

#### 2.14 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### 2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 11 for further information about the Group's accounting for trade receivables and note 3.1(c) for a description of the Group's impairment policies.

#### 2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.17 Share capital

Ordinary shares are classified as equity (note 17).

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### 2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### 2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries or regions where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

##### (b) Deferred income tax

###### Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statement. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

###### Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and an associate, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

##### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

## 2. Summary of Significant Accounting Policies (Continued)

### 2.22 Employee benefits

Group companies operate various defined contribution retirement benefit schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

For the year ended 31 December 2022, there was no forfeited contribution under the above-mentioned defined contribution schemes. As at 31 December 2022, no forfeited contribution was available to reduce the contributions payable in future years.

### 2.23 Provisions

Provisions for legal claims, service warranty and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

### 2.24 Government grants

Government grants are recognised at their fair value, when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in liabilities as deferred income and are recognised in the consolidated statement of profit or loss on a straight-line basis over periods and in the proportions in which depreciation on these assets is charged.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.25 Revenue recognition

The Group manufactures and sells plastic injection moulding machines and related products in market. Sales are recognised when control of the products has transferred, being when either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The product is often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, which doesn't have significant financing component. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in accruals and other liabilities) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. And for contracts which the term between goods delivery and payment exceed one year, the Group has accessed the amount of financing component within the contract price which is immaterial to the financial statements.

For certain contracts, the Group receives some portion of contract price in advance which is recognised as contract liabilities.

The warranties provided by the Group cannot be purchased by the customers separately. Such warranties are intended to safeguard the customers against existing defects and does not provide any incremental services to the customers. As a result, these warranties are accounted for in accordance with HKAS 37 (Note 2.22) of which the estimated costs are recorded as a liability when the Group transfers the product to the customer.

#### 2.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using incremental borrowing rate which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.26 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Depreciation on right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Extension options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension options held are exercisable only by the Group and not by the respective lessor.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standards.

#### 2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 2. Summary of Significant Accounting Policies (Continued)

#### 2.28 Interest income

Interest income and fair value changes from financial assets at FVPL are included in 'other gains/(losses) — net' on these assets, see note 2.10 for further details.

Interest income is presented as finance income where it is earned from bank deposits, entrusted loans (2021: bank deposits, entrusted loans).

#### 2.29 Earnings per share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management

#### 3.1 Financial risk factors

##### (a) Foreign exchange risk

The Group mainly operates in Mainland China. The functional currency of the Company and most of its subsidiaries is RMB. Most of the Group's transactions, assets and liabilities are denominated in RMB, United States dollars ("USD") and Euro ("EUR"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, such as trade receivables, cash and cash equivalents, other financial assets at amortised cost, trade payables, and bank borrowings.

##### Exposure

The Group's major exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	31 December 2022		
	USD RMB'000	EUR RMB'000	Others RMB'000
Cash and cash equivalents	1,198,778	386,778	17,528
Trade receivables	684,755	209,927	68
Other financial assets at amortised cost	—	—	315,222
Bank borrowings	(222,866)	—	—
Trade payables	(1,453)	(17,955)	—
<b>Total</b>	<b>1,659,214</b>	<b>578,750</b>	<b>332,818</b>

	31 December 2021		
	USD RMB'000	EUR RMB'000	Others RMB'000
Cash and cash equivalents	288,535	93,651	15,985
Trade receivables	755,408	247,556	39
Other financial assets at amortised cost	—	—	266,798
Bank borrowings	(561,064)	(216,592)	(110,831)
Trade payables	(1,276)	(3,303)	—
<b>Total</b>	<b>481,603</b>	<b>121,312</b>	<b>171,991</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (a) Foreign exchange risk (Continued)

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss:

	2022 RMB'000	2021 RMB'000
Other gains/(losses) — net	38,685	(118,409)
Finance costs — exchange losses	(2,438)	(8,885)
	<b>36,247</b>	<b>(127,294)</b>

As at 31 December 2022, if RMB had strengthened/weakened by 5.0% (2021: 5.0% strengthened/weakened) against the USD with all other variables held constant, the profit before income tax for each year would have changed mainly as a result of foreign exchange gains/losses on translation of USD denominated cash and cash equivalents, trade receivables, bank borrowings and trade payables. Details of the changes are as follows:

	2022 RMB'000	2021 RMB'000
For the year ended:		
Profit before income tax (decrease)/increase		
— Strengthened by 5.0% (2021: 5.0%)	(82,961)	(20,177)
— Weakened by 5.0% (2021: 5.0%)	82,961	20,177

As at 31 December 2022, if RMB had strengthened/weakened by 5.0% (2021: 5.0% strengthened/weakened) against the EUR with all other variables held constant, the profit before income tax for each year would have changed mainly as a result of foreign exchange gains/losses on translation of EUR denominated cash and cash equivalents, trade receivables, and trade payables. Details of the changes are as follows:

	2022 RMB'000	2021 RMB'000
For the year ended:		
Profit before income tax (decrease)/increase		
— Strengthened by 5.0% (2021: 5.0%)	(28,938)	(15,015)
— Weakened by 5.0% (2021: 5.0%)	28,938	15,015

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (a) Foreign exchange risk (Continued)

###### Amounts recognised in profit or loss and other comprehensive income (Continued)

As at 31 December 2022, if RMB had strengthened/weakened by 5.0% (2021: 5.0% strengthened/weakened) against the other currencies with all other variables held constant, the profit before income tax for each year would have changed mainly as a result of foreign exchange gains/losses on translation of other currencies denominated cash and cash equivalents, trade receivables, other financial assets at amortised cost, bank borrowings and trade payables. Details of the changes are as follows

	2022 RMB'000	2021 RMB'000
For the year ended:		
Profit before income tax increase/(decrease)		
— Strengthened by 5.0% (2021: 5.0%)	(16,641)	(8,600)
— Weakened by 5.0% (2021: 5.0%)	16,641	8,600

##### (b) Fair value and cash flow interest rate risk

The Group's interest rate risk arises from bank deposits, loans to employees, entrusted loans and borrowings. Bank deposits, loans to employees, entrusted loans and borrowings at fixed interest rates expose the Group to fair value interest rate risk.

The Group has not used any financial instruments to hedge its exposure to cash flow interest rate risk.

The exposure of the Group's borrowings to interest rate changes and the contractual re-payable dates of the borrowings at the end of the reporting period are set out in note 21.

At 31 December 2022, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the net profit for the year would have been approximately RMB947,000/RMB947,000 (2021: RMB2,384,000/RMB2,384,000) lower/higher as a result of higher/lower interest expenses on floating rate borrowings.

##### (c) Credit risk

The Group has policies in place to ensure credit sales are made to customers with an appropriate credit history. Most of the Group's sales are covered by guarantees from distributors, credit arrangement 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 Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing of trade and bills receivables.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (c) Credit risk (Continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2022 and 31 December 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the credit rating by country in which it sells its goods to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes.

On that basis, the loss allowances as at 31 December 2022 and 31 December 2021 were determined as follows for trade receivables:

31 December 2022	Current RMB('000)	More than 1 year RMB('000)	More than 2 years RMB('000)	More than 3 years RMB('000)	Total
Gross carrying amount — trade receivables	3,052,421	284,580	24,586	36,168	3,397,755
Expected loss rate	0.82%	11.96%	61.45%	100.00%	3.25%
Loss allowance	25,180	34,032	15,108	36,168	110,488
31 December 2021	Current RMB('000)	More than 1 year RMB('000)	More than 2 years RMB('000)	More than 3 years RMB('000)	Total
Gross carrying amount — trade receivables	3,522,779	143,641	43,013	33,155	3,742,588
Expected loss rate	0.75%	11.62%	59.47%	100.00%	2.73%
Loss allowance	26,587	16,689	25,580	33,155	102,011

The Group provides guarantees to certain banks in connection with banking facilities granted to certain customers in connection with their purchases of the Group's plastic injection moulding machines. These customers are introduced by the Group's major distributors, who have provided the Group with counter guarantees.

The Group has policies to place its cash and cash equivalents only with major financial institutions, and limits the amount of credit exposure to any financial institution. As at 31 December 2022, all cash and cash equivalents were deposited in state-owned banks and reputable financial institutions and were hence without significant credit risk.

The Group enters into the entrusted loan contracts with various interest rates with third parties. It is shown as other financial asset at amortised cost on the balance sheet. The entrusted loans are considered to have low credit risk where they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### (d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of fund through adequate amounts of committed credit facilities. The Group's objective is to maintain adequate committed credit facilities to ensure sufficient and flexible funding is available to the Group.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed below were the contractual undiscounted cash flows:

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000
<b>Group</b>			
At 31 December 2022			
Bank borrowings (i)	1,342,424	34,639	80,027
Trade and bills payables, and other payables	3,735,702	—	—
Financial guarantee contracts (ii)	73,739	—	—
Lease liability	2,821	316	843
Derivative financial instruments	34,050	—	—
Group			
On 31 December 2021			
Bank borrowings (i)	1,893,246	10,200	300,391
Trade and bills payables, and other payables	4,400,966	—	—
Financial guarantee contracts (ii)	579,469	—	—
Lease liability	300	277	—

(i) The interest on borrowings is calculated based on borrowings held as at 31 December 2022 and 2021 without taking account of future events.

(ii) The balance presents guarantee given to the banks in connection with banking facilities granted to customers.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As at 31 December 2022 and 2021, the Group was in a net cash position (total borrowings were less than the total of restricted bank deposits, term deposits, and cash and cash equivalents).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity of the Group as shown in the consolidated balance sheet.

The gearing ratio was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Net debt (Note 33(c))	1,439,089	2,161,520
Total equity	17,040,000	15,935,010
Gearing ratio	8%	14%

The decrease in the gearing ratio primarily resulted from the repayment of bank borrowing and accumulated earnings for the year ended 31 December 2022.

The Group had access to borrowing facilities which may be drawn at anytime. Such undrawn facilities amounted to approximately RMB5,965 million as at 31 December 2022 (31 December 2021: RMB6,600 million).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The table below presents the Group's financial assets and financial liabilities that are measured at fair value at 31 December 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Financial assets at FVPL	—	—	4,655,428	4,655,428
Financial assets at FVOCI	—	—	500	500
<b>Total Financial Assets</b>	<b>—</b>	<b>—</b>	<b>4,655,928</b>	<b>4,655,928</b>
<b>Liabilities</b>				
Trading derivatives	—	34,050	—	34,050

The table below presents the Group's financial assets that are measured at fair value at 31 December 2021.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Financial assets at FVPL	—	—	6,153,364	6,153,364
Financial assets at FVOCI	—	—	500	500
	—	—	6,153,864	6,153,864

There were no significant transfers among level 1, 2 and 3 fair during the year.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.3 Fair value estimation (Continued)

##### (a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

##### (b) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2022.

	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000
Opening balance	6,153,364	500
Additions	7,837,720	—
Change in value of financial assets	188,730	—
Proceeds received	(9,524,386)	—
Financial instruments held by a disposed subsidiary	—	—
Closing balance	4,655,428	500
Total gains or losses for the year realised in profit or loss for assets held at the end of the year, under 'Other gains — net'	188,730	—

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.3 Fair value estimation (Continued)

##### (b) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2021.

	Financial assets at FVPL RMB'000	Financial assets at FVOCI RMB'000
Opening balance	4,604,867	500
Additions	9,784,498	—
Change in value of financial assets	228,119	—
Proceeds received	(8,448,520)	—
Financial instruments held by a disposed subsidiary	(15,600)	—
Closing balance	6,153,364	500
Total gains or losses for the year realised in profit or loss for assets held at the end of the year, under 'Other gains — net'	228,119	—

The Group enters into the wealth management products contracts with relatively higher interest rates with certain financial institutions. These are reflected as financial assets at FVPL on the balance sheet. As at 31 December 2022, most of the wealth management products are bought from the major financial institutions in Mainland China and management has exercised due care when make investment decision.

For determining the fair value of certain financial assets at FVPL, the Group also analyses those financial assets' underlying investment projects, estimates the return by considering its pledged assets.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 3. Financial Risk Management (Continued)

#### 3.3 Fair value estimation (Continued)

##### (b) Financial instruments in level 3 (Continued)

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at		Valuation technique(s)	Unobservable input	Range (weighted average)		Relationship of unobservable inputs to fair value
	31/12/2022 RMB'000	31/12/2021 RMB'000			2022	2021	
Financial assets at fair value through profit and loss	4,655,428	6,153,364	Discounted cash flow	Expected return rate	1.14%–7.50% (3.18%)	1.14%–5.95% (3.14%)	Higher expected return rate (+50 basis points (bps)) would increase FV by RMB23,277 thousand (2021: RMB30,767 thousand); lower expected return rate (-50bps) would decrease FV by RMB23,277 thousand (2021: RMB30,767 thousand)
Financial assets at fair value through other comprehensive income	500	500	Discounted cash flow	Expected return rate	2.5%	2.5%	Higher expected return rate (+50 basis points (bps)) would increase FV by RMB2.5 thousand (2021: RMB2.5 thousand); lower expected return rate (-50bps) would decrease FV by 2.5 thousand (2021: RMB2.5 thousand)

##### (c) Valuation processes

The finance department of the Group includes a team that performs the valuations of financial assets at FVPL (2021: financial assets at FVPL) required for financial reporting purposes, including level 3 fair values.

The main level 3 inputs used by the Group are return rates of the financial assets at FVPL (2021: financial assets at FVPL), which are derived and evaluated based on the yield rate written in contracts by the counterparties.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Estimated impairment of goodwill and intangible assets with indefinite useful life

The Group tests annually whether goodwill and intangible assets with indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in Note 2.8. The recoverable amounts of cash-generating units have been determined based on the higher of an asset's fair value less costs of disposal and value in use.

#### (b) Provision for impairment of trade and bills receivables

The Group's management applied the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables since 1 January 2018. To measure the expected credit losses, trade and bills receivables have been grouped based on shared credit risk characteristics. For each Group, the expected loss rates were based on the payment profiles of sales over a period of 36 month before 31 December 2022 and 31 December 2021 and corresponding historical credit losses experienced within this period. The historical loss rates were adjusted by taking the time value of money into consideration and to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimations at the end of each reporting period. Management reassesses the provisions at each balance sheet date.

#### (c) Provision for write-down of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on management's intention on future use of the inventory, the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

#### (d) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase or decrease the depreciation charge where updated estimated useful lives of the property, plant and equipment are less or more than previously estimated useful lives. Actual economic lives and residual values may differ from estimated useful lives and residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 4. Critical Accounting Estimates and Judgements (Continued)

#### (e) Current income tax and deferred income tax

The Group is subject to income tax in the jurisdictions where the Group has operations other than the Cayman Islands and the British Virgin Islands. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers that it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Deferred income tax liabilities relating to undistributed profits of subsidiaries incorporated in Mainland China are recognised when management expects to recover investments in those subsidiaries through dividends, unless it is estimated that such dividends will not be distributed in the foreseeable future. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax liabilities and income tax charges in the period in which such estimates are changed.

#### (f) Estimation of the fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 5. Property, Plant and Equipment

	Freehold land* and buildings RMB'000	Plant and machinery RMB'000	Vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
<b>At 1 January 2021</b>						
Cost	2,290,086	2,750,649	427,469	168,880	467,938	6,105,022
Accumulated depreciation	(613,428)	(1,320,553)	(144,532)	(112,344)	—	(2,190,857)
Net book amount	1,676,658	1,430,096	282,937	56,536	467,938	3,914,165
<b>Year ended 31 December 2021</b>						
Opening net book amount	1,676,658	1,430,096	282,937	56,536	467,938	3,914,165
Additions	51,576	72,352	15,619	36,870	671,581	847,998
Transfers	398,614	307,400	—	2,170	(708,184)	—
Disposals	(21)	(30,326)	(711)	(7,092)	—	(38,150)
Disposal of a subsidiary	—	—	—	(60)	—	(60)
Depreciation	(78,996)	(196,706)	(23,215)	(8,645)	—	(307,562)
Exchange differences	(29,257)	(1,826)	(6,261)	(8,199)	(4,397)	(49,940)
Closing net book amount	2,018,574	1,580,990	268,369	71,580	426,938	4,366,451
<b>At 31 December 2021</b>						
Cost	2,713,370	3,051,481	422,151	196,998	426,938	6,810,938
Accumulated depreciation	(694,796)	(1,470,491)	(153,782)	(125,418)	—	(2,444,487)
Net book amount	2,018,574	1,580,990	268,369	71,580	426,938	4,366,451
<b>Year ended 31 December 2022</b>						
Opening net book amount	2,018,574	1,580,990	268,369	71,580	426,938	4,366,451
Additions	97,101	44,988	21,141	37,613	1,226,200	1,427,043
Transfers	4,849	218,936	27	2,749	(226,561)	—
Disposals	(3,277)	(3,866)	(1,119)	(3,049)	—	(11,311)
Depreciation	(87,654)	(209,640)	(11,431)	(31,368)	—	(340,093)
Exchange differences	4,892	1,698	6,608	740	5,727	19,665
Closing net book amount	2,034,485	1,633,106	283,595	78,265	1,432,304	5,461,755
<b>At 31 December 2022</b>						
Cost	2,830,729	3,271,461	463,290	226,246	1,432,304	8,224,030
Accumulated depreciation	(796,244)	(1,638,355)	(179,695)	(147,981)	—	(2,762,275)
Net book amount	2,034,485	1,633,106	283,595	78,265	1,432,304	5,461,755

\* Freehold lands are located in Brazil, Germany, Turkey, Mexico, India and Serbia as at 31 December 2022 (31 December 2021: Brazil, Germany, Turkey, Mexico and India). They are stated at cost of RMB66,793 thousand as at 31 December 2022 (31 December 2021: RMB45,486 thousand) and is not subject to depreciation. Those freehold lands are subject to annual impairment test. No sign of impairment of freehold lands is noticed this year.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 5. Property, Plant and Equipment (Continued)

Depreciation is charged to the consolidated statement of profit or loss as follows:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
Cost of sales	271,641	247,142
General and administrative expenses	61,741	54,113
Selling and marketing expenses	6,711	6,307
	<b>340,093</b>	<b>307,562</b>

### 6. Leases

	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
<b>Right-of-use assets</b>		
Land use rights	715,204	703,111
Buildings	3,917	676
	<b>719,121</b>	<b>703,787</b>
<b>Lease liabilities</b>		
Current	2,695	280
Non-current	1,139	270
	<b>3,834</b>	<b>550</b>

The Group has land lease arrangement with Mainland China government and leasehold land in Vietnam and India.

Addition to the right-of-use assets during the 2022 financial year was RMB34,906 thousand (2021: RMB nil).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 6. Leases (Continued)

The statement of profit or loss shows the following amounts relating to leases:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2021 RMB'000
<b>Depreciation charge</b>		
Land use rights	(16,551)	(16,223)
Buildings	(2,935)	(648)
	(19,486)	(16,871)
Interest expense (Note 29)	(324)	(37)
Expense relating to short-term leases (included in selling and marketing expenses, and general and administrative expenses)	(12,029)	(14,488)

The total cash outflow for leases excluding land use rights in 2022 was RMB15,245 thousand (2021: RMB15,130 thousand).

The Group leases various land use rights and buildings. Rental contracts are typically made for fixed periods of 1 to 50 years.

### 7. Subsidiaries

The Group's principal subsidiaries at 31 December 2022 are set out below:

Name	Place of incorporation and kind of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Develop Kind Ltd.	British Virgin Islands ("BVI"), limited liability company	HKD11,000	—	100%	Investment holding, BVI
Guo Hua Limited	British Virgin Islands ("BVI"), limited liability company	HKD11,000	100%	—	Investment holding, BVI
Guo Hua Enterprises Group Limited	Hong Kong, limited liability company	HKD1	—	100%	Investment holding, trading of machinery related accessories, Hong Kong

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 7. Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Haitian Machinery Malaysia Co., Ltd.	Malaysia, limited liability company	USD38,008,212	—	100%	Manufacture and sale of plastic injection moulding machines, Malaysia
Haitian Huayuan (Hong Kong) Limited	Hong Kong, limited liability company	HKD779,999	—	100%	Trading of machinery and related accessories, Hong Kong
Haitian Huayuan (Japan) Machinery Co., Ltd	Japan, limited liability company	JPY10,000,000	—	100%	Trading of machinery and related accessories, Japan
Haitian Huayuan Machinery (India) Private Limited	India, limited liability company	Indian Rupee 947,516,900	—	100%	Manufacture and sale of plastic injection moulding machines, India
Haitian Huayuan Mexico Machinery, S. de R.L. de C.V.	Mexico, limited liability company	USD504,200	—	100%	Sale of plastic injection moulding machines, Mexico
Haitian Huayuan Middle East Makina Dis Ticaret Limited Sirketi	Turkey, limited liability company	Turkish Lira 500,000	—	100%	Sale of plastic injection moulding machines, Turkey
Haitian Huayuan (Singapore) Pte. Ltd	Singapore, limited liability company	SGD200,000,000	100%	—	Trading of machinery and related accessories, Singapore
Haitian Huayuan South America Com. De MAQS.Ltd	Brazil, limited liability company	Brazilian Real 5,360,000	—	100%	Sale of plastic injection moulding machines, Brazil
Haitian International Germany GmbH	Germany, limited liability company	EUR10,025,000	—	100%	Manufacture and sale of plastic injection moulding machines, Germany

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 7. Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Haitian International Mexico Machinery, S. de R.L. de C.V.	Mexico, limited liability company	USD12,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mexico
Haitian Plastics Machinery India Private Limited	India, limited liability company	Indian Rupee 300,000,000	—	100%	Sale of plastic injection moulding machines, India
Haitian Machinery (Thailand) Co., Ltd	Thailand, limited liability company	Thai Baht 12,000,000	—	100%	Sale of plastic injection moulding machines, Thailand
Huayuan (Vietnam) Machinery Co., Ltd.	Vietnam, limited liability company	Vietnamese Dong (VND) 54,848,461,947	—	100%	Manufacture, processing and sale of plastic injection moulding machines, Vietnam
Haitian Machinery Guangdong Co., Ltd. (海天機械(廣東)有限公司)	Mainland China, wholly owned foreign enterprise	RMB250,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Haitian Plastics Processing Machinery Guangzhou Co., Ltd. (“Guangzhou Haitian”) (海天塑料機械(廣州)有限公司)	Mainland China, wholly owned foreign enterprise	USD2,400,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Haitian Plastics Machinery Group Co., Ltd. (“Haitian Plastics Machinery”) (海天塑機集團有限公司)	Mainland China, wholly owned foreign enterprise	USD276,460,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Develop Kind Investment (Hong Kong) Company Limited (“展浩投資(香港)有限公司”)	Hong Kong, limited liability company	HKD25,500	—	100%	Investment holding, Hong Kong
Mega Power Investment Development Limited	Hong Kong, limited liability company	HKD1	—	100%	Investment holding, Hong Kong

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 7. Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
New Choice Investment Development Limited	Hong Kong, limited liability company	HKD1	—	100%	Investment holding, Hong Kong
Niigata Haitian Injection Moulding Machine Co., Ltd.	Japan, limited liability company	JPY30,000,000	—	65%	Research and development of plastic injection moulding machines, Japan
Haitian International Middle East Plastics Machinery Co., Ltd. (海天國際中東)	Turkey, limited liability company	USD3,500,000	—	100%	Sale of plastic injection moulding machines, Turkey
Ningbo Haijie Surface Ltd. (寧波海潔表面處理有限公司) (「海潔表面」)	Mainland China, limited liability company	RMB55,000,000	—	100%	Metal surface treatment, metal heat treatment processing; electroplating processing
Hainan Lingshui Haisu Real Estate Leasing Co., Ltd. (“Haitian Hainan”) (海南陵水海塑房地產租賃經營有限公司)	Mainland China, foreign equity joint venture	RMB80,000,000	—	100%	Real estate, Mainland China
Guangdong Haixie Industrial Co., Ltd. (“Haitian Haixie”) (廣東海協實業有限公司)	Mainland China, foreign equity joint venture	RMB50,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Huayuan Machinery Co., Ltd. (“Haitian Huayuan”) (寧波海天華遠機械有限公司)	Mainland China, foreign equity joint venture	USD51,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Beilun Haitao Machinery Ltd. (“Haitao Machinery”) (寧波北崙海濤機械有限公司)	Mainland China, limited liability company	RMB10,000,000	—	100%	Manufacture and sale of plastic injection moulding machine parts, Mainland China

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 7. Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Ningbo Free Trade Zone Haitian Trade Co., LTD (“Haitian Trade”) (寧波保稅區海天貿易有限公司)	Mainland China, limited liability company	RMB50,000,000	—	100%	Logistic, sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Guohua Enterprises Co., Ltd. (“Ningbo Guohua”) (寧波海天國華機械有限公司)	Mainland China, limited liability company	USD31,311,921	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Ningbo Haitian Intelligent Manufacture Technology Co., Ltd. (“Haitian Software”) (寧波海天智造科技有限公司)	Mainland China, limited liability company	RMB6,000,000	—	100%	Sale of software of plastic injection moulding machines, Mainland China
Ningbo Zhafir Plastics Machinery Manufacturing Co., Ltd. (“Ningbo Zhafir”) (寧波長飛亞塑料機械製造有限公司)	Mainland China, foreign equity joint venture	USD30,000,000	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China
Over the Rainbow Limited	British Virgin Islands (“BVI”), limited liability company	USD1	—	100%	Special purpose vehicle, BVI
PT. Haitian Huayuan Indonesia Machinery	Indonesia, limited liability company	USD1,250,000	—	100%	Sale of plastic injection moulding machines, Indonesia
Sunnew Investments Limited	British Virgin Islands (“BVI”), limited liability company	HKD1	—	100%	Investment holding, BVI
Wuxi Haitian Machinery Co., Ltd. (“Wuxi Haitian”) (無錫海天機械有限公司)	Mainland China, foreign equity joint venture	USD66,344,752	—	100%	Manufacture and sale of plastic injection moulding machines, Mainland China



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 7. Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Zhafir Plastics Machinery GmbH ("Zhafir Plastics")	Germany, limited liability company	Deutsche Mark 100,000	—	100%	Research and development of plastic injection moulding machines, Germany
Zhafir Plastics Machinery India Private Limited	India, limited liability company	Indian Rupee 1,000,000	—	100%	Manufacture, processing and sale of plastic injection moulding machines, India
Zhejiang Keqiang Intelligence Control Co., Ltd. ("Zhejiang Keqiang") (浙江科強智能控制系統有限公司)	Mainland China, limited liability company	RMB18,000,000	—	100%	Manufacture and sale of intelligence control system, Mainland China
Ningbo Haitian Intelligent Equipment Manufacturing Co., Ltd. (寧波海天智能裝備製造有限公司)	Mainland China, limited liability company	USD160,000,000	—	100%	Manufacture and sale of intelligence control system, Mainland China
Wuxi Haijie Machinery Co., Ltd. (無錫海洁機械有限公司)	Mainland China, limited liability company	RMB3,000,000	—	100%	Metal surface treatment, metal heat treatment processing; electroplating processing, Mainland China
Ningbo Beilun Haitian Vocational Skill Training School Co., Ltd. (寧波北崙海天職業技能培訓學校有限公司)	Mainland China, limited liability company	RMB10,000,000	—	100%	Private vocational skills training institutions, Mainland China
Ningbo Xinglian Human Resources Service Co., Ltd. (寧波興鏈人力資源服務有限公司)	Mainland China, limited liability company	RMB10,000,000	—	100%	Human resource services, Mainland China

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 7. Subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Paid in capital	Attributable equity interest to the Company		Principal activities and place of operations
			Direct	Indirect	
Haitian Machinery Ruma Co., Ltd. (海天機械魯馬有限公司)	Serbia, limited liability company	USD5,255,000	—	100%	Manufacture, processing and sale of plastic injection moulding machines, Serbia
Ningbo Haisheng Photovoltaic Technology Co., Ltd. (寧波海昇光伏科技有限公司)	Mainland China, limited liability company	RMB67,500,000	—	75%	Research and development of emerging energy technologies, Mainland China

The English names of certain subsidiaries are translations made by the Group's management from their Chinese names as they do not have official English names.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 8. Investment in Associates

	2022 RMB'000	2021 RMB'000
Beginning of the year	518,533	484,610
Increase in investment	—	614
Share of profit	16,455	33,309
End of the year	534,988	518,533

The associates are private companies and there are no quoted market price available for their shares.

Haitian Huayuan (Hong Kong) Limited has entered into the Deed of Establishment Agreement with PT Wahana Sejahtera Langgeng Makmur to invest 38% equity interest of PT Huayuan Makmur Sejahtera on 28 October 2019. PT Huayuan Makmur Sejahtera is a limited liability company with a registered capital of Indonesian Rupiah 14 billion and the capital with amount of Indonesian Rupiah 3.5 billion, equivalent to RMB614 thousand, has been satisfied in 2021. It is an enterprise principally engaged in trading of machinery and related in Indonesia.

There are no material contingent liabilities relating to the Group's interest in the associates.

#### Summarised financial information for associate

The associates of the Group as at 31 December 2022 are immaterial to the Group. The information disclosed reflects the amounts presented in the financial statements of the associates and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entities when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 8. Investment in Associates (Continued)

#### Summarised balance sheet

	Ningbo Anson		PT Huayuan Makmur Sejahtera	
	31 December 2022 RMB'000	31 December 2021 RMB'000	31 December 2022 RMB'000	31 December 2021 RMB'000
<b>Current assets</b>				
Cash and cash equivalents	50,026	48,150	1,327	1,616
Other current assets	713,761	781,922	718	—
<b>Total current assets</b>	<b>763,787</b>	830,072	<b>2,045</b>	1,616
Non-current assets	211,957	231,777	171	—
Other current liabilities	378,257	530,934	600	—
<b>Total current liabilities</b>	<b>378,257</b>	530,934	<b>600</b>	—
<b>Net assets</b>	<b>597,487</b>	530,915	<b>1,616</b>	1,616
<b>Reconciliation to carrying amounts</b>				
Opening net assets	530,915	397,678	1,616	1,616
Profit for the year	66,572	133,237	—	—
<b>Closing net assets</b>	<b>597,487</b>	530,915	<b>1,616</b>	1,616
Group's share in %	25%	25%	38%	38%
Group's share in RMB	149,372	132,728	614	614
Goodwill	385,191	385,191	—	—
<b>Carrying amount</b>	<b>534,563</b>	517,919	<b>614</b>	614
Revenue	853,557	1,269,795	957	—
Gross profit	180,411	284,718	98	—
<b>Profit for the period</b>	<b>66,572</b>	133,237	—	—
Other comprehensive income	—	—	—	—
<b>Total comprehensive income</b>	<b>66,572</b>	133,237	—	—

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 9. Intangible Assets

	Opening net book amount	Amortisation charge	Closing net book amount
<b>Year ended 31 December 2022 (RMB'000)</b>			
Goodwill	43,086	—	43,086
Licences and other intangible assets	9,408	(1,299)	8,109
	<b>52,494</b>	<b>(1,299)</b>	<b>51,195</b>
	Opening net book amount	Amortisation charge	Closing net book amount
<b>Year ended 31 December 2021 (RMB'000)</b>			
Goodwill	43,086	—	43,086
Licences and other intangible assets	10,729	(1,321)	9,408
	<b>53,815</b>	<b>(1,321)</b>	<b>52,494</b>

Amortisation expenses are included in general and administrative expenses amounting to RMB1,299 thousand (2021: RMB1,321 thousand).

Goodwill was generated from the acquisition of 53.49% equity interest in Zhejiang Keqiang in June 2018. The goodwill is attributable to the workforce and the high profitability of the acquired business.

	Cost	Accumulated amortisation	Net book amount
<b>As at 31 December 2022 (RMB'000)</b>			
Goodwill	43,086	—	43,086
Licences and other intangible assets	14,036	(5,927)	8,109
	<b>57,122</b>	<b>(5,927)</b>	<b>51,195</b>
	Cost	Accumulated amortisation	Net book amount
<b>As at 31 December 2021 (RMB'000)</b>			
Goodwill	43,086	—	43,086
Licences and other intangible assets	14,036	(4,628)	9,408
	<b>57,122</b>	<b>(4,628)</b>	<b>52,494</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 10. Inventories

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Raw materials	962,982	1,190,179
Work-in-progress	458,567	352,362
Finished goods	1,729,009	1,467,025
	<b>3,150,558</b>	3,009,566

The cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB8,412,461 thousand (2021: RMB10,882,832 thousand).

As at 31 December 2022, inventories with cost of RMB189,296 thousand (2021: RMB215,065 thousand) was considered obsolete. A provision of RMB167,306 thousand was made as at 31 December 2022 (2021: RMB189,110 thousand).

### 11. Trade and Bills Receivables

	As at 31 December 2022			As at 31 December 2021		
	Current RMB'000	Non-Current RMB'000	Total RMB'000	Current RMB'000	Non-Current RMB'000	Total RMB'000
Trade and bills receivables	3,285,657	112,098	3,397,755	3,608,443	134,145	3,742,588
Less: provision for impairment (Note 3.1)	(110,184)	(304)	(110,488)	(101,503)	(508)	(102,011)
	<b>3,175,473</b>	<b>111,794</b>	<b>3,287,267</b>	3,506,940	133,637	3,640,577

As at 31 December 2022, there was no individual customer with outstanding balance exceeding 10% of the Group's total trade and bills receivables (2021: None).

As at 31 December 2022, the carrying amount of the current portion of trade and bills receivables is considered to be the same as their fair value due to the short-term nature.

As at 31 December 2022, the non-current portion of trade and bills receivables was stated for receivables with due date over 1 year. The fair value of the non-current receivables approximates their carrying amounts.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 11. Trade and Bills Receivables (Continued)

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:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
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
	<b>3,397,755</b>	<b>3,742,588</b>

Trade and bills receivables are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	2,111,217	2,398,002
USD	684,755	755,408
EUR	209,927	247,556
VND	90,814	126,180
Mexico Peso	128,089	106,207
Brazilian Real	75,134	33,150
Others	97,819	76,085
	<b>3,397,755</b>	<b>3,742,588</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 11. Trade and Bills Receivables (Continued)

Movements of the provision for impairment of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	102,011	105,558
Provision for impairment of trade and bills receivables	2,685	7,192
Written off as uncollectible	(248)	(7,794)
Exchange difference	6,040	(2,945)
At 31 December	110,488	102,011

The provision for impaired receivables has been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The Group does not hold any collateral as security.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 12. Other Financial Assets at Amortised Cost

Other financial assets at amortised cost include the following debt investments:

	As at 31 December 2022			As at 31 December 2021		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Loans to employees						
— Loans to key management (Note 35(c))	249	—	249	249	—	249
— Loans to other employees (i)	3,360	2,700	6,060	3,475	3,920	7,395
Entrusted loans (ii)	13,000	315,222	328,222	261,798	5,000	266,798
Interest receivables	268,581	—	268,581	193,095	—	193,095
Others	52,086	—	52,086	25,030	—	25,030
	<b>337,276</b>	<b>317,922</b>	<b>655,198</b>	<b>483,647</b>	<b>8,920</b>	<b>492,567</b>
Less: loss allowance for debt investments at amortised cost (Note 3.1)	—	—	—	—	—	—
	<b>337,276</b>	<b>317,922</b>	<b>655,198</b>	<b>483,647</b>	<b>8,920</b>	<b>492,567</b>

Note:

- (i) Loans to other employees are for their housing and car purchasing. The loans are due within five years, with interest bearing at rates ranging from 0% to 4.35% (2021: from 0% to 4.35%) per annum as at 31 December 2022.

The fair values of loans to other employees are based on cash flows discounted using a rate based on the borrowings rate of 3.07% (2021: 2.78%).

- (ii) As at 31 December 2022, current portion of the entrusted loans of RMB10,000 thousand and RMB3,000 thousand, one at an interest rate of 4.66% and the other having a fixed interest of RMB218 thousand, were lent to two independent parties with maturity dates on 15 April 2023 and 31 December 2023 respectively. Non-current portion of the entrusted loan of RMB315,222 thousand was lent to one third party in respect of a loan facility in the aggregate amount up to JPY8,000,000 thousand (equivalent to RMB418,864 thousand) available at an interest rate of 1.50% with maturity date on 30 June 2025.

As at 31 December 2021, current portion of the entrusted loans of RMB1,500 thousand, RMB5,000 thousand, RMB5,000 thousand and RMB569 thousand, with interest rates ranging from 4.35% to 4.66%, were lent to three independent parties with maturity dates on 01 June 2022, 01 July 2022, 15 April 2022 and 11 January 2022 respectively. The current portion of the entrusted loan of RMB249,729 thousand were lent to one third party in respect of a loan facility in the aggregate amount up to JPY9,000,000 thousand (equivalent to RMB556,983 thousand) available with maturity date on 30 June 2022. Non-current portion of the entrusted loan of RMB5,000 thousand with interest rate 4.66% was lent to one of the aforementioned third parties with maturity date on 15 April 2023.

The fair values of other financial assets at amortised cost approximate their carrying amounts.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 13. Derivative Financial Instruments

	At as 31 December	
	2022 RMB'000	2021 RMB'000
<b>Current liabilities</b>		
Foreign currency forwards — held for trading	34,050	—

#### (i) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 3.3.

#### (ii) Amounts recognised in profit or loss

The following amounts were recognised in profit or loss in relation to derivatives:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net fair value loss on foreign currency forwards included in other losses	34,050	—

### 14. Prepayments and Other Assets

	As at 31 December 2022			As at 31 December 2021		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Prepayments and deposits						
— for purchases of raw materials	52,720	—	52,720	85,094	—	85,094
— for purchases of fixed assets and construction in progress	—	112,114	112,114	—	82,912	82,912
Value Added Tax recoverable and refundable	163,903	—	163,903	126,714	—	126,714
	216,623	112,114	328,737	211,808	82,912	294,720

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 15. Financial Instruments by Category

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial asset at fair value through other comprehensive income RMB'000	Total RMB'000
<b>31 December 2022</b>				
<b>Assets as per balance sheet</b>				
Financial assets at FVPL	—	4,655,428	—	4,655,428
Financial asset at fair value through other comprehensive income	—	—	500	500
Trade and bills receivables and other financial assets at amortised cost	3,942,465	—	—	3,942,465
Restricted bank deposits	35,242	—	—	35,242
Term deposits	3,100,509	—	—	3,100,509
Cash and cash equivalents	3,590,846	—	—	3,590,846
<b>Total</b>	<b>10,669,062</b>	<b>4,655,428</b>	<b>500</b>	<b>15,324,990</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 15. Financial Instruments by Category (Continued)

	Derivatives used for hedging	Financial liabilities at amortised cost RMB'000	Total RMB'000
<b>Liabilities as per balance sheet</b>			
Bank borrowings	—	1,435,255	1,435,255
Trade and bills payables, and other payables excluding non-financial liabilities	—	3,735,702	3,735,702
Lease liabilities	—	3,834	3,834
Financial liabilities trading derivatives	34,050	—	34,050
<b>Total</b>	<b>34,050</b>	<b>5,174,791</b>	<b>5,208,841</b>

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Total RMB'000
<b>31 December 2021</b>				
<b>Assets as per balance sheet</b>				
Financial assets at FVPL	—	6,153,364	—	6,153,364
Financial assets at fair value through other comprehensive income	—	—	500	500
Trade and bills receivables and other financial assets at amortised cost	4,133,144	—	—	4,133,144
Restricted bank deposits	87,882	—	—	87,882
Term deposits	3,012,541	—	—	3,012,541
Cash and cash equivalents	3,592,622	—	—	3,592,622
<b>Total</b>	<b>10,826,189</b>	<b>6,153,364</b>	<b>500</b>	<b>16,980,053</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 15. Financial Instruments by Category (Continued)

	Financial liabilities at amortised cost RMB'000	Total RMB'000
<b>Liabilities as per balance sheet</b>		
Bank borrowings	2,160,970	2,160,970
Trade and bills payables, and other payables excluding non-financial liabilities	4,400,966	4,400,966
Lease liabilities	550	550
<b>Total</b>	<b>6,562,486</b>	<b>6,562,486</b>

As at 31 December 2022, the Company held financial assets at fair value through profit or loss of approximately RMB4,655 million (the highest amount of investment cost is RMB350 million and the average single investment cost is RMB79 million), particulars of which are set out below:

Categories of Financial Assets (RMB'000)	Number of the Financial Assets	Investment Cost as of 31 December 2022	Fair Value as of 31 December 2022	Percentage in terms of Total		Expected date of expiration
				Financial assets at FVPL	Weights to Total Assets	
Structured Deposit	5	556,000	567,077	12.18%	2.16%	24/2/2023-8/4/2023
Wealth Management Products Redeemable on Demand	6	69,550	69,701	1.50%	0.27%	Redeemable at any time
Trusts	36	3,264,993	3,295,215	70.78%	12.66%	17/1/2023-31/8/2025
Investment Fund	11	684,077	723,435	15.54%	2.65%	14/2/2023-14/12/2024
<b>Total</b>	<b>58</b>	<b>4,574,620</b>	<b>4,655,428</b>	<b>100.00%</b>	<b>17.74%</b>	

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 15. Financial Instruments by Category (Continued)

As at 31 December 2021, the Company held financial assets at fair value through profit or loss of approximately RMB6,153 million (the highest amount of investment cost is RMB430 million and the average single investment cost is RMB71 million), particulars of which are set out below:

Categories of Financial Assets (RMB'000)	Number of the Financial Assets	Investment Cost as of 31 December 2021	Fair Value as of 31 December 2021	Percentage in terms of Total Financial assets at FVPL	Weights to Total Assets	Expected date of expiration
Structured Deposit	7	830,000	844,472	13.72%	3.23%	7/2/2022-26/6/2023
Wealth Management Products Redeemable on Demand	44	2,641,120	2,653,133	43.12%	10.14%	Redeemable at any time
Trusts	25	1,935,000	1,954,299	31.76%	7.47%	4/1/2022-26/2/2023
Investment Fund	9	657,000	701,460	11.40%	2.68%	31/12/2021-14/12/2024
<b>Total</b>	<b>85</b>	<b>6,063,120</b>	<b>6,153,364</b>	<b>100.00%</b>	<b>23.52%</b>	

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 16. Restricted Bank Deposits, Term Deposits and Cash and Cash Equivalents

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Restricted bank deposits — current	35,242	87,882
Term deposits — current	2,510,509	945,000
Term deposits — non-current	590,000	2,067,541
Total term deposits	3,100,509	3,012,541
Cash at bank	3,590,456	3,591,643
Cash in hand	390	979
Cash and cash equivalents	3,590,846	3,592,622
	6,726,597	6,693,045

Restricted bank deposits are bank deposits that could not be drawn until they mature, some of which are related to the finance facilities granted by banks for issuing bills payable.

As at 31 December 2022, the weighted average effective interest rate on restricted bank deposits, term deposits and cash and cash equivalents of the Group is 2.73% (2021: 2.73%) per annum.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 16. Restricted Bank Deposits, Term Deposits and Cash and Cash Equivalents

(Continued)

The restricted bank deposits have maturities of 6 to 12 months at inception (2021: maturities of 6 to 12 months at inception). The short-term bank deposits have maturities ranging from 1 week to 3 months at inception, and were treated as cash and cash equivalents.

Restricted bank deposits, term deposits and cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	4,872,034	6,147,897
USD	1,198,778	288,535
EUR	386,778	93,651
Indian Rupee	146,713	79,665
Others	122,294	83,297
	<b>6,726,597</b>	6,693,045

Majority of the restricted bank deposits, term deposits and cash and cash equivalents are deposited with banks in Mainland China. The conversion of the RMB denominated balances into other currencies and the remittance of funds out of Mainland China are subject to the rules and regulations relating to foreign exchange control promulgated by the Mainland China government.



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 17. Share Capital

	Authorised share capital		
	Number of shares '000	Amount HKD'000	Amount RMB'000
As at 1 January 2021, 31 December 2021, and 31 December 2022 (shares with a par of HKD0.1 per share)	5,000,000	500,000	502,350

	Issued and fully paid		
	Number of shares '000	Amount HKD'000	Amount RMB'000
As at 1 January 2021, 31 December 2021, and 31 December 2022 (shares with a par of HKD0.1 per share)	1,596,000	159,600	160,510

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 18. Reserves

	Share premium RMB'000	Other reserves			Retained earnings RMB'000	Total RMB'000
		Merger reserve RMB'000	Statutory reserves RMB'000	Translation differences RMB'000		
			(i)			
<b>At 1 January 2021</b>	1,331,913	152,573	1,427,811	33,372	11,671,055	14,616,724
Profit for the year	—	—	—	—	3,051,968	3,051,968
Appropriations	—	—	185,077	—	(185,077)	—
Dividend paid						
— 2020 second interim (Note 32)	—	—	—	—	(870,742)	(870,742)
— 2020 special interim (Note 32)	—	—	—	—	(1,004,702)	(1,004,702)
Currency translation differences	—	—	—	(19,381)	—	(19,381)
<b>At 31 December 2021</b>	1,331,913	152,573	1,612,888	13,991	12,662,502	15,773,867
Profit for the year	—	—	—	—	2,264,668	2,264,668
Appropriations	—	—	436,777	—	(436,777)	—
Dividend paid						
— 2021 second interim (Note 32)	—	—	—	—	(1,233,292)	(1,233,292)
Currency translation differences	—	—	—	45,364	—	45,364
<b>At 31 December 2022</b>	1,331,913	152,573	2,049,665	59,355	13,257,101	16,850,607

#### (i) Statutory reserves

Subsidiaries in Mainland China are required to transfer certain percentages of their after-tax profit after offsetting accumulated losses from prior years to statutory reserves, namely statutory reserve fund, enterprise expansion fund and discretionary reserve fund, before the corresponding subsidiaries can distribute any dividend to their shareholders. The percentage to be appropriated to statutory reserve fund is determined according to the relevant regulations in Mainland China at the rate of 10% of net profit. The subsidiaries may cease appropriation when the statutory reserve funds reach 50% of the subsidiaries' registered capital. The percentages to be appropriated to other funds are at the discretion of the Board of directors of the respective subsidiaries.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 18. Reserves (Continued)

#### (i) Statutory reserves (Continued)

Such statutory reserves, depending on their nature, can only be used to offset accumulated losses or to increase capital of the respective subsidiaries, and cannot be distributed to shareholders of the subsidiaries except for liquidation and solvency. The balances of the statutory reserves after increasing capital shall remain at least 25% of the original registered capital of the respective subsidiaries. Movements in the statutory reserves are as follows:

	Statutory reserve fund RMB'000	Enterprise expansion fund RMB'000	Discretionary reserve fund RMB'000	Total RMB'000
At 1 January 2021	31,983	1,297,672	98,156	1,427,811
Additions	—	185,077	—	185,077
At 31 December 2021	31,983	1,482,749	98,156	1,612,888
Additions	25,000	411,777	—	436,777
At 31 December 2022	56,983	1,894,526	98,156	2,049,665

### 19. Trade and Bills Payables

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade payables	1,547,551	1,789,410
Bills payable	1,683,605	2,089,439
Trade and bills payables	3,231,156	3,878,849
Due to related parties (Note 35(b))	342,397	343,440
	3,573,553	4,222,289

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 19. Trade and Bills Payables (Continued)

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
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
	<b>3,573,553</b>	<b>4,222,289</b>

Trade and bills payables are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	3,501,375	4,160,949
Indian Rupee	28,552	38,415
EUR	17,955	3,303
Others	25,671	19,622
	<b>3,573,553</b>	<b>4,222,289</b>

The fair values of trade and bills payables approximate their carrying amounts.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 20. Accruals, Other Liabilities and Contract Liabilities

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Welfare payables	8,741	9,967
Salaries, wages and bonus payables	186,270	199,979
Accrued sales commission	1,085,202	1,049,962
Customers deposits	63,648	42,093
Payable for purchase of property, plant and equipment	61,107	71,904
Accrued operating expenses	74,239	78,663
Legal claim (i)	149,075	142,239
Value Added Tax payables	66,582	183,016
Deferred income — current portion (Note 22)	7,546	8,235
Other payables	37,394	64,680
Accruals and other payables	1,739,804	1,850,738
Contract liabilities (ii)	1,353,374	1,089,035
	3,093,178	2,939,773

The carrying amounts of other payables are considered to be the same as their fair value.

(i) *The legal claim represents the ongoing allegation by India Customs authority in relation to the anti-dumping lawsuit for Haitian Huayuan Machinery (India) Private Limited. The recognised provision amounting to Indian Rupee 1,739,904 thousand (equivalent to RMB149,075 thousand) (2021: Indian Rupee 1,660,118 thousand (equivalent to RMB142,239 thousand)) reflects the managements' best estimate of the most likely outcome, after taking appropriate legal advice.*

(ii) *The Group's contract liabilities are advance from customers in relation to production selling contracts.*

*The revenue recognised in the current reporting period related to carried-forward contract liabilities were mainly in one year or less.*

*The Group did not have unsatisfied long-term contracts. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.*

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 21. Bank Borrowings

	As at 31 December 2022			As at 31 December 2021		
	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured	1,322,866	112,389	1,435,255	1,860,970	300,000	2,160,970

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Unsecured	1,435,255	2,160,970

	As at 31 December	
	2022 RMB'000	2021 RMB'000
At floating rate — in USD	222,866	561,064
At fixed rate — in RMB	1,212,389	1,272,483
— in EUR	—	216,592
— in JPY	—	110,831
	1,435,255	2,160,970

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 21. Bank Borrowings (Continued)

The weighted average effective interest rates (per annum) at year end are as follows:

	2022	2021
RMB	3.1%	3.2%
JPY	0.5%	0.5%
EUR	0.2%	0.2%
USD	1.7%	1.8%

The fair values of bank borrowings approximate their carrying amounts.

At 31 December, the group's borrowings were repayable as follows:

	2022	2021
Within 1 year	1,322,866	1,860,970
Between 1 and 2 years	—	—
Between 2 and 5 years	112,389	300,000
	1,435,255	2,160,970

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 22. Deferred Income

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred government grants	48,678	56,655
Less: Current portion included in current liabilities (Note 20)	(7,546)	(8,235)
	41,132	48,420

Movements are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	56,655	65,941
Amortised as income (Note 26)	(7,498)	(8,286)
Exchange differences	(479)	(1,000)
At 31 December	48,678	56,655



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 23. Deferred Income Tax

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred income tax assets to be recovered within 12 months	208,408	207,501
Deferred income tax liabilities to be settled after more than 12 months	332,294	502,599
Deferred income tax liabilities to be settled within 12 months	29,454	24,570
	361,748	527,169

#### (i) Deferred tax assets

	As at 31 December	
	2022 RMB'000	2021 RMB'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	142,019	146,286
Unrealised profit on inventories	58,184	51,614
Deferred income — government grants	8,205	9,601
Total deferred tax assets	208,408	207,501

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 23. Deferred Income Tax (Continued)

#### (i) Deferred tax assets (Continued)

The movements in deferred income tax assets are as follows:

	Provisions and accruals RMB'000	Unrealised profit on inventories RMB'000	Government grants RMB'000	Total RMB'000
<b>At 1 January 2021</b>	105,344	40,854	11,344	157,542
Recognised in the consolidated statement of profit or loss	40,942	10,760	(1,743)	49,959
<b>At 31 December 2021</b>	146,286	51,614	9,601	207,501
Recognised in the consolidated statement of profit or loss	(4,267)	6,570	(1,396)	907
<b>At 31 December 2022</b>	142,019	58,184	8,205	208,408

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB52,303 thousand (2021: RMB35,334 thousand) in respect of losses amounting to RMB246,744 thousand (2021: RMB147,416 thousand) that can be carried forward against future taxable income. In 2022, there is no invalid tax loss. (2021: nil).

#### (ii) Deferred tax liabilities

	As at 31 December	
	2022 RMB'000	2021 RMB'000
The balance comprises temporary differences attributable to:		
Financial assets at FVPL	17,741	13,322
Withholding tax	227,956	412,228
Accelerated tax depreciation	114,846	100,219
Revaluation	1,205	1,400
<b>Total deferred tax liabilities</b>	<b>361,748</b>	<b>527,169</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 23. Deferred Income Tax (Continued)

#### (ii) Deferred tax liabilities (Continued)

The movements in deferred income tax liabilities are as follows:

	Withholding tax RMB'000	Accelerated tax depreciation RMB'000	Financial assets at FVPL and other financial assets at amortised cost RMB'000	Revaluation RMB'000	Total RMB'000
<b>At 1 January 2021</b>	300,283	72,722	5,985	1,598	380,588
Recognised in the consolidated statement of profit or loss	111,945	27,497	7,337	(198)	146,581
<b>At 31 December 2021</b>	412,228	100,219	13,322	1,400	527,169
Recognised in the consolidated statement of profit or loss	(184,272)	14,627	4,419	(195)	(165,421)
<b>At 31 December 2022</b>	227,956	114,846	17,741	1,205	361,748

Withholding tax is levied on dividends to be declared to foreign investors from the foreign investment enterprises established in Mainland China in respect of earnings earned after 31 December 2007. The Group's subsidiaries in Mainland China are held by Guo Hua Enterprises Group Limited, which is a company incorporated in Hong Kong and the beneficial owner of these subsidiaries, and the applicable withholding tax rate is 5% (2021: 5%).

The Group provides for the deferred income tax liabilities on the unremitted earnings except for those amount expected to be reinvested. Unremitted earnings that deferred income tax liabilities have not been recognised totally RMB6,590,773 thousand at 31 December 2022 (2021: RMB6,225,120 thousand). As at 31 December 2022, deferred income tax liabilities of RMB329,539 thousand (2021: RMB311,256 thousand) have not been recognised for the withholding tax that would be payable on such unremitted earnings of certain subsidiaries.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 24. Revenue and Segment Information

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Sales of plastic injection moulding machines and related products	12,308,186	16,018,272

The chief operating decision-maker has been identified as the executive committee, which comprises all executive directors and 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 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:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Mainland China	7,916,193	11,088,162
Hong Kong and overseas countries	4,391,993	4,930,110
	12,308,186	16,018,272

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Total non-current assets other than term deposits, trade and bills receivables, other financial assets at amortised cost, financial assets at FVOCI, financial assets at FVPL and deferred income tax assets		
— Mainland China	5,426,375	4,978,459
— Hong Kong and overseas countries	1,452,798	745,718
	6,879,173	5,724,177

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 25. Expenses by Nature

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation and amortisation (Notes 5, 6 and 9)	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 (Note 11)	2,685	7,192
Reversal of write-down of inventories (Note 10)	(21,804)	(15,632)
Employment costs (Note 28) (i)	1,360,013	1,384,366
Litigation costs	6,836	7,695
Freight charges	101,611	103,263
Utilities	135,051	119,541
Travelling expenses	28,910	21,226
Auditor's remuneration		
— Audit services	2,487	2,487
Others	466,129	479,310
<b>Total cost of sales, selling and marketing expenses and general and administrative expenses</b>	<b>10,189,427</b>	<b>12,715,030</b>

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

### 26. Other Income

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Government grants (i)	321,071	150,661
Amortisation of deferred income (Note 22)	7,498	8,286
	<b>328,569</b>	<b>158,947</b>

(i) Government grants mainly represent subsidies and assistance received from local municipal governments in connection with the Group's achievements in developing innovative and high technology plastic injection moulding machines.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 27. Other Gains — Net

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
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
	<b>185,030</b>	<b>134,470</b>

### 28. Employment Costs

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries, wages and bonus	1,093,606	1,146,781
Pension cost — defined contribution plans (a)	80,159	71,768
Other benefits (b)	186,248	165,817
	<b>1,360,013</b>	<b>1,384,366</b>

#### (a) Pension cost — defined contribution plans

As stipulated by rules and regulations in Mainland China, the Group has participated in state-sponsored defined contribution retirement schemes for its employees in Mainland China. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

The Group has arranged for its Hong Kong and overseas employees to join local pension schemes in respective countries' or regions' jurisdictions. The Group has no further obligations for post-retirement benefits beyond the monthly contributions.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 28. Employment Costs (Continued)

#### (b) Other benefits

In addition, the Group's employees in Mainland China participate in state-sponsored employee social security plans, including medical, housing and other welfare benefits. The Group has no further obligation beyond the contributions.

#### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included one (2021: two) directors whose emoluments are reflected in the analysis presented in Note 37. The emoluments payable to the remaining four (2021: three) individuals during the year are as follows:

	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	7,078	6,022
Discretionary bonuses	267	197
	<b>7,345</b>	<b>6,219</b>

The emoluments fall within the following bands:

	Number of individuals	
	2022	2021
HKD1,000,000 (equivalent to approximately RMB830,000)		
— HKD2,500,000 (equivalent to approximately RMB2,076,000)	4	4
HKD2,500,001 (equivalent to approximately RMB2,076,000)		
— HKD4,000,000 (equivalent to approximately RMB3,321,000)	1	1

- (d) During the year ended 31 December 2022, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 29. Finance Income

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
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)
	<b>(60,315)</b>	(55,390)
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
	<b>190,970</b>	194,392
Finance income, net	<b>130,655</b>	139,002



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 30. Income Tax Expense

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>(a) Income tax expense</b>		
<i>Current tax</i>		
Current tax on profits for the year	688,142	627,745
Adjustments for current tax of prior periods	(7,363)	(5,496)
<b>Total current tax expense</b>	<b>680,779</b>	<b>622,249</b>
<i>Deferred income tax</i>		
Increase in deferred tax assets (note 23)	(907)	(49,959)
Deferred tax liabilities (reversed)/recognised in the consolidated statement of profit or loss (note 23)	(165,421)	146,581
<b>Total deferred tax expense</b>	<b>(166,328)</b>	<b>96,622</b>
<b>Income tax expense</b>	<b>514,451</b>	<b>718,871</b>
Income tax expense is attributable to:		
Profit from continuing operations	514,451	718,871

Haitian Plastics Machinery Group Limited ("Haitian Plastics Machinery") renewed its status as a High and New Technology Enterprises ("HNTE") in 2020. Wuxi Haitian Machinery Co., Ltd. ("Wuxi Haitian") renewed its status as HNTE in 2021. Ningbo Zhafir Plastics 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 years commencing from the first year when these entities were granted or renewed 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 enterprise income tax rate of 25% for the year 2022 (2021: 25%).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 30. Income Tax Expense (Continued)

#### (a) Income tax expense (Continued)

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 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 or regions in which the Group operates.

#### (b) Numerical reconciliation of income tax expense to prima facie tax payable

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before income tax expense, after excluding share of profit of an associate	2,763,013	3,735,661
Tax at the Hong Kong tax rate of 16.5% (2021: 16.5%)	455,897	616,384
Effect of different tax rates	6,356	16,497
Research and development expenditure supper deduction	(36,209)	(32,840)
Expensed not deductible for tax expense	4,180	3,882
Adjustments for current tax of prior year	(7,363)	(5,496)
Deferred tax not accounted for taxable losses	20,560	9,157
Effect of withholding tax on certain unremitted profits of subsidiaries in Mainland China	73,131	111,945
Utilize of previously unrecognised taxable losses	(2,101)	(658)
<b>Income tax expense</b>	<b>514,451</b>	<b>718,871</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 31. 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 RMB'000	2021 RMB'000
Profit attributable to shareholders of the Company	2,264,668	3,051,968
Weighted average number of ordinary shares in issue (thousands)	1,596,000	1,596,000
Basic EPS (RMB per share)	1.42	1.91

Diluted earnings per share is not presented as there were no dilutive ordinary shares (Note 17).

### 32. Dividends

	2022 RMB'000	2021 RMB'000
Second interim dividend of HK55.0 cents (2021: HK95.0 cents) per ordinary share	768,277	1,233,292
	768,277	1,233,292

On 20 March 2023, the Board of Directors of the Company has declared payment of a second interim dividend of HK55.0 cents per share (2021: HK95.0 cents per share) for the year ended 31 December 2022. Such dividend has been approved by the Board of Directors which has complied with the related regulations in Cayman Island. 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.

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 33. Notes to the Consolidated Statement of Cash Flows

#### (a) Cash generated from operations

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before income tax	2,779,468	3,768,970
Adjustments for:		
— share of profit of associates (Note 8)	(16,455)	(33,309)
— depreciation of property, plant and equipment (Note 5)	340,093	307,562
— amortisation of intangible assets (Note 9)	1,299	1,321
— amortisation of deferred income (Note 22)	(7,498)	(8,286)
— depreciation of right-of-use assets (Note 6)	19,486	16,871
— (gains)/losses on disposal of property, plant and equipment and land use right (Note 27)	(1,706)	6,297
— gain on disposal of a subsidiary (Note 27)	—	(20,915)
— provision for impairment of trade receivables (Note 25)	2,685	7,192
— reversal of for write-down of inventories (Note 25)	(21,804)	(15,632)
— net fair value gains on FVPL (Note 27)	(188,730)	(228,119)
— net fair value losses on derivative financial instruments (Note 27)	34,050	—
— finance income — net (Note 29)	(130,655)	(139,002)
Changes in working capital:		
— decrease/(increase) in restricted bank deposits	52,640	(56,465)
— decrease/(increase) in trade and other receivables	318,754	(370,629)
— decrease in inventories	(119,188)	(60,234)
— (decrease)/increase in trade and bills payables	(648,736)	116,936
— increase in accruals and other payables	205,256	452,060
Cash generated from operations	2,618,959	3,744,618

#### (b) In the consolidated statement of cash flows and proceeds from disposal of property, plant and equipment comprise:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net book amount (Note 5)	11,311	38,150
Gains/(losses) on disposal of property, plant and equipment (Note 27)	1,706	(6,297)
Proceeds from disposal of property, plant and equipment	13,017	31,853

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 33. Notes to the Consolidated Statement of Cash Flows (Continued)

#### (c) Net debt reconciliation

The reconciliation of liabilities arising from financing activities is as follows:

	2022 RMB'000	2021 RMB'000
Borrowings (including overdraft)	(1,435,255)	(2,160,970)
Lease liabilities	(3,834)	(550)
<b>Net debt</b>	<b>(1,439,089)</b>	(2,161,520)

	Bank borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
<b>As at 1 January 2021</b>	1,318,130	1,155	1,319,285
Cash flows			
— Inflow from financing activities	1,472,555	—	1,472,555
— Outflow from financing activities	(606,907)	(642)	(607,549)
Non-cash changes			
— Acquisition — leases	—	—	—
— Currency translations	(22,808)	—	(22,808)
— Interest and finance charges paid/payable for lease liabilities	—	37	37
<b>As at 31 December 2021</b>	2,160,970	550	2,161,520
Cash flows			
— Inflow from financing activities	1,615,936	—	1,615,936
— Outflow from financing activities	(2,360,970)	(3,216)	(2,364,186)
Non-cash changes			
— Acquisition — leases	—	6,176	6,176
— Currency translations	19,319	—	19,319
— Interest and finance charges paid/payable for lease liabilities	—	324	324
<b>As at 31 December 2022</b>	1,435,255	3,834	1,439,089

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 34. Commitments

#### (a) Capital commitments

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Acquisition of property, plant and equipment — Contracted but not provided for	453,510	819,344

### 35. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

Each of Sky Treasure Capital Limited, Premier Capital Management Pte. Ltd. and Cambridge Management Consultants (PTC) Ltd. respectively holds representing approximately 27.18%, 18.05% and 14.98% of the issued share capital of the Company.

The following companies are considered to be related parties of the Group:

Company name	Relationships
Ningbo Haitian Precision Machinery Co., Ltd. ("Haitian Precision") (寧波海天精工機械有限公司)	Controlled by directors of the Group
Ningbo Anson CNC Technique Co., Ltd. ("Ningbo Anson") (寧波安信數控技術有限公司)	Controlled by directors of the Group
Ningbo STF Hydraulic Transmissions Co., Ltd. ("Ningbo STF") (寧波斯達弗液壓傳動有限公司)	Controlled by directors of the Group
Ningbo Haitian Drive Systems Co., Ltd. ("HDS") (海天驅動有限公司)	Controlled by directors of the Group
Ningbo SPP Hydraulics Co., Ltd. ("Ningbo SPP") (寧波住精液壓工業有限公司)	Controlled by directors of the Group
Ningbo Hilectro Precision Machinery Co., Ltd. ("Hilectro Precision") (寧波海邁克精密機械製造有限公司)	Controlled by directors of the Group
Ningbo Haitian Co., Ltd. ("Haitian Co.") (寧波海天股份有限公司)	Controlled by directors of the Group
Ningbo Hilectro Power Technology Co., Ltd. ("Hilectro Power") (寧波海邁克動力科技有限公司)	Controlled by directors of the Group
Ningbo Haitian Smart Solutions Technology Co., Ltd. (“Haitian Smart Solutions”) (寧波海天智聯科技有限公司)	Controlled by directors of the Group
Ningbo Free Trade Zone Haitian Zhisheng Die Casting Equipment Co., Ltd. ("Haitian Zhisheng") (寧波保稅區海天智勝金屬成型設備有限公司)	Controlled by directors of the Group
Ningbo Haitian Aolin Engineering Technology Co., Ltd. (“Haitian Aolin Engineering”) (寧波海天奧林工程技術有限公司)	Controlled by directors of the Group
PT. HUAYUAN MAKMUR SEJAHTERA ("PT HUAYUAN MS")	Associate of the Group

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 35. Related Party Transactions (Continued)

#### (a) Transactions with related parties:

The following material transactions were carried out with related parties:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
(i) Purchases of goods from:		
Ningbo Anson	568,479	822,685
Haitian Smart Solutions	156,008	1,377
Ningbo STF	150,343	199,907
Hilectro Precision	53,533	65,014
Ningbo SPP	8	681
	<b>928,371</b>	<b>1,089,664</b>
(ii) Purchase of equipment from:		
Haitian Precision	139,440	43,035
Haitian Aolin Engineering	19,748	—
Hilectro Power	1,369	881
	<b>160,557</b>	<b>43,916</b>
(iii) Rental fees paid to:		
Haitian Co	7,315	6,422
HDS	3,408	2,843
	<b>10,723</b>	<b>9,265</b>
(iv) Dispose shares of a subsidiary to an entity controlled by directors of the Group:		
Haitian Smart Solutions	—	29,925
(v) Sales of goods to:		
Haitian Zhisheng	3,787	—
Hilectro Precision	755	—
PT HUAYUAN MS	740	—
	<b>5,282</b>	<b>—</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 35. Related Party Transactions (Continued)

#### (a) Transactions with related parties: (Continued)

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
(vi) Providing of services to:		
Haitian Zhisheng	2,933	—
Haitian Precision	3,089	—
	6,022	—
(vii) Rental income from:		
Haitian Zhisheng	11,451	—
Haitian Precision	4,216	—
	15,667	—

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.

#### (b) Balances with related parties:

The Group had the following significant balances with its related parties as at 31 December 2022 and 2021:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Payables arising from purchase of goods:		
— Ningbo Anson	194,032	264,163
— Haitian Smart Solutions	77,928	1,556
— Ningbo STF	51,704	57,108
— Hilectro Precision	18,733	20,228
— Hilectro Power	—	324
— Ningbo SPP	—	61
	342,397	343,440



## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 35. Related Party Transactions (Continued)

#### (b) Balances with related parties: (Continued)

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Payables arising from purchase of equipment:		
— Haitian Precision	10,493	12,937
— Haitian Aolin Engineering	4,154	—
— Hilectro Power	3,329	2,076
	<b>17,976</b>	15,013
Receivables arising from sales of goods and providing of services:		
— Haitian Precision	1,050	—
— Hilectro Precision	850	—
— PT HUAYUAN MS	262	—
	<b>2,162</b>	—

Balances with related parties were unsecured, non-interest bearing, and had no pre-determined repayment terms.

#### (c) Loans to key management

	2022 RMB'000	2021 RMB'000
At 1 January	249	249
Loans advanced during the year	—	—
Loan repayments received	—	—
At 31 December	<b>249</b>	249

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 35. Related Party Transactions (Continued)

#### (c) Loans to key management (Continued)

The information about loans advanced to key management have the following terms and conditions:

Name of key management	Outstanding amount at beginning of year RMB'000	Outstanding amount at end of year RMB'000	Maximum outstanding during this year RMB'000	Fallen due but not been paid RMB'000	Provisions for doubtful/bad debts made	Term	Interest rate	Security
<b>2022</b>								
Mr. Zhang Jianfeng	249	249	249	—	—	Repayable on demand	Nil	Nil
<b>2021</b>								
Mr. Zhang Jianfeng	249	249	249	—	—	Repayable on demand	Nil	Nil

#### (d) Key management compensation:

Key management includes directors, general managers of certain subsidiaries, Chief Financial Officer, Investment Relations Manager, Company Secretary and the Head of Human Resources and Administration. The compensation paid or payable to key management for employee services is:

	For the year ended 31 December	
	2022 RMB'000	2021 RMB'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	12,750	12,243
Contribution to pension scheme	130	101
Discretionary bonuses	1,577	1,811
	<b>14,457</b>	<b>14,155</b>

#### (e) Related party commitments:

Related party commitments which are contracted but not recognised in the consolidated balance sheet as at balance sheet date are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Capital commitment for acquisition of property, plant and equipment		
— Haitian Precision	59,309	77,893

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 36. Balance Sheet and Reserve Movement of the Company

#### Balance sheet of the Company

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		1,746,708	796,501
		1,746,708	796,501
<b>Current assets</b>			
Due from subsidiaries		1,201,364	1,200,000
Cash and cash equivalents		238	191
		1,201,602	1,200,191
<b>Total assets</b>		<b>2,948,310</b>	<b>1,996,692</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital		160,510	160,510
Share premium	<i>i</i>	1,331,913	1,331,913
Other reserves	<i>i</i>	314,789	314,789
Retained earnings	<i>i</i>	1,044,384	95,673
<b>Total equity</b>		<b>2,851,596</b>	<b>1,902,885</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Due to subsidiaries		96,581	93,770
Other payables		133	37
		96,714	93,807
<b>Total liabilities</b>		<b>96,714</b>	<b>93,807</b>
<b>Total equity and liabilities</b>		<b>2,948,310</b>	<b>1,996,692</b>

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 36. Balance Sheet and Reserve Movement of the Company (Continued)

(i) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2021	1,331,913	314,789	780,121	2,426,823
Profit for the year	—	—	1,190,996	1,190,996
Dividend paid				
— 2020 second interim	—	—	(870,742)	(870,742)
— 2020 special interim	—	—	(1,004,702)	(1,004,702)
At 31 December 2021	1,331,913	314,789	95,673	1,742,375
Profit for the year	—	—	2,182,003	2,182,003
Dividend paid				
— 2021 second interim (Note 32)	—	—	(1,233,292)	(1,233,292)
At 31 December 2022	1,331,913	314,789	1,044,384	2,691,086

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 37. Benefits and Interests of Directors

#### (a) Directors' emoluments

The remuneration of every director is set out below:

Name of Director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	
<b>2022</b>							
Executive directors							
— Mr. Zhang Jingzhang	—	1,300	—	—	—	—	1,300
— Mr. Zhang Jianming (CEO)	—	1,500	200	34	10	—	1,744
— Mr. Zhang Jianfeng	—	1,200	270	45	11	—	1,526
— Mr. Zhang Bin	—	800	530	45	11	—	1,386
— Mr. Chen Weiqun	—	900	296	45	11	—	1,252
	—	5,700	1,296	169	43	—	7,208
Independent non-executive directors							
— Mr. Guo Yonghui	78	—	—	—	—	—	78
— Mr. Lou Baijun	78	—	—	—	—	—	78
— Mr. Lo Chi Chiu	86	—	—	—	—	—	86
— Ms. Yu Junxian	78	—	—	—	—	—	78
	320	—	—	—	—	—	320
	320	5,700	1,296	169	43	—	7,528

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 37. Benefits and Interests of Directors (Continued)

#### (a) Directors' emoluments (Continued)

Emoluments paid or receivable in respect of a person's services as a director,  
whether of the Company or its subsidiary undertaking

Name of Director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking RMB'000	Total RMB'000
2021							
Executive directors							
— Mr. Zhang Jingzhang	—	1,300	—	—	—	—	1,300
— Mr. Zhang Jianming (CEO)	—	1,500	300	45	11	—	1,856
— Mr. Zhang Jianfeng	—	1,200	492	45	11	—	1,748
— Mr. Zhang Bin	—	800	465	45	11	—	1,321
— Mr. Chen Weiqun	—	900	554	45	11	—	1,510
	—	5,700	1,811	180	44	—	7,735
Independent non-executive directors							
— Mr. Guo Yonghui	78	—	—	—	—	—	78
— Mr. Lou Baijun	78	—	—	—	—	—	78
— Mr. Lo Chi Chiu	83	—	—	—	—	—	83
— Ms. Yu Junxian	78	—	—	—	—	—	78
	317	—	—	—	—	—	317
	317	5,700	1,811	180	44	—	8,052

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 37. Benefits and Interests of Directors (Continued)

#### (a) Directors' emoluments (Continued)

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	Total
2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
320	317	7,208	7,735	7,528	8,052

Mr. Guo Mingguang and Mr. Liu Jianbo have waived the emoluments during the years ended 31 December 2021 and 2022. None of other directors waived any emoluments during the year ended 31 December 2022 (2021: None).

During the year ended 31 December 2022, no emoluments paid or receivable in respect of a person's services as a director (whether of the Company or its subsidiary undertaking) other than those disclosed in above tables, such as discretionary bonuses, housing allowance, or remunerations paid or receivable in respect of accepting office as director incurred (2021: None), and no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking incurred (2021: None).

#### (b) Directors' retirement benefits

During the year ended 31 December 2022, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2021: None).

#### (c) Directors' termination benefits

During the year ended 31 December 2022, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2021: None).

## Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB unless otherwise stated)

### 37. Benefits and Interests of Directors (Continued)

**(d) Consideration provided to third parties for making available directors' services**

During the year ended 31 December 2022, no consideration was provided to or receivable by third parties for making available director's services (2021: None).

**(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

There are no loans, quasi-loans or other dealings in favour of directors, controlled bodies corporate by and connected entities other than those disclosed in Note 35(c) (2021: None).

**(f) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2021: None).

### 38. 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.



# Financial Summary

The following table summarizes the consolidated results, assets and liabilities of the Group for the five years ended 31 December:

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Results					
Revenue	12,308,186	16,018,272	11,800,052	9,809,716	10,851,245
Profit before income tax	2,779,468	3,768,970	2,969,612	2,184,191	2,362,413
Income tax expenses	(514,451)	(718,871)	(579,524)	(433,540)	(446,181)
Profit attributable to shareholders of the company	2,264,668	3,051,968	2,388,016	1,750,519	1,916,883
Assets					
Non-current assets	9,098,603	8,402,276	8,266,505	6,605,109	4,392,657
Current assets	16,692,598	17,751,039	15,125,355	12,698,235	14,399,888
Total assets	25,791,201	26,153,315	23,391,860	19,303,344	18,792,545
Liabilities					
Non-current liabilities	516,408	875,859	438,730	325,708	222,600
Current liabilities	8,234,793	9,342,446	8,167,094	5,851,833	6,642,833
Total liabilities	8,751,201	10,218,305	8,605,824	6,177,541	6,865,433
Total equity	17,040,000	15,935,010	14,786,036	13,125,803	11,927,112
Capital and reserves attributable to shareholders of the Company	17,011,117	15,934,377	14,777,234	13,119,063	11,920,526



HAITIAN INTERNATIONAL HOLDINGS LIMITED  
(Incorporated in the Cayman Islands With Limited Liability) Stock Code: 1882

