Haina Intelligent Equipment International Holdings Limited
海納智能裝備國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1645)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the year ended 31 December 2021 amounted to approximately RMB393.0 million (2020: approximately RMB474.3 million), representing a decrease of approximately 17% as compared with the year ended 31 December 2020.
- The gross profit of the Group amounted to approximately RMB84.8 million for the year ended 31 December 2021 (2020: approximately RMB139.3 million), representing a decrease of approximately 39% as compared with the year ended 31 December 2020.
- The net profit attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB27.0 million (2020: approximately RMB40.0 million), representing a decrease of approximately 33% as compared with the year ended 31 December 2020.
- Basic earnings per share for the year ended 31 December 2021 was approximately RMB5.21 cents (2020: approximately RMB9.55 cents).
- The Board has resolved not to declare a final dividend for the year ended 31 December 2021 (2020: HK$0.05 per ordinary share).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Haina Intelligent Equipment International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Year**") together with the comparative figures of the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*4*	**392,982**	474,259
Cost of sales		**(308,211)**	(334,991)
Gross profit		**84,771**	139,268
Other income	*5*	**15,415**	10,542
Selling and distribution costs		**(14,389)**	(15,906)
Administrative and other operating expenses		**(54,857)**	(51,827)
Impairment loss of trade receivables, net		**(1,338)**	(1,819)
Impairment loss of other receivables		**(44)**	–
Impairment loss of debt instrument at amortised cost		**(786)**	–
Change in fair value of equity instruments at fair value through profit or loss ("**FVPL**")		**812**	–
Equity-settled share-based payment expenses		**(804)**	–
Finance costs	*6*	**(1,614)**	(1,287)
Listing expenses		**–**	(15,679)
Profit before tax	*6*	**27,166**	63,292
Income tax expense	*7*	**(870)**	(13,185)
Profit for the year		**26,296**	50,107
Other comprehensive income (loss) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Exchange difference on translation of the Company's financial statements to presentation currency		**(2,074)**	(11,144)
Change in fair value of equity instrument at fair value through other comprehensive income ("**FVOCI**")		**(2,246)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on consolidation		**2,947**	6,454
Total other comprehensive loss for the year		**(1,373)**	(4,690)
Total comprehensive income for the year		**24,923**	45,417

	Note	**2021** *RMB'000*	2020 *RMB'000*
Profit for the year attributable to:			
Owners of the Company		**26,980**	39,953
Non-controlling interests		**(684)**	10,154
		26,296	50,107
Total comprehensive income for the year attributable to:			
Owners of the Company		**25,607**	35,263
Non-controlling interests		**(684)**	10,154
		24,923	45,417
		RMB cents	*RMB cents*
Earnings per share	*8*		
Basic and diluted		**5.21**	9.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Plant and equipment		**35,051**	35,663
Intangible assets		**5,331**	4,957
Equity instrument at FVOCI		**14,267**	–
Goodwill		**1,369**	1,369
Deferred tax assets		**2,174**	–
Deposit paid for acquisition of land use rights		**21,530**	–
		79,722	41,989
Current assets			
Inventories		**276,096**	182,699
Equity instruments at FVPL		**8,885**	–
Debt instrument at amortised cost	*10*	**31,893**	–
Trade and other receivables	*11*	**107,177**	100,193
Restricted bank deposits		**21,700**	2,000
Bank balances and cash		**102,443**	230,416
		548,194	515,308
Current liabilities			
Trade and other payables	*12*	**217,632**	247,116
Lease liabilities		**9,494**	7,071
Interest-bearing borrowings	*13*	**39,193**	–
Income tax payable		**3,264**	3,393
		269,583	257,580
Net current assets		**278,611**	257,728
Total assets less current liabilities		**358,333**	299,717
Non-current liabilities			
Lease liabilities		**16,210**	17,902
Deferred tax liabilities		**1,873**	1,817
		18,083	19,719
NET ASSETS		**340,250**	279,998
Capital and reserves			
Share capital	*14*	**5,088**	4,315
Reserves		**334,992**	268,448
Equity attributable to owners of the Company		**340,080**	272,763
Non-controlling interests		**170**	7,235
TOTAL EQUITY		**340,250**	279,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 20 December 2017, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 June 2020. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is situated at Flat C, 21/F, Max Share Centre, 373 King's Road, North Point, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in the design and production of automated machines for disposable hygiene products in the People's Republic of China (the "**PRC**").

In the opinion of the directors of the Company, the immediate and ultimate holding company is Prestige Name International Limited, a limited liability company incorporated in the British Virgin Islands (the "**BVI**"). The ultimate controlling parties are Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya, Mr. He Ziping and Mr. Chang Chi Hsung (collectively referred to as the "**Controlling Shareholders**"), who have been acting in concert over the course of the Group's business history.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA and the disclosure requirements of the Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements are presented in Renminbi ("**RMB**") and all amounts have been rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated.

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the financial performance and financial position of the Group for the current and prior years.

3. SEGMENT INFORMATION

The directors of the Company have determined that the Group has a single operating and reportable segment as the Group manages its business as a whole as the design and production of automated machines for disposable hygiene products and the executive directors of the Company, being the chief operating decision makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

Information about geographical areas

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of the revenue is presented based on the location of customers.

Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
The PRC	**285,485**	377,371
Indonesia	**29,158**	21,510
South Korea	**27,838**	47,852
The Philippines	**15,408**	92
Nigeria	**9,564**	–
Thailand	**8,595**	–
Uzbekistan	**6,034**	11,458
Yemen	**5,390**	–
Dubai	**2,367**	9,126
Vietnam	**1,413**	4
Pakistan	**1,157**	636
Malaysia	**362**	201
Angola	**158**	1,140
Cambodia	**53**	219
Bangladesh	**–**	4,650
	392,982	474,259

The non-current assets are based on the physical location of the assets, in the case of plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets, deposit paid for acquisition of land use rights and goodwill, and excluded equity instrument at FVOCI and deferred tax assets.

Non-current assets

	2021	2020
	RMB'000	*RMB'000*
The PRC	**63,161**	41,853
Hong Kong	**120**	136
	63,281	41,989

Information about major customers

The Group's revenue from any single external customers did not contribute 10% or more of the total revenue of the Group for the years ended 31 December 2021 and 2020.

4. REVENUE

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within HKFRS 15 — at a point in time		
Sales of machines of		
— baby diaper	**215,073**	153,740
— adult diaper	**109,986**	99,354
— lady sanitary napkin	**44,117**	36,851
— under-pad	**3,516**	—
— medical disposable face mask	**—**	164,830
Sales of components and parts	**20,290**	19,484
	392,982	474,259

The amount of revenue recognised for the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is approximately RMB77,001,000 *(2020: approximately RMB33,200,000)*.

5. OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**1,896**	1,547
Interest income from debt instrument at amortised cost	**1,880**	—
Exchange gain, net	**382**	—
Government grants *(Note)*	**8,499**	8,696
Sale of scrap materials	**423**	212
Gain on termination of leases	**—**	40
Reversal of provision for litigation and claim *(Note 12(d))*	**2,000**	—
Others	**335**	47
	15,415	10,542

Note: In the opinion of the management of the Group, there was no unfulfilled condition or contingency relating to the government grants.

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	2021	2020
	RMB'000	*RMB'000*
Finance costs		
Interest on bank borrowings	**314**	90
Finance charges on lease liabilities	**1,300**	1,197
	1,614	1,287
Staff costs, including directors' remuneration		
Salaries, allowances, discretionary bonuses and other benefits in kind	**40,205**	38,473
Equity-settled share-based payment expenses	**804**	–
Contributions to defined contribution plans *(Note (i))*	**6,869**	1,108
	47,878	39,581
Less: capitalised as "intangible assets"	**(1,017)**	(702)
	46,861	38,879
Other items		
Cost of inventories *(Note (ii))*	**308,211**	334,991
Auditor's remuneration		
– Audit service	**1,078**	1,156
– Non-audit service	**191**	178
Amortisation of intangible assets (included in "administrative and other operating expenses")	**3,276**	3,621
Depreciation of plant and equipment (included in "cost of sales" and "administrative and other operating expenses", as appropriate)	**13,243**	12,278
Less: capitalised as "intangible assets"	**(54)**	(79)
	13,189	12,199
Exchange (gain) loss, net	**(382)**	859
Gain on termination of leases	**–**	(40)
Loss on disposal of plant and equipment, net	**110**	72
(Reversal of) Allowance for inventories (included in "cost of sales")	**(2,310)**	3,578
Provision for litigation and claim (included in "administrative and other operating expenses") *(Note 12(d))*	**–**	2,000
Other rental and related expenses	**–**	3
Research and development expenses	**31,986**	25,876
Less: capitalised as "intangible assets" *(Note (iii))*	**(3,650)**	(3,193)
	28,336	22,683

Notes:

(i) For the period from February to December 2020, the relevant PRC government authorities have given certain temporary reliefs to entities incorporated in the PRC to exempt from payment of certain amount of levies on the social security insurance contributions.

(ii) During the year ended 31 December 2021, cost of inventories included approximately RMB29,547,000 *(2020: approximately RMB31,019,000)*, relating to the aggregate amount of reversal of allowance for inventories *(2020: allowance for inventories)*, certain staff costs and depreciation, which were included in the respective amounts as disclosed above.

(iii) During the year ended 31 December 2021, capitalised intangible assets included approximately RMB1,017,000 *(2020: approximately RMB702,000)*, relating to the staff costs which were included in the respective amounts as disclosed above.

7. INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax — current year	**2,983**	13,174
Hong Kong Profits Tax — current year	**5**	—
	2,988	13,174
Withholding tax		
Withholding tax on dividend income from a PRC subsidiary	**—**	1,392
Deferred tax		
Origination and reversal of temporary differences	**(2,118)**	(1,381)
Income tax expense for the year	**870**	13,185

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% except for 晉江海納機械有限公司 (Jinjiang Haina Machinery Co. Ltd.*) ("**Jinjiang Haina**") and 杭州海納機械有限公司 (Hangzhou Haina Machinery Co. Ltd.*) ("**Hangzhou Haina**") were recognised as High and New Technology Enterprises and are entitled to a preferential tax rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approvals for Jinjiang Haina and Hangzhou Haina enjoying this tax benefit were obtained in December 2019 for the three years ending 31 December 2021 and in December 2020 for the three years ending 31 December 2022, respectively. Jinjiang Haina is in the process of renewing its High and New Technology Enterprise recognition. The management of the Group is of the view that the application for renewal will be completed in 2022.

The Group's entities incorporated in the Cayman Islands and the BVI are exempted from income tax.

For the year ended 31 December 2021, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime, under which the first HK$2 million assessable profits arising from Hong Kong of qualifying entity of the Group, Haina Technology Group Limited ("**Haina Technology**") were taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2 million were taxed at 16.5%. Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising from Hong Kong for the year ended 31 December 2020.

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Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in the PRC.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2021	2020
	RMB'000	*RMB'000*
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	**26,980**	39,953

	2021	2020
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**517,506**	418,183

Diluted earnings per share is the same as basic earnings per share as the effect of potential ordinary shares is anti-dilutive during the year 31 December 2021.

Diluted earnings per share is the same as basic earnings per share as there were no potential ordinary shares outstanding during the year ended 31 December 2020.

9. DIVIDENDS

No dividend was declared by the Group during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period.

A final dividend in respect of the year ended 31 December 2020 of HK$0.05 (equivalent to approximately RMB0.04) per ordinary share, totaling approximately HK$23,500,000 (equivalent to approximately RMB20,895,000) had been proposed by the directors of the Company and was approved by the shareholders of the Company in the annual general meeting held on 28 May 2021. Such dividends were paid on 2 July 2021.

10. DEBT INSTRUMENT AT AMORTISED COST

	2021	2020
	RMB'000	*RMB'000*
Unlisted debt instrument, unsecured	**32,679**	–
Less: Allowance for expected credit losses ("**ECL**")	**(786)**	–
	31,893	–

On 24 January 2021, the Company and Trendzon Holdings Group Limited (formerly known as "Pipeline Engineering Holdings Limited") (the "**Issuer**") entered into a subscription agreement, pursuant to which the Issuer has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for, the bond in the principal amount of HK$40,000,000 (equivalent to approximately RMB33,248,000) at the interest rate of 6% per annum and with maturity date on 26 January 2022 (the "**Bond**") at the subscription price of HK$40,000,000 (equivalent to approximately RMB33,248,000) (the "**Subscription**"). On 26 January 2021, the Subscription was completed. The Issuer is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 1865). Details of the Subscription are set out in the Company's announcements dated 25 and 26 January 2021.

On 25 January 2022, the maturity date of the Bond was subsequently extended to 25 January 2023.

11. TRADE AND OTHER RECEIVABLES

		2021	2020
	Note	*RMB'000*	*RMB'000*
Trade receivables		**77,967**	78,636
Less: Allowance for ECL		**(4,627)**	(3,289)
	11(a)	**73,340**	75,347
Other receivables			
Prepayment to suppliers		**9,264**	8,368
Other prepaid expenses		**1,804**	1,289
Interest receivable from debt instrument at amortised cost		**1,880**	–
Deposits and other receivables		**2,230**	2,326
Value-added tax ("**VAT**") and other tax recoverable		**18,703**	11,143
Capital contribution receivable from the non-controlling shareholders of a subsidiary		**–**	1,720
		33,881	24,846
Less: Allowance for ECL		**(44)**	–
		33,837	24,846
		107,177	100,193

11(a) Trade receivable

Apart from a portion of the contract sum retained by customers to cover the Group's product quality warranty, the Group does not grant credit terms to customers in the sales contract. However, the Group would normally grant credit terms up to 30 days from the date of issuance of invoices to its customers for their processing of billing settlement or settlement terms as specified in the contracts for a specific settlement arrangement with monthly instalments paid up to 12 months as approved by the management on a case by case basis.

Included in trade receivables at 31 December 2021 was retained sums of approximately RMB25,702,000 *(2020: approximately RMB31,708,000)*. These are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the machine).

The ageing analysis of trade receivables (net of allowance for ECL) based on revenue recognition date at the end of reporting period is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 30 days	**1,505**	31,320
31 to 60 days	**2,682**	13,852
61 to 90 days	**4,040**	1,741
91 to 180 days	**14,100**	8,754
181 to 365 days	**27,008**	5,387
Over 365 days	**24,005**	14,293
	73,340	75,347

At the end of reporting period, the aging analysis of the trade receivables (net of allowance for ECL) by due date is as follow:

	2021	2020
	RMB'000	*RMB'000*
Not yet due	**15,702**	39,542
Past due:		
Within 30 days	**5,565**	8,782
31 to 60 days	**3,301**	6,329
61 to 90 days	**5,723**	1,260
91 to 180 days	**9,403**	3,567
181 to 365 days	**23,384**	5,440
Over 365 days	**10,262**	10,427
	73,340	75,347

12. TRADE AND OTHER PAYABLES

	Note	2021 RMB'000	2020 RMB'000
Trade payables	*12(a)*	**76,367**	75,372
Bills payables	*12(b)*	**23,400**	10,000
Other payables			
Salaries payable		**6,390**	6,431
Contract liabilities — receipt in advance	*12(c)*	**98,559**	124,973
Dividend payables to non-controlling shareholders of a subsidiary		**—**	16,660
Accruals and other payables		**12,916**	11,680
Provision for litigation and claim	*12(d)*	**—**	2,000
		117,865	161,744
		217,632	247,116

12(a) Trade payables

The trade payables are non-interest bearing and the Group is normally granted with credit term up to 180 days.

At the end of the reporting period, the aging analysis of the trade payables based on goods receipt date is as follows:

	2021 RMB'000	2020 RMB'000
Within 30 days	**43,782**	59,014
31 to 60 days	**12,274**	7,106
61 to 90 days	**8,404**	5,759
91 to 180 days	**9,972**	2,133
181 to 365 days	**1,619**	192
Over 365 days	**316**	1,168
	76,367	75,372

12(b) Bills payables

At the end of the reporting period, the bills payable are interest-free, guaranteed by banks in PRC and have maturities of less than six months. The Group's bills payables are secured by pledge of the Group's restricted bank deposits of RMB21,700,000 *(2020: RMB2,000,000)*.

12(c) Contract liabilities — receipt in advance

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the reporting period	**124,973**	63,169
Recognised as revenue	**(77,001)**	(33,200)
Receipt in advance	**50,587**	95,004
At the end of the reporting period	**98,559**	124,973

At 31 December 2021, the contract liabilities that are expected to be settled within 12 months are approximately RMB98,559,000 *(2020: approximately RMB124,973,000)*.

For the year ended 31 December 2021, there was a decrease in the overall contract activities, thereby decreasing the amount arising from the receipt of advances.

12(d) Provision for litigation and claim

(i) In January 2021, a customer of Hangzhou Haina (the "**Plaintiff**") submitted an application for civil case proceedings at Hangzhou City Lin'an District People's Court*(杭州市臨安區人民法院)(the "**Lin'an Court**") for claiming approximately RMB2,000,000 from Hangzhou Haina since two machines of disposable medical face mask purchased from Hangzhou Haina in 2020 did not satisfy the quality requirements under the duly signed sales contract (the "**Claim 1**"). Based on the legal opinion of the Group's PRC lawyers, the directors of the Company opined that an outflow of economic benefits is probable and therefore provision for the Claim 1 of approximately RMB2,000,000 has been provided during the year ended 31 December 2020.

On 25 August 2021, a civil judgement issued by the Lin'an Court was received by Hangzhou Haina, pursuant to which Hangzhou Haina was not liable to the Claim 1. The Plaintiff has subsequently filed an appeal with Hangzhou City Intermediate People's Court*(杭州市中級人民法院)(the "**Intermediate Court**"). On 24 March 2022, a civil judgement issued by the Intermediate Court that rejected the appeal of the Plaintiff and upheld the civil judgement of the Lin'an Court. Having taken into consideration of the legal opinion of the Group's PRC lawyers, the directors of the Company have adjusted such event after the reporting period and accordingly, a reversal of provision for the Claim 1 of approximately RMB2,000,000 had been recognised in profit or loss for the year ended 31 December 2021.

Save as disclosed above, there is no further update for Claim 1 up to the date of this announcement.

(ii) In August 2021, a customer of Hangzhou Haina submitted an application for civil case proceedings at Hangzhou City Yuhang District People's Court*(杭州市余杭區人民法院)(the "**Yuhang Court**") for claiming approximately RMB3,490,000 from Jinjiang Haina and Hangzhou Haina since a machine of disposable medical face mask purchased from Hangzhou Haina in 2020 did not satisfy the quality requirement under the duly signed sales contract (the "**Claim 2**"). Based on the legal opinion of the Group's PRC lawyers, the directors of the Company are of the opinion that it is unlikely an outflow of economic benefits in respect of the Claim 2 and therefore no provision for the Claim 2 was made for the year ended 31 December 2021.

Save as disclosed above, there is no further update for Claim 2 up to the date of this announcement.

* *English name is for identification purpose only.*

13. INTEREST-BEARING BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Current		
Bank loans — unsecured	**20,000**	–
Bank revolving loan — unsecured	**19,193**	–
	39,193	–

The exposure of the Group's borrowings are as follows:

	2021	2020
	RMB'000	*RMB'000*
Fixed-rate borrowings	**20,000**	–
Variable-rate borrowing	**19,193**	–
	39,193	–

At 31 December 2021, the Group's variable-rate borrowing carries interest at 1-month Hong Kong Interbank Offer Rate plus 2.2% per annum and is repayable in June 2022.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
	RMB'000	*RMB'000*
Effective interest rate:		
Fixed-rate borrowings	**3.35% to 4.35%**	N/A
Variable-rate borrowing	**2.29%**	N/A

14. SHARE CAPITAL

Ordinary share of HK$0.01 each	*Note*	**Number of shares**	***HK$***	**Equivalent to *RMB'000***
Authorised:				
At 1 January 2020		38,000,000	380,000	203
Increase on 8 May 2020	*i*	1,962,000,000	19,620,000	10,492
At 31 December 2020, 1 January 2021 and **31 December 2021**		**2,000,000,000**	**20,000,000**	**10,695**
Issued and fully paid:				
At 1 January 2020		10	0.10	—*
Issue of shares under the Capitalisation Issue	*ii*	347,999,990	3,479,999.90	3,195
Issue of shares under the Share Offer (including the partial exercise of the over-allotment option)	*iii*	122,004,000	1,220,040.00	1,120
At 31 December 2020 and 1 January 2021		470,004,000	4,700,040.00	4,315
Issue of shares upon the Placing	*v*	93,972,000	939,720.00	773
At 31 December 2021		**563,976,000**	**5,639,760.00**	**5,088**

* *Represent amounts less than RMB1,000.*

Notes:

(i) On 8 May 2020, the authorised share capital of the Company was increased from HK$380,000.00 (equivalent to RMB203,000) divided into 38,000,000 Share of par value HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of par value HK$0.01 each, by the creation of additional 1,962,000,000 shares.

(ii) Pursuant to the resolution in writing of the then sole shareholder of the Company passed on 8 May 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 347,999,990 shares of HK$0.01 each to the then sole shareholder, credited as fully paid at par by way of capitalisation of the sum of HK$3,479,999.90 (equivalent to approximately RMB3,195,000) standing to be credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was completed on 3 June 2020.

(iii) On 3 June 2020, the shares of the Company were listed on the Main Board of the Stock Exchange and 116,000,000 ordinary shares with par value of HK$0.01 each of the Company were issued at a price of HK$1.38 per share by way of share offer (the "**Share Offer**"). The gross proceeds from the Share Offer amounted to HK$160,080,000 (equivalent to approximately RMB146,957,000).

On 24 June 2020, 6,004,000 ordinary shares with par value of HK$0.01 each of the Company were issued at a price of HK$1.38 per share upon partial exercise of the over-allotment option (the "**Over-allotment**"). The gross proceeds from the Over-allotment amounted to HK$8,286,000 (equivalent to approximately RMB7,607,000).

(iv) The expenses attributable to issue of shares under the Share Offer and the Over-allotment of approximately RMB29,153,000 have been recognised in the share premium account within equity of the Company.

(v) On 9 June 2021, the Company entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, up to an aggregate of 94,000,800 placing shares at a placing price of HK$0.89 per placing share to not less than six placees who are individual, corporate, institutional investor or other investors that are third parties independent of the Company and its connected persons (the "**Placing**"). The Placing was completed on 30 June 2021 and total of 93,972,000 placing shares have successfully been placed. The net proceeds of approximately HK$82,791,000 (equivalent to approximately RMB67,971,000) after deducting direct cost of approximately HK$844,000 (equivalent to approximately RMB695,000), of which approximately HK$940,000 (equivalent to approximately RMB773,000) was credited to the Company's equity under share capital and the remaining balance of approximately HK$81,851,000 (equivalent to approximately RMB67,198,000) was credited to the Company's equity under share premium. The placing shares rank pari passu with all existing shares in all respects.

15. SHARE-BASED PAYMENTS

Pursuant to the Company's general meeting on 8 May 2020 (the "**Date of Adoption**"), an ordinary resolution was passed to approve and adopt the new share option scheme of the Company (the "**Scheme**").

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity. Participants of the scheme include (i) any eligible employee; (ii) any director (including executive, non-executive and independent non-executive directors) of the Company, any of its subsidiaries or any invested entity; (iii) any supplier of goods or services to any member of the Group or any invested entity; (iv) any customer of the Group or any invested entity; (v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any invested entity; (vi) any shareholder of any member of the Group or any invested entity or any holder of any securities issued by any member of the Group or any invested entity; and (vii) any other group or class of Participants from time to time determined by the directors as having contributed or may contribute to the development and growth of the Group and any invested entity. The Scheme will remain in force for 10 years from the Date of Adoption, unless otherwise terminated or altered.

The total number of shares which may be granted under the Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue immediately upon completion of the Share Offer (the "**10% Limit**") unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% Limit, if applicable. The maximum number of shares issued and issuable to each participant under the Scheme in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue as at proposed grant date.

Each grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, under the Scheme or any other share option scheme of the Company or any of its subsidiaries shall be subject to approval by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in aggregate over 0.1% of the relevant class of shares in issue and with an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000 within any 12-month period, are subject to shareholders' approval in general meeting.

The offer of grant of share options is accepted upon a remittance in favour of the Company of HK$1 by way of consideration for grant is received by the Company from grantee. The exercise period of the share options granted is determinable by the board of directors and commences from the date on which the offer of share options is duly accepted by the grantee in accordance with the Scheme.

The subscription price of share options is determinable by the board of directors, and shall not be lower than highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No share options had been granted, exercised or lapsed during the year ended 31 December 2020 and there were no outstanding share options at 31 December 2020.

On 21 May 2021, the Company offered to grant a total of 14,000,000 share options at an exercise price of HK$1.14 per share of the Company to certain eligible participants (the "**Grantees**"), of which 10,000,000 and 4,000,000 share options were respectively granted to the executive directors of the Company and certain employees of the Group, pursuant to the Scheme of the Company. The Grantees are entitled, subject to the terms and conditions of the grant and upon exercise, to subscribe a total of 14,000,000 ordinary shares in the share capital of the Company.

The movement during the year ended 31 December 2021 and the share option outstanding at 31 December 2021 are as follows:

Category of the Grantees	Date of grant (dd/mm/yyyy)	Exercise price *HK$*	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options: As at 01/01/2021	Granted during the year	Exercised	Cancelled/ Lapsed	As at 31/12/2021
Directors									
Mr. Hong Yiyuan	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	—	2,000,000	—	—	2,000,000
			01/01/2025	01/01/2025 –20/05/2031	—	1,000,000	—	—	1,000,000
			01/01/2026	01/01/2026 –20/05/2031	—	1,000,000	—	—	1,000,000
					—	4,000,000	—	—	4,000,000
Mr. Zhang Zhixiong	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	—	1,000,000	—	—	1,000,000
			01/01/2025	01/01/2025 –20/05/2031	—	500,000	—	—	500,000
			01/01/2026	01/01/2026 –20/05/2031	—	500,000	—	—	500,000
					—	2,000,000	—	—	2,000,000
Mr. Su Chengya	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	—	1,000,000	—	—	1,000,000
			01/01/2025	01/01/2025 –20/05/2031	—	500,000	—	—	500,000
			01/01/2026	01/01/2026 –20/05/2031	—	500,000	—	—	500,000
					—	2,000,000	—	—	2,000,000
Mr. He Ziping	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	—	1,000,000	—	—	1,000,000
			01/01/2025	01/01/2025 –20/05/2031	—	500,000	—	—	500,000
			01/01/2026	01/01/2026 –20/05/2031	—	500,000	—	—	500,000
					—	2,000,000	—	—	2,000,000
Sub-total					—	10,000,000	—	—	10,000,000

Category of the Grantees	Date of grant (dd/mm/yyyy)	Exercise price *HK$*	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options As at 01/01/2021	Granted during the year	Exercised	Cancelled/ Lapsed	As at 31/12/2021
Eligible employees	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	—	2,000,000	—	—	2,000,000
			01/01/2025	01/01/2025 –20/05/2031	—	1,000,000	—	—	1,000,000
			01/01/2026	01/01/2026 –20/05/2031	—	1,000,000	—	—	1,000,000
Sub-total					—	4,000,000	—	—	4,000,000
Total					—	14,000,000	—	—	14,000,000

The fair values of share options granted to directors and employees on 21 May 2021 are approximately HK$0.355 and HK$0.360 per option respectively, which are calculated using a Binomial Option Pricing Model by an independent professional valuer, Roma Appraisals Limited with the following key inputs:

Share price at the date of grant	HK$1.14
Exercise price	HK$1.14
Expected volatility	46.42%
Risk-free interest rate	1.10%
Expected dividend yield	6.09%

During the year ended 31 December 2021, with reference to the fair value of the share options granted, the Group recognised HK$969,000 (equivalent to approximately RMB804,000) *(2020: Nil)* as equity-settled share-based payment expenses. None of the share options was exercised.

16. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 1 March 2021, Jinjiang Haina and the non-controlling shareholders of Hangzhou Haina (the "**Vendors**"), who have 49% equity interest in Hangzhou Haina, entered into an equity transfer agreement, pursuant to which the Vendors conditionally agreed to sell and Jinjiang Haina conditionally agreed to purchase the remaining 49% of the equity interest in Hangzhou Haina, at an aggregate consideration of approximately RMB12.8 million (the "**Acquisition**"). The Acquisition constitutes a discloseable and connected transaction under the Listing Rules. Details are set out in the Company's announcement dated 1 March 2021.

The Acquisition was completed on 16 March 2021. Upon completion of the Acquisition, Hangzhou Haina became an indirect wholly-owned subsidiary of the Company. The carrying amount of the non-controlling interest in Hangzhou Haina on the date of acquisition was approximately RMB6,631,000, the Group derecognised non-controlling interests of approximately RMB6,170,000 for the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2021, the Group has the following subsequent events:

(a) On 5 January 2022, Zhejiang Haina Tongchuang Smart Technology Co. Ltd. ("**Haina Tongchuang**"), an indirect wholly-owned subsidiary of the Company, received the signed confirmation notice notified by Hangzhou City Planning and Natural Resources Bureau Yuhang District Municipality*（杭州市規劃和自然資源局余杭分局）(the "**Bureau**") that it has successfully bid for the land use rights of a land with a total site area of approximately 27,594 square meters (the "**Land**") offered for sale by the Bureau at an Auction (the "**Auction**") for a consideration of RMB21,830,000. The Land is designated for industrial usage with a term of use of 50 years. Security deposit of RMB21,530,000 for the Auction had been paid by Haina Tongchuang and the remaining consideration of RMB300,000 would be paid upon signing of a transfer agreement to be entered into between Haina Tongchuang and the Bureau in relation to the transfer of the land use rights of the Land (the "**Transfer Agreement**"). Details are set out in the Company's announcement dated 5 January 2022.

On 11 January 2022, the Transfer Agreement was signed and the remaining consideration of RMB300,000 was paid accordingly.

* *English name is for identification purpose only.*

(b) On 24 January 2022, the interest payment for the Bond in the amount of HK$2,400,000 was paid by the Issuer. On 25 January 2022, the Company and the Issuer have agreed to extend the maturity date of the Bond from 26 January 2022 to 25 January 2023. Save for the extension of maturity date, all the other terms and conditions of the Bond remain unchanged. Details are set out in the Company's announcement dated 25 January 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Haina Intelligent Equipment International Holdings Limited (the "**Company**" or "**Haina Intelligent**") and its subsidiaries (collectively, the "**Group**") is an established manufacturer engaging in the design and production of automated machines for manufacturing disposable hygiene products, including baby diapers, adult diapers, lady sanitary napkins, medical disposable face masks and underpads in the People's Republic of China (the "**PRC**").

Since 2021, despite the COVID-19 pandemic situation not having been fully receded, the PRC economic environment demonstrated domestic stability with resilience and an improvement trend given a continual and stable recovery of the PRC economy. During the year ended 31 December 2021 (the "**Year**"), by upholding the development concept of providing comprehensive services to customers, the Group devoted to conducting product designs for customers and customised products, and exercised strict control over quality, and provided customers with installation services and after-sales services upon delivery of products.

The Group had two production bases in the PRC, namely the Jinjiang Production Base and the Hangzhou Production Base, with a total gross floor area of approximately 53,000 sq.m. The Group operated 18 and 9 production lines in the Jinjiang Production Base and the Hangzhou Production Base, respectively. During the Year, the production process of the Group mainly involved in the assembly of components and parts that are used for the production of the Group's products. The Group mainly procured the components and parts for its products from third party sources.

Besides, the Group's indirectly wholly-owned subsidiary, Zhejiang Haina Tongchuang Smart Technology ("**Haina Tongchuang**") was set up in October 2021. On 5 January 2022, received the signed confirmation from Hangzhou City Planning and Natural Resources Bureau Yuhang District Municipality*（杭州市規劃和自然資源局余杭分局）confirming that Haina Tongchuang has successfully won the bid for the land use rights of a land with a total site area of approximately 27,594 square meters (the "**Land**") at a consideration of RMB21.83 million, and also entered into a land delivery agreement with the Qianjiang Economic Development Zone Management Committee of Hangzhou. As of the date of this announcement, the Land was delivered to Haina Tongchuang and Haina Tongchuang is carrying out design, exploration and other works in an orderly manner. The Land is used for building a digital plant which will mainly engage in the design and production of automated machines for disposable hygiene products, so as to meet the customers' surging demand for the Group's products and better achieve the expansion plan and centralise its operation management.

The project was partially funded by the net proceeds received from the placing of new shares under general mandate as at 30 June 2021 as detailed in the placing of new shares under general mandate.

During the Year, the Group recorded a total revenue of approximately RMB393.0 million, with a total number of 62 units of machines sold, representing a decrease of 17.1% as compared to the year ended 31 December 2020 (the "**Prior Year**"). In the meantime, while the Group has its major customer base in the PRC, our home market, it also extended sales to 13 overseas countries during the Year, the Group's net profit after tax, was approximately RMB27.0 million during the Year, representing a decline of approximately 47.5% as compared to the Prior Year.

OUTLOOK

In the future, the Group will make comprehensive efforts in the fields of research and development, acquisition, technical support, and market expansion to provide customers with assured and satisfactory services, thereby maintaining its position as one of the top disposable hygiene product machinery providers in the PRC. The Group intends to implement the following strategies and expansion plans to capitalize on its strengths so as to enhance its business prospects and financial performance.

(1) Improving efficiency of research and development

The Group intends to bid for a parcel of land in Jinjiang, Fujian, the PRC in 2022 for the establishment of a dedicated research and development centre (the "**R&D Centre**") to provide development service for the products under the brand "Haina Machinery", and intends to move all current research and development activities to this location. The establishment of the R&D Centre will help the Group to better monitor the development of its key products, shorten the preparation time for developing customised products, and further enhance the efficiency of the research and development of new products.

Besides, the Group is planning to strengthen research and development capabilities by conducting additional research and development activities through applying new technologies such as precision manufacturing and enhanced automation to improve the research and development capabilities of the Group. During the Year, the Group incurred research and development expenses (including capitalised expenses) of approximately RMB32.0 million, including approximately RMB18.4 million was funded by the Group's internal resources and the remaining of approximately RMB13.6 million was funded by the net proceeds from the Share Offer.

(2) Increasing production flexibility

The Group plans to provide a comprehensive solution to customers through the acquisition of a company engaging in the development, design and manufacture of automatic packaging equipment. Such integration will provide it with more competitive advantages and more flexibility in production. The Group completed the acquisition of the remaining 49% equity interest in Hangzhou Haina Machinery Co., Ltd. ("**Hangzhou Haina**") on 16 March 2021, which has become the Group's indirect wholly-owned subsidiary. On 28 July 2021, the Group entered into a share subscription agreement to subscribe 3,960 shares or 19.8% equity interest of a Hong Kong-incorporated private company, which is an automated production and logistics technology solutions provider, at a cash consideration of HK$19.8 million.

(3) Increasing production capacity of production bases

The Group intends to invest in digital plants to meet the market's higher requirements for the Group's production efficiency, precision and quality due to a continuous expansion of its business and a continual increase in sales orders.

As of the date of this announcement, the Group has taken delivery of land from Qianjiang Economic Development Zone of Hangzhou City, Zhejiang Province, the PRC for the establishment of a digital plant, which will be mainly engaged in the design and manufacture of automated machines for disposable hygiene products. It is expected to meet the customers' surging demand for the Group's products, and to better realise the expansion plan and centralise its operation management. The total investment amount of the plant is expected to be no less than RMB600 million. On 17 December 2021, the Company entered into a land reservation agreement with Anhaiyuan Development and Construction Co., Ltd.*(安海園開發建設有限公司) of Pujiang Economic Development Zone, covering an area of approximately 40 mu with a total land premium of approximately RMB19.9 million. Net proceeds from the Share Offer of the Company were paid as land deposit in January 2022.

(4) Comprehensively enhancing the Group's penetration in overseas markets

Since 2021, the domestic economy has continued to recover steadily, and the sales volume of disposable hygiene products machines in the PRC is expected to increase year by year. According to the data, sales will increase by approximately 6.5% from 2020 to 2024, and will reach to approximately RMB12 billion in 2024. Coupled with the expansion of downstream market and regular upgrade and replacement of machinery, the demand for disposable hygiene products machines in overseas market has gradually recovered.

With the changes in the market and the impact of the COVID-19 pandemic, raw materials have generally increased and labor costs have increased, foreign exchange is also subject to uncertainties. In order to maintain customer relationship, the corresponding cost increase cannot be directly transferred to customers. Therefore, the financial performance of the Group may be affected in the future. The management will take corresponding measures in responding to the market environment change, strengthen cost control, reasonably adjust cost structure, and implement cost reduction strategy. The construction of digital plants by the Group also plays a role in energy conservation and efficiency enhancement to a certain extent.

Therefore, the Group will continue to deeply cultivate the China market, at the same time, increase market development efforts, protect the overseas market share, to achieve both domestic and overseas, continue to consolidate the leading position in the industry.

During the Year and up to the date of this announcement, there are 12 and 2 new customers located in the PRC and overseas, respectively, as a result of deepening the Group's penetration in the PRC and overseas.

(5) Developing "5G + Industrial Internet Digital Empowerment Platform for the Health Products Industry"

The Group is scheduled to cooperate with China Telecom Fujian, which is a branch of China Telecom Corporation Limited, to develop the "5G + Industrial Internet Digital Empowerment Platform for the Health Products Industry". At present, the platform has completed the first phase of the big data dashboard and is expected to complete the entire big data empowerment platform within the next two years, fueling our transition towards "Manufacture + Service". The creation of the Platform will also further strengthen Haina Intelligent's soft power and empower the health products industry to move forward.

Additionally, Haina Intelligent pledges to keep up with times, keep our entrepreneurial spirit at heart and continue to put more expenses into research and development. Always thinking from a customer perspective, we keep giving back to the society and our users with exquisite products and discreet services which are the fruits of our craftsmanship.

FINANCIAL REVIEW

REVENUE

By products type:

		2021			2020	
	Units	***RMB'000***	**%**	*Units*	*RMB'000*	*%*
Baby diaper machines	**33**	**215,073**	**55**	26	153,740	32
Adult diaper machines	**13**	**109,986**	**28**	12	99,354	21
Lady sanitary napkin machines	**14**	**44,117**	**11**	9	36,851	8
Under-pad machines	**2**	**3,516**	**1**	–	–	–
Medical disposable face mask machines	**–**	**–**	**–**	235	164,830	35
Components and parts	**N/A**	**20,290**	**5**	N/A	19,484	4
	62	**392,982**	**100**	282	474,259	100

During the Year, the Group's revenue decreased by approximately RMB81.3 million (or 17%) to approximately RMB393.0 million for the Year as compared to approximately RMB474.3 million for the Prior Year. This was mainly due to the decrease in the sales of medical disposable face mask machines by approximately RMB164.8 million. The decrease was partially offset by the increase in sales of baby diaper machines (approximately RMB61.3 million), adult diaper machines (approximately RMB10.6 million), lady sanitary napkin machines (approximately RMB7.2 million), under-pad machines (approximately RMB3.5 million), and components and parts (approximately RMB0.8 million).

The decrease in sales of medical disposable face mask machines was mainly due to no medical disposable face mask machines sold by the Group for the Year as compared with 235 units of medical disposable face mask machines sold in the Prior Year, which was primarily attributable to a return of normalcy in the PRC after the effects of the coronavirus disease subsided and there was no demand for medical disposable facemask machines during the Year.

As at 31 December 2021, the Group has entered into sales contracts with its customers for the sales and purchase of 24, 23, 9 and 3 units of baby diaper machines, adult diaper machines, lady sanitary napkin machines and under-pad machines with aggregate contract values of approximately RMB152.7 million, RMB224.6 million, RMB35.9 million, and RMB8.0 million, respectively. Subsequent to the Year, the Group further entered into sales contracts with its customers for the sales and purchase of 4 and 1 units of baby diaper machines and adult diaper machines, with aggregate contract values of approximately RMB36.5 million and RMB5.5 million, respectively. The machines under these contracts are expected to be delivered during the year of 2022.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit for the Year decreased by approximately RMB54.5 million to approximately RMB84.8 million for the Year as compared to the Prior Year of approximately RMB139.3 million. The gross profit margin decreased by approximately 7.8% to approximately 21.6% for the Year (Prior Year: approximately 29.4%). The decreases in both gross profit and gross profit margin were mainly due to a decrease in demand of medical disposable face mask machines and no medical disposable face mask machines sold by the Group for the Year, which commanded higher gross profit margins.

OTHER INCOME

The other income mainly comprised government grants, interest income from debt instrument at amortised cost, bank interest income, reversal of provision for litigation and claim and income from sale of scrap materials. The government grants mainly represent the government grants received from government authorities of Fujian Province such as Jinjiang Finance Bureau, Jinjiang Bureau of Economy and Information Technology and Quanzhou Municipal People's Government, which the entitlements were unconditional and at the discretion of the relevant authorities. All the government grants received during the year and/or the Prior Year were one-off and unconditional. The other income increased from approximately RMB10.5 million for the Prior Year by approximately RMB4.9 million or 46.7% to approximately RMB15.4 million for the Year. The increase in other income was mainly due to increase in interest income from debt instrument at amortised cost of approximately RMB1.9 million and reversal of provision for litigation and claim of approximately RMB2.0 million during the Year.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs mainly comprised expenses incurred for business trips and entertainment, depreciation, promotional expenses and repairment costs. The selling and distribution costs decreased from approximately RMB15.9 million for the Prior Year by approximately RMB1.5 million or 10% to approximately RMB14.4 million for the Year. The decrease in selling and distribution costs was mainly attributable to decrease in depreciation charges approximately RMB2.1 million as a result of the machines used for demonstration purpose were fully depreciated in the Prior Year.

ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

The administrative and other operating expenses mainly comprised research and development expenses, staff costs, legal and professional fee, depreciation, amortisation and donation. The administrative and other operating expenses increased from approximately RMB51.8 million for the Prior Year by approximately RMB3.1 million or 6% to approximately RMB54.9 million for the Year. The increase in administrative and other operating expenses was mainly due to the increase in research and development expenses by approximately RMB5.7 million and increase in legal and profession fee by approximately RMB1.4 million which related to acquisition of the remaining 49% equity interest of Hangzhou Haina, grant of share option and employment of placing agent. The amount was partially offset by the decrease in donation of approximately RMB1.4 million.

The increase in research and development cost by approximately RMB5.6 million to approximately RMB28.3 million for the Year (Prior Year: approximately RMB22.7 million) was due to the continuous investment in research and development costs for increasing production capacity and strengthening research and development capabilities.

FINANCE COSTS

For the Year, finance costs was approximately RMB1.6 million, which increased by approximately 25% as compared with the Prior Year (approximately RMB1.3 million). The increase was mainly due to an increase in finance charges on lease liabilities for right-of-use assets in respect of the Group's leased properties, and increase in interest on bank borrowings.

INCOME TAX EXPENSE

For the Year, income tax expense was approximately RMB0.9 million, which decreased by approximately 93% as compared with the Prior Year (approximately RMB13.2 million). The decrease was mainly due to the decrease in taxable profits of the Group's operating subsidiaries in the PRC and no withholding tax on declaration of dividend from its subsidiaries in the PRC for the Year.

PROFITS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the Year, the Company's profit attributable to owners of the Company was approximately RMB27.0 million (Prior Year: approximately RMB40.0 million). The decrease in profit was attributable to owners of the Company was mainly due to the decrease in revenue and gross profit as discussed above.

DIVIDEND

The Board has resolved not to declare a final dividend for the Year.

USE OF PROCEEDS

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 June 2020 (the "**Listing Date**") with a total of 122,004,000 offer shares being issued (including the partial exercise of the Over-allotment Option) based on the share price of HK$1.38 per share. The aggregate nominal value of the said offer shares is HK$1,220,040. The net proceeds of the Share Offer, after deducting underwriting commissions and other fees in connection with the Listing, were approximately HK$130.1 million or RMB119.5 million. The net price per offer share is approximately HK$1.07. The Directors intend to deploy the proceeds according to the manner set out in the prospectus of the Company dated 20 May 2020 (the "**Prospectus**"). The use of net proceeds will be in accordance with the implementation plan as set out in the Prospectus. Set out below is the actual use of net proceeds up to 31 December 2021.

	Net proceeds allocation *RMB million*	**Utilised net proceeds up to 31 December 2021** *RMB million*	**Unutilised net proceeds up to 31 December 2021** *RMB million*	**Amount to be applied in the first 18 months upon listing disclosed in the Prospectus** *RMB million*	**Time frame for utilisation**
Setting up the research and development centre *(Note 1)*	24.1	–	24.1	24.1	Within 2 years from the Listing Date
Strengthening research and development capabilities	22.9	(20.0)	2.9	20.6	Within 2 years from the Listing Date
Increasing production capacity *(Note 2)*	16.8	(3.8)	13.0	12.4	Within 3 years from the Listing Date
Increasing competitiveness through acquisitions *(Note 3)*	43.5	(16.5)	27.0	43.5	Within 2 years from the Listing Date
Working capital and general corporate purposes	12.2	(1.9)	10.3	2.2	Within 2 years from the Listing Date
	119.5	(42.2)	77.3	102.8	

As at 31 December 2021, unutilised proceeds of approximately RMB77.3 million were deposited in licensed banks in Hong Kong and the PRC.

Note:

(1) The progress of the use of proceeds has been slowed down on setting up the research and development centre due to the Company is still in the process of identifying a for suitable site to set up a dedicated research and development centres in Jinjiang City.

(2) The progress of the use of proceeds has been slowed down on the increasing production capacity due to the Group plans to establish a new digital plant in the Hangzhou, which is expected to expand its production capacity and meet its production efficiency, precision and quality, thereby satisfying customers' sales orders in a timely manner.

(3) The progress of the use of proceeds has been slowed down on the increasing competitiveness through acquisitions due to the Company is continuing to looking for suitable acquisition targets which engages in the development, design, and manufacturing of automatic packaging equipment.

Proceeds from the placing of shares

On 30 June 2021, the Company issued 93,972,000 ordinary shares (the "**Placing Shares**") at an issue price of HK$0.89 per share pursuant to the placing agreement entered into by the Company on 9 June 2021. As a result, the Company received net proceeds of approximately HK$82.8 million (equivalent to approximately RMB68.7 million) after deduction of the placing commission and other related expenses. Such proceeds will be used for acquisition of a land parcel to expand the production capacity of the Hangzhou Production Base and as general working capital of the Group. As disclosed in the announcement of the Company dated 5 January 2022 and in note 17(a) to the consolidated financial statements, the Group successfully won the bid for the land use rights of a parcel of land located in Qianjiang Economic Development Area, Hangzhou City, Zhejiang Province, the PRC (the "**Hangzhou new factory**") amounting to approximately RMB21.8 million.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's working capital was mainly financed by internal resources and interest-bearing borrowings. The current ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 2.0 times as at 31 December 2021 (31 December 2020: approximately 2.0 times). The Group generally financed its daily operations from cash flows generated internally.

As at 31 December 2021, the bank balances and cash amounted to approximately RMB102.4 million (31 December 2020: approximately RMB230.4 million). The bank balances and cash are denominated in Renminbi, Hong Kong dollars and United States dollars.

FINANCIAL POLICIES

The Group is exposed to liquidity risk in respect of settlement of its trade payables, bank borrowings and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

CAPITAL STRUCTURE

As at 31 December 2021, the capital structure of the Group consisted of equity of approximately RMB340.0 million (31 December 2020: approximately RMB279.9 million) and bank borrowings of approximately RMB39.2 million (31 December 2020: nil) as described in the paragraph headed "Borrowings" below.

BORROWINGS

As at 31 December 2021, the Group had bank loans of approximately RMB39.2 million (31 December 2020: nil).

As at 31 December 2021, the Group's variable-rate borrowing carries interest at 1-month Hong Kong Interbank Offer Rate plus 2.2% per annum, and fixed rate borrowings carry interest between 3.35% to 4.35% per annum, which are repayable within 1 year.

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total interest-bearing liabilities (defined as the sum of bank loans and lease liabilities) divided by the total equity as at the respective year end was approximately 19.0% as at 31 December 2021 (31 December 2020: approximately 8.9%).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group had the following capital expenditure commitments contracted but not provided net of deposit paid for a development of intangible assets amounted of RMB29.2 million and an acquisition of land use rights amounted of RMB19.9 million.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. The Group has not experienced any difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the Year. The Group did not enter into any foreign exchange derivative contract to manage the currency translation risk of Renminbi against United States dollars and Hong Kong dollars during the Year, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate time.

HUMAN RESOURCES

The Group has employed a total of approximately 394 employees as at 31 December 2021 (31 December 2020: approximately 411 employees) in Hong Kong and the PRC. Staff costs (including Directors' emoluments) amounted to approximately RMB46.9 million for the Year (Prior Year: approximately RMB38.9 million). The remuneration was determined based on the performance and professional experience of employees as well as the prevailing market conditions. The management will regularly review the remuneration policy and arrangement of the Group. In addition to retirement fund contributions, the Group will also distribute discretionary bonus to certain employees as incentives according to their performance. The Group recruits and selects candidates on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position.

CHARGES ON GROUP'S ASSETS

Save as disclosed in note 12(b) to the consolidated financial statements, no assets of the Group were charged or pledged as at 31 December 2021.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group made the following investment and acquisition of further equity interest in a subsidiary during the Year:

(a) On 24 January 2021, the Company and Pipeline Engineering Holdings Limited (currently known as Trendzon Holdings Group Limited) (the "**Issuer**") entered into a subscription agreement, pursuant to which the Issuer has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for, the bonds in the principal amount of HK$40,000,000 with the interest rate of 6.0% per annum at the subscription price of HK$40,000,000 (equivalent to approximately RMB33,248,000) (the "**Subscription**"). On 26 January 2021, the Subscription was completed.

    Details of the Subscription are set out in the Company's announcements dated 25 January 2021 and 26 January 2021.

(b) On 1 March 2021, Jinjiang Haina Machinery Co., Ltd. ("**Jinjiang Haina**"), a wholly-owned subsidiary of the Company and Mr. Xu Yuanquan and Mr. Xu Shuwei (the "**Vendors**") who had 49% equity interest in Hangzhou Haina entered into an equity transfer agreement, pursuant to which the Vendors conditionally agreed to sell and Jinjiang Haina conditionally agreed to purchase 49% of the equity interest in Hangzhou Haina, at an aggregate consideration of RMB12.8 million (the "**Acquisition**"). The Acquisition constituted a discloseable and exempted connected transaction under the Listing Rules. The Acquisition was completed on 16 March 2021 and Hangzhou Haina became an indirect wholly owned subsidiary of the Company.

    Details of the Acquisition are set out in the Company's announcements dated 1 March 2021 and 16 March 2021.

(c) On 28 July 2021, the Group entered into a share subscription agreement to subscribe 3,960 shares or 19.8% equity interest of a Hong Kong-incorporated company, which is an automated production and logistics technology solutions provider, at a cash consideration of HK$19.8 million.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Please refer to the disclosure in the Prospectus on the Group's expansion plans and the announcements of the Company published on 24 June 2021 and 30 June 2021, 5 January 2022 respectively related to the acquisition of land parcel for construction of a "Digital Factory" for the expansion of production capacity of Hangzhou Production Base. On 17 December 2021, the Company entered into a land reservation agreement with Anhaiyuan Development and Construction Co., Ltd.* (安海園開發建設有限公司) of Pujiang Economic Development Zone, covering an area of approximately 40 mu with a total land premium of approximately RMB19.9 million to set up a dedicated research and development centres in Jinjiang City. Save for the above and the matters disclosed in this announcement, the Group currently has no future plans for other material investments or capital assets sanctioned by the Board.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 17 to the consolidated financial statements, there are no significant events affecting the Group which have occurred after the Year and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on 27 May 2022 (Friday) (the "**2022 AGM**"), the register of members of the Company will be closed from 24 May 2022 (Tuesday) to 27 May 2022 (Friday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2022 AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 23 May 2022 (Monday).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the interest of the Company and its shareholders (the "**Shareholders**"). Save as disclosed below, the Company complied with the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules which were applicable to the Company during the year ended 31 December 2021. The Company periodically reviews its corporate governance practices to ensure its continuous compliance. On 1 January 2022, the amendments to the CG Code (the "**new CG Code**") came into effect and the requirements under the new CG Code will apply to corporate governance reports for financial years commencing on or after 1 January 2022. The Company will continue to review its corporate governance practice to ensure compliance with the new CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Hong Yiyuan, the chairman of the Board and the chief executive officer of the Company, currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed that he has complied with the Model Code during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Save for the issue of the Placing Shares under general mandate, details of which are set out in the announcements of the Company dated 9 June 2021 and 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the Group's financial results for the Year including the accounting principles and practices adopted by the Group. There is no disagreement between the Board and the Audit Committee on the Group's financial results during the Year.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ON THE RESULTS ANNOUNCEMENT

The figures in respect of the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of financial position of the Group and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited ("**Mazars**"), Certified Public Accountants, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2021. The work performed by Mazars in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.haina-intelligent.com. The Company's annual report for the Year containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

ACKNOWLEDGEMENT

The Board would like to express its sincere gratitude to the business partners of the Group and Shareholders for their continuous support. The management team and all staff members should also be lauded for their tireless efforts and dedication to the Group.

By Order of the Board
Haina Intelligent Equipment International Holdings Limited
Hong Yiyuan
Chairman and Executive Director

Hong Kong, 31 March 2022

As at the date of this announcement, the Company has four executive Directors, namely Mr. Hong Yiyuan (Chairman), Mr. Zhang Zhixiong, Mr. Su Chengya and Mr. He Ziping, one non-executive Director, namely Mr. Chang Chi Hsung and three independent non-executive Directors, namely Mr. Chan Ming Kit, Dr. Wang Fengxiang and Mr. Ng Tat Fung.

* *English name is for identification purpose only.*