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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- The Group recorded a revenue of approximately RMB199.8 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately RMB201.2 million).

- The Group recorded a gross profit of approximately RMB32.1 million and gross profit margin of approximately 16.1% for the six months ended 30 June 2022 (six months ended 30 June 2021: gross profit of approximately RMB45.8 million and gross profit margin of approximately 22.8%).

- Loss attributable to owners of the Company for the six months ended 30 June 2022 amounted to approximately RMB4.3 million (six months ended 30 June 2021: profit attributable to owners of the Company of approximately RMB18.3 million).

The board (the “**Board**”) of directors (the “**Directors**”) of Haina Intelligent Equipment International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for corresponding six months ended 30 June 2021 (the “**Prior Period**”) as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**199,809**	201,228
Cost of sales		**(167,667)**	(155,391)
Gross profit		**32,142**	45,837
Other income	*6*	**7,597**	7,491
Selling and distribution costs		**(5,598)**	(5,604)
Administrative and other operating expenses		**(29,949)**	(28,306)
(Provision for) Reversal of impairment loss of trade receivables, net		**(1,369)**	1,277
Provision for impairment loss of debt instrument at amortised cost		**(423)**	—
Reversal of impairment loss of other receivables		**13**	—
Change in fair value of equity instruments at fair value through profit or loss ("**FVPL**")		**(4,688)**	—
Equity-settled share-based payment expenses	*18*	**(649)**	(144)
Finance costs	*7*	**(1,151)**	(630)
(Loss) Profit before tax	*7*	**(4,075)**	19,921
Income tax expenses	*8*	**(326)**	(2,189)
(Loss) Profit for the period		**(4,401)**	17,732
Other comprehensive (loss) income:			
Item that will not be reclassified to profit or loss:			
Exchange difference on translation of the Company's financial statements to presentation currency		**(3,652)**	(482)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on consolidation		**3,168**	913
Total other comprehensive (loss) income for the period		**(484)**	431
Total comprehensive (loss) income for the period		**(4,885)**	18,163

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
(Loss) Profit for the period attributable to:			
Owners of the Company		**(4,335)**	18,336
Non-controlling interests		**(66)**	(604)
		(4,401)	17,732
Total comprehensive (loss) income for the period attributable to:			
Owners of the Company		**(4,819)**	18,767
Non-controlling interests		**(66)**	(604)
		(4,885)	18,163
		RMB cents **(Unaudited)**	*RMB cents* (Unaudited)
(Loss) Earnings per share	*10*		
Basic and diluted		**(0.77)**	3.90

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30 June 2022** *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Non-current assets			
Plant and equipment	*11*	**51,340**	35,051
Intangible assets		**3,243**	5,331
Equity instrument at fair value through other comprehensive income ("**FVOCI**")		**14,267**	14,267
Goodwill		**1,369**	1,369
Deferred tax assets		**2,174**	2,174
Deposit paid for acquisition of land use rights	*12*	**19,912**	21,530
		92,305	79,722
Current assets			
Inventories		**245,072**	276,096
Equity instruments at FVPL		**4,458**	8,885
Debt instrument at amortised cost	*14*	**32,903**	31,893
Trade and other receivables	*13*	**110,448**	107,177
Restricted bank deposits		**23,706**	21,700
Bank balances and cash		**75,284**	102,443
		491,871	548,194
Current liabilities			
Trade and other payables	*15*	**191,907**	217,632
Lease liabilities		**10,022**	9,494
Interest-bearing borrowings	*16*	**30,000**	39,193
Income tax payable		**3,056**	3,264
		234,985	269,583
Net current assets		**256,886**	278,611
Total assets less current liabilities		**349,191**	358,333
Non-current liabilities			
Lease liabilities		**10,903**	16,210
Deferred tax liabilities		**2,199**	1,873
		13,102	18,083
NET ASSETS		**336,089**	340,250
Capital and reserves			
Share capital	*17*	**5,088**	5,088
Reserves		**330,822**	334,992
Equity attributable to owners of the Company		**335,910**	340,080
Non-controlling interests		**179**	170
TOTAL EQUITY		**336,089**	340,250

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 in Hong Kong 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 (the "**Directors**"), 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. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Interim Financial Statements are presented in Renminbi ("**RMB**") and all amounts are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management of the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2021, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2021 (the "**Annual Report**").

The Interim Financial Statements have been prepared on historical cost basis.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the Annual Report except for the adoption of the new/revised HKFRSs, HKASs and Interpretations which are relevant to the Group as detailed in note 3 below (hereinafter collectively referred to as the "**new/revised HKFRSs**") which are effective for current interim period.

3. ADOPTION OF NEW/REVISED HKFRSS

In the current interim period, the Group has adopted for the first time the following new/revised HKFRSs issued by the HKICPA, which are effective for the current period.

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018-2020 Cycle

The adoption of the new/revised HKFRSs in the current period had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the Interim Financial Statements.

At the date of authorisation of the Interim Financial Statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The Directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the consolidated financial statements of the Group.

4. SEGMENT INFORMATION

The Directors have determined that the Group has a single operating and reportable segment for the six months ended 30 June 2022 and 2021, 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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**169,633**	162,431
Indonesia	**14,446**	672
India	**7,849**	—
Pakistan	**5,846**	241
Nigeria	**1,112**	9,564
Dubai	**296**	—
Uzbekistan	**235**	—
Korea	**203**	12,764
Phillippine	**183**	—
Angola	**6**	158
Vietnam	**—**	1,413
Yemen	**—**	5,390
Thailand	**—**	8,595
	199,809	201,228

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 asset.

Non-current assets

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The PRC	**75,626**	63,161
Hong Kong	**238**	120
	75,864	63,281

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of aggregate revenue of the Group during the period are as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**20,141**	*Note*

Note: The customer contributed less than 10% of total revenue of the Group for the six months ended 30 June 2021.

5. REVENUE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within HKFRS 15 — at a point in time		
Sales of machines of		
— baby diaper	**51,232**	104,232
— adult diaper	**118,985**	61,814
— lady sanitary napkin	**8,912**	22,063
— underpad	**7,035**	3,516
— pet diaper	**5,841**	—
Sales of components and parts	**7,804**	9,603
	199,809	201,228

The amounts of revenue recognised for the six months ended 30 June 2022 and 2021 that were included in the contract liabilities at the beginning of each reporting period are approximately RMB47.2 million and RMB53.2 million, respectively.

6. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**590**	474
Interest income from debt instrument at amortised cost	**972**	866
Exchange gain, net	**2,724**	654
Government grants *(Note)*	**2,213**	5,108
Sales of scrap materials	**829**	147
Gain on disposal of plant and equipment	**—**	1
Others	**269**	241
	7,597	7,491

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

7. (LOSS) PROFIT BEFORE TAX

This is stated after charging (crediting):

		Six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(a)	**Finance costs**		
	Finance charges on lease liabilities	**487**	630
	Interest on bank borrowings	**664**	—
		1,151	630
(b)	**Staff costs, including directors' remuneration**		
	Salaries, allowances, discretionary bonus and other benefits in kind	**17,920**	19,208
	Equity-settled share-based payment expenses	**649**	144
	Contributions to defined contribution plans	**2,653**	1,677
		21,222	21,029
(c)	**Other items**		
	Cost of inventories *(Note)*	**167,667**	155,391
	Auditor's remuneration	**174**	200
	Amortisation of intangible assets (included in "administrative and other operating expenses")	**2,088**	1,201
	Depreciation of plant and equipment (included in "cost of sales" and "administrative and other operating expenses", as appropriate)	**6,548**	6,362
	Exchange gain, net	**(2,724)**	(654)
	Loss (Gain) on disposal of plant and equipment, net	**4**	(1)
	Provision for litigation and claim (included in "administrative and other operating expenses") *(Note 15(b))*	**1,600**	—
	Research and development expenses	**14,072**	14,746

Note: During the six months ended 30 June 2022, cost of inventories included approximately RMB15.0 million (2021: approximately RMB15.8 million), relating to the aggregate amount of certain staff costs and depreciation, which were included in the respective amounts as disclosed above.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax — current period	**—**	2,369
Deferred tax		
Origination and reversal of temporary differences	**326**	(180)
Income tax expense for the period	**326**	2,189

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**") which were recognised as New and Hightech 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 renewal 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.

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising from Hong Kong for the six months ended 30 June 2022 and 2021.

* *English name is for identification purpose only.*

9. DIVIDENDS

During the six months ended 30 June 2021, a final dividend in respect of the year ended 31 December 2020 of HK$0.05 (equivalent to approximately RMB0.04) per ordinary share (the "**2020 Final Dividends**"), totaling approximately HK$23,500,000 (equivalent to approximately RMB19,535,000) has been proposed by the Directors and was approved by the shareholders of the Company in the annual general meeting held on 28 May 2021. The 2020 Final Dividends were paid on 2 July 2021.

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
(Loss) Profit:		
(Loss) Profit attributable to owners of the Company used for the purpose of basic earnings per share *(RMB'000)*	**(4,335)**	18,336
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share *('000)*	**563,976**	470,523

The computation of diluted earnings per share does not assume the exercise of the outstanding share options since the exercise price per share option was higher than the average share price of the Company for the six months ended 30 June 2022 and 2021.

11. PLANT AND EQUIPMENT

During the six months ended 30 June 2022, plant and equipment (excluding right-of-use assets) purchased by the Group amounted to approximately RMB336,000 (year ended 31 December 2021: approximately RMB1,452,000) and no disposal of plant and equipment by the Group during the period (year ended 31 December 2021: approximately RMB181,000).

During the six months ended 30 June 2022, the Group acquired the land use rights of a parcel of land located in Hangzhou Qianjiang Economic Development Zone, Hangzhou City, Zhejiang Province, the PRC at cost of approximately RMB22,485,000 including an aggregate considerations paid of approximately RMB21,830,000 and other direct transaction costs paid of approximately RMB655,000 in relation to transfer of the land use rights. The Land is designated for industrial usage with term of use of 50 years.

12. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

	At 30 June 2022	At 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deposit paid for acquisition of land use rights	**19,912**	21,530

As at 31 December 2021, the amount represents the security deposit paid for a consideration of RMB21,830,000 to 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**") to bid for the land use rights of a parcel of land located in Hangzhou Qianjiang Economic Development Zone, Hangzhou City, Zhejiang Province, the PRC through the listing for sale process in the auction held by the Bureau. During the period ended 30 June 2022, the Group successfully bid for the land use rights and the amount of security deposit paid of RMB21,530,000 was recognised as cost of right-of-use assets and presented in plant and equipment.

As at 30 June 2022, the amount represents the security deposit paid for a consideration of approximately RMB12,110,000 and approximately RMB7,802,000 to Jinjiang Natural Resources Bureau*（晉江市自然資源局）and Anhaiyuan Development and Construction Co., Ltd. of Jinjiang Economic Development Zone*（晉江經濟開發區安海園開發建設有限公司）for the land use rights of a parcel of land located in Jinjiang Economic Development Zone, Fujian Province, the PRC and its apportioned area respectively. Details are set out in the Company's announcement dated 30 June 2022.

* *English name is for identification purpose only.*

13. TRADE AND OTHER RECEIVABLES

	Note	**At 30 June 2022 *RMB'000* (Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Trade receivables from third parties		**86,945**	77,967
Less: Allowance for expected credit losses ("**ECL**")		**(5,996)**	(4,627)
	13(a)	**80,949**	73,340
Other receivables			
Prepayment to suppliers		**6,044**	9,264
Other prepaid expenses		**2,533**	1,804
Interest receivable from debt instrument at amortised cost		**886**	1,880
Deposits and other receivables		**3,999**	2,230
Value-added tax and other tax recoverable		**16,068**	18,703
		29,530	33,881
Less: Allowance for ECL		**(31)**	(44)
		29,499	33,837
		110,448	107,177

13(a) Trade receivables

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 as approved by the management on a case by case basis.

Included in trade receivables at 30 June 2022 and 31 December 2021 were retained sums of approximately RMB36,634,000 and RMB25,702,000, respectively. These amounts 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 each reporting period is as follows:

	At 30 June 2022 *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Within 30 days	**905**	1,505
31 to 60 days	**13,616**	2,682
61 to 90 days	**5,122**	4,040
91 to 180 days	**16,807**	14,100
181 to 365 days	**13,837**	27,008
Over 365 days	**30,662**	24,005
	80,949	73,340

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

	At 30 June 2022 *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Not yet due	**29,178**	15,702
Within 30 days	**1,390**	5,565
31 to 60 days	**4,851**	3,301
61 to 90 days	**5,006**	5,723
91 to 180 days	**8,618**	9,403
181 to 365 days	**12,905**	23,384
Over 365 days	**19,001**	10,262
	51,771	57,638
	80,949	73,340

14. DEBT INSTRUMENT AT AMORTISED COST

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Unlisted debt instrument, unsecured	**34,112**	32,679
Less: Allowance for ECL	**(1,209)**	(786)
	32,903	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).

On 25 January 2022, the Company and the Issuer has agreed to extend the maturity date of the bond from 26 January 2022 to 25 January 2023. Details are set out in the Company's announcement dated on 25 January 2022.

15. TRADE AND OTHER PAYABLES

	Note	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Trade payables	*15(a)*	**61,487**	76,367
Bills payables		**22,030**	23,400
Other payables			
Salaries payable		**2,842**	6,390
Contract liabilities — receipt in advance		**87,581**	98,559
Accruals and other payables		**16,367**	12,916
Provision for litigation and claim	*15(b)*	**1,600**	–
		108,390	117,865
		191,907	217,632

15(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 each reporting period, the ageing analysis of the trade payables based on goods receipt date is as follows:

	At 30 June 2022 *RMB'000* **(Unaudited)**	At 31 December 2021 *RMB'000* (Audited)
Within 30 days	**46,353**	43,782
31 to 60 days	**5,127**	12,274
61 to 90 days	**4,913**	8,404
91 to 180 days	**2,822**	9,972
181 to 365 days	**1,796**	1,619
Over 365 days	**476**	316
	61,487	76,367

15(b) Provision for litigation and claim

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**").

On 1 August 2022, a civil judgment issued by Yuhang Court was received by Hangzhou Haina, pursuant to which Hangzhou Haina was liable to the Claim of approximately RMB1,600,000, the directors of the Company have adjusted such event after the reporting period and accordingly, a provision for the Claim of approximately RMB1,600,000 was provided in profit or loss for the period six months ended 30 June 2022.

16. INTEREST-BEARING BORROWINGS

	At 30 June 2022 *RMB'000* (Unaudited)	At 31 December 2021 *RMB'000* (Audited)
Unsecured		
Bank loans	**30,000**	20,000
Bank revolving loan	**—**	19,193
	30,000	39,193
Denominated in:		
HK$	**—**	19,193
RMB	**30,000**	20,200
	30,000	39,193

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

	At 30 June 2022 *RMB'000* (Unaudited)	At 31 December 2021 *RMB'000* (Audited)
Fixed-rate borrowings	**30,000**	20,000
Variable-rate borrowing	**–**	19,193
	30,000	39,193

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

	At 30 June 2022 *RMB'000* (Unaudited)	At 31 December 2021 *RMB'000* (Audited)
Effective interest rate:		
Fixed-rate borrowings	**3.35% to 4.5%**	3.35% to 4.35%
Variable-rate borrowing	**N/A**	2.29%

Note:

The banking facilities are subject to the fulfillment of covenants relating to certain of the Company's ratios based on its statement of financial position, as are commonly found in lending arrangements with financial institutions. If the Company was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, the Company's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Company has complied with the covenants and met the scheduled repayment obligations.

The Company regularly monitors its compliance with these covenants and has made payments according to the schedule of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Company continues to meet these requirements.

17. SHARE CAPITAL

Ordinary share of HK$0.01 each	*Note*	**Number of shares**	*HK$*	*Equivalent to RMB'000*
Authorised:				
At 31 December 2021, 1 January 2022 (audited) and 30 June 2022 (unaudited)		2,000,000,000	20,000,000	10,695
Issues and fully paid:				
At 1 January 2021 (audited)		470,004,000	4,700,040.00	4,315
Issue of shares upon placing	*(i)*	93,972,000	939,720.00	773
At 31 December 2021, 1 January 2022 (audited) and **30 June 2022 (unaudited)**		**563,976,000**	**5,639,760.00**	**5,088**

Note:

(i) 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, on a best efforts basis, 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 RMB68,666,000) 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 RMB67,893,000) was credited to the Company's equity under share premium. The Placing shares rank pari passu with all existing shares in all respects.

18. SHARE-BASED PAYMENTS

Movements on the number of share options outstanding during the period are as follows:

	Number of outstanding share options
At 1 January 2022 (Audited)	14,000,000
Granted during the period	—
At 30 June 2022 (Unaudited)	14,000,000

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 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 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	46.02%
Risk-free interest rate	1.10%
Expected dividend yield	6.09%

During the six months ended 30 June 2022, with reference to the fair value of the share options granted, the Group recognised approximately RMB649,000 (30 June 2021: RMB144,000) as equity-settled share-based payment expenses. None of the share options was exercised.

19. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the Interim Financial Statements, the Group has the following subsequent event:

On 15 August 2022, Haina Tongchuang entered into a construction contract with an independent third party, Fujian Huidong Construction Engineering Co., Ltd. (the "**Contractor**"), pursuant to which the Contractor has undertaken the construction works in respect of the factory and other ancillary facilities on the land located in Hangzhou Qianjiang Economic Development Zone, Hangzhou City, Zhejiang Province, the PRC at a consideration of approximately RMB265.6 million. The construction work is expected to complete in January 2024.

Further details of the construction contract were disclosed in the announcement of the Company dated 15 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Haina Intelligent Equipment International Holdings Limited (the "**Company**" or "**Haina Intelligent**") and its subsidiaries (collectively, the "**Group**") are established manufacturers engaging in the design and production of automated machines for manufacturing disposable hygiene products including baby diapers, adult diapers, pet diapers, feminine hygiene napkins, and underpads in the People's Republic of China (the "**PRC**").

In the first half of 2022, domestic economic growth slowed down significantly due to the impact of the COVID-19 pandemic rebound and containment measures, as well as factors such as international geopolitical conflicts and global inflation. However, with the gradual improvement of the epidemic situation and the support of national policies, it is expected that the domestic market will gradually recover in the second half of the year, demonstrated a momentum of stable and progressive growth.

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 square metres The Group operated 18 and 9 production lines in the Jinjiang Production Base and the Hangzhou Production Base, respectively. During the six months ended 30 June 2022 (the "**Period**"), 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, on 5 January 2022, the Company's wholly-owned subsidiary, Zhejiang Haina Tongchuang Intelligent Technology ("**Haina Tongchuang**") successfully won the bid for the land use rights of a parcel of land with a total site area of approximately 27,594 square metres (the "**Land**") at a consideration of approximately RMB21,830,000. As at the date of this announcement, the construction project is undergoing design optimization of engineering drawings and project tendering and procurement in an orderly manner. The Land will be used for the construction of a digital factory with a total gross floor area of approximately 78,579 square metres, which will be principally engaged in the design and production of automated machines for disposable hygiene products to meet customers' surging demand for the Group's products and better achieve the expansion plan and centralized management. The project was partially financed by the net proceeds from the placing of new shares under general mandate which was completed on 30 June 2021.

On 24 June 2022, Jinjiang Haina Machinery Co., Ltd. ("**Jinjiang Haina**"), a wholly-owned subsidiary of the Company, has successfully won the bid for the land use rights of a parcel of land (the "**Land 1**") with a total site area of approximately 28,353 square metres at a consideration of approximately RMB19,900,000, which will be used for the construction of a new research and development and production centre. The centre can shorten the transportation time for disassembling and re-assembling of raw materials during the Group's production process and facilitate staff deployment. In addition, the centre can help expand the Group's production capacity to meet customers' surging demand for the Group's products and better achieve the expansion plan.

During the Period, the Group recorded a total revenue of approximately RMB199.8 million, with a total number of 29 units of machines sold. The Group's customers are mainly located in the PRC, and the Group also sold its products to other 9 overseas countries during the Period. The Group recorded a net loss of approximately RMB4.4 million for the Period.

Outlook

In the future, the Group will make full efforts in research and development, acquisition, technical support, market expansion and other fields to provide customers with all-round, guaranteed and satisfactory services, thus maintaining its position as one of the top suppliers of disposable sanitary products and machinery in the PRC. The Group intends to exploit its advantages by implementing the following strategies and expansion plans to improve the Group's business prospects and financial performance.

(1) Improving efficiency of research and development

On 24 June 2022, the Group has successfully bidden for a parcel of land with a total site area of approximately 28,353 square metres in Jinjiang City, Fujian Province, the PRC for the establishment of a dedicated research and development and production centre (the "**Research and Development Centre**") to provide development services for the products under the brand of "Haina Machinery" and intends to shift the existing research and development activities to this area. The implementation of the Research and Development Centre will help the Group to better monitor the development of key products, shorten the preparation time for developing customized products, and further improve the research and development efficiency 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 Period, the Group incurred research and development expenses (including capitalized expenses) amounted to approximately RMB14.07 million, which were fully funded by the Group's internal resources.

(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 the Group with more competitive advantages and more flexibility in production.

(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.

On 5 January 2022, the Group took delivery of land from Hangzhou Qianjiang Economic Development Zone Management Committee* (杭州錢江經濟開發區管理委員會) 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 not less than RMB600 million.

On 24 June 2022, Jinjiang Haina successfully bid for the Land 1 for the construction of a new research and development and production centre. The total investment of the factory shall not be less than RMB350,000,000.

With the global spread of the COVID-19 pandemic and the Monkeypox pandemic, the world economic environment has become more complex and unstable. The cost of raw material has generally increased, the cost of labor has increased significantly, and the foreign exchange market has fluctuated. In order to maintain customer relationship, it is not possible to directly transfer the corresponding cost increase to the customers. Therefore, the Group expects that there will be certain impact on its financial performance in the future. Of course, the management will also take corresponding measures to strengthen the cost control, adjust the cost structure reasonably and implement the cost reduction strategy based on the market environment and its own situation. The Group's investment in the construction of digital factories has also contributed to the Company's energy conservation and efficiency to a certain extent.

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

Since 2022, due to the rebound of the epidemic, the domestic economic growth has slowed down significantly. However, as the epidemic is gradually under control and a series of national policies are introduced to vigorously support the economy, it is expected that the domestic economy will continue to recover steadily, and the sales volume of disposable hygiene product machinery in China will increase year by year. Along with the expansion of downstream markets and regular upgrade and replacement of machinery, the demand for disposable hygiene products in overseas markets will gradually recover. At the same time, the Group provides customized design and production services to customers, which enables us to understand customers' needs in depth and to develop new products. The Group's customized product design and production services enable us to better understand the needs of our customers, in order to develop tailored new products and provide better services to our customers in order to achieve greater market penetration.

During the Period, the Group intensified its advertising efforts on a number of mainstream media platforms in both domestic and overseas markets, such as TikTok, TouTiao, Google, Alibaba, etc., with an aim to enhance brand exposure and awareness and accelerate brand market penetration. In addition, the Group has entered into a cooperation agreement with an agency company to be responsible for equipment sales in South America and other regions, with a view to exploring new markets. In the future, the Group will continue to deepen its close cooperation with agency companies and continue to explore new overseas markets.

Therefore, the Group will continue its work in intensively cultivating the PRC market, at the same time, expand its efforts on market development, and protect the overseas market share, to achieve both domestic and overseas business growth, with a view to continuously solidifying its leading position in the industry.

(5) Creating a "5G+ Intelligent Platform for Equipment Operation and Maintenance Services"

The Group cooperates with China Telecom Fujian, a branch of China Telecom Corporation Limited, to develop the "5G+ Intelligent Platform for Equipment Operation and Maintenance Services". At present, the platform has completed the real-time operation of big data analysis and has made full use of 5G network and AR technology to realize the visualization and simulation function of equipment. The platform facilitates the Group's transition to "Manufacture + Service". The project aims to create a new pattern of intelligent remote operation and maintenance services and achieve innovation in business model, promote enterprises to achieve streamlined production management, facilitate intelligent and digital development of the hygiene industry, and achieve cost reduction and rapid sustainable development of enterprises in the future.

In addition, Haina Smart promises to keep pace with the times, stay true, stick to the entrepreneurial spirit to explore further, as well as continue to devote more efforts to the Research and Development innovation. Scientific research and innovation is the core motivation for the long-term development of the enterprise. We have been awarded the honorary titles of "National High and New Technology Enterprise", "Ministry of Industry and Information Technology Specialized and New Little Giant Enterprise", "Fujian Science and Technology Little Giant Leading Enterprise", "Fujian Single Champion Product" and so on.

Financial review

Revenue

By type of products:

	Six months ended 30 June					
		2022			2021	
	Units	***RMB'000***	***%***	*Units*	*RMB'000*	*%*
		(Unaudited)			(Unaudited)	
Adult diaper machines	**13**	**118,985**	**59**	8	61,814	31
Baby diaper machines	**8**	**51,232**	**26**	16	104,232	52
Underpad machines	**3**	**7,035**	**4**	2	3,516	2
Lady sanitary napkin machines	**3**	**8,912**	**4**	6	22,063	11
Pet diaper machines	**2**	**5,841**	**3**	—	—	—
Components and parts	**N/A**	**7,804**	**4**	N/A	9,603	4
	29	**199,809**	**100**	32	201,228	100

During the Period, the Group's revenue decreased by approximately RMB1.4 million (or 1%) to approximately RMB199.8 million as compared to approximately RMB201.2 million for the Prior Period. This was mainly due to the decrease in the sales of baby diaper machines (approximately RMB53.0 million), lady sanitary napkin machines (approximately RMB13.2 million), and components and parts (approximately RMB1.8 million). The decrease was partially offset by the increase in sales of adult diaper machines (approximately RMB57.2 million), underpad machines (approximately RMB3.5 million) and launch of new product, pet diaper machines (approximately RMB5.8 million). The increase in sales of adult diaper machines of approximately RMB57.2 million was mainly attributable to the increase in sales of menstrual pant machines in terms of both the number and average selling price during the Period.

As at 30 June 2022, the Group has entered into sales contracts with its customers for the sales and purchase of 10, 2, 3, 2 and 2 units of baby diaper machines, adult diaper machines, lady sanitary napkin machines, underpad machines and wet tissue machines with aggregate contract values of approximately RMB68.6 million, RMB15.9 million, RMB7.8 million, RMB7.6 million and RMB1.3 million, respectively. Subsequent to 30 June 2022, the Group has further entered into sales contracts with its customers for the sales and purchase of 1 and 1 units of baby diaper machines, and wet tissue machines with aggregate contract values of approximately RMB3.5 million and RMB0.7 million, respectively. The machines under these contracts are expected to be delivered during the year of 2022 and 2023.

Gross profit and gross profit margin

The gross profit for the Period decreased by approximately RMB13.7 million to approximately RMB32.1 million for the Period as compared to approximately RMB45.8 million for the Prior Period. The gross profit margin decreased by approximately 6.7 percentage points to approximately 16.1% for the Period (Prior Period: approximately 22.8%). The decreases in both gross profit and gross profit margin were mainly due to (i) the decrease in gross profit margin caused by the significant increase in cost of raw materials and labour cost of the Group; (ii) the inability to transfer increase in production costs to customers by raising the selling prices of our products, other than adult diaper machines, due to market competition; (iii) the disruption of goods delivery and increase in transportation costs caused by the outbreak of the COVID-19 pandemic in the PRC; and (iv) the deterioration in our production efficiency as parts and accessories could not be supplied in time due to adverse effect on the overall supply chain in the PRC caused by the pandemic.

Other income

The other income mainly comprised government grants, interest income from debt instrument at amortised cost, exchange gain, bank interest income and income from the 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 Period and/or the Prior Period were one-off and unconditional. The Group's other income remained stable at approximately RMB7.6 million and RMB7.5 million for the Period and Prior Period respectively.

Selling and distribution costs

The selling and distribution costs mainly comprised expenses incurred for business trips and entertainment, depreciation, promotional expenses and repair costs. The Group's selling and distribution expenses remained stable at approximately RMB5.6 million for both the Period and Prior Period.

Administrative expenses and other operating expenses

The administrative and other operating expenses mainly comprised research and development expenses, staff costs, depreciation, amortisation and donation. The administrative and other operating expenses increased from approximately RMB28.3 million for the Prior Period by approximately RMB1.6 million or 6% to approximately RMB29.9 million for the Period. The increase in administrative and other operating expenses was mainly due to the increase in depreciation expenses on right-of-use assets and professional fee during the Period.

Finance costs

For the Period, finance costs was approximately RMB1.2 million, representing an increase of approximately 100% as compared with the Prior Period (approximately RMB0.6 million). The increase was mainly due to an increase in interest on bank borrowings.

Income tax expense

For the Period, income tax expense were approximately RMB0.3 million, representing a decrease of approximately 86% as compared with the Prior Period (approximately RMB2.2 million). The decrease was mainly due to the decrease in taxable profits of the Group's operating subsidiaries in the PRC for the Period.

Loss attributable to owners of the company

The Group recorded a loss attributable to owners of the Company of approximately RMB4.3 million (Prior Period: profit attributable to owners of the Company of approximately RMB18.3 million). The loss position of the Group for the Period was mainly due to the decrease in gross profit as discussed above.

Interim dividend

The Board has resolved not to declare an interim dividend for the Period.

Use of proceeds from listing

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**") 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 30 June 2022.

	Net proceeds allocation	**Amount of unutilised net proceeds as at 1 January 2022**	**Utilised net proceeds up to 30 June 2022**	**Unutilised net proceeds up to 30 June 2022**	**Time frame for utilisation**
	RMB million	*RMB million*	*RMB million*	*RMB million*	
Setting up the research and development centre *(Note 1)*	24.1	24.1	19.9	4.2	Before 31 December 2022
Strengthening research and development capabilities	22.9	2.9	20.0	2.9	Before 31 December 2022
Increasing production capacity *(Note 2)*	16.8	13.0	5.5	11.3	Before 31 December 2024
Increasing competitiveness through acquisitions *(Note 3)*	43.5	27.0	16.5	27.0	Before 31 December 2024
Working capital and general corporate purposes	12.2	10.3	5.5	6.7	Before 31 December 2024
	119.5	77.3	67.4	52.1	

As at 30 June 2022, unutilized proceeds of approximately RMB52.1 million were deposited in licensed banks in Hong Kong and the PRC.

Note:

(1) As disclosed in the announcement of the Company dated 30 June 2022, the Group successfully won the bid for the land use rights of a parcel of land located in Anhai Park, Jinjiang Economic Development Area, Jinjiang City, the PRC, for a consideration of approximately RMB19.9 million.

(2) On 5 January 2022, the Group took delivery of land from Hangzhou Qianjiang Economic Development Zone of Management Committee* (杭州錢江經濟開發區管理委員會) which is expected to expand its production capacity, 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 Share(s)**") at an issue price of HK$0.89 per Placing Share pursuant to a placing agreement entered into by the Company on 9 June 2021 (the "**Placing**"). As a result, (a) Placing Shares with an aggregate nominal value of HK$939,720 were allotted and issued, (b) a net price of approximately HK$0.881 per Placing Share was received by the Company, (c) the Company received gross proceeds of approximately HK$83.6 million (equivalent to approximately RMB69.3 million) and net proceeds (after deduction of placing commission and other related expenses) of approximately HK$82.8 million (equivalent to approximately RMB68.0 million). The Placing Shares were placed to 36 placees who were individual(s), corporate(s), institutional investor(s) or other investors procured by or on behalf of the sole placing agent, who and whose ultimate beneficial owners were third parties independent of the Company and its connected persons.

As disclosed in the announcement of the Company dated 9 June 2021, the net proceeds from the Placing are intended to be used for the business operations of the Group and also for expanding the production capacity of the Group's production bases in order to meet the surging demand for the Group's products from its customers. As disclosed in the announcement of the Company dated 5 January 2022, Haina Tongchuang successfully won the Land with details set out below:

Location:	West side of Fengyun Road, Hangzhou Qianjiang Economic Development Zone, Hangzhou City, Zhejiang Province, the PRC
Total site area:	Approximately 27,594 square metres
Permitted plot ratio:	Between 1.5 and 2.5
Usage:	Industrial usage with term of use of 50 years.

The Group owns 100% interest in the Land, and the consideration paid by the Group for the acquisition of the Land was approximately RMB21.83 million. According to the supervision agreement, which sets out the conditions and requirements on the Group for the use of the Land, the total investment amount in relation to the development of the Land for the purpose of manufacturing of disposable hygiene products shall be not less than RMB600 million, which amount shall include an investment amount in fixed assets of not less than RMB10 million per mou of the Land.

The Group plans to use all of the net proceeds from the Placing for the purpose of developing its Hangzhou production base. As at the date of this announcement, construction has not yet started on the Land.

	Utilised net proceeds as at 1 January 2022 *RMB million*	**Utilised net proceeds up to 30 June 2022** *RMB million*	**Unutilised net proceeds as at 30 June 2022** *RMB million*	**Time frame for utilisation**
Development of the Group's Hangzhou production base	68.0	21.8	46.2	Before 31 December 2024

Liquidity and financial resources

During the Period, 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 2.1 times as at 30 June 2022 (31 December 2021: approximately 2.0 times). The Group generally financed its daily operations from cash flows generated internally.

Financial policies

The Group is exposed to liquidity risk in respect of settlement of its trade and other 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 30 June 2022, the capital structure of the Group consisted of equity of approximately RMB336.0 million (31 December 2021: approximately RMB340.3 million) and bank borrowings of approximately RMB30.0 million (31 December 2021: approximately RMB39.2 million) as more particularly described in the paragraph headed "Borrowings" below.

Borrowings

As at 30 June 2022, the Group have bank loans of approximately RMB30.0 million (31 December 2021: approximately RMB39.2 million).

The bank loans are repayable within 1 year and were classified as current liabilities as at 30 June 2022.

The bank loans bear fixed interest rate ranging from 3.35% to 4.5% (31 December 2021: 3.35% to 4.35%) per annum.

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 period end was approximately 15.2% as at 30 June 2022 (31 December 2021: approximately 19.1%).

Capital commitment

As at 30 June 2022, the Group had capital expenditure commitments contracted but not provided (net of deposit paid) for development of intangible assets of approximately RMB29.2 million (31 December 2021: nil).

Contingent liabilities

Save as disclosed in note 15(b) in the unaudited condensed consolidated financial statements, the Group had no material contingent liabilities as at 30 June 2022 (31 December 2021: nil).

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 Period. 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 Period, 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 401 employees as at 30 June 2022 (30 June 2021: approximately 413 employees) in Hong Kong and the PRC. Staff costs (including Directors' emoluments) amounted to approximately RMB21.2 million for the Period (Prior Period: approximately RMB21.0 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 pension, the Group will also distribute discretionary bonus and share options 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 assets

No assets of the Group were charged or pledged as at 30 June 2022.

Significant investments and material acquisitions and disposals

Save as disclosed below, the Group did not have significant investment and material acquisitions and disposals during the Period:

(a) On 5 January 2022, Haina Tongchuang, an indirect wholly-owned subsidiary of the Company, received the signed confirmation notice 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) (the "**Bureau**") confirming that it has successfully bidden for the Land offered for sale by the Bureau at the Auction for a consideration of RMB21,830,000. The Land is designated for industrial usage with term of use of 50 years. Security deposit of RMB21,530,000 for the Auction has 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**"). For more details, please refer to 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.

(b) On 24 January 2022, the interest payment for the bond in the amount of HK$2,400,000 (equivalent to approximately RMB2,049,000) was paid by the Issuer. On 25 January 2022, the Company and the Issuer 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. For more details, please refer to the Company's announcement dated 25 January 2022.

Future plans for material investments and capital assets

Reference is made to the disclosure in the Prospectus on the Group's plans to increase its production capacity and the announcement of the Company published on 8 November 2021. On 17 December 2021, the Company entered into a land reservation agreement with Anhaiyuan Development and Construction Co., Ltd. of Jinjiang Economic Development Zone* (晉江經濟開發區安海園開發建設有限公司), covering an area of approximately 40 mu with a total land premium of approximately RMB19.9 million for the purpose of constructing a dedicated research and development centre in Jinjiang City.

As disclosed in the announcement of the Company dated 5 January 2022, Haina Tongchuang successfully won the bid for the land use rights of a parcel of land located in Hangzhou Qianjiang Economic Development Zone, Hangzhou City, Zheijiang Province, the PRC for development of the Group's Hangzhou production base.

As disclosed in the announcement of the Company dated 15 August 2022, the Company's subsidiary and the Contractor entered into the Construction Contract, pursuant to which the Contractor has agreed to undertake the construction works in respect of the factory and other ancillary facilities on the Land at total contract price of approximately RMB265.60 million.

Save as the above and the matters disclosed in this announcement, the Group currently has no plan for material investments and capital assets.

Events after the reporting period

Save as disclosed in note 19 to the unaudited condensed consolidated financial statements, there are no significant events affecting the Group which have occurred after the Period and up to the date of this announcement.

Compliance with the code on corporate governance practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. In the opinion of the Directors, except for the below deviation, the Company has adopted the applicable code provisions ("**CG Code**") in the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange during the Period.

Pursuant to code provision C.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. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Compliance with the model code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all the Directors have confirmed that they have fully complied with the required standards set out in the Model Code during the Period.

Audit committee

The audit committee of the Company (the "**Audit Committee**") assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The duties of the Audit Committee include reviewing, in draft form, the annual report and accounts, half-year report and provide advice and comments to the Board. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Chan Ming Kit, Dr. Wang Fengxiang and Mr. Ng Tat Fung and one non-executive Director, namely Mr. Chang Chi Hsung. The chairman of the Audit Committee is Mr. Ng Tat Fung, who holds the appropriate professional accounting qualification and financial management expertise as required under the Listing Rules to chair the Audit Committee.

The financial information in this announcement has not been reviewed nor audited by the Company's auditor but the Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the Period and is of the opinion that the preparation of such statements complied with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

Purchase, sale or redemption of shares

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

Publication of interim results announcement and interim report

This announcement is published on the Company's website (http://www.haina-intelligent.com) and the Stock Exchange's website (https://www.hkexnews.hk). The interim report of the Company for the Period will be despatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

Appreciation

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and other professional parties for their support throughout the Period.

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

Hong Kong, 24 August 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, Mr. Chang Chi Hsung and three independent non-executive Directors, namely Mr. Chan Ming Kit, Dr. Wang Fengxiang and Mr. Ng Tat Fung.