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If you have sold or transferred all your shares in Haina Intelligent Equipment International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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)

**MAJOR TRANSACTION
CONSTRUCTION CONTRACT IN RELATION TO
THE CONSTRUCTION OF THE FACTORY**

Financial adviser to the Company



建泉融資有限公司

VBG Capital Limited

Unless the context otherwise requires, all capitalised terms in this cover page shall have the same meanings as those defined under the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 11 of this circular

The Company has obtained Written Shareholders’ Approval for the Construction Contract and the transaction contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders who together hold more than 50% of the entire issued share capital of the Company. Accordingly, no extraordinary general meeting will be convened for the purpose of approving the Construction Contract and the transaction contemplated thereunder as permitted under Rule 14.44 of the Listing Rules.

This circular is despatched to the Shareholders for information only.

This circular will be published on the Stock Exchange’s website (www.hkexnews.hk) and the Company’s website (www.haina-intelligent.com).

23 September 2022

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Introduction	4
Material terms of the Construction Contract	5
Reasons for and benefits of entering into the Construction Contract	9
Listing Rules implications	9
Financial effect of the Construction Contract	10
Information of the parties	10
Recommendation	11
Additional information	11
Appendix I – Financial Information of the Group	12
Appendix II – General Information	16

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acting In Concert Confirmation”	the acting in concert confirmation entered into on 4 March 2022
“Announcements”	the announcements published by the Company on 8 November 2021 and 5 January 2022 in respect of the Framework Agreement and the acquisition of land use rights of the Land
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Haina Intelligent Equipment International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (stock code: 1645)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Construction Work(s)”	the construction works in respect of the Factory and other ancillary facilities situated on the Land
“Construction Contract”	the construction contract entered into between Haina Tongchuang and the Contractor on 15 August 2022 in respect of the Construction Works
“Contractor”	Fujian Huidong Construction Engineering Co., Ltd.* (福建省惠東建築工程有限公司), a company incorporated in the PRC
“Director(s)”	the director(s) of the Company
“Framework Agreement”	the framework agreement entered into between Haina Tongchuang and the Municipal Qianjiang Economic Development Area Committee* (杭州錢江經濟開發區管理委員會)
“Factory”	a factory with a gross floor area of approximately 76,000 square meters, which will be principally engaged in the design and production of automated machines for manufacturing disposable hygiene products
“Group”	the Company and its subsidiaries

DEFINITIONS

“Haina Tongchuang”	Zhejiang Haina Tongchuang Intelligent Technology Company Limited* (浙江海納同創智能科技有限公司), an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Group, its connected persons and their respective associates and not acting in concert with any substantial shareholder (as defined under the Listing Rules) of the Company within the meaning of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong
“Jinjiang Haina”	Jinjiang Haina Machinery Company Limited (晉江海納機械有限公司), a wholly-owned subsidiary of the Company
“Land”	the land parcel located at the west side of Fengyun Road, Qianjiang Economic Development Area, Hangzhou City, Zhejiang Province, the PRC, with a total site area of approximately 27,594 square meters and permitted plot ratio of between 1.5 and 2.5, designated for industrial usage with term of use of 50 years, of which the land use rights of the land parcel has been acquired by the Company
“Latest Practicable Date”	20 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

“PRC”	the People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prestige Name”	Prestige Name International Limited (威名國際有限公司), a company incorporated in the BVI with liability limited by shares on 22 May 2017 and is owned as to 46.84%, 26.13%, 19.64%, 6.31% and 1.08% by Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya, Mr. He Ziping, and Mr. Chang Chi Hsung respectively. Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya, Mr. He Ziping, Mr. Chang Chi Hsung and Prestige Name are parties acting in concert pursuant to the Acting in Concert Confirmation and each of them is controlling shareholder (as defined under the Listing Rules) of the Company as at the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Total Contract Price”	the contractual amount of approximately RMB265.60 million, subject to adjustment under the Construction Contract arising from market fluctuation of construction materials and labour costs
“Trade Union Committee”	Fujian Huidong Construction Engineering Co., Ltd. Trade Union Committee* (福建省惠東建築工程有限公司工會委員會)
“Written Shareholders’ Approval”	the written approval dated 15 August 2022 given by Prestige Name in respect of the Construction Contract and the transaction contemplated thereunder
“%”	per cent.

* For identification purposes only

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Hong Yiyuan

(Chairman and Chief Executive Officer)

Mr. Zhang Zhixiong

Mr. Su Chengya

Mr. He Ziping

Registered office:

Cricket Square

Hutchins Drive

PO Box 2681,

Grand Cayman KY1-1111

Cayman Islands

Non-executive Director:

Mr. Chang Chi Hsung

Principal place of business in Hong Kong:

Flat C, 22nd Floor

Max Share Centre

373 King's Road

North Point

Hong Kong

Independent Non-Executive Directors:

Mr. Chan Ming Kit

Dr. Wang Fengxiang

Mr. Ng Tat Fung

*Head office and principal place of
business in the PRC:*

Wuli Technology Park

Economic Development Area

Jinjiang City

PRC

23 September 2022

To the Shareholders,

Dear Sir/Madam,

MAJOR TRANSACTION CONSTRUCTION CONTRACT IN RELATION TO THE CONSTRUCTION OF THE FACTORY

INTRODUCTION

The Board is pleased to announce that on 15 August 2022, Haina Tongchuang 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.

The purpose of this circular is to provide the Shareholders with further details of the Construction Contract and the transaction contemplated thereunder, and such other information as required under the Listing Rules.

LETTER FROM THE BOARD

MATERIAL TERMS OF THE CONSTRUCTION CONTRACT

The principal terms of the Construction Contract are set out as follows:

Date : 15 August 2022

Parties : (i) Haina Tongchuang; and
(ii) the Contractor.

Scope of Construction Works: The Contractor shall be responsible for the construction works of the Factory, including but not limited to the (i) civil engineering works; (ii) foundation works; (iii) main structural construction works; (iv) electrical and plumbing installation works; (v) fire protection system works; (vi) weak current system engineering works; (vii) ventilation and air conditioning system works; and (viii) fitting out works.

The Contractor shall also be responsible for the construction works of the ancillary facilities, including but not limited to (i) pavement hardening works; (ii) construction of enclosure walls; (iii) landscape engineering works; and (iv) other ancillary construction works.

Construction period : The Construction Works are expected to be completed within 510 days after the commencement of the Construction Works.

If there are any delays to the expected construction schedule and such delay is attributable to the Contractor, the Contractor shall be subject to a daily delay fee of RMB1,327,981 (equivalent to approximately HK\$1,544,575).

Total Contract Price : RMB265,596,155 (equivalent to approximately HK\$308,914,888), subject to adjustment under the Construction Contract arising from market fluctuation of construction materials and labour costs.

LETTER FROM THE BOARD

The Total Contract Price was determined after arm's length negotiations between the Group and the Contractor and on normal commercial terms with reference to (i) the expected scope, complexity and quality of the Construction Works; (ii) the experience, competency and market position of the Contractor; (iii) the anticipated material and labour costs; and (iv) the prevailing market prices for carrying out construction works of comparable scale and complexity.

The Total Contract Price will be funded by internal resources and banking facilities of the Group. Upon the completion, the Company will disclose the final Total Contract Price of the Construction Works.

Adjustment mechanism : The Total Contract Price would be adjusted in the event that there is significant increase or decrease in market price (the market price shall be subject to the later publication of Hangzhou Construction Cost Information*《杭州造價信息》 and Zhejiang Construction Cost Information*《浙江造價信息》) of construction materials (including steel, concrete, cement, mixed mortar, aluminium alloy doors and windows, aluminium metal veneer, wire and cable) and labour costs. If the change in market price is within 5% when compared with the benchmark price (the benchmark price shall be subject to the 2022 6th Edition Hangzhou Construction Cost Information* (《2022年第6期杭州造價信息》) and 2022 6th Edition Zhejiang Construction Cost Information* (《2022年第6期浙江造價信息》) published by Hangzhou Construction Engineering Cost Association* (杭州市建設工程造價管理協會) and Zhejiang Provincial Construction Project Cost Management Station* (浙江省建設工程造價管理總站) respectively), the Total Contract Price will remain unchanged. If the change in market price is greater than 5% when compared with the benchmark price, the cost of construction materials or labour costs (which constitute parts of the Total Contract Price) will be adjusted in accordance to the price change (deducting 5% as the risk margin borne by both Haina Tongchuang and the Contractor). There is no maximum adjustment amount. However, as the cost information published or to be published by the government is based on the then market situation, drastic fluctuation in the cost of construction materials and labour costs is limited. To the best of the Directors' knowledge, information and belief by having made all reasonable enquiries, the adjustment mechanism (comparing the market price with the benchmark price published by the government) is in line with the industry norm.

LETTER FROM THE BOARD

In the future, the Company will monitor the amount of adjustment (if any) and where necessary, comply with the requirements under Chapter 14 of the Listing Rules. For the sake of prudence, the Directors are aware that once the highest applicable percentage ratio in respect of the adjusted Total Contract Price under Chapter 14 of the Listing Rules exceeds 100%, the Construction Contract will constitute a very substantial transaction of the Company and the Company would hold a general meeting for approving the adjusted Total Contract Price and make relevant disclosure in accordance with Rule 14.44 of the Listing Rules.

Payment terms and schedule : **For the construction works of the Factory**

Prepayment

- (i) 10% of the contract price for the construction works of the Factory shall be paid to the Contractor as prepayment.

Construction

- (i) after completion of the construction piles and maintenance piles, 75% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (ii) after completion of the foundation pit support (inclusive of civil engineering works), 75% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (iii) after completion of the foundation works, 75% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (iv) for workshop no.1 and workshop no. 2, after completion of the frame structure for each two floors, 70% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (v) for workshop no.3 and dormitory, after completion of the frame structure for each three floors, 70% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (vi) after completion and passing the acceptance checking of the main structural works, 70% of the contract price in relation to the respective parts shall be paid to the Contractor;

LETTER FROM THE BOARD

- (vii) after completion of the renovation works of the main structural surface and the removal of scaffoldings, 70% of the contract price in relation to the respective parts shall be paid to the Contractor;
- (viii) after completion and passing the acceptance checking of all the construction works of the Factory, 70% of the contract price for the construction works of the Factory shall be paid to the Contractor;
- (ix) after completion and passing the joint acceptance checking of all the construction works of the Factory from all of Haina Tongchuang, the designer, the supervisor and the Contractor, 92% of the contract price for the construction works of the Factory shall be paid to the Contractor; and
- (x) 97% of the contract price for the construction works of the Factory shall be paid to the Contractor after completion settlement.

Defects liability period retention

- (i) the remaining 3% of the contract price for the construction works of the Factory shall act as a retention money and shall be paid to the Contractor after the defects liability period.

For the construction works of the ancillary facilities

Payment for the construction works of the ancillary facilities is divided into four instalments, the Contractor shall apply for the settlement of each instalment in accordance with completion progress.

- Performance guarantee : The Contractor shall issue a guarantee in favour of Haina Tongchuang in the amount of 3% of the Total Contract Price for the performance of its obligations under the Construction Contract. The Contractor shall provide a letter of guarantee in an amount equivalent to 3% of the Total Contract Price issued by a bank to Haina Tongchuang within 7 days after the execution of the Construction Contract.
- Defects liability period : During the defects liability period, the Contractor shall be responsible for handling quality problems in relation to the Construction Works in a timely manner and in accordance with the Construction Contract:

LETTER FROM THE BOARD

- (i) unless otherwise specified, the defects liability period shall be three years from the date of completion of the Construction Works and the obtaining of comprehensive acceptance by the construction department of the government;
- (ii) the defects liability period for foundation works and main structural works shall be the reasonable service life as stipulated in the relevant design documents; and
- (iii) the defects liability period for roofing waterproof works, waterproofing and leakage prevention works of washrooms, rooms and external walls shall be five years from the date of the obtaining of comprehensive acceptance by the construction department of the government.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION CONTRACT

Reference is made to the Announcements published by the Company. As disclosed in the Announcements, pursuant to the Framework Agreement, the Group agreed to acquire the land use rights of the Land for construction and operation of a factory with a gross floor area of approximately 76,000 square meters, which will be principally engaged in the design and production of automated machines for manufacturing disposable hygiene products including adult diapers and sanitary napkins. The Group is required to commence the Construction Works on the Land within six months from the date of the delivery of the Land and complete the Construction Works within two years from the commencement date of the Construction Works. The Group intends to move the Hangzhou production base to the Factory with automated production for disposable hygiene products. As such, the Group will benefit from the reduction of rental expenses. Also, the new production plant can help expanding the Group's production capacity in order to meet the surging demand of the Group's products from its customers, better realise its expansion plan and centralise its operation management. The Directors are of the view that the construction of the new plant provides an opportunity for the Group to realise such plan and is beneficial to the long-term development of the Group.

Based on the reasons above, the Directors are of the view that the terms and conditions of the Construction Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in respect of the Construction Contract under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Construction Contract constitutes a major transaction and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Construction Contract and the transaction contemplated thereunder, and as such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction Contract and the transaction contemplated thereunder.

In addition, the Company has obtained Written Shareholders' Approval for the Construction Contract and the transaction contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from Prestige Name, which holds an aggregate of 349,188,000 Shares representing approximately 61.92% of the entire issued share capital of the Company as at the Latest Practicable Date.

On the basis that (i) no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the approval of the Construction Contract and the transaction contemplated thereunder; and (ii) Written Shareholders' Approval has been obtained by the Company, no extraordinary general meeting will be convened for the purpose of approving the Construction Contract and the transaction contemplated thereunder as permitted under Rule 14.44 of the Listing Rules.

FINANCIAL EFFECT OF THE CONSTRUCTION CONTRACT

When the Total Contract Price under the Construction Contract are incurred, the relevant portion of the Total Contract Price will be capitalised to "construction in progress" in the consolidated balance sheet of the Group. Upon completion of the Construction Works, the amount under "construction in progress" will be transferred to "property, plant and equipment". The payment of the Total Contract Price, and the payments and expenses incurred and to be incurred in connection with the Construction Works would result in a decrease in "cash and cash equivalents" and/or an increase in "bank borrowings". It is expected that completion of the Construction Works will have no impact on the net assets of the Group as the Total Contract Price will be settled by internal resources and bank borrowings (i.e. fixed asset loans) of the Group.

The Company considers that there will not be any material effect on the earnings of the Group immediately due to the execution of the Construction Contract. Since the Total Contract Price is expected to be funded by internal resources and bank borrowings (i.e. fixed asset loans) of the Group, the cash and cash equivalents of the Group will decrease and the Group's bank borrowings will increase, and as a result, the bank interest income of the Group will be reduced and the finance costs from interest-bearing loans will increase. The finance costs from interest-bearing loans that are directly attributable to the Construction Works will be capitalised in the construction cost of the plant during the construction period.

INFORMATION OF THE PARTIES

Information on the Group

The Group is principally engaged in the design and production of automated machines for manufacturing disposable hygiene products.

LETTER FROM THE BOARD

Information on the Contractor

The Contractor is a company established in the PRC with limited liability. Based on publicly available information and to the best knowledge, information and belief of the Directors, the Contractor principally engages in foundation works, superstructure works, electrical and mechanical engineering works, fire protection works, facade installation works and municipal public works. To the best knowledge, information and belief of the Directors, the Trade Union Committee is incorporated as a trade union under the Trade Union Law of the PRC 《中華人民共和國工會法》. Its principal daily functions are (i) safeguarding the rights and benefits of the Contractor's employees; (ii) mobilizing employees to participate in activities organized by the Contractor; (iii) acting as employees' representative to take part in the Contractor's management; and (iv) acting as mediator to settle labour disputes between the Contractor and its employees.

To the best knowledge, information and belief of the Directors, the beneficial owner(s) of the Trade Union Committee would be the entire existing employees who joined the Trade Union Committee which comprises of 53 members as at the Latest Practicable Date, who jointly and severally share the benefits and bear the liability of the Trade Union Committee. The Contractor, the members of the Trade Union Committee and their respective associates are Independent Third Parties as at the Latest Practicable Date.

RECOMMENDATION

Although no general meeting of the Company will be convened for the approval of the Construction Contract and the transaction contemplated thereunder, the Board (including the independent non-executive Directors) considers that the terms of the Construction Contract are on normal commercial terms, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, if a general meeting of the Company was convened for the approval of the Construction Contract and the transaction contemplated thereunder, the Board would have recommended that all Shareholders vote in favour of the resolutions to approve the Construction Contract and the transaction contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the financial information of the Group and general information set out in the appendices to this circular.

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,

By Order of the Board

Haina Intelligent Equipment International Holdings Limited
Hong Yiyuan

Chairman, Chief Executive Officer and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the financial years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 are disclosed in the following documents which have been published both on the websites of the Stock Exchange at <https://www.hkexnews.hk> and the Company at <https://www.haina-intelligent.com>:

- Annual report of the Company for the year ended 31 December 2020 (pages 70 to 138) <https://www1.hkexnews.hk/listedco/listconews/schk/2021/0421/2021042100722.pdf>
- Annual report of the Company for the year ended 31 December 2021 (pages 74 to 156) <https://www1.hkexnews.hk/listedco/listconews/schk/2022/0425/2022042501134.pdf>
- Interim results announcement of the Company for the six months ended 30 June 2022 <https://www1.hkexnews.hk/listedco/listconews/schk/2022/0824/2022082400720.pdf>

INDEBTEDNESS**Borrowings**

As at 31 July 2022, the Group has bank loans of approximately RMB30.0 million.

The bank loans are repayable within 1 year and were classified as current liabilities as at 31 July 2022.

The bank loans bear fixed interest ranging from 3.35% to 4.5%.

Contingent Liabilities

As at the close of business on 31 July 2022, the Group did not have any material contingent liabilities.

Lease Liabilities

As at the close of business on 31 July 2022, the Group had total lease liabilities of approximately RMB18.2 million.

Commitments

As at the close of business on 31 July 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 and acquisition of land use rights of approximately RMB19.9 million.

The Group had unsecured bank loans of approximately RMB30.0 million.

Save as disclosed above, as at the close of business on 31 July 2022, the Company did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or term loans (secured, unsecured, guaranteed or otherwise), other borrowings or indebtedness in the nature of borrowings including liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

2. WORKING CAPITAL

The Directors, after due and careful considerations, are of the opinion that, after taking into account the financial resources presently available to the Group, cash flows generated from future operations, the existing cash and cash equivalents balances of the Group, and available credit facilities, the Directors are of the opinion that the Group has sufficient working capital to satisfy its requirements for its normal business for at least 12 months from the date of publication of the circular, in the absence of unforeseeable circumstances.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

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.

(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.

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, protect the overseas market share, to achieve both domestic and overseas, 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 the Fujian 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 artificial intelligence 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, the Group 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. The Group has been awarded the honorary titles of “National High and New Technology Enterprise (國家高新科技企業)”, “Ministry of Industry and Information Technology Specialized and New Little Giant Enterprise (工信部專精特新小巨人企業)”, “Fujian Science and Technology Little Giant Leading Enterprise (福建省科技型企業)”, “Fujian Single Champion Product (福建省單項冠軍產品)” and so on.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Directors	Capacity	Number of Shares (Other than pursuant to equity derivatives)	Number of underlying shares held pursuant to share options granted under the share options scheme adopted on 8 May 2020	Approximate percentage of the issued Shares
Mr. HONG Yiyuan ^(2,3) ("Mr. Hong")	Interest in a controlled corporation	349,188,000	–	61.92%
	Beneficial interest and interests held jointly with another person	–	10,000,000	1.77%
Mr. ZHANG Zhixiong ^(2,3) ("Mr. Zhang")	Interest in a controlled corporation	349,188,000	–	61.92%
	Beneficial interest and interests held jointly with another person	–	10,000,000	1.77%
Mr. SU Chengya ^(2,3) ("Mr. Su")	Interest in a controlled corporation	349,188,000	–	61.92%
	Interest held jointly with another person	–	10,000,000	1.77%

Name of Directors	Capacity	Number of Shares (Other than pursuant to equity derivatives)	Number of underlying shares held pursuant to share options granted under the share options scheme adopted on 8 May 2020		Approximate percentage of the issued Shares
Mr. HE Ziping ^(2,3) ("Mr. He")	Interest in a controlled corporation	349,188,000	–		61.92%
	Beneficial interest and interests held jointly with another person	–	10,000,000		1.77%
Mr. CHANG Chi Hsung ^(2,3) ("Mr. Chang")	Interest in a controlled corporation	349,188,000	–		61.92%
	Interests held jointly with another person	–	10,000,000		1.77%

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) The Company is directly owned as to 61.92% by Prestige Name, a company incorporated in the British Virgin Islands with limited liability. Prestige Name is legally and beneficially owned as to 46.84%, 26.13%, 19.64% and 6.31% and 1.08% by Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang (the "Controlling Shareholders"), respectively.
- (3) Mr. Hong, Mr. Zhang, Mr. Su, Mr. He, Mr. Chang and Prestige Name are parties acting in concert pursuant to the Acting In Concert Confirmation. By virtue of the SFO, they are deemed to be interested in (i) the indirect attributable interest of the ordinary shares of the Company held by their controlled corporation; and (ii) the respective numbers of shares in Prestige Name held by other parties acting in concert. Therefore, the Controlling Shareholders together are deemed to be interested in a total of 61.92% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the best of the Directors' knowledge, the following entities or persons (other than the Directors and chief executive of the Company) had or were deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Name	Capacity	Number of Shares/ underlying shares held ⁽¹⁾	Approximate percentage of the issued Shares
Prestige Name ^(2,3)	Beneficial owner	349,188,000	61.92%
	Interests held jointly with another person ⁽⁴⁾	10,000,000	1.77%

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) The Company is directly owned as to 61.92% by Prestige Name. Prestige Name is legally and beneficially owned as to 46.84%, 26.13%, 19.64% and 6.31% and 1.08% by Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang, respectively.
- (3) Mr. Hong, Mr. Zhang, Mr. Su, Mr. He, Mr. Chang and Prestige Name are parties acting in concert pursuant to the Acting In Concert Confirmation. By virtue of the SFO, they are deemed to be interested in (i) the indirect attributable interest of the ordinary shares of the Company held by their controlled corporation; and (ii) the respective numbers of shares in Prestige Name held by other parties acting in concert. Therefore, the Controlling Shareholders together are deemed to be interested in a total of 61.92% of the issued share capital of the Company.
- (4) This 10,000,000 shares represent an aggregate of 10,000,000 share options granted to Mr. Hong, Mr. Zhang, Mr. Su and Mr. He, the shareholders of Prestige Name on 21 May 2021, which are exercisable according to the exercise periods disclosed in note 30 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2021. Pursuant to the Acting in Concert Confirmation, Prestige Name is deemed to be interested in an aggregate of 10,000,000 Shares upon exercise of the said share options.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any entities which or persons (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have interests or short positions in the Shares or the underlying Shares, which had been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were entered in the register kept by the Company under the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has or is proposed to have a service contract or letter of appointment with the Company that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated accounts of the Company have been made up).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, save as disclosed in the annual report of the Company for the year ended 31 December 2021:

- (a) none of the Directors had any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered by the Group within two years immediately preceding this circular, which are, or may be material.

- (a) the subscription agreement dated 24 January 2021 entered into between the Company and Pipeline Engineering Holdings Limited (now known as Trendzon Holdings Group Limited), pursuant to which Pipeline Engineering Holdings Limited (now known as Trendzon Holdings Group Limited) 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;
- (b) the equity transfer agreement dated 1 March 2021 entered into between Jinjiang Haina, Mr. Xu Yuanquan (徐源泉) and Mr. Xu Shuwei (徐書唯), in relation to the acquisition of 49% equity interests in Hangzhou Haina Machinery Company Limited, a non-wholly owned subsidiary of the Company, at an aggregate consideration of RMB12,800,000;
- (c) the transfer agreement dated 5 January 2022 entered into between Haina Tongchuang and 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), in relation to the transfer of the land use rights of the Land at the consideration of RMB21.83 million;
- (d) the transfer agreement dated 30 June 2022 entered into between Jinjiang Haina and Jinjiang City Natural Resources Bureau* (晉江市自然資源局), in relation to the transfer of state-owned land use rights of a land parcel located in Anhai Park, Jinjiang Economic Development Area at a total consideration of RMB12.6 million; and
- (e) the Construction Contract, the material terms of which are set out in this circular.

10. GENERAL

The company secretary of the Company is Mr. Lau Wai Piu Patrick who is a fellow member of The Hong Kong Institute of Certified Public Accountants.

The head office and principal place of business of the Company in the PRC is Wuli Technology Park, Economic Development Area, Jinjiang City, PRC.

The principal place of business of the Company in Hong Kong is Flat C, 21st Floor, Max Share Centre, 373 King's Road, North Point, Hong Kong.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

11. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.haina-intelligent.com) from the date of this circular up to 14 days thereafter:

- (a) the Construction Contract; and
- (b) the letter from the Board as set forth in this circular.

12. MISCELLANEOUS

In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.