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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to the Company



建泉融資有限公司

VBG Capital Limited

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the prospectus of the Company dated 20 May 2020 in relation to the 2020 Continuing Connected Transaction Agreements and the announcements of the Company dated 30 September 2021 and 8 October 2021 in relation to the revision of annual caps for certain continuing connected transactions of the Company for the year ended 31 December 2021. As the 2020 Continuing Connected Transaction Agreements will expire on 31 December 2022, the Company has entered into the 2023 Continuing Connected Transaction Agreements on 9 December 2022 to renew the agreements and the annual caps.

LISTING RULES IMPLICATIONS

The 2023 Hengqin Purchase Agreement

Hengqin Machinery is a limited liability company established in the PRC, and is wholly-owned by three relatives of Mr. Su, one of our executive Directors and a controlling Shareholder of the Company. As such, Hengqin Machinery is a connected person of the Company and the transactions contemplated under the 2023 Hengqin Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the 2023 Hengqin Purchase Agreement are over 0.1% but less than 5%, the transactions contemplated under the 2023 Hengqin Purchase Agreement are subject to the reporting, announcement and annual review requirements under Rule 14A.76(2) of the Listing Rules, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2023 Shengrong Purchase Agreement

Shengrong Machinery is a limited liability company established in the PRC, and is wholly-owned by a relative of Mr. Su, one of our executive Directors and a controlling shareholder of the Company. As such, Shengrong Machinery is a connected person of the Company and the transactions contemplated under the 2023 Shengrong Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the 2023 Shengrong Purchase Agreement are over 0.1% but less than 5%, the transactions contemplated under the 2023 Shengrong Purchase Agreement are subject to the reporting, announcement and annual review requirements under Rule 14A.76(2) of the Listing Rules, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

I. INTRODUCTION

Reference is made to the prospectus of the Company dated 20 May 2020 in relation to the 2020 Continuing Connected Transaction Agreements and the announcements of the Company dated 30 September 2021 and 8 October 2021 in relation to the revision of annual caps for certain continuing connected transactions of the Company for the year ended 31 December 2021. As the 2020 Continuing Connected Transaction Agreements will expire on 31 December 2022, the Company has entered into the 2023 Continuing Connected Transaction Agreements on 9 December 2022 to renew the agreements and the annual caps.

II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

1. THE 2023 HENGQIN PURCHASE AGREEMENT

Parties	: (i) The Company; and (ii) Hengqin Machinery
Date	: 9 December 2022
Term	: One year from 1 January 2023 to 31 December 2023
Subject	: The Group may, from time to time, purchase Machine Parts from Hengqin Machinery for its own use in manufacturing

Pricing Basis : The prices for the Machine Parts that are purchased by the Group are to be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties. The parties will have separate purchase orders in respect of each purchase

Historical Transaction Amounts under Hengqin Purchase Agreement

The annual caps for the three years ending 31 December 2022 and the historical transaction amounts for the two years ended 31 December 2021 and eleven months ended 30 November 2022 are set out below:

	For the year ended/ending 31 December				For the eleven months ended 30 November	
	2020		2021		2022	2022
	<i>(RMB million)</i>		<i>(RMB million)</i>		<i>(RMB million)</i>	
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
Purchase of Machine Parts from Hengqin Machinery	8.2	7.4	15.0	10.5	9.1	6.1

Proposed Annual Cap under the 2023 Hengqin Purchase Agreement

The proposed annual cap for the Machines Parts purchased from Hengqin Machinery for the year ending 31 December 2023 is as follows:

	Proposed annual cap for the year ending 31 December 2023 <i>(RMB million)</i>
Purchase of Machine Parts from Hengqin Machinery	10.0

2. THE 2023 SHENGRONG AGREEMENT

Parties	:	(i) The Company; and (ii) Shengrong Machinery
Date	:	9 December 2022
Term	:	Three years from 1 January 2023 to 31 December 2025
Subject	:	The Group may, from time to time, procure Machine Parts from Shengrong Machinery for its own use in manufacturing
Pricing Basis	:	The prices for the Machine Parts that are purchased by the Group are to be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favourable than the prevailing market price and the price offered by Independent Third Parties. The parties will have separate purchase orders in respect of each purchase

Historical Transaction Amounts under Shengrong Purchase Agreement

The annual caps for the three years ending 31 December 2022 and the historical transaction amounts for the two years ended 31 December 2021 and eleven months ended 30 November 2022 are set out below:

	For the year ended/ending 31 December				For the eleven months ended 30 November	
	2020		2021		2022	2022
	<i>(HK\$ million)</i>		<i>(HK\$ million)</i>		<i>(HK\$ million)</i>	
	Annual cap	Historical amount	Annual cap	Historical amount	Annual cap	Historical amount
Purchase of Machine Parts from Shengrong Machinery	3.0	2.9	3.0	2.9	3.0	2.4

Proposed Annual Caps under the 2023 Shengrong Purchase Agreement

The proposed annual caps for the Machines Parts purchased from Shenrong Machinery for each of the three years ending 31 December 2023, 2024 and 2025 are as follows:

	Proposed annual cap for the year ending 31 December		
	2023 <i>(RMB million)</i>	2024 <i>(RMB million)</i>	2025 <i>(RMB million)</i>
Purchase of Machine Parts from Shengrong Machinery	5.0	5.0	5.0

III. BASIS OF ANNUAL CAPS

In arriving at the proposed annual caps in relation to the 2023 Hengqin Purchase Agreement for the year ending 31 December 2023 and the 2023 Shengrong Purchase Agreement for the three years ending 31 December 2025, the Directors have considered (i) the historical transaction amounts for the two years ended 31 December 2020 and 2021 and for the eleven months ended 30 November 2022; (ii) the number of confirmed order from the Group's customers; and (iii) the expectation of the Group on the demand from Hengqin Machinery and Shengrong Machinery in light of the Group's expansion plans.

IV. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 HENGQIN PURCHASE AGREEMENT AND THE 2023 SHENGRONG AGREEMENT

In view of (i) the mutually beneficial relationship between the Company and each of Hengqin Machinery and Shengrong Machinery; (ii) the increasing demand for Machines Parts from the Company in order to fulfil the expanded capacity in light of the Group's expansion plans; and (iii) the Group will only place purchase orders with Hengqin Machinery and Shengrong Machinery if the terms offered by them are the same or more favourable than those offered by independent suppliers, the Group plans to continue sourcing quality Machine Parts from Hengqin Machinery and Shengrong Machinery.

Given the purchases from Hengqin Machinery and Shengrong Machinery are being carried out and will also be under normal commercial terms and on an arm's length basis, the Board (including the independent non-executive Directors) are of the view that the terms of the 2023 Hengqin Purchase Agreement and the 2023 Shengrong Purchase Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

V. INFORMATION ON THE PARTIES

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

Hengqin Machinery is a limited company established in the PRC and principally engaged in the manufacturing of machinery accessories for the production of paper products and for textile machinery.

Shengrong Machinery is a limited company established in the PRC and principally engaged in manufacturing of machinery accessories for the production of paper products and for textile machinery.

VI. LISTING RULES IMPLICATIONS

The 2023 Hengqin Purchase Agreement

Hengqin Machinery is a limited liability company established in the PRC, and is wholly-owned by three relatives of Mr. Su, one of our executive Directors and a controlling shareholder of the Company. As such, Hengqin Machinery is a connected person of the Company and the transactions contemplated under the 2023 Hengqin Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the 2023 Hengqin Purchase Agreement are over 0.1% but less than 5%, the transactions contemplated under the 2023 Hengqin Purchase Agreement are subject to the reporting, announcement and annual review requirements under Rule 14A.76(2) of the Listing Rules, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The 2023 Shengrong Purchase Agreement

Shengrong Machinery is a limited liability company established in the PRC, and is wholly-owned by a relative of Mr. Su, one of our executive Directors and a controlling shareholder of the Company. As such, Shengrong Machinery is a connected person of the Company and the transactions contemplated under the 2023 Shengrong Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the 2023 Shengrong Purchase Agreement are over 0.1% but less than 5%, the transactions contemplated under the 2023 Shengrong Purchase Agreement are subject to the reporting, announcement and annual review requirements under Rule 14A.76(2) of the Listing Rules, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

VII. DEFINITIONS

“2020 Continuing Connected Transaction Agreements”	collectively, the Hengqin Purchase Agreement and the Shengrong Purchase Agreement
“2023 Continuing Connected Transaction Agreements”	collectively, the 2023 Hengqin Purchase Agreement and the 2023 Shengrong Purchase Agreement
“2023 Hengqin Purchase Agreement”	the framework agreement dated 9 December 2022 entered into between Jinjiang Haina and Hengqin Machinery, for the year ending 31 December 2023
“2023 Shengrong Purchase Agreement”	the framework agreement dated 9 December 2022 entered into between Jinjiang Haina and Shengrong Machinery, for the three years ending 31 December 2025
“Board”	the board of Directors
“Company”	Haina Intelligent Equipment International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 1645)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hengqin Machinery”	Jinjiang City Hengqin Machinery Industry and Trade Company Limited (晉江市恒勤機械工貿有限公司), a limited company established in the PRC, and is wholly-owned by three relatives of Mr. Su, one of our executive Directors
“Hengqin Purchase Agreement”	the framework agreement dated 9 May 2020 entered into between Jinjiang Haina and Hengqin Machinery in relation to the purchase of Machine Parts from Hengqin Machinery
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Independent Third Parties”	third parties independent of the Company and its connected persons

“Jinjiang Haina”	Jinjiang Haina Machinery Company Limited (晉江海納機械有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machine Parts”	machine parts including but not limited to boards, wheels, shafts, covers, connectors, supports, fixing and tools
“Mr. Su”	Mr. Su Chengya, an executive Director and a controlling shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	the People’s Republic of China
“Shengrong Machinery”	Jinjiang City Shengrong Machinery Equipment Limited (晉江市盛榮機械設備有限公司), a limited liability company established in the PRC, and is wholly-owned by a relative of Mr. Su, one of our executive Directors
“Shengrong Purchase Agreement”	the framework agreement dated 9 May 2020 entered into between Jinjiang Haina and Shengrong Machinery in relation to the purchase of Machine Parts from Shengrong Machinery
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Haina Intelligent Equipment International Holdings Limited
HONG Yiyuan
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 9 December 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.