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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1645)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the year ended 31 December 2022 amounted to approximately RMB397.8 million (2021: approximately RMB393.0 million), representing an increase of approximately 1% as compared with the year ended 31 December 2021.

- The gross profit of the Group for the year ended 31 December 2022 amounted to approximately RMB64.2 million (2021: approximately RMB84.8 million), representing a decrease of approximately 24% as compared with the year ended 31 December 2021.

- Loss attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB3.1 million (2021: profit attributable to owners of the Company of approximately RMB27.0 million).

- Basic loss per share for the year ended 31 December 2022 was approximately RMB0.56 cents (2021: basis earnings per share of approximately RMB5.21 cents).

- The Board has resolved not to declare a final dividend for the year ended 31 December 2022 (2021: Nil).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Haina Intelligent Equipment International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Year**") together with the comparative figures of the previous corresponding year (the "**Prior Year**") as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	4	**397,817**	392,982
Cost of sales		**(333,600)**	(308,211)
Gross profit		**64,217**	84,771
Other income	5	**13,511**	15,415
Selling and distribution costs		**(13,795)**	(14,389)
Administrative and other operating expenses		**(53,176)**	(54,857)
Impairment loss of trade receivables, net		**(3,331)**	(1,338)
Impairment loss of other receivables		**(345)**	(44)
Impairment loss of debt instrument at amortised cost		**(4,810)**	(786)
Change in fair value of equity instruments at fair value through profit or loss ("**FVPL**")		**(4,124)**	812
Equity-settled share-based payment expenses	15	**(1,356)**	(804)
Finance costs	6	**(2,186)**	(1,614)
(Loss) Profit before tax	6	**(5,395)**	27,166
Income tax credit (expense)	7	**2,174**	(870)
(Loss) Profit for the year		**(3,221)**	26,296
Other comprehensive income (loss) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Exchange difference on translation of the Company's financial statements to presentation currency		**13,780**	(2,074)
Change in fair value of equity instrument at fair value through other comprehensive income ("**FVOCI**")		**(1,712)**	(2,246)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on consolidation		**(11,756)**	2,947
Total other comprehensive income (loss) for the year		**312**	(1,373)
Total comprehensive (loss) income for the year		**(2,909)**	24,923

	Note	2022 RMB'000	2021 RMB'000
(Loss) Profit for the year attributable to:			
Owners of the Company		**(3,147)**	26,980
Non-controlling interests		**(74)**	(684)
		(3,221)	26,296
Total comprehensive (loss) income for the year attributable to:			
Owners of the Company		**(2,835)**	25,607
Non-controlling interests		**(74)**	(684)
		(2,909)	24,923
		RMB cents	*RMB cents*
(Loss) Earnings per share	*8*		
Basic and diluted		**(0.56)**	5.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**88,037**	35,051
Intangible assets		**5,225**	5,331
Equity instrument at FVOCI		–	14,267
Goodwill		**1,369**	1,369
Deferred tax assets		**2,174**	2,174
Deposit paid for acquisition of land use rights		–	21,530
		96,805	79,722
Current assets			
Inventories		**197,607**	276,096
Equity instruments at FVPL		**4,257**	8,885
Debt instrument at amortised cost	*10*	**29,653**	31,893
Trade and other receivables	*11*	**115,417**	107,177
Restricted bank deposits		**22,328**	21,700
Bank balances and cash		**85,596**	102,443
		454,858	548,194
Current liabilities			
Trade and other payables	*12*	**168,894**	217,632
Lease liabilities		**10,592**	9,494
Interest-bearing borrowings	*13*	**25,000**	39,193
Income tax payable		**1,021**	3,264
		205,507	269,583
Net current assets		**249,351**	278,611
Total assets less current liabilities		**346,156**	358,333
Non-current liabilities			
Lease liabilities		**5,528**	16,210
Deferred tax liabilities		**1,856**	1,873
		7,384	18,083
NET ASSETS		**338,772**	340,250
Capital and reserves			
Share capital	*14*	**5,088**	5,088
Reserves		**333,513**	334,992
Equity attributable to owners of the Company		**338,601**	340,080
Non-controlling interests		**171**	170
TOTAL EQUITY		**338,772**	340,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Haina Intelligent Equipment International Holdings Limited (the "**Company**", together with its subsidiaries are collectively referred to as the "**Group**") 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 "**Listing**"). The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is situated at Flat C, 21/F, Max Share Centre, 373 King's Road, North Point, Hong Kong.

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

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

2. STATEMENT OF COMPLIANCE

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

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

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

3. SEGMENT INFORMATION

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

Information about geographical areas

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

Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
The PRC	**310,214**	285,485
The Philippines	**35,121**	15,408
India	**17,854**	–
Indonesia	**16,219**	29,158
Bangladesh	**9,101**	–
Pakistan	**5,846**	1,157
South Korea	**1,355**	27,838
Nigeria	**1,354**	9,564
Dubai	**430**	2,367
Uzbekistan	**317**	6,034
Angola	**6**	158
Thailand	**–**	8,595
Yemen	**–**	5,390
Vietnam	**–**	1,413
Malaysia	**–**	362
Cambodia	**–**	53
	397,817	392,982

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

Non-current assets

	2022 *RMB'000*	2021 *RMB'000*
The PRC	**94,553**	63,161
Hong Kong	**78**	120
	94,631	63,281

Information about major customers

The Group's revenue from any single external customers did not contribute 10% or more of the total revenue of the Group for the years ended 31 December 2022 and 2021.

4. REVENUE

	2022 *RMB'000*	2021 *RMB'000*
Revenue from contracts with customers within HKFRS 15 – at a point in time		
Sales of machines of		
– baby diaper	**159,520**	215,073
– adult diaper	**183,976**	109,986
– lady sanitary napkin	**18,779**	44,117
– under-pad	**7,035**	3,516
– pet diaper	**5,841**	–
– wet wipe	**1,735**	–
Sales of components and parts	**20,931**	20,290
	397,817	392,982

The amount of revenue recognised for the year ended 31 December 2022 that was included in the contract liabilities at the beginning of the year is approximately RMB78,862,000 *(2021: RMB77,001,000)*.

5. OTHER INCOME

	2022 *RMB'000*	2021 *RMB'000*
Bank interest income	**1,185**	1,896
Interest income from debt instrument at amortised cost	**2,061**	1,880
Exchange gain, net	**2,617**	382
Government grants *(Note)*	**5,745**	8,499
Sale of scrap materials	**442**	423
Reversal of provision for litigation and claim *(Note 16(i))*	**–**	2,000
Others	**1,461**	335
	13,511	15,415

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

6. (LOSS) PROFIT BEFORE TAX

This is stated after charging (crediting):

	2022	2021
	RMB'000	*RMB'000*
Finance costs		
Interest on bank borrowings	**1,315**	314
Finance charges on lease liabilities	**871**	1,300
	2,186	1,614
Staff costs, including directors' remuneration		
Salaries, allowances, discretionary bonuses and other benefits in kind	**38,148**	40,205
Equity-settled share-based payment expenses	**1,356**	804
Contributions to defined contribution plans	**7,471**	6,869
	46,975	47,878
Less: capitalised as "intangible assets"	**(762)**	(1,017)
	46,213	46,861
Other items		
Cost of inventories *(Note (i))*	**333,600**	308,211
Auditor's remuneration		
– Audit service	**1,202**	1,078
– Non-audit service	**180**	191
Amortisation of intangible assets	**3,083**	3,276
Depreciation of property, plant and equipment (included in "cost of sales" and "administrative and other operating expenses", as appropriate)	**13,070**	13,243
Less: capitalised as "intangible assets"	**(47)**	(54)
Less: capitalised as "construction in progress"	**(477)**	–
	12,546	13,189
Loss on disposal of property, plant and equipment, net	**7**	110
Reversal of allowance for inventories (included in "cost of sales")	**–**	(2,310)
Realised loss on disposal of equity instruments at FVPL *(Note (ii))*	**487**	–

This is stated after charging (crediting):

	2022 *RMB'000*	2021 *RMB'000*
Other items (Continued)		
Research and development expenses	**26,561**	31,986
Less: capitalised as "intangible assets" *(Note (iii))*	**(2,977)**	(3,650)
	23,584	28,336

Notes:

(i) During the year ended 31 December 2022, cost of inventories included approximately RMB31,458,000 *(2021: approximately RMB29,547,000)*, relating to the aggregate amount of reversal of allowance for inventories, certain staff costs and depreciation, which were included in the respective amounts as disclosed above.

(ii) During the year ended 31 December 2022, realised loss on disposal of equity instruments at FVPL represented the proceeds from the disposal of listed equity securities of approximately HK$709,000 (equivalent to approximately RMB609,000) *(2021: Nil)* less relevant costs and carrying value of the listed equity securities sold of approximately HK$1,276,000 (equivalent to approximately RMB1,096,000) *(2021: Nil)*.

(iii) During the year ended 31 December 2022, capitalised intangible assets included approximately RMB809,000 *(2021: approximately RMB1,017,000)*, relating to the staff costs and depreciation which were included in the respective amounts as disclosed above.

7. INCOME TAX (CREDIT) EXPENSE

	2022 *RMB'000*	2021 *RMB'000*
Current tax		
PRC Enterprise Income Tax – current year	**958**	2,983
Hong Kong Profits Tax – current year	**15**	5
Over-provision in prior years	**(3,130)**	–
	(2,157)	2,988
Deferred tax		
Origination and reversal of temporary differences	**(17)**	(2,118)
Income tax (credit) expense for the year	**(2,174)**	870

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% except for 晉江海納機械有限公司 (Jinjiang Haina Machinery Co. Ltd*) ("**Jinjiang Haina**") and 杭州海納機械有限公司 (Hangzhou Haina Machinery Co. Ltd*) ("**Hangzhou Haina**") were recognised as High and New Technology Enterprises and are entitled to a preferential tax rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approvals for Jinjiang Haina and Hangzhou Haina enjoying this tax benefit were obtained in December 2022 for the three years ending 31 December 2025 and in December 2020 for the three years ending 31 December 2023, respectively.

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

For the years ended 31 December 2022 and 2021, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime under which, the first HK$2 million assessable profits arising from Hong Kong of qualifying entity of the Group, Haina Technology Group Limited ("**Haina Technology**") were taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2 million were taxed at 16.5%.

* *English name is for identification purpose only.*

8. (LOSS) EARNINGS PER SHARE

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

	2022	2021
	RMB'000	*RMB'000*
(Loss) Profit:		
(Loss) Profit attributable to owners of the Company used for the purpose of basic (loss) earnings per share	**(3,147)**	26,980

	2022	2021
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**563,976**	517,506

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as the effect of potential ordinary shared is anti-dilutive during the years ended 31 December 2022 and 2021.

9. DIVIDENDS

No dividend was declared by the Group during the years ended 31 December 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

10. DEBT INSTRUMENT AT AMORTISED COST

	2022	2021
	RMB'000	*RMB'000*
Unlisted debt instrument, unsecured	**35,458**	32,679
Less: Allowance for ECL	**(5,805)**	(786)
	29,653	31,893

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

On 25 January 2022, the maturity date of the Bond had been subsequently extended to 25 January 2023. On 3 March 2023, the Company and the Issuer agreed to further extend the maturity date of the Bond from 25 January 2023 to 25 July 2023 and also agreed to amend the bond interest rate from 6% to 8% per annum. Save for the further extension of the maturity date and interest rate for the further extension period, all the terms and conditions of the Bond remain unchanged. Details are set out in the Company's announcements dated 25 January 2022 and 3 March 2023.

The Bond was subsequently guaranteed by a deed of corporate guarantee executed by an independent third party in favor of the Group on 4 March 2023. The independent third party is a company incorporated in the PRC with limited liability and is principally engaged in provision of business services in the PRC.

On 9 March 2023, the interest payment for the Bond of HK$2,400,000 was subsequently fully settled by the Issuer.

11. TRADE AND OTHER RECEIVABLES

	Note	**2022**	2021
		RMB'000	*RMB'000*
Trade receivables		**83,726**	77,967
Less: Allowance for ECL		**(7,958)**	(4,627)
	11(a)	**75,768**	73,340
Bills receivables	*11(b)*	**1,394**	–
Other receivables			
Prepayment to suppliers		**3,912**	9,264
Other prepaid expenses		**4,702**	1,804
Consideration receivable		**7,978**	–
Interest receivable from debt instrument at amortised cost		**2,009**	1,880
Deposits and other receivables		**2,939**	2,230
Value-added tax ("**VAT**") and other tax recoverable		**17,115**	18,703
		38,655	33,881
Less: Allowance for ECL		**(400)**	(44)
		38,255	33,837
		115,417	107,177

11(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 may grant credit terms up to 30 days from the date of issuance of invoices to its customers for their processing of billing settlement or settlement terms as specified in the contracts for a specific settlement arrangement with monthly instalments paid up to 12 months as approved by the management on a case by case basis.

Included in trade receivables at 31 December 2022 was retained sums of approximately RMB30,650,000 *(2021: RMB25,702,000)*. These are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the machine).

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

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**1,900**	1,505
31 to 60 days	**7,655**	2,682
61 to 90 days	**7,403**	4,040
91 to 180 days	**6,673**	14,100
181 to 365 days	**33,556**	27,008
Over 365 days	**18,581**	24,005
	75,768	73,340

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

	2022	2021
	RMB'000	*RMB'000*
Not yet due	**34,400**	15,702
Past due:		
Within 30 days	**2,756**	5,565
31 to 60 days	**6,676**	3,301
61 to 90 days	**369**	5,723
91 to 180 days	**5,070**	9,403
181 to 365 days	**17,278**	23,384
Over 365 days	**9,219**	10,262
	41,368	57,638
	75,768	73,340

The Group does not hold any collateral over the trade receivables.

11(b) Bills receivables

At the end of the reporting period, the bills receivables are interest-free, guaranteed by banks in PRC and have maturities of less than 1 year.

12. TRADE AND OTHER PAYABLES

	Note	2022 RMB'000	2021 RMB'000
Trade payables	*12(a)*	**50,600**	76,367
Bills payables	*12(b)*	**29,810**	23,400
Other payables			
Salaries payable		**5,674**	6,390
Contract liabilities – receipt in advance	*12(c)*	**63,534**	98,559
Accruals and other payables		**19,276**	12,916
		88,484	117,865
		168,894	217,632

12(a) Trade payables

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

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

	2022 RMB'000	2021 RMB'000
Within 30 days	**25,537**	43,782
31 to 60 days	**12,534**	12,274
61 to 90 days	**2,542**	8,404
91 to 180 days	**7,963**	9,972
181 to 365 days	**1,499**	1,619
Over 365 days	**525**	316
	50,600	76,367

12(b) Bills payables

At the end of the reporting period, the bills payable are interest-free, guaranteed by banks in PRC and have maturities of less than six months. The Group's bills payables are secured by pledge of the Group's restricted bank deposits of RMB22,328,000 *(2021: RMB21,700,000)*.

12(c) Contract liabilities – receipt in advance

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

	2022	2021
	RMB'000	*RMB'000*
At the beginning of the period	**98,559**	124,973
Recognised as revenue	**(78,862)**	(77,001)
Receipt in advance	**43,837**	50,587
At the end of the reporting period	**63,534**	98,559

At 31 December 2022, the contract liabilities that are expected to be settled within 12 months are approximately RMB63,534,000 *(2021: approximately RMB98,559,000).*

For the year ended 31 December 2022, there was a decrease in the overall contract activities, thereby decreasing the amount arising from the receipt of advances.

13. INTEREST-BEARING BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Bank loans – unsecured	**25,000**	20,000
Bank revolving loan – unsecured	**–**	19,193
	25,000	39,193

	2022	2021
	RMB'000	*RMB'000*
Analysed for reporting purpose:		
Current	**25,000**	39,193

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

	2022	2021
	RMB'000	*RMB'000*
Fixed-rate borrowings	**25,000**	20,000
Variable-rate borrowing	**–**	19,193
	25,000	39,193

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

	2022	2021
	RMB'000	*RMB'000*
Effective interest rate:		
Fixed-rate borrowings	**3.5% to 4.35%**	3.35% to 4.35%
Variable-rate borrowing	**N/A**	2.29%

14. 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 and **31 December 2022**		2,000,000,000	20,000,000	10,695
Issued and fully paid:				
At 1 January 2021		470,004,000	4,700,040	4,315
Issue of shares upon placing	*(i)*	93,972,000	939,720	773
At 31 December 2021, 1 January 2022 and **31 December 2022**		563,976,000	5,639,760	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, up to an aggregate of 94,000,800 placing shares at a placing price of HK$0.89 per placing share to not less than six placees who are individual, corporate, institutional investor or other investors that are third parties independent of the Company and its connected persons (the "**Placing**"). The Placing was completed on 30 June 2021 and total of 93,972,000 placing shares have successfully been placed. The net proceeds of approximately HK$82,791,000 (equivalent to approximately RMB67,971,000) after deducting direct cost of approximately HK$844,000 (equivalent to approximately RMB695,000), of which approximately HK$940,000 (equivalent to approximately RMB773,000) was credited to the Company's equity under share capital and the remaining balance of approximately HK$81,851,000 (equivalent to approximately RMB67,198,000) was credited to the Company's equity under share premium account. The Placing shares rank pari passu with all existing shares in all respects.

15. SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

The movement during the year ended 31 December 2022 and the share option outstanding at 31 December 2022 are as follows:

					Number of share options				
Category of the Grantees	Date of grant (dd/mm/yyyy)	Exercise price HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	At 01/01/2022	Granted during the year	Exercised	Cancelled/ Lapsed	At 31/12/2022
Directors									
Mr. Hong Yiyuan	21/05/2021	1.14	01/01/2024	01/01/2024 – 20/05/2031	2,000,000	–	–	–	2,000,000
			01/01/2025	01/01/2025 – 20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2026	01/01/2026 – 20/05/2031	1,000,000	–	–	–	1,000,000
					4,000,000	–	–	–	4,000,000
Mr. Zhang Zhixiong	21/05/2021	1.14	01/01/2024	01/01/2024 – 20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2025	01/01/2025 – 20/05/2031	500,000	–	–	–	500,000
			01/01/2026	01/01/2026 – 20/05/2031	500,000	–	–	–	500,000
					2,000,000	–	–	–	2,000,000

Category of the Grantees	Date of grant (dd/mm/yyyy)	Exercise price HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options At 01/01/2022	Granted during the year	Exercised	Cancelled/ Lapsed	At 31/12/2022
Mr. Su Chengya	21/05/2021	1.14	01/01/2024	01/01/2024 – 20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2025	01/01/2025 – 20/05/2031	500,000	–	–	–	500,000
			01/01/2026	01/01/2026 – 20/05/2031	500,000	–	–	–	500,000
					2,000,000	–	–	–	2,000,000
Mr. He Ziping	21/05/2021	1.14	01/01/2024	01/01/2024 – 20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2025	01/01/2025 – 20/05/2031	500,000	–	–	–	500,000
			01/01/2026	01/01/2026 – 20/05/2031	500,000	–	–	–	500,000
					2,000,000	–	–	–	2,000,000
Sub-total					**10,000,000**	**–**	**–**	**–**	**10,000,000**
Eligible employees	21/05/2021	1.14	01/01/2024	01/01/2024 – 20/05/2031	2,000,000	–	–	–	2,000,000
			01/01/2025	01/01/2025 – 20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2026	01/01/2026 – 20/05/2031	1,000,000	–	–	–	1,000,000
Sub-total					**4,000,000**	**–**	**–**	**–**	**4,000,000**
Total					**14,000,000**	**–**	**–**	**–**	**14,000,000**

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

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

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

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

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

The Binomial Option Pricing Model has been used to estimate the fair value of the share option. The value of the share options is subject to the limitation of the Binomial Option Pricing Model and a number of assumptions which are subjective and difficult to ascertain. Changes in the subjective input assumptions could materially effect the fair value estimate.

During the year ended 31 December 2022, with reference to the fair value of the share options granted, the Group recognised HK$1,578,000 (equivalent to approximately RMB1,356,000) *(2021: HK$969,000 (equivalent to approximately RMB804,000))* as equity-settled share-based payment expenses. None of the share options was exercised.

16. LITIGATIONS AND CLAIMS

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

On 25 August 2021, a civil judgement issued by the Lin'an Court was received by Hangzhou Haina, pursuant to which Hangzhou Haina was not liable to the Claim 1. The Plaintiff 1 has subsequently filed an appeal with Hangzhou City Intermediate People's Court* (杭州市中級人民法院) (the "**Intermediate Court**").

On 24 March 2022, a civil judgement issued by the Intermediate Court that rejected the appeal of the Plaintiff 1 and upheld the civil judgement of the Lin'an Court. Having taken into consideration of the legal opinion of the Group's PRC lawyers, the directors of the Company have adjusted such event after the reporting period and accordingly, a reversal of provision for the Claim 1 of approximately RMB2,000,000 had been recognised in profit or loss for the year ended 31 December 2021.

(ii) In August 2021, a customer of Hangzhou Haina (the "**Plaintiff 2**") 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)for claiming approximately RMB3,490,000 from Jinjiang Haina and Hangzhou Haina since a machine of disposable medical face mask purchased from Hangzhou Haina in 2020 did not satisfy the quality requirement under the duly signed sales contract (the "**Claim 2**"). Based on the legal opinion of the Group's PRC lawyers, the directors of the Company are of the opinion that it is unlikely an outflow of economic benefits in respect of the Claim 2 and therefore no provision for the Claim 2 was made for the year ended 31 December 2021. Due to the change from the summary procedure(簡易程序)to formal procedure(普通程序), the case was subsequently transferred to Hangzhou City Linping District People's Court*(杭州市臨平區人民法院)(the "**Linping Court**") for any further proceedings in July 2022.

On 1 August 2022, a civil judgement issued by Linping Court was received by Hangzhou Haina, pursuant to which Hangzhou Haina was liable to pay a claim in total amount of RMB1,600,000 and interest charges of approximately RMB114,000 to the Plaintiff 2. The Plaintiff 2 and Hangzhou Haina has subsequently filed an appeal with the Intermediate Court.

On 21 November 2022, a civil judgement issued by the Intermediate Court that rejected the appeal of both the Plaintiff 2 and Hangzhou Haina and upheld the civil judgement of the Linping Court. The Group has fully settled the claim to the Plaintiff 2 in total amount of approximately RMB1,714,000 of which has been recognised in profit or loss for the year ended 31 December 2022.

* *English name is for identification purpose only.*

17. EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the consolidated financial statements, the Group had no significant subsequent event subsequent to 31 December 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, lady sanitary napkins, underpads, pet diapers and wet wipe in the People's Republic of China (the "**PRC**").

In 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 2023, 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. As at 31 December 2022, 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 1**") at a consideration of approximately RMB21,830,000. The Land 1 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 (the "**Factory**") to meet customers' surging demand for the Group's products and better achieve the expansion plan and centralise its operation 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 15 August 2022, Haina Tongchuang entered into a construction contract with the Fujian Huidong Construction Engineering Co., Ltd.*（福建省惠東建築工程有限公司）(the "**Contractor**"), pursuant to which the Contractor agreed to carry out the construction works of the Factory and other ancillary facilities on the Land 1 at a total contract price of approximately RMB265.60 million.

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 2**") 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 time for transporting, disassembling and re-assembling of raw materials during the Group's production process and facilitate staff deployment. In addition, the centre can help to expand the Group's production capacity to meet customers' surging demand for the Group's products and better achieve the expansion plan.

During the Year, the Group recorded a total revenue of approximately RMB397.8 million, with a total number of 57 units of machines sold, representing an increase of 1% as compared to the year ended 31 December 2021 (the "**Prior Year**"). The Group's customers are mainly located in the PRC, and the Group also sold its products to other 10 overseas countries during the Year. The Group recorded a net loss of approximately RMB3.2 million for the Year.

OUTLOOK

The Group is dedicated to the areas of research and development, acquisition, technical support and market expansion to provide comprehensive, secured and satisfying services to the customers in order to maintain its leading position as one of the best suppliers of disposable sanitary products machinery in the PRC. The Group intends to implement the following strategies and expansion plans to leverage its strengths and thereby improvise the Group's business prospects and financial performance.

(1) Improving efficiency of research and development and constantly reinforcing the field of technological innovation

On 24 June 2022, the Group has successfully bid for a parcel of land with a total area of approximately 28,353 square meters in Jinjiang City, Fujian Province, the PRC for the establishment of a dedicated research and development and production centre (the "**R&D Centre**") to provide development service for the products under the brand "Haina Machinery" and the current research and development activities are also to be transferred to this location. The establishment of the R&D Centre will help the Group to better monitor the development of its key products, shorten the preparation time for developing customised products, and further enhance the efficiency of the research and development of new products. Currently, the R&D Centre is under proactive construction preparation, which indicates that the project has entered the substantive construction stage. Upon the completion of the project, it shall elevate the Group's production line deployment and intelligent production standards to boost both the precision and pace, enabling the Group to embark on a new chapter in the development of advanced equipment manufacturing.

Besides, the Group is planning to strengthen its research and development capabilities by conducting additional research and development activities through applying new technologies such as precision manufacturing and enhanced automation to improve the research and development capabilities of the Group. During the Year, the Group incurred research and development expenses (including capitalised expenses) of approximately RMB26.6 million, which were fully funded by the Group's internal resources.

(2) Improving production flexibility and accelerating iterative upgrades of the critical components industry

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. Concurrently, it will accelerate its technology iteration and upgrade its techniques, and with the increase in our self-production rate of core components annually, and the optimisation of the deployment of the industrial chain, the Group plans to build a technologically advanced "**little giant**" enterprise. 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 in the Group's production efficiency, precision and quality due to a continuous expansion of its business.

On 5 January 2022, Haina Tongchuang has successfully bid a parcel of land for building the Factory. The land is used for the establishment of a digital plant, which will mainly engage 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 15 August 2022, the Group has entered into a construction contract for the construction of the plant and other ancillary facilities on the land, which is expected to be completed in 2024. The total contract price is approximately RMB266 million.

On 24 June 2022, Jinjiang Haina has successfully bid a parcel of land for the construction of a new research and development and production centre in Jinjiang City, which is under proactive construction preparation. The total investment of the plant shall not be less than RMB350 million.

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 our customers. Therefore, the Group expects that there will be certain impact on its financial performance in the future. Certainly, 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 plants has also contributed to the Company's energy conservation and efficiency to a certain extent.

(4) Taking thorough steps to promote global "platformisation" strategy to continue the expansion of overseas markets

In terms of the global pandemic, the Company is coping actively with the pandemic as it is gradually contained. Together with a series of national policies are in force to bolster the economy, the domestic economy is anticipated to recover steadily, as a result the sales volume of the disposable sanitary products machinery in the PRC will grow year by year. With the downstream market expansion and regular upgrading and replacement of machinery, the demand for disposable sanitary products in overseas markets will recover gradually. Moreover, the Group provides customised design and production services to its customers, which can provide a profound understanding of their demands while in turn conducting the tailored new product research and development for better services to our customers to capture a greater market participation rate.

During the Year, the Group intensified its advertising efforts on a number of mainstream media platforms in both domestic and overseas markets, such as TikTok, TouTiao, Google, and Alibaba, 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 reinforce its close cooperation with agency companies and continue to explore new overseas markets.

Therefore, the Group will continue to intensively develop the PRC market, at the same time, expand its efforts on market development, and maintain 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) Developing "5G+ Intelligent Platform for Equipment Operation and Maintenance Services" to accelerate the digital transformation

On the basis of industrial nature, the Company accelerates industrial interconnection to empower enterprises and realise the comprehensive digital transformation of the Group. "5G+ Intelligent Platform for Equipment Operation and Maintenance Services" is a development project for the integration of Fujian Province 2022 new generation information technology and production industry, which continues to focus on the core enterprise business environment by accelerating overseas business and expediting the expansion and innovation of traditional business.

Currently, the platform has completion of early stage of real time operation data analysis while fully utilising 5G network and AR technology for the visualisation and simulation functions 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 health products industry, and achieve cost reduction and rapid sustainable development of enterprises in the future.

The new journey sails on, and the new mission carries on. 2023 marks the beginning year of full implementation of the spirit of the 20th National Congress of the Communist Party, and also a crucial year for the Haina Group to conquer difficulties, hasten the development and promote the key projects construction in a comprehensive pace. Meanwhile, the digital plants in Jinjiang and Hangzhou are under the orderly preparation, and upon the completion of the project, Haina's digitalization and intelligent construction will undoubtedly hit a new plateau. In the upcoming year, we may meet risks and obstacles along the way, but hopes and difficulties reside when opportunities and challenges coexist. At the forefront of the development of the age, not only must we reinforce our awareness of concerns, we must also maintain our confidence in development. Only through this can we write a new chapter on the journey of quality development.

FINANCIAL REVIEW

REVENUE

By type of products:

	2022			2021		
	Units	***RMB'000***	***%***	*Units*	*RMB'000*	*%*
			approximately			*approximately*
Baby diaper machines	**22**	**159,520**	**40**	33	215,073	55
Adult diaper machines	**21**	**183,976**	**46**	13	109,986	28
Lady sanitary napkin machines	**6**	**18,779**	**4**	14	44,117	11
Under-pad machines	**3**	**7,035**	**2**	2	3,516	1
Pet diaper machines	**2**	**5,841**	**2**	–	–	–
Wet wipe machines	**3**	**1,735**	**1**	–	–	–
Components and parts	**N/A**	**20,931**	**5**	N/A	20,290	5
	57	**397,817**	**100**	62	392,982	100

The Group's revenue slightly increased by approximately RMB4.8 million (or 1%) to approximately RMB397.8 million for the Year as compared to approximately RMB393.0 million for the Prior Year. This was mainly due to the increase in the sales of adult diaper machines (approximately RMB74.0 million), under-pad machines (approximately RMB3.5 million), new products launched for pet diaper machines (approximately RMB5.8 million) and wet wipe machines (approximately RMB1.7 million), and components and parts (approximately RMB0.6 million). The increase was partially offset by the decrease in sales of baby diaper machines (approximately RMB55.6 million) and lady sanitary napkin machines (approximately RMB25.3 million). The increase in sales of adult diaper machines of approximately RMB74.0 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 Year.

As at 31 December 2022, the Group has entered into sales contracts with its customers for the sales and purchase of 21, 7, 9, 2 and 2 units of baby diaper machines, adult diaper machines, lady sanitary napkin machines, underpad machines and wet wipe machines with aggregate contract values of approximately RMB131.2 million, RMB56.5 million, RMB35.4 million, RMB7.6 million and RMB1.5 million, respectively. Subsequent to 31 December 2022, the Group further entered into sales contracts with its customers for the sales and purchase of 8, 10, 2 and 1 units of baby diaper machines, adult diaper machines, lady sanitary napkin machines and wet wipe machines with aggregate contract values of approximately RMB46.4 million, RMB71.2 million, RMB5.9 million and RMB0.8 million, respectively. The machines under these contracts are expected to be delivered during the year of 2023.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit decreased by approximately RMB20.6 million to approximately RMB64.2 million for the Year as compared to the Prior Year of approximately RMB84.8 million. The gross profit margin decreased by approximately 5.5 percentage points to approximately 16.1% for the Year (Prior Year: approximately 21.6%). 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 of the Group; (ii) the inability to transfer the 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 Year and/or the Prior Year were one-off and unconditional. The Group's other income decreased from approximately RMB15.4 million for the Prior Year by approximately RMB1.9 million or approximately 12% to approximately RMB13.5 million for the Year. Such decrease was mainly due to the decrease in government grants and no reversal of provision for litigation and claim during the Year.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs mainly comprised expenses incurred for business trips and entertainment, depreciation, promotional expenses and repair costs. The selling and distribution costs slightly decreased by approximately RMB0.6 million or approximately 4.2%, from approximately RMB14.4 million for the Prior Year to approximately RMB13.8 million for the Year. Such decrease was mainly due to the decrease in commission paid during the Year.

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 decreased from approximately RMB54.9 million for the Prior Year by approximately RMB1.7 million or approximately 3% to approximately RMB53.2 million for the Year. Such decrease was mainly due to the decrease in research and development expenses during the Year.

FINANCE COSTS

For the Year, finance costs was approximately RMB2.2 million, which increased by approximately 38% as compared with the Prior Year (approximately RMB1.6 million). The increase was mainly due to an increase in interest on bank borrowings.

INCOME TAX CREDIT (EXPENSE)

For the Year, income tax credit were approximately RMB2.2 million, while income tax expense were approximately RMB0.9 million for the Prior Year. The income tax credit represented the over-provision of income tax expense for prior years.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the Year, the Company's loss attributable to owners of the Company were approximately RMB3.1 million, as compared to the profit attributable to owners of the Company of approximately RMB27.0 million for the Prior Year. The loss position of the Group for the Year was mainly due to the decrease in gross profit as discussed above.

DIVIDEND

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

USE OF PROCEEDS FROM LISTING

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 June 2020 (the "**Listing Date**") with a total of 122,004,000 offer shares being issued (including the partial exercise of the Over-allotment Option) based on the share price of HK$1.38 per share. The aggregate nominal value of the said offer shares is HK$1,220,040. The net proceeds of the Share Offer, after deducting underwriting commissions and other fees in connection with the Listing, were approximately HK$130.1 million or RMB119.5 million. The net price per offer share is approximately HK$1.07. The Directors intend to deploy the proceeds according to the manner set out in the prospectus of the Company dated 20 May 2020 (the "**Prospectus**"). The use of net proceeds will be in accordance with the implementation plan as set out in the Prospectus. Set out below is the actual use of net proceeds up to 31 December 2022.

	Net proceeds allocation *RMB million*	**Unutilised net proceeds as at 1 January 2022** *RMB million*	**Utilised net proceeds up to 31 December 2022** *RMB million*	**Unutilised net proceeds up to 31 December 2022** *RMB million*	**Time frame for utilisation**
Setting up the research an development centre *(Note 1)*	24.1	24.1	23.0	1.1	Before 31 December 2023
Strengthening research and development capabilities	22.9	2.9	20.0	2.9	Before 31 December 2023
Increasing production capacity *(Note 2)*	16.8	13.3	7.2	9.6	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	77.6	72.2	47.3	

As at 31 December 2022, unutilised proceeds of approximately RMB47.3 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 has taken 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.

USE OF PROCEEDS FROM 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. 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 of 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 1 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 has a 100% interest in the Land 1, and the consideration paid by the Group for the acquisition of the Land 1 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 1, the total investment amount in relation to the development of the Land 1 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 1.

The Group plans to use all of the net proceeds from the Placing for the purpose of developing its Hangzhou production base. As of the date of this announcement, land formation works started on the Land 1.

	Unutilised net proceeds as at 1 January 2022 *RMB million*	**Utilised net proceeds up to 31 December 2022** *RMB million*	**Unutilised net proceeds up to 31 December 2022** *RMB million*	**Time frame for utilisation**
Development of the Group's Hangzhou production base	68.0	44.1	23.9	Before 31 December 2024

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's working capital was mainly financed by internal resources and interest-bearing borrowings. The current ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 2.2 times as at 31 December 2022 (31 December 2021: approximately 2.0 times). The Group generally financed its daily operations from cash flows generated internally.

Up to the date of this announcement, the Company subsequently received approximately RMB11.5 million for settlement of trade receivables.

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 31 December 2022, the capital structure of the Group consisted of equity of approximately RMB338.8 million (31 December 2021: approximately RMB340.3 million) and bank borrowings of approximately RMB25.0 million (31 December 2021: approximately RMB39.2 million) as more particularly described in the paragraph headed "Borrowings" below.

BORROWINGS

As at 31 December 2022, the Group have bank loans of approximately RMB25.0 million (31 December 2021: approximately RMB39.2 million).

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

The bank loans bear fixed interest rate ranging from 3.50% 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 year end was approximately 12.1% as at 31 December 2022 (31 December 2021: approximately 19.1%)

CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital expenditure commitments:

	2022	2021
	RMB'000	*RMB'000*
Contracted but not provided net of deposit paid for		
– Construction in progress	**245,705**	–
– development of intangible assets	**27,679**	29,197
– acquisition of land use rights	**–**	19,912
	273,384	49,109

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 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 Year. The Group did not enter into any foreign exchange derivative contract to manage the currency translation risk of Renminbi against United States dollars and Hong Kong dollars during the Year, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate time.

As at 31 December 2022 and 2021, the Group had not entered any financial instrument for the hedging of foreign currencies.

HUMAN RESOURCES

The Group has employed a total of approximately 376 employees as at 31 December 2022 (31 December 2021: approximately 394 employees) in Hong Kong and the PRC. Staff costs (including Directors' emoluments) amounted to approximately RMB46.2 million for the Year (Prior Year: approximately RMB46.9 million). The remuneration was determined based on the performance and professional experience of employees as well as the prevailing market conditions. The management will regularly review the remuneration policy and arrangement of the Group. In addition to pension, the Group will also distribute discretionary bonus to certain employees as incentives according to their performance. The Group recruits and selects candidates on the basis of their qualifications and suitability for the position. It is the Group's policy to recruit the most capable person available for each position.

CHARGES ON GROUP'S ASSETS

Save as disclosed in note 12(b) to the consolidated financial statements, no assets of the Group are pledged as at 31 December 2022.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

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

(a) On 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 1 offered for sale by the Bureau at an auction for a consideration of RMB21,830,000. The Land 1 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 was paid on 11 January 2022 upon signing of a transfer agreement entered into between Haina Tongchuang and the Bureau in relation to the transfer of the land use rights of the Land 1 (the "**Transfer Agreement**"). For more details, please refer to the Company's announcement dated 5 January 2022.

(b) On 24 January 2022, the interest payment for a bond in the amount of HK$2,400,000 (equivalent to approximately RMB2,049,000) was paid by Pipeline Engineering Holdings Limited (currently known as Trendzon Holdings Group Limited) (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.

On 3 March 2023, the Company and the Issuer agreed to further extend the maturity date of the bond from 25 January 2023 to 25 July 2023 and also agreed to amend the bond interest rate from 6% to 8% per annum. Save for the further extension of the maturity date and interest rate for the further extension period, all the terms and conditions of the bond remain unchanged. For more details, please refer to the Company's announcement dated 3 March 2023.

The Group was subsequently guaranteed by a deed of corporate guarantee executed by an independent third party in favor of the Group on 4 March 2023. The independent third party is a company incorporated in the PRC with limited liability and is principally engaged in provision of business services in the PRC.

(c) On 30 June 2022, Jinjiang Haina, a wholly-owned subsidiary of the Company won an online bid for the transfer of state-owned land use rights of a land parcel with code no. GY2021-60 (the "**Land 2**"), located in Anhai Park, Jinjiang Economic Development Area through a auction held by the Jinjiang City Natural Resources Bureau*（晉江市自然資源局）at a total consideration of approximately RMB19.9 million. For more details, please refer to the Company's announcement dated 30 June 2022.

(d) On 15 August 2022, Haina Tongchuang and Fujian Huidong Construction Engineering Co., Ltd. (the "**Contractor**"), entered into a 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 2 at total contract price of approximately RMB265.60 million. For more details, please refer to the Company's announcement dated 15 August 2022.

(e) On 13 December 2022, Haina Technology entered into a sale and purchase agreement with an independent third party to dispose of its unlisted equity at FVOCI, at a consideration of HK$14,200,000 (equivalent to approximately RMB12,555,000), which was also the fair value as at the date of disposal as the investment no longer meets the investment objective of the Group. The transaction was completed on 30 December 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 30 June 2022, the Company announced that it successfully won the bid for land use rights of a parcel of land located in Tonglin Village, Anhai Town, Fujian Province, the PRC for the purpose of constructing a dedicated research and development and production centre in Jinjiang City.

Reference is also made to the announcement of the Company dated 5 January 2022, in which the Company announced that it successfully won the bid for land use rights of a parcel of land located in Hangzhou Qianjiang Economic Development Zone, Hangzhou City, Zheijiang Province, the PRC for development the Group's Hangzhou production base.

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

EVENT AFTER THE REPORTING PERIOD

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 25 May 2023 (the "**2023 AGM**"), the register of members of the Company will be closed from 22 May 2023 (Monday) to 25 May 2023 (Thursday), both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to qualify for attending the 2023 AGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 19 May 2023 (Friday).

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.

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year and up to the date of this announcement.

REVIEW BY THE AUDIT COMMITTEE

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

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

The figures in respect of the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of financial position of the Group and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited ("**Mazars**"), Certified Public Accountants, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2022. The work performed by Mazars in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

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

ACKNOWLEDGEMENT

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

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

Hong Kong, 30 March 2023

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

* *English name is for identification purpose only.*