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

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Haina Intelligent Equipment International Holdings Limited

海納智能裝備國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1645)

**MAJOR TRANSACTION
CONSTRUCTION CONTRACT IN RELATION TO
THE CONSTRUCTION OF THE RESEARCH
AND DEVELOPMENT CENTRE**

Financial adviser to the Company



建泉融資有限公司

VBG Capital Limited

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

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

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

This circular is despatched to the Shareholders for information only.

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

25 July 2023

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DEFINITIONS

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

“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Haina Intelligent Equipment International Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on Main Board (stock code: 1645)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the total consideration payable by Jinjiang Haina to the Contractor under the Construction Contract, being RMB176,000,000
“Construction Contract”	the construction contract entered into between Jinjiang Haina and the Contractor on 4 July 2023 in respect of the Construction Works
“Construction Works”	the construction works in respect of the Research and Development Centre and other ancillary facilities situated on the Land Parcel
“Contractor”	HUIYU(FJ)CONSTRUCTION PROJELE COM., LTD (福建省惠裕建設工程有限公司), a company established in the PRC with limited liability, which is principally engaged in the provision of industrial and civil construction engineering
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with the Group, its connected persons and their respective associates and not acting in concert with any substantial shareholder (as defined under the Listing Rules) of the Company within the meaning of The Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong

DEFINITIONS

“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
“Latest Practicable Date”	20 July 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Land Parcel”	the parcel of land located in Tonglin Village, Anhai Town, Fujian Province, the PRC, with a total site area and a total construction area of approximately 28,353 square metres and 72,638 square metres respectively and designated for industrial usage with term of use of 50 years, of which the land use rights has been acquired by Jinjiang Haina
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which shall, for the purpose of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prestige Name”	Prestige Name International Limited (威名國際有限公司), a company incorporated in the British Virgin Islands with liability limited by shares on 22 May 2017 and is owned as to 46.84%, 26.13%, 19.64%, 6.31% and 1.08% by Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya, Mr. He Ziping, and Mr. Chang Chi Hsung respectively. Mr. Hong Yiyuan, Mr. Zhang Zhixiong, Mr. Su Chengya, Mr. He Ziping, Mr. Chang Chi Hsung and Prestige Name are parties acting in concert pursuant to the acting in concert confirmation entered into on 4 March 2022 and each of them is controlling shareholder (as defined under the Listing Rules) of the Company as at the Latest Practicable Date
“Research and Development Centre”	a research and development centre to be constructed on the Land Parcel
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Written Shareholders’ Approval”	the written approval dated 4 July 2023 given by Prestige Name in respect of the Construction Contract and the transaction contemplated thereunder
“%”	per cent

For the purpose of this circular, unless otherwise specified or the context requires otherwise, “” denotes an English translation of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

LETTER FROM THE BOARD

Haina Intelligent Equipment International Holdings Limited

海納智能裝備國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1645)

Executive Directors:

Mr. HONG Yiyuan (*Chairman*)
Mr. ZHANG Zhixiong
Mr. SU Chengya
Mr. HE Ziping

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681,
Grand Cayman KY1-1111
Cayman Islands

Non-executive Director:

Mr. CHANG Chi Hsung

Principal place of business in Hong Kong:

Flat C, 21st Floor
Max Share Centre
373 King's Road
North Point
Hong Kong

Independent Non-Executive Directors:

Mr. CHAN Ming Kit
Dr. WANG Fengxiang
Ms. CHAN Man Yi

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

Wuli Technology Park
Economic Development Area
Jinjiang City
PRC

25 July 2023

To the Shareholders,

Dear Sir/Madam,

MAJOR TRANSACTION CONSTRUCTION CONTRACT IN RELATION TO THE CONSTRUCTION OF THE RESEARCH AND DEVELOPMENT CENTRE

INTRODUCTION

Reference is made to the announcements of the Company dated 4 July 2023 and 7 July 2023, in relation to the Construction Contract entered into between Jinjiang Haina and the Contractor, pursuant to which the Contractor has agreed to undertake the Construction Works at the Consideration of RMB176,000,000.

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

LETTER FROM THE BOARD

THE CONSTRUCTION CONTRACT

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

Date	:	4 July 2023
Parties	:	(i) Jinjiang Haina; and (ii) the Contractor.
Subject matter	:	The Contractor will act as the general contractor responsible for the Construction Works situated on the Land Parcel, with a total site area and a total construction area of approximately 28,353 square metres and 72,638 square metres respectively.
Commencement of the Construction Works	:	8 July 2023
Construction period	:	The Construction Works are expected to be completed within 365 days after commencement of the Construction Works.
Consideration	:	RMB176,000,000, which shall be a fixed total price under the Construction Contract. The Consideration is subject to any phased adjustments arising from fluctuations on market prices on steel, concrete, cement, electric wire and cable, and the phased adjustments will be settled in accordance with the progress of the project in physical shape.

In the event that the market price of the materials (including steel, concrete, cement, electric wire and cable) differs from the benchmark price (the benchmark price shall be subject to the publication of “Quanzhou Construction Cost Management Information”*(《泉州工程造價管理信息》)” promulgated by Quanzhou City Construction Cost Management Station*(泉州市建設工程造價工程管理站) during the contract construction period) by not more than 5% (including 5%), the Consideration will remain unchanged. If the price difference exceeds 5%, the upward part of the excess is benefited by the Contractor, in contrast, the downward part of the excess is benefited by Jinjiang Haina.

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The Directors do not consider that any adjustments to the Consideration would result in the transaction contemplated under the Construction Contract falling under a higher classification pursuant to Rule 14.06 of the Listing Rules. The Company will comply with any additional requirements under Chapter 14 of the Listing Rules should the Consideration be adjusted such that the transaction contemplated under the Construction Contract would fall under a higher classification pursuant to Rule 14.06 of the Listing Rules.

- Payment terms : *For the construction works of the main buildings*
- (i) after completion of the construction piles and maintenance piles, 80% of the price in relation to the respective parts shall be paid to the Contractor;
 - (ii) basement parts: after completion of the foundation pit support (inclusive of civil engineering works), 80% of the price in relation to the respective parts shall be paid to the Contractor;
 - (iii) after the completion of the basement and all foundation works, 80% of the price in relation to the respective parts shall be paid to the Contractor;
 - (iv) for the factory no. 1, the factory no. 2 and the comprehensive building on the ground, 80% of the price in relation to the respective parts shall be paid to the Contractor after completion of the frame structure for every three floors of the main buildings, until the cappings of the main buildings are completed;
 - (v) after completion and passing the acceptance checking of the main buildings works (including concrete works, masonry works, etc.), 80% of the price in relation to the completed parts of the main buildings works shall be paid to the Contractor;
 - (vi) after completion of the façade decoration works and the removal of scaffoldings works, 80% of the price in relation to the respective parts shall be paid to the Contractor;

LETTER FROM THE BOARD

- (vii) after completion of all the construction works of the main buildings and passing the primary acceptance checking, 80% of the price for the respective parts of the completed construction works shall be paid to the Contractor;
- (viii) after completion of all the construction works of the main buildings and passing the acceptance checking, and the Contractor has passed all project materials to Urban Construction Archives, 92% of the total contract price shall be paid to the Contractor after Jinjiang Haina receiving the Archives Certificates; and
- (ix) after the completion and settlement of all the main buildings construction projects, 97% of the total project settlement amount will be paid to the Contractor, and the remaining 3% will be retained by Jinjiang Haina as quality guarantee deposit.

The above ratios are based on the fixed total price agreed in the Construction Contract.

For the construction works of other ancillary facilities

- (i) the project scope mainly includes road, walls, greening, parking spaces and other construction works; and
- (ii) after completion of the construction works mentioned in (i) above, 80% of the price (already included in the fixed total price) in relation to the respective parts shall be paid to the Contractor.

Performance guarantee : The Contractor shall issue a performance deposit to Jinjiang Haina in the amount of 3% of the Consideration, within 5 working days prior to the execution of the Construction Contract.

Defects liability period : The liability period of any defects of the Construction Works is 36 months commencing from the completion acceptance of the Construction Works by Jinjiang Haina.

LETTER FROM THE BOARD

BASIS OF THE CONSIDERATION

The Consideration was arrived at from a tender process whereby invitations to bid for the Construction Works were solicited by Jinjiang Haina. Five tenderers have fulfilled the requirements set out in the bid invitation documents after having provided, among others, their (i) business license; (ii) Construction Enterprise Qualification Certificate* (《建築業企業資質證書》); (iii) Safety Production License* (《安全生產許可證》); and (iv) experience on construction projects with similar scale. As the tender price offered by the Contractor was the lowest, the tender submitted by the Contractor was preliminarily considered by the Company as the most appropriate. The Company further assessed the experience and competency of the Contractor, including its experience on construction projects with similar scale in the past five years, and inspected its quality of work at construction sites handled by the Contractor, before awarding the Construction Contract to the Contractor. In addition, the Directors have assessed the expected scope, complexity and quality of the Construction Works, and consider that the Consideration is fair and reasonable. The Consideration will be financed by the Group's internal resources and bank borrowings.

REASONS FOR AND BENEFIT OF ENTERING INTO THE CONSTRUCTION CONTRACT

Reference is made to the announcements of the Company dated 30 June 2022 and 28 April 2023 in respect of the acquisition of land use rights of the Land Parcel and the change in use of proceed of the Company, respectively. Jinjiang Haina has successfully bid the Land Parcel with a total site area and a total construction area of approximately 28,353 square metres and 72,638 square metres respectively, for the construction of the Research and Development Centre and other ancillary facilities including a new manufacturing workshop and other office buildings.

The Research and Development Centre will help the Group to (i) provide development services for the products and shorten the transportation time for disassembling and re-assembling of raw materials during the Group's production process and facilitate staff deployment; (ii) better monitor the development of key products, shorten the preparation time for developing customized products, and further improve the research and development efficiency of new products; and (iii) improve cost efficiency, it is the plan of the Group to produce and process the components and parts that are used for the production of the Group's products on its own, instead of external procurement, which can reduce the time for procurement and optimise the production processes of equipment.

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

LISTING RULES IMPLICATIONS

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

LETTER FROM THE BOARD

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

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

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

FINANCIAL EFFECT OF THE CONSTRUCTION CONTRACT

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

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

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES

The Company

The Company is an investment holding company incorporated in the Cayman Islands. The Group is principally engaged in the design and production of automated machines for manufacturing disposable hygiene products in the PRC.

Jinjiang Haina

Jinjiang Haina is a company established in the PRC and a wholly-owned subsidiary of the Company. It is principally engaged in the design and production of machines for disposable hygiene products in the PRC.

The Contractor

The Contractor is a company established in the PRC with limited liability, which is principally engaged in the provision of industrial and civil construction engineering. It is owned as to 92% by Yang Jiankui* (楊劍奎) and 8% by Qiu Zhonghe* (邱忠河).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are Independent Third Parties as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Contractor, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the counterparty of the transaction who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction).

RECOMMENDATION

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

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,

By Order of the Board

Haina Intelligent Equipment International Holdings Limited

Hong Yiyuan

Chairman, Chief Executive Officer and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2022 are disclosed in the following documents which have been published both on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.haina-intelligent.com):

- Annual report of the Company for the year ended 31 December 2022 (pages 74 to 158)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600902.pdf>
- Annual report of the Company for the year ended 31 December 2021 (pages 74 to 156)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042501134.pdf>
- Annual report of the Company for the year ended 31 December 2020 (pages 70 to 138)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0421/2021042100722.pdf>

2. INDEBTEDNESS**Bank Borrowings**

At the close of business on 31 May 2023, the Group has outstanding bank borrowings of approximately RMB29.4 million. All the outstanding bank borrowings were unguaranteed and unsecured.

The bank borrowings are repayable within 1 year and were classified as current liabilities as at 31 May 2023.

The bank borrowings bear fixed interest ranging from 3.6% to 4.35%.

Lease Liabilities

At the close of business on 31 May 2023, the Group had total outstanding lease liabilities (including current and non-current portions) of approximately RMB11.4 million. All lease liabilities were unguaranteed and unsecured.

Contingent Liabilities

At the close of business on 31 May 2023, the Group did not have any material contingent liabilities.

Commitments

At the close of business on 31 May 2023, the Group had capital expenditure commitments contracted but not provided (net of deposit paid) for development of intangible assets of approximately RMB22.7 million and acquisition of land use rights of approximately RMB226.7 million.

Save as disclosed above, at the close of business on 31 May 2023, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or term loans (secured, unsecured, guaranteed or otherwise), other borrowings or indebtedness in the nature of borrowings including liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

On 30 June 2022, the Group has successfully bid for a parcel of land with a total area of approximately 28,353 square metres in Jinjiang City, Fujian Province, the PRC for the establishment of the Research and Development 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 the Research and Development 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 Research and Development 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 financial year ended 31 December 2022, 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

At present, the Group does not produce automatic packaging equipment, and therefore our customers need to procure such equipment from other manufacturers for packaging their disposable hygiene products. In view of this, the Group plans to produce automatic packaging equipment in the near future, through the acquisition of a company, in order to provide a comprehensive solution to our customers. However, since the Directors consider it is in the best interest of the Group that the target company must possess independent research and development capabilities in the development, design and manufacture of automatic packaging equipment, the Company is still in the course of identifying suitable acquisition target and expect that the acquisition will be completed in 2025.

Concurrently, the Group 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 and a continual increase in sales orders.

On 5 January 2022, Zhejiang Haina Tongchuang Intelligent Technology Company Limited (“**Haina Tongchuang**”) has successfully bid a parcel of land for construction of a digital factory which will be principally engaged in the design and production of automated machines for disposable hygiene products (the “**Factory**”). 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 RMB265.60 million.

On 30 June 2022, Jinjiang Haina, has successfully bid a parcel of land for the construction of the Research and Development Centre, 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 financial year ended 31 December 2022, 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, it has completed the 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.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

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

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

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

Notes:

- (1) Interests in Shares stated above represent long positions.
- (2) The Company is directly owned as to 61.92% by Prestige Name International Limited ("Prestige Name"), a company incorporated in the British Virgin Islands with liability limited by shares. Prestige Name is beneficially owned and legally owned as to 46.84%, 26.13%, 19.64%, 6.31% and 1.08% by Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang (the "Controlling Shareholders"), respectively.
- (3) Mr. Hong, Mr. Zhang, Mr. Su, Mr. He, Mr. Chang and Prestige Name are parties acting in concert pursuant to the acting in concert confirmation entered into on 4 March 2022 (the "Acting In Concert Confirmation"). By virtue of the SFO, they are deemed to be interested in (i) the indirect attributable interest of the Shares held by their controlled corporation; and (ii) the respective numbers of shares in Prestige Name held by other parties acting in concert. Therefore, the Controlling Shareholders together are deemed to be interested in a total of 61.92% of the issued share capital of the Company.

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

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

Notes:

- (1) Interests in Shares stated above represent long positions.
- (2) The Company is directly owned as to 61.92% by Prestige Name. Prestige Name is legally and beneficially owned as to 46.84%, 26.13%, 19.64%, 6.31% and 1.08% by Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang, respectively.
- (3) Mr. Hong, Mr. Zhang, Mr. Su, Mr. He, Mr. Chang and Prestige Name are parties acting in concert pursuant to the Acting In Concert Confirmation. By virtue of the SFO, they are deemed to be interested in (i) the indirect attributable interest of the Shares held by their controlled corporation; and (ii) the respective numbers of shares in Prestige Name held by other parties acting in concert. Therefore, the Controlling Shareholders together are deemed to be interested in a total of 61.92% of the issued share capital of the Company.
- (4) These 10,000,000 Shares represent an aggregate of 10,000,000 share options granted to Mr. Hong, Mr. Zhang, Mr. Su and Mr. He, the shareholders of Prestige Name on 21 May 2021, which are exercisable according to the exercise periods disclosed in note 30 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2022. Pursuant to the Acting in Concert Confirmation, Prestige Name is deemed to be interested in an aggregate of 10,000,000 Shares upon exercise of the said share options.

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited consolidated accounts of the Company have been made up).

6. COMPETING INTERESTS

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

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

As at the Latest Practicable Date, save as disclosed in the annual report of the Company for the year ended 31 December 2022:

- (a) none of the Directors had any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated accounts of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

8. MATERIAL LITIGATION

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

9. MATERIAL CONTRACTS

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

- (a) the transfer agreement dated 5 January 2022 entered into between Haina Tongchuang and Hangzhou City Planning and Natural Resources Bureau Yuhang District Municipality* (杭州市規劃和自然資源局余杭分局), in relation to the transfer of the land use rights of a land parcel located at the west side of Fengyun Road, Qianjiang Economic Development Area, at a consideration of RMB21.83 million;
- (b) the agreement dated 25 January 2022 entered into between the Company as holder of the bonds in the principal amount of HK\$40,000,000 (the “**Bonds**”) and Trendzon Holdings Group Limited (“**Trendzon**”) as issuer of the Bonds, in relation to the extension of the maturity date of the Bonds from 26 January 2022 to 25 January 2023;
- (c) the transfer agreement dated 30 June 2022 entered into between Jinjiang Haina and Jinjiang City Natural Resources Bureau* (晉江市自然資源局), in relation to the transfer of the land use rights of the Land Parcel at a consideration of RMB12.60 million;
- (d) the construction contract dated 15 August 2022 entered into between Haina Tongchuang and Fujian Huidong Construction Engineering Co., Ltd.* (福建省惠東建築工程有限公司), in relation to the construction of a factory principally engaged in the design and production of automated machines for manufacturing disposable hygiene products at a total contract price of approximately RMB265.60 million;
- (e) the agreement dated 3 March 2023 entered into between the Company and Trendzon, in relation to the extension of the maturity date of the Bonds from 25 January 2023 to 25 July 2023; and
- (f) the Construction Contract, the material terms of which are set out in this circular.

10. GENERAL

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

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

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

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

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

11. DOCUMENTS AVAILABLE ON DISPLAY

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

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

12. MISCELLANEOUS

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