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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1645)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

HIGHLIGHTS

- The Group recorded a revenue of approximately RMB110.5 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately RMB199.8 million).
- The Group recorded a gross profit of approximately RMB12.8 million and gross profit margin of approximately 11.6% for the six months ended 30 June 2023 (six months ended 30 June 2022: gross profit of approximately RMB32.1 million and gross profit margin of approximately 16.1%).
- Loss attributable to owners of the Company for the six months ended 30 June 2023 amounted to approximately RMB15.4 million (six months ended 30 June 2022: loss attributable to owners of the Company of approximately RMB4.3 million).

The board (the "**Board**") of directors (the "**Directors**") of Haina Intelligent Equipment International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2023 (the "**Period**"), together with the comparative figures for corresponding six months ended 30 June 2022 (the "**Prior Period**") as follows:

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

	Note	Six months ended 30 June **2023** *RMB'000* (Unaudited)	2022 *RMB'000* (Unaudited)
Revenue	*5*	**110,535**	199,809
Cost of sales		**(97,751)**	(167,667)
Gross profit		**12,784**	32,142
Other income	*6*	**8,006**	7,597
Selling and distribution costs		**(5,338)**	(5,598)
Administrative and other operating expenses		**(26,904)**	(29,949)
Provision for impairment loss on trade receivables, net		**(288)**	(1,369)
(Provision for) Reversal of impairment loss on other receivables		**(1,011)**	13
Reversal of (Provision for) impairment loss on debt instrument at amortised cost		**75**	(423)
Change in fair value of equity instruments at fair value through profit or loss ("**FVPL**")		**(552)**	(4,688)
Equity-settled share-based payment expenses	*17*	**(692)**	(649)
Finance costs	*7*	**(769)**	(1,151)
Loss before tax	*7*	**(14,689)**	(4,075)
Income tax expense	*8*	**(1,130)**	(326)
Loss for the period		**(15,819)**	(4,401)
Other comprehensive income (loss):			
Item that will not be reclassified to profit or loss:			
Exchange difference on translation of the Company's financial statements to presentation currency		**7,690**	(3,652)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on consolidation		**(8,414)**	3,168
Total other comprehensive loss for the period		**(724)**	(484)
Total comprehensive loss for the period		**(16,543)**	(4,885)

	Note	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Loss for the period attributable to:			
Owners of the Company		**(15,363)**	(4,335)
Non-controlling interests		**(456)**	(66)
		(15,819)	(4,401)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(16,087)**	(4,819)
Non-controlling interests		**(456)**	(66)
		(16,543)	(4,885)
		RMB cents **(Unaudited)**	*RMB cents* (Unaudited)
Loss per share	*10*		
Basic and diluted		**(2.72)**	(0.77)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 30 June 2023** ***RMB'000*** **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*11*	**109,606**	88,037
Intangible assets		**4,120**	5,225
Goodwill		**1,369**	1,369
Deferred tax assets		**2,174**	2,174
		117,269	96,805
Current assets			
Inventories		**250,598**	197,607
Equity instruments at FVPL		**3,874**	4,257
Debt instrument at amortised cost	*13*	**31,099**	29,653
Trade and other receivables	*12*	**113,753**	115,417
Restricted bank deposits		**20,000**	22,328
Bank balances and cash		**80,386**	85,596
		499,710	454,858
Current liabilities			
Trade and other payables	*14*	**228,858**	168,894
Lease liabilities		**9,885**	10,592
Interest-bearing borrowings	*15*	**49,934**	25,000
Income tax payable		**695**	1,021
		289,372	205,507
Net current assets		**210,338**	249,351
Total assets less current liabilities		**327,607**	346,156
Non-current liabilities			
Lease liabilities		**1,705**	5,528
Deferred tax liabilities		**1,856**	1,856
		3,561	7,384
NET ASSETS		**324,046**	338,772
Capital and reserves			
Share capital	*16*	**5,088**	5,088
Reserves		**318,118**	333,513
Equity attributable to owners of the Company		**323,206**	338,601
Non-controlling interests		**840**	171
TOTAL EQUITY		**324,046**	338,772

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liability on 20 December 2017, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 June 2020. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is situated at Flat C, 21/F, Max Share Centre, 373 King's Road, North Point, Hong Kong.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

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

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2022 (the "**Annual Report**").

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

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

3. ADOPTION OF NEW/REVISED HKFRSs

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

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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

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

4. SEGMENT INFORMATION

The Directors have determined that the Group has a single operating and reportable segment for the six months ended 30 June 2023 and 2022, as the Group manages its business as a whole as the design and production of automated machines for disposable hygiene products and the executive directors of the Company, being the chief operating decision makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Segment information is not presented accordingly.

Information about geographical areas

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

Revenue from external customers

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The PRC	**97,565**	169,633
Republic of Belarus	**6,192**	–
Philippines	**4,621**	183
Dubai	**1,845**	296
Republic of Indonesia	**238**	14,446
Korea	**57**	203
India	**17**	7,849
Islamic Republic of Pakistan	**–**	5,846
Nigeria	**–**	1,112
Uzbekistan	**–**	235
Angola	**–**	6
	110,535	199,809

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 and goodwill and excluded deferred tax assets.

Non-current assets

	At	At
	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
The PRC	**115,030**	94,553
Hong Kong	**65**	78
	115,095	94,631

Information about major customers

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A	**–**	20,141
Customer B	**12,377**	–

5. REVENUE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within HKFRS 15 – at a point in time		
Sales of machines of		
– baby diaper	**45,390**	51,232
– adult diaper	**25,744**	118,985
– lady sanitary napkin	**13,592**	8,912
– underpad	**7,208**	7,035
– wet wipe	**1,982**	–
– composite material	**1,929**	–
– pet diaper	**–**	5,841
Sales of components and parts	**14,690**	7,804
	110,535	199,809

The amounts of revenue recognised for the six months ended 30 June 2023 and 2022 that were included in the contract liabilities at the beginning of each reporting period are approximately RMB21.3 million and RMB47.2million, respectively.

6. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Bank interest income	**651**	590
Interest income from debt instrument at amortised cost	**1,327**	972
Exchange gain, net	**3,815**	2,724
Government grants *(Note)*	**633**	2,213
Sales of scrap materials	**882**	829
Others	**698**	269
	8,006	7,597

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

7. LOSS BEFORE TAX

This is stated after charging (crediting):

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs		
Finance charges on lease liabilities	**294**	487
Interest on bank borrowings	**475**	664
	769	1,151
(b) Staff costs, including directors' remuneration		
Salaries, allowances, discretionary bonus and other benefits in kind	**20,581**	17,920
Equity-settled share-based payment expenses	**692**	649
Contributions to defined contribution plans	**3,561**	2,653
	24,834	21,222

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(c) Other items		
Cost of inventories *(Note)*	**97,751**	167,667
Auditor's remuneration	**186**	174
Amortisation of intangible assets	**1,105**	2,088
Depreciation of property, plant and equipment (included in "cost of sales" and "administrative and other operating expenses", as appropriate)	**7,189**	6,548
Exchange gain, net	**(3,815)**	(2,724)
Loss on disposal of property, plant and equipment, net	**56**	4
Provision for litigation and claim (included in "administrative and other operating expenses")	**–**	1,600
Research and development expenses	**12,781**	14,072

Note: During the six months ended 30 June 2023, cost of inventories included approximately RMB16.8 million (2022: approximately RMB15.0 million), relating to the aggregate amount of certain staff costs and depreciation, which were included in the respective amounts as disclosed above.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax – current year	**1,130**	–
Deferred tax		
Origination and reversal of temporary differences	**–**	326
Income tax expense for the period	**1,130**	326

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.

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising from Hong Kong for the six months ended 30 June 2023 and 2022.

* *English name is for identification purpose only.*

9. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Loss:		
Loss attributable to owners of the Company used for the purpose of basic loss per share *(RMB'000)*	**(15,363)**	(4,335)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share *('000)*	**563,976**	563,976

Diluted loss per share is same as basic loss per share for the six months ended 30 June 2023 and 2022 as the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in a decrease in the basic loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, property, plant and equipment (excluding right-of-use assets) purchased by the Group were approximately RMB27,800,000 (year ended 31 December 2022: approximately RMB22,289,000) and disposed of by the Group were approximately RMB684,000 (year ended 31 December 2022: approximately RMB550,000).

During the six months ended 30 June 2023, the Group recognised right-of-use assets (presented in property, plant and equipment) by incurring lease liabilities of approximately RMB1,054,000.

During the six months ended 30 June 2023, the Group adjusted right-of-use assets by remeasuring lease liabilities of approximately RMB469,000 upon entering into a new lease with increased lease consideration together derecognising right-of-use assets by reducing lease liabilities of approximately RMB328,000 in relation to the early termination of original lease term.

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

12. TRADE AND OTHER RECEIVABLES

	Note	**At 30 June 2023** ***RMB'000*** **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Trade receivables		**75,356**	83,726
Less: Allowance for expected credit losses ("**ECL**")		**(8,246)**	(7,958)
	12(a)	**67,110**	75,768
Bills receivables	*12(b)*	**–**	1,394
Other receivables			
Prepayment to suppliers		**7,528**	3,912
Other prepaid expenses		**4,750**	4,702
Consideration receivable	*12(c)*	**8,346**	7,978
Interest receivable from debt instrument at amortised cost		**1,268**	2,009
Deposits and other receivables		**6,079**	2,939
Value-added tax and other tax recoverable		**20,152**	17,115
		48,123	38,655
Less: Allowance for ECL		**(1,480)**	(400)
		46,643	38,255
		113,753	115,417

12(a) Trade receivables

Apart from a portion of the contract sum retained by customers to cover the Group's product quality warranty, the Group does not grant credit terms to customers in the sales contract. However, the Group would normally grant credit terms up to 30 days from the date of issuance of invoices to its customers for their processing of billing settlement as approved by the management on a case by case basis.

Included in trade receivables at 30 June 2023 and 31 December 2022 were retained sums of approximately RMB25,515,000 and RMB30,650,000, respectively. These amounts are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the machine).

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

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Within 30 days	**2,328**	1,900
31 to 60 days	**5,717**	7,655
61 to 90 days	**1,930**	7,403
91 to 180 days	**3,600**	6,673
181 to 365 days	**17,414**	33,556
Over 365 days	**36,121**	18,581
	67,110	75,768

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

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Not yet due	**16,918**	34,400
Within 30 days	**4,321**	2,756
31 to 60 days	**5,473**	6,676
61 to 90 days	**4,176**	369
91 to 180 days	**5,874**	5,070
181 to 365 days	**10,869**	17,278
Over 365 days	**19,479**	9,219
	50,192	41,368
	67,110	75,768

12(b) Bills receivables

At 31 December 2022, the bills receivables are interest-free, guaranteed by banks in PRC and have maturities of less than 1 year. All bills receivables are settled during the six months ended 30 June 2023.

12(c) Consideration receivable

The balance represents the outstanding consideration receivable for disposal of an unlisted equity instrument of HK$9,000,000 (equivalent to approximately RMB8,346,000). On 13 December 2022, the Group entered into a sale and purchase agreement with an independent third party to dispose of its unlisted equity instrument at a consideration of HK$14,200,000. The consideration will be settled by three installments in which the first installment of HK$5,200,000 (equivalent to approximately RMB4,577,000) was received by the Group and the remaining balance of consideration of HK$9,000,000 would be settled by two equal installments of HK$4,500,000 each and are payable before 30 June 2023 and 31 December 2023 respectively. As at the date of this announcement, the remaining balance of consideration was not yet settled.

13. DEBT INSTRUMENT AT AMORTISED COST

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unlisted debt instrument, unsecured	**37,092**	35,458
Less: Allowance for ECL	**(5,993)**	(5,805)
	31,099	29,653

On 24 January 2021, the Company and Trendzon Holdings Group Limited (formerly known as "**Pipeline Engineering Holdings Limited**") (the "**Issuer**") entered into a subscription agreement, pursuant to which the Issuer has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for, the bond in the principal amount of HK$40,000,000 (equivalent to approximately RMB33,248,000).

On 25 January 2022, the maturity date of the bond had been subsequently extended to 25 January 2023. On 3 March 2023, the Company and the Issuer has 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. 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 favour 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.

14. TRADE AND OTHER PAYABLES

	Note	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade payables	*14(a)*	**83,157**	50,600
Bills payables		**8,950**	29,810
Other payables			
Salaries payable		**3,382**	5,674
Contract liabilities – receipt in advance		**115,084**	63,534
Interest payables		**58**	–
Accruals and other payables		**18,227**	19,276
		136,751	88,484
		228,858	168,894

14(a) Trade payables

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

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

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 30 days	**67,427**	25,537
31 to 60 days	**6,510**	12,534
61 to 90 days	**4,033**	2,542
91 to 180 days	**3,931**	7,963
181 to 365 days	**622**	1,499
Over 365 days	**634**	525
	83,157	50,600

15. INTEREST-BEARING BORROWINGS

	At 30 June 2023 *RMB'000* (Unaudited)	At 31 December 2022 *RMB'000* (Audited)
Bank loans – unsecured	**29,410**	25,000
Bank loan – secured	**20,524**	–
	49,934	25,000
Denominated in:		
RMB	**49,934**	25,000

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

	At 30 June 2023 *RMB'000* (Unaudited)	At 31 December 2022 *RMB'000* (Audited)
Fixed-rate borrowings	**29,410**	25,000
Variable-rate borrowing	**20,524**	–
	49,934	25,000

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

	At 30 June 2023 *RMB'000* (Unaudited)	At 31 December 2022 *RMB'000* (Audited)
Effective interest rate:		
Fixed-rate borrowings	**3.6% to 4.35%**	3.5% to 4.5%
Variable-rate borrowing	**4.15%**	N/A

At 30 June 2023, the Group's bank loan of approximately RMB20,524,000 was secured by a land use right of the Group with aggregate carrying value of approximately RMB21,793,000.

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

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

16. SHARE CAPITAL

Ordinary share of HK$0.01 each	**Number of shares**	*HK$*	*Equivalent to RMB'000*
Authorised:			
At 31 December 2022, 1 January 2023 (audited) and **30 June 2023 (unaudited)**	2,000,000,000	20,000,000	10,695
Issued and fully paid:			
At 31 December 2022, 1 January 2023 (audited) and **30 June 2023 (unaudited)**	563,976,000	5,639,760	5,088

17. SHARE-BASED PAYMENTS

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

	Number of outstanding share options
At 31 December 2022, 1 January 2023 (audited) and **30 June 2023 (unaudited)**	14,000,000

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

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

Share price at the date of grant	HK$1.14
Exercise price	HK$1.14
Expected volatility	46.02%
Risk-free interest rate	1.10%
Expected dividend yield	6.09%

During the six months ended 30 June 2023, with reference to the fair value of the share options granted, the Group recognised approximately RMB692,000 (30 June 2022: RMB649,000) as equity-settled share-based payment expenses. None of the share options was exercised.

18. EVENTS AFTER THE REPORTING PERIOD

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

On 4 July 2023, Jinjiang Haina entered into a construction contract with an independent third party, HUIYU(FJ)CONSTRUCTION PROJELE COM.,LTD (the "**Contractor**"), pursuant to which the Contractor has undertaken the construction works in respect of the research and development centre and other ancillary facilities on the land located in Tonglin Village, Anhai Town, Fujian Province, the PRC at a consideration of approximately RMB176 million.

Further details of the construction contract were disclosed in the announcements of the Company dated 4 July 2023 and 7 July 2023, and the circular of the Company dated 25 July 2023.

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 wipes in the People's Republic of China (the "**PRC**").

In the first half of 2023, domestic economic growth slowed down significantly due to factors such as international geopolitical conflicts and global inflation. However, with the gradual improvement of the epidemic and the introduction of a series of economic support policies by the PRC, the domestic consumer market will gradually recover in the future, promoting a sustained recovery and progressive growth of the economy.

The Group had two production bases in the PRC, namely the Jinjiang Production Base and the Hangzhou Production Base, with a total gross floor area of approximately 53,000 square metres. The Group operated 18 and 9 production lines in the Jinjiang Production Base and the Hangzhou Production Base, respectively. During the six months ended 30 June 2023 (the "**Period**"), the production process of the Group mainly involved in the assembly of components and parts that are used for the production of the Group's products. The Group mainly procured the components and parts for its products from third party sources.

Besides, on 5 January 2022, the Company's wholly-owned subsidiary, Zhejiang Haina Tongchuang Intelligent Technology Company Limited ("**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 (the "**Factory**"), which will be principally engaged in the design and production of automated machines for disposable hygiene products to meet customers' surging demand for the Group's products and better achieve the expansion plan and centralize 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 Fujian Huidong Construction Engineering Co., Ltd.*（福建省惠東建築工程有限公司）(the "**Contractor 1**"), pursuant to which the Contractor 1 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 RMB265.6 million. At present, the project has been commenced and is under orderly construction stage.

On 30 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 with a total site area of approximately 28,353 square metres (the "**Land 2**") at a consideration of approximately RMB19.9 million, which will be used for the construction of a new research and development and production centre (the "**R&D Centre**"). The R&D 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 R&D Centre can help expand the Group's production capacity to meet customers' surging demand for the Group's products and better achieve the expansion plan. On 4 July 2023, Jinjiang Haina entered into a construction contract with HUIYU(FJ)CONSTRUCTION PROJELE COM.,LTD. *(福建省惠裕建設工程有限公司)(the "**Contractor 2**"), pursuant to which the Contractor 2 agreed to carry out the construction works of the R&D Centre and other ancillary facilities on the Land 2 at a total contract price of approximately RMB176.0 million, which is expected to commence construction by the end of August 2023.

During the Period, the Group recorded a total revenue of approximately RMB110.5 million, with a total number of 23 units of machines sold, representing a decrease of 45% as compared to the previous period. The Group's customers are mainly located in the PRC, and the Group also sold its products to 6 overseas countries during the Period. The Group recorded a net loss of approximately RMB15.8 million for the Period.

Going forward

The Group is dedicated to continuously reinforcing the field of product research and development, technological transformation, optimization of industrial chain and market expansion, constantly optimizing its production process to provide customers with more comprehensive services and better products 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 the efficiency of research and development, accelerating iterative upgrades of the critical components industry, and promoting technological transformation

On 30 June 2022, the Group has successfully bid for the Land 2 with a total area of approximately 28,353 square meters in Jinjiang City, Fujian Province, the PRC for the establishment of 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 customized products, and further enhance the efficiency of the research and development of new products. On 4 July 2023, the Group has entered into a construction contract to carry out the construction works of the R&D Centre and other ancillary facilities on the Land 2 at a total contract price of approximately RMB176.0 million. 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 innovation by conducting additional research and development activities through applying new technologies such as precision manufacturing and enhanced automation to improve the research and development capabilities of the Group. During the Period, the Group incurred research and development expenses (including capitalized expenses) of approximately RMB12.8 million, which were fully funded by the Group's internal resources.

(2) Enhance production flexibility and provide comprehensive solutions for customers' integrated services

Currently, the Group does not produce automatic packaging equipment and hence our customers need to purchase such equipment from other manufacturers for packaging their disposable hygiene products. In view of this, the Group plans to provide comprehensive solutions to its customers by acquiring a company to produce automatic packaging equipment in the near future. However, as the Directors are of the view that it is in the best interests of the Group that the target company must have independent research and development capabilities to develop, design and manufacture automatic packaging equipment, the Company is still in the process of identifying suitable acquisition targets and the acquisition is expected to be completed in 2025.

At the same time, 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. During the Period, the Group invested in the establishment of two subsidiaries to self-produce and process parts and components used for the production of the Group's machinery, replacing the previous model of external procurement, speeding up component supply management and accelerating technological process iteration and upgrading. Through such integration, reducing the procurement time and optimizing the production process will provide the Group with more competitive advantages and more flexibility in production.

(3) Increasing production capacity of production bases, accelerating the product production turnover process and improving efficiency

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, Haina Tongchuang has successfully bid the Land 1 for the construction of the Factory which will be principally engaged in the design and production of automated machines for disposable hygiene products. It is expected to meet the customers' surging demand for the Group's products, and to better realize the expansion plan and centralize its operation management. The total investment amount in the Factory 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 Factory and other ancillary facilities on the Land 1 at a total contract price of approximately RMB265.60 million, which is expected to be completed in 2024. Currently, the project has been commenced construction and is under orderly construction.

On 30 June 2022, Jinjiang Haina has successfully bid the Land 2 for the construction of the R&D Centre and the total investment in the R&D Centre shall not be less than RMB350 million. On 4 July 2023, the Group has entered into a construction contract to carry out the construction works of the R&D Centre and other ancillary facilities on the Land 2 at a total contract price of approximately RMB176.0 million. Upon completion, research and development and production centre are expected to optimize the product production process, strengthen the Group's cost control, accelerate the efficiency of product development, and promote the comprehensive transformation and upgrades of the Group.

Against the backdrop of ongoing Russia-Ukraine conflicts and continued tightening of monetary policy to curb high inflation, 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 factories 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

"High inflation" is the theme of the current macro-economy. The development trend of the global economy has shown signs of weakness, and the international trade has been severely impacted. In order to cope with the current situation, the PRC has introduced a series of policies to restore and expand domestic demand and promote the continuous recovery of the economy. It is expected that the sales volume of disposable hygiene product machinery in the PRC will increase year by year.

The Group is actively coping with the situation, during the Period, the Group placed advertisements on a number of mainstream media platforms in both domestic and overseas markets, such as TikTok, TouTiao, Alibaba and Amazon, and actively participated in a number of large-scale domestic and overseas exhibitions, such as Nanjing, Switzerland, Dubai and Russia, with an aim to enhance brand exposure and awareness and accelerate brand market penetration in both home and abroad. During the Period, 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 overseas markets. In the future, the Group will continue to reinforce its close cooperation with agency companies and continue to explore new overseas markets.

In addition, the customized product design and production services provided by the Group can better understand the needs of customers, so as to conduct targeted research and development of new products and provide customers with better services to achieve greater market penetration. Therefore, the Group will continue to deepen its efforts in the PRC market, at the same time, expand its efforts on market development, and protect the overseas market share, to achieve both domestic and overseas business growth, with a view to continuously solidifying its leading position in the industry.

(5) 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 realize 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 real time operation data analysis while fully utilizing 5G network and AR technology for the visualization 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 is a year of challenges and opportunities for the global economy, 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 factories in Jinjiang and Hangzhou are under the orderly construction, 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 encounter many challenges, but opportunities and challenges coexist, technological breakthroughs and development will inject new hope to us. In the era of rapid development of digital economy, 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:

	Six months ended 30 June					
	2023			2022		
	Units	***RMB'000***	**%**	*Units*	*RMB'000*	%
		(Unaudited)			(Unaudited)	
Baby diaper machines	**8**	**45,390**	**41**	8	51,232	26
Adult diaper machines	**4**	**25,744**	**23**	13	118,985	59
Lady sanitary napkin machines	**4**	**13,592**	**12**	3	8,912	4
Under-pad machines	**2**	**7,208**	**7**	3	7,035	4
Wet wipe machines	**3**	**1,982**	**2**	–	–	–
Composite material machines	**2**	**1,929**	**2**	–	–	–
Pet diaper machines	**–**	**–**	**–**	2	5,841	3
Components and parts	**N/A**	**14,690**	**13**	N/A	7,804	4
	23	**110,535**	**100**	29	199,809	100

The Group's revenue decreased by approximately RMB89.3 million (or 45%) to approximately RMB110.5 million for the Period as compared to approximately RMB199.8 million for the six months ended 30 June 2022 (the "**Prior Period**"). This was mainly due to the decrease in the sales of baby diaper machines (approximately RMB5.8 million), adult diaper machines (approximately RMB93.2 million), and pet diaper machines (approximately RMB5.8 million). The decrease was partially offset by the increase in sales of lady sanitary napkin machines (approximately RMB4.7 million), under-pad machines (approximately RMB0.2 million), new products launched for wet wipe machines (approximately RMB2.0 million), and composite material machines (approximately RMB1.9 million), and components and parts (approximately RMB6.9 million).

As at 30 June 2023, the Group has entered into sales contracts with its customers for the sales and purchase of 24, 27, 13 and 1 units of baby diaper machines, adult diaper machines, lady sanitary napkin machines, and wet wipe machines with aggregate contract values of approximately RMB165.7 million, RMB197.4 million, RMB18.9 million and RMB0.7 million, respectively. Subsequent to 30 June 2023, the Group further entered into sales contracts with its customers for the sales and purchase of 2 and 1 units of baby diaper machines and adult diaper machines, with aggregate contract values of approximately RMB10.3 million and RMB6.7 million, respectively. The machines under these contracts are expected to be delivered during the year of 2023 and 2024.

Gross profit and gross profit margin

The gross profit decreased by approximately RMB19.3 million to approximately RMB12.8 million for the Period as compared to approximately RMB32.1 million for the Prior Period. The gross profit margin decreased by approximately 4.5 percentage points to approximately 11.6% for the Period (Prior Period: approximately 16.1%). The decreases in both gross profit and gross profit margin were mainly due to (i) a decrease in revenue from sales of adult diaper machines and baby diaper machines caused by delayed delivery of some orders from 2022 to 2023 and additional time required for modifying the design of machines in order to meet timely market demand as requested from customers; and (ii) a general increase in labour cost and increase in price of parts imported from overseas as a result of previous restrictions in customs policy.

Other income

The other income mainly comprised government grants, interest income from debt instrument at amoristed cost, exchange gain, bank interest income and income from the sale of scrap materials. The government grants mainly represent the government grants received from government authorities of Fujian Province such as Jinjiang Finance Bureau, Jinjiang Bureau of Economy and Information Technology and Quanzhou Municipal People's Government, which the entitlements were unconditional and at the discretion of the relevant authorities. All the government grants received during the Period and/or the Prior Period were one-off and unconditional. The Group's other income increased from approximately RMB7.6 million for the Prior Period by approximately RMB0.4 million or approximately 5% to approximately RMB8.0 million for the Period. Such slight increase was mainly due to the increase in foreign exchange gain during the Period.

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 decreased by approximately RMB0.3 million or 5%, from approximately RMB5.6 million for the Prior Period to approximately RMB5.3 million for the Period. The slight decrease in selling and distribution costs was mainly due to the decrease in consultancy fee during the Period.

Administrative expenses and other operating expenses

The administrative and other operating expenses mainly comprised research and development expenses, staff costs, depreciation, amortisation and donation. The administrative and other operating expenses decreased from approximately RMB29.9 million for the Prior Period by approximately RMB3.0 million or 10% to approximately RMB26.9 million for the Period. The decrease in administrative and other operating expenses was mainly due to the decrease in consultancy fee of approximately RMB0.7 million, depreciation expenses on property, plant and equipment of approximately RMB0.7 million, and research and development fee of approximately RMB1.3 million during the Period.

Finance costs

For the Period, finance costs was approximately RMB0.8 million, representing a decrease of approximately 33% as compared to approximately RMB1.2 million for the Prior Period. The decrease was mainly due to decrease in interest on bank borrowings and finance charges on lease liabilities.

Income tax expense

For the Period, income tax expense was approximately RMB1.1 million, representing an increase of approximately 247% as compared to approximately RMB0.3 million for the Prior Period. The increase was mainly due to the increase in taxable profits of the Group's operating subsidiaries in the PRC for the prior period.

Loss attributable to owners of the company

The Group recorded a loss attributable to owners of the Company of approximately RMB15.4 million (Prior Period: approximately RMB4.3 million). The increase in loss attributable to owners of the Company for the Period was mainly due to the decrease in gross profit as discussed above.

Trade receivables

As at the date of this announcement, the Group recorded the subsequent settlement of approximately RMB17.6 million on trade receivables outstanding as at 30 June 2023.

Interim dividend

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

Use of proceeds from listing

The shares of the Company 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 28 April 2023.

	Net proceeds allocation	Amount of unutilised net proceeds as at 1 January 2023	Utilised net proceeds up to 28 April 2023	Unutilised net proceeds up to 28 April 2023
	RMB million	*RMB million*	*RMB million*	*RMB million*
Setting up the research and development centre	24.1	1.1	23.0	1.1
Strengthening research and development capabilities	22.9	2.9	20.0	2.9
Increasing production capacity	16.8	9.6	8.0	8.8
Increasing competitiveness through acquisitions	43.5	27.0	16.5	27.0
Working capital and general corporate purposes	12.2	6.7	5.7	6.5
	119.5	47.3	73.2	46.3

On 28 April 2023, the Group announced that the unutilised net proceeds were reallocated to the setting up of the new research and development centre, the new manufacturing workshop and other office buildings in Jinjiang.

	Net proceeds allocation	Amount of unutilised net proceeds as at 28 April 2023	Utilised net proceeds up to 30 June 2023	Unutilised net proceeds up to 30 June 2023	Time frame for utilisation
	RMB million	*RMB million*	*RMB million*	*RMB million*	
Setting up a new research and development centre in Jinjiang	24.1	24.1	0.5	23.6	Before 31 December 2025
Setting up a new manufacturing workshop and other office buildings in Jinjiang	22.2	22.2	–	22.2	Before 31 December 2025
	46.3	46.3	0.5	45.8	

As at 30 June 2023, unutilized proceeds of approximately RMB45.8 million were deposited in licensed banks in Hong Kong and the PRC.

Proceeds from the placing of shares

On 30 June 2021, the Company issued 93,972,000 ordinary Shares (the "**Placing Shares**") 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 to approximately RMB68.0 million). The Placing Shares were placed to 36 placees who were individual(s), corporate(s), institutional investor(s) or other investors procured by or on behalf of the sole placing agent, who and whose ultimate beneficial owners were third parties independent of the Company and its connected persons.

As disclosed in the announcement of the Company dated 9 June 2021, the net proceeds for the allotment and issue of the Placing Shares 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 an 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 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.

	Net proceeds allocation	Unutilised net proceeds as at 1 January 2023	Utilised net proceeds up to 30 June 2023	Unutilised net proceeds up to 30 June 2023	Time frame for utilisation
	RMB million	*RMB million*	*RMB million*	*RMB million*	
Development of the Group's Hangzhou production base	68.0	23.9	68.0	–	Fully utilised

Liquidity and financial resources

During the Period, the Group's working capital was mainly financed by internal resources and interest-bearing borrowings. The current ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 1.7 times as at 30 June 2023 (31 December 2022: approximately 2.2 times). The Group generally financed its daily operations from cash flows generated internally.

Financial policies

The Group is exposed to liquidity risk in respect of settlement of its trade and other payables, bank borrowings and financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

Capital structure

As at 30 June 2023, the capital structure of the Group consisted of equity of approximately RMB324.0 million (31 December 2022: approximately RMB338.8 million) and bank borrowings of approximately RMB49.9 million (31 December 2022: RMB25.0 million) as more particularly described in the paragraph headed "Borrowings" below.

Borrowings

As at 30 June 2023, the Group have bank loans of approximately RMB49.9 million (31 December 2022: RMB25.0 million).

The bank loans are repayable within 1 year and were classified as current liabilities as at 30 June 2023.

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Effective interest rate:		
Fixed-rate borrowings	**3.6% to 4.35%**	3.5% to 4.5%
Variable-rate borrowing	**4.15%**	N/A

Gearing ratio

The Group's gearing ratio, which is calculated based on the total interest-bearing liabilities (defined as the sum of bank loans and lease liabilities) divided by the total equity as at the respective period end was approximately 19.0% as at 30 June 2023 (31 December 2022: approximately 12.1%).

Capital commitment

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

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted but not provided net of deposit paid for		
– Construction in progress	**226,144**	245,705
– Development of intangible assets*	**27,679**	27,679
	253,823	273,384

* The Company is developing a "5G+ Intelligent Platform for Equipment Operation and Maintenance Services". At present, the platform has completed the first phase of software system deployment, and the software system is in the process of testing and debugging.

Contingent liabilities

Save as disclosed elsewhere in this announcement, the Group had no material contingent liabilities as at 30 June 2023 (31 December 2022: nil).

Foreign exchange risk management

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi, Hong Kong dollars and United States dollars. The Group has not experienced any difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the Period. The Group did not enter into any foreign exchange derivative contract to manage the currency translation risk of Renminbi against United States dollars and Hong Kong dollars during the Period, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate time.

As at 30 June 2023 and 31 December 2022, the Group had not entered any financial instrument for the hedging of foreign currencies.

Human resources

The Group has employed a total of approximately 467 employees as at 30 June 2023 (30 June 2022: approximately 401 employees) in Hong Kong and the PRC. Staff costs (including Directors' emoluments) amounted to approximately RMB24.8 million for the Period (Prior Period: approximately RMB21.2 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 15 to the unaudited condensed consolidated financial statements, no assets of the Group were pledged as at 30 June 2023.

Significant investments and material acquisitions and disposals

On 24 January 2022, the interest payment for the bond in the amount of HK$2,400,000 (equivalent to approximately RMB2,049,000) was paid by Trendzon Holdings Group Limited (formerly known as Pipeline Engineering Holdings Limited) (the "**Issuer**"). On 25 January 2022, the Company and the Issuer has agreed to extend the maturity date of the bond from 26 January 2022 to 25 January 2023. 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.

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

Future plans for material investments and capital assets

Reference is made to the disclosure in the prospectus of the Company dated 20 May 2020 (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 the Land 2 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 the Land 1 for the development of 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 18 to the unaudited condensed consolidated financial statements, there are no significant events affecting the Group which have occurred after the Period and up to the date of this announcement.

Compliance with the code on corporate governance practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. In the opinion of the Directors, except for the below deviation, the Company has adopted the applicable code provisions ("**CG Code**") as set out 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 of Hong Kong Limited (the "**Stock Exchange**") during the Period.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Hong Yiyuan, the chairman of the Board and the chief executive officer of the Company, currently performs these two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Compliance with the model code

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

Audit committee

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

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

Purchase, sale or redemption of shares

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

Publication of interim results announcement and interim report

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

Appreciation

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

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

Hong Kong, 30 August 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, Mr. Chang Chi Hsung and three independent non-executive Directors, namely Mr. Chan Ming Kit, Dr. Wang Fengxiang and Ms. Chan Man Yi.