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 REPORT
2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hong Yiyuan *(Chairman and Chief Executive Officer)*
Mr. Zhang Zhixiong
Mr. Su Chengya
Mr. He Ziping

Non-Executive Director

Mr. Chang Chi Hsung

Independent Non-Executive Directors

Mr. Chan Ming Kit
Dr. Wang Fengxiang
Mr. Ng Tat Fung (retired on 25 May 2023)
Ms. Chan Man Yi (appointed on 25 May 2023)

AUDIT COMMITTEE

Mr. Ng Tat Fung *(Chairman of the Committee)* (retired on 25 May 2023)
Ms. Chan Man Yi *(Chairman of the Committee)* (appointed on 25 May 2023)
Mr. Chang Chi Hsung
Dr. Wang Fengxiang
Mr. Chan Ming Kit

REMUNERATION COMMITTEE

Mr. Chan Ming Kit *(Chairman of the Committee)*
Mr. Hong Yiyuan
Mr. Zhang Zhixiong
Mr. Ng Tat Fung (retired on 25 May 2023)
Dr. Wang Fengxiang
Ms. Chan Man Yi (appointed on 25 May 2023)

NOMINATION COMMITTEE

Mr. Hong Yiyuan *(Chairman of the Committee)*
Mr. Chan Ming Kit
Dr. Wang Fengxiang
Mr. Ng Tat Fung (retired on 25 May 2023)
Ms. Chan Man Yi (appointed on 25 May 2023)

AUTHORIZED REPRESENTATIVES

Mr. Hong Yiyuan
Mr. Lau Wai Piu Patrick

COMPANY SECRETARY

Mr. Lau Wai Piu Patrick

AUDITOR

Mazars CPA Limited
Certified Public Accountants, Hong Kong
Registered Public Interest Entity Auditor, Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wuli Technology Park
Economic Development Area
Jinjiang City
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Industrial Bank Co., Ltd., Jinjiang Anhai Branch
Industrial and Commercial Bank of China Limited, Jinjiang Branch

STOCK CODE

1645

WEBSITE

www.haina-intelligent.com

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 of the Factory shall not be 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 enhancement 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

By type of products:

	Six months ended 30 June					
	2023			2022		
	Units	***RMB'000*** **(Unaudited)**	***%***	*Units*	*RMB'000* (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 amortised cost, exchange gain, bank interest income and income from the sale of scrap materials. The government grants mainly represent the government grants received from government authorities of Fujian Province such as Jinjiang Finance Bureau, Jinjiang Bureau of Economy and Information Technology and Quanzhou Municipal People's Government, which the entitlements were unconditional and at the discretion of the relevant authorities. All the government grants received during the 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 slightly decrease in selling and distribution costs was mainly due to the decrease in consultancy fee during the Period.

Administrative 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 report, 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 *RMB million*	Amount of unutilised net proceeds as at 28 April 2023 *RMB million*	Utilised net proceeds up to 30 June 2023 *RMB million*	Unutilised net proceeds up to 30 June 2023 *RMB million*	Time frame for utilisation
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 *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

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 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (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 report, 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 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.

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 report, the Group currently has no plan for material investments and capital assets.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 19 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 report.

By order of the Board
Mr. Hong Yiyuan
Chairman

Hong Kong, 30 August 2023

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 report 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the each director and the chief executives 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 Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("**SFO**")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the shares of the Company

Name of Directors	Capacity	Number of Shares (Other than pursuant to equity derivatives)	Number of underlying shares held pursuant to the share option scheme adopted on 8 May 2020	Approximate percentage of the issued Shares
Mr. Hong Yiyuan ("**Mr. Hong**") (2,3)	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 ("**Mr. Zhang**") (2,3)	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 ("**Mr. Su**") (2,3)	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. He Ziping ("**Mr. He**") (2,3)	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 ("**Mr. Chang**") (2,3)	Interest in a controlled corporation	349,188,000	–	61.92%
	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, a company incorporated in the British Virgin Islands with limited liabilities ("**Prestige Name**"). 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 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 ordinary shares of the Company held by their controlled corporation; and (ii) the respective numbers of shares in Prestige Name held by other parties acting in concert. Therefore, the Controlling Shareholders together are deemed to be interested in a total of 61.92% of the issued share capital of the Company.

Save as disclosed above, as at 30 June 2023, none of the directors and the chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2023, according to the register kept by the Company under section 336 of the SFO, the corporations or persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares, or underlying shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Capacity	Number of Shares/underlying shares held[(1)]	Approximate percentage of the issued Shares
Prestige Name [(2,3)]	Beneficial owner	349,188,00	61.92%
	Interests held jointly with another person	10,000,000 [(4)]	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 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, respectively.

(3) Mr. Hong, Mr. Zhang, Mr. Su, Mr. He, Mr. Chang and Prestige Name are parties acting in concert pursuant the Acting In Concert Confirmation. By virtue of the SFO, they are deemed to be interested in (i) the indirect attributable interest of the ordinary shares of the Company held by their controlled corporation; and (ii) the respective numbers of shares in Prestige Name held by other parties acting in concert. Therefore, the Controlling Shareholders together are deemed to be interested in a total of 61.92% of the issued share capital of the Company.

(4) This 10,000,000 shares represent an aggregate of 10,000,000 share options granted to Mr. Hong, Mr. Zhang, Mr. Su and Mr. He, the shareholders of Prestige Name on 21 May 2021 that are exercisable according to the vesting period disclosed in note 17 to the unaudited condensed consolidated financial statements. 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 30 June 2023, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares or underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

On 8 May 2020, a share option scheme (the "**Share Option Scheme**") was approved and adopted by the Shareholders, under which, options may be granted to any eligible participants (including any executive Directors) to subscribe for shares in the Company subject to the terms and conditions stipulated in the Share Option Scheme. The Share Option Scheme shall be valid and effective for a period of 10 years after the dare of adoption.

No share options were granted or exercised during the Period. For details on movement of the share options, please refer to Note 17 to the unaudited condensed consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed on the announcements of the Company dated 30 March 2023 and 25 May 2023, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the six months ended 30 June 2023.

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

Hong Kong, 30 August 2023

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)
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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
		Reserves									
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022 (audited)	5,088	188,294	804	12,559	24,268	(6,340)	(2,246)	117,653	340,080	170	340,250
Loss for the period	–	–	–	–	–	–	–	(4,335)	(4,335)	(66)	(4,401)
Other comprehensive (loss) income:											
Item that will not be reclassified to profit or loss:											
Exchange difference on translation of the Company's financial statements to presentation currency	–	–	–	–	–	(3,652)	–	–	(3,652)	–	(3,652)
Item that may be reclassified subsequently to profit or loss:											
Exchange difference on consolidation	–	–	–	–	–	3,168	–	–	3,168	–	3,168
Total other comprehensive loss for the period	–	–	–	–	–	(484)	–	–	(484)	–	(484)
Total comprehensive loss for the period	–	–	–	–	–	(484)	–	(4,335)	(4,819)	(66)	(4,885)
Transactions with owners:											
Contributions and distributions											
Appropriation of statutory reserve	–	–	–	–	79	–	–	(79)	–	–	–
Recognition of equity-settled share-based payment expenses *(Note 17)*	–	–	649	–	–	–	–	–	649	–	649
	–	–	649	–	79	–	–	(79)	649	–	649
Changes in ownership interests											
Non-controlling interest arising from capital contribution of a subsidiary	–	–	–	–	–	–	–	–	–	75	75
Total transactions with owners	–	–	649	–	79	–	–	(79)	649	75	724
At 30 June 2022 (unaudited)	5,088	188,294	1,453	12,559	24,347	(6,824)	(2,246)	113,239	335,910	179	336,089

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
		Reserves								
	Share capital	Share premium	Share option reserve	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023 (audited)	5,088	188,294	2,160	12,559	25,063	(4,316)	109,753	338,601	171	338,772
Loss for the period	–	–	–	–	–	–	(15,363)	(15,363)	(456)	(15,819)
Other comprehensive income (loss):										
Items that will not be reclassified to profit or loss:										
Exchange difference on translation of the Company's financial statements to presentation currency	–	–	–	–	–	7,690	–	7,690	–	7,690
Item that may be reclassified subsequently to profit or loss:										
Exchange difference on consolidation	–	–	–	–	–	(8,414)	–	(8,414)	–	(8,414)
Total other comprehensive loss for the period	–	–	–	–	–	(724)	–	(724)	–	(724)
Total comprehensive loss for the period	–	–	–	–	–	(724)	(15,363)	(16,087)	(456)	(16,543)
Transactions with owners:										
Contributions and distributions										
Appropriation of statutory reserve	–	–	–	–	617	–	(617)	–	–	–
Recognition of equity-settled share-based payment expenses *(Note 17)*	–	–	692	–	–	–	–	692	–	692
	–	–	692	–	617	–	(617)	692	–	692
Changes in ownership interests										
Non-controlling interest arising from capital contribution of a subsidiary	–	–	–	–	–	–	–	–	125	125
Non-controlling interest arising from incorporation of a subsidiary	–	–	–	–	–	–	–	–	1,000	1,000
Total transactions with owners	–	–	692	–	617	–	(617)	692	1,125	1,817
At 30 June 2023 (unaudited)	5,088	188,294	2,852	12,559	25,680	(5,040)	93,773	323,206	840	324,046

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Loss before tax	**(14,689)**	(4,075)
Adjustments for:		
Amortisation of intangible assets	**1,105**	2,088
Bank interest income	**(651)**	(590)
Interest income from debt instrument at amortised cost	**(1,327)**	(972)
Depreciation of property, plant and equipment	**7,189**	6,548
Equity-settled share-based payment expenses	**692**	649
Finance costs	**769**	1,151
Loss on disposal of property, plant and equipment, net	**56**	4
Loss on lease modification	**30**	–
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 instruments at amortised cost	**(75)**	423
Change in fair value of equity instruments at FVPL	**552**	4,688
Changes in working capital		
Trade and other receivables	**43**	(5,177)
Inventories	**(52,991)**	31,024
Trade and other payables	**59,840**	(26,182)
Cash generated from operations	**1,842**	10,935
Income tax paid	**(1,456)**	(208)
Net cash from operating activities	**386**	10,727
INVESTING ACTIVITIES		
Interest received	**269**	210
Interest received from debt instrument at amortised cost	**2,122**	2,049
Proceed from disposal of property, plant and equipment	**154**	–
Purchase of property, plant and equipment	**(2,482)**	(1,291)
Purchase of construction in progress	**(25,318)**	–
Deposit paid for acquisition of land use rights	**–**	(19,912)
Decrease (Increase) in restricted bank deposits, net	**2,328**	(2,006)
Net cash used in investing activities	**(22,927)**	(20,950)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(5,725)**	(4,791)
Interest paid	**(711)**	(1,151)
New bank borrowings raised	**34,934**	15,000
Repayment of bank borrowings	**(10,000)**	(24,193)
Capital contribution made by the non-controlling shareholders of a subsidiary	**1,000**	–
Net cash from (used in) financing activities	**19,498**	(15,135)
Net decrease in cash and cash equivalents	**(3,043)**	(25,358)
Cash and cash equivalents at the beginning of the reporting period	**85,596**	102,443
Effect on exchange rate changes	**(2,167)**	(1,801)
Cash and cash equivalents at the end of the reporting period	**80,386**	75,284
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**79,353**	74,271
Time deposits with original maturity of less than three months	**1,033**	1,013
	80,386	75,284

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.

4. SEGMENT INFORMATION *(continued)*

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

4. SEGMENT INFORMATION *(continued)*

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 RMB47.2 million, respectively.

6. OTHER INCOME

	Six months ended 30 June 2023 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (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 RMB'000 (Unaudited)	Six months ended 30 June 2022 RMB'000 (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
(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

12. TRADE AND OTHER RECEIVABLES *(continued)*

12(a) Trade receivables *(continued)*

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 report, the remaining balance of consideration was not yet settled.

13. DEBT INSTRUMENT AT AMORTISED COST

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (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. TRADE AND OTHER PAYABLES *(continued)*

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

15. INTEREST-BEARING BORROWINGS *(continued)*

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

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

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

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

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

17. SHARE-BASED PAYMENTS *(continued)*

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

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

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

Details of the share options granted, exercised, cancelled/lapsed and outstanding under the Scheme during the six months ended 30 June 2023 are as follows:

					Number of share options				
Category of the Grantees	Date of grant (dd/mm/yyyy)	Exercise price *HK$*	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	As at 01/01/2023	Granted	Exercised	Cancelled/ Lapsed	As at 30/6/2023
Directors									
Mr. Hong Yiyuan	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	2,000,000	–	–	–	2,000,000
			01/01/2025	01/01/2025 –20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2026	01/01/2026 –20/05/2031	1,000,000	–	–	–	1,000,000
					4,000,000	–	–	–	4,000,000
Mr. Zhang Zhixiong	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2025	01/01/2025 –20/05/2031	500,000	–	–	–	500,000
			01/01/2026	01/01/2026 –20/05/2031	500,000	–	–	–	500,000
					2,000,000	–	–	–	2,000,000

17. SHARE-BASED PAYMENTS *(continued)*

Category of the Grantees	Date of grant (dd/mm/yyyy)	Exercise price HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options As at 01/01/2023	Granted	Exercised	Cancelled/ Lapsed	As at 30/6/2023
Mr. Su Chengya	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2025	01/01/2025 –20/05/2031	500,000	–	–	–	500,000
			01/01/2026	01/01/2026 –20/05/2031	500,000	–	–	–	500,000
					2,000,000	–	–	–	2,000,000
Mr. He Ziping	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2025	01/01/2025 –20/05/2031	500,000	–	–	–	500,000
			01/01/2026	01/01/2026 –20/05/2031	500,000	–	–	–	500,000
					2,000,000	–	–	–	2,000,000
Sub-total					10,000,000	–	–	–	10,000,000
Eligible employees	21/05/2021	1.14	01/01/2024	01/01/2024 –20/05/2031	2,000,000	–	–	–	2,000,000
			01/01/2025	01/01/2025 –20/05/2031	1,000,000	–	–	–	1,000,000
			01/01/2026	01/01/2026 –20/05/2031	1,000,000	–	–	–	1,000,000
Sub-total					4,000,000	–	–	–	4,000,000
Total					14,000,000	–	–	–	14,000,000

17. SHARE-BASED PAYMENTS *(continued)*

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

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

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 (six months ended 30 June 2022: approximately RMB649,000) as equity-settled share-based payment expenses. None of the share options was exercised.

18. RELATED PARTY/CONNECTED TRANSACTIONS

In addition to the information disclosed elsewhere in the Interim Financial Statements, the Group had the following transactions with related parties:

18(a) Related party transaction

There were no other related party transactions during the six months ended 30 June 2023 and 2022.

18(b) Remuneration for key management personnel of the Group

Remuneration for key management personnel (including directors) of the Group as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits	**529**	499
Discretionary bonuses	**546**	540
Share-based payment expenses	**491**	461
Contribution to defined contribution plans	**130**	125
	1,696	1,625

18. RELATED PARTY/CONNECTED TRANSACTIONS *(continued)*

18(c) Connected transactions

During the six months ended 30 June 2023 and 2022, the Group had the following transactions with persons who would be regarded as connected persons as defined in the Listing Rules:

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Purchase of materials from:			
晉江市恒勤機械工貿有限公司 (Jinjiang City Hengqin Machinery Industry and Trade Company Limited*) ("**Hengqin Machinery**")	*(i), (iii)*	**2,293**	3,888
晉江市盛榮機械設備有限公司 (Jinjiang City Shengrong Machinery Equipment Limited*) ("**Shengrong Machinery**")	*(ii), (iii)*	**1,260**	1,664

Notes:

(i) Hengqin Machinery is a limited liability company established in the PRC, and is wholly-owned by three relatives of one of the Controlling Shareholders.

(ii) Shengrong Machinery is a limited liability company established in the PRC, and is wholly-owned by a relative of one of the Controlling Shareholders.

(iii) These connected transactions constitute continuing connected transactions as defined in the Listing Rules.

* *English name is for identification purpose only.*

19. 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.