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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1645)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the year ended 31 December 2023 amounted to approximately RMB350.7 million (2022: approximately RMB397.8 million), representing a decrease of approximately 12% as compared with the year ended 31 December 2022.
- The gross profit of the Group for the year ended 31 December 2023 amounted to approximately RMB46.4 million (2022: approximately RMB64.2 million), representing a decrease of approximately 28% as compared with the year ended 31 December 2022.
- Loss attributable to owners of the Company for the year ended 31 December 2023 amounted to approximately RMB35.8 million (2022: loss attributable to owners of the Company of approximately RMB3.1 million).
- Basic loss per share for the year ended 31 December 2023 was approximately RMB6.35 cents (2022: basis loss per share of approximately RMB0.56 cents).
- The Board has resolved not to declare a final dividend for the year ended 31 December 2023 (2022: Nil).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Haina Intelligent Equipment International Holdings Limited (the "**Company**" or "**Haina Intelligent**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Year**") together with the comparative figures of the previous corresponding year (the "**Prior Year**") as follows:

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	4	**350,700**	397,817
Cost of sales		**(304,319)**	(333,600)
Gross profit		**46,381**	64,217
Other income	5	**12,151**	13,511
Selling and distribution costs		**(16,900)**	(13,795)
Administrative and other operating expenses		**(48,960)**	(53,176)
Impairment loss of goodwill		**(1,369)**	–
Impairment loss of trade receivables, net		**(1,359)**	(3,331)
Impairment loss of other receivables		**(2,210)**	(345)
Impairment loss of debt instrument at amortised cost		**(17,591)**	(4,810)
Change in fair value of equity instruments at fair value through profit or loss ("**FVPL**")		**(3,910)**	(4,124)
Equity-settled share-based payment expenses	16	**(1,428)**	(1,356)
Finance costs	6	**(1,533)**	(2,186)
Loss before tax	6	**(36,728)**	(5,395)
Income tax (expense) credit	7	**(804)**	2,174
Loss for the year		**(37,532)**	(3,221)
Other comprehensive (loss) income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Exchange difference on translation of the Company's financial statements to presentation currency		**4,681**	13,780
Change in fair value of equity instrument at fair value through other comprehensive income ("**FVOCI**")		–	(1,712)
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on consolidation		**(5,862)**	(11,756)
Total other comprehensive (loss) income for the year		**(1,181)**	312
Total comprehensive loss for the year		**(38,713)**	(2,909)

	Note	**2023** **_RMB'000_**	2022 _RMB'000_
Loss for the year attributable to:			
Owners of the Company		**(35,796)**	(3,147)
Non-controlling interests		**(1,736)**	(74)
		(37,532)	(3,221)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(36,977)**	(2,835)
Non-controlling interests		**(1,736)**	(74)
		(38,713)	(2,909)
		RMB cents	*RMB cents*
Loss per share	*8*		
Basic and diluted		**(6.35)**	(0.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	10	**198,822**	88,037
Intangible assets		**12,036**	5,225
Equity instrument at FVOCI		**–**	–
Goodwill		**–**	1,369
Deferred tax assets		**2,174**	2,174
		213,032	96,805
Current assets			
Inventories		**248,184**	197,607
Equity instruments at FVPL		**438**	4,257
Debt instrument at amortised cost	11	**9,130**	29,653
Trade and other receivables	12	**117,126**	115,417
Restricted bank deposits		**33,336**	22,328
Bank balances and cash		**56,311**	85,596
		464,525	454,858
Current liabilities			
Trade and other payables	13	**276,089**	168,894
Lease liabilities		**6,845**	10,592
Interest-bearing borrowings	14	**77,026**	25,000
Income tax payable		**732**	1,021
		360,692	205,507
Net current assets		**103,833**	249,351
Total assets less current liabilities		**316,865**	346,156
Non-current liabilities			
Lease liabilities		**10,301**	5,528
Deferred tax liabilities		**1,527**	1,856
		11,828	7,384
NET ASSETS		**305,037**	338,772
Capital and reserves			
Share capital	15	**5,088**	5,088
Reserves		**297,964**	333,513
Equity attributable to owners of the Company		**303,052**	338,601
Non-controlling interests		**1,985**	171
TOTAL EQUITY		**305,037**	338,772

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 "**Listing**"). The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is situated at Flat C, 21/F, Max Share Centre, 373 King's Road, North Point, Hong Kong.

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

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

2. STATEMENT OF COMPLIANCE

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

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

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

3. SEGMENT INFORMATION

The Directors have determined that the Group has a single operating and reportable segment as the Group manages its business as a whole as the design and production of automated machines for disposable hygiene products and the executive directors of the Company, being the chief operating decision makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group. Operating 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

	2023	2022
	RMB'000	*RMB'000*
The PRC	**286,625**	310,214
Indonesia	**31,477**	16,219
Brazil	**7,626**	–
Uzbekistan	**7,356**	317
Belarus	**7,290**	–
The Philippines	**5,053**	35,121
Dubai	**4,825**	430
Pakistan	**151**	5,846
Nigeria	**144**	1,354
Cambodia	**71**	–
South Korea	**57**	1,355
India	**25**	17,854
Bangladesh	**–**	9,101
Angola	**–**	6
	350,700	397,817

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

	2023	2022
	RMB'000	*RMB'000*
The PRC	**210,493**	94,553
Hong Kong	**365**	78
	210,858	94,631

Information about major customers

The Group's revenue from any single external customers did not contribute 10% or more of the total revenue of the Group for the years ended 31 December 2023 and 2022.

4. REVENUE

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within HKFRS 15 – at a point in time		
Sales of machines of		
– baby diaper	**146,978**	159,520
– adult diaper	**117,457**	183,976
– lady sanitary napkin	**41,900**	18,779
– under-pad	**7,313**	7,035
– wet wipe	**3,193**	1,735
– composite material	**1,929**	–
– pet diaper	**–**	5,841
Sales of components and parts	**31,930**	20,931
	350,700	397,817

The amount of revenue recognised for the year ended 31 December 2023 that was included in the contract liabilities at the beginning of the year is approximately RMB47,357,000 *(Note 13(c)) (2022: approximately RMB78,862,000)*.

5. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**1,245**	1,185
Interest income from debt instrument at amortised cost	**2,654**	2,061
Exchange gain, net	**3,699**	2,617
Government grants *(Note)*	**741**	5,745
Sale of scrap materials	**407**	442
Others	**3,405**	1,461
	12,151	13,511

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

6. LOSS BEFORE TAX

This is stated after charging (crediting):

	2023 *RMB'000*	2022 *RMB'000*
Finance costs		
Interest on bank borrowings	**1,528**	1,315
Finance charges on lease liabilities	**612**	871
	2,140	2,186
Less: interest on bank borrowings capitalised into construction in progress	**(607)**	–
	1,533	2,186
Staff costs, including directors' remuneration		
Salaries, allowances, discretionary bonuses and other benefits in kind	**48,885**	38,148
Equity-settled share-based payment expenses	**1,428**	1,356
Contributions to defined contribution plans	**11,116**	7,471
	61,429	46,975
Less: capitalised as "intangible assets"	**(2,151)**	(762)
	59,278	46,213
Other items		
Cost of inventories *(Note (i))*	**304,319**	333,600
Auditor's remuneration		
– Audit service	**1,267**	1,202
– Non-audit service	**190**	180
Amortisation of intangible assets (included in "cost of sales" and "administrative and other operating expenses", as appropriate)	**2,513**	3,083

This is stated after charging (crediting):

	2023	2022
	RMB'000	*RMB'000*
Other items (Continued)		
Depreciation of property, plant and equipment (included in "cost of sales" and "administrative and other operating expenses", as appropriate)	**14,359**	13,070
Less: capitalised as "intangible assets"	**(104)**	(47)
Less: capitalised as "construction in progress"	**(875)**	(477)
	13,380	12,546
Loss on disposal of property, plant and equipment, net	**62**	7
Realised loss on disposal of equity instruments at FVPL *(Note (iii))*	**–**	487
Research and development expenses	**27,341**	26,561
Less: capitalised as "intangible assets" *(Note (ii))*	**(6,610)**	(2,977)
	20,731	23,584

Notes:

(i) During the year ended 31 December 2023, cost of inventories included approximately RMB38,310,000 *(2022: approximately RMB31,458,000)*, relating to the aggregate amount of certain staff costs and depreciation, which were included in the respective amounts as disclosed above.

(ii) During the year ended 31 December 2023, capitalised intangible assets included approximately RMB2,255,000 *(2022: approximately RMB809,000)*, relating to the staff costs and depreciation which were included in the respective amounts as disclosed above.

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

7. INCOME TAX EXPENSE (CREDIT)

	2023	2022
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax – current year	**1,130**	958
Hong Kong Profits Tax – current year	**3**	15
Over-provision in prior year	**–**	(3,130)
	1,133	(2,157)
Deferred tax		
Origination and reversal of temporary differences	**(329)**	(17)
Income tax expense (credit) for the year	**804**	(2,174)

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% except for Jinjiang Haina Machinery Co. Ltd*（晉江海納機械有限公司）(“**Jinjiang Haina**”) and Hangzhou Haina Machinery Co. Ltd*(杭州海納機械有限公司) (“**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 2023 for the three years ending 31 December 2026, respectively.

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

For the years ended 31 December 2023 and 2022, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime under which, the first HK$2 million assessable profits arising from Hong Kong of qualifying entity of the Group were taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2 million were taxed at 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profit tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

* *English name is for identification purpose only.*

8. LOSS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Loss:		
Loss attributable to owners of the Company used for the purpose of basic loss per share	**(35,796)**	(3,147)

	2023	2022
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**563,976**	563,976

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 December 2023 and 2022.

9. DIVIDENDS

No dividend was declared by the Group during the years ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

10. PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment increased to approximately RMB198,822,000 as at 31 December 2023 (2022: approximately RMB88,037,000), primarily attributable to the additions of construction in progress of approximately RMB106,743,000 in relation to the construction of a digital factory and a new research and development and production centre.

11. DEBT INSTRUMENT AT AMORTISED COST

	2023	2022
	RMB'000	*RMB'000*
Unlisted debt instrument, unsecured	**32,841**	35,458
Less: Allowance for ECL	**(23,711)**	(5,805)
	9,130	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) at the interest rate of 6% per annum and with maturity date on 26 January 2022 (the "**Bond**") at the subscription price of HK$40,000,000 (equivalent to approximately RMB33,248,000) (the "**Subscription**"). On 26 January 2021, the Subscription was completed. The Issuer is an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange (stock code: 1865). Details of the Subscription are set out in the Company's announcements dated 25 and 26 January 2021.

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

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

During the year ended 31 December 2023, the Group received a partial settlement of HK$4,000,000 (equivalent to approximately RMB3,619,000) from the Issuer and the remaining balance of HK$36,000,000 (equivalent to approximately RMB32,841,000) was outstanding as at 31 December 2023.

The Company issued legal letters to demand the Issuer to make immediate repayment of the outstanding amount of the Bond and the corresponding bond interest receivable on 1 August 2023 and 20 September 2023 respectively. The Group also issued legal letters to the guarantor to demand settlement on 21 December 2023.

As at the date of this announcement, the Group received subsequent settlement of HK$1,000,000 on the Bond outstanding principal as at 31 December 2023.

12. TRADE AND OTHER RECEIVABLES

	Note	**2023** *RMB'000*	2022 *RMB'000*
Trade receivables		**82,439**	83,726
Less: Allowance for ECL		**(9,317)**	(7,958)
	12(a)	**73,122**	75,768
Bills receivables	*12(b)*	**–**	1,394
Other receivables			
Prepayment to suppliers		**4,790**	3,912
Other prepaid expenses		**3,401**	4,702
Consideration receivable		**2,281**	7,978
Interest receivable from debt instrument at amortised cost		**502**	2,009
Deposits and other receivables		**6,345**	2,939
Value-added tax ("**VAT**") and other tax recoverable		**29,328**	17,115
		46,647	38,655
Less: Allowance for ECL		**(2,643)**	(400)
		44,004	38,255
		117,126	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 may grant credit terms up to 30 days from the date of issuance of invoices to its customers for their processing of billing settlement or settlement terms as specified in the contracts for a specific settlement arrangement with monthly instalments paid up to 12 months as approved by the management on a case by case basis.

Included in trade receivables at 31 December 2023 was retained sums of approximately RMB22,147,000 *(2022: RMB30,650,000)*. These are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the machine).

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

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**9,973**	1,900
31 to 60 days	**3,273**	7,655
61 to 90 days	**7,626**	7,403
91 to 180 days	**20,522**	6,673
181 to 365 days	**10,035**	33,556
Over 365 days	**21,693**	18,581
	73,122	75,768

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

	2023	2022
	RMB'000	*RMB'000*
Not yet due	**42,530**	34,400
Past due:		
Within 30 days	**1,981**	2,756
31 to 60 days	**3,466**	6,676
61 to 90 days	**951**	369
91 to 180 days	**4,044**	5,070
181 to 365 days	**8,211**	17,278
Over 365 days	**11,939**	9,219
	30,592	41,368
	73,122	75,768

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

12(b) Bills receivables

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

13. TRADE AND OTHER PAYABLES

	Note	**2023** *RMB'000*	2022 *RMB'000*
Trade payables	*13(a)*	**78,913**	50,600
Bills payables	*13(b)*	**58,688**	29,810
Other payables			
Salaries payable		**6,538**	5,674
Contract liabilities – receipt in advance	*13(c)*	**76,250**	63,534
Payable for construction in progress		**34,099**	852
Other tax payables		**2,470**	3,318
Accruals and other payables		**19,131**	15,106
		138,488	88,484
		276,089	168,894

13(a) Trade payables

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

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

	2023 *RMB'000*	2022 *RMB'000*
Within 30 days	**56,097**	25,537
31 to 60 days	**10,838**	12,534
61 to 90 days	**4,642**	2,542
91 to 180 days	**4,631**	7,963
181 to 365 days	**1,842**	1,499
Over 365 days	**863**	525
	78,913	50,600

13(b) Bills payables

At the end of the reporting period, the bills payable are interest-free, guaranteed by banks in PRC and have maturities of less than six months. The Group's bills payables are secured by pledge of the Group's restricted bank deposits of RMB33,336,000 *(2022: RMB22,328,000)*.

13(c) Contract liabilities – receipt in advance

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the reporting period	**63,534**	98,559
Recognised as revenue	**(47,357)**	(78,862)
Receipt in advance	**60,073**	43,837
At the end of the reporting period	**76,250**	63,534

At 31 December 2023, the contract liabilities that are expected to be settled within 12 months are approximately RMB76,250,000 *(2022: approximately RMB63,534,000)*.

For the year ended 31 December 2023, there was an increase in the overall contract activities, thereby increasing the amount arising from the receipt of advances.

14. INTEREST-BEARING BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Bank loans – unsecured	**20,000**	25,000
Bank loans – secured	**57,026**	–
	77,026	25,000

At 31 December 2023, the Group's bank loans of approximately RMB57,026,000 were secured by the land use rights and construction in progress of the Group with aggregate carrying value of approximately RMB42,417,000 and approximately RMB117,557,000, respectively.

	2023	2022
	RMB'000	*RMB'000*
Analysed for reporting purpose:		
Carrying amounts of interest-bearing borrowings that are repayable*:		
Within one year	**49,277**	25,000
More than one year, but not exceeding two years	**8,000**	–
More than two years, but not exceeding five years	**3,084**	–
More than five years	**16,665**	–
Amounts shown under current liabilities	**77,026**	25,000

* The amounts due are based on scheduled repayment dates, set out in the loan agreements.

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

	2023	2022
	RMB'000	*RMB'000*
Fixed-rate borrowings	**49,277**	25,000
Variable-rate borrowings	**27,749**	–
	77,026	25,000

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

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**2.70% to 3.65%**	3.5% to 4.5%
Variable-rate borrowings	**3.78% to 3.90%**	N/A

15. 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 and **31 December 2023**	2,000,000,000	20,000,000	10,695
Issued and fully paid:			
At 31 December 2022, 1 January 2023 and **31 December 2023**	563,976,000	5,639,760	5,088

16. SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

The movement during the year ended 31 December 2023 and the share option outstanding at 31 December 2023 are as follows:

Category of the Grantees	Date of grant (dd/mm/yyyy)	Exercise price HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options At 01/01/2023	Granted during the year	Exercised	Cancelled/ Lapsed	At 31/12/2023
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

Category of the Grantees	Date of grant (dd/mm/yyyy)	Exercise price HK$	Vesting date (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Number of share options At 01/01/2023	Granted during the year	Exercised	Cancelled/ Lapsed	At 31/12/2023
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**

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

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

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

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

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

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

During the year ended 31 December 2023, with reference to the fair value of the share options granted, the Group recognised HK$1,578,000 (equivalent to approximately RMB1,428,000) *(2022: HK$1,578,000 (equivalent to approximately RMB1,356,000))* as equity-settled share-based payment expenses. None of the share options was exercised.

17. EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the consolidated financial statements, the Group had no significant subsequent event subsequent to 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is established manufacturers engaging in the design and production of automated machines for manufacturing disposable hygiene products including baby diapers, adult diapers, lady sanitary napkins, under-pads, pet diapers, composite material and wet wipe in the PRC.

In 2023, due to geopolitical conflicts and high inflation, global economy continued to suffer downward pressure and domestic economy slowed down sharply. However, as the impact of COVID-19 on global economic growth and supply chain stability gradually subsides, and the government has introduced a series of economic support policies to promote the upgrading of Computerized Numerical Control machinery and equipment, it is expected that the domestic consumer market will gradually recover in the future, which will drive the sustained recovery 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. As at 31 December 2023, 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 topped out and is expected to be completed in the second half of 2024.

On 30 June 2022, 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. The project was officially started in August 2023 and is expected to be completed in the second half of 2025.

During the Year, the Group recorded a total revenue of approximately RMB350.7 million, with 62 units of machines sold in total representing a decrease of approximately 12% of revenue as compared to the Prior Year. At the same time, the Group's major customer base, which is located in the domestic market in the PRC, has also extended its sales to 11 overseas countries during the Year, while the Group's net loss was approximately RMB37.5 million for the Year.

* *English name is for identification purpose only.*

OUTLOOK

The Group will further strengthen the efforts invested in such fields as 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 improve 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 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 construction of the R&D Centre commenced in August 2023, which indicates that the project has entered the substantive construction stage, and is expected to be completed in the second half of 2025. 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 Year, the Group incurred research and development expenses (including capitalized expenses) of approximately RMB27.34 million, which were fully funded by the Group's internal resources.

(2) Enhancing production flexibility and providing 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, in order to build a technologically advanced "little giant" enterprise. During the Year, the Group invested in the establishment of three 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 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 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 RMB265.6 million, which was expected to be completed in the second half of 2024. Currently, the project has been topped out and is under interior decoration.

On 30 June 2022, Jinjiang Haina 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 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. The project commenced construction on August 2023, and was expected to be completed in the second half of 2025. Upon completion, the R&D Centre is 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.

Nowadays, as there are signs of looming global recession and financial crisis, the economic environment has become extremely unstable and complex. 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 increase on cost 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

The slowdown in the growth rates of the developed economies, coupled with economic downturn in certain European Union countries, has led to a reduction in external demand for our products and a slowdown in the growth rate of our exports. 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 transformation of the smart equipment manufacturing industry, as well as to promote the PRC manufacturing industry to the high-end of the global value chain. 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 Year, 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 Year, 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.

Additionally, the Group has undertaken a project to enhance its strategic planning and organisational capabilities. This enables the Group to accurately position its products, markets and customers, while implementing the proposed strategies to achieve breakthroughs in specific areas and identify potential for sustainable growth. The new strategy for development enables the Group to respond to market dynamics and gain deeper insights into customers' requirements. Thus, we are able to carry out targeted research and development of new products and improve services for customers, in order to increase greater market penetration. "Market share, product quality and branding" will serve as the three key pillars propelling Haina Intelligent's future development. The Group will continue to deepen its efforts in the PRC market, at the same time, expand its efforts on the markets of emerging economies around the world and protect the overseas market share, so as to achieve both domestic and overseas business growth and continuously solidify its leading position in the industry.

(5) Developing "5G+ Intelligent Platform for Equipment Operation and Maintenance Services" to accelerate the digital transformation

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

Currently, it has completed the real time operation data analysis while fully utilising 5G network and AR technology for the visualisation and simulation functions of equipment. The platform facilitates the Group's transition to "Manufacture + Service". The project aims to create a new pattern of intelligent remote operation and maintenance services and achieve innovation in business model, promote enterprises to achieve streamlined production management, facilitate intelligent and digital development of the health products industry, and achieve cost reduction and rapid sustainable development of enterprises in the future.

Striving forward is the posture of the Group, and to fight is the status of our employees. 2023 was a year of global economic challenges and opportunities, and also a crucial year for the Group to conquer difficulties, hasten the development and promote the key projects construction in a comprehensive pace. Meanwhile, the digital plants in Jinjiang and Hangzhou are under 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 numerous challenges, but opportunities and challenges coexist, technological breakthroughs and strategic changes will inject new hope into us. In 2024, on the path of high-quality development of national intelligent manufacturing, the Group will embark on a new journey with undiminished efforts, unwavering determination, and persistent resilience.

FINANCIAL REVIEW

By type of products:

	2023			2022		
	Units	***RMB'000***	***%*** ***approximately***	*Units*	*RMB'000*	*%* *approximately*
Baby diaper machines	**25**	**146,978**	**42**	22	159,520	40
Adult diaper machines	**18**	**117,457**	**33**	21	183,976	46
Lady sanitary napkin machines	**10**	**41,900**	**12**	6	18,779	4
Under-pad machines	**2**	**7,313**	**2**	3	7,035	2
Wet wipe machines	**5**	**3,193**	**1**	3	1,735	1
Composite material machines	**2**	**1,929**	**1**	–	–	–
Pet diaper machines	**–**	**–**	**–**	2	5,841	2
Components and parts	**N/A**	**31,930**	**9**	N/A	20,931	5
	62	**350,700**	**100**	57	397,817	100

The Group's revenue decreased by approximately RMB47.1 million (or 12%) to approximately RMB350.7 million for the Year as compared to approximately RMB397.8 million for the Prior Year. This was mainly due to the decrease in the sales of baby diaper machines (approximately RMB12.5 million), adult diaper machines (approximately RMB66.5 million), and pet diaper machines (approximately RMB5.8 million). The decrease was partially offset by the increase in the sales of lady sanitary napkin machines (approximately RMB23.1 million), under-pad machines (approximately RMB0.3 million), wet wipe machines (approximately RMB1.5 million), new products launched for composite material machines (approximately RMB1.9 million), and components and parts (approximately RMB11.0 million).

As at 31 December 2023, the Group has entered into sales contracts with its customers for the sales and purchase of 22, 18, 10, 1, 3 and 1 units of baby diaper machines, adult diaper machines, lady sanitary napkin machines, under-pad machines, wet wipe machines and winding machines with aggregate contract values of approximately RMB148.9 million, RMB140.5 million, RMB44.0 million, RMB3.0 million, RMB2.3 million and RMB1.7 million, respectively. Subsequent to 31 December 2023, the Group further entered into sales contracts with its customers for the sales and purchase of 4, 2, 1 and 1 units of baby diaper machines, adult diaper machines, lady sanitary napkin machines and wet wipe machines with aggregate contract values of approximately RMB20.4 million, RMB16.6 million, RMB4.9 million and RMB0.7 million, respectively. The machines under these contracts are expected to be delivered during the year of 2024.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit decreased by approximately RMB17.8 million to approximately RMB46.4 million for the Year as compared to the Prior Year of approximately RMB64.2 million. The gross profit margin decreased by approximately 2.9 percentage points to approximately 13.2% for the Year (Prior Year: 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 reduction in selling prices as a result of fierce competition faced by the Group within the disposable hygiene product machinery industry in the PRC; and (ii) 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, income from the sale of scrap materials, rental income and services income for installation and dismantling works. The government grants mainly represent the government grants received from government authorities of Fujian Province such as Jinjiang Finance Bureau, Jinjiang Bureau of Economy and Information Technology and Quanzhou Municipal People's Government, which the entitlements were unconditional and at the discretion of the relevant authorities. All the government grants received during the Year and/or the Prior Year were one-off and unconditional. The other income decreased by approximately RMB1.3 million or 9.6% from approximately RMB13.5 million for the Prior Year to approximately RMB12.2 million for the Year. The decrease in other income was mainly due to the decrease in government grants during the Year.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs mainly comprised expenses incurred for business trips and entertainment, depreciation, promotional expenses and repair costs. The selling and distribution costs increased by approximately RMB3.1 million or 22.5%, from approximately RMB13.8 million for the Prior Year to approximately RMB16.9 million for the Year. The increase in selling and distribution costs was mainly due to the increase in marketing staff salaries and promotional expenses from roadshows conducted.

ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

The administrative and other operating expenses mainly comprised research and development expenses, staff costs, depreciation, amortisation and consultancy fee. The administrative and other operating expenses decreased from approximately RMB53.2 million for the Prior Year by approximately RMB4.2 million or 7.9% to approximately RMB49.0 million for the Year. The decrease in administrative and other operating expenses was mainly due to the decrease in consultancy fee, amortisation expenses on intangible assets, research and development expenses after capitalisation during the Year.

FINANCE COSTS

For the Year, finance costs was approximately RMB1.5 million, which decreased by approximately 31.8% as compared with the Prior Year (approximately RMB2.2 million). The decrease was mainly due to the decrease in interest on bank borrowings after capitalisation and finance charges on lease liabilities.

INCOME TAX EXPENSE (CREDIT)

The Group recorded an income tax expense of approximately RMB0.8 million for the Year, compared to an income tax credit of approximately RMB2.2 million for the Prior Year. The income tax expense represented taxable profits of the Group’s operating subsidiaries in the PRC for the Year, while the income tax credit represented the over-provision of income tax expense for prior years.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Group recorded a loss attributable to owners of the Company of approximately RMB35.8 million for the Year (Prior Year: approximately RMB3.1 million). The increase in loss attributable to owners of the Company for the Year was mainly due to the decrease in gross profit as discussed above and provision for impairment loss on unlisted debt instrument and other receivables.

DIVIDEND

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

USE OF PROCEEDS FROM LISTING

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 June 2020 (the "**Listing Date**") with a total of 122,004,000 offer shares being issued (including the partial exercise of the Over-allotment Option) based on the share price of HK$1.38 per share. The aggregate nominal value of the said offer shares is HK$1,220,040. The net proceeds of the Share Offer, after deducting underwriting commissions and other fees in connection with the Listing, were approximately HK$130.1 million or RMB119.5 million. The net price per offer share is approximately HK$1.07. The Directors intend to deploy the proceeds according to the manner set out in the prospectus of the Company dated 20 May 2020 (the "**Prospectus**"). The use of net proceeds will be in accordance with the implementation plan as set out in the Prospectus. Set out below is the actual use of net proceeds up to 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 31 December 2023	Unutilised net proceeds up to 31 December 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	9.0	15.1	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	9.0	37.3	

As at 31 December 2023, unutilised proceeds of approximately RMB37.3 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 31 December 2023**	**Unutilised net proceeds up to 31 December 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	23.9	–	Fully utilised

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's working capital and capital expenditure were 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 1.3 times as at 31 December 2023 (31 December 2022: approximately 2.2 times). The Group generally financed its daily operations from cash flows generated internally.

Up to the date of this announcement, trade receivables of approximately RMB16.5 million as at 31 December 2023 had subsequently been settled.

FINANCIAL POLICIES

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

CAPITAL STRUCTURE

As at 31 December 2023, the capital structure of the Group consisted of equity of approximately RMB305.0 million (31 December 2022: approximately RMB338.8 million) and bank borrowings of approximately RMB77.0 million (31 December 2022: approximately RMB25.0 million) as more particularly described in the paragraph headed "Borrowings" below.

BORROWINGS

As at 31 December 2023, the Group had bank loans of approximately RMB77.0 million (31 December 2022: approximately RMB25.0 million). For further details of the borrowings, please refer to note 14 to the consolidated financial statements.

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 30.9% as at 31 December 2023 (31 December 2022: approximately 12.1%).

CAPITAL COMMITMENT

A the end of the reporting period, the Group had the following capital expenditure commitments.

	At 31 December 2023 *RMB'000*	At 31 December 2022 *RMB'000*
Contracted but not provided net of deposit paid for		
– Construction in progress	**327,083**	245,705
– Development of intangible assets*	**27,679**	27,679
	354,762	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 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 31 December 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 Year. The Group did not enter into any foreign exchange derivative contract to manage the currency translation risk of Renminbi against United States dollars and Hong Kong dollars during the Year, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate time.

As at 31 December 2023 and 2022, the Group had not entered any financial instrument for hedging against foreign exchange risk.

HUMAN RESOURCES

The Group has employed a total of approximately 505 employees as at 31 December 2023 (31 December 2022: approximately 376 employees) in Hong Kong and the PRC. Staff costs (including Directors' emoluments) amounted to approximately RMB59.3 million for the Year (Prior Year: approximately RMB46.2 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 notes 13(b) and 14 to the consolidated financial statements, no assets of the Group are pledged as at 31 December 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 change of 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 (the "**Guarantor**") in favour of the Group on 4 March 2023. The Guarantor is a company incorporated in the PRC with limited liability and is principally engaged in provision of business services in the PRC.

On 1 August 2023 and 21 September 2023, the Group sent legal letters to the Issuer for repayment of remaining balance. On 15 December 2023 and 21 December 2023, the Group sent overdue collection notice to the Issuer and sent legal letters to the Guarantor to request settlement of the remaining balance.

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

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 land use rights of a parcel of land located in Tonglin Village, Anhai Town, Fujian Province, the PRC for the purpose of constructing a dedicated research and development and production centre in Jinjiang City.

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

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

EVENT AFTER THE REPORTING PERIOD

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

PUBLIC FLOAT

During the Year and as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on 30 May 2024 (Thursday) ("**2024 AGM**") and the notice of 2024 AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the 2024 AGM, the register of members of the Company will be closed from 27 May 2024 (Monday) to 30 May 2024 (Thursday), both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to qualify for attending the 2024 AGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 24 May 2024 (Friday).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. In the opinion of the Directors, except for the below deviation, the Company has adopted the applicable code provisions ("**CG Code**") in the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange during the Year.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

REVIEW BY THE AUDIT COMMITTEE

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

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

The figures in respect of the consolidated statement of profit or loss and other comprehensive income, and the consolidated statement of financial position of the Group and the related notes thereto for the Year as set out in this preliminary announcement have been agreed by the Company's auditor, Mazars CPA Limited ("**Mazars**"), *Certified Public Accountants*, to the amounts set out in the audited consolidated financial statements of the Group for the year ended 31 December 2023. The work performed by Mazars in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

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

ACKNOWLEDGEMENT

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

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

Hong Kong, 28 March 2024

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

* *English name is for identification purpose only.*