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 2020

FINANCIAL HIGHLIGHTS

- The total revenue of the Group for the year ended 31 December 2020 amounted to approximately RMB474.3 million (2019: approximately RMB378.0 million), representing an increase of approximately 25% as compared with the year ended 31 December 2019.
- The gross profit of the Group amounted to approximately RMB139.3 million for the year ended 31 December 2020 (2019: approximately RMB90.6 million), representing an increase of approximately 54% as compared with the year ended 31 December 2019.
- The net profit attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately RMB40.0 million (2019: approximately RMB26.4 million), representing an increase of approximately 52% as compared with the year ended 31 December 2019.
- Basic earnings per share for the year ended 31 December 2020 was approximately RMB9.55 cents (2019: approximately RMB7.59 cents).
- The Board has proposed to recommend the payment of a final dividend of HK$0.05 per share for the year ended 31 December 2020 (2019: Nil).

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Haina Intelligent Equipment International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Year**") together with the comparative figures of the previous corresponding year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*4*	**474,259**	377,989
Cost of sales		**(334,991)**	(287,370)
Gross profit		**139,268**	90,619
Other income	*5*	**10,542**	8,418
Selling and distribution costs		**(15,906)**	(14,641)
Administrative and other operating expenses		**(51,827)**	(36,935)
Impairment loss of trade receivables, net		**(1,819)**	(428)
Finance costs	*6*	**(1,287)**	(1,014)
Listing expenses		**(15,679)**	(9,846)
Profit before tax	*6*	**63,292**	36,173
Income tax expenses	*7*	**(13,185)**	(5,085)
Profit for the year		**50,107**	31,088
Other comprehensive (loss) income:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference on consolidation/combination		**(11,144)**	—
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on consolidation/combination		**6,454**	(1,119)
Total other comprehensive loss for the year		**(4,690)**	(1,119)
Total comprehensive income for the year		**45,417**	29,969
Profit for the year attributable to:			
Owners of the Company		**39,953**	26,423
Non-controlling interests		**10,154**	4,665
		50,107	31,088
Total comprehensive income for the year attributable to:			
Owners of the Company		**35,263**	25,304
Non-controlling interests		**10,154**	4,665
		45,417	29,969
		RMB cents	*RMB cents*
Earnings per share	*8*		
Basic and diluted		**9.55**	7.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Plant and equipment		**35,663**	39,594
Intangible assets		**4,957**	5,306
Goodwill		**1,369**	1,369
		41,989	46,269
Current assets			
Inventories		**182,699**	144,839
Trade and other receivables	*10*	**100,193**	98,527
Income tax recoverable		—	1,203
Restricted bank deposits		**2,000**	10,000
Bank balances and cash		**230,416**	35,701
		515,308	290,270
Current liabilities			
Trade and other payables	*11*	**247,116**	141,992
Lease liabilities		**7,071**	6,977
Amount due to ultimate holding company		—	52,150
Income tax payable		**3,393**	2
Deferred tax liabilities		—	1,000
		257,580	202,121
Net current assets		**257,728**	88,149
Total assets less current liabilities		**299,717**	134,418
Non-current liabilities			
Lease liabilities		**17,902**	18,949
Deferred tax liabilities		**1,817**	2,198
		19,719	21,147
NET ASSETS		**279,998**	113,271
Capital and reserves			
Share capital	*12*	**4,315**	—*
Reserves		**268,448**	99,530
Equity attributable to owners of the Company		**272,763**	99,530
Non-controlling interests		**7,235**	13,741
TOTAL EQUITY		**279,998**	113,271

* *Represent amounts less than RMB1,000.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed on 11 March 2019, as detailed in the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 20 May 2020 (the "**Prospectus**") issued in connection with the initial listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

The Group resulting from the Reorganisation is regarded as a continuing entity under the common control of the Controlling Shareholders prior to and after the Reorganisation, and that control is not transitory. Accordingly, the consolidated financial statements for the year ended 31 December 2019 have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting under Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as if the current group structure has been in existence since the respective dates of incorporation or establishment of the combining entities, or since the date when the combining entities or business first came under the common control, where there is a shorter period.

2. STATEMENT OF COMPLIANCE

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

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

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

3. SEGMENT INFORMATION

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

Information about geographical areas

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of the revenue is presented based on the location of customers. The non-current assets are based on the physical location of the assets, in the case of plant and equipment, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

Non-current assets

	2020	2019
	RMB'000	*RMB'000*
The PRC	**41,853**	46,269
Hong Kong	**136**	—
	41,989	46,269

Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
The PRC	**377,371**	217,599
South Korea	**47,852**	20
Indonesia	**21,510**	44,370
Uzbekistan	**11,458**	4,708
Dubai	**9,126**	—
Bangladesh	**4,650**	—
Angola	**1,140**	1,367
Pakistan	**636**	14,520
Cambodia	**219**	5,025
Malaysia	**201**	18
The Philippines	**92**	28,803
Vietnam	**4**	27,340
India	—	9,761
Hong Kong	—	8,407
Thailand	—	8,144
Nigeria	—	7,901
Bulgaria	—	6
	474,259	377,989

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 2020 and 2019.

4. REVENUE

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within HKFRS 15 — at a point in time		
Sales of machines of		
— baby diaper	**153,740**	226,320
— adult diaper	**99,354**	112,207
— lady sanitary napkin	**36,851**	22,541
— medical disposable face mask	**164,830**	—
Sales of components and parts	**19,484**	16,921
	474,259	377,989

The amount of revenue recognised for the year ended 31 December 2020 that was included in the contract liabilities at the beginning of the year is approximately RMB33,200,000 *(2019: RMB46,630,000)*.

5. OTHER INCOME

	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**1,547**	353
Exchange gain, net	—	311
Government grants *(Note)*	**8,696**	7,341
Sale of scrap materials	**212**	245
Gain on disposal of plant and equipment	—	108
Gain on termination of leases	**40**	—
Others	**47**	60
	10,542	8,418

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

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	2020 *RMB'000*	2019 *RMB'000*
Finance costs		
Interest on bank borrowings	**90**	—
Finance charges on lease liabilities	**1,197**	1,014
	1,287	1,014
Staff costs, including directors' remuneration		
Salaries, allowances, discretionary bonuses and other benefits in kind	**38,473**	31,110
Contributions to defined contribution plans	**1,108**	4,681
	39,581	35,791
Less: capitalised as "intangible assets"	**(702)**	(720)
	38,879	35,071
Other items		
Cost of inventories *(Note (i))*	**334,991**	287,370
Auditor's remuneration	**1,334**	58
Amortisation of intangible assets (included in "administrative and other operating expenses")	**3,621**	3,398
Depreciation of plant and equipment (included in "cost of sales" and "administrative and other operating expenses", as appropriate)	**12,278**	13,523
Less: capitalised as "intangible assets"	**(79)**	(88)
	12,199	13,435
Exchange loss (gain), net	**859**	(311)
Gain on termination of leases	**(40)**	—
Loss (Gain) on disposal of plant and equipment, net	**72**	(108)
Allowance for inventories (included in "cost of sales")	**3,578**	—
Provision for litigation and claim (included in "administrative and other operating expenses") *(Note 11(d))*	**2,000**	—
Other rental and related expenses	**3**	—
Research and development expenses	**25,876**	23,097
Less: capitalised as "intangible assets" *(Note (ii))*	**(3,193)**	(3,589)
	22,683	19,508

Notes:

(i) During the year ended 31 December 2020, cost of inventories included approximately RMB31,019,000 *(2019: RMB26,283,000)*, relating to the aggregate amount of allowance for inventories, certain staff costs and depreciation, which were included in the respective amounts as disclosed above.

(ii) During the year ended 31 December 2020, capitalised intangible assets included approximately RMB702,000 *(2019: RMB720,000)*, relating to the staff costs which were included in the amounts as disclosed above.

7. INCOME TAX EXPENSES

	2020	2019
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax — current year	**13,174**	4,705
Hong Kong Profits Tax — current year	**—**	2
	13,174	4,707
Withholding tax		
Withholding tax on dividend income from a PRC subsidiary	**1,392**	—
Deferred tax		
Origination and reversal of temporary differences	**(1,381)**	378
Income tax expenses for the year	**13,185**	5,085

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 New and High-tech 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 2019 for the three years ending 31 December 2021 and in December 2020 for the three years ending 31 December 2022, respectively.

The Company and its subsidiaries incorporated in the BVI are exempted from income tax in the Cayman Islands and the BVI, respectively.

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising from Hong Kong for the year ended 31 December 2020. For the year ended 31 December 2019, 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%.

* *English name is for identification purpose only.*

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in the PRC.

Reconciliation of income tax expenses

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**63,292**	36,173
Income tax at statutory tax rate applicable in respective tax jurisdictions	**21,656**	9,603
Effect of preferential tax treatments	**(9,826)**	(3,220)
Additional tax deduction on research and development expenses	**(2,535)**	(3,146)
Non-deductible expenses	**3,498**	841
Deferred tax charged in respect of withholding tax on undistributed profits	**—**	1,000
Withholding tax on dividend income from a PRC wholly-owned subsidiary	**392**	—
Others	**—**	7
Income tax expenses for the year	**13,185**	5,085

8. EARNINGS PER SHARE

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

	2020	2019
	RMB'000	*RMB'000*
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	**39,953**	26,423

	2020	2019
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**418,183**	348,000

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in Note 12) have been effective on 1 January 2019.

Diluted earnings per share is same as basic earnings per share as there were no potential ordinary shares outstanding during the years ended 31 December 2020 and 2019.

9. DIVIDENDS

No dividend was paid or declared by the Group during the years ended 31 December 2020 and 2019.

Subsequent to 31 December 2020, a final dividend in respect of the year ended 31 December 2020 of HK$0.05 (equivalent to approximately RMB0.04) *(2019: Nil)* per ordinary share, totaling approximately HK$23,500,000 (equivalent to approximately RMB20,895,000) *(2019: Nil)* has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

10. TRADE AND OTHER RECEIVABLES

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Trade receivables		**78,636**	76,584
Less: Allowance for expected credit losses ("**ECL**")		**(3,289)**	(1,473)
	10(a)	**75,347**	75,111
Bills receivables	*10(b)*	**—**	1,000
Other receivables			
Deposits and other receivables		**2,326**	1,201
Prepayment to suppliers		**8,368**	4,843
Prepayment for listing expenses		**—**	2,836
Other prepaid expenses		**1,289**	1,129
Value-added tax ("**VAT**") and other tax recoverable		**11,143**	10,687
Capital contribution receivable from the non-controlling shareholders of a subsidiary	*10(c)*	**1,720**	1,720
		24,846	22,416
		100,193	98,527

10(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 31 December 2020 was retained sums of approximately RMB31,708,000 *(2019: approximately RMB37,003,000)*. These are due for collection upon the expiry of product quality warranty period (which is usually 12 months from the acceptance by the customer of the machine).

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

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**31,320**	18,640
31 to 60 days	**13,852**	2,995
61 to 90 days	**1,741**	14,701
91 to 180 days	**8,754**	15,063
181 to 365 days	**5,387**	15,848
Over 365 days	**14,293**	7,864
	75,347	75,111

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

	2020	2019
	RMB'000	*RMB'000*
Not yet due	**39,542**	28,725
Past due:		
Within 30 days	**8,782**	14,348
31 to 60 days	**6,329**	125
61 to 90 days	**1,260**	9,663
91 to 180 days	**3,567**	6,650
181 to 365 days	**5,440**	10,705
Over 365 days	**10,427**	4,895
	75,347	75,111

10(b) Bills receivables

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

10(c) Capital contribution receivable from the non-controlling shareholders of a subsidiary

The amount has been subsequently fully settled in February 2021.

11. TRADE AND OTHER PAYABLES

	Note	**2020** ***RMB'000***	2019 *RMB'000*
Trade payables	*11(a)*	**75,372**	52,939
Bills payables	*11(b)*	**10,000**	10,000
Other payables			
Salaries payable		**6,431**	4,081
Contract liabilities — receipt in advance	*11(c)*	**124,973**	63,169
Dividend payables to non-controlling shareholders of a subsidiary		**16,660**	—
Accruals and other payables		**11,680**	11,630
Provision for litigation and claim	*11(d)*	**2,000**	—
Amount due to a director	*11(e)*	**—**	173
		161,744	79,053
		247,116	141,992

11(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 aging analysis of the trade payables based on goods receipt date is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**59,014**	32,743
31 to 60 days	**7,106**	6,869
61 to 90 days	**5,759**	7,707
91 to 180 days	**2,133**	2,954
181 to 365 days	**192**	1,195
Over 365 days	**1,168**	1,471
	75,372	52,939

11(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 RMB2,000,000 *(2019: RMB10,000,000)*.

11(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:

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the period	**63,169**	63,687
Recognised as revenue	**(33,200)**	(46,630)
Receipt in advance	**95,004**	46,112
At the end of the reporting period	**124,973**	63,169

At 31 December 2020, the contract liabilities that are expected to be settled within 12 months are approximately RMB124,973,000 *(2019: approximately RMB63,169,000)*.

11(d) Provision for litigation and claim

In January 2021, a customer of Hangzhou Haina submitted an application for civil case proceedings (the "**Litigation**") at Hangzhou City Lin'an District People's Court (the "**Hangzhou Court**") for claiming approximately RMB2,000,000 from Hangzhou Haina since two machines of medical disposable face mask purchased from Hangzhou Haina in 2020 did not satisfy the quality requirements under the duly signed sales contract (the "**Claim**"). The Group's bank balance of approximately RMB2,046,000 has been frozen by the order of the Hangzhou Court for the Litigation in February 2021. Based on the legal opinion of the Group's PRC lawyers, the Directors are of the opinion that an outflow of economic benefits will be required and therefore provision for the Claim of approximately RMB2,000,000 was provided in profit or loss for the Year.

11(e) Amount due to a director

The amount due is non-trade nature, unsecured, interest-free and repayable on demand. The amount was fully settled on 19 March 2020.

12. SHARE CAPITAL

Ordinary share of HK$0.01 each	*Note*	**Number of shares**	***HK$***	**Equivalent to *RMB'000***
Authorised:				
At 1 January 2019		3,800,000	380,000	203
Share subdivision	*i*	34,200,000	—	—
At 31 December 2019 and 1 January 2020		38,000,000	380,000	203
Increased on 8 May 2020	*i*	1,962,000,000	19,620,000	10,492
At 31 December 2020		**2,000,000,000**	**20,000,000**	**10,695**
Issued and fully paid:				
At 1 January 2019		1	0.10	—*
Share subdivision	*i*	9	—	—
At 31 December 2019 and 1 January 2020		10	0.10	—*
Issue of shares under the Capitalisation Issue	*ii*	347,999,990	3,479,999.90	3,195
Issue of shares under the Share Offer (including the partial exercise of the over-allotment option)	*iii*	122,004,000	1,220,040.00	1,120
At 31 December 2020		**470,004,000**	**4,700,040.00**	**4,315**

* *Represent amounts less than RMB1,000.*

Notes:

(i) On 18 March 2019, the Company's shares with par value HK$0.10 per share were subdivided into 10 shares with par value HK$0.01 per share in the share capital of the Company. Following such share subdivision, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of par value HK$0.01 per share.

On 8 May 2020, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 share of par value HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of par value HK$0.01 each, by the creation of additional 1,962,000,000 shares.

(ii) Pursuant to the resolution in writing of the then sole shareholder of the Company passed on 8 May 2020, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 347,999,990 shares of HK$0.01 each to the then sole shareholder, credited as fully paid at par by way of capitalisation of the sum of HK$3,479,999.90 (equivalent to approximately RMB3,195,000) standing to be credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue). The Capitalisation Issue was completed on 3 June 2020.

(iii) On 3 June 2020 (the "**Listing Date**"), the shares of the Company were listed on the Main Board of the Stock Exchange and 116,000,000 ordinary shares with par value of HK$0.01 each of the Company were issued at a price of HK$1.38 per share by way of share offer (the "**Share Offer**"). The gross proceeds from the Share Offer amounted to HK$160,080,000 (equivalent to approximately RMB146,957,000).

(iv) On 24 June 2020, 6,004,000 ordinary shares with par value of HK$0.01 each of the Company were issued at a price of HK$1.38 per share upon partial exercise of the over-allotment option (the "**Over-allotment**"). The gross proceeds from the Over-allotment amounted to HK$8,286,000 (equivalent to approximately RMB7,607,000).

(v) The expenses attributable to issue of shares under the Share Offer and the Over-allotment of approximately RMB29,153,000 have been recognised in the share premium account within equity of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an established manufacturer engaging in the design and production of automated machines for manufacturing disposable hygiene products, including baby diapers, adult diapers, lady sanitary napkins and medical disposable face masks in the PRC. During the Year, the Group designed, developed and produced machines for disposable hygiene products under its proprietary brand "Haina Machinery" (the "**Products**"). The Group provides comprehensive services to customers, from collaborating with customers on product designs, customising products based on specifications provided by customers, conducting quality control, delivering products to customers, installing products for customers and to providing after-sales services.

The Group has two production bases in the PRC, namely the Jinjiang Production Base and the Hangzhou Production Base, with a total gross floor area of approximately 49,000 sq.m. as at 31 December 2020 (31 December 2019: approximately 35,400 sq.m.), and the Group operated 18 and nine production lines in the Jinjiang Production Base and the Hangzhou Production Base, respectively. During the Year, the production process 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.

The Group believes that strong research and development capabilities are key to maintaining its position in the disposable hygiene product machinery industry. The research and development team of the Group continuously monitors technological advancement in the disposable hygiene product machinery industry to keep abreast of industry knowledge. As at 31 December 2020, the Group owned 146 patents in the PRC. The Group dedicates significant resources to research and development capabilities in order to develop new products and/or to enhance the quality of its Products.

For the Year, the Group recorded a total revenue of approximately RMB474.3 million, with a total number of 282 units of machines sold, of which the approximately 35% consisted of medical disposable face mask machines, representing an increase of approximately 25% as compared to the year ended 31 December 2019 (the "**Prior Year**"). The Group's customers are primarily located in the PRC, and the Group also sold its Products to 11 other overseas countries during the Year. The net profit after tax for the Year of the Group was approximately RMB50.1 million, representing a growth of approximately 61% as compared to Prior Year.

OUTLOOK

The Group strives to maintain its position as one of the top disposable hygiene product machinery providers in the PRC by strengthening its research and development capabilities, increasing the competitiveness of products, increasing production capacity of its production bases and deepening its penetration in the PRC and overseas markets. The Group intends to implement the following strategies and expansion plans to capitalise on its strengths so as to enhance its business prospects and financial performance.

(1) Strengthening research and development capabilities

The Group intends to acquire a suitable site to set up a dedicated research and development centre (the "**R&D Centre**") in Jinjiang, Fujian Province, the PRC, and moves all current research and development activities to the R&D Centre, which would provide a dedicated area for the Group to develop new design of machines and also to support the development of products under the brand "Haina Machinery". Setting up the R&D Centre would allow the Group to have better control over the product development priorities and shorten the lead time needed for developing customised products so that the Group can conduct product production process and research and development activities concurrently. As products of the Group are divided into various modules, with the dedicated R&D Centre, the technologies for various modules can be developed simultaneously, which will significantly shorten the time required for the research and development of new products and enhance the efficiency of the product development process. As at the date of this announcement, there is no material development to be reported in setting up the R&D Centre.

In addition to setting up the R&D Centre, the Group also plans to strengthen research and development capabilities by conducting additional research and development activities through applying new technologies such as precision manufacturing and enhanced automation to improve the efficiency of existing products. The Group also intends to design and develop new products that cater for the trend and demand of the market. During the Year, the Group incurred research and development expenses (included capitalised expenses) of approximately RMB25.9 million, including approximately RMB19.1 million was funded by the Group's internal resources and the remaining of approximately RMB6.8 million was funded by the net proceeds from the Share Offer. The amount mainly utilised on the improvement of the efficiency on adult diapers production and development of new product namely, adult underpad machine.

(2) Increasing the competitiveness of products through acquisitions

The Group plans to provide a comprehensive solution to customers through the acquisition of a company engaging in the development, design and manufacture of automatic packaging equipment. The Group considers that such integration will provide it with more competitive advantages and more flexibility in production. Subsequent to 31 December 2020, the Group's wholly-owned subsidiary, Jinjiang Haina, and the non-controlling shareholders of Hangzhou Haina (the "**Vendors**") who have 49% equity interest in Hangzhou Haina, entered into an equity transfer agreement, pursuant to which the Vendors conditionally agreed to sell and Jinjiang Haina conditionally agreed to purchase 49% of the equity interest in Hangzhou Haina, at an aggregate consideration of RMB12,800,000 (the "**Acquisition**"). The Acquisition constituted a discloseable and exempted connected transaction under the Listing Rules. Please refer to the section headed "Events after the reporting period" of this announcement. No net proceeds from the Share Offer was utilised on this strategy during the Year nor used to finance the Acquisition.

(3) Increasing production capacity of production bases

The Group plans to expand the production capacity of Jinjiang Production Base and Hangzhou Production Base by leasing additional production premises with a floor area of approximately 10,000 sq.m. and 3,770 sq.m. in Jinjiang and Hangzhou, respectively.

Since the Listing Date and up to the date of this announcement, approximately RMB0.8 million of net proceeds from Share Offer has been utilised to lease additional production premises so as to increase production capacity as follows:

- approximately 9,442 sq.m. in Jinjiang Production Base used for warehouses;

- approximately 1,630 sq.m. in Hangzhou Production Base used for production and ancillary production purposes, including but not limited to the three new production lines and space for equipment access; and

- approximately 1,640 sq.m. in Hangzhou Production Base used for production support purposes, including but not limited to offices for its staff to handle administrative works and warehouses for storage.

With the continuous expansion of the Group's business and increasing in sales orders, the Group will consider to strengthen its production capacity including but not limit to lease additional production premises and/or other possible alternatives should then need arises.

(4) Deepening the Group's penetration in the PRC and overseas markets

The PRC is the home market of the Group, and it forms the foundation for further growing the Group's business and forms the springboard from which the Group expands its operations internationally. In view of the temporary decline of market demand for disposable hygiene product machinery due to the shift of capacity by downstream disposable hygiene product towards production of disposable medical face masks in the midst of outbreak of coronavirus disease 2019 ("**COVID-19**"), the growth of sales value of disposable hygiene product machinery (other than medical disposable face mask machines) slowed down in 2020. However, with the continuous expansion of downstream market and regular upgrade and replacement of machinery, the demand for disposable hygiene product machinery in the PRC and overseas markets, including Southeast Asia, India, Pakistan and South Africa, are expected to recover from 2021 onwards and the sales value of disposable hygiene product machinery in the PRC is estimated to increase at a rate of approximately 6.5% per year during 2020 to 2024, and to reach approximately RMB12.0 billion in 2024. The Group will continue to focus on solidifying its leading market position by deepening the Group's penetration in the PRC's growing disposable hygiene product machinery industry.

During the Year and up to the date of this announcement, there are 20 new customers (excluding those solely purchasing of medical disposable face mask machines from the Group) located in the PRC as a result of deepening the Group's penetration in the PRC.

In addition, the Group intends to leverage on the established corporate brand name and research and development capabilities to increase resources to attract disposable hygiene product manufacturers in the overseas market, such as Southeast Asia and India where the economy, population and living standard have been growing continuously. During the Year, customers of the Group were located in the PRC and 11 overseas countries. In this regard, after the lifting of the travel restrictions, in order to promote the sales of the Group's baby diaper, adult diaper and lady sanitary napkin machines, the Group intends to (i) increase sales and marketing resources to promote the Group's Products by visiting offices and factories of potential customers which the Group met in trade exhibitions and participating in more trade exhibitions, and (ii) devote additional product development and design resources and to strengthen its research and development efforts to offer a wider range of designs tailored for preferences of different overseas markets.

Furthermore, the Group intends to leverage on the existing business relationship with disposable medical/hygiene product manufacturers and business connections with export agents to explore opportunities in supplying disposal medical/hygiene products in the PRC and overseas market in order to cope with the rapid changing market situation and consumers' needs.

FINANCIAL REVIEW

REVENUE

By products type:

		2020			2019	
	Units	***RMB'000***	***%*** ***(Approximately)***	*Units*	*RMB'000*	*%* *(Approximately)*
Baby diaper machines	**26**	**153,740**	**32**	37	226,320	60
Adult diaper machines	**12**	**99,354**	**21**	14	112,207	30
Lady sanitary napkin machines	**9**	**36,851**	**8**	6	22,541	6
Medical disposable face mask machines	**235**	**164,830**	**35**	—	—	—
Components and parts	**N/A**	**19,484**	**4**	N/A	16,921	4
	282	**474,259**	**100**	57	377,989	100

During the Year, the Group's revenue increased by approximately RMB96.3 million (or 25%) to approximately RMB474.3 million as compared to approximately RMB378.0 million for the Prior Year which was mainly due to the increase in the sales of medical disposable face mask machines, lady sanitary napkin machines and components and parts. The increase was partially offset by the decrease in sales of baby diaper machines and adult diaper machines.

The increase in sales of medical disposable face mask machines was mainly due to the outbreak of COVID-19, from which there was a strong demand of medical disposal face mask machines of the Group introduced to the market in February 2020. During the Year, the Group sold 235 units of medical disposable face mask machines which contributed a significant portion of its revenue.

During the Year, the proportion of revenue contribution from the sales of baby diaper machines, adult diaper machines and lady sanitary napkin machines decreased from approximately 96% of the Group's total revenue for the Prior Year to approximately 61% on total revenue for Year. This was mainly due to the Group rescheduling the production capacity in response to the strong demand of medical disposable face mask machines by the customers. The Directors believe that the high demand for disposable face mask machines was temporarily, so the Group had been temporarily increasing the number of hours worked by each shift and also cooperated with suppliers in timely delivery of raw materials so as to catch up with the production schedule of diaper and lady sanitary napkin machines as agreed with its customers. For the second half of the Year, the supply of medical disposable face masks in the market had stabilised, and there was a slow-down in the spread of the COVID-19, the global demand for medical disposable face mask machines decrease and the Group resume the normal production schedules for baby diaper machines, adult diaper machines and lady sanitary napkin machines.

For 2021, the Directors expect that the market demand for disposable hygiene product machinery will recover as a result of the continuous expansion of downstream market and regular upgrade and replacement of machinery.

In respect of the Group's baby diaper, adult diaper and lady sanitary napkin machines, the Directors confirm that up to the date of this announcement, there had been no cancellation or delays of orders by any of the Group's customers of these products due to the outbreak of COVID-19. The Group also agreed with its customers on extending production period of baby diaper, adult diaper and lady sanitary napkin machines due to the rescheduling of the production capacity to cater for the high demand of medical disposable face masks machines. Notwithstanding the temporary effect of COVID-19 and the upsurge in demand for medical disposable face mask machines, on the basis of the orders for the other machine types on hand, the Directors believe that in the long run, the demand for the baby diaper, adult diaper and lady sanitary napkin machines will resume to their ordinary levels after the outbreak has been effectively contained.

As at 31 December 2020, the Group has entered into sales contracts with its customers for the sales and purchase of 43 units, 15 units, 18 units and 3 units of baby diaper machines, adult diaper machines, lady sanitary napkin machines and underpad machines with aggregate contract values of approximately RMB295.6 million, RMB131.2 million, RMB111.5 million and RMB7.5 million, respectively. Subsequent to 31 December 2020 and up to the date of this announcement, the Group further entered into sales contracts with its customers for the sales and purchase of 3 units, 5 units and 1 unit of baby diaper machines, lady sanitary napkin machines and underpad machine with aggregate contract values of approximately RMB22.3 million, RMB17.6 million and RMB2.0 million, respectively. The machines under these contracts are expected to be delivered during the year of 2021.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit for the Year increased by approximately RMB48.7 million to approximately RMB139.3 million as compared with the Prior Year of approximately RMB90.6 million. The gross profit margin increased from approximately 24% for Prior Year to approximately 29% for the Year. The increases in both gross profit and gross profit margin were mainly due to lower production cost of producing the medical disposable face mask machines, and there was a strong demand of medical disposable face mask machines of the Group introduced to the market since February 2020 as a result of the outbreak of COVID-19. The medical disposable face mask machines contributed a significant portion of the Group's revenue and commanded favourable profit margins for the Group during the Year due to the strong market demand, shorter production time and lower production space requirements for their production.

OTHER INCOME

The other income mainly comprised government grants, bank interest income and income from the sale of scrap materials. The government grants mainly represent the government grants received from government authorities of Fujian Province such as Jinjiang Finance Bureau, Jinjiang Bureau of Economy and Information Technology and Quanzhou Municipal People's Government, which the entitlements were unconditional and at the discretion of the relevant authorities. All the government grants received during the year were one-off and unconditional. The other income increased from approximately RMB8.4 million for the Prior Year by approximately RMB2.1 million or 25% to approximately RMB10.5 million for the Year. The increase in other income was mainly due to the increase in bank interest income as a result of the increase in bank balances attributable to the net proceeds from Share Offer and the increase in government grants.

SELLING AND DISTRIBUTION COSTS

The selling and distribution costs mainly comprised expenses incurred for business trips and entertainment, depreciation, promotional expenses and repairment costs. The selling and distribution costs increased from approximately RMB14.6 million for the Prior Year by approximately RMB1.3 million or 9% to approximately RMB15.9 million for the Year. The increase in selling and distribution costs was mainly attributable to commission and consultancy fees of approximately RMB2.8 million (Prior Year: Nil) of which approximately RMB0.9 million was paid to the PRC agent of a Korean customer during the year. The increase was offset by decrease in depreciation charges of approximately RMB1.5 million as a result of fully depreciated demo machines in sales department for the Year.

ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

The administrative and other operating expenses mainly comprised research and development expenses, staff costs, depreciation, amortisation and donation. The administrative and other operating expenses increased from approximately RMB36.9 million for the Prior Year by approximately RMB14.9 million or 40% to approximately RMB51.8 million for the Year. The increase in administrative and other operating expenses was mainly due to the charity donation of approximately RMB2.4 million (Prior Year: Nil), the provision for the Claim of approximately RMB2.0 million (as aforementioned in Note 11(d)), increase in legal and professional fees by approximately RMB4.6 million, increase in research and development expenses by approximately RMB3.2 million, and increase in salaries and welfare by approximately RMB4.3 million.

During the Year, a wholly-owned PRC subsidiary of the Group donated approximately RMB2.4 million to charitable organisation for student financial aid. The legal and professional fees of approximately RMB3.6 million was paid for the professional fees in relation to the compliance with the Listing Rules after the Listing such as professional services in Hong Kong for legal advice, financial advice and printing services.

The increase in research and development costs from approximately RMB19.5 million for Prior Year by approximately RMB3.2 million to approximately RMB22.7 million for the Year due to the continuous investment in research and development costs for increasing production capacity and strengthen research and development capabilities. The increase in salaries and welfare from approximately RMB7.5 million for Prior Year by approximately RMB4.3 million to approximately RMB11.8 million for the Year due to the increase in training cost for staff to improve their knowledge and skills, salaries and Directors' fees increase after the Listing.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing of the shares of the Company on the Main Board of the Stock Exchange by way of Share Offer. The total listing expenses in relation to the Listing and the Share Offer were approximately HK$64.4 million (equivalent to approximately RMB57.9 million), of which approximately HK$31.8 million (equivalent to approximately RMB29.2 million) is directly attributable to the issue of shares to the public and capitalised during the Year, and approximately HK$32.6 million (equivalent to approximately RMB28.7 million) was reflected in profit or loss in accordance with the relevant accounting standards. Approximately HK$17.4 million (equivalent to approximately RMB15.7 million) of the listing expenses in relation to services performed was reflected in profit or loss for the Year, and the remaining amount of approximately HK$15.2 million (equivalent to approximately RMB13.0 million) has been reflected in profit or loss in prior years. The total listing expenses represented approximately 46.5% of the gross proceeds from the Share Offer (including the partial exercise of the Over-allotment).

FINANCE COSTS

For the Year, finance costs was approximately RMB1.3 million, which increased by approximately 30% as compared with the Prior Year of approximately RMB1.0 million. The increase was mainly due to an increase in finance charges on lease liabilities for addition of right-of-use assets in respect of the Group's leased properties, and an increase in interest on bank borrowings which has been drawn and repaid during the Year.

INCOME TAX EXPENSES

For the Year, income tax expenses were approximately RMB13.2 million, increased by approximately 159% as compared with the Prior Year of approximately RMB5.1 million. The increase was mainly due to the increase in profits of the Group's operating subsidiaries in the PRC for the Year and also the withholding tax on dividend income from a wholly-owned PRC subsidiary.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the Year, the Company's profit for the year attributable to owners of the Company was approximately RMB40.0 million (Prior Year: approximately RMB26.4 million). If excluding the one-off listing expenses, the Company's profit for the year attributable to owners for the year would be approximately RMB55.6 million (Prior Year: approximately RMB36.3 million). The increase in profit for the year attributable to owners of the Company was mainly due to the increase in revenue and gross profit as discussed above.

DIVIDEND

Subsequent to 31 December 2020, the Board has resolved to recommend the payment of a final dividend of HK$0.05 (equivalent to approximately RMB0.04) per share for the Year. Subject to shareholders' approval at the annual general meeting to be held on Friday, 28 May 2021 (the "**2021 AGM**"), the final dividend will be paid on or about Friday, 2 July 2021 to shareholders whose names appear on the register of members of the Company on Wednesday, 9 June 2021.

USE OF PROCEEDS

The shares of the Company have been listed on the Main Board of the Stock Exchange on the Listing Date with a total of 122,004,000 offer shares being issued (including the partial exercise of the Over-allotment) 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 (equivalent to approximately RMB1,120,000). 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 (equivalent to approximately RMB119.5 million). The net price per offer share was approximately HK$1.07. The Directors intend to deploy the proceeds according to the manner set out in the Prospectus. The use of net proceeds will be in accordance with the implementation plan as set out in the Prospectus and there was no material change in the use of proceeds. Set out below is the actual use of net proceeds from the Share Offer up to 31 December 2020.

	Net proceeds allocation *RMB million*	Utilised net proceeds up to 31 December 2020 *RMB million*	Unutilised net proceeds up to 31 December 2020 *RMB million*	Amount to be applied in the first 6 months upon listing disclosed in the prospectus *RMB million*	Time frame for utilisation
Setting up the R&D Centre	24.1	—	24.1	2.4	Within 2 years from the Listing Date
Strengthening research and development capabilities	22.9	(6.7)	16.2	6.4	Within 2 years from the Listing Date
Increasing production capacity	16.8	(0.8)	16.0	1.2	Within 3 years from the Listing Date
Increasing competitiveness through acquisitions	43.5	—	43.5	—	Within 2 years from the Listing Date
Working capital and general corporate purposes	12.2	(0.7)	11.5	0.9	Within 2 years from the Listing Date
	119.5	(8.2)	111.3	10.9	

As at 31 December 2020, unutilised proceeds of approximately RMB111.3 million were deposited in licensed banks in Hong Kong and the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group's working capital was mainly financed by internal resources and proceeds from Share Offer. The current ratio of the Group, which is calculated based on the current assets divided by current liabilities, was approximately 2.0 times as at 31 December 2020 (31 December 2019: approximately 1.4 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

The Company's shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. As at 31 December 2020, the capital structure of the Group consisted of equity of approximately RMB280.0 million (2019: approximately RMB113.3 million).

BORROWINGS

As at 31 December 2020, the Group did not have any outstanding bank borrowings. The Directors confirmed that the Group had neither experienced any difficulties in obtaining or repaying its bank borrowings, nor breached any major covenant or restriction of the Group's facilities up to the date of this announcement. There are no material covenants related to the Group's outstanding debts that would materially limit its ability to undertake additional debt or equity financing.

GEARING RATIO

The Group's gearing ratio, which is calculated based on the total interest-bearing liabilities divided by the total equity (defined as lease liabilities as at the respective year end divided by total equity as at the respective period end) was approximately 8.9% as at 31 December 2020 (2019: approximately 22.9%).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

The Group had no material capital commitment or contingent liabilities as at 31 December 2020.

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 date of adoption.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption, and there was no outstanding share option at 31 December 2020 and at the date of this announcement.

IMPACT OF COVID-19 PANDEMIC

The outbreak of COVID-19 is effectively controlled in the second half of 2020 as supported by the substantial decline of COVID-19 confirmed cases in the PRC from mid of March 2020 onwards, the impact of COVID-19 outbreak on disposable hygiene product machinery market in the PRC could be recovered and normalisation of economic and trade activities. In addition, the COVID-19 outbreak has not been adversely affected the market demand for end products of disposable hygiene product machinery such as feminine hygiene product and baby diaper, which are considered necessities for urban residents in the PRC. The growing personal hygiene awareness subsequent to the control of COVID-19 outbreak may further drive the consumption of disposable hygiene product in the PRC, and expedite the upgrade and replacement process of disposable hygiene product machinery by downstream disposable hygiene product manufacturers in the next few years.

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 material 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.

HUMAN RESOURCES

The Group has employed a total of approximately 411 employees as at 31 December 2020 (31 December 2019: approximately 382 employees) in Hong Kong and the PRC. Staff costs (including Directors' emoluments) amounted to approximately RMB38.9 million for the Year (Prior Year: approximately RMB35.1 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 for restricted bank deposits of RMB2,000,000 (31 December 2019: RMB10,000,000) which are placed in the PRC banks as securities for the issuance of bills payables, no assets of the Group were charged or pledged as at 31 December 2020.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group has made no significant investment or any material acquisition or disposal of subsidiaries during the Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

Save as disclosed in the Prospectus and the matters that are set out in this announcement, the Group currently has no plan for material investments or acquisition of capital assets.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2020, the Group has the following subsequent events:

(a) On 24 January 2021, the Company and 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 bonds in the principal amount of HK$40,000,000 with the interest rate of 6% per annum (the "**Bonds**") at the subscription price of HK$40,000,000 (the "**Subscription**"). On 26 January 2021, the Subscription was completed.

    On the same date, the Company entered into a sales agency agreement with Pioneer Galaxy Holdings Limited ("**Pioneer Galaxy**"), a wholly-owned subsidiary of the Issuer, in relation to the appointment of Pioneer Galaxy as a non-exclusive agent of the Company regarding the sales of disposal hygiene products.

    Details are set out in the Company's announcements dated 25 and 26 January 2021.

(b) On 1 March 2021, Jinjiang Haina and the Vendors who have 49% equity interest in Hangzhou Haina entered into an equity transfer agreement, pursuant to which the Vendors conditionally agreed to sell and Jinjiang Haina conditionally agreed to purchase 49% of the equity interest in Hangzhou Haina, at an aggregate consideration of RMB12,800,000 (the "**Acquisition**"). The Acquisition constitutes a discloseable and exempted connected transaction under the Listing Rules. The Acquisition was completed on 16 March 2021 and Hangzhou Haina became an indirect wholly owned subsidiary of the Company.

    Details are set out in the Company's announcements dated 1 and 16 March 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the shareholders' eligibility to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the 2021 AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must 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 Monday, 24 May 2021.

In addition, the register of members of the Company will be closed from Monday, 7 June 2021 to Wednesday, 9 June 2021 (both days inclusive), during which period no requests for transfer of shares will be registered. In order to qualify for the proposed final dividend for the year, all transfer documents, accompanied by the relevant share certificates, must 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, for registration no later than 4:30 p.m. on Friday, 4 June 2021.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the interest of the Company and its shareholders (the "**Shareholders**").

Pursuant to code provision A.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.

Except for the above, the Company has adopted the applicable code provisions as set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period from the Listing Date to 31 December 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed that he has complied with the Model Code during the period from the Listing Date to 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Year and up to the date of this announcement, save for the issue of shares under the Share Offer and the Over-allotment, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company 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 of the Company during the Year.

SCOPE OF WORK OF MAZARS CPA LIMITED

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 2020. 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 HKICPA 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.

APPRECIATION

The Board would like to express its sincere gratitude to our business partners 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 and Executive Director

Hong Kong, 24 March 2021

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