

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



2023
Annual Report

CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	8
Corporate Governance Report	15
Biographical Details of Directors and Senior Management	28
Report of the Directors	33
Environmental, Social and Governance Report	48
Independent Auditor's Report	78
Consolidated Statement of Profit or Loss and Other Comprehensive Income	84
Consolidated Statement of Financial Position	85
Consolidated Statement of Changes in Equity	87
Consolidated Statement of Cash Flows	89
Notes to the Consolidated Financial Statements	91
Financial Summary	165



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Chang Chi Hsung

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Hong Yiyuan
Mr. Lau Wai Piu Patrick

COMPANY SECRETARY

Mr. Lau Wai Piu Patrick

AUDITOR

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Wuli Technology Park
Economic Development Area
Jinjiang City
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial Bank Co., Ltd., Jinjiang Anhai Branch
Industrial and Commercial Bank of China Limited,
Jinjiang Branch

STOCK CODE

1645

WEBSITE

www.haina-intelligent.com

CHAIRMAN'S STATEMENT

Dear colleagues, partners and investors,

I, being entrusted by the board of the directors (the “**Board**”) of Haina Intelligent Equipment International Holdings Limited (“**Haina Intelligent**”, together with its subsidiaries, the “**Group**”) (01645.HK), hereby present the annual report of Haina Intelligent for the year ended 31 December 2023 (the “**Year**”). Haina Intelligent was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 3 June 2020. The year of 2023 is of great significance to the development of the Group as it is the third full year after the Group's listing.

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% as compared to the year ended 31 December 2022 (the “**Prior Year**”). At the same time, the Group's major customer base, which is located in the domestic market in the People's Republic of China (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 during the Year. The Board does not recommend the payment of a final dividend for the Year.

Since 2023, the external situation has remained grim and complex, with intense competition in the domestic market. In response to various risks and challenges, China has introduced a series of supportive policies. The Group has also proactively responded to changes in the environment and the market, driven forward the strategic planning and managed the changes in projects. It has initiated a management reform journey of “joint hands to reform in pursuit of excellence”, which has established the vision of Haina Intelligent that becomes a globally leading intelligent equipment manufacturer to continuously create value for customers, and clarified the Group shall step on a dual-driver development path characterized by high-end oriented and internationalized features, so as to lay the foundation for Haina Intelligent's high-quality development in the next decade. In the past, thanks to introduction of the two-child policy, the Group has gained significant benefits in the baby diaper manufacturing equipment market. However, with the arrival of an aging population, the Group will focus on developing equipment for elderly and adult hygiene products in the future.

Our strong research and development capabilities are the solid foundation for Haina Intelligent to be one of the largest supplier of disposable hygiene product machinery in the PRC. Haina Intelligent currently owns 195 patents in the PRC. By virtue of its advantages in independent research and development and professional production and manufacturing, Haina Intelligent continuously upgrades and innovates its products and is committed to becoming a high-quality supplier to help customers develop high-quality products. We think what customers think and do what customers cannot do. What we think and do is far higher than the standards proposed by customers. In 2024, Haina will focus on the manufacturing of flexible material intelligent equipment, explore global emerging economies' market while maintaining efforts in the domestic market, target middle and high-end customers, and stride forward to the goal of being No. 1 in the PRC.

CHAIRMAN'S STATEMENT

GOING FORWARD

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 (the "Land 2") in Jinjiang City, Fujian Province, the PRC for the establishment of a new research and development and production centre (the "R&D Centre") to provide development and production 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 provide comprehensive solutions for customers' integrated services

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

At the same time, the Group will accelerate its technology iteration and upgrade its techniques, and with the increase in our self-production rate of core components annually, and the optimisation of the deployment of the industrial chain, 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.

CHAIRMAN'S STATEMENT

(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, Zhejiang Haina Tongchuang Intelligent Technology Company Limited ("**Haina Tongchuang**") successfully bid the land use rights of a parcel of land with total site area of approximately 27,594 square metres (the "**Land 1**") 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. 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 is expected to be not 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 RMB265.60 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 Machinery Co., Ltd. ("**Jinjiang Haina**") successfully bid the Land 2 for the construction of the R&D Centre and the total investment in the R&D Centre is expected to be not 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 more 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,

CHAIRMAN'S STATEMENT

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 Augmented Reality 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.

Mr. Hong Yiyuan
Chairman of the Board

28 March 2024

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, Haina Tongchuang successfully won the bid for the Land 1 at a consideration of approximately RMB21,830,000. The Land 1 will be used for the construction of 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 2 at a consideration of approximately RMB19.9 million, which will be used for the construction of 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

By type of products:

	2023			2022		
	Units	RMB'000	Approximate %	Units	RMB'000	Approximate %
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. 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 exhibitions 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 Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 annual report, 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 24 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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 year end was approximately 30.9% as at 31 December 2023 (31 December 2022: approximately 12.1%)

CAPITAL COMMITMENT

At 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.

CONTINGENT LIABILITIES

Save as disclosed elsewhere in this annual report, the Group had no material contingent liabilities as at 31 December 2023 (31 December 2022: nil)

MANAGEMENT DISCUSSION AND ANALYSIS

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 22(b) and 24 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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, Jinjiang City, 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, Zhejiang Province, the PRC for development the Group’s Hangzhou production base.

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

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 37 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 annual report.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTISES

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”).

Save as disclosed below, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG 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 of Hong Kong Limited (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.

CORPORATE CULTURE

A positive and progressive corporate culture across the Group is vital for the Company to achieve its purpose towards the sustainable growth. It is the role of the Board to foster the Group’s corporate culture with the core principles of integrity and accountability to guide the behaviors of its employees and ensure that the Company’s purpose, values and business strategies are aligned to it.

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. Upon specific enquiries made by the Company, all Directors have confirmed that they have fully complied with the required standards as set out in the Model Code during the Year.

BOARD OF DIRECTORS

Composition

The Directors who hold office during the Year and as at the date of this annual report are as follows:–

Executive Directors

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

CORPORATE GOVERNANCE REPORT

Non-Executive Director

Mr. Chang Chi Hsung

Independent Non-Executive Directors

Mr. Chan Ming Kit

Dr. Wang Fengxiang

Mr. Ng Tat Fung (*retired on 25 May 2023*)

Ms. Chan Man Yi (*appointed on 25 May 2023*)

All the independent non-executive Directors meet the requirements of independence under the Listing Rules. The Company received from each of the independent non-executive Directors the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

The biographical details of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 27 to 31 of this annual report. Save as disclosed therein and in the section headed “Substantial Shareholders, Interests” in “Report of the Directors” of this annual report, there is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

During the Year, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive Directors representing at least one-third of the Board.

BOARD MEETINGS AND GENERAL MEETINGS

The Board should meet regularly and Board meetings should be held at least four times a year. At least 14 days’ notice of all regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings.

Minutes of meetings are kept by the Company Secretary with copies circulated to all Directors or Board Committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

The Company Secretary is responsible for taking and keeping minutes of all Board meetings and Board Committee meetings. In compliance with the code provision C.5.5 of the CG Code, minutes of Board meetings and meetings of Board Committees were recorded in sufficient detail covering the matters considered by the Board and decisions reached, including any concerns raised by the Directors, or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

During the Year, the Company held 7 Board meetings in which all the executive Directors, non-executive Director and independent non-executive Directors (save as disclosed in the sub-section headed “Attendance Records of Directors and Committee Members”) had attended and discussed various matters and affairs of the Company. An annual general meeting was held on 25 May 2023.

CORPORATE GOVERNANCE REPORT

On 28 March 2024, a Board meeting was held to approve, among others, the annual results of the Group for the year ended 31 December 2023.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the Directors (including the independent non-executive Directors) has entered into a service contract or letter of appointment with the Company for a term of three years.

The articles of association of the Company (the “**Articles of Association**”) provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Shareholders after his appointment and shall be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company (the “**AGM**”) and shall then be eligible for re-election.

In accordance with the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least every three years. A retiring Director shall be eligible for re-election.

DIRECTORS’ RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure that the financial statements of the Group are published in a timely manner.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company’s ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The reporting responsibilities of the Company’s external auditor on the financial statements of the Group are set out in the section headed “Independent Auditor’s Report” in this annual report.

RESPONSIBILITIES OF AND DELEGATION BY THE BOARD

The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management system of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective function.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation of the Group and management of the Company are delegated to the management of the Company.

CORPORATE GOVERNANCE REPORT

The Board and the management have clearly defined their authorities and responsibilities under various internal control and check and balance mechanisms. The Board does not delegate matters to the Board committee(s), executive Directors or the management to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its function.

DIRECTORS' TRAINING

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

All Directors are encouraged to participate in continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. A summary of professional training received by Directors for the Year according to the records provided by the Directors is as follows:

	Attending training session and/or reading materials relevant to the business or directors' duties
Mr. Hong Yiyuan	✓
Mr. Zhang Zhixiong	✓
Mr. Su Chengya	✓
Mr. He Ziping	✓
Mr. Chang Chi Hsung	✓
Mr. Chan Ming Kit	✓
Dr. Wang Fengxiang	✓
Mr. Ng Tat Fung (retired on 25 May 2023)	n/a
Ms. Chan Man Yi (appointed on 25 May 2023)	✓

CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance ("CG") should be the collective responsibility of the Directors and their CG duties include:

- a. to approve and review the Company's policies and practices on corporate governance;
- b. to review and monitor the training and continuous professional development of Directors and senior management;
- c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- d. to review and monitor the code of conduct and compliance (if any) applicable to the Directors and employees; and
- e. to review the Company's compliance with the code provisions of the CG Code and disclosure in the CG report under the Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the audit committee (the “**Audit Committee**”), remuneration committee (the “**Remuneration Committee**”) and nomination committee (the “**Nomination Committee**”).

AUDIT COMMITTEE

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, financial reporting and corporate control. The duties of the Audit Committee include reviewing, in draft form, the annual report and accounts, half-year report and provide advice and comments to the Board. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.haina-intelligent.com.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Chan Ming Kit, Dr. Wang Fengxiang and Ms. Chan Man Yi and one non-executive Director, namely Mr. Chang Chi Hsung. The chairman of the Audit Committee is Ms. Chan Man Yi, who holds the appropriate professional accounting qualification and financial management expertise as required under the Listing Rules to chair the Audit Committee.

The Audit Committee held 3 meetings during the Year. Details of attendance of the meetings of the Audit Committee are set out in the sub-section headed “Attendance Records of Directors and Committee Members” below.

The following matters were dealt with at the said meetings or by way of written resolutions:

- reviewing the consolidated financial statements for the year ended 31 December 2022 and the annual results announcement;
- reviewing the interim consolidated financial statements for the six months ended 30 June 2023 and the interim results announcement;
- reviewing the significant audit and accounting issues arising from the external auditor’s audit;
- considering the appointment of the external auditor and their audit fees;
- meeting with the external auditor without the presence of management to discuss issues arising from the audits and any other matters the auditor might wish to raise;
- reviewing the development in accounting standards and the Group’s response, including the preparation for adoption of Hong Kong Financial Reporting Standards;
- reviewing the Company’s compliance with regulatory and statutory requirements; and
- reviewing the effectiveness of the internal control and risk management system.

The annual results for the Year have been reviewed by the Audit Committee before submission to the Board for approval.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee comprises one executive Director, being Mr. Hong Yiyuan, and three independent non-executive Directors, being Mr. Chan Ming Kit, Dr. Wang Fengxiang and Ms. Chan Man Yi. The chairman of the Nomination Committee is Mr. Hong Yiyuan.

The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors in accordance with the Company's nomination policy. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.haina-intelligent.com.

The Nomination Committee held 2 meetings during the Year. Details of attendance of the meetings of the Nomination Committee are set out in the sub-section headed "Attendance Records of Directors and Committee Members" below. The following matters were dealt with at the said meetings:

- to assess the independence of the independent non-executive Directors;
- to consider the re-election of Directors;
- to consider the appointment of Director; and
- to review the composition of the Board.

The Nomination Committee has also followed its term of reference to review, at least annually, the effectiveness of the mechanism in place to ensure independent views are provided to the Board. During the year ended 31 December 2023, the Nomination Committee/Board has reviewed to continue its existing practice by allowing independent views and inputs and conclude them to be effective. Such mechanism includes:

1. holding regular meetings of the Board and other Board committees to encourage participation by all members of the Board and/or committee members to deliver their independent views and inputs during such meetings;
2. dedicated meeting sessions between the independent non-executive Directors and the senior management;
3. allowing the independent non-executive Directors to freely communicate their own views to the chairman of the Board during designated meetings without the presence of other Directors; and
4. having timely communication with the Directors via various communication channels such as teleconference and email etc.

No member took part in voting on his re-election as Director at the meeting.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee comprises two executive Directors, being Mr. Hong Yiyuan and Mr. Zhang Zhixiong, three independent non-executive Directors, being Mr. Chan Ming Kit, Dr. Wang Fengxiang and Ms. Chan Man Yi. The chairman of the Remuneration Committee is Mr. Chan Ming Kit.

The primary duties of the Remuneration Committee are to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of independent non-executive Directors. The full version of the terms of reference of the Remuneration Committee is available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.haina-intelligent.com.

The Remuneration Committee held 2 meetings during the Year. Details of attendance of the meetings of the Remuneration Committee are set out in the sub-section headed "Attendance Records of Directors and Committee Members" below. The following matters were dealt with at the said meetings:

- to review and discuss the remuneration package for the Directors and senior management of the Company; and
- to consider and approve the remuneration packages for the proposed Directors.

No member took part in voting on his own remuneration at the meeting.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

During the Year, the number of meetings, including Board meetings, Board committee meetings and the attendance by each Director is as follows:

Name of Directors	Attendance/Number of Meetings				Annual general meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Mr. Hong Yiyuan	7/7	N/A	2/2	2/2	1/1
Mr. Zhang Zhixiong	7/7	N/A	2/2	N/A	1/1
Mr. Su Chengya	7/7	N/A	N/A	N/A	1/1
Mr. He Ziping	6/7	N/A	N/A	N/A	1/1
Mr. Chang Chi Hsung	5/7	3/3	N/A	N/A	N/A
Mr. Chan Ming Kit	7/7	3/3	2/2	2/2	1/1
Dr. Wang Fengxiang	7/7	3/3	2/2	2/2	1/1
Mr. Ng Tat Fung ¹	2/7	1/3	1/2	1/2	1/1
Ms. Chan Man Yi ²	4/7	2/3	N/A	N/A	N/A

Notes:

1. retired on 25 May 2023
2. appointed on 25 May 2023

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Group adopted a board diversity policy (the “**Board Diversity Policy**”) on 8 May 2020. A summary of this policy is disclosed as below:

The purpose of the Board Diversity Policy is to achieve diversity of the Board. The Company recognizes and seizes the benefits of having a diverse Board to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board’s composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As of the date of this annual report, the Company had a total of 8 Directors. The Directors have a balanced mix of experiences, including overall management and strategic development, quality assurance and control, business and risk management, and finance and accounting experiences in addition to corporate legal affair experiences.

To achieve the aim of gender diversity of the Board, the Company has appointed one female Director during the year ended 31 December 2023.

DIVERSITY IN WORKFORCE

The Company recognises the importance of diversity in workforce throughout the Group as a matter of corporate governance and the Group has achieved an approximately 8:2 male-to-female employees ratio in our workforce. During the Year, the senior management considered the current ratio appropriate and will review any adjustment to the ratio and set target timeline accordingly. The Group is committed to provide a work environment free of harassment or discrimination for employees and to promote employee development and promotion. The Group shall identify suitable career development and training programs to promote diversity among its employees, which and such programs will also prepare them for the Senior Management and Board positions.

NOMINATION POLICY

The Company adopted a policy for nomination on 8 May 2020, pursuant to which, the Nomination Committee shall assist the Board in making recommendations to the Board on the appointment of directors; and succession planning for directors.

1. Selection criteria

- 1.1 The Nomination Committee shall consider the following factors, which are not exhaustive and the Board has discretion if it considers appropriate, in assessing the suitability of the proposed candidate regarding the appointment of directors or re-appointment of any existing Board member(s):–
 - a) Reputation for integrity;
 - b) Accomplishment, experience and reputation in the business and industry;

CORPORATE GOVERNANCE REPORT

- c) Commitment in respect of sufficient time, interest and attention to the business of the Company and its subsidiaries;
 - d) Diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;
 - e) Compliance with the criteria of independence, in case for the appointment of an independent non-executive director, as prescribed under Rule 3.13 of the Listing Rules; and
 - f) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate.
- 1.2 The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations.

2. Nomination Procedures

- 2.1 The proposed candidates will be asked to submit the necessary personal information in a prescribed form by the Nomination Committee.
- 2.2 The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the Committee. The Committee may also nominate candidates for its consideration.
- 2.3 For the appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.
- 2.4 For the re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.
- 2.5 If a shareholder wants to propose a candidate to the Board for consideration, he/she shall refer to the "Procedures for a Shareholder to Propose a Person for Election as a Director", which is available on the Company's website.
- 2.6 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has undertaken the overall responsibility for overseeing the Group's risk management and internal control systems on an on-going basis and reviewing their effectiveness at least annually in order to safeguard the interests of the shareholders and the assets of the Group.

The Board also acknowledges its responsibility for evaluating and determining the nature and extent of the risks it is willing to take to achieve the Group's strategic objectives and ensure that the Group has established and maintained appropriate and effective risk management and internal control systems. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has delegated to the Audit Committee to review the effectiveness of the risk management and internal controls of the Group. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the identification and monitoring of the risks, the adequacy of resources, staff qualifications and experience, training programmes and the Company's accounting and financial reporting functions. The management has also been delegated to design, implement and maintain the appropriate and effective risk management and internal control systems of the Group.

A three-tier risk management approach has been adopted for the process of identifying, assessing and managing different types of risks. As the first line of defence, business units identifies, assesses and monitors risk associated with each business or transaction. As the second line of defence, the management defines rule sets and models, provides technical support, develops new system and oversees portfolio management to ensure that risks are within an acceptable range and that the first line of defence is effective. As the final line of defence, the internal audit function (either in-house or outsourced) assists the Audit Committee to review the first and second lines of defence.

To further strengthen the risk management and internal control of the Group, the Company has appointed external advisers to undertake the internal audit function and perform the ongoing monitoring of the internal control systems of the Group. The external advisers evaluate the Group's risk management and internal control systems by reviewing the material controls, including financial, operation and compliance. The rotation basis would be applied to operations with similar risk associated so as to enhance the efficiency and effectiveness of the internal audit function. Review results and the recommendations in the form of written report are submitted to the Audit Committee for discussion and review. Follow up actions will be taken up by the management of the Group to ensure that all significant control activities are properly in place within the Group and findings previously identified have been properly resolved. The situation will be reviewed by external advisers annually.

The Company has conducted a review on the effectiveness and efficiency of the Group's risk management and internal control systems during the Year. The management has confirmed that there were no significant deficiency and weakness on the internal control systems that were identified by the external advisers. During the Year, the Board is satisfied with and confirms that the Group's risk management and internal control systems were effective and adequate

CORPORATE GOVERNANCE REPORT

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the “SFO”) and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. Before inside information is disclosed to the public in accordance with the relevant requirements under the SFO and the Listing Rules, such information should be kept strictly confidential. In addition, the Group adopted the policy of disclosing relevant information only to appropriate staff within the Group or to its professional advisers who have a need to know such information

AUDITOR’S REMUNERATION

The remunerations paid or payable to the external auditor of the Company in respect of audit and non-audit services provided to the Group for the Year are set out below.

	<i>RMB’000</i>
Audit services	1,267
Non-audit services (Note)	190

Note: The non-audit services during the Year represented agreed-upon procedures on the Company’s interim report for the six months ended 30 June 2023.

The Audit Committee is of the view that the auditor’s independence was not affected by the provision of non-audit related services.

SHAREHOLDERS’ RIGHTS

The Company encourages the Shareholders to attend the general meetings of the Company. To safeguard shareholders’ interests and rights, a separate resolution will be proposed for each issue at general meeting, including the election of individual Director(s). All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

The Procedures for Shareholders to Convene an Extraordinary General Meeting (“EGM”) and for Putting Forward Proposals at General Meeting

Pursuant to Article 64 of Articles of Association, extraordinary general meeting of the Company shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company at the Company’s head office or principal place of business in Hong Kong, for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition and signed by the requisitionist(s) (the “**Requisitionists**”)

Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) of the Company.

CORPORATE GOVERNANCE REPORT

The Procedures for Shareholders to Propose a Person for Election as a Director of the Company

Article 113 of the Articles of Association provides that no person, other than a retiring director of the Company, shall, unless recommended by the board of directors of the Company for election, be eligible for election to the office of director of the Company (the “**Director**”) at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodging the notices as required under the Articles of Association will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Accordingly, if a shareholder wishes to nominate a person to stand for election as a director of the Company at the general meeting, the following documents must be validly served at the Company’s head office in Hong Kong or the Branch Share Registration and Transfer Office, namely (1) his/her notice of intention to propose a resolution at the general meeting; (2) a notice signed by the nominated candidate of his/her willingness to be elected; (3) the nominated candidate’s information as required to be disclosed under Rule 13.51(2) of the Listing Rules; and (4) the nominated candidate’s written consent to the publication of his/her personal data, contact address and contact telephone number.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board has established a Shareholders’ communication policy to ensure that Shareholders and potential investors are provided with ready, equal and timely access to information of the Company.

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividends to the Company’s branch share registrar in Hong Kong, details of which are as follows:

Computershare Hong Kong Investor Services Limited

Address:

Shops 1712-1716, 17th Floor,
Hopewell Centre,
183 Queen’s Road East,
Hong Kong

A shareholder may send an enquiry to the registered office of the Company at Flat C, 21st Floor, Max Share Centre, 373 King’s Road, North Point, Hong Kong for the attention of the Board in written form, which shall state the nature of the enquiry and the reason for making the enquiry.

The Company has maintained a corporate website at www.haina-intelligent.com through which the Company’s updated financial information, business development, announcements, circulars, notices of meetings, press releases and contact details can be accessed by the Shareholders and investors.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

The Company does not have a fixed dividend policy or dividend payout ratio, however the Directors expect that the Company's dividend payout ratio will be not less than 25% of its annual distributable net profit. Notwithstanding the aforesaid, the Board shall have the discretion with regards to any recommendation as to the declaration, amount and means of payment of any dividends and the amount of any actual dividends will depend on i) the Company's actual and expected financial performance; ii) retained earnings and distribution reserves of the Company and each of the members of the Group; iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans; iv) the Group's liquidity position; v) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and vi) any other applicable factors that the Directors consider relevant. Further, such declaration will also be subject to the applicable laws and regulations including the Companies Act (As revised) of the Cayman Islands, the Articles of Association and, other than payment of an interim dividend, the approval of Shareholders.

The Board will continually review the dividend policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

The Board is not aware of any shareholder who has waived or agreed to waive any dividends

COMPANY SECRETARY

Mr. Lau Wai Piu Patrick (**"Mr. Lau"**) was appointed as the Company Secretary on 21 March 2019 and Mr. Hong Yiyuan, an executive Director, is the main contact of Mr. Lau. Mr. Lau has confirmed that he received not less than 15 hours of relevant professional training during the Year.

CONSTITUTIONAL DOCUMENTS

The Articles of Association were approved on 8 May 2020 by special resolution and amended and restated with effect from the Listing Date. On 17 June 2022, the amendments of the Articles of Association have been approved in the annual general meeting of the Company. Details of the amendments of the Articles of Association have been set out in the announcements of the Company dated 19 April 2022 and the circular of the Company dated 25 April 2022. The amended Articles of Association dated 27 May 2022 is available on the Company's website at www.haina-intelligent.com and the Stock Exchange's website at www.hkexnews.hk.

Save as disclosed therein, there were no significant changes in the constitutional documents of the Company during the Year and up to the date of this annual report.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed elsewhere in this annual report, there were no other changes to the Director's information that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Hong Yiyuan (“Mr. Hong”), aged 45, is one of the founders of the Group, an executive Director, the chairman of the Board and the chief executive officer. He was appointed as the Director on 20 December 2017 and re-designated as an executive Director on 21 March 2019. Mr. Hong joined the Group on 14 March 2011. Mr. Hong is responsible for formulating corporate planning, business development and supervising the overall operations of the Group. He is the chairman of the Nomination Committee and a member of the Remuneration Committee. He is a director of Affluent International Group Limited, Haina Intelligent Development Company Limited, Haina Technology Group Limited, Haina Intelligent Trading Company Limited, Jinjiang Haina Machinery Company Limited (晉江海納機械有限公司) and Hangzhou Haina Machinery Company Limited (杭州海納機械有限公司), all of which are subsidiaries of our Company. In addition, Mr. Hong is also a director of Prestige Name International Limited, the controlling shareholder of our Company.

Mr. Hong has over 22 years of experience in the disposable hygiene product machinery industry. From May 1998 to June 2002, Mr. Hong worked as a technician at Fujian Hengan Holding Co., Ltd. (福建恒安集團有限公司), a subsidiary of Hengan International Group Company Limited, a company listed on the Stock Exchange (stock code: 01044). From 2003 to 2006, he served as a manager at Guiyang Nanming Hemei Paper Fitting Factory (貴陽南明合美紙業加工廠), which was engaged in the sales and production of the disposable sanitary products including napkins, sanitary napkins, and diapers. From August 2006 to July 2010, Mr. Hong was the legal representative of Guiyang Nanming Tiantian Hygiene Products Company Limited (貴陽南明天天衛生用品有限公司), which was engaged in the sales and production of the disposable hygiene products.

Since November 2020, Mr. Hong has been the vice president of The First Board of Directors (Supervisors) of Shishi Chamber of Commerce for Import and Export (石獅市進出口商會第一屆理(監)事會) and also the vice president of The Second Board of Directors (Supervisors) of the Shishi International Chamber of Commerce (石獅市國際商會第二屆理(監)事會). Since December 2020, Mr. Hong has been Honorary President of The 4th Council of Jinjiang Charity Federation (晉江市慈善總會第四屆理事會). Since January 2021, Mr. Hong has been the vice chairman of the board of directors of Jinjiang Yangzheng Secondary School (晉江市養正中學校董會). Since March 2021, Mr. Hong has been the executive vice president of Zhejiang Sanitary Products Chamber of Commerce (浙江省衛生用品商會). Mr. Hong was appointed as the vice president of The Third Standing Committee of the Chamber of Commerce in Jinjiang Economic Development Zone (晉江經濟開發區商會第三屆理事會) in 2023.

Mr. Hong completed a specialist program in mechanical manufacturing and automation through distance-learning (part-time) from Tianjin University (天津大學) in the PRC in January 2017. Mr. Hong completed an online education study course for business administration at Xiamen University (廈門大學) in the PRC in June 2021.

Mr. Zhang Zhixiong (“Mr. Zhang”), aged 45, is one of the founders of the Group and the executive director of the Company. He was appointed as an executive Director on 21 March 2019. Mr. Zhang joined the Group on 24 January 2011. Mr. Zhang is responsible for the corporate and finance management of the Group. He is a member of the Remuneration Committee. He is a director of Jinjiang Haina Machinery Company Limited (晉江海納機械有限公司) and Jinjiang Jiachu Import and Export Company Limited (晉江嘉初進出口有限公司).

Mr. Zhang has over 22 years of experience in corporate management. From September 2000 to May 2003, Mr. Zhang served as a manager at Minnan Trade Customs of Xiamen City Shishi Branch (廈門市閩南經貿報關行石獅分行). From June 2003 to May 2005, he served as the deputy general manager at Quanzhou Enterprises with Foreign Investment Anhui Company Limited (泉州市外商投資企業安海有限公司). From June 2005 to July 2010, Mr. Zhang was the deputy general manager of Jinjiang Kaide Economic Investment Consultancy Company Limited (晉江凱德經濟投資諮詢有限公司). From August 2010 to December 2010, Mr. Zhang was the general manager of Jinjiang City Chuanghui Cultural Equipment Company Limited (晉江市創慧文化用品有限公司).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Since December 2021, Mr. Zhang has been a committee member of the Fourteenth Session of the People's Political Consultative Conference in Jinjiang City (中國人民政治協商會議第十四屆晉江市委員會委員).

Mr. Zhang completed a specialist program in mechanical manufacturing and automation through distance-learning (part-time) from the Tianjin University (天津大學) in the PRC in January 2017. Mr. Zhang completed an online education study course for business administration at Xiamen University (廈門大學) in the PRC in June 2021.

Mr. Su Chengya (“Mr. Su”), aged 50, is one of the founders of the Group and the executive director of the Company. He was appointed as our executive Director on 21 March 2019. Mr. Su joined the Group on 24 January 2011. Mr. Su is responsible for the general administration management of the Group. He is the supervisor of Jinjiang Haina Machinery Company Limited (晉江海納機械有限公司). He is a director of Zhejiang Haina Tongchuang Intelligent Technology Company Limited (浙江海納同創智能科技有限公司) and Zhejiang Haina Zhihui Technology Company Limited (浙江海納智匯科技有限公司).

Mr. Su has over 22 years of experience in management of machineries-related enterprises. From August 1989 to October 1999, he served as a worker at Wushan Village Machinery Fitting Factory (安海鎮梧山機械廠). From November 1999 to February 2008, Mr. Su served as the general manager of Yafeng Machinery Manufacturing Company Limited (涯峰機械製造有限公司). From March 2008 to May 2010, Mr. Su served as a manager of Jinjiang City Shunchang Machinery Manufacturing Company Limited (晉江市順昌機械製造有限公司).

Mr. Su completed his elementary education at Wushan Primary School of Anhai Town Jinjiang City (晉江市安海鎮梧山小學) in the PRC in June 1986.

Mr. He Ziping (“Mr. He”), aged 46, is one of the founders of the Group and the executive Director. He was appointed as the executive Director on 21 March 2019. Mr. He joined the Group on 24 January 2011. Mr. He is responsible for the sales and marketing of the Group. He is a director of Jinjiang Haina Machinery Company Limited (晉江海納機械有限公司).

Mr. He has over 24 years of experience in the disposable hygiene product machinery industry. From September 1995 to August 1997, Mr. He served as a technician at Fujian Hengan Holding Co., Ltd. (福建恒安集團有限公司), a subsidiary of HengAn International Group Company Limited, a company listed on the Stock Exchange (stock code: 01044). From September 1997 to February 2001, he worked as a production management officer at Hengan (Sichuan) Hygiene Products Co. Ltd. (恒安(四川)衛生用品有限公司), which is a subsidiary of HengAn International Group Company Limited. From March 2001 to August 2005, he worked as business operation officer at Jinjiang City Dongnan Machinery manufacturing Company Limited (晉江市東南機械製造有限公司). From April 2006 to August 2010, he served as the deputy general manager of Jinjiang City Shunchang Machinery manufacturing Company Limited (晉江市順昌機械製造有限公司).

In December 2014, Mr. He was appointed as a deputy supervisor of The First Standing Committee of the Chamber of Commerce of Sanitary Products in Fujian Province (福建省衛生用品商會第一屆理事會). Since January 2019, Mr. He has been the vice president of The Second Standing Committee of the Chamber of Commerce of Sanitary Products in Fujian Province (福建省衛生用品商會第二屆理事會).

Mr. He completed a specialist program in mechanical manufacturing and automation through distance-learning (part-time) from Tianjin University (天津大學) in the PRC in January 2017. Mr. He completed an online education study course for business administration at Xiamen University (廈門大學) in the PRC in June 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. Chang Chi Hsung (“Mr. Chang”), aged 45, was appointed as the non-executive Director on 21 March 2019. Mr. Chang joined the Group on 12 April 2018. His primary responsibility is to provide corporate advice to the Board. He is a member of the Audit Committee.

Mr. Chang is the Managing Director of OA group of companies (Singapore domiciled), a professional service firm providing audit, accounting, corporate secretarial, valuation, tax, and business advisory services. He has over 20 years of professional experience in the accounting and business advisory industry. Prior to founding the OA group of companies, he worked in KPMG Malaysia, KPMG Singapore, and Mazars Singapore, where he gathered his audit and accounting advisory experience.

Presently, Mr. Chang is an Independent Director of Reclaims Global Limited and Rich Capital Holdings Limited. All are companies listed on the Catalist of the Singapore Exchange Securities Trading Limited, where he sits on the Audit and Remuneration Committees. He is the Chairman of the Audit Committee and also sits on the Nominating Committee for Rich Capital Holdings Limited.

He graduated with a Bachelor of Commerce degree in Accounting and Finance from The University of New South Wales, Australia, in 2001. He is a Chartered Accountant of Singapore and Malaysia, a fellow member of CPA Australia, and a member of the Hong Kong Institute of Certified Public Accountants. He is also qualified as an ASEAN Chartered Professional Accountant. Mr. Chang has been a member of the Singapore Institute of Directors since 2017.

Independent Non-Executive Directors

Mr. Chan Ming Kit (“Mr. Chan”), aged 44, was appointed as an independent non-executive Director on 4 May 2020. He is responsible for providing independent advice to the Board. He is the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee.

Mr. Chan has more than thirteen years of experience in the compliance and legal industry. From April 2007 to August 2011, he worked at G2000 (Apparel) Limited and left as a compliance officer. From April 2015 to June 2017, he worked as an assistant solicitor at M.C.A. Lai Solicitors LLP, a law firm. From June 2017 to February 2018, he worked as a consultant solicitor at C.K. Charles Ho & Co. (currently known as Chan & Ho Solicitors), a law firm, and became a partner in March 2018. In July 2022, Mr. Chan founded Chan Joseph M.K., Solicitor and has been its sole practitioner since then. Mr. Chan was an independent non-executive director of Nexion Technologies Limited (stock code: 08420), a company listed on the GEM of the Stock Exchange for the period from 31 May 2017 to 2 November 2020. On 2 September 2021, he was appointed as an independent non-executive director of Hang Tai Yue Group Holdings Limited (stock code: 08081), a company listed on the GEM of the Stock Exchange.

Mr. Chan obtained a bachelor's degree in laws from University of Sheffield in the United Kingdom in June 2005. He obtained a postgraduate certificate in laws from City University of Hong Kong in July 2011. He was called to the bar in Hong Kong in April 2012 and he was admitted as a solicitor of the High Court of Hong Kong in March 2015.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Wang Fengxiang (“Dr. Wang”), aged 41, was appointed as an independent non-executive Director on 4 May 2020. He is responsible for providing independent advice to the Board. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Dr. Wang joined Chinese Academy of Sciences of Quanzhou Institute of Equipment Manufacturing Haixi Institutes (中國科學院海西研究院泉州裝備製造研究所) in April 2015 as a research fellow, he was promoted as a senior research fellow and deputy director in April 2016 and September 2016, respectively, and he obtained the qualification of a doctoral adviser. Dr. Wang became a senior member of Institute of Electrical and Electronics Engineers (IEEE) in November 2018. He was appointed as the vice chairman of Fujian Association of Automation (福建省自動化學會) in December 2017. He was appointed as the vice president and secretary-general of the Second Standing Committee of Quanzhou Talent Development Promotion Association (泉州市人才發展促進會) in January 2019.

Dr. Wang obtained a bachelor’s degree in electronic engineering from Nanchang Hangkong University (南昌航空大學) (formerly known as Institute of Nanchang Hangkong Industry (南昌航空工業學院)) in the PRC in July 2005 and obtained a master’s degree in detection technology and automation from the same university in July 2008. Dr. Wang obtained a doctoral degree in philosophy from Technische Universität München in Germany in July 2014.

Ms. Chan Man Yi (“Ms. Chan”), aged 41, was appointed as an independent non-executive Director on 25 May 2023. She is responsible for providing independent advice to our Board. She is the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee.

Ms. Chan has over 11 years of experience in the accounting and finance industry. From September 2007 to December 2013, she worked as an auditor at Mazars CPA Limited. She founded accounting firms, M. Y. Chan & Co. and NG & Partners CPA Limited, in April 2014 and March 2017 respectively and has been their director since then.

Ms. Chan obtained a bachelor’s degree in accountancy from City University of Hong Kong in 2007. Ms. Chan has been a member of the Hong Kong Institute of Certified Public Accountants since November 2012.

SENIOR MANAGEMENT

Ms. Huang Lingqiong (“Ms. Huang”), aged 47, joined the Group on 15 October 2017 and has been appointed as the financial controller since November 2017. Ms. Huang is mainly responsible for the finance, internal control and cash management of the Group. In April 2019, she was appointed as the vice chairman of the labour union of Jinjiang Haina Machinery Company Limited, the organising committee and the discipline inspection committee of the party branch organization.

Ms. Huang has over 21 years of experience in finance. From April 1996 to December 2000, Ms. Huang worked as an accountant in Quanzhou Jiande Kentak Machinery Company Limited* (Quanzhou Jiande Group Company Limited)* (泉州建德鯉達里機械有限公司(泉州建德集團有限公司)), a company principally engaged in the research and development, sales and production of loading machine machinery and equipment.

From 2001 to December 2002, Ms. Huang worked as an accounting supervisor in Fujian Hongyuan Group Company Limited* (福建宏遠集團有限公司), a company principally engaged in the research and development, sales and production of textile garments.

From January 2003 to January 2011, Ms. Huang was the finance manager of Fujian Quanzhou Hongcha Machinery Manufacturing Company Limited* (福建泉州鴻昌機械製造有限公司) and its subsidiary, Quanzhou Honcha Import&export Trading Company Limited* (泉州有為進出口貿易有限公司), a company is principally engaged in the research and development, sales and production of concrete block forming equipment.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

From February 2011 to May 2016, Ms. Huang was the financial controller of Fujian Excellence Honcha Environmental Intelligence Equipment Company Limited* (福建卓越鴻昌環保智能裝備股份有限公司) (listed on the NEEQ in April 2015), a company is principally engaged in the research and development, sales and production of concrete block forming equipment.

From June 2016 to October 2017, Ms. Huang worked as a financial controller of Quanzhou Xiesheng Technology Co., Ltd.* (泉州協昇科技有限公司), a company is principally engaged in research and development, sales and production of stationery products.

Ms. Huang completed her studies in financial accounting at China Central Radio and TV University in December 2002 and the e-learning course in business administration from Fujian Normal University in December 2010.

Except for Ms. Huang, Mr. Hong, Mr. Zhang, Mr. Su and Mr. He are also senior management of the Group. For details of their biographies, please refer to sub-section headed “Executive Directors” above.

COMPANY SECRETARY

Mr. Lau Wai Piu, Patrick (“Mr. Lau”), aged 50, was appointed as the company secretary of the Company on 21 March 2019.

Mr. Lau has over 20 years of experience in aspect of financial reporting, accounting and auditing. He obtained a higher diploma in accountancy from the City University of Hong Kong in November 1997 and a master’s degree of arts in international accounting from the same university in November 2002. He was admitted as a fellow of the Association of Chartered Certified Accountants in July 2005 and a fellow of the Hong Kong Institute of Certified Public Accountants in September 2007.

* English name is for identification purpose only.

REPORT OF THE DIRECTORS

The Directors are pleased to present to the shareholders of the Company (the “**Shareholders**”) their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the “**Reporting Period**”).

PRINCIPAL ACTIVITIES

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**”). An analysis of the Group’s revenue and results by principal operating segments is set out in note 3 to the consolidated financial statements. Particulars of the Company’s principal subsidiaries are set out in note 15 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 84 of this annual report.

The Directors do not recommend the payment of a final dividend for the Reporting Period.

BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Period and a discussion on the Group’s future business development are set out in the section headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 4 to 14 of this annual report.

The above discussions form part of this directors’ report.

PRINCIPAL RISKS AND UNCERTAINTY

Risk associated with financial instruments of the group

The financial risk management objectives and policies of the Group are set out in note 31 to the consolidated financial statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2023 are set out in note 2 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND EMPLOYEES

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. The Group offers comprehensive compensation to its employees and provide on-the-job training to the employees. The employees' compensation is based on their qualification, position, seniority and performance. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to long term sustainability of the environment and communities in which it operates. Acting in an environmental responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Company confirms that it has complied with the "Comply or Explain" provision set out in Part C of the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 of the Listing Rules during the Reporting Period.

RESERVES

During the Reporting Period, details of movements in the reserves of the Group and the reserves of the Company are set out in the consolidated statement of changes in equity on pages 87 and 88 of this annual report and in note 36(a) to the consolidated financial statements, respectively.

As at 31 December 2023, the aggregate amount of reserves available for distribution to owners of the Company was approximately RMB144.3 million (2022: approximately RMB162.3 million).

DONATIONS

No charitable and other donations were made by the Group during the Year (2022: approximately RMB0.4 million).

MATERIAL INVESTMENT AND ACQUISITION

The Group had no significant investment and acquisition activities during the Reporting Period.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2023 are set out in note 24 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the Reporting Period and details of the Group's property, plant and equipment are set out in note 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 26 to the consolidated financial statements.

REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report relating to the “Share Option Scheme”, no equity-linked agreements were entered into during the Reporting Period or subsisted at the end of the Reporting Period.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has an appropriate insurance cover in respect of potential legal actions against its Directors and officers since Listing and remained in force as of the date of this annual report. The insurance coverage will be reviewed on an annual basis.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were:

Executive Directors

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

Non-Executive Director

Mr. Chang Chi Hsung (“**Mr. Chang**”)

Independent Non-Executive Directors

Mr. Chan Ming Kit
Dr. Wang Fengxiang
Mr. Ng Tat Fung¹
Ms. Chan Man Yi² (“**Ms. Chan**”)

Notes:

1. retired on 25 May 2023
2. appointed on 25 May 2023

In accordance with Article 108(a) of the Articles of Association, Mr. Su, Mr. He and Mr. Chang shall retire by rotation at the forthcoming AGM and, being eligible, have offered themselves for re-election.

In accordance with Article 112 of the Articles of Association, Ms. Chan shall hold office only until the forthcoming AGM and, being eligible, has offered herself for re-election.

None of the Directors offering themselves for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

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

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in the Shares of the Company

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

Notes:

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

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2023, none of the directors and the chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period, was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 8 May 2020 (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Group.

(B) Participants of the Share Option Scheme

The participants of the Share Option Scheme shall be:

- (1) any employee (whether full-time or part-time) of the Company, and any of the subsidiaries;
- (2) any director (including executive, non-executive directors and independent non-executive directors) of the Company and any of the subsidiaries; and
- (3) any consultant, advisers of the Company and any of the subsidiaries.

(C) Total number of Shares available for issue under the Share Option Scheme

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the number of issued shares as at 3 June 2020 unless the Company obtains a fresh approval from the Shareholders.

As at the date of this annual report, a total of 46,400,000 Shares, representing approximately 8.22% of the issued share capital of the Company, are available for issue under the Share Option Scheme.

(D) Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

REPORT OF THE DIRECTORS

Each grant of share options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates, is subject to approval in advance by the independent non-executive Directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their associates, resulting in the Shares issued and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK\$5 million, is subject to Shareholders' approval in advance in a general meeting of the Company.

(E) The period within which the Shares must be taken up under an option

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

(F) The minimum period for which an option must be held before it can be exercised as determined by the Board upon the grant of an option.

(G) The amount payable on acceptance of an option and the period within which payments shall be made

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date within 21 days from the date of the offer.

(H) The basis of determining the exercise price

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of a share on the date of grant.

(I) The remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 3 June 2020 until 2 June 2030.

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 Share Option Scheme. 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 number of options available for grant under the Share Option Scheme are 32,400,000 and 32,400,000 at 1 January 2023 and 31 December 2023 respectively.

The number of shares that may be issued in respect of share options granted under the Share Option Scheme during the Reporting Period divided by the weighted average number of shares in issue for the Reporting Period is zero.

No share option has been granted, exercised, cancelled or lapsed during the Reporting Period under the Share Option Scheme.

Please refer to note 28 to the consolidated financial statements for more details of the Share Option Scheme.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2023, according to the register kept by the Company under Section 336 of the SFO, the corporations or persons (other than a Director or chief executive of the Company) who had interests or short positions in the Shares, or underlying shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO were as follows:

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

Notes:

- (1) Interests in shares stated above represent long positions.
- (2) The Company is directly owned as to 61.92% by Prestige Name. Prestige Name is beneficially owned and legally owned as to 46.84%, 26.13%, 19.64% and 6.31% and 1.08% by Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang, respectively.
- (3) Mr. Hong, Mr. Zhang, Mr. Su, Mr. He, Mr. Chang and Prestige Name are parties acting in concert pursuant the Acting In Concert Confirmation. By virtue of the SFO, they are deemed to be interested in (i) the indirect attributable interest of the ordinary shares of the Company held by their controlled corporation; and (ii) the respective numbers of shares in Prestige Name held by other parties acting in concert. Therefore, the Controlling Shareholders together are deemed to be interested in a total of 61.92% of the issued share capital of the Company.
- (4) This 10,000,000 shares represent an aggregate of 10,000,000 share options granted to Mr. Hong, Mr. Zhang, Mr. Su and Mr. He, the shareholders of Prestige Name, on 21 May 2021 that are exercisable according to the vesting period disclosed in the note 28 to the consolidated financial statements. Pursuant to the Acting in Concert Confirmation, Prestige Name will be deemed to be interested in an aggregate of 10,000,000 Shares upon exercise of the said share options.

Save as disclosed above, as at 31 December 2023, no other person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares, underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 30 to the consolidated financial statements and in the paragraph headed "Continuing Connected Transactions", there is no contract of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

REPORT OF THE DIRECTORS

RELATED PARTY TRANSACTIONS

The significant related party transactions made during the Reporting Period were disclosed in note 30 to the consolidated financial statements. The transactions set out therein fall within the definition of connected transactions under Chapter 14A of the Listing Rules and disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

COMPETING INTEREST

During the Reporting Period, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group. Each of Mr. Hong, Mr. Zhang, Mr. Su, Mr. He, and Prestige Name (the controlling shareholders (within the meaning of the Listing Rules) of the Company) has provided a written confirmation, which has been reviewed and confirmed by the independent non-executive directors of the Company, confirming that they have complied with the terms of a deed of non-competition entered into between them and the Company during the Reporting Period.

REMUNERATION POLICY

The remuneration policy of the Group is set up by the Remuneration Committee on the basis of market trends and the individuals' merit, qualifications and competence.

The Group participates in defined contribution retirement plans which cover the Group's eligible employees in the PRC, and a mandatory provident fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 7 to the consolidated financial statements. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes.

The Remuneration Committee, having regard to the salaries paid by comparable companies, time commitment and responsibilities and employment conditions, made recommendations to the Board for all remuneration of the executive Directors and senior management of the Company.

The Company has adopted a share option scheme as an incentive to the Directors and eligible employees. Details of the scheme are set out in the heading under "Share Option Scheme".

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors, chief executive and the five highest paid individuals of the Group are set out in notes 7 to the consolidated financial statements.

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 Reporting Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association although there is no restriction against such rights under the laws in the Cayman Islands.

REPORT OF THE DIRECTORS

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group conducted the following continuing connected transactions:

As disclosed in the announcements of the Company dated 9 December 2022 and 30 November 2023, the following transactions of the Group constituted connected transactions for the Company.

Framework purchase agreement between the Group and Jinjiang City Shengrong Machinery Equipment Limited ("Shengrong Machinery")

On 9 December 2022, Jinjiang Haina Machinery Company Limited ("**Jinjiang Haina**") and Shengrong Machinery entered into a framework purchase agreement (the "**Shengrong Purchase Agreement**"), pursuant to which Jinjiang Haina agreed to purchase machine parts from Shengrong Machinery as and when ordered by Jinjiang Haina from time to time. The prices for the machine parts that are purchased by Jinjiang Haina should be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favourable than the prevailing market price and the price offered by independent third parties. The parties will have separate purchase orders in respect of each purchase.

The Shengrong Purchase Agreement shall commence from 1 January 2023 until 31 December 2025, provided that either party may terminate the agreement by giving not less than one month's prior written notice to the other party.

The annual caps for the transactions contemplated under the Shengrong Purchase Agreement will not exceed (excluding value-added tax) RMB5.0 million for the financial year ended 31 December 2023 and each of the two financial years ending 31 December 2024 and 2025.

Shengrong Machinery is a limited liability company established in the PRC, and is wholly-owned by a relative of Mr. Su. As such, Shengrong Machinery is a connected person of the Company under Chapter 14A of the Listing Rules.

During the Reporting Period, the amount of transactions conducted under the Shengrong Purchase Agreement was approximately RMB2.3 million.

Framework purchase agreement between the Group and Jinjiang City Hengqin Machinery Industry and Trade Company Limited ("Hengqin Machinery")

On 9 December 2022, Jinjiang Haina and Hengqin Machinery entered into a framework purchase agreement (the "**Hengqin Purchase Agreement**"), pursuant to which Jinjiang Haina agreed to purchase machine parts from Hengqin Machinery as and when ordered by Jinjiang Haina from time to time. The prices for the machine parts that are purchased by Jinjiang Haina are to be separately negotiated for each purchase by the parties based on the principles that the purchase price payable shall be determined on normal commercial terms after arm's length negotiation, and shall be no less favorable than the prevailing market price and the price offered by independent third parties. The parties will have separate purchase orders in respect of each purchase.

The Hengqin Purchase Agreement shall commence from 1 January 2023 until 31 December 2023, provided that either party may terminate the agreement by giving not less than one's month's prior written notice to the other party.

The annual cap for the transactions contemplated under the Hengqin Purchase Agreement will not exceed (excluding value-added tax) RMB10.0 million for the financial year ended 31 December 2023.

REPORT OF THE DIRECTORS

Hengqin Machinery is a limited liability company established in the PRC, and is wholly-owned by three relatives of Mr. Su. As such, Hengqin Machinery is a connected person of the Company under Chapter 14A of the Listing Rules.

During the Reporting Period, the amount of transactions conducted under the Hengqin Purchase Agreement was approximately RMB7.8 million.

Framework agreement entered into between the Group and Guangdong Imiko Intelligent Equipment Co., Ltd. (“Guangdong Imiko”)

On 30 November 2023, Jinjiang Haina and Guangdong Imiko entered into a framework procurement agreement, pursuant to which Jinjiang Haina and Guangdong Imiko entered into the agreements in relation to (i) the procurement of diaper automatic packaging equipment (the **“Diaper Automatic Packaging Equipment Procurement Agreements”**); and (ii) the procurement of components and parts of packaging equipment (the **“Components and Parts Procurement Agreements”**). Pursuant to the Diaper Automatic Packaging Equipment Procurement Agreements, Jinjiang Haina will purchase diaper automatic packaging equipment from Guangdong Imiko, subject to the pricing principles and annual cap of the procurement amount. Pursuant to the Components and Parts Procurement Agreements, Jinjiang Haijia will purchase components and parts of packaging equipment from Guangdong Imiko, subject to the pricing principles and annual cap of the procurement amount.

The prices for the transactions contemplated under the Imiko Equipment Procurement Agreements (i.e. collectively the Diaper Automatic Packaging Equipment Procurement Agreements and the Components and Parts Procurement Agreements) shall be determined on the manner of (i) the prices shall not be higher than the price at which Guangdong Imiko supplies the same or similar products to independent third parties (as defined under the Listing Rules); (b) the prices shall be the reasonable prices of the same model of the products that the Group and/or its subsidiary purchased from independent third parties (as defined under the Listing Rules), provided that such reference models can meet the technical specifications and quality standards required by the Group; and (c) if the prices referred to in (a) and (b) above are unavailable, the prices will be determined with reference to actual costs plus applicable taxes and profits (ranged from approximately 5% to 10%).

The annual caps for the transactions contemplated under the Imiko Equipment Procurement Agreements will not exceed RMB1 million, RMB10 million and RMB10 million for the period from 30 November 2023 to 31 December 2023 and each of two financial years ending 31 December 2024 and 2025 respectively.

Mr. Huang Wei (**“Mr. Huang”**) is the ultimate controlling shareholder of Guangdong Imiko, a company established in the PRC and indirectly owned as to 86.5% by Mr. Huang. Mr. Huang is also the controlling shareholder of Aopusi Intelligent Packaging System (Foshan) Co., Ltd. (**“Aopusi”**), an indirect subsidiary of the Company established in the PRC and owned as to 45% by Mr. Huang. Therefore, Mr. Huang is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. As Guangdong Imiko is an associate of Mr. Huang, Guangdong Imiko is considered a connected person of the Company at the subsidiary level under the Listing Rules.

During the period from 30 November 2023 to 31 December 2023, the amount of transaction conducted under the Imiko Equipment Procurement Agreements was approximately RMB0.4 million.

REPORT OF THE DIRECTORS

Framework agreement entered into between the Group, Guangdong Imiko and Foshan Houdao Packaging Equipment Co., Ltd. (“Foshan Houdao”)

On 30 November 2023, the Group, Guangdong Imiko and Foshan Houdao entered into a framework supply agreement, pursuant to which they entered into several agreements, the details are shown as below:

- (i) Jinjiang Haijia and Guangdong Imiko entered into the agreement in relation to the supply of soft paper drawing single packaging equipment (the **“Soft Paper Drawing Single Packaging Equipment Supply Agreement”**). Pursuant to the Soft Paper Drawing Single Packaging Equipment Supply Agreement, Jinjiang Haijia will supply soft paper drawing single packaging equipment to Guangdong Imiko, subject to the pricing principles and annual cap of the sales amount;
- (ii) Jinjiang Haituo and Guangdong Imiko entered into the agreements in relation to the supply of components and parts of equipment (the **“Components and Parts Supply Agreements”**). Pursuant to the Components and Parts Supply Agreements, Jinjiang Haituo will supply components and parts of equipment to Guangdong Imiko, subject to the pricing principles and annual cap of the sales amount; and
- (iii) Aopusi and Foshan Houdao entered into the agreements in relation to the supply of robotic arms (the **“Robotic Arm Supply Agreements”**). Pursuant to the Robotic Arm Supply Agreements, Aopusi will supply robotic arms to Foshan Houdao, subject to the pricing principles and annual cap of the sales amount.

The prices for the transactions contemplated under the Imiko Equipment Supply Agreements (i.e. collectively the Soft Paper Drawing Single Packaging Equipment Supply Agreement, the Components and Parts Supply Agreements and the Robotic Arm Supply Agreements) shall be based on a cost-plus pricing model. In determining the selling prices of the products, the Group takes into consideration an array of factors, including (i) the calculation of costs, which include the costs of raw materials, production costs, labour costs and operating costs (such as administration fees, profits and taxes); (ii) the estimated gross profit of its products and services for such year, which ranges from approximately 15% to 25%, and the estimated market demand in such year; and (iii) the profitability, market competitiveness and brand position of the Group.

The annual caps for the transactions contemplated under the Imiko Equipment Supply Agreements will not exceed RMB1.6 million, RMB10 million and RMB10 million for the period from 30 November 2023 to 31 December 2023 and each of two financial years ending 31 December 2024 and 2025 respectively.

Foshan Houdao is a company established in the PRC and wholly-owned subsidiary of Guangdong Imiko. As Mr. Huang is the ultimate controlling shareholder of Guangdong Imiko, both Guangdong Imiko and Foshan Houdao are associates of Mr. Huang and considered a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

During the period from 30 November 2023 to 31 December 2023, the amount of transaction conducted under the Imiko Equipment Supply Agreements was approximately RMB0.2 million.

The above transactions under the Imiko Equipment Procurement Agreements and the Imiko Equipment Supply Agreements constituted continuing connected transactions of the Company and are subject to the reporting, announcement and annual review requirement under Rule 14A.76(2) of the Listing Rules, but are exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

The Board has engaged the external auditor of the Company, Mazars CPA Limited, to report on the continuing connected transactions (the “**Disclosed CCTs**”) in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unmodified limited assurance report containing his findings and conclusions in respect of the Disclosed CCTs disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. Mazars CPA Limited has confirmed in its letter to the Board that nothing has come to its attention which causes it to believe that:

1. the Disclosed CCTs have not been approved by the Board;
2. the Disclosed CCTs were not entered into, in all material respects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group;
3. the Disclosed CCTs were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
4. the Disclosed CCTs have exceeded the maximum aggregate annual cap as set by the Company.

The independent non-executive Directors had reviewed the above continuing connected transactions pursuant to Rule 14A.55 of the Listing Rules and confirmed that the transactions had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

All the connected transactions and continuing connected transactions with disclosure requirements under the Listing Rules during the Reporting Period were set out in note 28 to the consolidated financial statements. The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, (i) the Group’s five largest customers accounted for approximately 34.0% of our total revenue, with the largest customer accounted for approximately 7.9%; and (ii) the Group’s five largest suppliers accounted for approximately 32.5% of our total purchases, with the largest supplier accounted for approximately 13.4%.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company’s issued share capital) had any beneficial interest in the Group’s five largest customers or five largest suppliers.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 166 of this annual report. This summary does not form part of the audited consolidated financial statements.

REPORT OF THE DIRECTORS

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.

		Amount of unutilised net proceeds as at	Utilised net proceeds up to	Unutilised net proceeds up to
	Net proceeds allocation	1 January 2023	28 April 2023	28 April 2023
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
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.

	Amount of unutilised net proceeds as at	Utilised net proceeds up to	Unutilised net proceeds up to	Time frame for utilisation	
	Net proceeds allocation	28 April 2023	31 December 2023	31 December 2023	
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
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.

REPORT OF THE DIRECTORS

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.

	Unutilised net proceeds as at	Utilised net proceeds up to	Unutilised net proceeds up to	Time frame for utilisation
Net proceeds allocation	1 January 2023	31 December 2023	31 December 2023	
RMB million	RMB million	RMB million	RMB million	
Development of the Group’s Hangzhou production base	68.0	23.9	23.9	– Fully utilised

REPORT OF THE DIRECTORS

PUBLIC FLOAT

During the Reporting Period and as at the date of this annual report, 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 AGM 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).

AUDITOR

The consolidated financial statements for the Reporting Period have been audited by Mazars CPA Limited, *Certified Public Accountants* (“**Mazars**”). Mazars will retire, and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2024 AGM.

From the incorporation of the Company and up to the date of this annual report, there has been no change in the Company’s auditor.

On behalf of the Board

Mr. Hong Yiyuan

Chairman

Hong Kong, 28 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (the “**ESG Report**”) summarises the environmental, social and governance (“**ESG**”) initiatives, plans and performance of Haina Intelligent Equipment International Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) and demonstrates its commitment to sustainable development.

The Group is principally engaged in the design and production of automated machines for manufacturing disposable hygiene products, including baby diapers, adult diapers and lady sanitary napkins. For the year ended 31 December 2023 (the “**Year**” or “**Reporting Period**”), the Group operated 18 and 9 production lines in the Jinjiang Production Base and the Hangzhou Production Base, respectively, with a total gross floor area of approximately 53,000 square meters, to support the Group’s production.

The Group implements the principles of sustainable development at business levels, including but not limited to daily operations, strategic planning, investment, etc. Through adhering to the management policies of sustainable ESG development, the Group committed to treating the Group’s ESG affairs effectively and responsibly, which become a core part of the Group’s business strategy, as the Group believes this is the key to the Group’s continued success in the future.

BOARD STATEMENT

To strengthen our management on sustainable development, an ESG governance structure was established. The Board takes full accountability for the Group’s ESG governance and sustainable development. They are responsible for monitoring the Group’s materiality issues, performance, and evaluating the ESG-related risks and opportunities regularly. Under the authorization of the Board, the ESG committee considers and evaluates various stakeholders’ concerns and interests by materiality assessment to determine the Group’s ESG management approach, strategy, priorities, and objectives. The Group has set related ESG targets. In the future, we will conduct a progress review under the goals and improve the work of sustainable development.

THE ESG GOVERNANCE STRUCTURE

The Group has established the ESG task force (the “**Task Force**”). The Task Force comprises core members from different departments of the Group and is responsible for collecting relevant information on our ESG aspects for the preparation of the ESG Report. The Task Force reports to the board of directors (the “**Board**”), assists in identifying and assessing the Group’s ESG risks, and assesses the effectiveness of the Group’s ESG internal control mechanism. The Task Force will also examine and assess our performances in different aspects such as health and safety, labor standards, and product and service responsibility in the ESG area. The Board acknowledges that it has the overall responsibility for the Group’s ESG strategy and reporting, sets the general direction of the Group’s ESG strategy and ensures the effectiveness of ESG risk control and internal control mechanism. The Board receives regular reports from the Task Force and compares the progress reported by it against the ESG-related goals and targets as set out in this ESG Report, and also how the goals and targets complement and support the Group’s strategic development efforts. Risks and challenges identified by the Task Force are prioritized and addressed through action plans on a timely basis, with an ultimate aim to reduce risks faced by the Group on ESG matters, improve the Group’s operations and future development directions, and enhance the Group’s ESG compliance culture in the long-run.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE OF REPORTING

As the disposable hygiene product machinery industry is the Group's largest source of revenue, unless otherwise stated, the ESG Report mainly covers the business operation of the Group's disposable hygiene product machinery industry in Mainland China which the Group directly managed and controlled, representing approximately 91% of our total revenue of the Reporting Period. Since the Group's office in Hong Kong does not have a significant impact on the environment, the environmental part of the report does not include the office in Hong Kong. The Group continues to assess the significant ESG areas of different businesses and substantial subsidiaries to determine whether it is necessary to include them in the ESG reporting. The scope of the ESG Report is consistent with that of previous year.

REPORTING FRAMEWORK

The ESG Report is prepared pursuant to the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide"). The Group has complied with all "comply or explain" provisions set out in the ESG Reporting Guide and followed the four reporting principles – materiality, quantitative, balance and consistency, in the preparation of the Report. The corporate governance practices of the Group are set out in the Corporate Governance Report on pages 15 to 27 of this annual report.

Reporting Principles	Interpretation	The Group's Application
Materiality	– The report should disclose significant impacts on the environment and society, or aspects that materially affect how the stakeholders assess the company and make decisions.	– The Group conducts questionnaire to understand stakeholders' expectations. Based on the results of the questionnaire, the Group identifies and reports the Group's material sustainability issues.
Quantitative	– The KPIs disclosed in the report shall be calculable and comparable where applicable.	– Under feasible situation, the Group records, calculates and discloses quantitative information and conducts comparisons with past performance.
Balance	– The Group should objectively and truthfully report its ESG performance for the year.	– The Group follows the principles of accuracy, objectivity and fairness to report its achievements and challenges in sustainable development.
Consistency	– The ESG Report should be prepared in a consistent manner, its ESG's KPIs can be compared to understand corporate performance.	– The Group ensures consistency in preparing the report and manage its ESG data for future comparison.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group from 1 January 2023 to 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT

The Group places emphasis on stakeholders and their opinions on the business and ESG issues of the Group. To understand and respond to stakeholders' concerns, the Group stays in close communications with key stakeholders including investors, employees, customers, suppliers and subcontractors, social communities and the public. While formulating operational strategies and ESG measures, the Group considers the expectations of stakeholders and continuously improves its performance through cooperation, thus creating greater value for society.

Through different stakeholder engagements and communication channels, the Group will take into account stakeholders' expectations in the Group's operation and ESG strategy. The stakeholder engagements and communication channels and their expectations are as follows:

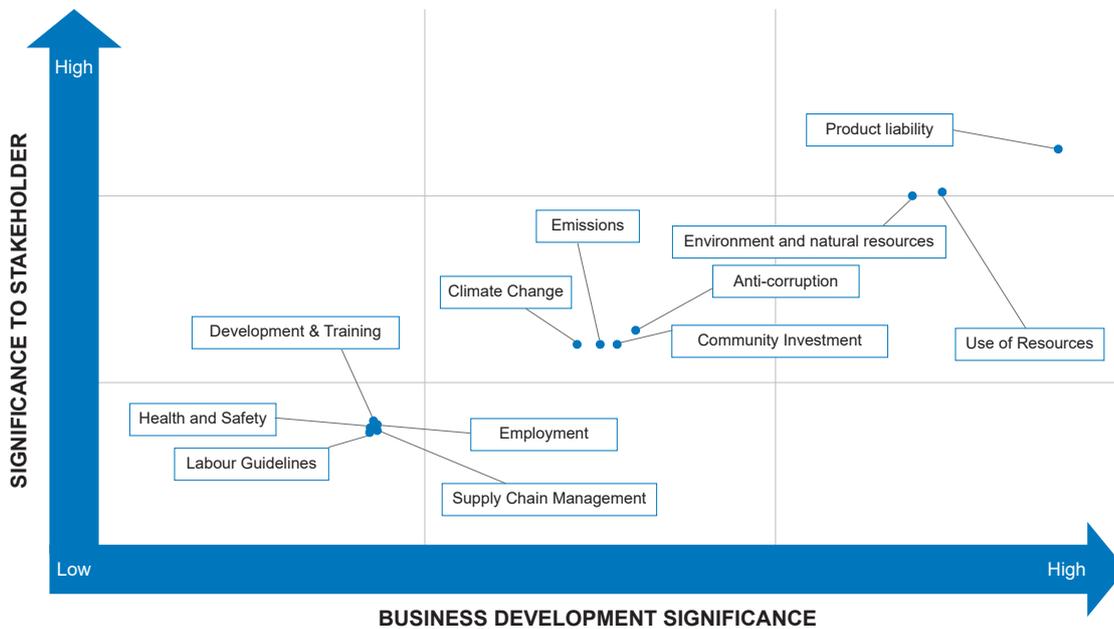
Stakeholders	Communication channels	Expectations
Investors and shareholders	<ul style="list-style-type: none"> • Annual general meeting and other general meetings • Financial reports • Announcements and circulars • WeChat or video conference 	<ul style="list-style-type: none"> • Safeguard legal rights • Announce update information of the corporate in a timely manner • Financial results • Improve internal control and risk management • Corporate sustainable development
Employees	<ul style="list-style-type: none"> • Training and seminars • Regular performance evaluation • Internal announcements and communication 	<ul style="list-style-type: none"> • Healthy and safe working environment • Equal promotion opportunity • Salary and benefits • Occupation development
Customers	<ul style="list-style-type: none"> • Customer satisfaction surveys • Customers service hotline and email • Customer service manager • WeChat or tele-conference 	<ul style="list-style-type: none"> • Safe and high quality products and services • Customer privacy protection • Compliance operation
Suppliers and subcontractors	<ul style="list-style-type: none"> • Site visits • Supplier performance assessments • WeChat or tele-conference 	<ul style="list-style-type: none"> • Fair and open competition • Commercial ethics and reputation • Cooperation with mutual benefits
Communities and the public	<ul style="list-style-type: none"> • Community Investment • ESG reports 	<ul style="list-style-type: none"> • Support charitable activities • Perform environmental protection • Provide high quality health services • Provide open and transparent information

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In order to better understand stakeholders' opinions and expectations on the Group's ESG performance, the Group has adopted a systematic approach to conduct the annual materiality assessment, by inviting all relevant stakeholders to participate in the materiality survey and rate the potentially significant issues, and taking the Group's business development strategies and industry practices as reference. The Group analysed the results of the materiality survey into a materiality matrix. The identified significant issues and stakeholder concerns will be reviewed and discussed with the management and disclosed in the ESG Report. During the Year, the Group's materiality matrix was as follows:

THE GROUP'S MATERIALITY MATRIX DURING THE YEAR



CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice and suggestions in respect of the ESG Report or the Group's performance in sustainable development by the following means:

Address: Wuli Technology Park, Economic Development Area, Jinjiang City, PRC
 Email: project.harmony@fjhaina.com
 Telephone: (86) 595 85617878

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

A1. Emissions

Environmental protection policy and compliance issues

The Group adheres to the strategy of sustainable development in its operations, focuses on sound environmental management, and strives to protect the environment in order to fulfill the Group's commitment to social responsibility.

The Group regularly tracks the latest national and regional environmental protection laws and regulations, and uses them as a basis to focus on strengthening the measures of environmental protection, and it is the Group's aim to strictly comply with relevant laws and regulations of the local government and implement environmental policies in relation to its emissions targets. The Group complies with relevant laws in Mainland China including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, the Law of the PRC on the Prevention and Control of Water Pollution, the Regulations of the People's Republic of China on the Prevention and Control of Noise Pollution, the Environmental Impact Assessment Law, and the Regulations on the Environmental Protection Management of Construction Projects. The Group has been awarded the ISO14001:2015 environmental management system certification.

During the business operations of the Group, in addition to greenhouse gas ("GHG") emissions and sewage discharge, solid waste emissions and noise pollution will also be generated during the construction of its production bases, which may have a potential impact on the environment and may also cause related compliance risks to the Group. Therefore, the Group has formulated the Environmental Protection and Safety System to effectively control and orderly manage solid wastes and noise pollution generated during construction and production, and supervise the implementation of environmental protection measures by various departments to prevent and reduce the influence of pollution on the environment to protect and improve the environment, and to protect the health of employees, in order to achieve the Group's environmental goals and guidelines.

The responsible personnel of the Group's environmental affairs will supervise the implementation of the above measures and related environmental protection policies. All departments endeavour to implement the Group's environmental protection policies under strict supervision and guidance to ensure that all business processes comply with legal requirements. Environmental protection personnel at all levels will continue to review the Group's policies and their implementation procedures, report to the management appropriately, and propose measures if necessary. In the event of an abnormal pollution discharge caused by unexpected events during operation, the person in charge should immediately take emergency measures to prevent the pollution from expanding, and report to the management in a timely manner for better coordination.

During the Year, the Group did not identify any material non-compliance of relevant local environmental laws and regulations in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, the Group advocates emission reduction, and is committed to achieving sustainable operations. To this end, we have set preliminary directional targets in terms of reducing emissions (including air pollutants, greenhouse gas, hazardous and non-hazardous wastes). The Group will review the progress and explore more opportunities for various environmental protection goals. In the future, we will set more specific quantitative environmental goals to nurture the environment and cherish natural resources.

Environmental aspects	Target
Air Pollutants Emissions	<ul style="list-style-type: none">The Group will actively implement the air pollutants control plan and measures to maintain or reduce the intensity of air pollutants emissions.
Greenhouse Gas Emissions	<ul style="list-style-type: none">The Group will actively implement the electricity-saving plan and measures to maintain or reduce the intensity of greenhouse gas emissions.
Waste Reduction	<ul style="list-style-type: none">The Group will actively implement the material-saving plan and measures to maintain or reduce the intensity of waste production.

Exhaust gas emissions

The exhaust gas emissions generated during the business operations of the Group mainly come from vehicle emissions. The exhaust gas emissions increase during the Year mainly due to purchase of 4 new additional vehicles in order to handle our increased trade activities. The Group has incorporated the section “Management System for Official Vehicles” into the Employee Handbook, which includes that drivers are responsible for vehicle maintenance and frequent inspections of vehicle oil and gasoline to ensure that engine performance does not hinder the effective use of fuel and cause waste. The Group has taken the following measures to reduce emissions from vehicle exhaust:

- Turn off the engine when the vehicle is not in use;
- Use unleaded fuel and low-sulphur fuel according to the laws and regulations;
- Eliminate non-compliant vehicles in accordance with national emission policy regulations; and
- Optimise operational procedures to increase efficiency and reduce vehicle idling rates.
- Reduce the use of office cars (e.g. for short distances, use public transportation)

The employee’s awareness of reducing exhaust gas emissions has been increased through the above measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The overview of exhaust gas emissions performance of the Group during the Year and the corresponding period was as follows:

Types of exhaust gas	Unit	2023 Emissions	2022 Emissions
Nitrogen Oxide (NO _x)	Kg	124.72	120.46
Sulfur Oxide (SO _x)	Kg	0.48	0.51
Particulate Matter (PM)	Kg	11.45	11.10

GHG emissions

The major sources of the Group's GHG emissions are direct GHG emissions from the combustion of gasoline and diesel by vehicles (Scope 1), energy indirect GHG emissions from purchased energy (Scope 2). In addition to the vehicle-related measures mentioned in the section "Exhaust Gas Emissions" in this aspect, the Group actively adopts electricity conservation and energy-saving measures to reduce GHG emissions, including:

- Set meter to monitor the electricity consumption, and detect and avoid abnormal usage in advance;
- Use energy-saving equipment, appliances and lamps in office;
- Forbid running idle equipment and unreasonable electric wiring distribution;
- Turn on electrical equipment, including lighting equipment, air conditioners, fans, etc. during business hours depending on actual needs, and encourage employees to turn off the power when not in use or before off duty;
- Regulate the use of air conditioners strictly where the temperature shall not be lower than the default; and
- Enhance the maintenance and overhaul of equipment, maintain the best condition of all electronic equipment for effective use of electricity.

The employee's awareness of reducing GHG emissions has been increased through the above measures.

During the Year and the corresponding period, the performance summary of GHG emissions of the Group was as follows:

Indicator ¹	Unit	2023 Emissions	2022 Emissions
Direct GHG emissions (Scope 1)	tCO ₂ e	77.86	82.42
Indirect resources GHG emissions (Scope 2)	tCO ₂ e	1,922.75	1,980.07
Other Indirect Emissions (Scope 3) ²	tCO ₂ e	47.13	—
Total GHG emissions	tCO ₂ e	2,047.74	2,062.49
Intensity of total GHG emissions ³	tCO ₂ e/revenue RMB million	5.84	5.18

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, the latest released emission factors of China's regional power grid basis, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by HKEX and the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5).
2. In the current year, the Group's Scope 3 emissions include other indirect emissions from business air travel. The Scope 3 data related to CO₂ emissions generated from employee air travel is based on the calculation methodology established by the International Civil Aviation Organization (ICAO), a specialized agency of the United Nations. For detailed information, please refer to <https://www.icao.int/environmental-protection/CarbonOffset/Pages/default.aspx>. The emission factors are referenced from the Greenhouse Gas Reporting: Conversion Factors 2023.
3. In the current year, the Group's total revenue amounted to approximately CNY 350.7 million. This data will also be used for calculating other density metrics.

Waste management

Hazardous wastes

The Group's operation process does not directly generate significant hazardous waste.

Non-hazardous wastes

General non-hazardous waste generated during the operation of the Group includes paper, machine debugging waste, scrap cardboard, scrap iron, other domestic waste, etc. After collection and classification, the wastes will eventually be collected and processed by the sanitation department. Through the four basic waste reduction principles of reduce, reuse, recycle and replace, the Group also strives to create a green office and operating environment, where recyclable waste is collected for recycling.

Furthermore, the Group advocates for paper reuse and is committed to establishing a paperless office environment. Employees are required to utilize the online system for general notifications and data transmission, minimizing the need for printing and photocopying files, thus reducing paper usage. Whenever possible, double-sided printing and the use of recycled paper are encouraged. The Administrative Management Department is responsible for monitoring paper consumption and implementing a unified recycling system for waste paper. Additionally, the Group has set a target to reduce paper usage by 5% in the coming year. In the current year, the paper usage has increased by 0.43% compared to the previous year, while the usage of cardboard boxes has increased by 9.76%, primarily due to an increase in outbound shipments resulting in higher waste paper production and collection during the manufacturing and raw material collection processes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year and the corresponding period, the Group's non-hazardous wastes disposal performance was summarized as follows:

Types of non-hazardous wastes	Unit	2023	2022
		Disposal	Disposal
Paper	Tonnes	2.33	2.32
Machine debugging waste	Tonnes	213.79	269.70
Scrap cardboard	Tonnes	7.98	7.27
Scrap iron	Tonnes	29.99	100.24
Total non-hazardous wastes	Tonnes	254.09	379.53
Intensity of total non-hazardous wastes	Tonnes/revenue RMB million	0.72	0.95

Sewage discharge and treatment

The Group discharges domestic sewage from employees during daily operations. The discharged domestic sewage will be processed in a level 3 septic tank and then be sent to the regional sewage treatment plant through the municipal sewage pipe network.

Since the Group's sewage is discharged into the municipal sewage pipeline network for processing in a regional water purification plant, the amount of the Group's water consumption represents the wastewater discharge volume. The data of water consumption discharge volume will be described in the section headed "Water Consumption" under aspect A2.

A2. Use of resources

The Group's production facilities and business operation strictly abide by the laws and regulations of the PRC, including but not limited to the Energy Conservation Law of the PRC and other laws and regulations. The Group aims to actively promote the effective use of resources, monitor the potential impacts of business operations on the environment in real time, and create a green office and operating environment, to minimise the Group's environmental impacts and enhance environmental sustainability. The Group manages the use of water, electricity and other resources, measures usage statistics on monthly basis, focus on the management of major energy-consuming equipment, and standardises equipment operation procedures to accomplish full and effective use of energy.

Energy consumption

The major energy consumption of the Group during its daily operation is operational electricity consumption. For electricity consumption, the Group has formulated rules and policies to achieve the goal of electricity-saving and effective use of electricity. Except for the energy-saving measures mentioned in the section headed "GHG Emissions" under aspect A1, the Group installed LED energy-saving lamps in all lighting areas, and instills the consciousness of energy conservation and environmental protection into the work and life of every employee through measures such as posting power-saving slogans. In addition, the Group has gradually replaced obsolete equipment with energy-saving certified alternatives to reduce energy consumption. For measures controlling the consumption of gasoline and diesel, please refer to the section headed "Exhaust Gas Emissions" under aspect A1. The employee's awareness of energy-saving has been increased through these measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The energy consumption performance of the Group during the Year and the corresponding period was summarised as follows:

Types of energy	Unit	2023 Consumption	2022 Consumption
Gasoline	MWh	204.90	211.07
Diesel	MWh	114.48	127.03
Total direct energy consumption	MWh	319.38	338.10
Electricity	MWh	3,151.54	3,245.49
Total indirect energy consumption	MWh	3,151.54	3,245.49
Total energy consumption	MWh	3,470.92	3,583.59
Intensity of total energy consumption	MWh/revenue RMB million	9.90	9.00

Water consumption

The water consumption of the Group is mainly employee's domestic water usage. The Group has been strengthening its water-saving promotion by encouraging all employees and customers to develop the habit of conserving water consciously and guiding employees to use water reasonably. To improve the Group's water efficiency, the Group takes the following measures:

- Use water-saving appliances as much as possible;
- Turn off water tap after use to prevent running, overflowing, dripping and leaking water;
- Set more water meter to monitor the water consumption. Once irregularity is found, the case should be reported timely to the relevant departments so as to prevent wastage of water resources;
- Inspect the pipes regularly to check and repair any broken pipes; and
- Post water-saving signs in pantry and washrooms to remind employees of water conservation.

The employee's awareness of water-saving has been increased through these measures.

During the Year and the corresponding period, the Group's water consumption performance (i.e. sewage discharge) was summarised as follows:

	Unit	2023 Consumption	2022 Consumption
Water consumption	m ³	15,373.64	14,476.50
Intensity of water consumption	m ³ /revenue RMB million	43.84	36.37

The increase in water consumption in 2023 was primarily due to the addition of three subsidiary companies, resulting in an increased number of employees and a subsequent rise in water usage for residential purposes.

Due to the geographical location of our offices and factories, the Group does not have any issue in sourcing water that is fit for purpose.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of packaging materials

The packaging materials that the Group mainly used for the products include wooden box and stretch film. During the Year and the corresponding period, the Group's packaging materials consumption was summarised as follows:

Packaging materials	Unit	2023 Consumption	2022 Consumption
Wooden box	Tonnes	10.25	7.71
Stretch film	Tonnes	46.12	30.71

In addition, the Group advocates energy and resources saving, and is committed to achieving sustainable operations. To this end, we have set preliminary directional targets in terms of energy use efficiency and water efficiency. The Group will review the progress and explore more opportunities for various environmental protection goals. In the future, we will set more specific quantitative environmental goals to nurture the environment and cherish natural resources.

Environmental aspects	Target
Energy Conservation	<ul style="list-style-type: none"> The Group will actively implement the electricity-saving plan and measures to maintain or reduce the intensity of electricity consumption.
Water Conservation	<ul style="list-style-type: none"> The Group will actively implement the water-saving plan and measures to maintain or reduce the intensity of water consumption.

The Group has set a goal for 2024 to reduce the energy and water consumption each by 3%.

A3. The environment and natural resources

The Group pursues environmental best practices and focuses its business impact on the environment and natural resources. We are accredited with the ISO45001: 2015 (Occupational Health and Safety Management Systems Certificate). In addition to complying with environmental related regulations and international standards to appropriately protect the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operational activities and is committed to achieving environmental sustainability. The Group is aware of our responsibility to minimize the negative impact of our business operations on the environment in order to achieve sustainable development and create long-term value for our stakeholders and the community. The Group continuously monitors whether our business operations have any potential impact on the environment and minimises the impact of our operations on the environment by promoting green offices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Noise management

The Group is aware that the nature of our business may cause noise pollution. Therefore, the Group has implemented a number of measures to reduce noise levels to ensure that the quality of life of neighboring residents will not be severely disturbed. The Group strictly implements the Regulations of the People's Republic of China on the Prevention and Control of Noise Pollution to control noise pollution and compile annual noise inspection reports. If circumstances permit, the Group will use noise suppression device and conduct regular maintenance. Through these measures, the Group is committed to minimising the negative impact on the surrounding residents.

A4. Climate change

Climate change has caused frequent extreme weather and has a major impact on business operations. Therefore, the Group has formulated mechanisms and procedures to identify, prevent and mitigate climate change issues that may have a significant impact. At the same time, we would adjust the use of resources and energy. In response to disasters and accidents that are easily induced by extreme weather, we always enhance the capability to the disaster response.

Physical Acute Risk

The Group has identified extreme weather such as typhoons, heavy rain, thunder and lightning and flooding that can cause physical acute risk. The potential consequences include damage to documents, material, equipment and building. The above potential consequences will cause economic losses and increase operating costs to the Group.

The Group has established different measures as below to prevent and minimize the negative effect of extreme weather.

Physical Acute Risk

Extreme weather	Preventative and mitigation measures
Typhoons	<ul style="list-style-type: none">- Close doors and Windows with advance notice- Move materials and equipment to safety areas in advance
Heavy rain and Flooding	<ul style="list-style-type: none">- Clean up trash and make sure drains unblocked- Reinforce equipment and components that may be washed away
Thunder and lightning	<ul style="list-style-type: none">- Control travel before the arrival of lightning- Remind employees to save data and turn off computers

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Physical Chronic Risk

The Group has identified extreme weather such as extremely hot weather can cause physical chronic risk. The potential consequences include an increased chance of getting heatstroke for employees, increasing turnover rate and work-related injuries. The demand for cooling for the working environment will be increased, which may lead to an increase in power demand and operating costs to the Group.

The Group has established different measures as below to prevent and minimize the negative effect of extreme weather.

Physical Chronic Risk

Extreme weather

Preventative and mitigation measures

Extremely hot weather

- Water the ground frequently
- Arrange employees' working schedule reasonably to ensure adequate rests

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1. Employment

Employees are the greatest and most valuable asset and the core competitive advantage of the Group; therefore, the success of the Group is highly dependent on its capability to attract, cultivate and retain employees. The Group adheres to a people-oriented approach, respects and safeguards the legitimate interests of every employee, standardises labor employment management, and protects employees' occupational health and safety. The Group has also formulated a series of relevant personnel management policies in accordance with relevant laws and regulations to safeguard the vital interests of employees, fully respect and value the proactiveness, motivation and creativity of employees to build harmonious labor relationships and provide employees with a healthy, positive and motivative working atmosphere, and guide employees to actively integrate personal pursuits into the long-term development of the Group.

The Group has complied with all laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and benefits, including but not limited to the Company Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, Labor Safeguards Regulations, and Hong Kong Companies Ordinance, Mandatory Provident Fund Schemes Ordinance, Regulations on Minimum Wages, Regulations on Privacy of Personal Data. During the Year, the Group did not identify any non-compliance of local relevant employment laws and regulations that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 December 2023, all employees of the Group are full-time employees, and the Group had a total of 504 (2022: 376) employees with the following breakdown:

	2023		2022	
	Headcount	Percentage of total headcount	Headcount	Percentage of total headcount
By gender				
Male	387	77%	293	78%
Female	117	23%	83	22%
By age				
<30	112	22%	68	18%
30-50	327	65%	263	70%
>50	65	13%	45	12%
By employment category				
Senior	8	2%	8	2%
Middle	43	8%	29	8%
Normal	453	90%	339	90%
By geographical region				
Mainland China	498	98%	371	99%
Hong Kong	5	1%	5	1%
Singapore	1	1%	–	–

Recruitment, promotion, incentive and dismissal

The Group has continuously established and improved its recruitment and selection system. In the recruitment process, the Group standardises the hiring procedures and recruitment principles, adheres to the hiring principles of morality, knowledge, ability, experience and fitness applicable to job positions as well as the principles of justice, fairness, equality, and openness, so as to continuously attract talents.

The Group formulated the Employee Handbook to clarify the rights and obligations of the company's employees. The Group conducts classified management of employees in office and production workshop, clarifies the basis and procedures for personnel promotion, transfer and downgrade management, regulates the resignation and dismissal procedures, and protects the interests of both employees and the Group. The Group has implemented a fair and open evaluation system to provide employees with promotion and development opportunities in accordance with their work performance and internal evaluation results, in order to give priority to promoting employees who have significant contribution and explore their work potential. Through these measures, the Group can achieve the optimal allocation of human resources, provide more opportunities and platforms for the career development of employees, and meet the sustainable development needs of the Group.

The Group has defined a set of reward system in the Employee Handbook to reward employees who have made outstanding contributions to the Group. Employees making constructive suggestions will be rewarded accordingly. In addition, the Group regularly selects outstanding employees and rewards employees with outstanding performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The procedures for dismissal of employees of the Group are listed in the “Employee Handbook” in detail. All resignation procedures must be completed in accordance with the requirements of relevant laws and regulations and occupational regulations. The Group will never allow dismissing employees without reasoning under any circumstances. The dismissal process will only be carried out on a regulated basis so as to ensure that the issue has been fully discussed before the formal dismissal.

During the Year and the corresponding period, the overall employee turnover rate of the Group was approximately 34% (2022: 5%), which is classified as follows:

	2023	2022
	Number of Incoming/ (outgoing) employees	Number of Incoming/ (outgoing) employees
By gender		
Male	94	(19)
Female	34	1
By age		
<30	44	(29)
30-50	64	9
>50	20	2
By geographical region		
Mainland China	127	(18)
Hong Kong	—	—
Singapore	1	—

Remuneration and benefits

The Group has established a fair, equitable, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competition, incentives, reasonableness, and legitimacy. The remuneration of the Group’s employees comprises basic salary, performance bonus, overtime payment, position subsidy, related subsidies and other various bonuses. In addition, the Group conducts annual assessments in accordance to the changes in macroeconomic factors, such as national policies and price levels, industry and regional remuneration levels, changes in the Group’s development strategy, and the overall effectiveness of the Group, and makes corresponding adjustments to staff remuneration.

The Group has signed and executed labor contracts with employees in Mainland China in accordance with the Labor Contract Law of the People’s Republic of China. The signing rate of the labor contracts is 100%. In accordance with the law, the Group legally pays “five social insurance and one housing fund” for its employees, namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance, and housing provident fund, to ensure that employees are covered by social insurance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group safeguards the legitimate interests of labor in accordance with the requirements in Labor Law of the People's Republic of China and related national and local laws and regulations, respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest times and holidays. In accordance with the Labor Law of the People's Republic of China, the Group has formulated the human resources attendance management process in the Personnel Management System. The Group implements a five-day work system and 8 working hours per day. In accordance to Leaves Regulations and other relevant regulations, the Group implements a paid vacation system for employees. At the same time, overtime wages are paid for any overtime work in accordance with national laws and regulations.

Equal opportunity

The Group strictly complies with national and local government regulations by adopting a fair, just and open recruitment process and developing relevant system files to eliminate discrimination in the recruitment process, whose employees face no discrimination regardless of race, gender, colour, age, family background, ethnic tradition, religion, physical fitness and nationality, thus allowing them to enjoy a fair treatment in every aspect including recruitment, salary, training and promotion, labor contract termination and retirement, with an endeavour to attract professionals with diverse backgrounds joining the Group. The Group is committed to providing equal opportunities in all respects and maintaining employee diversity, and strongly prohibit any unfair treatment.

B2. Health and safety

The Group regards employees as an important asset of the Group and is committed to creating and maintaining a safe working environment for employees. The Group is accredited with the ISO45001: 2018 (Occupational Health and Safety Management Systems Certificate). The Group implements safety management policies, covering production safety, safety training and general safety policies. In addition, the Group provides employees with occupational safety education and training to enhance employees' safety awareness. Slogans and posters are set up around the production base of the Group to remind and enhance safety awareness. The Group also provides health and safety training for each new employee, and provides personal protective equipment such as masks and clean room clothing to operators when necessary.

The Group has complied with all laws and regulations related to providing a safe working environment and protecting employees from occupational hazards, including but not limited to the Law on Prevention and Control on Occupational Diseases of the People's Republic of China, Law of the People's Republic of China on Work Safety, Administrative Measures for the Declaration of Occupational Disease Hazard Projects, and Occupational Safety and Health Ordinance in Hong Kong, and the Employees' Compensation Ordinance in Hong Kong.

During the Year, the Group's subsidiaries covered by the ESG Report did not identify any non-compliance of local relevant health and safety regulations that have a significant impact on the Group, and there was no record of any fatality related to work due to accidents in each of the past three years including the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the year, the data of the Group's work-related injuries and fatalities of the past three reporting years including the Year were listed as below:

	2023	2022	2021
Number of Work-Related Fatalities	—	—	—
Rate of work-related fatalities	0%	0%	0%
Number of Work Injuries	32	21	23
Lost days due to work injury	393	214	170

The Group adheres to and implements the government's 2022 guidelines for resuming normal operations. We promote the use of masks among employees during periods of increased susceptibility to infection as a preventive measure. In case of symptoms such as fever and cough, employees are advised to seek medical attention promptly.

Occupational safety training

Production safety and quality training

In order to prevent, control and eliminate occupational hazards and occupational diseases, and protect the health of all employees, the Group attaches great importance to occupational hazard protection and related training. The Group formulated the Occupational Health Management System to enhance the safety awareness of the Group's employees so as to improve safety quality, prevent or reduce accidents, and standardize safety education and training. The Group conducts an annual safety knowledge training for managers at all levels, safety management personnel, and engineering and technical personnel, and continuously improves safety awareness, technical quality, and policy and business level through assessment. Newly recruited employees of the Group must pass the three-level pre-job safety education in the factory, workshop, and team, and pass the examination before entering the production position.

B3. Development and training

The Group focuses on corporate internal management training and the establishment of development system. Through multiple training modes of induction training, management personnel training, technical personnel training and pre-post training, diverse needs of employees at all levels are fulfilled and their skills are enhanced such that they can continue to provide high-quality services to assist the Group's sustainable development while in turn supporting them in personal growth and development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, 50% (2022: 28%) of the Group's employees in subsidiaries covered by the ESG Report had participated in the training and completed an average of 4.8 (2022: 22) hours of training. The percentage of employees trained by gender and employee category was as follows:

	2023		2022	
	Percentage of employees trained	Average training hours	Percentage of employees trained	Average training hours
By gender				
Male	47%	4	25%	22
Female	60%	7	39%	21
By employee category				
Senior management	50%	27	50%	35
Middle management	43%	26	41%	32
General employees	50%	3	27%	20

Training management

The Group has developed training related procedures to regulate the training management of employees. The management formulates annual training proposals every year. The management regularly reviews the effectiveness of different training programs and courses to help improve the efficiency of the Group's training system. According to the training proposals, the Group evaluates and monitors the implementation of its training courses, striving to provide appropriate training courses for different levels of employees.

Newly recruited employees are required to receive short-term induction training. The contents mainly include the introduction of the Group and the Group's business, the development and trend of the industry, professional basic knowledge, internal corporate organizational structure and management system, and daily conduct standards. The business department will also arrange field visits to help the new employees understand corporate culture and systems at a faster pace.

The Group also recognises the importance of occupational safety training to protect the personal safety of employees. The relevant policies have been described in detail in the section headed "Occupational Safety Training" under aspect B2.

B4. Labor standards

Prevention of child labor and forced labor

The Group has complied with all laws and regulations related to the prevention of child labor or forced labor, including but not limited to, the Labor Law of the People's Republic of China, Prohibition of Use of Child Labor of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, Forced Labor Convention and the Employment Regulations in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly prohibits the employment of any child labor and forced labor. To prevent and any form of child labor in the business operation, employment will only be permitted for staff at the legal age of employment. New employees are required to provide true and accurate personal data when they are employed. Recruiters should strictly review the entry data including medical examination reports, academic credentials, ID cards, household registration, degree certificates and other information. The Group has established comprehensive recruitment procedures to check the background of candidates in order to prevent any child labor or forced labor in operation. Once any violation is found, the Group will follow up in a more serious manner and handle such case in accordance with national and local laws and regulations, and the Group's internal rules depending on the actual situation. For example, we will timely understand the child's education status, and timely contact the local education department and its guardian to escort the child home.

The Group and its employees signed legal labor contracts in accordance with laws, which ensures that employees can resign within the terms of their employment contract, so that there is no compulsory use of labor. For the use of false information or in violation of the provisions of the Group, the Group will terminate the probation period or the labor contract immediately.

In addition, overtime working of the Group's employees is on a voluntary basis to avoid violation of labor standards and to effectively protect the rights and interests of employees. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, physical punishment, violence, and mental oppression on employees for any reason.

During the Year, the Group did not discover any material non-compliance with laws and regulations related to the prevention of child labor or forced labor that had a significant impact on the Group.

B5. Supply chain management

The Group mainly purchases parts and components used in the production of disposable hygiene product machines from suppliers. In addition to the specifications of the required products, price trends, and product demand, the Group also places great emphasis on the management of potential environmental and social risks in the supply chain. The Group has established a rigorous and regulated procurement system and supplier selection procedures, and put forward requirements for suppliers on environmental and social risk control.

In the process of supply chain management, the Group formulated the Procurement Management Process in accordance with the relevant laws and regulations of the People's Republic of China, strengthened the internal control of the procurement business, regulated purchase and approval, procurement and acceptance, payment, etc., to prevent mistakes and fraud in the procurement process so as to minimise the potential environmental and social risks in the supply chain.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year and the corresponding period, the Group had a total of 564 suppliers (2022: 378), whose regions are classified as follows:

Region	2023 Number of suppliers	2022 Number of suppliers
China	563	376
United States	1	1
Italy	0	1

The increase in the number of suppliers during the year 2023 was primarily due to the addition of three subsidiary companies. This led to an overall rise in procurement demands and the exploration of collaborations with suppliers offering higher quality products and more competitive prices.

Environmental and social risk management in supply chain

The Group expects suppliers to meet our standards in many aspects such as environment, quality, society, corporate governance, and business ethics. Based on environmental, social and ethical standards, the Group has formulated Purchasing Management Process to require suppliers to bring a positive impact on environmental and social matters, which covers legal compliance, human rights protection, employee safety and health, social responsibility, business ethics and environmental protection. Suppliers' environmental and social responsibility performance is one of our primary considerations. We will give priority to companies holding ISO14001 environmental management system certification. We are also concerned about suppliers' social responsibility performance, such as whether the suppliers could provide employees with a safe and healthy working environment, and abide by relevant labor laws and regulations, including preventing and deterring any form of child labor and forced labor.

Fair and open procurement

The Group's procurement process strictly follows the relevant provisions of the Bidding Law of the People's Republic of China and other relevant regulations, and is in an open, fair and impartial environment. The Group will not discriminate against any suppliers, and will not allow any corruption or bribery, and employees and other individuals with interests in relevant suppliers will not be permitted to participate in related procurement activities. The Group focuses on the integrity of its suppliers and partners. The Group will only select suppliers and partners who have good business records in the past and have not seriously violated regulations or have no unethical business practices.

B6. Product responsibility

The Group places great emphasis on the quality of products and services and corporate reputation. The Group also actively ensures the quality of its products and services through internal controls and is committed to providing products and services that meet international industry standards. The Group has also been maintaining communication with its customers to ensure that it understands and cater to customers' needs and expectations. The Group is also willing to understand the degree of satisfaction of its customers so as to continuously improve its product quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strictly complies with relevant laws and regulations, including but not limited to the Consumer Protection Law of the People's Republic of China, the Advertising Law of the People's Republic of China and other consumer protection laws and regulations. Since the Group does not involve product selling in Hong Kong, it does not involve Hong Kong laws and regulations that have a significant impact on the Group. During the Year, the Group did not identify any material non-compliance that violated the laws and regulations related to the quality of its products and services.

Quality control and product return

The Group provides professional, high-quality and highly efficient services to different customers in various ways, actively creates value for customers, concerns, explores and responds to customer needs, and strives to provide customers with services beyond their expectations.

In order to maintain product quality, the Group has formulated the Quality Management Manual in accordance with the ISO9001:2015 quality management system certification to ensure that all production stages comply with the quality standards specified in the Group's Quality Manual and has implemented strict quality assurance procedures. All products of the Group must pass the Group's internal quality tests before they can be delivered to the Group's customers. The Group's insistence on quality was recognised, and the Group was awarded the ISO9001:2015 quality management system certification. The Group has implemented a quality management system, the overall goal of which is to prevent defects and make continuous improvements.

Quality Management Manual has also described the Control of Disqualified Product Procedures in details, to ensure that all departments of the Group could identify, control and follow the output of disqualified products as required. When disqualified products are spotted after delivery, the quality control department shall investigate the causes timely to distinguish the responsibility according to the sales contract, and conduct follow-up modification, repair or return processing.

During the Year, the Group did not recall any products due to safety and health reasons.

Customer service

The Group proactively extends its customer services and actively communicates with customers. The Group has formulated a Sales Management System to quickly respond to and handle customer complaints. When the marketing staff receive a customer complaint, they need to confirm the customer's needs on the spot and ensure the timeliness of processing, and report to the quality management department. The quality management department or related employees will send improvement measures and reports to customers after investigation and processing.

During the Year, the Group did not receive any complaints regarding products and services.

Customer privacy protection

The Group strictly and carefully manages customer files to avoid leakage of customer privacy. The Group strictly abides by laws and regulations such as the Protection of State Secrets of the People's Republic of China and Regulations on the Administration of the Secret Management of State Secret Carriers and other laws and regulations. The Group is committed to implementing stringent security protection measures on customer personal data collected during business operations to ensure that customer personal data is not leaked out and misused.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has formulated the Information Technology Management System for strict authority management on the inquiry, use and download of customer privacy and other information in the information system, effectively preventing data leakage and abuse. Customer information and customer data must not be sold, shared, or disclosed for any purpose. Every employee must protect customer information and data in accordance with the Group's regulations. The Group's conversations with customers, transaction history, documents and reports provided by them (if not made public) will be kept confidential, and it is strictly forbidden to disclose customer information to third parties without the customer's authorisation. At the same time, customers always have the right to review and modify their information. The Group is firmly committed to protecting the privacy of customers, so as to win the trust and confidence of customers and maintain the competitiveness of the Group in the market, driving the Group's sustainable business development and assuring the Group's service quality.

Intellectual property protection

During the Year, the Group invested a lot of resources in research and development capabilities, and owned 195 (2022: 160) patents in China. The Group respects the intellectual property rights of third parties and is also committed to protecting our intellectual property rights from infringement.

To this end, the Group has formulated the Quality Management Manual, which states that the intellectual property rights of customers or external suppliers, such as technical documented information, trademarks, and commercial secrets, should be kept confidential. The Sales Department and Procurement Department are responsible for the protection of intellectual property rights of customers or external suppliers, including samples, drawings, labels, etc.

The Group's persistence in maintaining intellectual property rights was recognised, and the Group was awarded the GB/T 29490-2013 intellectual property management system certification. The Group will closely monitor infringements in the market and combat any infringements such as counterfeit trademarks.

Advertising and labelling

As a machine manufacturer, the Group is not involved in major matters related to advertising and labels. Nevertheless, the Group is committed to ensuring that the labels of its products conform to the actual product conditions. The Group strictly abides by relevant laws and regulations on advertising and marketing, such as the Advertising Law of the People's Republic of China, formulates and implements relevant systems to supervise advertising and marketing, and strictly reviews publicly released promotional materials and sales commitments, so as to prevent misleading or misleading publicity content and protect customers' consumer rights from being infringed.

The Group requires that all publicity content such as external image display, event publicity, and marketing publicity of all units, institutions, and subordinate projects must be approved by the deputy leader before it can be produced and released externally, so as to avoid any form of false publicity and to ensure the content truthfulness and accuracy of the publicity.

B7. Anti-corruption

Prevent corruption and fraud

The Group believes that a clean corporate culture is a key to our continued success. Therefore, the Group attaches great importance to anti-corruption work and system building, commit itself to building a clean and transparent corporate culture, and pays special attention to the professional ethics of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To strengthen the Group's internal control to prevent corruption and fraud, in addition to the code of conduct mentioned in the Employee Handbook, the Group has formulated Employee Feedback, whistle-blowing, and Anti-fraud and Conflict of Interest Procedures to ensure that the Group's operations comply with relevant national and industrial regulations, and any complaints could be addressed to the board of directors or human resources department. The Group implements a zero-tolerance policy for any bribery of company personnel. If the Group finds that any employee violates the Group's anti-corruption and bribery policy, he/she will be dismissed. The Group has also formulated the "Contract Management System" to regulate that the Group's appointment of legal consultants, financial consultants, auditing, external experts and other professionals to participate in the contract signing process to prevent the Group from having the opportunity to violate the laws and regulations on prevention of bribery, extortion, and fraud. In addition, the Group also stipulates that it is necessary to evaluate the background, scale, repayment ability, credit status, connected transactions and conflicts of interest of all new customers to ensure that the source of the collection does not involve money laundering. Looking ahead, we will continue to invest more resource to our anti-corruption training and expand the scope of anti-corruption training data disclosure.

The Group has complied with all relevant laws and regulations concerning the prevention of bribery, extortion, fraud and money laundering, including but not limited to the Company Law of the People's Republic of China, the Tendering and Bidding Law of the People's Republic of China, and the Prohibition of Commercial Bribery Interim Provisions and Hong Kong's Anti-Money Laundering and Terrorist Financing Ordinance and Prevention of Bribery Ordinance. During the Year, the Group did not identify any material non-compliance of laws and regulations related to the prevention of bribery, extortion, fraud and money laundering, and no concluded legal case regarding corruption practices were brought against the Company or its employees during the Reporting Period.

B8. Community investment

Corporate social responsibility

The Group adheres to the belief that it should assume the responsibility of contributing to society while developing the economy. As a responsible corporate citizen, the Group has been committed to supporting various charity and community activities, and hopes to give back to society with professionalism. The Group actively fulfills its corporate social responsibilities as a corporate citizen and cultivates its employees' sense of social responsibility. Therefore, it has always encouraged its employees to participate in charitable activities during work and private time to make greater contributions to society. It has also been arranging employees of the Group to participate in environmental protection, public welfare, donation for student financial aid, social services, etc. The Group believes that by personally participating in the activities of giving back to the society, the civic awareness of employees can be improved and correct values can be established.

During the year, the Group did not participate in any community activities. This was due to the Group's focus on the construction of the Jinjiang and Hangzhou factory projects, ensuring their timely completion according to plan. Additionally, the Group faced a significant increase in orders during the year, requiring full dedication to accelerating production progress and meeting customer demands. Considering these critical business priorities, the Group temporarily refrained from participating in community activities. However, the Group consistently values cooperation and interaction with the community and will actively engage in community activities at an appropriate time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORT GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIS	Description	Section/Declaration	Page
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions – Environmental protection policy and compliance issues	52
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Exhaust gas emissions	53
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG emissions	54
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Emissions – Wastes management (Not applicable – explained)	55
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Emissions – Wastes management	55
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – Environmental protection policy and compliance issues, Exhaust gas, GHG emissions	53-54
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Environmental protection policy and compliance issues, Wastes management	55-56

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIS	Description	Section/Declaration	Page
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of resources	56
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of resources – Energy consumption	56-57
KPI A2.2	Water consumption in total and intensity.	Use of resources – Water consumption	57
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of resources – Energy consumption	58
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of resources – Water consumption	58
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Use of resources – Use of packaging materials	58
Aspect A3: The Environment and Natural resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The environment and natural resources	58
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The environment and natural resources – Noise management	58-59
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	59
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	59-60

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIS	Description	Section/Declaration	Page
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	Employment – Recruitment, promotion, Incentive and dismissal, Remuneration and benefits, Equal opportunity	61
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment	62
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment	63
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	Health and safety	64
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and safety	65
KPI B2.2	Lost days due to work injury.	Health and safety	65
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and safety	65
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and training – Training management	66
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and training	66
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and training	66

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIS	Description	Section/Declaration	Page
Aspect B4: Labor Standards			
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor.	Labor standards – Prevention of child and forced labor	66
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labor standards – Prevention of child and forced labor	67
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labor standards – Prevention of child and forced labor	67
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Supply chain management – Environmental and social risk management in supply chain, Fair and open procurement	67
KPI B5.1	Number of suppliers by geographical region.	Supply chain management – Environmental and social risk management in supply chain, Fair and open procurement	68
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply chain management – Environmental and social risk management in supply chain, Fair and open procurement	68
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain management – Environmental and social risk management in supply chain, Fair and open procurement	68
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply chain management – Environmental and social risk management in supply chain, Fair and open procurement	68

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIS	Description	Section/Declaration	Page
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product responsibility	68
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product responsibility	69
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product responsibility	69
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product responsibility	69
KPI B6.4	Description of quality assurance process and recall procedures.	Product responsibility	69
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product responsibility	69

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject Areas, Aspects, General Disclosures and KPIS	Description	Section/Declaration	Page
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	Anti-corruption – Prevent corruption and fraud	70
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption – Prevent corruption and fraud	71
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption – Prevent corruption and fraud	71
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption – Prevent corruption and fraud	71
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community investment – Corporate social responsibility	71
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community investment – Corporate social responsibility	71
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community investment – Corporate social responsibility	71

INDEPENDENT AUDITOR'S REPORT

mazars

MAZARS CPA LIMITED

中審眾環(香港)會計師事務所有限公司

42nd Floor, Central Plaza

18 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道18號中環廣場42樓

Tel 電話: (852) 2909 5555

Fax 傳真: (852) 2810 0032

Email 電郵: info@mazars.hk

Website 網址: www.mazars.hk

To the members of

Haina Intelligent Equipment International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Haina Intelligent Equipment International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 84 to 164, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the “*Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements*” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p>Expected credit losses (“ECL”) assessment of trade receivables</p> <p>At 31 December 2023, the gross amount of trade receivables and its related allowance for ECL amounted to approximately RMB82,439,000 and RMB9,317,000, respectively.</p> <p>At each reporting date, the management of the Group estimates the amount of ECL on trade receivables based on provision matrix that is based on historical data and is adjusted for forward-looking information of respective trade receivables.</p> <p>The Group’s management believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for ECL assessment. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis. The Group engaged an independent valuer for ECL assessment of trade receivables.</p> <p>We have identified the ECL assessments of trade receivables by the Group’s management as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the ECL assessment of these balances required significant judgement and involved high level of uncertainty.</p> <p>Related disclosures are included in Notes 2, 19 and 31 to the consolidated financial statements.</p>	<p>Our key procedures, among others, included:</p> <ul style="list-style-type: none">a) Understanding of the Group’s credit risk management and practices and evaluating the design and implementation of the Group’s key control relating to the expected credit losses assessment of trade receivables;b) Evaluating the objectivity, capabilities and competence of the independent professional valuer;c) Testing the integrity of information used by management to develop the provision matrix including testing individual customers’ credit assessment, on a sample basis, through analysing their nature, size and past due status with the underlying supporting documents and comparing the internal credit assessment made by management on these customers;d) Evaluating management’s basis and judgement in determining credit loss allowance on trade receivables and checking the assumptions and key parameters to external data sources where available;e) Assessing the reasonableness and relevancy of the external information used by the Group as the forward-looking information; andf) Checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group’s disclosures in relation of credit risk exposed by the Group in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<i>ECL assessment of debt instrument at amortised cost</i>	
<p>At 31 December 2023, the gross amount of debt instrument at amortised cost and its related allowance for ECL amounted to approximately RMB32,841,000 and RMB23,711,000, respectively.</p>	Our key procedures, among others, included:
<p>At each reporting date, the management of the Group estimates the amount of ECL on debt instrument at amortised cost based on credit rating of debt instrument and is adjusted for forward-looking information of respective debt instrument at amortised cost.</p>	a) Understanding of the Group's credit risk management and practices and evaluating the design and implementation of the Group's key control relating to the expected credit losses assessment of debt instrument at mortised cost;
<p>The Group's management believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for ECL assessment. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis.</p>	b) Evaluating the objectivity, capabilities and competence of the independent professional valuer;
<p>We have identified the ECL assessment of debt instrument at amortised cost by the Group's management as a key audit matter because the carrying amount of debt instrument at amortised cost was significant to the consolidated financial statements and the ECL assessment of the balance required significant judgement and involved high level of uncertainty.</p>	c) Testing the integrity of significant inputs used by management in determining ECL;
	d) Evaluating management's basis and judgement in determining credit loss allowance on debt instrument at amortised cost and checking the assumptions and key parameters to external data sources where available;
	e) Assessing the reasonableness and relevancy of the external information used by the Group as the forward-looking information; and
	f) Checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group's disclosures in relation of credit risk exposed by the Group in the consolidated financial statements.
<p>Related disclosures are included in Notes 2, 18 and 31 to the consolidated financial statements.</p>	

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of property, plant and equipment (including right-of-use assets), intangible assets, and goodwill

At 31 December 2023, the net carrying amount of the Group's property, plant and equipment (including right-of-use assets), intangible assets, and goodwill relating to the Hangzhou Haina production facilities (the "Hangzhou Haina CGU") amounted to approximately RMB144,362,000, RMB2,513,000 and Nil respectively.

The management of the Group performed assessment at the end of each reporting period to consider whether there is any indication that property, plant and equipment (including right-of-use assets), intangible assets, and goodwill may be impaired and tested for impairment annually for goodwill. For the purpose of assessing impairment, the Group engaged an independent professional valuer to provide assistance in assessing the recoverable amount of Hangzhou Haina CGU to which property, plant and equipment (including right-of-use assets), intangible assets, and goodwill relate. The recoverable amount of Hangzhou Haina CGU was determined by the management with reference to value-in-use calculation using cash flow projections.

We have identified the impairment assessment of these property, plant and equipment (including right-of-use assets), intangible assets, and goodwill as a key audit matter because of their significance to the consolidated financial statements and the significant judgement involved in determining assumptions and involved high level of uncertainty.

Related disclosures are included in Notes 2, 11, 12 and 14 to the consolidated financial statements.

Our key procedures, among others, included:

- a) Obtaining an understanding of and evaluating the design and implementation of the Group's key internal controls over the impairment assessment of the property, plant and equipment (including right-of-use assets), intangible assets and goodwill;
- b) Assessing the appropriateness of using value-in-use calculation in estimating the recoverable amount of Hangzhou Haina CGU;
- c) Evaluating the competence, capabilities and objectivity of the independent professional valuer;
- d) Assessing the appropriateness of the methodologies used by the independent professional valuer;
- e) Evaluating the reasonableness of key assumptions based on our knowledge of the Group's business, industry and market and checking arithmetic accuracy of the cash flow forecasts calculation; and
- f) Checking, on a sample basis, the accuracy and relevance of the input data provided by management to the independent professional valuer.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2023 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2024

The engagement director on the audit resulting in this independent auditor's report is:

Tsoi Wa Shan
Practising Certificate number: P07514

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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	14	(1,369)	–
Impairment loss of trade receivables, net	31	(1,359)	(3,331)
Impairment loss of other receivables	31	(2,210)	(345)
Impairment loss of debt instrument at amortised cost	31	(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	28	(1,428)	(1,356)
Finance costs	6	(1,533)	(2,186)
Loss before tax	6	(36,728)	(5,395)
Income tax (expense) credit	8	(804)	2,174
Loss for the year		(37,532)	(3,221)
Other comprehensive (loss) income for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
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”)	13	–	(1,712)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
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)
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	9		
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	11	198,822	88,037
Intangible assets	12	12,036	5,225
Equity instrument at FVOCI	13	–	–
Goodwill	14	–	1,369
Deferred tax assets	25	2,174	2,174
		213,032	96,805
Current assets			
Inventories	16	248,184	197,607
Equity instruments at FVPL	17	438	4,257
Debt instrument at amortised cost	18	9,130	29,653
Trade and other receivables	19	117,126	115,417
Restricted bank deposits	20	33,336	22,328
Bank balances and cash	21	56,311	85,596
		464,525	454,858
Current liabilities			
Trade and other payables	22	276,089	168,894
Lease liabilities	23	6,845	10,592
Interest-bearing borrowings	24	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	23	10,301	5,528
Deferred tax liabilities	25	1,527	1,856
		11,828	7,384
NET ASSETS		305,037	338,772

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Capital and reserves			
Share capital	26	5,088	5,088
Reserves		297,964	333,513
<hr/>			
Equity attributable to owners of the Company		303,052	338,601
Non-controlling interests		1,985	171
<hr/>			
TOTAL EQUITY		305,037	338,772

The consolidated financial statements on pages 84 to 164 were approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by

Mr. Hong Yiyuan
Director

Mr. Zhang Zhixiong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the Company											
	Reserves								Accumulated profits	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Capital reserve	Statutory reserve	Translation reserve	Fair value reserve (non-recycling)					
	RMB'000 (Note 26)	RMB'000 (Note 27(a))	RMB'000 (Note 28)	RMB'000 (Note 27(b))	RMB'000 (Note 27(c))	RMB'000 (Note 27(d))	RMB'000 (Note 27(e))	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022	5,088	188,294	804	12,559	24,268	(6,340)	(2,246)	117,653	340,080	170	340,250	
Loss for the year	-	-	-	-	-	-	-	(3,147)	(3,147)	(74)	(3,221)	
Other comprehensive income (loss):												
<i>Items that will not be reclassified to profit or loss:</i>												
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	-	-	-	13,780	-	-	13,780	-	13,780	
Change in fair value of equity instrument at FVOCI	-	-	-	-	-	-	(1,712)	-	(1,712)	-	(1,712)	
<i>Item that may be reclassified subsequently to profit or loss:</i>												
Exchange difference on consolidation	-	-	-	-	-	(11,756)	-	-	(11,756)	-	(11,756)	
Total comprehensive loss for the year	-	-	-	-	-	2,024	(1,712)	(3,147)	(2,835)	(74)	(2,909)	
Transactions with owners:												
<i>Contributions and distributions</i>												
Derecognition of financial assets at FVOCI upon disposal (Note 13)	-	-	-	-	-	-	3,958	(3,958)	-	-	-	
Recognition of equity-settled share-based payment expenses (Note 28)	-	-	1,356	-	-	-	-	-	1,356	-	1,356	
Appropriation of statutory reserve	-	-	-	-	795	-	-	(795)	-	-	-	
	-	-	1,356	-	795	-	3,958	(4,753)	1,356	-	1,356	
<i>Changes in ownership interests</i>												
Non-controlling interest arising from capital contribution of a subsidiary	-	-	-	-	-	-	-	-	-	75	75	
Total transactions with owners	-	-	1,356	-	795	-	3,958	(4,753)	1,356	75	1,431	
At 31 December 2022	5,088	188,294	2,160	12,559	25,063	(4,316)	-	109,753	338,601	171	338,772	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the Company									
	Reserves							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits			
RMB'000 (Note 26)	RMB'000 (Note 27(a))	RMB'000 (Note 28)	RMB'000 (Note 27(b))	RMB'000 (Note 27(c))	RMB'000 (Note 27(d))	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2023	5,088	188,294	2,160	12,559	25,063	(4,316)	109,753	338,601	171	338,772
Loss for the year	-	-	-	-	-	-	(35,796)	(35,796)	(1,736)	(37,532)
Other comprehensive income (loss):										
<i>Items that will not be reclassified to profit or loss:</i>										
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	-	-	-	4,681	-	4,681	-	4,681
<i>Item that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on consolidation	-	-	-	-	-	(5,862)	-	(5,862)	-	(5,862)
Total comprehensive loss for the year	-	-	-	-	-	(1,181)	(35,796)	(36,977)	(1,736)	(38,713)
Transactions with owners:										
<i>Contributions and distributions</i>										
Recognition of equity-settled share-based payment expenses (Note 28)	-	-	1,428	-	-	-	-	1,428	-	1,428
Appropriation of statutory reserve	-	-	-	-	769	-	(769)	-	-	-
	-	-	1,428	-	769	-	(769)	1,428	-	1,428
<i>Changes in ownership interests</i>										
Non-controlling interest arising from capital contribution of subsidiaries	-	-	-	-	-	-	-	-	3,550	3,550
Total transactions with owners	-	-	1,428	-	769	-	(769)	1,428	3,550	4,978
At 31 December 2023	5,088	188,294	3,588	12,559	25,832	(5,497)	73,188	303,052	1,985	305,037

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Loss before tax		(36,728)	(5,395)
Adjustments for:			
Amortisation of intangible assets		2,513	3,083
Bank interest income		(1,245)	(1,185)
Interest income from debt instrument at amortised cost		(2,654)	(2,061)
Depreciation of property, plant and equipment		14,359	13,070
Finance costs		1,533	2,186
Loss on disposal of equity instruments at FVPL		–	487
Loss on disposal of property, plant and equipment, net		62	7
Impairment loss on goodwill		1,369	–
Impairment loss on trade receivables, net		1,359	3,331
Impairment loss on other receivables		2,210	345
Impairment loss on debt instrument at amortised cost		17,591	4,810
Equity-settled share-based payment expenses		1,428	1,356
Change in fair value of equity instruments at FVPL		3,910	4,124
Operating cash flows before changes in working capital		5,707	24,158
Changes in working capital			
Trade and other receivables		(8,224)	(840)
Inventories		(50,577)	78,489
Trade and other payables		73,907	(49,600)
Cash generated from operations		20,813	52,207
Income tax paid		(1,422)	(86)
Net cash from operating activities		19,391	52,121
INVESTING ACTIVITIES			
Interest received		4,682	415
Purchase of property, plant and equipment		(79,659)	(44,529)
Proceeds from disposal of property, plant and equipment		81	25
Proceeds from disposal of equity instruments at FVPL		–	609
Proceeds from disposal of equity instrument at FVOCI	13	–	4,577
Increase in restricted bank deposits, net		(11,008)	(628)
Additions to intangible assets		(7,140)	(2,977)
Repayment received from debt instrument at amortised cost	18	3,619	–
Net cash used in investing activities		(89,425)	(42,508)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES		
Repayment for lease liabilities	(11,348)	(9,584)
Interest paid	(1,533)	(2,186)
New bank borrowings raised	91,436	25,000
Repayment of bank borrowings	(39,410)	(39,193)
Capital contribution made by the non-controlling shareholders of subsidiaries	3,550	–
Net cash from (used in) financing activities	42,695	(25,963)
Net decrease in cash and cash equivalents	(27,339)	(16,350)
Cash and cash equivalents at the beginning of the year	85,596	102,443
Effect on exchange rate changes	(1,946)	(497)
Cash and cash equivalents at the end of the year	56,311	85,596
Analysis of balances of cash and cash equivalents		
Bank balances and cash	56,311	84,572
Time deposits with original maturity of less than three months	–	1,024
	56,311	85,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Haina Intelligent Equipment International Holdings Limited (the “**Company**”, together with its subsidiaries are collectively referred to as the “**Group**”) 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, 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. MATERIAL ACCOUNTING POLICY INFORMATION

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Statement of compliance *(continued)*

Adoption of new/revised HKFRSs

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

A summary of the material accounting policy information adopted by the Group in preparing the consolidated financial statements is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for equity instruments at FVPL, which are measured at fair value, as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented within these notes, the investment in subsidiaries is stated at cost less impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill arising on an acquisition of a business is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Right-of-use assets	Over the unexpired terms of lease
Plant and machinery	2 to 10 years
Motor vehicles	4 to 10 years
Office equipment	3 to 5 years
Computer equipment	3 to 10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Construction in progress represents plant and equipment under construction. It is stated at cost less any impairment losses, and is not depreciated. The cost includes cost of construction, plant and equipment and other direct costs plus borrowing costs which include interest charges and exchange differences arising from foreign currency borrowings used to finance these projects during the construction period, to the extent that these are regarded as an adjustment to borrowing costs.

Construction in progress is not depreciated until such time as the assets are completed and substantially ready for their intended use and transferred to the appropriate categories of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 2 to 3 years.

Software

Software is initially recognised and measured at cost incurred to acquire and being to use. Subsequent to initial recognition, the software with finite useful lives are reported at costs less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over expected lines of software, which are determined to 2 to 3 years.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss (“**FVPL**”), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income (“**Designated FVOCI**”); or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group’s business model for managing the financial assets and the financial asset’s contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group’s financial assets at amortised cost include trade and other receivables, debt instrument at amortised cost, restricted bank deposits and bank balances and cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and measurement (continued)

2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

- (i) acquired principally for the purpose of selling it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets measured at FVPL include equity instruments at FVPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial instruments *(continued)*

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and interest-bearing borrowings. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Measurement of ECL *(continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) nature of instrument
- (ii) past-due status
- (iii) nature, size and industry of debtors
- (iv) external credit risk ratings where available

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information to demonstrate otherwise.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Restricted bank deposits and bank balances and cash are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue from contracts with customers

Nature of goods or services

The nature of the goods or services provided by the Group is the design and production of automated machines for disposable hygiene products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

Timing of revenue recognition (continued)

Sale of automated machines for disposable hygiene products and related components and parts are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Performance obligation: warranties

Sales-related warranties associated with automated machines for disposable hygiene products cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for the warranties in accordance with HKAS 37.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the sales of automated machines for disposable hygiene products, and components and parts, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is Hong Kong Dollars ("**HK\$**") and majority of its subsidiaries have RMB as their functional currency. The consolidated financial statements are presented in the currency of RMB, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate.
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Foreign currency translation *(continued)*

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised.
- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.
- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment (including right-of-use assets and construction in progress), intangible assets and the Company's investment in a subsidiary may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Impairment of non-financial assets, other than goodwill *(continued)*

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account/recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant. The benefit of the below-market rate of interest shall be measured as the difference between the initial fair value of the loan and the proceeds received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset (included in property, plant and equipment) and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Factories and office premises	2 to 9 years
Leasehold lands	50 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Leases *(continued)*

As lessee *(continued)*

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Leases *(continued)*

As lessee *(continued)*

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;
- (b) the Group determines the lease term of the modified contract;
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group's entities established in Hong Kong in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Share-based payment transaction

Equity-settled transactions – share options

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an staff cost with a corresponding increase in a reserve within equity.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions ("**vesting date**"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

No expense is recognised for awards that do not ultimately vest, except for awards that are conditional on a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all non-market vesting conditions are satisfied. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Taxation *(continued)*

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Related parties *(continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to Group's executive directors for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations (if applicable).

Operating segments (if applicable) that meet the quantitative thresholds are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Other operating segments may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment, and intangible assets

The management determines the estimated useful lives of the Group's property, plant and equipment, and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation and amortisation charges included in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Critical accounting estimates and judgements *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of property, plant and equipment, and intangible assets

The management determines whether the Group's property, plant and equipment, and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment (including right-of-use assets and construction in progress) and intangible assets which is equal to the higher of fair value less cost of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment (including right-of-use assets and construction in progress) and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Loss allowance for ECL

The management of the Group estimates the loss allowance for financial assets at amortised costs including, trade receivables, other receivable and debt instrument at amortised cost by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and debt instrument at amortised cost.

Allowance for inventories

The management reviews the condition of inventories at the end of each reporting period and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The management carries out the inventory review on a product-by-product basis and makes allowances or reversal allowance by reference to the latest market prices and current market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

Critical accounting estimates and judgements *(continued)*

Key sources of estimation uncertainty *(continued)*

Income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. In addition, the realisation of the future income tax assets is dependent on the Group's ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards, as appropriate. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on results and financial position of the Group.

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/ revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ The effective date to be determined

The management of the Group does not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the consolidated financial statements of the Group.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

3. SEGMENT INFORMATION *(continued)*

Information about geographical areas *(continued)*

Revenue from external customers

	2023 RMB'000	2022 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 RMB'000	2022 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

4. REVENUE

	2023 RMB'000	2022 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 22(c)) (2022: RMB78,862,000).

5. OTHER INCOME

	2023 RMB'000	2022 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

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 (<i>Note (i)</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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

6. LOSS BEFORE TAX (continued)

This is stated after charging (crediting):

	2023 RMB'000	2022 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments paid or payable to each of the following directors were as follows:

Year ended 31 December 2023

	Directors' fees	Salaries allowances and other benefits in kind	Discretionary bonuses	Equity-settled share-based payment expenses	Contributions to defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Hong Yiyuan	271	300	25	407	72	1,075
Mr. Zhang Zhixiong	136	174	15	203	52	580
Mr. Su Chengya	136	228	18	203	68	653
Mr. He Ziping	136	384	30	203	72	825
Non-executive director						
Mr. Chang Chi Hsung	136	-	-	-	-	136
Independent non-executive directors						
Ms. Chan Man Yi (Note (a))	79	-	-	-	-	79
Mr. Chan Ming Kit	136	-	-	-	-	136
Mr. Ng Tat Fung (Note (b))	57	-	-	-	-	57
Dr. Wang Fengxiang	6	-	-	-	-	6
	1,093	1,086	88	1,016	264	3,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(a) Directors' emoluments *(continued)*

Year ended 31 December 2022

	Directors' fees	Salaries allowances and other benefits in kind	Discretionary bonuses	Equity-settled share-based payment expenses	Contributions to defined contribution plans	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Hong Yiyuan	258	300	25	386	80	1,049
Mr. Zhang Zhixiong	129	174	15	193	62	573
Mr. Su Chengya	129	227	18	193	77	644
Mr. He Ziping	129	382	30	193	80	814
Non-executive director						
Mr. Chang Chi Hsung	129	–	–	–	–	129
Independent non-executive directors						
Mr. Chan Ming Kit	129	–	–	–	–	129
Mr. Ng Tat Fung	129	–	–	–	–	129
Dr. Wang Fengxiang	6	–	–	–	–	6
	1,038	1,083	88	965	299	3,473

Notes:

- (a) On 25 May 2023, Ms. Chan Man Yi was appointed as an independent non-executive director of the Company.
- (b) On 25 May 2023, Mr. Ng Tat Fung resigned as an independent non-executive director of the Company.

Apart from being appointed as executive director, Mr. Hong Yiyuan is also the chief executive officer of the Group, and his emoluments disclosed above included those for services rendered by him as chief executive officer during the years ended 31 December 2023 and 2022.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

For the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year ended 31 December 2023 included four (2022: four) directors, details of whose remuneration are reflected in the analysis presented above. Details of the remuneration of the one (2022: one) highest paid non-director individual whose emoluments are disclosed as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other benefits	320	310
Discretionary bonuses	25	25
Equity-settled share-based payment expenses	8	9
Contributions to defined contribution plans	84	88
	<hr/> 437	<hr/> 432

The number of this non-director individual whose emoluments fell within the following emoluments band is as follows:

	Number of individuals	
	2023	2022
Nil to HK\$1,000,000	1	1

During the years ended 31 December 2023 and 2022, no remuneration was paid by the Group to any of this highest paid non-director individual as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of this highest paid non-director individual waived or has agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

8. INCOME TAX EXPENSE (CREDIT)

	2023 RMB'000	2022 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 (<i>Note 25</i>)	(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 晉江海納機械有限公司 (Jinjiang Haina Machinery Co. Ltd*) (“**Jinjiang Haina**”) and 杭州海納機械有限公司 (Hangzhou Haina Machinery Co. Ltd*) (“**Hangzhou Haina**”) were recognised as High and New Technology Enterprises and are entitled to a preferential tax rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approvals for Jinjiang Haina and Hangzhou Haina enjoying this tax benefit were obtained in December 2022 for the three years ending 31 December 2025 and in December 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 profits 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.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

8. INCOME TAX EXPENSE (CREDIT) (continued)

Reconciliation of income tax expense

	2023 RMB'000	2022 RMB'000
Loss before tax	(36,728)	(5,395)
Income tax at statutory tax rate applicable in respective tax jurisdictions	(6,303)	(154)
Effect of preferential tax treatments	(174)	(1,065)
Tax exempt revenue	(115)	(21)
Additional tax deduction on research and development expenses	(2,967)	(3,706)
Non-deductible expenses	5,922	3,890
Unrecognised tax losses	4,441	2,012
Over-provision in prior year	–	(3,130)
Income tax expense (credit) for the year	804	(2,174)

9. LOSS PER SHARE

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

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

10. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets RMB'000 (Note 23)	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Computer equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Reconciliation of carrying amount – year ended 31 December 2022							
At 1 January 2022	25,116	6,572	2,129	58	1,176	–	35,051
Additions	43,769	50	325	195	131	21,589	66,059
Disposals	–	–	(32)	–	–	–	(32)
Depreciation	(10,685)	(1,478)	(504)	(92)	(311)	–	(13,070)
Exchange realignment	29	–	–	–	–	–	29
At 31 December 2022	58,229	5,144	1,918	161	996	21,589	88,037
Reconciliation of carrying amount – year ended 31 December 2023							
At 1 January 2023	58,229	5,144	1,918	161	996	21,589	88,037
Additions	12,533	5,079	546	229	309	106,743	125,439
Disposals	–	(142)	–	(1)	–	–	(143)
Depreciation	(11,739)	(1,571)	(655)	(200)	(194)	–	(14,359)
Lease modification	(159)	–	–	–	–	–	(159)
Exchange realignment	7	–	–	–	–	–	7
At 31 December 2023	58,871	8,510	1,809	189	1,111	128,332	198,822
At 31 December 2022							
Cost	91,878	14,501	3,053	1,169	2,485	21,589	134,675
Accumulated depreciation	(33,649)	(9,357)	(1,135)	(1,008)	(1,489)	–	(46,638)
	58,229	5,144	1,918	161	996	21,589	88,037
At 31 December 2023							
Cost	104,186	18,971	3,599	1,377	2,794	128,332	259,259
Accumulated depreciation	(45,315)	(10,461)	(1,790)	(1,188)	(1,683)	–	(60,437)
	58,871	8,510	1,809	189	1,111	128,332	198,822

The Group leases various office premises for its daily operations and business development and lease terms range from 2 to 9 years (2022: 2 to 6 years).

The Group has obtained the land use rights certificates for all leasehold lands. At the end of the reporting period, the remaining lease term of lands is about 48 years (2022: 49 years).

In light of the reduction of revenue and continuous operating losses of the Group's production facilities in Hangzhou as a result of the fierce market competition, the management of the Group considered that there is indication of impairment on the property, plant and equipment (including right-of-use assets) of RMB144,362,000 allocating to Hangzhou Haina CGU (as defined in Note 14) and the impairment assessment of these property, plant and equipment has been performed together with intangible assets and goodwill relating to Hangzhou Haina CGU (as detailed in Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

12. INTANGIBLE ASSETS

	Development costs RMB'000	Software RMB'000	Total RMB'000
Reconciliation of carrying amount – year ended 31 December 2022			
At 1 January 2022	5,331	–	5,331
Additions	2,977	–	2,977
Amortisation	(3,083)	–	(3,083)
At 31 December 2022	5,225	–	5,225
Reconciliation of carrying amount – year ended 31 December 2023			
At 1 January 2023	5,225	–	5,225
Additions	6,610	2,714	9,324
Amortisation	(2,393)	(120)	(2,513)
At 31 December 2023	9,442	2,594	12,036
At 31 December 2022			
Cost	23,527	–	23,527
Accumulated amortisation	(18,302)	–	(18,302)
	5,225	–	5,225
At 31 December 2023			
Cost	30,137	2,714	32,851
Accumulated amortisation	(20,695)	(120)	(20,815)
	9,442	2,594	12,036

Development costs represented costs incurred at the development phase of certain new technologies for the production of machines for disposable hygiene products, which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 2.

Software mainly represented costs incurred for development of a real time operation data analysis platform system for purpose to archive streamlined production management, which are amortised in accordance with accounting policies set in Note 2.

The management of the Group considered that there is indication of impairment on the intangible assets of RMB2,513,000 allocating to Hangzhou Haina CGU (as defined in Note 14) and the impairment assessment of these intangible assets has been performed together with property, plant and equipment and goodwill relating to the Hangzhou Haina CGU (as detailed in Note 14).

The carrying amounts of intangible assets of RMB2,513,000 have been allocated to Hangzhou Haina CGU (as defined in Note 14) and have been included in the impairment assessment of goodwill (as detailed in Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

13. EQUITY INSTRUMENT AT FVOCI

	2023 RMB'000	2022 RMB'000
Unlisted equity instrument, fair value		
At the beginning of the reporting period	–	14,267
Change in fair value recognised in other comprehensive income	–	(1,712)
Derecognition of financial assets at FVOCI upon disposal	–	(12,555)
At the end of the reporting period	–	–

During the year ended 31 December 2022, Haina Technology, an indirect wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party to dispose of its unlisted equity instrument, at a consideration of HK\$14,200,000 (equivalent to approximately RMB12,555,000), which was also the fair value as at the date of disposal as the investment no longer meets the investment objective of the Group. The transaction was completed on 30 December 2022 and the unlisted equity instrument was then derecognised during the year ended 31 December 2022.

The consideration would be settled by instalments in accordance with the sale and purchase agreement on or before 31 December 2023. At 31 December 2023, the remaining balances of consideration of HK\$2,500,000 (equivalent to approximately RMB2,281,000) (2022: HK\$9,000,000 equivalent to approximately RMB7,978,000) was recognised as consideration receivable included in other receivables as disclosed in Note 19 to the consolidated financial statements.

14. GOODWILL

	2023 RMB'000	2022 RMB'000
Reconciliation of carrying amount		
At the beginning of the reporting period	1,369	1,369
Less: Impairment loss	(1,369)	–
At the end of the reporting period	–	1,369

Goodwill arises from the acquisition of 51% equity interest in Hangzhou Haina at cash consideration of RMB10,200,000 in July 2018. The excess of the fair value consideration transferred over the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed of approximately RMB1,369,000 was recognised as goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

14. GOODWILL (continued)

The Group's management considers Hangzhou Haina represents a separate cash-generating unit (the "Hangzhou Haina CGU") to which goodwill has been allocated. At 31 December 2023 and 2022, the Group assessed the recoverable amount of the relevant cash-generating unit with reference to a value-in-use calculation based on the cash flow projection of Hangzhou Haina. The directors of the Company have engaged BonVision International Appraisals Limited, an independent professional valuer, to assist them to assess the recoverable amount of Hangzhou Haina CGU at 31 December 2023. The calculation used cash flow projection based on financial budgets approved by the directors of the Company covering a 5-year period. Cash flows beyond the 5-year period have been extrapolated using a 2.2% (2022: 2.0%) long-term growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Key assumptions used for value-in-use calculation are as follows:

	2023	2022
Long-term growth rate	2.2%	2.0%
Discount rate (pre-tax)	11.7%	17.0%

Based on the impairment assessment of Hangzhou Haina CGU, the goodwill allocated to Hangzhou Haina CGU was determined to be impaired. An impairment loss of approximately RMB1,369,000 (2022: Nil) against the goodwill was recognised in profit or loss during the year ended 31 December 2023. The Group's management considers the major factors contributing to the impairment of the goodwill were that the financial performance of Hangzhou Haina business was adversely affected by the fierce market competition among other market participants within the disposable hygiene product machine industry in the PRC which resulted decreasing in sales orders in Hangzhou Haina together with unfavorable changes in operating cost over the 5-year forecast period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

15. SUBSIDIARIES

Details of the subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation / establishment	Issued/ registered capital	Proportion ownership interest and voting power held by the Company		Principal activities/ place of operation	Legal form of corporate existence
			Directly	Indirectly		
Affluent International Group Limited	The BVI	United States Dollar (US\$) 1	100% (2022: 100%)	N/A	Investment holding/ Hong Kong	Private limited liability company
Haina Intelligent Development Company Limited	The BVI	US\$1	100% (2022: 100%)	N/A	Inactive/ The BVI	Private limited liability company
Globalcare-Info Limited	Hong Kong	HK\$100	N/A	100% (2022: N/A)	Investment holding/ Hong Kong	Private limited liability company
Haina Technology	Hong Kong	HK\$1	N/A	100% (2022: 100%)	Trading of machines for disposable hygiene products and investment holding/Hong Kong	Private limited liability company
海納智能貿易有限公司 (Haina Intelligent Trading Company Limited*)	Hong Kong	HK\$100	N/A	100% (2022: 100%)	Inactive/ Hong Kong	Private limited liability company
Jinjiang Haina	The PRC	RMB138,000,000 (2022: RMB100,000,000)	N/A	100% (2022: 100%)	Design and production of machines for disposable hygiene products/The PRC	Wholly foreign-owned enterprise
Hangzhou Haina	The PRC	RMB20,000,000	N/A	100% (2022: 100%)	Design and production of machines for disposable hygiene products/The PRC	Private limited liability company
晉江嘉初科技有限公司 (formerly known as 晉江市嘉初網絡科技有限公司) (Jinjiang Jiachu Technology Co., Ltd.*)	The PRC	RMB1,000,000	N/A	100% (2022: 100%)	Technology and related activities/ The PRC	Private limited liability company

* English name is for identification only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

15. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation / establishment	Issued/ registered capital	Proportion ownership interest and voting power held by the Company		Principal activities/ place of operation	Legal form of corporate existence
			Directly	Indirectly		
浙江海納智匯科技有限公司 (Zhejiang Haina Zhihui Technology Co., Ltd.*)	The PRC	US\$15,000,000 (2022: US\$10,000,000)	N/A	100% (2022: 100%)	Inactive/The PRC	Wholly foreign-owned enterprise
浙江海納同創智能科技有限公司 (Zhejiang Haina Tongchuang Intelligent Technology Co., Ltd.)* ("Haina Tongchuang")	The PRC	RMB100,000,000	N/A	100% (2022: 100%)	Investment holding/ The PRC	Private limited liability company
晉江市海佳智能裝備有限公司 (Jinjiang Haijia Intelligent Equipment Co., Ltd.)* ("Jinjiang Haijia")	The PRC	RMB3,000,000	N/A	80% (2022: 80%)	Trading of machines for disposable hygiene products and investment holding/The PRC	Private limited liability company
晉江海億機械有限公司 (Jinjiang Haiyi Machinery Co., Ltd.)*	The PRC	RMB3,000,000	N/A	51% (2022: N/A)	Metal cutting machine tool manufacturing; industrial automatic control system device manufacturing/The PRC	Private limited liability company
晉江市海納鴻騰機械有限公司 (Jinjiang Haina Hongteng Machinery Co., Ltd.)*	The PRC	RMB3,000,000	N/A	51% (2022: N/A)	Manufacturing of special packaging equipment/The PRC	Private limited liability company
晉江海拓機械有限公司 (Jinjiang Haituo Machinery Co., Ltd.)*	The PRC	RMB5,000,000	N/A	51% (2022: N/A)	Metal cutting machine tool manufacturing; industrial automatic control system device manufacturing/ The PRC	Private limited liability company
奧普思智能包裝系統佛山有限公司 (Aopusi Intelligent Packaging System (Foshan) Co., Ltd.)* ("Aopusi")	The PRC	RMB5,000,000	N/A	55% (2022: N/A)	Manufacturing and sales of industrial automatic control system devices/ The PRC	Private limited liability company

* English name is for identification purpose only.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

16. INVENTORIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Raw materials	133,634	99,828
Work-in-progress	106,977	89,594
Finished goods	8,841	9,453
	249,452	198,875
Less: Allowance for inventories	(1,268)	(1,268)
	248,184	197,607

17. EQUITY INSTRUMENTS AT FVPL

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Listed equity securities in Hong Kong	438	4,257

The fair values of the listed equity securities are determined on the basis of quoted market closing prices available on the Stock Exchange at the end of each reporting period.

18. DEBT INSTRUMENT AT AMORTISED COST

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Unlisted debt instrument, unsecured		32,841	35,458
Less: Allowance for ECL	31	(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

18. DEBT INSTRUMENT AT AMORTISED COST *(continued)*

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 report, the Group received subsequent settlement of HK\$1,000,000 on the Bond outstanding principal as at 31 December 2023.

Information about the Group's exposure to credit risks and loss allowance for unlisted debt instrument is set out in Note 31 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

19. TRADE AND OTHER RECEIVABLES

	Note	2023 RMB'000	2022 RMB'000
Trade receivables		82,439	83,726
Less: Allowance for ECL	31	(9,317)	(7,958)
	19(a)	73,122	75,768
Bills receivables	19(b)	–	1,394
Other receivables			
Prepayment to suppliers		4,790	3,912
Other prepaid expenses		3,401	4,702
Consideration receivable	13	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	31	(2,643)	(400)
		44,004	38,255
		117,126	115,417

19(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

19. TRADE AND OTHER RECEIVABLES *(continued)*

19(a) Trade receivables *(continued)*

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:

	2023 RMB'000	2022 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 RMB'000	2022 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.

At 31 December 2023 and 2022, in the opinion of the Company's directors, there was no credit-impaired trade receivables except for debtors with gross trade receivables of approximately RMB6,052,000 (2022: RMB6,613,000) at 31 December 2023.

19(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

20. RESTRICTED BANK DEPOSITS

Restricted bank deposits are deposits which are placed in the PRC banks as securities for the issuance of bills payables (Note 22(b)).

21. BANK BALANCES AND CASH

Cash at banks earn interest at floating rates based on daily bank deposit rates. The carrying amounts of bank balances and cash are denominated in the following currencies:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
RMB	52,274	68,446
HK\$	53	5,306
US\$	3,984	11,844
	56,311	85,596

At 31 December 2023, bank balances that were placed with banks in the PRC amounted to approximately RMB48,478,000 (2022: approximately RMB79,456,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

22. TRADE AND OTHER PAYABLES

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	22(a)	78,913	50,600
Bills payables	22(b)	58,688	29,810
Other payables			
Salaries payable		6,538	5,674
Contract liabilities – receipt in advance	22(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

22. TRADE AND OTHER PAYABLES *(continued)*

22(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

22(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).

22(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 RMB'000	2022 RMB'000
At the beginning of the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

23. LEASES

	2023 RMB'000	2022 RMB'000
Right-of-use assets (Note 11)		
Leased properties	16,454	14,937
Leasehold lands	42,417	43,292
	58,871	58,229
Lease liabilities		
Current	6,845	10,592
Non-current	10,301	5,528
	17,146	16,120

In addition to the information disclosed in Note 11, the Group had the following amounts relating to leases during the year ended 31 December 2023 and 31 December 2022:

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets		
Leased properties	10,864	10,208
Leasehold lands	875	477
	11,739	10,685
Less: capitalised as "construction in progress"	(875)	(477)
	10,864	10,208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

23. LEASES (continued)

The present value of lease liabilities is summarised as below:

	2023		2022	
	Lease payments RMB'000	Present value of lease payments RMB'000	Lease payments RMB'000	Present value of lease payments RMB'000
Amounts payable:				
Within 1 year	7,387	6,845	11,041	10,592
More than 1 year but within 2 years	1,949	1,544	5,606	5,528
More than 2 years but within 5 years	5,463	4,641	–	–
After 5 years	4,436	4,116	–	–
	19,235	17,146	16,647	16,120
Less: future finance charges	(2,089)	–	(527)	–
Total lease liabilities	17,146	17,146	16,120	16,120

The total cash outflow for leases for the year ended 31 December 2023 was approximately RMB11,960,000 (2022: approximately RMB32,694,000).

24. INTEREST-BEARING BORROWINGS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

24. INTEREST-BEARING BORROWINGS (continued)

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

	2023 RMB'000	2022 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 RMB'000	2022 RMB'000
Effective interest rate:		
Fixed-rate borrowings	2.70% to 3.65%	3.5% to 4.5%
Variable-rate borrowings	3.78% to 3.90%	–

The carrying amounts of the interest-bearing borrowings are denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	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.

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

The Group regularly monitors its compliance with these covenants and has made payments according to the schedule of the loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in Note 31 to the consolidated financial statements. At 31 December 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

25. DEFERRED TAXATION

The movements in the Group's deferred tax assets (liabilities) for the years were as follows:

	Tax losses <i>RMB'000</i>	Depreciation allowance <i>RMB'000</i>	Accrued revenue and costs <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	2,174	–	(1,074)	(799)	301
Credit to profit or loss	–	2	–	15	17
At 31 December 2022 and 1 January 2023	2,174	2	(1,074)	(784)	318
Credit to profit or loss	–	(2)	–	331	329
At 31 December 2023	2,174	–	(1,074)	(453)	647

For the purpose of presentation in the consolidated financial statements, the following is the analysis of the deferred taxation:

	Assets		Liabilities	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Accrued revenue and costs	–	–	(1,074)	(1,074)
Depreciation allowance	–	2	–	–
Intangible assets	–	–	(453)	(784)
Tax losses	2,174	2,174	–	–
Deferred tax assets (liabilities)	2,174	2,176	(1,527)	(1,858)
Offsetting	–	(2)	–	2
	2,174	2,174	(1,527)	(1,856)
Amounts expected to be settled:				
After 12 months	2,174	2,174	(1,527)	(1,856)

At the end of reporting period, the Group has unused estimated tax losses of approximately RMB53,287,000 (2022: RMB27,909,000) arising in the PRC but can be offset against future taxable profits of the respective subsidiary for a maximum of 5 years from the year in which the tax loss was incurred.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Year of expiry		
2026	14,494	14,494
2027	13,415	13,415
2028	25,378	–
	53,287	27,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

25. DEFERRED TAXATION *(continued)*

Deferred tax assets of approximately RMB2,174,000 (2022: RMB2,174,000) have been recognised in respect of such loss and no deferred tax assets has been recognised in respect of the remaining unused tax losses of approximately RMB38,793,000 (2022: RMB13,415,000) due to the unpredictability of future profit streams.

No deferred tax has been recognised for withholding taxes that would be payables on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits that have been recognised were approximately RMB6,672,000 (2022: RMB8,234,000).

26. 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

27. RESERVES

27(a) Share premium

Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

27(b) Capital reserve

Capital reserve represents waiver of amount due to ultimate holding company during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

27. RESERVES *(continued)*

27(c) Statutory reserve

Statutory reserve is required to be appropriated from profit after income tax of the entity which established in the People's Republic of China (the "PRC"), determined in accordance with the relevant laws and regulations in the PRC. Allocation to the statutory reserve shall be approved by the board of directors of the PRC entity. The appropriation to statutory reserve may cease if the balance of the statutory reserve has reached 50% of the registered capital of the PRC entity. The statutory reserve can be used to make up for losses, expand the existing operation or for conversion into capital. The PRC entity may, upon the approval by a resolution of shareholders' general meeting/board of directors' meeting, convert the statutory reserve into capital in proportion to the then existing shareholdings. However, when converting the statutory reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital of that entity.

27(d) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the Group's entities that have functional currency different from the presentation currency for consolidation.

27(e) Fair value reserve (non-recycling)

Fair value reserve (non-recycling) comprises the accumulated gains and losses arising on the change in fair value of equity instrument designated at FVOCI under HKFRS 9 that is held at the end of the reporting period.

28. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

28. SHARE-BASED PAYMENTS *(continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

28. SHARE-BASED PAYMENTS (continued)

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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

28. SHARE-BASED PAYMENTS (continued)

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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

28. SHARE-BASED PAYMENTS *(continued)*

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

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

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.

29. ADDITIONAL INFORMATION ON CASH FLOWS

29(a) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group has following major non-cash transactions:

During the year ended 31 December 2023, the Group recognised right-of-use assets by incurring lease liabilities of approximately RMB12,533,000 (2022: Nil).

During the year ended 31 December 2023, the Group adjusted right-of-use assets by remeasuring lease liabilities of approximately RMB159,000 (2022: Nil) upon modifying lease with decreased lease consideration and shortening of lease terms.

During the year ended 31 December 2023, the Group transferred other prepaid expense of approximately RMB2,184,000 (2022: Nil) in respect of addition to intangible assets.

During the year ended 31 December 2023, the Group incurred payables of approximately RMB33,247,000 to the constructors for the addition of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

29. ADDITIONAL INFORMATION ON CASH FLOWS *(continued)*

29(b) Reconciliation of liabilities arising from financing activities

Details of the changes in the Group's liabilities from financing activities are as follows:

	Interest- bearing borrowing	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022	39,193	25,704	64,897
Cash flows, net	(15,508)	(10,455)	(25,963)
Interest expenses	1,315	871	2,186
At 31 December 2022 and 1 January 2023	25,000	16,120	41,120
Cash flows, net	51,105	(11,960)	39,145
Additions	–	12,533	12,533
Lease modification	–	(159)	(159)
Interest expenses	921	612	1,533
At 31 December 2023	77,026	17,146	94,172

30. RELATED PARTY/CONNECTED TRANSACTIONS

In addition to the information disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties:

30(a) Related party transaction

There are no other related party transactions during the years ended 31 December 2023 and 2022.

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

There was no remuneration to members of key management other than the Company's directors as disclosed in Note 7 for the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

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

30(c) Connected transactions

During the years ended 31 December 2023 and 2022, the Group had the following transactions with persons who would be regarded as connected persons as defined in the Chapter 14A of the Listing Rules:

	Note	2023 RMB'000	2022 RMB'000
Purchase of materials from:			
晉江市恒勤機械工貿有限公司 (Jinjiang City Hengqin Machinery Industry and Trade Limited*) (“ Hengqin Machinery ”)	(i)	7,816	6,187
晉江市盛榮機械設備有限公司 (Jinjiang City Shengrong Machinery Equipment Limited*) (“ Shengrong Machinery ”)	(ii)	2,325	2,190
廣東愛美高智能設備有限公司 (Guangdong Imiko Intelligent Equipment Co., Ltd.*) (“ Guangdong Imiko ”)	(iii)	408	—

Notes:

- (i) Hengqin Machinery is a limited liability company established in the PRC, and is wholly-owned by three relatives of one of the Controlling Shareholders of the Company.
- (ii) Shengrong Machinery is a limited liability company established in the PRC, and is a wholly-owned by a relative of one of the Controlling Shareholders of the Company.
- (iii) Guangdong Imiko is a limited liability company established in the PRC, and is ultimately controlled by a controlling shareholder of Aopusi.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of unlisted debt instrument at amortised cost, listed equity securities at FVPL, restricted bank deposits, bank balances and cash and interest-bearing borrowings. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

At 31 December 2023

	Financial assets at amortised cost RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
Assets			
Listed equity securities at FVPL	–	438	438
Unlisted debt instrument at amortised cost	9,130	–	9,130
Trade and other receivables	79,732	–	79,732
Restricted bank deposits	33,336	–	33,336
Bank balances and cash	56,311	–	56,311
Total	178,509	438	178,947
Liabilities			
			Financial liabilities at amortised costs RMB'000
Trade and other payables			193,301
Interest-bearing borrowings			77,026
Total			270,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

At 31 December 2022

	Financial assets at amortised cost <i>RMB'000</i>	Financial assets at FVPL <i>RMB'000</i>	Total <i>RMB'000</i>
Assets			
Listed equity securities at FVPL	–	4,257	4,257
Unlisted debt instrument at amortised cost	29,653	–	29,653
Trade and other receivables	89,688	–	89,688
Restricted bank deposits	22,328	–	22,328
Bank balances and cash	85,596	–	85,596
Total	227,265	4,257	231,522

	Financial liabilities at amortised costs <i>RMB'000</i>
Liabilities	
Trade and other payables	99,686
Interest-bearing borrowings	25,000
Total	124,686

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the management meet regularly and co-operate closely with the directors of the Company to identify and evaluate risks and generally adopt conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum as follows:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank borrowings with floating interest rate. The Group's policy to manage its interest cost using a mix of fixed and variable rate debt. The management of the Group will review the proportion of borrowings in fixed and floating and ensure they are within reasonable range.

The Group has not entered into any interest rate swaps to hedge its exposure to interest risks and the Group's interest rate risk is mainly concentrated on the fluctuation of loan prime rate arising from the Group's bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

At 31 December 2022, the Group had no any bank borrowings with floating interest rate.

At 31 December 2023, it is estimated that an increase/decrease of 1% in interest rates would increase/decrease the Group's loss before tax by approximately RMB277,000 (2022: Nil).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

Foreign currency risk

The Group's transactions are mainly denominated in RMB, HK\$ and US\$.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currencies of the respective group entities and therefore exposed to foreign currency risk. The net carrying amounts of those financial assets and liabilities are analysed as follows:

	Financial assets, net	
	2023	2022
	RMB'000	RMB'000
US\$	9,084	17,051

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of US\$ had changed against the functional currencies of the respective group entities by 5% and all other variables were held constant at the end of the reporting period.

	2023	2022
	RMB'000	RMB'000
US\$	454	853

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In the opinion of the Group's management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of reporting period does not reflect the exposure during the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

The Group is exposed to equity price changes arising from equity investments of trading securities classified as listed equity securities at FVPL. In addition, the Group also invested in an unlisted equity instrument for long term strategic purposes which had been designated at FVOCI.

The Group's listed equity investments are listed on the Stock Exchange. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the stock market index and other industry indicators, as well as the Group's liquidity needs.

At 31 December 2023, it is estimated that a change of 15% (2022: 15%) in the relevant stock market index (for listed investments), with all other variables held constant, would have changed the Group's loss before tax as follows:

	2023		2022	
	Increase (decrease) in equity price	RMB'000	Increase (decrease) in equity price	RMB'000
Changes in the relevant equity price risk variable:				
Increase	15%	66	15%	639
Decrease	(15%)	(66)	(15%)	(639)

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the end of the next annual reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is mainly attributable to trade and other receivables, debt instrument at amortised cost, restricted bank deposits and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade and other receivables	79,732	89,688
Unlisted debt instrument at amortised cost	9,130	29,653
Restricted bank deposits	33,336	22,328
Bank balances and cash	56,311	85,596
	178,509	227,265

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit are subject to credit verification procedures.

The Group's management considers the credit risk in respect of restricted bank deposits and bank balances is minimal because the counterparties are authorised financial institutions with high credit ratings.

The Group's management limits the Group's exposure to credit risk by taking timely actions once there is any indication for recoverability problem of each individual debtor.

The Group's management also reviews the recoverable amount of each individual debtor, including related and third parties, at the end of the reporting period to ensure adequate allowance is made for irrecoverable amount.

At 31 December 2023, the Group had a concentration of credit risk as approximately 6% (2022: 12%) of the total trade receivables was due from the Group's largest trade debtor and approximately 27% (2022: 43%) of the total trade receivables was due from the Group's five largest trade debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The ECL allowance on trade receivables subject to ECL model which are assessed for individual debtors are approximately RMB9,317,000 (2022: RMB7,958,000) on gross amount of approximately RMB82,439,000 (2022: RMB83,726,000) at 31 December 2023.

The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers at 31 December 2023 and 2022.

At 31 December 2023

Internal credit rating (Remarks)	Average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Risk Category 1	1.11	37,968	420
Risk Category 2	1.14	880	10
Risk Category 3	4.81	23,612	1,136
Risk Category 4	12.2	13,927	1,699
Risk Category 5	100.00	6,052	6,052
		82,439	9,317

At 31 December 2022

Internal credit rating (Remarks)	Average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Risk Category 1	0.42	14,868	62
Risk Category 2	0.80	2,129	17
Risk Category 3	2.11	60,116	1,266
Risk Category 5	100.00	6,613	6,613
		83,726	7,958

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Trade receivables *(continued)*

Remarks:

Risk Category	Description
Risk Category 1	The debtor has on-going business relationship with the Group with a good credit history. The Group expects the debtor to settle the receivable within one year.
Risk Category 2	The debtor has no recent business relationship with the Group but a good credit history is proven from various sources. The Group expects the debtor to settle the receivable within one year.
Risk Category 3	The debtor failed to settle on time due to a temporary problem, but the Group expects the problem could be resolved and the outstanding amount could be settled in a foreseeable future.
Risk Category 4	The counterparty failed to settle the receivables on time and the situation could not be resolved in a foreseeable future.
Risk Category 5	There is substantial evidence suggesting the counterparty is defaulted or that the Group could not contact the counterparty.

The following table shows the movements in allowance for ECL that has been recognised for trade receivables during the years ended 31 December 2023 and 2022.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At the beginning of the reporting period	7,958	4,627
Increase in allowance, net	1,359	3,331
At the end of the reporting period	9,317	7,958

During the year ended 31 December 2023, the changes in loss allowance on trade receivables were due to the decrease in long outstanding balance of certain debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Other receivables

The management of the Group considers that the financial assets included in other receivables (except for consideration receivable and interest receivable for debt instrument at amortised cost) have low credit risk based on its strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Impairment on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years and the financial position of the counterparties, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. Except for other receivables in respect of consideration receivable and interest receivable for debt instrument at amortised cost which were identified to have significant increase in credit risk, and impairment losses of approximately RMB2,643,000 (2022: RMB400,000) were recognised during the year ended 31 December 2023, the management of the Group considers the ECL of remaining other receivables to be insignificant after taking into account the financial position and credit quality of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the years ended 31 December 2023 and 2022.

The following table shows the movements in allowance for ECL that has been recognised for other receivables during the years ended 31 December 2023 and 2022.

	2023 RMB'000	2022 RMB'000
At the beginning of the reporting period	400	44
Increase in allowance	2,210	345
Exchange realignment	33	11
At the end of the reporting period	2,643	400

Debt instrument at amortised cost

At 31 December 2023, the investment in debt instrument at amortised cost represents unquoted interest-bearing instrument. The management of the Group assessed the credit quality of instrument issuer based on its historical payment information (including interest payment), if applicable, financial position of the instrument issuer, and with reference to the relevant default probability analysis available in similar market. During the year ended 31 December 2023, a significant increase in credit risk was identified since the initial recognition of the investment, owing to defaults of the bond issuer in making interest and principal payments for its indebtedness, and the loss allowance recognised during the year was therefore measured at amount equal to lifetime ECL. Based on the assessment, loss allowance of approximately RMB17,591,000 (2022: RMB4,810,000) was recognised in profit or loss during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Debt instrument at amortised cost *(continued)*

The following table shows the movements in allowance for ECL that has been recognised for debt instrument at amortised cost during the years ended 31 December 2023 and 2022.

	Lifetime ECL – credit impaired RMB'000	Lifetime ECL – not credit impaired RMB'000
For the year ended 31 December 2023		
At the beginning of the reporting period	–	5,805
Transfer to credit impaired	5,805	(5,805)
Increase in allowance	17,591	–
Exchange realignment	315	–
At the end of the reporting period	23,711	–
		Lifetime ECL – not credit impaired RMB'000
For the year ended 31 December 2022		
At the beginning of the reporting period		786
Increase in allowance		4,810
Exchange realignment		209
At the end of the reporting period		5,805

Liquidity risk

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of plant and equipment and intangible assets. The Group finances its working capital requirements mainly by the funds generated from operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

The Group's non-derivative financial liabilities and lease liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	Total carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Less than 1 year or on demand <i>RMB'000</i>	1-2 years <i>RMB'000</i>	2-5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
At 31 December 2023						
Trade and other payables	193,301	193,301	193,301	–	–	–
Lease liabilities	17,146	19,235	7,387	1,949	5,463	4,436
Interest-bearing borrowings <i>(Note)</i>	77,026	77,026	77,026	–	–	–
	287,473	289,562	277,714	1,949	5,463	4,436

	Total carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Less than 1 year or on demand <i>RMB'000</i>	1-2 years <i>RMB'000</i>	2-5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
At 31 December 2022						
Trade and other payables	99,686	99,686	99,686	–	–	–
Lease liabilities	16,120	16,647	11,041	5,606	–	–
Interest-bearing borrowings <i>(Note)</i>	25,000	25,000	25,000	–	–	–
	140,806	141,333	135,727	5,606	–	–

Note:

Interest-bearing borrowings with a repayment on demand clause are included in the "less than 1 year or on demand" time band in the above maturity analysis. As at 31 December 2023, the aggregate carrying amounts of these interest-bearing borrowings amounted to approximately RMB77,026,000 (2022: approximately RMB25,000,000). Taking into account of the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such interest-bearing borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, as follows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Set forth below is the maturity analysis on the term loans subject to a repayment on demand clause based on scheduled repayments.

	Total carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Less than 1 year or on demand <i>RMB'000</i>	1-2 years <i>RMB'000</i>	2-5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
At 31 December 2023						
Interest-bearing borrowings	77,026	87,011	50,066	8,048	9,946	18,951

	Total carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flow <i>RMB'000</i>	Less than 1 year or on demand <i>RMB'000</i>	1-2 years <i>RMB'000</i>	2-5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>
At 31 December 2022						
Interest-bearing borrowings	25,000	25,525	25,525	–	–	–

32. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 (lowest level): unobservable inputs for the asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

32. FAIR VALUE MEASUREMENTS *(continued)*

a) Fair value of the Group's other financial assets that are measured at fair value

Financial assets	Fair value at 31 December	Fair value hierarchy	Valuation techniques and key inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
	2023	2022			
	<i>RMB'000</i>	<i>RMB'000</i>			
Financial assets at FVPL					
Equity securities listed in Hong Kong	438	4,257	Level 1	Quoted bid prices in an active market	N/A

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements during the year.

b) Fair value of the Group's financial assets and financial liabilities carried at other than fair value

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

33. LITIGATION AND CLAIM

In August 2021, a customer of Hangzhou Haina (the "Plaintiff") submitted an application for civil case proceedings at Hangzhou City Yuhang District People's Court* (杭州市余杭區人民法院) for claiming approximately RMB3,490,000 from Jinjiang Haina and Hangzhou Haina since a machine of disposable medical face mask purchased from Hangzhou Haina in 2020 did not satisfy the quality requirement under the duly signed sales contract (the "Claim"). Based on the legal opinion of the Group's PRC lawyers, the directors of the Company are of the opinion that it is unlikely an outflow of economic benefits in respect of the Claim and therefore no provision for the Claim was made for the year ended 31 December 2021. Due to the change from the summary procedure (簡易程序) to formal procedure (普通程序), the case was subsequently transferred to Hangzhou City Linping District People's Court* (杭州市臨平區人民法院) (the "Liping Court") for any further proceedings in July 2022.

On 1 August 2022, a civil judgement issued by Linping Court was received by Hangzhou Haina, pursuant to which Hangzhou Haina was liable to pay a claim in total amount of RMB1,600,000 and interest charges of approximately RMB114,000 to the Plaintiff. The Plaintiff and Hangzhou Haina has subsequently filed an appeal with the Intermediate Court.

On 21 November 2022, a civil judgement issued by the Intermediate Court that rejected the appeal of both the Plaintiff 2 and Hangzhou Haina and upheld the civil judgement of the Linping Court. The Group has fully settled the claim to the Plaintiff in total amount of approximately RMB1,714,000 of which has been recognised in profit or loss for the year ended 31 December 2022.

* *English name is for identification purpose only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

34. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The management consider the total equity as disclosed in the consolidated statement of financial position as the Group's capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

35. COMMITMENTS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Plant and equipment		183	77
Investment in a subsidiary		—*	—*
		183	77
Current assets			
Equity instruments at FVPL		438	4,257
Debt instrument at amortised cost		9,130	29,653
Other receivables		175	1,714
Amounts due from subsidiaries		136,275	132,720
Bank balances and cash		4,535	689
		150,553	169,033
Current liabilities			
Other payables		1,213	1,686
Lease liabilities		98	79
		1,311	1,765
Net current assets		149,242	167,268
Total assets less current liabilities		149,425	167,345
Non-current liabilities			
Lease liabilities		85	—
NET ASSETS		149,340	167,345
Capital and reserves			
Share capital	26	5,088	5,088
Reserves	36(a)	144,252	162,257
TOTAL EQUITY		149,340	167,345

* Represent amounts less than RMB1,000.

The statement of financial position was approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by

Mr. Hong Yiyuan
Director

Mr. Zhang Zhixiong
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

36(a) Movement of the reserves

	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	188,294	12,559	804	(14,048)	(26,288)	161,321
Loss for the year	–	–	–	–	(14,200)	(14,200)
Other comprehensive loss: <i>Item that may be reclassified subsequently to profit or loss</i>						
Exchange difference on translation of the Company's financial statements to presentation currency	–	–	–	13,780	–	13,780
Total comprehensive loss for the year	–	–	–	13,780	(14,200)	(420)
Transactions with owners: <i>Contributions and distributions</i>						
Recognition of equity-settled share-based payment expenses <i>(Note 28)</i>	–	–	1,356	–	–	1,356
Total transaction with owners	–	–	1,356	–	–	1,356
At 31 December 2022	188,294	12,559	2,160	(268)	(40,488)	162,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

36(a) Movement of the reserves *(continued)*

	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2023	188,294	12,559	2,160	(268)	(40,488)	162,257
Loss for the year	-	-	-	-	(24,114)	(24,114)
Other comprehensive loss:						
Item that may be reclassified subsequently to profit or loss						
Exchange difference on translation of the Company's financial statements to presentation currency	-	-	-	4,681	-	4,681
Total comprehensive loss for the year	-	-	-	4,681	(24,114)	(19,433)
Transactions with owners:						
<i>Contributions and distributions</i>						
Recognition of equity-settled share-based payment expenses <i>(Note 28)</i>	-	-	1,428	-	-	1,428
Total transaction with owners	-	-	1,428	-	-	1,428
At 31 December 2023	188,294	12,559	3,588	4,413	(64,602)	144,252

The translation reserve represented foreign exchange differences arising from the translation of the Company's functional currency into the presentation currency.

37. 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.

FINANCIAL SUMMARY

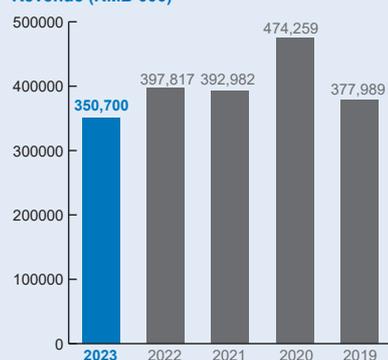
The following is a summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the Company's annual reports.

ASSETS AND LIABILITIES	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Non-current assets	213,032	96,805	79,722	41,989	46,269
Current assets	464,525	454,858	548,194	515,308	290,270
Current liabilities	(360,692)	(205,507)	(269,583)	(257,580)	(202,121)
Non-current liabilities	(11,828)	(7,384)	(18,083)	(19,719)	(21,147)
Net assets	305,037	338,772	340,250	279,998	113,271
Equity attributable to owners of the Company	303,052	338,601	340,080	272,763	99,530
Non-controlling interests	1,985	171	170	7,235	13,741
Total equity	305,037	338,772	340,250	279,998	113,271

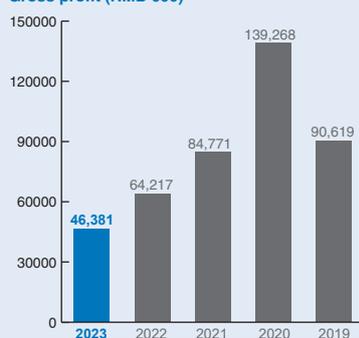
FINANCIAL SUMMARY

RESULTS	For the year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	350,700	397,817	392,982	474,259	377,989
Gross profit	46,381	64,217	84,771	139,268	90,619
(Loss) Profit before tax	(36,728)	(5,395)	27,166	63,292	36,173
Income tax (expense) credit	(804)	2,174	(870)	(13,185)	(5,085)
(Loss) Profit for the year	(37,532)	(3,221)	26,296	50,107	31,088
(Loss) Profit for the year attributable to:					
Owners of the Company	(35,796)	(3,147)	26,980	39,953	26,423
Non-controlling interests	(1,736)	(74)	(684)	10,154	4,665
	(37,532)	(3,221)	26,296	50,107	31,088

Revenue (RMB'000)



Gross profit (RMB'000)



(Loss) Profit attributable to owners of the Company (RMB'000)

