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

ANNUAL REPORT **2020**

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Chang Chi Hsung

Independent Non-Executive Directors

Mr. Chan Ming Kit
Dr. Wang Fengxiang
Mr. Ng Tat Fung

AUDIT COMMITTEE

Mr. Ng Tat Fung *(Chairman of the Committee)*
Mr. Chang Chi Hsung
Dr. Wang Fengxiang
Mr. Chan Ming Kit

REMUNERATION COMMITTEE

Mr. Chan Ming Kit *(Chairman of the Committee)*
Mr. Hong Yiyuan
Mr. Zhang Zhixiong
Mr. Ng Tat Fung
Dr. Wang Fengxiang

NOMINATION COMMITTEE

Mr. Hong Yiyuan *(Chairman of the Committee)*
Mr. Chan Ming Kit
Mr. Ng Tat Fung
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
Fujian Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CORPORATE INFORMATION

PRINCIPAL BANKERS

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

LEGAL ADVISERS

As to Hong Kong Law
Fangda Partners

As to PRC Law
Tian Yuan Law Firm

As to Cayman Islands Law
Appleby

COMPLIANCE ADVISOR

VBG Capital Limited

STOCK CODE

1645

WEBSITE

www.haina-intelligent.com

CHAIRMAN'S STATEMENT

Dear colleagues, partners and investors,

I, being entrusted by 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 the Group for the year ended 31 December 2020. The year of 2020 marked a significant milestone for our Group as the shares of Haina Intelligent were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 3 June 2020.

During the year, the Group had recorded a revenue of approximately RMB474.3 million, representing a soar of approximately 25.5% as compared to last year. Seeing a year-on-year surge of approximately 51.2% in its profit attributable to owners of Haina Intelligent amounting to approximately RMB40.0 million, the Group generated earnings per share of RMB9.55 cents and the Board recommends a final dividend of HK$0.05 per share for the year ended 31 December 2020.

During the year, the Group did not only mark the success of achieving approximately RMB474.3 million in its revenue, but also accomplished the sales of 282 units of machines in total, of which nearly approximately 34.7% was accounted by medical disposable face mask machines, representing a rise of about 25.5% as compared to that for the year ended 31 December 2019; in the meantime, while the Group has its major customer base in the People's Republic of China (the "**PRC**"), our home market, it also extended sales to 11 overseas countries during the year, altogether contributed to a year-on-year upswing of nearly 61.2% in the Group's net profit after tax, reaching a high of approximately RMB50.1 million during the year.

As a manufacturer engaging in the design and production of automated machines for disposable hygiene products, including baby diapers, adult diapers, lady sanitary napkins and medical disposable face masks in the PRC, Haina Intelligent offers a comprehensive range of services, ranging from the development of product designs with the collaboration of customers, product customisation as per customers' needs, roll-outs of quality control initiatives, product delivery and product installation for customers, not to mention its exceptional after-sales services. Today, we operate 18 and nine production lines at our Jinjiang Production Base and Hangzhou Production Base respectively.

Strong research and development capabilities have laid a solid foundation for the success of Haina Intelligent who has been crowned as the third largest supplier of disposable hygiene product machinery in the PRC. Currently owning as many as 146 patents, our research and development team gives close attention to every single technological advancement within the disposable hygiene product machinery industry. Relentlessly devoting significant resources and capital for the advancement of our research and development capabilities as well as our product quality, we never cease to develop new products to propel the innovative developments across the industry.

Aiming at securing our leading position as one of the top-notch suppliers for disposable hygiene product machinery in the PRC, we are all set for strengthening our research and development capabilities, driving the competitiveness of our products through acquisitions, boosting our production capabilities at our production bases, as well as deepening our penetration in the Chinese and overseas markets.

The specific plans are as follows:

1. STRENGTHENING RESEARCH AND DEVELOPMENT CAPABILITIES

The Group intends to acquire a suitable site for the establishment of a dedicated research and development centre located in Jinjiang of the Fujian Province in the PRC, where all of its current research and development activities will be moved to. As a site dedicated to nurturing designs amid new machine developments of the Group, the centre will underpin service developments for products under the brand of "Haina Machinery". The establishment of the centre will not only guarantee the Group with a better monitoring of its key product developments, but also shorten the preparation period for developing customised products, thus accelerating the pace of new product developments.

Apart from the establishment of the research and development centre, the Group is currently launching its plan to improve the efficiency of its existing products by conducting additional research and development activities through new tech application such as precision manufacturing and enhanced automation, thus to strengthen the research and development capabilities of the Group.

2. DRIVING THE COMPETITIVENESS OF PRODUCTS THROUGH ACQUISITIONS

In order to accomplish the vision of providing comprehensive solutions for customers, the Group has been planning for its acquisition of a company which engages in the development, design and manufacture of automatic packaging equipment. Such integration is expected to establish more competitive advantages for the Group while giving it a higher level of flexibility in production. On 16 March 2021, the Group completed its acquisition of the remaining 49% equity interests in Hangzhou Haina Machinery Co. Ltd. ("**Hangzhou Haina**"), upon which, Hangzhou Haina has become an indirect wholly owned subsidiary of the Group.

3. BOOSTING THE PRODUCTION CAPABILITIES AT PRODUCTION BASES

The Group lays out the plan for the expansion of production capabilities of its Jinjiang Production Base and Hangzhou Production Base by leasing additional production premises with a floor area of approximately 10,000 sq.m. and 3,770 sq.m. in Jinjiang and Hangzhou respectively.

4. DEEPENING OUR PENETRATION IN THE CHINESE AND OVERSEAS MARKETS

The PRC, being the home market of the Group, is not only the cornerstone for the expansion of our domestic business reach to the next level, but also a springboard for us to grow our business even further around the globe. Hit by the outbreak of novel coronavirus pandemic in 2019, the production capabilities of downstream disposable hygiene products had seen a shift towards the production of medical disposable face masks, resulting into the short-lived decline in the market demand for disposable hygiene product machinery. Nevertheless, along with the continuous expansion of downstream markets and the needs for regular upgrade and replacement of machinery, the demand for disposable hygiene product machinery in the Chinese and overseas markets (including Southeast Asia, India, Pakistan and South Africa) is expected to recover since 2021.

It is part of the estimation that the PRC will see a nearly 6.5% increment per year in the sales value of disposable hygiene product machines between 2020 and 2024, with the figure even being expected to hit approximately RMB12 billion in 2024. For such, the Group will continue its work in cultivating the Chinese market with meticulous efforts on its continuous journey to solidify its leading position in the industry.

Furthermore, the Group is committed to devote more resources to attract disposable hygiene product manufacturers from the overseas market such as Southeast Asia and India whose economy, population and living standard have all seen continuous improvement. Following the lifting of travel restrictions, we will pull together more resources for sales and market promotion, meanwhile increase our participation in trade exhibitions. We will also invest additional resources for product developments and designs, and strengthen our research and development efforts to work towards our goal of launching a wider range of design solutions tailored for the preferences of different overseas markets.

In response to the fast-changing market conditions and customers' needs, it is part of the Group's strategy to leverage on its existing business relationship with disposable medical and hygiene product manufacturers as well as its business connections with export agents, so as to explore the opportunities in supplying disposal medical and hygiene products in the Chinese and overseas markets.

CHAIRMAN'S STATEMENT

As the saying goes, "it takes ten years to forge a sword". Founded a decade ago, Haina Intelligent today delivers people-oriented techs and pioneering ideas as a leader in the industry. Haina Intelligent as a whole unit will strive for a solid performance while thriving on its perseverance in fostering innovations. Always thinking from a customer perspective, we keep impressing our users with exquisite products and discreet services which are the fruits of our craftsmanship, winning us recognition and respect in the industry.

In search of a bigger platform, the Group has recently entered into a strategic cooperation with China Telecom Fujian in relation to the "5G + Industrial Internet Digital Empowerment Platform for the Health Products Industry", marking the beginning of a new era in the collaborative development of the 5G + industrial internet for the health products industry in the Fujian Province of the PRC.

The application of 5G on the operation and maintenance management platform will fuel our transition towards "Manufacture + Serve" in areas such as remote diagnosis, intelligent management, predictive maintenance with big data analytics, visual management for production monitoring and remote alarm, not to mention that it will also enable the industry and customers to embrace innovative developments. The creation of the "5G + Industrial Internet Digital Empowerment Platform for the Health Products Industry" will also further strengthen Haina Intelligent's soft power and services in the overseas markets, and empower the health products industry to move forward.

This year celebrates the 10th anniversary of Haina Intelligent since it was first started. Turning to a new page of history, Haina Intelligent pledges to keep up with times. Same as where we were ten years ago, we will continue to keep our entrepreneurial spirit at heart and go beyond new heights, swiftly but cautiously striving onwards and upwards in becoming an industry leader by nurturing innovative breakthroughs. Embarking on the next chapter of our development, we will keep our "Jinjiang Spirits" bright and go on with our research and development of new cutting-edge tech products, not only for serving our users with innovative solutions, but also giving back to the society.

Finally, I would like to take this opportunity to express my appreciation to all staff for their remarkable commitment and accomplishments, and to our shareholders for their overwhelming support over the year.

Mr. Hong Yiyuan
Chairman of the Board and Chief Executive Officer

24 March 2021

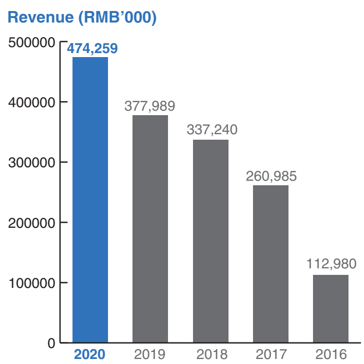
FINANCIAL SUMMARY

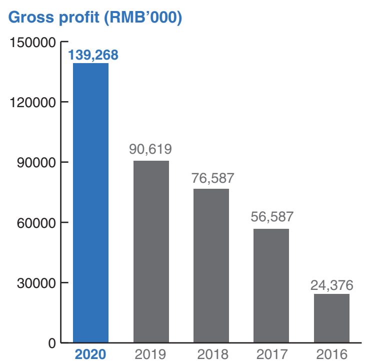
The following is a summary of the published results and assets and liabilities of the Group for the last five financial years. The financial information for the year ended 31 December 2020 is extracted from consolidated financial statements in this Annual Report while such for the years ended 31 December 2016, 2017, 2018 and 2019 is extracted from the accountants' report as contained in the prospectus of the Company dated 20 May 2020.

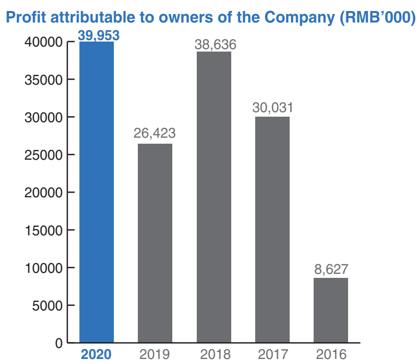
	As at 31 December				
ASSETS AND LIABILITIES	**2020**	2019	2018	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	**41,989**	46,269	24,405	19,763	14,355
Current assets	**515,308**	290,270	271,867	302,524	185,244
Current liabilities	**(257,580)**	(202,121)	(210,150)	(264,053)	(168,503)
Non-current liabilities	**(19,719)**	(21,147)	(2,820)	(3,584)	(3,184)
Net assets	**279,998**	113,271	83,302	54,650	27,912
Equity attributable to owners of the Company	**272,763**	99,530	74,226	54,650	27,912
Non-controlling interests	**7,235**	13,741	9,076	—	—
Total Equity	**279,998**	113,271	83,302	54,650	27,912

FINANCIAL SUMMARY

RESULTS	2020	2019	2018	2017	2016
	For the year ended 31 December				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**474,259**	377,989	337,240	260,985	112,980
Gross profit	**139,268**	90,619	76,587	56,587	24,376
Profit before tax	**63,292**	36,173	45,132	35,678	10,273
Income tax expenses	**(13,185)**	(5,085)	(5,905)	(5,647)	(1,646)
Profit for the year	**50,107**	31,088	39,227	30,031	8,627
Profit for the year attributable to:					
Owners of the Company	**39,953**	26,423	38,636	30,031	8,627
Non-controlling interests	**10,154**	4,665	591	—	—
	50,107	31,088	39,227	30,031	8,627







FINANCIAL SUMMARY

KEY FINANCIAL RATIOS	For the year ended 31 December				
	2020	2019	2018	2017	2016
Profitability ratios					
Gross profit margin ratio (%)	**29.4%**	24.0%	22.7%	21.7%	21.6%
Net profit margin ratio (%)	**10.6%**	8.2%	11.6%	11.5%	7.6%
Return on total equity (%)	**17.9%**	27.4%	47.1%	55.0%	30.9%
Return on total assets (%)	**9.0%**	9.2%	13.2%	9.3%	4.3%

	As at 31 December				
	2020	2019	2018	2017	2016
Liquidity ratios					
Current ratios (times)	**2.0**	1.4	1.3	1.1	1.1
Quick ratios (times)	**1.3**	0.7	0.7	0.5	0.4
Capital adequacy ratios					
Gearing ratio (%)	**N/A**	37.6%	34.7%	N/A	46.4%
Interest coverage ratio (times)	**50.2**	36.7	779.1	62.2	14.7

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Haina Intelligent Equipment International Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") is an established manufacturer engaging in the design and production of automated machines for manufacturing disposable hygiene products, including baby diapers, adult diapers, lady sanitary napkins and medical disposable face masks in the People's Republic of China (the "**PRC**"). For the year ended 31 December 2020 (the "**Year**"), the Group designed, developed and produced machines for disposable hygiene products under its proprietary brand "Haina Machinery" (the "**Products**"). The Group provides comprehensive services to customers, from collaborating with customers on product designs, customising products based on specifications provided by customers, conducting quality control, delivering products to customers, installing products for customers and to providing after-sales services.

The Group has two production bases in the PRC, namely the Jinjiang Production Base and the Hangzhou Production Base, with a total gross floor area of approximately 49,000 sq.m. as at 31 December 2020 (31 December 2019: approximately 35,400 sq.m.), and the Group operated 18 and nine production lines in the Jinjiang Production Base and the Hangzhou Production Base, respectively. During the Year, the production process mainly involved the assembly of components and parts that are used for the production of the Group's Products. The Group mainly procured the components and parts for its Products from third party sources.

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

For the Year, the Group recorded a total revenue of approximately RMB474.3 million, with a total number of 282 units of machines sold, of which the approximately 34.7% consisted of medical disposable face mask machines, representing an increase of approximately 25.5% as compared to the year ended 31 December 2019 (the "**Prior Year**"). The Group's customers are primarily located in the PRC, and the Group also sold its Products to 11 other overseas countries during the Year. The net profit after tax for the Year of the Group was approximately RMB50.1 million, representing a growth of approximately 61.2% as compared to the Prior Year.

OUTLOOK

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

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Strengthening research and development capabilities

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

In addition to setting up the R&D Centre, the Group also plans to strengthen research and development capabilities by conducting additional research and development activities through applying new technologies such as precision manufacturing and enhanced automation to improve the efficiency of existing products. The Group also intends to design and develop new products that cater for the trend and demand of the market. During the Year, the Group incurred research and development expenses (included capitalised expenses) of approximately RMB25.9 million, including approximately RMB19.1 million was funded by the Group's internal resources and the remaining of approximately RMB6.7 million was funded by the net proceeds from the listing (the "**Listing**") of the shares of the Company (the "**Shares**") on the main board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of share offer (the "**Share Offer**"). The amount mainly utilised on the improvement of the efficiency on adult diapers production and development of new product namely, adult underpad machine.

(2) Increasing the competitiveness of products through acquisitions

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

(3) Increasing production capacity of production bases

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

Since 3 June 2020 (the "**Listing Date**") and up to the date of this Annual Report, approximately RMB0.8 million of net proceeds from Share Offer has been utilised to lease additional production premises so as to increase production capacity as follows:

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

By products type:

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

OTHER INCOME

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

SELLING AND DISTRIBUTION COSTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES AND OTHER OPERATING EXPENSES

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

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

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

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

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing. The total listing expenses in relation to the Listing and the Share Offer were approximately HK$64.4 million (equivalent to approximately RMB57.9 million), of which approximately HK$31.8 million (equivalent to approximately RMB29.2 million) is directly attributable to the issue of shares to the public and capitalised during the Year, and approximately HK$32.6 million (equivalent to approximately RMB28.7 million) was reflected in profit or loss in accordance with the relevant accounting standards. Approximately HK$17.4 million (equivalent to approximately RMB15.7 million) of the listing expenses in relation to services performed was reflected in profit or loss for the Year, and the remaining amount of approximately HK$15.2 million (equivalent to approximately RMB13.0 million) has been reflected in profit or loss in prior years. The total listing expenses represented approximately 46.5% of the gross proceeds from the Share Offer (including the partial exercise of the over-allotment option (the "**Over-allotment Option**") described in the prospectus of the Company dated 20 May 2020 (the "**Prospectus**").

FINANCE COSTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

INCOME TAX EXPENSES

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

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

DIVIDEND

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

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2020, the bank and cash balances amounted to approximately RMB230.4 million *(31 December 2019: approximately HK$35.7 million)*, representing an increase of approximately RMB194.7 million from 2019. Respective sum of approximately 71%, 19% and 10% of the bank and cash balances was denominated in RMB, HKD and USD.

FINANCIAL POLICIES

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

CAPITAL STRUCTURE

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

BORROWINGS

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

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

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

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

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

SHARE OPTION SCHEME

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

Please refer to pages 38 to 39 for details of the Share Option Scheme.

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

IMPACT OF COVID-19 PANDEMIC

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES

The Group has employed a total of approximately 411 employees as at 31 December 2020 *(31 December 2019: approximately 382 employees) in Hong Kong and the PRC. Staff costs (including Directors' emoluments) amounted to approximately RMB38.9 million for the Year (Prior Year: approximately RMB35.1 million)*. The remuneration was determined based on the performance and professional experience of employees as well as the prevailing market conditions. The management will regularly review the remuneration policy and arrangement of the Group. In addition to defined contribution plans, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON GROUP'S ASSETS

Save for restricted bank deposits of RMB2,000,000 *(31 December 2019: RMB10,000,000)* which are placed in the PRC banks as securities for the issuance of bills payables, no assets of the Group were charged or pledged as at 31 December 2020.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

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

EVENTS AFTER THE REPORTING PERIOD

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

(a) On 24 January 2021, the Company and Pipeline Engineering Holdings Limited (the "**Issuer**") entered into a subscription agreement, pursuant to which the Issuer has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for, the bonds in the principal amount of HK$40,000,000 with the interest rate of 6% per annum (the "**Bonds**") at the subscription price of HK$40,000,000 (the "**Subscription**"). On 26 January 2021, the Subscription was completed.

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

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

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

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

(c) On 24 March 2021, the Board has recommended the payment of a final dividend of HK$0.05 per share (2019: nil) for the year ended 31 December 2020 to the shareholders whose names appear on the register of members of the Company on Wednesday, 9 June 2021. Subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on Friday, 28 May 2021, the final dividend will be paid on or about Friday, 2 July 2021.

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**").

Except for the below, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "**Listing Rules**") during the period from the Listing Date to 31 December 2020.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

Composition

The Directors who hold office during the year ended 31 December 2020 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

Non-Executive Director

Mr. Chang Chi Hsung

Independent Non-Executive Directors

Mr. Chan Ming Kit *(appointed on 4 May 2020)*
Dr. Wang Fengxiang *(appointed on 4 May 2020)*
Mr. Ng Tat Fung *(appointed on 4 May 2020)*

All the Independent Non-executive Directors meet the requirements of independence under the Listing Rules. The Company has 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 all 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 30 to 33 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.

Since the Listing Date, 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 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 A.1.5 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 the 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.

The Company has been listed on the Main Board of the Stock Exchange since the Listing Date. During the period from the Listing Date to 31 December 2020, the Company held two Board meetings in which all the executive Directors, the non-executive Director and all independent non-executive Directors had attended and discussed various matters and affairs of the Company. No shareholders' general meeting was held since the Listing Date and up to 31 December 2020.

On 24 March 2021, a Board meeting was held to approve, among others, the annual results of the Group for the year ended 31 December 2020 and the declaration of a final dividend for the Year.

CORPORATE GOVERNANCE REPORT

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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 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 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.

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.

During the year ended 31 December 2020, all Directors attended the training session on duties and obligations of directors of companies listed on the Stock Exchange, covering topics on connected transactions and corporate governance, the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

	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	✓

CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance ("**CG**") should be the collective responsibility of 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.

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 Mr. Ng Tat Fung and one non-executive Director, namely Mr. Chang Chi Hsung. The chairman of the Audit Committee is Mr. Ng Tat Fung, 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 one meeting during the year ended 31 December 2020 since the Listing Date, which is less than one 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 interim consolidated financial statements for the six months ended 30 June 2020 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; and

— reviewing the development in accounting standards and the Group's response, including the preparation for adoption of Hong Kong Financial Reporting Standards.

The annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee before submission to the Board for approval. In addition, the Audit Committee has reviewed the Group's risk management and internal control system as at the date of this Annual Report.

NOMINATION COMMITTEE

The Nomination Committee comprises our chairman, Mr. Hong Yiyuan, and three independent non-executive Directors, being Mr. Chan Ming Kit, Dr. Wang Fengxiang and Mr. Ng Tat Fung. 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 one meeting during the year ended 31 December 2020 since the Listing Date, which is less than one 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 meeting:

— to assess the independence of the independent non-executive Directors; and

— to review the composition of the Board.

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 Mr. Ng Tat Fung. 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 (if any) 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".

As the Shares were listed on the Stock Exchange on 3 June 2020, the Remuneration Committee did not have any matters that need to be disclosed during the period from the Listing Date to 31 December 2020 covering less than seven months, and, therefore, it did not hold any meeting during the relevant period. The Remuneration Committee will fully comply with its term of reference.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The Company was listed on the Main Board of the Stock Exchange on the Listing Date. Since the Listing Date, the number of meetings, including Board meetings, Board committee meetings and the attendance by each Director is as follows:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Hong Yiyuan	2/2	N/A	N/A	1/1
Mr. Zhang Zhixiong	2/2	N/A	N/A	N/A
Mr. Su Chengya	2/2	N/A	N/A	N/A
Mr. He Ziping	2/2	N/A	N/A	N/A
Mr. Chang Chi Hsung	2/2	1/1	N/A	N/A
Mr. Chan Ming Kit	2/2	1/1	N/A	1/1
Dr. Wang Fengxiang	2/2	1/1	N/A	1/1
Mr. Ng Tat Fung	2/2	1/1	N/A	1/1

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 will endeavor to recommend at least one female Director for approval by the Shareholders within three years from the Listing Date. The Nomination Committee will be responsible for identifying suitable female candidates and providing their recommendations to the Board on at least an annual basis. Subject to (i) the Board being satisfied with the background, qualification and experience of the relevant candidate(s) and their potential contributions to the development of the Group, (ii) the Directors fulfilling their fiduciary duties to act in the best interest of our Company and the Shareholders as a whole when making the relevant recommendation(s), and (iii) the Company's prevailing nomination policy, the Board will recommend the female candidate to the Shareholders for appointment as a member of the Board. However, during the Year, the Nomination Committee had not identified a right candidate according to the Company's nomination policy.

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;

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.

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 for the purpose of listing of the Shares on the main board of The Stock Exchange during the year ended 31 December 2020. 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 ended 31 December 2020, the Board is satisfied with and confirms that the Group's risk management and internal control systems were effective and adequate.

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 ended 31 December 2020 are set out below.

	RMB'000
Annual audit for the year ended 31 December 2020	1,156
Professional services as reporting accountant in relation to the initial Listing *(Note)*	4,311
Non-audit service in respect of agreed-upon procedures report on the Group's interim report	178

Note: The amount represents the total fee for the entire professional services as the reporting accountants for the Listing. Such professional fees have been recognised in varies accounting periods.

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 resolution proposed 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.

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.

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, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, articles of association of the Company 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. Mr. Lau has confirmed that he has 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. Save as disclosed therein, there were no significant changes in the constitutional documents of the Company during the year ended 31 December 2020 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 in the section headed "Biographical Details of Directors and Senior Management" 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 42, is one of the founders of the Group, the 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）.

Mr. Hong has over 19 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.

Mr. Hong was appointed as the vice president of The Second Standing Committee of the Chamber of Commerce in Jinjiang Economic Development Zone（晉江經濟開發區商會第二屆理事會）in March 2018. 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）.

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. Zhang Zhixiong ("Mr. Zhang"), aged 42, is one of the founders of the Group and the executive Director. 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 19 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 Anhai 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（晉江凱德經濟投資咨詢有限公司）. 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）.

Since December 2016, Mr. Zhang has been a committee member of the Thirteenth Session of the People's Political Consultative Conference in Jinjiang City（中國人民政治協商會議第十三屆晉江市委員會委員）. He was named in the selected list of leading talents in technological entrepreneurship of Quanzhou City（泉州市科技創業領軍人才入選名單）in 2016.

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. Su Chengya ("Mr. Su"), aged 47, is one of the founders of the Group and the executive Director. He was appointed as the 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）.

Mr. Su has over 19 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 43, 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（晉江海納機械有公司）.

Mr. He has over 21 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. Chang Chi Hsung ("Mr. Chang"), aged 42, was appointed as the non-executive Director on 21 March 2019. Mr. Chang joined the Group on 12 April 2018. He is responsible for providing advice to the Board. He is a member of the Audit Committee.

Mr. Chang has over 19 years of experience in the accounting industry. From February 2001 to October 2004, he worked at KPMG Malaysia and left as an audit senior. From November 2004 to August 2008, he worked at KPMG Singapore and left as an audit assistant manager. From September 2008 to November 2015, he worked at Mazars Singapore and left as an associate director. In December 2016, Mr. Chang co-founded OA group, served as the managing director of OA International Holdings Pte. Ltd and the managing director of OA Assurance PAC. OA group is a professional service firm, providing corporate secretarial, valuation, audit, tax and advisory services.

Mr. Chang obtained a bachelor's degree of commerce in accounting and finance from the University of New South Wales in Australia in April 2001. He is a chartered accountant of Singapore and a member of the Malaysian Institute of Accountants. He is a fellow of CPA Australia and is also qualified as an ASEAN Chartered Professional Accountant. Mr. Chang was appointed as an independent director of Reclaims Global Limited in January 2019 (SGX stock code: NEX) and an independent non-executive director of Rich Capital Holdings Limited on 23 June 2020 (SGX stock code: 5G4), both companies' shares are listed on the Singapore Exchange Limited.

Independent Non-Executive Directors

Mr. Chan Ming Kit ("Mr. Chan"), 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 the chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee.

Mr. Chan has more than ten 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. Mr. Chan was an independent non-executive director of Nexion Technologies Limited (stock code: 08420), a company listed on GEM of the Stock Exchange for the period from 31 May 2017 to 2 November 2020.

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.

Dr. Wang Fengxiang ("Dr. Wang"), aged 38, 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, a member of 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 Nachang 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.

Mr. Ng Tat Fung ("Mr. Ng"), aged 38, 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 Audit Committee, a member of the Nomination Committee and the Remuneration Committee.

Mr. Ng has over 11 years of experience in the accounting and finance industry. From September 2007 to September 2008, he worked as an auditor at W.H. Tse & Company, an accounting firm. From September 2008 to April 2010, he worked as an auditor at K.P. Cheng & Co., an accounting firm. From April 2010 to July 2010, he served as an accountant at RSM Nelson Wheeler. From July 2010 to December 2011, he served as an audit senior at K.P. Cheng & Co.. From January 2012 to November 2013, he worked as an audit senior at Mazars CPA Limited. Since October 2013, he has been a director of NGP Business Advisory Limited (formerly known as Lloyds Chartered Company Limited). He founded Ng & Partners, an accounting firm, in March 2017 and has been its director since then.

Mr. Ng obtained a bachelor's degree in finance, accounting and management from the University of Nottingham in the United Kingdom in July 2007. Mr. Ng has been a member of the Hong Kong Institute of Certified Public Accountants since March 2016.

SENIOR MANAGEMENT

Mr. Hong, Mr. Zhang, Mr. Su and Mr. He are also the senior management of the Group. For details of their biographies, see "Executive Directors" above.

COMPANY SECRETARY

Mr. Lau Wai Piu, Patrick ("Mr. Lau"), aged 47, was appointed as the company secretary of the Company on 2 July 2019.

Mr. Lau has over 20 years of experience in aspect of financial reporting, accounting and auditing. He currently is the company secretary of MOG Holdings Limited (stock code: 1942), Infinity Logistics and Transport Ventures Limited (stock code: 1442) and China Bozza Development Holdings Limited (stock code: 1069), whose shares are listed on the Main Board of the Stock Exchange. 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.

REPORT OF THE DIRECTORS

The directors of the Company (the "**Directors**") are pleased to present to the shareholders (the "**Shareholders**") of Haina Intelligent Equipment International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**Reporting Period**").

REORGANISATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands on 20 December 2017 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The Company's ordinary shares (the "**Shares**") were listed on the main board (the "**Main Board**") of The Stock Exchange of Hong Kong (the "**Stock Exchange**") on 3 June 2020 (the "**Listing Date**") with issuance of 470,003,990 Shares which including the partial exercise of the over-allotment option (the "**Listing**").

Pursuant to the reorganisation of the Group in connection with the Listing, the Company underwent a corporate reorganisation ("**Reorganisation**"), the Company became the holding company of the Group on 11 March 2019. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the prospectus dated 20 May 2020 (the "**Prospectus**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is an 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 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 75 of this Annual Report.

The Directors have resolved to recommend, at the forthcoming annual general meeting of the Company to be held on Friday, 28 May 2021, the payment of final dividend of HK$0.05 (equivalent to approximately RMB0.04) per Share to the shareholders on the register of members of the Company on Wednesday, 9 June 2021.

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 18 of this Annual Report.

The above discussions form part of this directors' report and is incorporated herein by reference.

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 29 to the consolidated financial statements.

Key sources of estimation uncertainty

Details of the key sources of estimation uncertainty as at 31 December 2020 are set out in note 2 to the consolidated financial statements.

REPORT OF THE DIRECTORS

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 of relevant laws and regulations by the Group.

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 or 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" provisions set out in Part C of the Environmental, Social and Governances Reporting Guide as set out in Appendix 27 to the Listing Rules during the Reporting Period.

RESERVES

During the Year, details of the 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 page 78 to 79 and on page 137 of this Annual Report, respectively.

As at 31 December 2020, the aggregate amount of reserves available for distribution to equity holders of the Company was approximately RMB120.2 million (31 December 2019: Nil). Subsequent to 31 December 2020, the directors proposed a final dividend in respect of the year ended 31 December 2020 of HK$0.05 (equivalent to approximately RMB0.04) *(2019: Nil)* per ordinary share, totaling approximately HK$23.5 million (equivalent to approximately RMB20.9 million) *(2019: Nil)*. The final dividend proposed has not been recognised as a liability at the reporting date as set out in note 10 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the Reporting Period amounted to approximately RMB2.4 million *(2019: Nil)*.

MATERIAL INVESTMENT AND ACQUISITION

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

BANK BORROWINGS

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

REPORT OF THE DIRECTORS

PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report relating to the "Share Option Scheme", no equity-linked agreement was entered into during the Reporting Period or subsisted at the end of the year.

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[1] ("**Mr. Hong**") *(Chairman and Chief Executive Officer)*
Mr. Zhang Zhixiong[2] ("**Mr. Zhang**")
Mr. Su Chengya[2] ("**Mr. Su**")
Mr. He Ziping[2] ("**Mr. He**")

Non-Executive Director

Mr. Chang Chi Hsung[2] ("**Mr. Chang**")

Independent Non-Executive Directors

Mr. Chan Ming Kit[3] ("**Mr. Chan**")
Dr. Wang Fengxiang[3] ("**Dr. Wang**")
Mr. Ng Tat Fung[3] ("**Mr. Ng**")

Note:

1 appointed on 20 December 2017

2 appointed on 21 March 2019

3 appointed on 4 May 2020

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

In accordance with Article 112 of the Articles of Association, Mr. Hong shall hold his office only until the forthcoming AGM and, being eligible, have offered himself 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).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OR ANY ASSOCIATED CORPORATION

As at date of this Annual Report, 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 and class of securities[1]	Approximate percentage of the issued shares
Mr. Hong[2,3,4]	Interest in a controlled corporation	348,000,000 ordinary shares	74.04%
Mr. Zhang[2,3,4]	Interest in a controlled corporation	348,000,000 ordinary shares	74.04%
Mr. Su[2,3,4]	Interest in a controlled corporation	348,000,000 ordinary shares	74.04%
Mr. He[2,3,4]	Interest in a controlled corporation	348,000,000 ordinary shares	74.04%

Notes:

(1) Interests in shares stated above represent long positions.

(2) The Company is directly owned as to 74.04% 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 45.0%, 25.0%, 18.0% and 12.0% by Mr. Hong, Mr. Zhang, Mr. Su and Mr. He (the "**Controlling Shareholders**"), respectively.

(3) Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Prestige Name are parties acting in concert pursuant the acting in concert confirmation entered into on 21 March 2019 (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 74.04% of the issued share capital of the Company.

(4) On 28 December 2020, each of Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang Chi Hsung ("**Mr. Chang**") subscribed 23,460, 10,940, 8,200, 2,300 and 600 new ordinary shares of Prestige Name, a total of 45,500 new ordinary shares, at the subscription price of USD1 per share (the "**Subscriptions**") respectively, the completion of which would be subject to fulfilment of certain conditions. Upon completion of the Subscription, the total issued shares of Prestige Name increased from 10,000 to 55,000 and each of Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang would hold approximately 50.38%, 24.22%, 18.02%, 6.31% and 1.08% of the total issued shares of Prestige Name, respectively. Subsequent to 31 December 2020, the condition of the Subscription has not been fulfilled, and the Subscription had been terminated.

Save as disclosed above, as at 31 December 2020 and the date of this Annual Report, 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 9.79% 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.

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 an 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 the Listing Date until 2 June 2030.

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

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the date of this Annual Report, 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 held[1]	Approximate percentage of the issued Shares
Prestige Name[2,3,4]	Beneficial owner	348,000,000 ordinary shares	74.04%

Notes:

(1) Interests in shares stated above represent long positions.

(2) The Company is directly owned as to 74.04% by Prestige Name. Prestige Name is beneficially owned and legally owned as to 45.0%, 25.0%, 18.0% and 12.0% by Mr. Hong, Mr. Zhang, Mr. Su and Mr. He, respectively.

(3) Mr. Hong, Mr. Zhang, Mr. Su, Mr. He 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 74.04% of the issued share capital of the Company.

(4) On 28 December 2020, each of Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang Chi Hsung ("**Mr. Chang**") subscribed 23,460, 10,940, 8,200, 2,300 and 600 new ordinary shares of Prestige Name, a total of 45,500 new ordinary shares, at the subscription price of USD1 per share (the "**Subscriptions**") respectively, the completion of which would be subject to fulfilment of certain conditions. Upon completion of the Subscription, the total issued shares of Prestige Name (the "**Issued Shares**") increased from 10,000 to 55,000 and each of Mr. Hong, Mr. Zhang, Mr. Su, Mr. He and Mr. Chang will hold approximately 50.38%, 24.22%, 18.02%, 6.31% and 1.08% of the Issued Shares, respectively. Subsequent to 31 December 2020, the condition of the Subscription has not been fulfilled, and the Subscription had been terminated.

Save as disclosed above, as at 31 December 2020 and the date of this Annual Report, 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' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 28 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 or a Controlling Shareholder had a material interest, whether directly or indirectly, subsisted at 31 December 2020 or at any time during the Reporting Period and there was no contract of significance for the provisions of services to members of the Group by a Controlling Shareholder or any of its subsidiaries.

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.

RELATED PARTY TRANSACTIONS

The significant related party transactions made during the Reporting Period were disclosed in note 28 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

From the Listing Date and up to the date of this annual report, 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 from the Listing Date up to 31 December 2020.

REMUNERATION POLICY

Before the Listing, the Directors and senior management of the Group received compensation in the form of fees, salaries, allowances, benefits in kind, contribution to defined contribution retirement scheme and share based compensation (if applicable) with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company regularly reviewed and determined the remuneration and compensation packages (including incentive plans) of the Director and senior management of the Group, by reference to, among other things, maker level of remuneration and compensation paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of the Group.

There was no forfeited contribution available to reduce the contribution payable under the above defined contribution retirement scheme.

The remuneration policy of the Group has been set up by the Remuneration Committee after Listing.

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 all the Directors and senior management of the Company.

The Company has adopted a share option scheme as an incentive to 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 note 7 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

The Company was listed on the Stock Exchange on 3 June 2020. The offer price was determined to be HK$1.38 per Offer Share (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%). Before the partial exercise of the Over-allottment Option, the Company issued a total of 116,000,000 ordinary shares in the Share Offer. After deducting the underwriting fees and commissions and estimated expenses payable by the Company in relation to the Share Offer without considering the effect of the exercise of the Over-allotment Option, the net proceeds from the Share Offer received by the Company were approximately HK$123.1 million.

REPORT OF THE DIRECTORS

On 24 June 2020, the Over-allotment Option was partially exercised by the joint global coordinators, for themselves and on behalf of the placing underwriters, on 24 June 2020, in respect of an aggregate of 6,004,000 Shares (the "**Over-allotment Shares**"), representing approximately 5.2% of the total number of the Offer Shares initially available under the Share Offer to, among other things, cover over-allocations in the Placing. The Over-allotment Shares were issued and allotted by the Company at HK$1.38 per Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), being the Offer Price per Share under the Share Offer. The listing of and dealing in the Over-allotment Shares commenced on the Stock Exchange on 24 June 2020. The additional net proceeds of approximately HK$8.3 million were received by the Company from the issue and allotment of the Over-allotment Shares after deducting the underwriting commissions and other estimated expenses in connection with the partial exercise of the Over-allotment Option.

Save for the issue of shares by the Company due to the Share Offer and the partial exercise of the Over-allotment Option granted to the joint global coordinators, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date up to 31 December 2020. For details, please refer to Note 23 to the consolidation financial statement,

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.

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

As disclosed in the Prospectus, the following transactions of the Group constituted connected transactions for the Company. For further details of the continuing connected transactions, please refer to the section headed "Connected Transaction" on pages 174 to 177 of the Prospectus.

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

On 9 May 2020, 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 the Listing Date until 31 December 2022, 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) HK$3.0 million for each of the three financial year ended 31 December 2020 and years ending 31 December 2021 and 2020.

During the year ended 31 December 2020, the amount of transactions conducted under the Shengrong Purchase Agreement was approximately RMB2.6 million (equivalent to approximately HK$2.9 million).

The Directors, including independent non-executive Directors, were of the opinion that the above transactions were on normal commercial terms where all of the applicable percentage rations on annual basis calculated under the Listing Rules were less than 5% and the annual consideration was less than HK$3 million. The transactions were thus exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1)(c) of the Listing Rules.

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

On 9 May 2020, 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 the Listing Date until 31 December 2022, 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 caps for the transactions contemplated under the Hengqin Purchase Agreement will not exceed (excluding value-added tax) RMB8.2 million, RMB8.7 million and RMB9.1 million respectively for each of the three financial year ended 31 December 2020 and years ending 31 December 2021 and 2022.

During the year ended 31 December 2020, the amount of transactions conducted under the Hengqin Purchase Agreement was approximately RMB7.4 million.

The above transactions under the Hengqin Purchase Agreement constituted continuing connected transaction 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.

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 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the work performed, 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 relevant agreements governing such transactions; and

3. the Disclosed CCTs have exceeded the maximum aggregate annual cap as disclosed in the Prospectus.

The independent non-executive Directors had reviewed the above continuing connected transactions pursuant to Rule 14A.55 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.

POTENTIAL CONFLICT AND COMPETITION

Both Jinjiang Haina Machinery Company Limited (“**Jinjiang Haina**”) and Hangzhou Haina Machinery Company Limited (“**Hangzhou Haina**”) manufacture disposal hygiene products machines, including baby diapers, adult diapers, lady sanitary napkins and medical disposable face mask machines during the year ended 31 December 2020.

As Hangzhou Haina was an indirectly non-wholly owned subsidiary of the Company, which is owned as to 51% by Jinjiang Haina and the remaining 49% by two independent third parties, there was a potential conflict and competition between Jinjiang Haina and Hangzhou Haina. In light of the potential conflict and competition, the measures as disclosed on page 112 of the Prospectus (the “**Measures**”) were implemented in order to protect the interests of the Shareholders as a whole after Listing.

The independent non-executive Directors had reviewed the Measures and confirmed that the compliance of the Measures was satisfactory during the period from the Listing Date to 31 December 2020.

Hangzhou Haina became an indirectly wholly owned subsidiary of the Company on 16 March 2021. For details, please refer to the announcements of the Company dated 1 March 2021 and 16 March 2021. Following the above change, the potential conflict and competition had ceased.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group’s five largest customers accounted for approximately 23% of the Group’s sales for the year and sales to the Group’s largest customer included therein accounted for approximately 6%.

Purchase from the Group’s five largest suppliers accounted for approximately 29% of the Group’s total purchases for the year and purchase from the Group’s largest supplier included therein accounted for approximately 15%.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, owned 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 7 of this Annual Report. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM LISTING

The ordinary shares of the Company have been listed on the Main Board of the Stock Exchange on the Listing Date with a total of 122,004,000 offer shares being issued (including the partial exercise of the Over-allotment) based on the share price of HK$1.38 per share. The aggregate nominal value of the said offer shares is HK$1,220,040 (equivalent to approximately RMB1,120,000). The net proceeds from the Share Offer, after deducting underwriting commissions and other fees in connection with the Listing, were approximately HK$130.1 million (equivalent to approximately RMB119.5 million). The net price per offer share was approximately HK$1.07. The Directors intend to deploy the proceeds according to the manner set out in the Prospectus. The use of net proceeds will be in accordance with the implementation plan as set out in the Prospectus and there was no material change in the use of net proceeds. Set out below is the actual use of net proceeds from the Share Offer up to 31 December 2020.

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

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

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Since the Listing date and up to the latest practicable date prior to the issue 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 AGM will be held on 28 May 2021 ("**2021 AGM**") and the notice of 2021 AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules and the Articles of Association in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders who are entitled to attend and vote at the 2021 AGM, the register of members of the Company will be closed from 25 May 2021 to 28 May 2021, both days inclusive, during which period no transfer of shares of the Company will be registered.

In order to qualify for attending the 2021 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 2021. In addition, the register of members of the Company will be closed from Monday, 7 June 2021 to Wednesday, 9 June 2021, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at the above address by not later than 4:30 p.m. on Friday, 4 June 2021.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 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 forthcoming annual general meeting of the Company.

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, 24 March 2021

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 2020 (the "**Year**"), the Group operated 18 and nine production lines in the Jinjiang Production Base and the Hangzhou Production Base, respectively, with a total gross floor area of approximately 49,000 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.

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, labour 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 compare 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 complements and supports 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.

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. 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.

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 corporate governance practices of the Group are set out in the Corporate Governance Report on pages 19 to 29 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group from 1 January 2020 to 31 December 2020.

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.

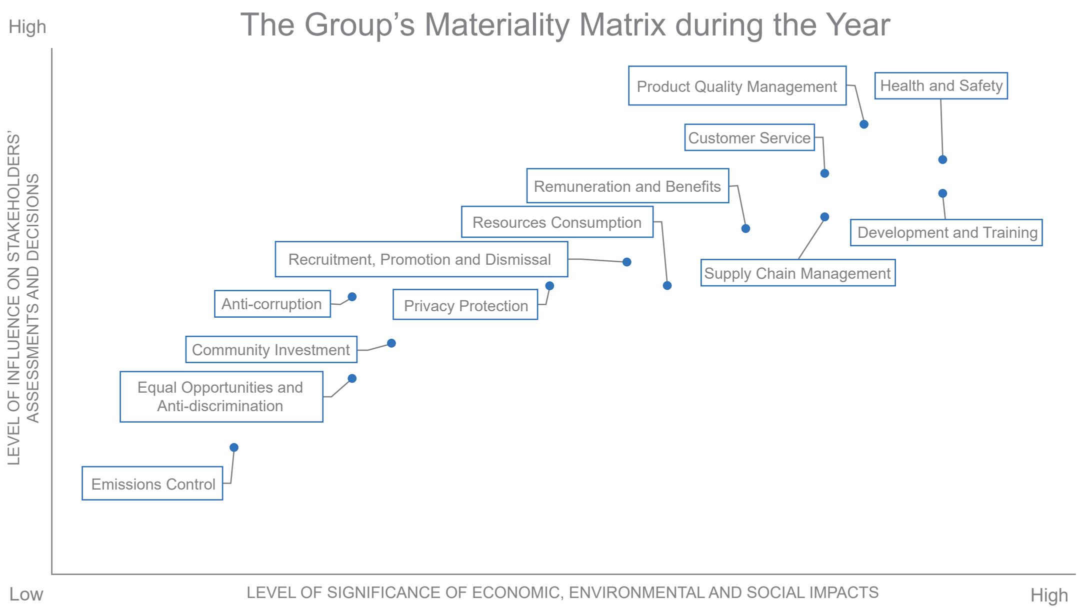
Through different stakeholder engagements and communication channels, the Group will take into account stakeholders' expectations in the Group's operation and ESG strategy. The stakeholder engagements and communication channels and their expectations are as follows:

Stakeholders	Communication channels	Expectations
Investors and shareholders	• Annual general meeting and other general meetings • Financial reports • Announcements and circulars • Wechat or video conference	• 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	• Training and seminars • Regular performance evaluation • Internal announcements and communication	• Healthy and safe working environment • Equal promotion opportunity • Salary and benefits • Occupation development
Customers	• Customer satisfaction surveys • Customers service hotline and email • Customer service manager • Wechat or tele-conference	• Safe and high quality products and services • Customer privacy protection • Compliance operation
Suppliers and subcontractors	• Site visits • Supplier performance assessments • Wechat or tele-conference	• Fair and open competition • Commercial ethics and reputation • Cooperation with mutual benefits
Communities and the public	• Community Investment • ESG reports	• 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 is as follows:



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:

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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 its 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 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.

Exhaust gas emissions

The exhaust gas emissions generated during the business operations of the Group mainly come from vehicle emissions. 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.

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

The overview of exhaust gas emissions performance of the Group during the Year was as follow:

Types of exhaust gas	Unit	Emissions
Nitrogen Oxide (NOx)	Kg	99.50
Sulfur Oxide (SOx)	Kg	0.35
Particulate Matter (PM)	Kg	8.68

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:

- 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, the performance summary of GHG emissions of the Group were as follows:

Indicator[1]	Unit	Emissions
Direct GHG emissions (Scope 1)	tCO_2e	63.33
Indirect resources GHG emissions (Scope 2)	tCO_2e	2,215.07
Total GHG emissions	tCO_2e	2,278.40
Intensity of total GHG emissions[2]	tCO_2e/million revenue	4.80

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are 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. During the Year, the total revenue of the Group was approximately RMB474.259 million, which would also be used for calculating other intensity data.

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.

At the same time, the Group promotes the reuse of paper and is committed to building an e-office. The general business notifications and data transmission should be carried out through the Group's online system. Printing and copying files are avoided to reduce the use of paper, while both sides of office paper should be used and the use of recycled paper is promoted. The amount of paper used and waste paper is collectively recycled and disposed of by the administration department is monitored. Besides the Group has set a goal of reducing paper usage by 5% next year.

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

Types of non-hazardous wastes	Unit	Disposal
Paper	Tonnes	4.26
Machine debugging waste	Tonnes	80.53
Scrap cardboard	Tonnes	6.12
Scrap iron	Tonnes	63.67
Total non-hazardous wastes	Tonnes	154.58
Intensity of total non-hazardous wastes	Tonnes/million revenue	0.33

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 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 instils 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.

The energy consumption performance of the Group during the Year is summarised as follows:

Types of energy	Unit	Consumption
Gasoline	MWh	208.85
Diesel	MWh	23.44
Total direct energy consumption	MWh	232.29
Electricity	MWh	2,753.01
Total indirect energy consumption	MWh	2,753.01
Total energy consumption	MWh	2,985.30
Intensity of total energy consumption	MWh/million revenue	6.29

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;
- Once an irregularity is found, the case should be reported timely to the Equipment Division to prevent wastage of water resources; 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, the Group's water consumption performance (i.e. sewage discharge) is summarised as follows:

	Unit	Consumption
Water consumption	m^3	7,030.00
Intensity of water consumption	m^3/million revenue	14.82

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.

Use of packaging materials

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

Packaging materials	Unit	Consumption
Wooden box	Square meter	1,129.32
Stretch film	Roll	22,345.95

A3. The environment and natural resources

The Group pursues environmental best practices and focuses its business impact on the environment and natural resources. 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.

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.

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 labour 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, 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.

As at 31 December 2020, the Group had a total of 411 full-time employees with the following breakdown:

	Headcount	Percentage of total headcount
By gender		
Male	326	79%
Female	85	21%
By age		
<30	120	29%
30-50	252	61%
>50	39	10%
By geographical region		
Mainland China	406	99%
Hong Kong	5	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.

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, the overall employee turnover rate of the Group was approximately 35%, which is classified as follows:

	Number of outgoing employees	Turnover rate
By gender		
Male	119	39%
Female	18	22%
By age		
<30	72	60%
30-50	58	25%
>50	7	19%
By geographical region		
Mainland China	137	36%
Hong Kong	—	—

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 labour contracts with employees in Mainland China in accordance with the Labour Contract Law of the People's Republic of China. The signing rate of the labour 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.

The Group safeguards the legitimate interests of labour in accordance with the requirements in Labour 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, labour 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 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. The number of working days lost due to work-related injuries was 224 days.

Coronavirus disease 2019 ("COVID-19") preventive and control measures

The Group follows and adopts the infection prevention and control measures taken by the Jinjiang Municipal People's Government against COVID-19 to reduce the risk of spreading COVID-19 among employees, including but not limited to (i) controlling the flow of employees; (ii) any employee staying in Hubei province shall be quarantined for 14 days; (iii) if the Group suspects that any employee may be infected, it is obliged to report to the authorities; (iv) conducting employee health checks, such as taking the temperature of employees twice a day; and (v) promoting health awareness, such as advocating employees to wear masks correctly.

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.

During the Year, 25% of the Group's employees in subsidiaries covered by the ESG Report had participated in the training and completed an average of 121 hours of training. The percentage of employees trained by gender and employee category was as follows:

	Percentage of employees trained	Average training hours
By gender		
Male	27%	131
Female	18%	85
By employee category		
Senior management	19%	91
Middle management	16%	77
General employees	27%	131

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. Labour standards

Prevention of child labour 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, Forced Labor Convention and the Employment Regulations in Hong Kong.

The Group strictly prohibits the employment of any child labor and forced labor. 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.

The Group and its employees signed legal labor contracts in accordance with laws, 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.

During the Year, the Group had a total of 290 suppliers, whose regions are classified as follows:

Region	Number of suppliers
China	287
United States	1
Italy	1
Germany	1

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.

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.

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 of product

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.

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.

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 146 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 attachs 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. During the Year, the Group has provided 8 directors with a total of 8 hours of anti-corruption training.

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 and Anti-fraud and Conflict of Interest Procedures to ensure that the Group's operations comply with relevant national and industrial regulations. 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.

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.

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.

The Group donated RMB2.28 million to Jinjiang Charity Federation during the Year. Jinjiang Charity Federation's ten charitable assistance projects include education assistance, mobility assistance, hearing assistance, rehabilitation, charitable housing, and assistance for land-expropriated persons with minimum living allowances to participate in the elderly insurance, assistance to the persons with minimum living allowances to participate in "New Rural Cooperative" and caring for poor mothers. In addition, the Group also donated RMB100,000 to the Beijing Zhixing Charity Foundation to support the project fighting against the COVID-19 during the Year. The scope of the Beijing Zhixing Charity Foundation's charity projects includes subsidising poor students with excellent academic performance to go to school, poor patients seeking medical treatment, and disaster relief. Looking ahead, the Group will continue to assume social responsibilities and strive to serve the community.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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 Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and no hazardous waste.	Emissions – Environmental protection policy and compliance issues	P.50
KPI A1.1 (“comply or explain”)	The types of emissions and respective emissions data.	Emissions – Exhaust gas emissions, GHG emissions, Wastes management, Sewage discharge and treatment	P.51-53
KPI A1.2 (“comply or explain”)	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG emissions	P.51-52
KPI A1.3 (“comply or explain”)	Total hazardous waste produced (in tonnes and intensity.	Emissions – Wastes management (Not applicable-explained)	P.52-53
KPI A1.4 (“comply or explain”)	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Wastes management	P.52-53
KPI A1.5 (“comply or explain”)	Description of measures to mitigate emissions and results achieved.	Emissions – Exhaust gas, GHG emissions, Wastes management	P.51-53
KPI A1.6 (“comply or explain”)	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Wastes management	P.52-53

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	P.53
KPI A2.1 (“comply or explain”)	Direct and/or indirect energy consumption by type in total and intensity.	Use of resources – Energy consumption	P.53-54
KPI A2.2 (“comply or explain”)	Water consumption in total and intensity.	Use of resources – Water consumption	P.54
KPI A2.3 (“comply or explain”)	Description of energy use efficiency initiatives and results achieved.	Use of resources – Energy consumption	P.53-54
KPI A2.4 (“comply or explain”)	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of resources – Water consumption	P.54
KPI A2.5 (“comply or explain”)	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of resources – Use of packaging materials	P.54
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	The environment and natural resources	P.55
KPI A3.1 (“comply or explain”)	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	P.55
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	P.55-58
KPI B1.1 (Recommended Disclosure)	Total workforce by gender, employment type, age group and geographical region.	Employment	P.56
KPI B1.2 (Recommended Disclosure)	Employee turnover rate by gender, age group and geographical region.	Employment	P.57

Subject Areas, Aspects,General Disclosures and KPIs	Description	Section/Declaration	Page
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	P.58
KPI B2.1 (Recommended Disclosure)	Number and rate of work-related fatalities.	Health and safety	P.58-59
KPI B2.2 (Recommended Disclosure)	Lost days due to work injury.	Health and safety	P.58-59
KPI B2.3 (Recommended Disclosure)	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and safety	P.58-59
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	P.59-60
KPI B3.1 (Recommended Disclosure)	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and training	P.59-60
KPI B3.2 (Recommended Disclosure)	The average training hours completed per employee by gender and employee category.	Development and training	P.59-60
Aspect B4: Labour 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 labour.	Labor standards – Prevention of child and forced labor	P.60
KPI B4.1 (Recommended Disclosure)	Description of measures to review employment practices to avoid child and forced labour.	Labor standards – Prevention of child and forced labor	P.60
KPI B4.2 (Recommended Disclosure)	Description of steps taken to eliminate such practices when discovered.	Labor standards – Prevention of child and forced labor	P.60

Subject Areas, Aspects,General Disclosures and KPIs	Description	Section/Declaration	Page
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	P.60-61
KPI B5.1 (Recommended Disclosure)	Number of suppliers by geographical region.	Supply chain management – Environmental and social risk management in supply chain, Fair and open procurement	P.60-61
KPI B5.2 (Recommended Disclosure)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply chain management – Environmental and social risk management in supply chain, Fair and open procurement	P.60-61
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, labelling and privacy matters relating to products and services provided and methods of redress.	Product responsibility	P.61
KPI B6.1 (Recommended Disclosure)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product responsibility	P.62
KPI B6.2 (Recommended Disclosure)	Number of products and service related complaints received and how they are dealt with.	Product responsibility	P.62
KPI B6.3 (Recommended Disclosure)	Description of practices relating to observing and protecting intellectual property rights.	Product responsibility	P.63
KPI B6.4 (Recommended Disclosure)	Description of quality assurance process and recall procedures.	Product responsibility	P.62
KPI B6.5 (Recommended Disclosure)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product responsibility	P.62

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	P.63-64
KPI B7.1 (Recommended Disclosure)	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	P.63-64
KPI B7.2 (Recommended Disclosure)	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption – Prevent corruption and fraud	P.63-64
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	P.64
KPI B8.1 (Recommended Disclosure)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community investment – Corporate social responsibility	P.64
KPI B8.2 (Recommended Disclosure)	Resources contributed (e.g. money or time) to the focus area.	Community investment – Corporate social responsibility	P.64

INDEPENDENT AUDITOR'S REPORT

Mazars CPA Limited
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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 75 to 138, which comprise the consolidated statement of financial position as at 31 December 2020, 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 summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 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 Hong Kong 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.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of expenses for the initial listing of the Group	
Relevant costs incurred for the initial listing of the shares of the Company are allocated and recognised in (i) profit or loss as listing expenses, and (ii) equity as a reduction of share premium upon the capitalisation issue, on the bases that whether the costs are (a) costs for the Company to obtain the listing status or (b) incremental costs for the Company to raise additional funds from the issue of new shares, respectively. Such allocation of the costs involved significant judgement of the Group's management. During the year ended 31 December 2020, costs attributable to obtain the listing status of approximately RMB15,679,000 were charged to profit and loss. We have identified the above matter as a key audit matter because the classification and allocation of relevant costs incurred involves a significant degree of management judgement and therefore is subject to an inherent risk of error. Related disclosure is included in Note 2 to the consolidated financial statements.	Our procedures, among others, included: a) Obtaining an understanding of and enquiring of the Group's management on the bases of classification and allocation for the relevant costs and assessing the reasonableness of these bases with reference to the applicable accounting standards and guidelines; and b) Checking samples of items that made up the total costs incurred for the initial listing of the shares of the Company to invoices and agreements to confirm the nature of the items and checking whether these items have been correctly classified and allocated according to the bases determined by the Group's management.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") assessment of trade receivables	
At 31 December 2020, the gross amount of trade receivables and its related allowance for ECL amounted to approximately RMB78,636,000 and RMB3,289,000, respectively. 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. The Group's management believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for this purpose. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis. 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. Related disclosures are included in Notes 2 and 16 to the consolidated financial statements.	Our procedures, among others, included: a) Understanding of the Group's credit risk management and practices and assessing the Group's impairment provisioning policy in accordance with the requirements of applicable accounting standards; b) 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; c) 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; d) Assessing the reasonableness and relevancy of the external information used by the Group as the forward-looking information; and e) 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.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2020 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 Hong Kong 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 HKSAs 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 HKSAs, 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.

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, 24 March 2021

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 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Plant and equipment	11	35,663	39,594
Intangible assets	12	4,957	5,306
Goodwill	13	1,369	1,369
		41,989	46,269
Current assets			
Inventories	15	182,699	144,839
Trade and other receivables	16	100,193	98,527
Income tax recoverable		—	1,203
Restricted bank deposits	17	2,000	10,000
Bank balances and cash	18	230,416	35,701
		515,308	290,270
Current liabilities			
Trade and other payables	19	247,116	141,992
Lease liabilities	20	7,071	6,977
Amount due to ultimate holding company	21	—	52,150
Income tax payable		3,393	2
Deferred tax liabilities	22	—	1,000
		257,580	202,121
Net current assets		257,728	88,149
Total assets less current liabilities		299,717	134,418
Non-current liabilities			
Lease liabilities	20	17,902	18,949
Deferred tax liabilities	22	1,817	2,198
		19,719	21,147
NET ASSETS		279,998	113,271

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Capital and reserves			
Share capital	23	4,315	—*
Reserves		268,448	99,530
Equity attributable to owners of the Company		272,763	99,530
Non-controlling interests	26	7,235	13,741
TOTAL EQUITY		279,998	113,271

* *Represent amounts less than RMB1,000.*

The consolidated financial statements on pages 75 to 138 were approved and authorised for issue by the Board of Directors on 24 March 2021 and signed on its behalf by

Mr. Hong Yiyuan
Director

Mr. Zhang Zhixiong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the Company								
		Reserves							
	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 24(a))	Capital reserve RMB'000 (Note 24(b))	Statutory reserve RMB'000 (Note 24(c))	Translation reserve RMB'000 (Note 24(d))	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 26)	Total equity RMB'000
At 1 January 2019	—*	—	—	8,257	(1,404)	67,373	74,226	9,076	83,302
Profit for the year	—	—	—	—	—	26,423	26,423	4,665	31,088
Other comprehensive loss:									
Exchange difference on consolidation/combination	—	—	—	—	(1,119)	—	(1,119)	—	(1,119)
Total comprehensive income for the year	—	—	—	—	(1,119)	26,423	25,304	4,665	29,969
Transactions with owners:									
Contributions and distributions									
Appropriation of statutory reserve	—	—	—	3,938	—	(3,938)	—	—	—
At 31 December 2019	—*	—	—	12,195	(2,523)	89,858	99,530	13,741	113,271

* *Represent amounts less than RMB1,000.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the Company								
		Reserves							
	Share capital RMB'000 (Note 23)	Share premium RMB'000 (Note 24(a))	Capital reserve RMB'000 (Note 24(b))	Statutory reserve RMB'000 (Note 24(c))	Translation reserve RMB'000 (Note 24(d))	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 26)	Total equity RMB'000
At 1 January 2020	–*	–	–	12,195	(2,523)	89,858	99,530	13,741	113,271
Profit for the year	–	–	–	–	–	39,953	39,953	10,154	50,107
Other comprehensive loss:									
Exchange difference on consolidation/combination	–	–	–	–	(4,690)	–	(4,690)	–	(4,690)
Total comprehensive income for the year	–	–	–	–	(4,690)	39,953	35,263	10,154	45,417
Transactions with owners:									
Contributions and distributions									
Waiver of amount due to ultimate holding company (*Note 21*)	–	–	12,559	–	–	–	12,559	–	12,559
Issue of shares pursuant to the Capitalisation Issue *(Note 23(ii))*	3,195	(3,195)	–	–	–	–	–	–	–
Issue of shares pursuant to the Share Offer (including the partial exercise of the over-allotment option) *(Note 23(iii) & (iv))*	1,120	153,444	–	–	–	–	154,564	–	154,564
Transaction costs attributable to issue of shares *(Note 23(v))*	–	(29,153)	–	–	–	–	(29,153)	–	(29,153)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	(16,660)	(16,660)
Appropriation of statutory reserve	–	–	–	9,175	–	(9,175)	–	–	–
Total transactions with owners	4,315	121,096	12,559	9,175	–	(9,175)	137,970	(16,660)	121,310
At 31 December 2020	4,315	121,096	12,559	21,370	(7,213)	120,636	272,763	7,235	279,998

* *Represent amounts less than RMB1,000.*

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**63,292**	36,173
Adjustments for:		
Amortisation of intangible assets	**3,621**	3,398
Allowance for inventories	**3,578**	—
Bank interest income	**(1,547)**	(353)
Depreciation of plant and equipment	**12,278**	13,435
Finance costs	**1,287**	1,014
Gain on termination of leases	**(40)**	—
Loss (Gain) on disposal of plant and equipment, net	**72**	(108)
Impairment loss on trade receivables, net	**1,819**	428
Operating cash flows before changes in working capital	**84,360**	53,987
Changes in working capital		
Trade and other receivables	**(3,824)**	3,004
Inventories	**(41,438)**	(18,311)
Trade and other payables	**88,693**	(9,806)
Cash generated from operations	**127,791**	28,874
Income tax paid	**(8,580)**	(8,741)
Withholding tax paid	**(1,386)**	—
Net cash from operating activities	**117,825**	20,133
INVESTING ACTIVITIES		
Interest received	**1,547**	353
Purchase of plant and equipment	**(2,484)**	(1,365)
Proceeds from disposal of plant and equipment	**10**	140
Decrease in restricted bank deposits, net	**8,000**	4,040
Additions of intangible assets	**(3,272)**	(3,589)
Net cash from (used in) investing activities	**3,801**	(421)

CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
FINANCING ACTIVITIES		
Repayment for lease liabilities	(6,858)	(7,849)
Interest paid	(1,287)	(1,014)
New bank borrowings raised	10,000	—
Repayment of bank borrowings	(10,000)	—
Repayment to the Controlling Shareholders, net	—	(7,699)
Advance from ultimate holding company	776	3,214
Repayment to ultimate holding company	(40,000)	—
Partial settlement on capital contribution due from the non-controlling shareholders of a subsidiary	—	1,700
Proceeds from issue of shares	154,564	—
Payment for transaction costs attributable to issue of shares	(29,153)	—
Net cash from (used in) financing activities	78,042	(11,648)
Net increase in cash and cash equivalents	199,668	8,064
Cash and cash equivalents at the beginning of the year	35,701	27,709
Effect on exchange rate changes	(4,953)	(72)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	230,416	35,701

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 and Mr. He Ziping (collectively referred to as the “**Controlling Shareholders**”), who have been acting in concert over the course of the Group’s business history.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

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

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

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

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost.

Basis of consolidation/combination

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation/combination *(continued)*

Merger accounting for common control combinations

The consolidation financial statements incorporates the financial statements of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholders.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Controlling Shareholders' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recognised as part of the capital reserve. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of 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 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 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 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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

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; 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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, restricted bank deposit and bank balances and cash.

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, amount due to ultimate holding company and lease liabilities. 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

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

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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.

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.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. The Group considers the changes in the risk that the specified debtor will default on the contract.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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.

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).

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

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.

- 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 plant and equipment (including right-of-use assets), 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).

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.

2. PRINCIPAL ACCOUNTING POLICIES *(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 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	1 to 6 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.

2. PRINCIPAL ACCOUNTING POLICIES *(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.

2. PRINCIPAL ACCOUNTING POLICIES *(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 and 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.

2. PRINCIPAL ACCOUNTING POLICIES *(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 fair value of service received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve within equity.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. 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 retained profits.

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.

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 plant and equipment, and intangible assets

The management determines the estimated useful lives of the Group's 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.

Impairment of plant and equipment, and intangible assets

The management determines whether the Group's plant and equipment, and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the plant and equipment (including right-of-use assets), 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 plant and equipment (including right-of-use assets), 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.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Key sources of estimation uncertainty *(continued)*

Loss allowance for ECL

The management of the Group estimates the loss allowance for trade receivables 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 receivables.

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 by reference to the latest market prices and current market conditions.

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.

Critical judgements made in applying accounting policies

Recognition of expenses for listing expenses

The Group's management determines the allocation and classification of relevant costs incurred for the Listing among (i) profit or loss as listing expenses and (ii) equity as a reduction of share premium upon the capitalisation issue based on its judgement on whether such costs are (a) costs for the Company to obtain the listing status or (b) incremental costs for the Company to raise additional funds from the issue of new shares, respectively.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 HKFRS 16	Covid-19-Related Rent Concessions [1]
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 [2]
Amendments to HKAS 16	Proceeds before Intended Use [3]
Amendments to HKAS 37	Cost of Fulfilling a Contract [3]
Amendments to HKFRS 3	Reference to the Conceptual Framework [3]
Annual Improvements to HKFRSs	2018–2020 Cycle [3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [4]
HKFRS 17	Insurance Contracts [4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

[1] Effective for annual periods beginning on or after 1 June 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] Effective for annual periods beginning on or after 1 January 2022
[4] Effective for annual periods beginning on or after 1 January 2023
[5] 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. Segment information is not presented accordingly.

Information about geographical areas

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

Non-current assets

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

3. SEGMENT INFORMATION *(continued)*

Information about geographical areas *(continued)*

Revenue from external customers

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

Information about major customers

The Group's revenue from any single external customers did not contribute 10% or more of the total revenue of the Group for the years ended 31 December 2020 and 2019.

4. REVENUE

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

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

5. OTHER INCOME

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

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

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	2020 *RMB'000*	2019 *RMB'000*
Finance costs		
Interest on bank borrowings	90	—
Finance charges on lease liabilities	1,197	1,014
	1,287	1,014
Staff costs, including directors' remuneration		
Salaries, allowances, discretionary bonuses and other benefits in kind	38,473	31,110
Contributions to defined contribution plans	1,108	4,681
	39,581	35,791
Less: capitalised as "intangible assets"	(702)	(720)
	38,879	35,071
Other items		
Cost of inventories *(Note (i))*	334,991	287,370
Auditor's remuneration		
— Audit services	1,156	58
— Non-audit services	178	—
Amortisation of intangible assets (included in "administrative and other operating expenses")	3,621	3,398
Depreciation of plant and equipment (included in "cost of sales" and "administrative and other operating expenses", as appropriate)	12,278	13,523
Less: capitalised as "intangible assets"	(79)	(88)
	12,199	13,435
Exchange loss (gain), net	859	(311)
Gain on termination of leases	(40)	—
Loss (Gain) on disposal of plant and equipment, net	72	(108)
Allowance for inventories (included in "cost of sales")	3,578	—
Provision for litigation and claim (included in "administrative and other operating expenses") *(Note 19(d))*	2,000	—
Other rental and related expenses	3	—
Research and development expenses	25,876	23,097
Less: capitalised as "intangible assets" *(Note (ii))*	(3,193)	(3,589)
	22,683	19,508

6. PROFIT BEFORE TAX *(continued)*

Notes:

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

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

7. 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 2020

	Directors' fees RMB'000	Salaries allowances and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
Executive directors					
Mr. Hong Yiyuan	154	223	24	26	427
Mr. Zhang Zhixiong	77	177	20	23	297
Mr. Su Chengya	77	148	18	19	262
Mr. He Ziping	77	188	15	24	304
Non-executive director					
Mr. Chang Chi Hsung	88	—	—	—	88
Independent non-executive directors					
Mr. Chan Ming Kit *(Note)*	88	—	—	—	88
Mr. Ng Tat Fung *(Note)*	88	—	—	—	88
Dr. Wang Fengxiang *(Note)*	4	—	—	—	4
	653	736	77	92	1,558

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

(a) Directors' emoluments *(continued)*

Year ended 31 December 2019

	Directors' fees	Salaries allowances and other benefits in kind	Discretionary bonuses	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Hong Yiyuan	—	208	12	15	235
Mr. Zhang Zhixiong	—	158	12	15	185
Mr. Su Chengya	—	137	12	12	161
Mr. He Ziping	—	173	12	15	200
Non-executive director					
Mr. Chang Chi Hsung	—	—	—	—	—
	—	676	48	57	781

Note: On 4 May 2020, Mr. Chan Ming Kit, Mr. Ng Tat Fung and Dr. Wang Fengxiang were appointed as independent non-executive directors of the Company.

Mr. Hong Yiyuan is 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 2020 and 2019.

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 2020 and 2019, 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 2020 and 2019.

The annual director's fee of Dr. Wang Fengxiang has been reduced from RMB80,000 to RMB6,000 with effect from 29 June 2020.

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 2020 included four *(2019: one)* directors, details of whose remuneration are reflected in the analysis presented above. Details of the remuneration of the remaining one *(2019: four)* highest paid non-director individuals whose emoluments are disclosed as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries, allowances, discretionary bonus and other benefits in kind	**314**	870
Contributions to defined contribution plans	**40**	125
	354	995

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

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	**1**	4

During the years ended 31 December 2020 and 2019, no remuneration was paid by the Group to any of these highest paid non-director individuals 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 these highest paid non-director individuals waived or has agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

8. INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
Current tax		
PRC Enterprise Income Tax — current year	13,174	4,705
Hong Kong Profits Tax — current year	—	2
	13,174	4,707
Withholding tax		
Withholding tax on dividend income from a PRC subsidiary	1,392	—
Deferred tax		
Origination and reversal of temporary differences *(Note 22)*	(1,381)	378
Income tax expenses for the year	13,185	5,085

The Group's entities established in the PRC are subject to PRC Enterprise Income Tax at a statutory rate of 25% except for 晉江海納機械有限公司 (Jinjiang Haina Machinery Co. Ltd.*) ("**Jinjiang Haina**") and 杭州海納機械有限公司 (Hangzhou Haina Machinery Co. Ltd.*) ("**Hangzhou Haina**") were recognised as New and High-tech Enterprises and are entitled to a preferential tax rate of 15%. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approvals for Jinjiang Haina and Hangzhou Haina enjoying this tax benefit were obtained in December 2019 for the three years ending 31 December 2021 and in December 2020 for the three years ending 31 December 2022, respectively.

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

Hong Kong Profits Tax has not been provided as the Group had no assessable profit arising from Hong Kong for the year ended 31 December 2020. For the year ended 31 December 2019, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime under which, the first HK$2 million assessable profits arising from Hong Kong of qualifying entity of the Group, Haina Technology Group Limited ("**Haina Technology**") were taxed at 8.25%, and assessable profits arising from Hong Kong above HK$2 million were taxed at 16.5%.

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

8. INCOME TAX EXPENSES *(continued)*

Reconciliation of income tax expenses

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

9. EARNINGS PER SHARE

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

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

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

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts has been determined on the assumption that the Reorganisation and the Capitalisation Issue (as defined in Note 23) have been effective on 1 January 2019.

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

10. DIVIDENDS

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

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

11. PLANT AND EQUIPMENT

	Right-of-use assets *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Computer equipment *RMB'000*	Total *RMB'000*
Reconciliation of carrying amount — year ended 31 December 2019						
At 1 January 2019	—	15,534	1,273	344	858	18,009
Adjustment on transition to HKFRS 16	17,723	—	—	—	—	17,723
Additions	16,052	466	60	117	722	17,417
Disposals	—	—	(32)	—	—	(32)
Depreciation	(7,545)	(5,154)	(356)	(254)	(214)	(13,523)
At 31 December 2019	26,230	10,846	945	207	1,366	39,594
Reconciliation of carrying amount — year ended 31 December 2020						
At 1 January 2020	**26,230**	**10,846**	**945**	**207**	**1,366**	**39,594**
Additions	**7,059**	**75**	**1,853**	**221**	**335**	**9,543**
Termination of leases	**(1,112)**	**—**	**—**	**—**	**—**	**(1,112)**
Disposals	**—**	**(79)**	**—**	**(3)**	**—**	**(82)**
Depreciation	**(7,773)**	**(3,681)**	**(260)**	**(246)**	**(318)**	**(12,278)**
Exchange realignment	**(2)**	**—**	**—**	**—**	**—**	**(2)**
At 31 December 2020	**24,402**	**7,161**	**2,538**	**179**	**1,383**	**35,663**
At 31 December 2019						
Cost	33,775	23,182	2,759	1,226	1,798	62,740
Accumulated depreciation	(7,545)	(12,336)	(1,814)	(1,019)	(432)	(23,146)
	26,230	10,846	945	207	1,366	39,594
At 31 December 2020						
Cost	**37,034**	**22,798**	**4,612**	**1,168**	**2,192**	**67,804**
Accumulated depreciation	**(12,632)**	**(15,637)**	**(2,074)**	**(989)**	**(809)**	**(32,141)**
	24,402	**7,161**	**2,538**	**179**	**1,383**	**35,663**

12. INTANGIBLE ASSETS

	Development costs *RMB'000*
Reconciliation of carrying amount – year ended 31 December 2019	
At 1 January 2019	5,027
Additions	3,677
Amortisation	(3,398)
At 31 December 2019	5,306
Reconciliation of carrying amount – year ended 31 December 2020	
At 1 January 2020	**5,306**
Additions	**3,272**
Amortisation	**(3,621)**
At 31 December 2020	**4,957**
At 31 December 2019	
Cost	13,628
Accumulated amortisation	(8,322)
	5,306
At 31 December 2020	
Cost	**16,900**
Accumulated amortisation	**(11,943)**
	4,957

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

13. GOODWILL

	2020 *RMB'000*	2019 *RMB'000*
Cost and carrying amount		
At the beginning of the reporting period and **at the end of the reporting period**	1,369	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.

The Group's management considers Hangzhou Haina represents a separate cash-generating unit for the purpose of goodwill impairment testing. At 31 December 2020 and 2019, 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 calculation used cash flow projection based on financial budgets approved by the directors of the Company covering a 3-year period. Cash flows beyond the 3-year period have been extrapolated using a 2.6% *(2019: 3.0%)* 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:

	2020	2019
Long-term growth rate	2.6%	3.0%
Discount rate (pre-tax)	13.8%	12.0%

The management of the Group performed impairment test for the goodwill and determined such goodwill was not impaired. Reasonably possible changes in key assumptions will not lead to the goodwill impairment loss.

14. 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% *(2019: 100%)*	N/A	Investment holding/ Hong Kong	Private limited liability company
Haina Intelligent Development Company Limited	The BVI	US$1	100% *(2019: N/A)*	N/A	Inactive/The BVI	Private limited liability company
Haina Technology	Hong Kong	HK$1	N/A	100% *(2019: 100%)*	Trading of machines for disposable hygiene products and investment holding/ Hong Kong	Private limited liability company
Jinjiang Haina	The PRC	RMB100,000,000	N/A	100% *(2019: 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	51% *(2019: 51%)*	Design and production of machines for disposable hygiene products/The PRC	Private limited liability company
晉江嘉初進出口貿易有限公司 (Jinjiang Jiachu Import and Export Trading Co. Limited*)	The PRC	RMB1,000,000	N/A	100% *(2019: N/A)*	Inactive/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.

15. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	80,825	63,153
Work-in-progress	89,950	75,546
Finished goods	15,502	6,140
	186,277	144,839
Less: Allowance for inventories	(3,578)	—
	182,699	144,839

16. TRADE AND OTHER RECEIVABLES

	Note	2020 RMB'000	2019 RMB'000
Trade receivables		78,636	76,584
Less: Allowance for ECL	16(b)	(3,289)	(1,473)
	16(a)	75,347	75,111
Bills receivables	16(c)	—	1,000
Other receivables			
Deposits and other receivables		2,326	1,201
Prepayment to suppliers		8,368	4,843
Prepayment for listing expenses		—	2,836
Other prepaid expenses		1,289	1,129
Value-added tax ("**VAT**") and other tax recoverable		11,143	10,687
Capital contribution receivable from the non-controlling shareholders of a subsidiary	16(d)	1,720	1,720
	16(b)	24,846	22,416
		100,193	98,527

16. TRADE AND OTHER RECEIVABLES *(continued)*

16(a) Trade receivables

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

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

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

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

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

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

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

At 31 December 2020 and 2019, in the opinion of the Company's directors, there was no credit-impaired trade receivables except for debtors with gross trade receivables of approximately RMB$2,644,000 at 31 December 2020.

16. TRADE AND OTHER RECEIVABLES *(continued)*

16(b) Allowance for ECL

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 RMB3,289,000 *(2019: RMB1,473,000)* on gross amount of approximately RMB78,636,000 *(2019: RMB76,584,000)* at 31 December 2020.

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 2020 and 2019.

At 31 December 2020

Internal credit rating (Remarks)	**Average loss rate** *%*	**Gross carrying amount** *RMB'000*	**Impairment loss allowance** *RMB'000*
Risk Category 1	**0.73**	**68,731**	**504**
Risk Category 2	**1.22**	**3,931**	**48**
Risk Category 3	**2.21**	**3,310**	**73**
Risk Category 5	**100.00**	**2,664**	**2,664**
		78,636	**3,289**

At 31 December 2019

Internal credit rating (Remarks)	Average loss rate *%*	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
Risk Category 1	1.39	67,472	938
Risk Category 2	2.50	50	1
Risk Category 3	5.90	9,062	534
		76,584	1,473

16. TRADE AND OTHER RECEIVABLES *(continued)*

16(b) Allowance for ECL *(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 year ended 31 December 2020 and 2019.

	2020 *RMB'000*	2019 *RMB'000*
At the beginning of the reporting period	1,473	1,045
Increase in allowance	1,819	428
Exchange realignment	(3)	—
At the end of the reporting period	3,289	1,473

During the year ended 31 December 2020, the significant changes in loss allowance on trade receivables were due to the increase in long outstanding of certain debtors.

16. TRADE AND OTHER RECEIVABLES *(continued)*

16(b) Allowance for ECL *(continued)*

Other receivables

The management of the Group considers that the financial assets included in other receivables 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. The management of the Group considers the ECL of 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 2020 and 2019.

16(c) Bills receivables

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

16(d) Capital contribution receivable from the non-controlling shareholders of a subsidiary

The amount has been subsequently fully settled in February 2021.

17. RESTRICTED BANK DEPOSITS

Restricted bank deposits are deposits which are placed in the PRC banks as securities for the issuance of bills payables (Note 19(b)).

18. 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:

	2020 *RMB'000*	2019 *RMB'000*
RMB	164,220	24,614
HK$	43,031	47
US$	23,165	11,040
	230,416	35,701

As at 31 December 2020, bank balances that were placed with banks in the PRC amounted to approximately RMB176,443,000 *(2019: approximately RMB35,399,000)*. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

19. TRADE AND OTHER PAYABLES

	Note	2020 RMB'000	2019 RMB'000
Trade payables	19(a)	75,372	52,939
Bills payables	19(b)	10,000	10,000
Other payables			
Salaries payable		6,431	4,081
Contract liabilities — receipt in advance	19(c)	124,973	63,169
Dividend payables to non-controlling shareholders of a subsidiary	26	16,660	—
Accruals and other payables		11,680	11,630
Provision for litigation and claim	19(d)	2,000	—
Amount due to a director	19(e)	—	173
		161,744	79,053
		247,116	141,992

19(a) Trade payables

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

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

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

19. TRADE AND OTHER PAYABLES *(continued)*

19(b) Bills payables

At the end of the reporting period, the bills payable are interest-free, guaranteed by banks in PRC and have maturities of less than six months. The Group's bills payables are secured by pledge of the Group's restricted bank deposits of RMB2,000,000 *(2019: RMB10,000,000)*.

19(c) Contract liabilities — receipt in advance

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

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

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

19(d) Provision for litigation and claim

In January 2021, a customer of Hangzhou Haina submitted an application for civil case proceedings (the "**Litigation**") at Hangzhou City Lin'an District People's Court (the "**Hangzhou Court**") for claiming approximately RMB2,000,000 from Hangzhou Haina since two machines of disposable medical face mask purchased from Hangzhou Haina in 2020 did not satisfy the quality requirements under the duly signed sales contract (the "**Claim**"). The Group's bank balance of approximately RMB2,046,000 has been frozen by the order of the Hangzhou Court for the Litigation in February 2021. Based on the legal opinion of the Group's PRC lawyers, the directors of the Company are of the opinion that an outflow of economic benefits will be required and therefore provision for the Claim of approximately RMB2,000,000 was provided in profit or loss for the year ended 31 December 2020.

19(e) Amount due to a director

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

20. LEASES

	2020 RMB'000	2019 RMB'000
Right-of-use assets *(Note 11)*		
Leased properties	24,402	26,230
Lease liabilities		
Current	7,071	6,977
Non-current	17,902	18,949
	24,973	25,926

The present value of lease liabilities is summarised as below:

	2020 Lease payments RMB'000	2020 Present value of lease payments RMB'000	2019 Lease payments RMB'000	2019 Present value of lease payments RMB'000
Amounts payable:				
Within 1 year	8,112	7,071	8,049	6,977
More than 1 year but within 2 years	7,599	6,898	10,469	9,379
More than 2 years but within 5 years	11,436	11,004	9,982	9,570
	27,147	24,973	28,500	25,926
Less: future finance charges	(2,174)	—	(2,574)	—
Total lease liabilities	24,973	24,973	25,926	25,926

The depreciation of the leased properties charged to profit or loss during the year ended 31 December 2020 amounted to approximately RMB7,773,000 *(2019: RMB7,545,000)*.

The total cash outflow for leases (including other rental and related expenses) for the year ended 31 December 2020 was approximately RMB8,058,000 *(2019: RMB8,863,000)*.

21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due is non-trade nature, unsecured, interest-free and repayable on demand. During the year ended 31 December 2020, the amount due to ultimate holding company amounting to approximately RMB40,000,000 was settled and the remaining balance was waived by the ultimate holding company and credited to the capital reserve under the equity.

22. DEFERRED TAXATION

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

	Depreciation allowance	**Accrued revenue and costs**	**Intangible assets**	**Withholding tax on undistributed profits of a PRC subsidiary**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	887	1,179	754	—	2,820
(Credit) Charge to profit or loss	(559)	(105)	42	1,000	378
At 31 December 2019 and 1 January 2020	328	1,074	796	1,000	3,198
Credit to profit or loss	(328)	—	(53)	(1,000)	(1,381)
At 31 December 2020	**—**	**1,074**	**743**	**—**	**1,817**

	2020	2019
	RMB'000	*RMB'000*
Amounts expected to be settled:		
Within 12 months	**—**	1,000
After 12 months	**1,817**	2,198
	1,817	3,198

At the end of reporting period, 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 RMB6,649,000 *(2019: RMB3,863,000)*.

23. SHARE CAPITAL

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

* *Represent amounts less than RMB1,000.*

Notes:

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

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

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

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

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

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

24. RESERVES

24(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.

24(b) Capital reserve

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

24(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.

24(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/combination.

25. 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.

25. 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.

No share options had been granted, exercised or lapsed during the year ended 31 December 2020 and there were no outstanding share options at 31 December 2020.

26. NON-CONTROLLING INTERESTS

The following table shows the information relating to the non-wholly owned subsidiary, Hangzhou Haina that has material non-controlling interests ("NCI") during the years ended 31 December 2020 and 2019. The summarised financial information represents amounts before inter-company eliminations.

	At 31 December	
	2020	2019
Proportion of NCI's ownership interests	**49%**	49%
	RMB'000	*RMB'000*
Non-current assets	**16,519**	17,616
Current assets	**126,233**	71,435
Current liabilities	**116,273**	(49,201)
Non-current liabilities	**(11,712)**	(11,806)
Net assets	**14,767**	28,044
Carrying amount of NCI	**7,235**	13,741

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**161,108**	123,962
Other income	**1,360**	642
Expenses	**(141,745)**	(115,084)
Profit and total comprehensive income for the year	**20,723**	9,520
Profit and total comprehensive income for the year attributable to NCI	**10,154**	4,665
Dividends payable to NCI *(Note)*	**16,660**	—
Net cash flow from (used in):		
Operating activities	**31,034**	7,850
Investment activities	**(266)**	(455)
Financing activities	**(3,334)**	4,900

Note: The dividends payable has been subsequently fully settled in January 2021.

27. ADDITIONAL INFORMATION ON CASH FLOWS

27(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 2020, the Group recognised right-of-use assets by incurring lease liabilities of approximately RMB7,059,000 and de-recognised right-of-use assets by reducing lease liabilities of approximately RMB1,152,000 upon termination of leases.

Right-of-use assets with a total capital value of approximately RMB17,723,000 with the corresponding amount of lease liabilities were initially recognised on 1 January 2019 upon adoption of HKFRS 16 and the Group further recognised right-of-use assets by incurring lease liabilities of approximately RMB16,052,000 during the year ended 31 December 2019.

27(b) Reconciliation of liabilities arising from financing activities

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

	Amount due to ultimate holding company	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	48,936	—	48,936
Cash flows, net	3,214	(8,863)	(5,649)
Adjustment on transition to HKFRS16	—	17,723	17,723
Additions	—	16,052	16,052
Interest paid	—	1,014	1,014
At 31 December 2019 and 1 January 2020	52,150	25,926	78,076
Cash flows, net	(39,224)	(8,055)	(47,279)
Additions	—	7,059	7,059
Interest paid	—	1,197	1,197
Termination of leases	—	(1,152)	(1,152)
Waiver of amount due to ultimate holding company *(Note 21)*	(12,559)	—	(12,559)
Exchange realignment	(367)	(2)	(369)
At 31 December 2020	**—**	**24,973**	**24,973**

28. 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:

28(a) Related party transaction

There are no other related party transactions during the years ended 31 December 2020 and 2019.

28(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 2020 and 2019.

28(c) Connected transactions

During the years ended 31 December 2020 and 2019, the Group had the following transactions with persons who would be regarded as connected persons as defined in the Listing Rules:

	Note	**2020** ***RMB'000***	2019 *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), (iii)*	**7,400**	4,515
晉江市盛榮機械設備有限公司(Jinjiang City Shengrong Machinery Equipment Limited) ("**Shengrong Machinery**")	*(ii), (iii)*	**2,587**	2,602

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) These connected transactions constitute continuing connected transactions as defined in Listing Rules. Further disclosures about these transactions have been disclosed in the Report of Directors of the annual report of the Company.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of restricted bank deposits, bank balances and cash, secured bank borrowings, lease liabilities and amounts due to ultimate holding company. 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.

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

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

	Financial assets at amortised cost	
	2020	2019
	RMB'000	*RMB'000*
Trade and other receivables	**79,393**	79,032
Restricted bank deposits	**2,000**	10,000
Bank balances and cash	**230,416**	35,701
Total	**311,809**	124,733

	Financial liabilities at amortised cost	
	2020	2019
	RMB'000	*RMB'000*
Trade and other payables	**122,143**	78,823
Amount due to ultimate holding company	**—**	52,150
Lease liabilities	**24,973**	25,926
Total	**147,116**	156,899

The main risks arising from the Group's financial instruments are foreign currency 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 key management 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:

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

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 currency 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	
	2020	2019
	RMB'000	*RMB'000*
US$	**21,997**	22,473

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.

	2020	2019
	RMB'000	*RMB'000*
US$	**1,100**	1,124

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 2020 and 2019.

29. 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, pledged 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:

	Financial assets, net	
	2020	2019
	RMB'000	*RMB'000*
Trade and other receivables	**81,572**	79,032
Restricted bank deposits	**2,000**	10,000
Bank balances and cash	**230,416**	35,701
	313,988	124,733

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 2020, the Group had a concentration of credit risk as approximately 20% *(2019: 8%)* of the total trade receivables was due from the Group's largest trade debtor and approximately 42% *(2019: 36%)* of the total trade receivables was due from the Group's five largest trade debtors.

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

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.

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

	Total carrying amount	Total contractual undiscounted cash flow	Less than 1 year or on demand	1-2 years	2-5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020					
Trade and other payables	**122,143**	**122,143**	**122,143**	**—**	**—**
Lease liabilities	**24,973**	**27,147**	**8,112**	**7,599**	**11,436**
	147,116	**149,290**	**130,255**	**7,599**	**11,436**

	Total carrying amount	Total contractual undiscounted cash flow	Less than 1 year or on demand	1-2 years	2-5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Trade and other payables	78,823	78,823	78,823	—	—
Amount due to ultimate holding company	52,150	52,150	52,150	—	—
Lease liabilities	25,926	28,500	8,049	10,469	9,982
	156,899	159,473	139,022	10,469	9,982

30. FAIR VALUE MEASUREMENTS

The management of the Group considers that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

31. 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 2020 and 2019.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment in a subsidiary		—*	—*
Current assets			
Other receivables		—	722
Amounts due from subsidiaries		86,227	—
Bank balances and cash		39,209	—
		125,436	722
Current liabilities			
Other payables		952	—
Amounts due to subsidiaries		—	13,503
		952	13,503
Net current assets (liabilities)		124,484	(12,781)
Total assets less current liabilities		124,484	(12,781)
NET ASSETS (LIABILITIES)		124,484	(12,781)
Capital and reserves			
Share capital	23	4,315	—*
Reserves	32(a)	120,169	(12,781)
TOTAL EQUITY (DEFICIT)		124,484	(12,781)

* *Represent amounts less than RMB1,000.*

The statement of financial position was approved and authorised for issue by the Board of Directors on 24 March 2021 and signed on its behalf by

Mr. Hong Yiyuan
Director

Mr. Zhang Zhixiong
Director

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

32(a) Movement of the reserves

	Share premium *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2019	—	—	(129)	(3,041)	(3,170)
Loss for the year	—	—	—	(8,910)	(8,910)
Other comprehensive loss:					
Item that may be reclassified subsequently to profit or loss					
Exchange difference on translation	—	—	(701)	—	(701)
At 31 December 2019 and 1 January 2020	—	—	(830)	(11,951)	(12,781)
Profit for the year	—	—	—	10,439	10,439
Other comprehensive loss:					
Item that may be reclassified subsequently to profit or loss					
Exchange difference on translation	—	—	(11,144)	—	(11,144)
Total comprehensive income for the year	—	—	(11,144)	10,439	(705)
Transactions with owners:					
Contributions and distributions					
Waiver of amount due to ultimate holding company *(Note 21)*	—	12,559	—	—	12,559
Issue of shares pursuant to the Capitalisation Issue *(Note 23(ii))*	(3,195)	—	—	—	(3,195)
Issue of shares pursuant to the Share Offer (including the partial exercise of the over-allotment option) *(Note 23(iii) & (iv))*	153,444	—	—	—	153,444
Transaction costs attributable to issue of shares *(Note 23(v))*	(29,153)	—	—	—	(29,153)
Total transaction with owners	121,096	12,559	—	—	133,655
At 31 December 2020	**121,096**	**12,559**	**(11,974)**	**(1,512)**	**120,169**

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

During the years ended 31 December 2020 and 2019, certain corporate administrative expenses of the Company and listing expenses were borne by the subsidiaries of the Company without recharge.

33. EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the consolidated financial statements, subsequent to 31 December 2020, the Group has the following subsequent events:

(a) On 24 January 2021, the Company and Pipeline Engineering Holdings Limited (the "**Issuer**") entered into the subscription agreement, pursuant to which the Issuer has conditionally agreed to issue, and the Company has conditionally agreed to subscribe for, the bonds in the principal amount of HK$40,000,000 with the interest rate of 6% per annum (the "**Bonds**") at the subscription price of HK$40,000,000 (the "**Subscription**"). On 26 January 2021, the Subscription was completed.

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

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

(b) On 1 March 2021, Jinjiang Haina and the non-controlling shareholders of Hangzhou Haina (the "**Vendors**"), who have 49% equity interest in Hangzhou Haina, entered into the equity transfer agreement, pursuant to which the Vendors conditionally agreed to sell and Jinjiang Haina conditionally agreed to purchase 49% of the equity interest in Hangzhou Haina, at an aggregate consideration of RMB12,800,000 (the "**Acquisition**"). The Acquisition constitutes a discloseable and connected transaction under the Listing Rules. Upon completion of the Acquisition, Hangzhou Haina will become indirect wholly owned subsidiary of the Company. Details are set out in the Company's announcement dated 1 March 2021. The Acquisition was completed on 16 March 2021.