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HAITIAN INTERNATIONAL HOLDINGS LIMITED

海天國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1882)

CONTINUING CONNECTED TRANSACTIONS PURCHASE OF SERVO SYSTEMS, LINEAR MOTION GUIDES, BALL SCREWS AND HYDRAULIC MOTORS

Reference is made to the announcement of the Company dated 20 January 2009 and the circular dated 10 February 2009 in relation to the continuing connected transaction of the Company to purchase servo systems from HDS (previously known as 寧波海天電機有限公司 (Ningbo Haitian Electric Machinery Co., Ltd.*)) under the Old Framework Agreement. The relevant transaction was approved by the independent shareholders of the Company at an extraordinary general meeting held on 26 February 2009.

As the Old Framework Agreement will expire on 31 December 2011, the Company has on 28 October 2011 entered into the New Framework Agreement with HDS in relation to the purchase of servo systems, liner motion guides, ball screws and hydraulic motors for a term of three years commencing on 1 January 2012 and ending on 31 December 2014. HDS is a connected person of the Company and the Purchase will constitute continuing connected transactions of the Company. As certain applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) with respect to the Purchase are higher than 5% on an annual basis, the Purchase will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing details relating to the New Framework Agreement, a letter from an independent committee of the Board containing its advice in respect of the New Framework Agreement and the related annual caps, a letter of advice from an independent financial adviser, and a notice convening the EGM to consider and, if thought fit, approve the New Framework Agreement and information relating to the related annual caps will be dispatched to shareholders of the Company as soon as practicable.

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A. PURCHASE OF SERVO SYSTEMS, LINEAR MOTION GUIDES, BALL SCREWS AND HYDRAULIC MOTORS

Parties to the New Framework Agreement

- (i) HDS (as vendor); and
- (ii) Haitian Plastics Machinery (as purchaser).

Date of the New Framework Agreement

28 October 2011

Principal Terms

HDS will sell and it will procure its subsidiaries and associates to sell servo systems, linear motion guides, ball screws and hydraulic motors to Haitian Plastics Machinery or other members of the Group subject to entering into separate sale and purchase contracts as agreed between (1) Haitian Plastics Machinery or other member of the Group and (2) HDS or its subsidiary or associate. The terms of such sale and purchase contracts should be fair and reasonable to both parties and no less favourable than the terms at which HDS offers to independent third parties for the same or similar products.

The consideration will be settled in cash within 90 days after account entry for goods delivered shall have been made by the Group or by bank drafts payable in six months.

The term of the New Framework Agreement is from 1 January 2012 to 31 December 2014.

Haitian Plastics Machinery is under no obligation to purchase any specific amount of servo systems, linear motion guides, ball screws or hydraulic motors from HDS and has the right to purchase such products from other third parties as it deems fit.

Pricing Principle

The prices of the servo systems, linear motion guides, ball screws and hydraulic motors will be determined by reference to the prices at which comparable types of servo systems, linear motion guides, ball screws and hydraulic motors are sold by HDS to independent third parties and HDS has agreed that such prices would not be higher than the prices of comparable types of servo systems, linear motion guides, ball screws and hydraulic motors manufactured by independent third parties which can meet the technical specifications required by the Group and of satisfactory quality accepted by the Group.

Condition Precedent

The Purchase is conditional upon the Company's compliance with the applicable requirements of the Listing Rules for the Purchase including obtaining the Company's independent shareholders' approval at the EGM.

Proposed Annual Caps

The table below summaries the existing cap amounts for the purchase of servo systems under the Old Framework Agreement for the two financial years ended 31 December 2009 and 2010 and the financial year ending 31 December 2011:

	Financial years ended/ending 31 December		
	2009 (RMB million)	2010 (RMB million)	2011 (RMB million)
Existing cap amounts	313	472	666

The table below summaries the actual transaction amounts of the purchase of servo systems under the Old Framework Agreement for the two financial years ended 31 December 2009 and 2010 and the six months ended 30 June 2011:

	Financial years ended 31 December		Six months ended 30 June
	2009 (RMB million)	2010 (RMB million)	2011 (RMB million)
Actual transaction amounts	195.4	436.3	319.3

The Directors expect that, pursuant to the New Framework Agreement, for the three financial years ending 31 December 2012, 2013 and 2014, the aggregate amount of the Purchase shall not exceed the annual caps set out below:

	Annual caps for the financial year ending 31 December		
	2012	2013	2014
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of servo systems, linear motions guides, ball screws and hydraulic motors	866	1,062	1,210

The above annual caps have been determined with reference to (i) the actual transaction amounts under the Old Framework Agreement for the two financial years ended 31 December 2009 and 2010 and the six months ended 30 June 2011; (ii) the expected growth of the business of the Group from 1 January 2012 to 31 December 2014; (iii) the expected growth of sales of the Group's Mars series energy-saving PIMMs and Venus series all-electric PIMMs and their respective next-generation models from 1 January 2012 to 31 December 2014; and (iv) the growth in proportion of local sourcing in the PRC for the Group.

B. REASONS FOR AND BENEFITS OF THE PURCHASE

The Group has been purchasing servo systems from HDS since 2009 and the qualities of the servo systems supplied by HDS have consistently met the Group's requirements. The servo systems supplied by HDS are one of the core components in the Group's Mars series energy-saving PIMMs and its next generation and it can also supplement the same systems installed in the Group's Venus series all-electric PIMMs. As the sales of these products are expected to continue to contribute substantially to the sales of the Group, it is vital that the Group is able to secure supply of such core components from a reliable supplier such as HDS. HDS has agreed that the prices of its servo systems supplied to the Group will not be higher than the prices of comparable types of servo systems manufactured by independent third parties which can meet the specifications required by the Group's PIMMs and of satisfactory quality accepted by the Group.

With the strong momentum in sales of the Group's Venus series all-electric PIMMs, the management considers the scale and pricing of linear motion guides and ball screws imported from overseas suppliers can no longer match the development planning of the Group's all-electric PIMMs and to increase the supply from domestic suppliers in the PRC is important and a necessary strategic move. Hydraulic motor is also a key component in the production of the Group's PIMMs and to include HDS, which has been able to consistently meet the Group's requirements of both quantity and quality of parts and components, as a new supplier of such hydraulic motors is considered a strategy move to secure a stable and reliable source of key components of the Group. HDS has agreed that the prices of its linear motion guides, ball screws and hydraulic motors supplied to the Group will not be higher than the prices of comparable types of linear motion guides, ball screws and hydraulic motors manufactured by independent third parties which can meet the specifications required by the Group's PIMMs and of satisfactory quality accepted by the Group.

The Directors (except for the independent non-executive Directors who reserve their views pending receipt of advice from the independent financial adviser) are of the view that the Purchase is in the ordinary course of business of the Group, on normal commercial terms which were arrived at after arm's length negotiations and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

C. LISTING RULES IMPLICATIONS

HDS is owned as to 100% by Ningbo Haitian. Mr. Zhang Jingzhang, the Chairman of the Board, and his associates (including Mr. Zhang Jianming and Mr. Zhang Jianfeng, both executive Directors and sons of Mr. Zhang Jingzhang, and Mr. Guo Mingguang and Mr. Liu Jianbo, both executive Directors and the son-in-laws of Mr. Zhang Jingzhang) are interested in 54.42% equity interest in Ningbo Haitian. Pursuant to Rule 14A.11(4) of the Listing Rules, HDS is a connected person of the Company and the Purchase will constitute a continuing connected transaction of the Company. As certain applicable percentage ratio(s) (as defined in Rule 14.07 of the Listing Rules) with respect to the Purchase are higher than 5% on an annual basis, the Purchase will be subject to the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The following parties, being associates of Mr. Zhang Jingzhang, will abstain from voting in the EGM:

- Sky Treasure Capital Limited, the controlling shareholder (as defined in the Listing Rules) of the Company which holds 1,036,853,370 (approximately 64.97%) issued shares of the Company;
- Mr. Zhang Jianming, an executive Director, who directly holds 5,000,000 (approximately 0.31%) issued shares of the Company; and
- Mr. Liu Jianbo, an executive Director, who directly holds 295,000 (approximately 0.018%) issued shares of the Company.

D. GENERAL

A circular containing, among other things, details relating to the New Framework Agreement, a letter from an independent committee of the Board containing its advice in respect of the New Framework Agreement and the related annual caps, a letter from an independent financial adviser, and a notice convening the EGM to consider and, if thought fit, approve the New Framework Agreement and information related to the related annual caps will be dispatched to shareholders of the Company as soon as practicable.

E. FURTHER INFORMATION ON THE PARTIES

The Group is principally engaged in the design, development, manufacture and sale of PIMMs and related parts. Haitian Plastics Machinery is a major operating subsidiary of the Company engaged in production and sales of PIMMs.

HDS and its subsidiaries are engaged in the design, development, manufacture and sale of servo systems, industrial manipulators, hydraulic products and other industrial automation machinery tools including linear motion guides and ball screws.

F. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associate(s)”	has the meaning as defined in the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Haitian International Holdings Limited, a limited liability company incorporate in the Cayman Islands;
“connected person”	has the meaning as defined in the Listing Rules;
“continuing connected transaction”	has the meaning as defined in the Listing Rules;
“Director(s)”	director(s) of the Company;
“EGM”	the extraordinary general meeting to be held by the Company to consider and, if thought fit, approve the New Framework Agreement and the related annual caps;
“Group”	the Company and its subsidiaries;
“HDS”	寧波海天驅動有限公司 (Ningbo Haitian Drive Systems Co., Ltd.*) (previously known as 寧波海天電機有限公司 (Ningbo Haitian Electric Machinery Co., Ltd.*)), a limited liability company incorporated in the PRC and a connected person of the Company;
“Haitian Plastics Machinery”	海天塑機集團有限公司 (Haitian Plastics Machinery Group Co., Ltd.*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“New Framework Agreement”	the agreement dated 28 October 2011 entered into between Haitian Plastics Machinery as purchaser and HDS as vendor for the purchase of servo systems, linear motion guides, ball screws and hydraulic motors for a term of three years commencing on 1 January 2012 and ending on 31 December 2014;

“Ningbo Haitian”	寧波海天股份有限公司 (Ningbo Haitian Group Co., Ltd.*), a limited liability company incorporated in the PRC;
“Old Framework Agreement”	the agreement dated 20 January 2009 entered into between Haitian Plastics Machinery and HDS for the purchase of servo systems for a term ending on 31 December 2011;
“PIMMs”	plastic injection moulding machineries;
“PRC”	the People’s Republic of China;
“Purchase”	the purchase of servo systems, linear motion guides, ball screws and hydraulic motors under the New Framework Agreement; and
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC.

By order of the board of
HAITIAN INTERNATIONAL HOLDINGS LIMITED
Mr. Zhang Jingzhang
Chairman

PRC, 28 October 2011

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jingzhang, Mr. Zhang Jianming, Prof. Helmut Helmar Franz, Mr. Zhang Jianfeng, Mr. Zhang Jianguo, Mr. Guo Mingguang, Ms. Chen Ningning and Mr. Liu Jianbo; the Non-executive Director is Mr. Hu Guiqing; and the Independent Non-executive Directors are Mr. Pan Chaoyang, Mr. Gao Xunxian, Mr. Dai Xiangbo and Dr. Steven Chow.

* *For identification purposes only*