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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 PARTS**

Reference is made to the announcement of the Company dated 21 November 2014 and the circular dated 8 January 2015 in relation to the continuing connected transaction of the Company to purchase servo systems, linear motion guides, ball screws and hydraulic motors from HDS under the 2014 Framework Agreement. The relevant transaction was approved by the independent shareholders of the Company at an EGM held on 26 January 2015.

As the 2014 Framework Agreement has expired on 31 December 2017, the Company has on 26 January 2018 entered into the 2018 Framework Agreement with HDS in relation to the purchases of servo systems, linear motion guides, ball screws and hydraulic parts for a term of three years commencing on 1 January 2018 and ending on 31 December 2020. HDS is a connected person of the Company and the Purchases 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 Purchases are higher than 5% on an annual basis, the Purchases 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 2018 Framework Agreement, a letter from an independent committee of the Board containing its advice in respect of the 2018 Framework Agreement and the related annual caps, a letter of advice from the Independent Financial Adviser, and a notice convening the EGM to consider and, if thought fit, approve the 2018 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 PARTS

Parties to the 2018 Framework Agreement

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

Date of the 2018 Framework Agreement

26 January 2018

Principal Terms

HDS will sell and it will procure its subsidiaries and associates to sell servo systems, linear motion guides, ball screws and hydraulic parts to Haitian Plastics Machinery or other members of the Group subject to entering into separate sale and purchase contracts or orders 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 or orders 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 terms of the 2018 Framework Agreement are from 1 January 2018 to 31 December 2020.

Haitian Plastics Machinery is under no obligation to purchase any specific amount of servo systems, linear motion guides, ball screws or hydraulic parts 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 parts will be determined by reference to the prices at which comparable types of similar products 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 parts 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 Purchases including obtaining the Company's independent shareholders' approval at the EGM.

Proposed Annual Caps

The table below summaries the existing cap amounts for the purchases of servo systems, linear motion guides, ball screws and hydraulic motors under the 2014 Framework Agreement for the three financial years ended 31 December 2015, 2016 and 2017:

	Financial years ended 31 December		
	2015	2016	2017
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Existing cap amounts	800	840	880

The table below summaries the actual transaction amounts of the purchases of servo systems, linear motion guides, ball screws and hydraulic motors under the 2014 Framework Agreement for the two financial years ended 31 December 2015 and 2016 and the six months ended 30 June 2017:

	Financial years		Six months
	ended 31 December		ended 30 June
	2015	2016	2017
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Actual transaction amounts	596.8	676.7	466.7

The Directors expect that, pursuant to the 2018 Framework Agreement, for the three financial years ending 31 December 2018, 2019 and 2020, the aggregate amount of the Purchases shall not exceed the annual caps set out below:

	Annual caps for the financial year		
	ending 31 December		
	2018	2019	2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchases of servo systems, linear motions guides, ball screws and hydraulic parts	1,000	1,100	1,200

The above annual caps have been determined with reference to (i) the actual transaction amounts under the 2014 Framework Agreement for the two financial years ended 31 December 2015 and 2016 and the six months ended 30 June 2017; and (ii) the expected growth of the business of the Group from 1 January 2018 to 31 December 2020.

B. REASONS FOR AND BENEFITS OF THE PURCHASES

The Group has been purchasing servo systems from HDS since 2009 and linear motion guides and hydraulic motors from HDS since 2012. The qualities of such products supplied by HDS had 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 Generation 2 of the Group's existing products and it can also supplement the same systems installed in the Group's Zhafir 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, linear motion guides, ball screws and hydraulic parts supplied to the Group will not be higher than the prices of comparable types of similar products 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 Purchases are 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 65% by Ningbo Haitian and 35% by HDS Hong Kong. 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 non-executive Directors and the son-in-laws of Mr. Zhang Jingzhang) are interested in 54.42% equity interest in Ningbo Haitian and 76.0% equity interest in HDS Hong Kong. Pursuant to Rule 14A.07 of the Listing Rules, HDS is a connected person of the Company and the Purchases 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 Purchases are higher than 5% on an annual basis, the Purchases will be subject to the reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The following shareholders who have a material interest in the Purchases will abstain from voting in the EGM:

- (i) Sky Treasure Capital Limited, the controlling shareholder (as defined in the Listing Rules) of the Company which holds 940,062,672 (approximately 58.90%) issued shares of the Company as of the date of this announcement and is an associate of Mr. Zhang Jingzhang;
- (ii) Mr. Zhang Jianming, Executive Director and Chief Executive Officer of the Company, and investment holding companies wholly-owned by him, which together hold 7,316,000 shares as of the date of this announcement; and
- (iii) Mr. Liu Jianbo, Non-Executive Director of the Company, who holds 220,000 shares as of the date of this announcement.

D. GENERAL

The Company has appointed SPDB International Capital Limited as the Independent Financial Adviser to give independent advice on the 2018 Framework Agreement and the related annual caps. A circular containing, among other things, details relating to the 2018 Framework Agreement, a letter from an independent committee of the Board containing its advice in respect of the 2018 Framework Agreement and the related annual caps, a letter of advice from the Independent Financial Adviser, and a notice convening the EGM to consider and, if thought fit, approve the 2018 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 plastic injection moulding machineries and related parts. Haitian Plastics Machinery is a major operating subsidiary of the Company engaged in production and sales of PIMMs.

HDS is engaged in the design, development, manufacture and sales of servo system, linear motion guide, machinery robot, fork lift and other industrial machinery tools.

F. DEFINITIONS

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

“2014 Framework Agreement”	the agreement dated 21 November 2014 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 parts for a term of three years which commenced on 1 January 2015 and ended on 31 December 2017;
“2018 Framework Agreement”	the agreement dated 26 January 2018 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 parts for a term of three years commencing on 1 January 2018 and ending on 31 December 2020;
“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 2018 Framework Agreement and the related annual caps;
“Group”	the Company and its subsidiaries;
“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;
“HDS”	寧波海天驅動有限公司 (Ningbo Haitian Driving 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;
“HDS Hong Kong”	Haitian Driving System (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a connected person of the Company;
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC;
“Independent Financial Adviser”	SPDB International Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to the independent committee of the Board and the independent shareholders of the Company in respect of the 2018 Framework Agreement and the related annual caps;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“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;

“PIMMs”	plastic injection moulding machineries;
“PRC”	the People’s Republic of China;
“Purchases”	the purchases of servo systems, linear motion guides, ball screws and hydraulic parts under the 2018 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, 26 January 2018

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Zhang Jianguo and Ms. Chen Ningning; the Non-executive Directors are Prof. Helmut Helmar Franz, Mr. Guo Mingguang and Mr. Liu Jianbo; and the Independent Non-executive Directors are Mr. Lou Baijun, Dr. Steven Chow, Mr. Jin Hailiang and Mr. Guo Yonghui.

* *For identification purpose only.*