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If you have sold or transferred all your shares in Haitian International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



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**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee is set out on pages 10 to 11 of this circular. A letter from the Independent Financial Adviser setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 23 of this circular.

A notice convening the EGM to be held at 23/F, Haitian Group Building, No.1688 Haitian Road, Beilun District, Ningbo, Zhejiang Province, China on Friday, 25 May 2018 at 11:00 a.m., is set out on pages 29 to 30 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it should you so wish.

19 April 2018

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

“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 incorporated 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)”	the 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;

DEFINITIONS

“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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in respect of the 2018 Framework Agreement, the Purchase and the related annual caps;
“Independent Financial Adviser” or “SPDB”	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 Board Committee and the Independent Shareholders in respect of the 2018 Framework Agreement and the related annual caps;
“Independent Shareholders”	the shareholders of the Company other than Mr. Zhang Jingzhang, the Chairman, and his associates who are required to abstain from voting on the resolution to approve the 2018 Framework Agreement, the Purchase and the related annual caps at the EGM pursuant to the Listing Rules;
“Latest Practicable Date”	19 April 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular;

DEFINITIONS

“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;
“Purchase”	the purchase of servo systems, linear motion guides, ball screws and hydraulic parts under the 2018 Framework Agreement;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

* *For identification purpose only.*



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)

Executive Directors:

Mr. ZHANG Jingzhang (*Chairman*)
Mr. ZHANG Jianming (*Chief Executive Officer*)
Mr. ZHANG Jianguo
Mr. ZHANG Jianfeng
Ms. CHEN Ningning

Non-Executive Directors:

Mr. GUO Mingguang
Mr. LIU Jianbo
Prof. Helmut Helmar FRANZ

Independent Non-Executive Directors:

Dr. Steven CHOW
Mr. LOU Baijun
Mr. JIN Hailiang
Mr. GUO Yonghui

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in China:

No. 1688 Haitian Road
Beilun District, Ningbo
Zhejiang Province
China

*Principal place of business
in Hong Kong:*

Unit 1105, Level 11
Metroplaza, Tower 2
223 Hing Fong Road
Kwai Fong, N.T.
Hong Kong

19 April 2018

To the Shareholders,

Dear Sirs,

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

1. INTRODUCTION

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 parts from HDS under the 2014 Framework Agreement. The relevant transaction was approved by the then independent shareholders of the Company at an extraordinary general meeting held on 26 January 2015.

LETTER FROM THE BOARD

As the 2014 Framework Agreement expired on 31 December 2017, Haitian Plastics Machinery, an indirect wholly owned subsidiary of the Company had on 26 January 2018 entered into the 2018 Framework Agreement with HDS in relation to 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.

2. PARTICULARS OF THE 2018 FRAMEWORK AGREEMENT

Parties

HDS (as vendor); and

Haitian Plastics Machinery, an indirect wholly owned subsidiary of the Company (as purchaser).

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

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 the production and sales of PIMMs.

Date

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 term of the 2018 Framework Agreement is 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.

LETTER FROM THE BOARD

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.

HDS agreed to provide prices of servo systems, linear motion guides, ball screws and hydraulic parts which it offers to independent third parties (if any) to the Group upon requests and the procurement department of the Group would on at least quarterly basis compare such prices with comparable prices offered by existing suppliers of the Group which are independent and have ability to supply similar products (if any) or obtained from other independent third party suppliers to ensure (i) the prices of servo systems, linear motion guides, ball screws and hydraulic parts purchased by the Group from HDS are comparable to those HDS sold to independent third parties and (ii) the prices of servo systems, linear motion guides, ball screws and hydraulic parts purchased by the Group from HDS are not higher than the prices of comparable types of products manufactured by independent third parties which can meet the technical specifications required by the Group and of satisfactory quality accepted by the Group. If any deviation from the above-mentioned pricing principle should be discovered, the Group would request HDS to adjust its product prices to comply with the pricing principle. Any failure of HDS to meet such request from the Group would lead to replacement of HDS by other suppliers which can offer similar products at more competitive prices and meet the technical specifications and other terms required by the Group and of satisfactory quality accepted by the Group.

Condition Precedent

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

Proposed Annual Caps

The table below summaries the existing cap amounts for the purchase of servo systems, linear motion guides, ball screws and hydraulic parts 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
	(RMB million)	(RMB million)	(RMB million)
Existing cap amounts	800	840	880

LETTER FROM THE BOARD

The table below summaries the actual transaction amounts of the purchase of servo systems, linear motion guides, ball screws and hydraulic parts 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 ended		Six months
	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	676.6	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 Purchase 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>
Purchase of servo systems, linear motion 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, which is based on and in line with compound annual growth rate of approximately 11.3% in revenue of the Group from 2003 to 2016.

3. REASONS FOR AND BENEFITS OF THE PURCHASE

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 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.

LETTER FROM THE BOARD

4. 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 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 Directors, including Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang, Mr. Liu Jianbo, Mr. Zhang Jianguo and Ms. Chen Ningning, who have material interests in the Purchase, had abstained from voting on the resolution of the Board to approve the Purchase.

5. EGM AND INDEPENDENT SHAREHOLDERS' APPROVAL

A notice convening the EGM to be held at 23/F, Haitian Group Building, No. 1688 Haitian Road, Beilun District, Ningbo, Zhejiang Province, China on Friday, 25 May 2018 at 11:00 a.m., is set out on pages 29 to 30 of this circular at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the 2018 Framework Agreement, the Purchase and the related annual caps.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it should you so wish.

The parties set out below, who have a material interest in the Purchase, are required to abstain from voting on the resolution(s) approving the 2018 Framework Agreement, the Purchase and the related annual caps at the EGM under the Listing Rules:

- (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 circular and is an associate of Mr. Zhang Jingzhang, the Chairman of our Board;

LETTER FROM THE BOARD

- (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 circular; and
- (iii) Mr. Liu Jianbo, Non-Executive Director of the Company, who holds 220,000 shares as of the date of this circular.

The above-mentioned shareholders control or are entitled to exercise control over the voting rights in respect of the relevant shares.

6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all four independent non-executive Directors has been formed to consider the terms of the 2018 Framework Agreement and the Purchase and the related annual caps. The Independent Financial Adviser has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on such matters.

7. RECOMMENDATION

The Directors (including the independent non-executive Directors whose view is based on advice from the Independent Financial Adviser) are of the view that the Purchase is in the ordinary course of business, 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. Accordingly, the Directors (including the independent non-executive Directors) recommend all the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2018 Framework Agreement, the Purchase and the related annual caps.

8. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 10 to 11 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and to the letter from the Independent Financial Adviser as set out on pages 12 to 23 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2018 Framework Agreement, the Purchase and the related annual caps.

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
Haitian International Holdings Limited
Zhang Jingzhang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter of advice from the Independent Board Committee to the Independent Shareholders in respect of the 2018 Framework Agreement, the Purchase and the related annual caps, which has been prepared for the purpose of inclusion in this circular.



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)

19 April 2018

To the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to a circular (the “Circular”) of the Company dated 19 April 2018 of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board to advise you whether the terms of the 2018 Framework Agreement is fair and reasonable, whether the Purchase is in the interests of the Company and its shareholders as a whole and to advise the shareholders on how to vote for the resolution at the EGM. The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 4 to 9 of the Circular and the letter from the Independent Financial Adviser as set out on pages 12 to 23 of the Circular, which contains, *inter alia*, its advice and recommendation regarding the terms of the 2018 Framework Agreement with the principal factors and reasons for its advice and recommendation.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the 2018 Framework Agreement and taking into account the advice and recommendation of the Independent Financial Adviser, we are of the view that the terms of the 2018 Framework Agreement and the related annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Purchase is on normal commercial terms and entered in the ordinary and usual course of business of the Company. We therefore recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2018 Framework Agreement, the Purchase and the related annual caps.

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. LOU Baijun
Dr. Steven CHOW
Mr. JIN Hailiang
Mr. GUO Yonghui
Independent non-executive Directors

LETTER FROM SPBD INTERNATIONAL

The following is the full text of a letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular:



Suites 3207-3212
One Pacific Place
88 Queensway
Hong Kong

19 April 2018

To : the Independent Board Committee and the Independent Shareholders

Dear Sir/ Madam,

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

I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2018 Framework Agreement and the annual caps (the “**Annual Caps**”) in respect of the transactions contemplated thereunder for the three financial years ending 31 December 2020, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular issued by the Company to its shareholders dated 19 April 2018 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference are made to the announcements of the Company dated 26 January 2018 and 6 February 2018. On 26 January 2018, Haitian Plastics Machinery, an indirect wholly-owned subsidiary of the Company entered into the 2018 Framework Agreement with HDS in relation to the purchase of servo systems, linear motion guides, ball screws and hydraulic parts by Haitian Plastics Machinery from HDS (and its subsidiaries and associates) for a term commencing from 1 January 2018 to 31 December 2020. As at the Latest Practicable Date, 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 54.4% 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 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

LETTER FROM SPBD INTERNATIONAL

reporting, announcement and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules. At the EGM convened for the purpose of approving, among other things, the 2018 Framework Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps, Mr. Zhang Jingzhang and his associates will abstain from voting on the ordinary resolution.

II. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, there were no engagements between the Group and SPDB International Capital Limited.

Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

III. BASIS OF OUR ADVICE

In formulating our opinion and recommendation, we have reviewed, among other things, the 2018 Framework Agreement, the annual reports of the Company for the year ended 31 December 2016 (the "2016 Annual Report") and the year ended 31 December 2015 (the "2015 Annual Report"), the interim report of the Company for the six months ended 30 June 2017 (the "2017 Interim Report") and the announcements of the Company dated 26 January 2018 and 6 February 2018 in relation to the continuing connected transactions of the Company to purchase servo systems, linear motion guides, ball screws and hydraulic parts from HDS under the 2018 Framework Agreement and other relevant information as set out in the Circular.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the representations made to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Company, the Directors and the management of the Company, for which they are solely responsible, are true and accurate. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us.

LETTER FROM SPBD INTERNATIONAL

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement contained in the Circular, including this letter, incorrect or misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs, financial position or future prospect of the Group or the counter party of the 2018 Framework Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the 2018 Framework Agreement and the Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background and reasons for entering into the 2018 Framework Agreement

Reference is made to the circular dated 8 January 2015 issued by the Company in relation to the continuing connected transactions of the Company to purchase servo systems, linear motion guides, ball screws and hydraulic parts from HDS under the 2014 Framework Agreement. The relevant transactions were approved by the then independent shareholders of the Company at an extraordinary general meeting held on 26 January 2015, and the 2014 Framework Agreement has expired on 31 December 2017.

We are advised by the Directors that given the servo systems, linear motion guides, ball screws and hydraulic parts will continue to be used in the production of the Applicable Product Series (as defined below) after the expiry of the 2014 Framework Agreement, Haitian Plastics Machinery, an indirect wholly-owned subsidiary of the Company has on 26 January 2018 entered into the 2018 Framework Agreement with HDS in relation to 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.

LETTER FROM SPBD INTERNATIONAL

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 the production and sales of PIMMs.

HDS and its subsidiaries are engaged in the design, development, manufacture and sales of servo system, linear motion guides, machinery robot, fork lift and other industrial machinery tools.

As stated in the Letter from the Board, 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 (the "**Mars Series**") 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 (the "**Zhafir Series**"). In addition to the servo systems, we are advised by the management of the Group that linear motion guides and ball screws are used in the production of Zhafir Series, and hydraulic parts are also key components in the production of the Group's hydraulic PIMMs including Mars Series, Jupiter series large two-plate PIMMs (the "**Jupiter Series**"), IA series multi-colour PIMMs (the "**IA Series**") and other series. We have reviewed the Group's historical sales breakdown by product series for the two years ended 31 December 2016 and the six months ended 30 June 2017 and noted that at least approximately 93.0% of the Group's sales came from the sales of the Mars Series, Zhafir Series, Jupiter Series and IA Series (together the "**Applicable Product Series**"). 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.

We note that the historical sales of Applicable Product Series of the Group has recorded (i) an increase of approximately 11.8% for the year ended 31 December 2016 when compared to the previous year; and (ii) an increase of approximately 26.7% for the six months ended 30 June 2017 when compared to the corresponding period in 2016 with reference to the Group's historical sales breakdown by product series for the two years ended 31 December 2016 and six months ended 30 June 2017. In particular, the sales of Mars Series and Jupiter Series, which contributed to at least approximately 79.4% of the total sales of the Group for the two years ended 31 December 2016 and six months ended 30 June 2017, have recorded (i) a growth of approximately 31.3% and 38.8% respectively for the six months ended 30 June 2017 as compared to the corresponding period in 2016; and (ii) an increase of approximately 9.1% and 32.5% respectively for the year ended 31 December 2016 as compared to the previous year due to the increasing market share of Mars Series and the Group's progress in shifting large tonnage PIMMs to Jupiter Series.

LETTER FROM SPBD INTERNATIONAL

Having taken into consideration that (i) servo systems, linear motion guides, ball screws and hydraulic parts are mainly used in the production of the Group's Applicable Product Series; and (ii) the Group's Applicable Product Series contributed substantially to the Group's revenue with strong sales momentum; and (iii) the qualities of servo systems, linear motion guides, ball screws and hydraulic parts supplied by HDS had consistently met the Group's requirements; we concur with the Directors' view that entering into the 2018 Framework Agreement is in the ordinary and usual course of business of the Group.

2. Terms of the 2018 Framework Agreement

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 term of the 2018 Framework Agreement is 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 servo systems, linear motion guides, ball screws and hydraulic parts 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.

LETTER FROM SPBD INTERNATIONAL

We understand that the 2014 Framework Agreement which is also confirmed by the Company that, other than extending the term of the 2014 Framework Agreement for a further term of three years, all the other terms of the 2018 Framework Agreement are similar to the original terms in the 2014 Framework Agreement approved by the then independent shareholders on 26 January 2015. We have reviewed samples of (i) 18 orders and/or invoices regarding the purchase of servo systems, linear motion guides, ball screws and hydraulic parts by the Group from HDS; (ii) 18 quotations and 10 contracts regarding similar purchase transactions by the Group from other independent suppliers; and (iii) 3 contracts regarding the sales of servo systems, linear motion guides, ball screws and hydraulic parts by HDS to other independent customers respectively for the three years ended 31 December 2017. Samples were randomly selected and such (i) pricing basis and credit terms offered by HDS are in accordance with the applicable principal terms of the 2014 Framework Agreement which are no less favourable than the then terms at which HDS offered to independent third parties for the same or similar products; and (ii) the pricing basis and credit terms offered by HDS are not higher than those offered by independent suppliers.

Further, we noted from the 2015 Annual report and the 2016 Annual Report of the Company respectively that the independent non-executive Directors had reviewed the continuing connected transactions contemplated under the 2014 Framework Agreement and confirmed in both years that the transactions had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the agreement entered into on terms which were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Moreover, we also noted from these annual reports that in both years the Directors had received a letter by PricewaterhouseCoopers (“PwC”) which was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “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. PwC had issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 (formerly Rule 14A.38) of the Listing Rules.

LETTER FROM SPBD INTERNATIONAL

Taking into account that (i) the 2018 Framework Agreement is fundamentally an extension of the 2014 Framework Agreement with similar terms; (ii) the prices under the 2018 Framework Agreement 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; (iii) no less favourable payment terms were offered to the Group by HDS when compared to those offered by independent suppliers; (iv) the 2018 Framework Agreement is not on an exclusive basis and provides the Group the flexibility to purchase from other suppliers on better terms (if any); (v) the price and credit terms of the Purchase in the contracts or orders to be separately entered into between the Group and HDS, as confirmed by the Directors, will follow the principal terms and the pricing principle as stipulated in the 2018 Framework Agreement; and (vi) the independent non-executive Directors and PwC confirmed on the relevant compliance in respect of the continuing connected transactions published in the 2015 Annual Report and 2016 Annual Report, we consider that the terms of the 2018 Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

3. Annual Caps

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

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

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

	Financial years ended		Six months
	31 December		ended
	2015	2016	30 June
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Actual transaction amount	596.8	676.6	466.7

LETTER FROM SPBD INTERNATIONAL

The Board proposes to set the Annual Caps for the transactions pursuant to the 2018 Framework Agreement for the three financial years ending 31 December 2020 as the following:

	Financial years ending 31 December		
	2018	2019	2020
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Annual Caps	1,000	1,100	1,200

As set out in the Letter from the Board, the 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 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, which is based on and in line with compound annual growth rate of approximately 11.3% in revenue of the Group from 2003 to 2016.

We noted that the actual utilization rate of the annual caps under the 2014 Framework Agreement for the two financial years ended 31 December 2016 are approximately 74.6% and 80.5% respectively. We have then reviewed the calculations of the Annual Caps provided by the management of the Group, and noted that the relevant calculations have been base on four main assumptions: (i) the estimated sales growth rate for each of the three years ending 31 December 2020 (the “**Estimated Sales Growth Rate**”); (ii) the estimated proportion of the sales of the Applicable Product Series with respect to the total sales of the Group for each of the three years ending 31 December 2020 (the “**Estimated Sales Proportion**”); (iii) the estimated proportion of the purchase cost of the various products under 2018 Framework Agreement to the sales of Applicable Product Series for each of the three years ending 31 December 2020 (the “**Estimated Cost Proportion**”); and (iv) a buffer of 5% (the “**Buffer**”). With respect to each of the four assumptions as mentioned aforesaid, we have carried out the due diligence works as follows:

Estimated Sales Growth Rate

We discussed with the management of the Group and reviewed the Group’s historical sales for the two years ended 31 December 2016 and six months ended 30 June 2017 with reference to the 2016 Annual Report and the 2017 Interim Report. The Estimated Sales Growth Rate is lower than the growth rate for the sales of the Group of approximately 30.5% recorded for the six months ended 30 June 2017 compared with the corresponding period in 2016 and is comparable to the growth rate for the sales of the Group of approximately 10.4% recorded for the year ended 31 December 2016 as compared with the previous year, which is therefore considered to be fair and reasonable.

LETTER FROM SPBD INTERNATIONAL

Estimated Sales Proportion

After discussion with the management of the Company and review on the historical sales breakdown by product series for the two years ended 31 December 2016 and the six months ended 30 June 2017, we noted that Estimated Sales Proportion is slightly higher than the historical sales proportion of the Applicable Product Series with respect to the total sales of the Group ("**Historical Sales Proportion**") for the two years ended 31 December 2016 and six months ended 30 June 2017 on average by approximately 0.6%. However, taking into consideration the Estimated Sales Proportion is lower than the (i) Historical Sales Proportion for the six months ended 30 June 2017; and (ii) Historical Sales Proportion was on an upward trend with a CAGR of approximately 1.6% recorded for the three years ended 31 December 2017 based on the audited sales figures of the Group for the two years ended 31 December 2016 and the annualized sales figures of the Group for 2017 estimated based on the unaudited sales figures for the six months ended 30 June 2017 with reference to the 2017 Interim Report; and (iii) the Mars Series, being one of the Applicable Product Series which contributed to at least approximately 68.5% of the total sales of the Group for the two years ended 31 December 2016 and six months ended 30 June 2017, has recorded a strong growth in sales of approximately 31.3% for the six month ended 30 June 2017 as compared to the previous period is expected by the management of the Company to remain in line with the demand in the PIMM market in general and maintain a steady portion in the Group's total sales performance during the terms of the 2018 Framework Agreement; therefore the Estimated Sales Proportion is considered to be fair and reasonable.

Estimated Cost Proportion

We discussed with the management of the Group and reviewed (i) the Group's historical purchase cost of the servo systems, linear motion guides, ball screws and the hydraulic parts from HDS for the two years ended 31 December 2016 and the six months ended 30 June 2017; and (ii) the Group's historical sales breakdown by product series for the same period. Considering (i) the historical proportion of purchase cost of various products under the 2014 Framework Agreement to the sales of Applicable Product Series for the two years ended 31 December 2016 and the six months ended 30 June 2017 has been stable with an average that is approximately the same as the Estimated Cost Proportion; and (ii) as confirmed by the management of the Company, the variation of models of plastic injection moulding machines supplied by the Group throughout the years has been relatively stable which is expected to remain the same within the term of the 2018 Framework Agreement, and hence the servo systems, linear motion guides, ball screws and hydraulic parts to be purchased under the 2018 Framework Agreement shall remain applicable to the manufacturing of the existing plastic injection moulding machines and any new series of the Group to be introduced within the term of the 2018 Framework Agreement, the Estimated Cost Proportion is therefore considered to be fair and reasonable.

LETTER FROM SPBD INTERNATIONAL

Buffer

We understood from the management of the Group that the Buffer was based on the consideration of the unforeseen market uncertainty and avoidance of any unexpected interruption which would have caused to the Company's operation in case the Annual Caps were to be exceeded in 2018, 2019 and/or 2020. Considering factors such as (i) market unpredictableness; (ii) additional time required to procure similar components of specifications and quality acceptable to the Group and the consequent risk of late delivery of PIMMs to customers; and (iii) the Buffer of RMB52.6 million, RMB57.8 million and RMB53.6 million for the three years ending 31 December 2020 which represent approximately 5.3%, 5.3% and 4.5% of the Annual Caps for the three years ending 31 December 2020 respectively, therefore the Buffer is considered to be fair and reasonable.

V. MONITORING AND REPORTING

1. Internal control

As stated in the Letter from the Board, HDS agreed to provide prices of servo systems, linear motion guides, ball screws and hydraulic parts which it offers to independent third parties (if any) to the Group upon requests and the procurement department of the Group would on at least quarterly basis compare such prices with comparable prices offered by existing suppliers of the Group which are independent and have ability to supply similar products (if any) or obtained from other independent third party suppliers, which shall be reviewed by the internal control department of the Group to ensure (i) the prices of servo systems, linear motion guides, ball screws and hydraulic parts purchased by the Group from HDS are comparable to those HDS sold to independent third parties and (ii) the prices of servo systems, linear motion guides, ball screws and hydraulic parts purchased by the Group from HDS are not higher than the prices of comparable types of products manufactured by independent third parties which can meet the technical specifications required by the Group and of satisfactory quality accepted by the Group. If any deviation from the above-mentioned pricing principle should be discovered, the Group would request HDS to adjust its product prices to comply with such pricing principle. Any failure of HDS to meet such request from the Group would lead to potential reduction of orders placed with HDS and/or replacement of HDS by other suppliers which can offer similar products at more competitive prices and meet the technical specifications and other terms required by the Group and of satisfactory quality accepted by the Group.

2. Requirements of the Listing Rules

For each financial year of the Company during the terms of the 2018 Framework Agreement, the subject transactions will be subject to review by the independent non-executive Directors and the Company's independent auditor as required by Rules 14A.55 and 14A.56 of the Listing Rules. The independent non-executive Directors must confirm in the annual report and accounts that the transactions contemplated under the 2018 Framework Agreement have been entered into:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms or better; and
- according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Listing Rules require that the Company to engage its independent auditor to report on the transactions contemplated under the 2018 Framework Agreement for each financial year of the Company and that the Company's independent auditor must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that such transactions:

- have not been approved by the Board;
- were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- have exceeded the Annual Caps.

In addition to the above monitoring and reporting measures and procedures, we have also reviewed (i) samples selected by us for the three years ended 31 December 2017 which show such pricing basis and credit terms offered by HDS are in accordance with the applicable principal terms of the 2014 Framework Agreement as mentioned in the subsection headed "Pricing Principle"; and (ii) the relevant reports and statement by the independent non-executive Directors and PwC which confirmed on the relevant compliance in respect of the previous continuing connected transactions under the 2014 Framework Agreement published in the 2015 Annual Report and 2016 Annual Report in which we do not notice any anomaly, we are of the opinion that there will be sufficient and enforceable internal control procedures and arrangements in place to ensure that the 2018 Framework Agreement (including the Annual Caps) will be conducted on terms that are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

LETTER FROM SPBD INTERNATIONAL

VI. RECOMMENDATION

Having taken into account the above factors and reasons, we consider that the 2018 Framework Agreement is on normal commercial terms and entered into in the ordinary and usual course of business of the Group. We further consider that the terms of the 2018 Framework Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the 2018 Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
SPDB International Capital Limited
Karlson Chan
Director

Note: Mr. Karlson Chan is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of SPDB International Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 14 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this circular or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors and Chief Executive of the Company

As at Latest Practicable Date, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or 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 for Securities Transactions by Directors of Listed Issuers (“Model Code”):

Long position in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding in the Company
Mr. Zhang Jingzhang	Corporate Interest ⁽¹⁾	940,062,672	58.90%
Mr. Zhang Jianming	Corporate Interest ⁽¹⁾	940,062,672	58.90%
	Corporate Interest ⁽²⁾	3,104,000	0.19%
	Personal Interest	4,212,000	0.26%
Prof. Helmut Helmar Franz	Corporate Interest ⁽²⁾	3,250,000	0.20%
Mr. Liu Jianbo	Corporate Interest ⁽²⁾	220,000	0.02%

Notes:

- (1) Mr. Zhang Jingzhang and Mr. Zhang Jianming are deemed under the SFO to be interested in 940,062,672 shares of the Company held by Sky Treasure Capital Limited.
- (2) These Directors are deemed under the SFO to be interested in the respective shares of the Company held by their wholly-owned investment holding companies.

Long position in shares and underlying shares of associated corporations of the Company

Name of Director	Name of association corporations ⁽¹⁾	Capacity/Nature of interest	Approximate percentage of shareholding in the associated corporations
Mr. Zhang Jingzhang	Sky Treasure Capital Limited ("Sky Treasure")	Founder of a Trust ⁽²⁾	14.35%
Mr. Zhang Jianming	Sky Treasure	Corporate ⁽³⁾ Founder of a Trust ⁽²⁾	54.51% 9.73%
Mr. Zhang Jianguo	Sky Treasure	Corporate ⁽³⁾ Founder of a Trust ⁽²⁾	54.51% 5.83%
Mr. Zhang Jianfeng	Sky Treasure	Founder of a Trust ⁽²⁾	5.48%
Ms. Chen Ningning	Sky Treasure	Founder of a Trust ⁽²⁾	3.04%
Mr. Guo Mingguang	Sky Treasure	Beneficiary under a trust ⁽⁴⁾	1.91%
Mr. Liu Jianbo	Sky Treasure	Beneficiary under a trust ⁽⁴⁾	1.59%

Notes:

- (1) As at Latest Practicable Date, Sky Treasure was the holder of 58.90% of the issued share capital of the Company and it is an associated corporation under the SFO.
- (2) Such Directors were deemed under the SFO to be interested in shares of Sky Treasure which were held by discretionary trusts set up by such Directors respectively.
- (3) Mr. Zhang Jingzhang and Mr. Zhang Jianming were separately entitled to exercise or control the exercise of one third or more voting power in the general meetings of Cambridge Management Consultants (PTC) Ltd. and Premier Capital Management (PTC) Ltd. Premier Capital Management (PTC) Ltd. was the trustee of the Haitian Employee Discretionary Equity Trust which was interested in 34.80% equity interests in Sky Treasure while Cambridge Management Consultants (PTC) Ltd. was the trustee of the Haitian Employee Fixed Equity Trust and the Haitian Employee Fixed Equity Trust II which collectively were interested in 19.72% equity interests in Sky Treasure. Accordingly, they were deemed under SFO to be interested in such shares in Sky Treasure.
- (4) Such Directors were beneficiaries under a trust which was interested in 15.09% shares of Sky Treasure.

Save as disclosed above, as at Latest Practicable Date, none of the Directors and chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company and the Stock Exchange pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Substantial Shareholders

As at Latest Practicable Date, the persons (not being a Director or chief executive of the Company) or corporations who have interests or short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of Shareholder	Capacity/Nature of interest	Total number of Shares	Approximate percentage of shareholding
Sky Treasure Capital Limited	Beneficial owner	940,062,672(L)	58.90%
Premier Capital Management (PTC) Ltd.	Interest in a controlled corporation ⁽¹⁾	940,062,672(L)	58.90%
UBS Trustees (BVI) Limited	Trustee	940,062,672(L)	58.90%
Schroders Plc	Interest in controlled corporations ⁽²⁾	95,390,843(L)	5.98%

(L) denotes a long position

Notes:

- (1) Premier Capital Management (PTC) Ltd. was deemed under the SFO to be interested in 940,062,672 shares held by Sky Treasure Capital Limited as at Latest Practicable Date.
- (2) The interests of Schroders Plc were held through a number of wholly owned corporate entities.

Save as disclosed above, as at Latest Practicable Date, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

As at the Latest Practicable Date, Mr. Zhang Jingzhang, Mr. Zhang Jianming and Mr. Zhang Jianfeng, all being Directors, are directors of Sky Treasure Capital Limited and Premier Capital Management (PTC) Ltd. Mr. Zhang Jianguo, Ms. Chen Ningning, Mr. Guo Mingguang and Mr. Liu Jianbo, all being Directors, are directors of Premier Capital Management (PTC) Ltd.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had an interest in a business, which competes or may compete with the businesses of the Company and any other conflicts of interest which any such person has or may have with the Company.

6. DIRECTORS INTERESTS' IN ASSETS

Save as the transactions under the 2014 Framework Agreement and the purchase of automatic processing line, Computer Numerically Controlled turning machines, machining centres and related equipment for approximately RMB87.0 million (please refer to the announcement of the Company dated 19 May 2017) and RMB198.12 million (please refer to the announcement of the Company dated 13 April 2018) from Ningbo Haitian Precision Machinery Co., Ltd., none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of or leased since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

7. DIRECTORS INTERESTS' IN CONTRACTS

Save as disclosed in this circular, there was no contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse changes in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited consolidated accounts of the Group were made up.

9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
SPDB International Capital Limited	a licensed corporation under the SFO authorized to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any beneficial shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

The Independent Financial Adviser has no direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired or disposed of or leased since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, and up to the date of this Circular.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following document will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 1105, Level 11, Metroplaza Tower 2, 223 Hing Fong Road, Kwai Fong, N.T. Hong Kong, Hong Kong from the date of this circular up to and including 11 May 2018:

- (a) the 2018 Framework Agreement.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Haitian International Holdings Limited (the “Company”) will be held at 23/F, Haitian Group Building, No. 1688 Haitian Road, Beilun District, Ningbo, Zhejiang Province, China on Friday, 25 May 2018, at 11:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (1) the 2018 Framework Agreement dated 26 January 2018 entered into between 海天塑機集團有限公司 (Haitian Plastics Machinery Group Co, Ltd.*) and 寧波海天驅動有限公司 (Ningbo Haitian Driving Systems Co, Ltd.*) (a copy of which is tabled at the meeting and marked “A” and initialed by the chairman of the meeting for identification purpose) and the continuing connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) contemplated thereunder and the related annual caps be and are hereby approved, ratified and confirmed; and
- (2) any one Director be and is hereby authorized for and on behalf of the Company to execute all the aforesaid agreement and all such other documents, instruments and agreements and to do all acts or things deemed by him/her to be necessary or expedience to implement and/or give effect to the aforesaid agreement and all transactions contemplated thereunder, and to agree to any amendment to any of the terms of such agreement which in the opinion of the Director is/are in the interests of the Company and in accordance with the Listing Rules (where relevant).”

Yours faithfully,
Haitian International Holdings Limited
Zhang Jingzhang
Chairman

Ningbo, Zhejiang, 19 April 2018

NOTICE OF EGM

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the offices of the Company's Hong Kong share register, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at least 48 hours before the time of the above meeting or any adjourned meeting.
3. The register of members of the Company will be closed from 21 May 2018 to 25 May 2018, on which day no transfer of shares in the Company will be effected. In order to qualify for attending the EGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 18 May 2018 for registration.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for such purpose be deemed joint holders thereof.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Voting of the ordinary resolution as set out in this notice will be by poll.

* *For identification purpose only.*