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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONNECTED TRANSACTION CAPITAL INCREASE AGREEMENT

Reference is made to the announcement of the Company dated 3 January 2023 (the "**Announcement**") in relation to the capital increase of the equity interest of Haitian Zhisheng. Unless otherwise defined, capitalised terms herein shall have the same meanings as those defined in the Announcement.

The Board wishes to provide further information in relation to the Capital Increase.

VALUATION OF THE TARGET GROUP

As stated in the Announcement, the consideration (i.e. the contribution amount to be paid by Haitian Plastics Machinery and the Other Investors) was calculated based on the equity valuation of the Target Group and the respective equity interests in the Target Group to be held by Haitian Plastics Machinery and the Other Investors after the Capital Increase. The post-money equity valuation would be RMB2,000 million, calculated as the sum of (i) the aggregate amount of the Capital Increase, being RMB343 million and (ii) the pre-money equity valuation of the Target Group, being RMB1,657 million. The pre-money equity valuation was determined by all parties to the Capital Increase Agreement after arm's length negotiations on normal commercial terms, with reference to, among others, the historical financial performance of the Target Group, the trading multiples of comparable listed companies engaged in the die casting business and the business prospects of the Target Group.

In identifying comparable companies, it was observed across the industry that while there are many competitors engaged in the production and sales of die casting machines across Greater China, the majority are small-scale or are non-listed companies engaged in multiple business segments. Furthermore, most of the competitors mainly produce traditional die casting machines with a clamping force of less than 1,000 tons, while much larger-tonnage machines with advanced technology are needed for the wider application in new energy vehicle bodies. As such, the following selection criteria were considered: (a) the companies are listed companies in Greater China; (b) the companies should possess the capacity to produce large-tonnage and super-large-tonnage die casting machines; and (c) the revenue generated from the die casting machine business of the companies should account for not less than 15% of the total revenue generated from their major business segments, and companies with higher revenue contribution from die casting business should weigh more in calculations. The above selection criteria was determined necessary due to the limited number of competitors that are listed companies in Greater China with the ability to produce large-tonnage and super-large-tonnage die casting machines at the high level comparable to the Target Group.

As the Target Group has only been established for a relatively short period, it is still under rapid development and has not achieved economies of scale. Further, the initial capital expenditure, investment in research and development and various expenses of the Target Group are relatively high at this stage, which implies significant room for improvement in the net profit margin of the Target Group compared to the comparable listed companies. In addition, the business scale and revenue of the Target Group, despite growing rapidly, have already begun to take shape compared with its peer companies (including unlisted companies in the die casting industry). As such, referencing to the revenue instead of the net profits of the Target Group was considered to be an appropriate indicator and the enterprise-value-to-revenue ratio (the "**EV/Revenue Ratio**") was adopted as the trading multiple for the purpose of the valuation of the Target Group.

The pre-money equity valuation was preliminarily valued at approximately RMB1,681 million, which was calculated by multiplying (a) the revenue of the Target Group for the 12-month period ended 30 June 2022 (being RMB553.23 million), and (b) the weighted average EV/Revenue Ratio of the comparable companies (being 2.97), minus net debt (total debts net of cash and cash equivalents) of -RMB37.55 million as the Target Group was in a net cash position as of 30 June 2022 based on unaudited consolidated financial statements.

The preliminary pre-money equity valuation of the Target Group was further adjusted for (i) a lack of liquidity discount and (ii) a valuation premium to account for its rapid growth and market share gain, with details set out below.

(i) Lack of Liquidity Discount

Since the comparable companies selected are listed companies in Greater China, the shares of which are of better liquidity than the non-listed Target Group, a lack of liquidity discount of 12.77% was applied in the valuation of the Target Group. With reference to the domestic market situation and practice, the new issue pricing method was used to estimate the lack of liquidity discount for the valuation of the Target Group. Such discount was determined based on the weighted average of the percentage differences between (a) the initial public offering prices of the shares of comparable listed companies and (b) the average closing prices of the shares of comparable listed companies on the 10th trading day, 20th trading day and 30th trading day after listing.

(ii) Valuation Premium

The weighted average EV/Revenue Ratio reflected the market view of the comparable listed companies, but did not account for the Target Group's higher growth rate than the comparable listed companies. Hence, a premium was adopted to reflect the fair value of the Target Group. Having considered the factors and reasons as set out below, the Directors are of the opinion that the premium of 10%-20% is justifiable.

In determining the premium, a comparative analysis was conducted by making reference to the historical die-casting machine sales growth rate and the compound annual growth rate ("**CAGR**") of the comparable companies and the Target Group, details of which are set out in the table below:

Company	Die-casting Machine Sales Growth Rate FY2020[(1)]	FY2021[(2)]	FY2022H1[(3)]	CAGR
Comparable Company 1	41%	44%	9%	37%
Comparable Company 2	2%	32%	-4%	11%
Target Group	4%	93%	97%	73%

Notes:

(1) Based on the audited consolidated financial statements of Comparable Company 1 for the year ended 31 March 2021, the audited consolidated financial statements of Comparable Company 2 for the year ended 31 December 2020 and the unaudited consolidated financial statements of the Target Group for the year ended 31 December 2020, respectively.

(2) Based on the audited consolidated financial statements of Comparable Company 1 for the year ended 31 March 2022, the audited consolidated financial statements of Comparable Company 2 for the year ended 31 December 2021 and the unaudited consolidated financial statements of the Target Group for the year ended 31 December 2021, respectively.

(3) Based on the unaudited consolidated interim financial information of Comparable Company 1 for the six months ended 30 September 2022, the unaudited consolidated interim financial information of Comparable Company 2 for the six months ended 30 June 2022 and the unaudited consolidated interim financial information of the Target Group for the six months ended 30 June 2022, respectively.

Based on the selection criteria as set out above, two comparable companies were identified as there are limited number of listed companies which possess the capacity to produce large-tonnage and super-large tonnage die-casting machines. It was observed that (i) the die-casting machine sales growth rate of the comparable companies has slowed down while that of the Target Group is continuously growing rapidly; (ii) the market share of the current leading player Comparable Company 1 has been eroded; (iii) the revenue from the die-casting machine business segment of Comparable Company 2 was overtaken by the Target Group in the first half of year 2022 as the technological advantages and product breakthroughs of the Target Group are more well received in the market; and (iv) the CAGR of the Target Group for the past two and a half years (being 73%) is much higher than the CAGR of the comparable companies (being 37% and 11% respectively). Further, it is common market practice to adopt a valuation premium for companies with higher growth rate. Such premium varies case by case and could be higher than 50% as observed across different industries.

Considering the above comparative analysis and common market practice, the Directors are of the view that a valuation premium of 10%-20% could be applied for the Target Group as it is in the stage of rapid growth. After arm's length negotiations between the transaction parties and upon the approval of the independent investment committees of three external investors, the pre-money equity valuation of the Target Group was finalised at RMB1,657 million (slightly adjusted downward from the preliminary valuation) as at 30 November 2022, implying a premium of 13.00%. Such premium is within the range commercially acceptable to the Company.

During the valuation process, each investor began to participate in the transaction at different times, and the valuation methods and approval procedures adopted by each investor may be different and were not disclosed to each of the other investors. The pre-money equity valuation of RMB1,657 million was determined to be a fair market price mutually acceptable to the parties to the Capital Increase Agreement. The Directors are of the view that the pre-money equity valuation is fair and reasonable.

INFORMATION ON OTHER INVESTORS

Ascension Tech is a limited company established in accordance with the laws of Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, the shareholders of Ascension Tech are Gaorong Partners Fund VI, L.P. and Gaorong Partners Fund VI-A, L.P.. Each of Gaorong Partners Fund VI, L.P. and Gaorong Partners Fund VI-A, L.P. is a limited partnership established in the Cayman Islands, which is an investment fund engaged in equity investment in private companies with a wide investor base. The general partner of both Gaorong Partners Fund VI, L.P. and Gaorong Partners Fund VI-A, L.P. is Gaorong Partners VI Ltd., which is principally engaged in equity investment in private companies. As stated in the Announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Ascension Tech and its ultimate beneficial owners are Independent Third Parties.

Wuqi No. 1 is a limited partnership established in accordance with the laws of the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, Wuqi No. 1 is an investment fund engaged in equity investment in private companies with a wide investor base. The general partner of Wuqi No. 1 is Nanjing Gaorong Rongcheng Management Consulting Co., Ltd. (南京高榕榕成管理諮詢有限公司), which is principally engaged in equity investment in private companies. As stated in the Announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Wuqi No. 1 and its ultimate beneficial owners are Independent Third Parties.

Wuqi No. 2 is a limited partnership established in accordance with the laws of the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, Wuqi No. 2 is an investment fund engaged in equity investment in private companies and is a parallel fund of Wuqi No. 1 under a co-investment mechanism with a wide investor base. The general partner of Wuqi No. 2 is Sanya Ronghong Management Consulting Co., Ltd. (三亞榕鴻管理諮詢有限公司), which is principally engaged in equity investment in private companies. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, save and except that Haitian Plastics Machinery is interested in approximately 9.3284% equity interest in Wuqi No. 2, Wuqi No. 2 and its ultimate beneficial owners are Independent Third Parties.

Beijing Zhizao is a limited partnership established in accordance with the laws of the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, Beijing Zhizao is an investment fund engaged in equity investment in private companies with a wide investor base. The general partner of Beijing Zhizao is Beijing Xiaomi Enterprise Management Co., Ltd. (北京小米企業管理有限公司), which is principally engaged in equity investment in private companies. As stated in the Announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Beijing Zhizao and its ultimate beneficial owners are Independent Third Parties.

VNTR is a limited company established in accordance with the laws of Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, VNTR is owned by an investment fund managed by Hillhouse Investment Management, Ltd. with a wide investor base. As stated in the Announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, VNTR and its ultimate beneficial owners are Independent Third Parties.

MAUT is a limited company established in accordance with the laws of Hong Kong. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, based on the information available to the Company, MAUT is owned by an investment fund managed by Hillhouse Investment Management, Ltd. with a wide investor base. As stated in the Announcement, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, MAUT and its ultimate beneficial owners are Independent Third Parties.

Saved as disclosed above, all other information as set out in the Announcement remains unchanged and shall continue to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 2 February 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Chen Weiqun and Mr. Zhang Bin; the non-executive Directors are Mr. Guo Mingguang and Mr. Liu Jianbo; and the independent non-executive Directors are Mr. Lou Baijun, Mr. Guo Yonghui, Ms. Yu Junxian and Mr. Lo Chi Chiu.