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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)**

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

References are made to the announcements of the Company dated 21 November 2014 and 26 January 2018 and the circulars dated 8 January 2015 and 19 April 2018 in relation to the continuing connected transactions contemplated under the 2014 Framework Agreement and the 2018 Framework Agreement entered into between the Group and HDS to purchase servo systems, linear motion guides, ball screws and hydraulic parts. The relevant transactions contemplated under the 2014 Framework Agreement and the 2018 Framework Agreement were approved by the independent shareholders of the Company at the extraordinary general meetings held on 26 January 2015 and 25 May 2018, respectively.

As the terms of the 2018 Framework Agreement will expire on 31 December 2020, the Company has entered into the 2021 Framework Agreement with HDS on 27 November 2020 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 2021 and ending on 31 December 2023. The 2021 Framework Agreement is in substance renewal of the 2018 Framework Agreement and the terms of the 2021 Framework Agreement are substantially the same as the 2018 Framework Agreement.

Ningbo Haitian Driving is a connected person of the Company and the Purchases will constitute continuing connected transactions of the Company. As certain applicable percentage ratio(s) with respect to the Purchases are higher than 5% on an annual basis, the Purchases will be subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing details relating to the 2021 Framework Agreement, a letter from the Independent Board Committee containing its advice in respect of the 2021 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 2021 Framework Agreement and information relating to the related annual caps will be dispatched to shareholders of the Company on or before 28 December 2020.

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#### **A. PURCHASE OF SERVO SYSTEMS, LINEAR MOTION GUIDES, BALL SCREWS AND HYDRAULIC PARTS**

Details of the 2021 Framework Agreement are summarised as follows:

<b>Parties to the 2021 Framework Agreement:</b>	(i) HDS (as vendor); and  (ii) Haitian Plastics Machinery (as purchaser)
<b>Date of the 2021 Framework Agreement:</b>	27 November 2020
<b>Term:</b>	The term of the 2021 Framework Agreement is for three years from 1 January 2021 to 31 December 2023.
<b>Subject:</b>	Purchases of servo systems, linear motions guides, ball screws and hydraulic parts (the “Products”)

**Principal Terms:**

HDS will sell and it will procure its subsidiaries and associates to sell the Products to Haitian Plastics Machinery or other members of the Group.

Separate sale and purchase agreements or orders stipulating the specific terms and conditions (including but not limited to quantities, models, unit prices, delivery methods and period) shall be entered into between (1) Haitian Plastics Machinery or other member of the Group and (2) HDS or its subsidiaries and associates.

The terms of such sale and purchase agreements or orders should be fair and reasonable to both parties and the terms at which HDS offers the Products to Haitian Plastics Machinery shall be no less favourable than the terms at which HDS offers to its independent third parties for the same or similar products.

Haitian Plastics Machinery is under no obligation to purchase any specific amount of the Products from HDS and has the right to purchase such products from other third parties as it deems fit.

**Credit period:**

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

## **Pricing Principle**

The prices of the Products shall be determined with reference to the prices at which same or similar products (i) are sold by HDS to its independent third parties; and (ii) are purchased by Haitian Plastics Machinery from its independent third parties (the “**Reference Prices**”) as explained in the following:

- (1) HDS has agreed that the prices of the Products shall not be higher than (i) the price at which HDS supplies same or similar products to its independent third parties; and (ii) the reasonable prices of the same model of the Products Haitian Plastics Machinery purchased from the Independent Third Parties provided that such reference models can meet the technical specifications required by the Group and of satisfactory quality accepted by the Group.
- (2) Upon request by Haitian Plastics Machinery, HDS is obliged to provide supporting documents in relation to the Reference Prices, including but not limited to agreements and invoices.
- (3) For the internal control procedures adopted by the Group in relation to the pricing, please refer to the section “C. INTERNAL CONTROL PROCEDURES FOR THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTIONS” in this announcement.

In additional, in the event of sudden and material changes in the market conditions, both parties shall negotiate and make adjustment in the prices of the Products in a timely manner.

## **Condition Precedent:**

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

## Historical transaction amounts and the Proposed Annual Caps

The table below summaries the existing annual caps for the purchases of servo systems, linear motion guides, ball screws and hydraulic parts under the 2018 Framework Agreement for the three financial years ended 31 December 2018, 2019 and 2020:

	<b>Financial years ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Existing cap amounts	1,000	1,100	1,200

The table below summaries the actual transaction amounts of the purchases of servo systems, linear motion guides, ball screws and hydraulic parts under the 2018 Framework Agreement for the two financial years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020:

	<b>Financial years ended 31 December</b>		<b>Nine months ended</b>
	<b>2018</b>	<b>2019</b>	<b>30 September 2020</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Actual transaction amounts	810.9	666.0	618.7

The Directors expect that, pursuant to the 2021 Framework Agreement, for the three financial years ending 31 December 2021, 2022 and 2023, the aggregate amount of the Purchases shall not exceed the annual caps set out below:

	<b>Annual caps for the financial year ending 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchases of servo systems, linear motions guides, ball screws and hydraulic parts	1,050	1,100	1,200

The above proposed annual caps have been determined with reference to:

- (i) the historical transaction amounts for the purchases of servo systems, liner motion guides, ball screws and hydraulic parts of the Group from HDS for the nine months ended 30 September 2020;
- (ii) the expected increase of production capacity of PIMMs of the Group in the coming three years (2021 to 2023) due to establishment of new domestic and overseas production centers and also upgrade of current manufacturing facilities in China; and

- (iii) the increase in sales volume of PIMMs in 2020 and the estimated growth of sales volume from 2021 to 2023 considering increase of the production capacity of the Group.

## **B. REASONS FOR AND BENEFITS OF THE PURCHASES**

The servo systems, linear motion guides, ball screws and hydraulic parts are essential components to be used in the Group's production of most PIMMs. In particular, the servo systems supplied by HDS are one of the core components used in the production of Mars series energy-saving PIMMs and Generation 3 of the Group's existing products and they can also supplement the systems installed in the Group's Zhafir electric PIMMs. In light of the importance of such components in the Group's production of PIMMs and the expected significant demand in PIMMs, the Directors consider that it is vital that the Group is able to secure stable supply of such core components from a reliable supplier.

HDS has a proven track record as demonstrated from its previous transactions with the Group. The Group has been purchasing servo systems from HDS since 2009 and linear motion guides and hydraulic parts from HDS since 2012. HDS has been able to provide the products required in a timely and satisfactory manner and the qualities of such products had consistently met the Group's requirements. Further, HDS has agreed that the prices of its Products supplied to the Group shall not be higher than the prices of the products of the same model but are manufactured by Independent Third Parties which can meet the technical specifications required by the Group and are 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 and usual 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. INTERNAL CONTROL PROCEDURES FOR THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTIONS**

The Company has adopted the following internal control procedures to ensure that the terms (including the pricing) under the 2021 Framework Agreement are fair and reasonable:

- (i) the procurement department of the Group will request supporting documents from HDS in relation to the Reference Prices, from time to time, and compare against the prices which HDS offered to the Group, in order to ensure the prices of the Products purchased by the Group from HDS are comparable to the prices offered by HDS to its independent customers;
- (ii) the procurement department of the Group will (i) review the prices offered by its existing suppliers which are Independent Third Parties and (ii) obtain quotations from other suppliers in the market which are Independent Third Parties for the same or similar type of products which can meet the technical specifications of the Group and of satisfactory quality accepted by the Group, and compare against the

prices which HDS offered to the Group, from time to time, in order to ensure the prices of the Products purchased by the Group from HDS are not higher than the prices of comparable types of products manufactured by Independent Third Parties; and

- (iii) if the procurement department of the Group discovers any deviation under (i) and (ii), the Group will request HDS to adjust its product prices and in the event that HDS fails to meet such request(s), the Group will procure the products from other suppliers which can offer comparable products that can meet the technical specifications required by the Group and of satisfactory quality accepted by the Group, at more competitive prices.

The independent non-executive Directors will review the continuing connected transactions under the 2021 Framework Agreement annually to check and confirm whether such continuing connected transactions have been conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and whether the internal control procedures put in place by the Company are adequate and effective to ensure that such continuing connected transactions are conducted in accordance with the pricing policies set out in such relevant agreements.

The Company's external auditors will review the continuing connected transactions under the 2021 Framework Agreement annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded. HDS has agreed to allow the Company and its external auditors to access the information necessary to report on the non-exempt continuing connected transactions contemplated under the 2021 Framework Agreement.

The Company will continue to closely monitor the implementation of the 2021 CCT Agreements and take prompt action to make necessary disclosure and obtain Independent Shareholders' approval in the event that any adjustment to an annual cap becomes foreseeable.

#### **D. 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 an aggregate of 54.42% equity interests in Ningbo Haitian and 75.7% shareholding in HDS Hong Kong. Mr. Chen Weiqun, one of the executive Director, is interested in 2.25% equity interest in Ningbo Haitian. 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, annual review and Independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.



Each of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang, Mr. Liu Jianbo and Mr. Chen Weiqun has material interest in the transactions contemplated under the 2021 Framework Agreement by virtue of their interests in HDS and therefore is required to abstain from voting on the Board resolution approving the said agreement and the annual cap. As at the date of this announcement, Mr. Zhang Bin has neither held nor owned any interest in HDS. Nonetheless, to avoid perception of conflicts of interest, Mr. Zhang Bin has voluntarily abstained from voting on the relevant Board resolutions and, to the extent applicable, will voluntarily abstain from voting at the EGM on the relevant resolutions to be approved by the Independent Shareholders. Save and except for the aforesaid, none of the Directors has any material interest in any of the transactions contemplated under the 2021 Framework Agreement and was required to abstain from voting on the Board resolutions to approve the same.

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

- (i) Premier Capital Management (PTC) Ltd., which holds 327,042,016 issued shares of the Company (representing approximately 20.49% shareholding of the Company) as of the date of this announcement and is an associate of Mr. Zhang Jingzhang and Mr. Zhang Jianming;
- (ii) Cambridge Management Consultants (PTC) Ltd., which holds 187,794,203 issued shares of the Company (representing approximately 11.77% shareholding of the Company) as of the date of this announcement and is an associate of Mr. Zhang Jingzhang and Mr. Zhang Jianming;
- (iii) Fiery Force Inc., an investment holding company wholly-owned by Mr. Zhang Jingzhang, which holds 535,000 issued shares of the Company (representing approximately 0.03% shareholding of the Company) as of the date of this announcement;
- (iv) Mr. Zhang Jianming, executive Director and chief executive officer of the Company, and Haitian Asset Management Limited and Lordachieve Investments Ltd., the investment holding companies wholly-owned by Mr. Zhang Jianming, which together hold 8,169,000 issued shares of the Company (representing approximately 0.51% shareholding of the Company) as of the date of this announcement; and
- (v) Sino Thrill International Limited, an investment holding company wholly-owned by Mr. Zhang Jianfeng which holds 1,000,000 issued shares of the Company (representing approximately 0.06% shareholding of the Company) as of the date of this announcement;
- (vi) Broad Commend Limited, an investment holding company wholly-owned by Mr. Liu Jianbo, which holds 520,000 issued shares of the Company (representing approximately 0.03% shareholding of the Company) as of the date of this announcement;



- (vii) Ocean Violet Limited, an investment holding company wholly-owned by Mr. Guo Mingguang, which holds 200,000 issued shares of the Company (representing approximately 0.01% shareholding of the Company) as of the date of this announcement;
- (viii) Ms. Zhang Xiaofei, wife of Mr. Guo Mingguang, who holds 277,000 issued shares of the Company (representing approximately 0.02% shareholding of the Company) as of the date of this announcement; and
- (ix) Grace Triumph Limited, an investment holding company wholly-owned by Mr. Chen Weiqun, which holds 270,000 issued shares of the Company (representing approximately 0.02% shareholding of the Company) as of the date of this announcement.

## **E. GENERAL**

The Company has appointed Sorrento Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the 2021 Framework Agreement and the related annual caps. A circular containing, among other things, details relating to the 2021 Framework Agreement, a letter from the Independent Board Committee containing its advice in respect of the 2021 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 2021 Framework Agreement and information related to the related annual caps will be dispatched to shareholders of the Company on or before 28 December 2020.

## **F. FURTHER INFORMATION ON THE PARTIES**

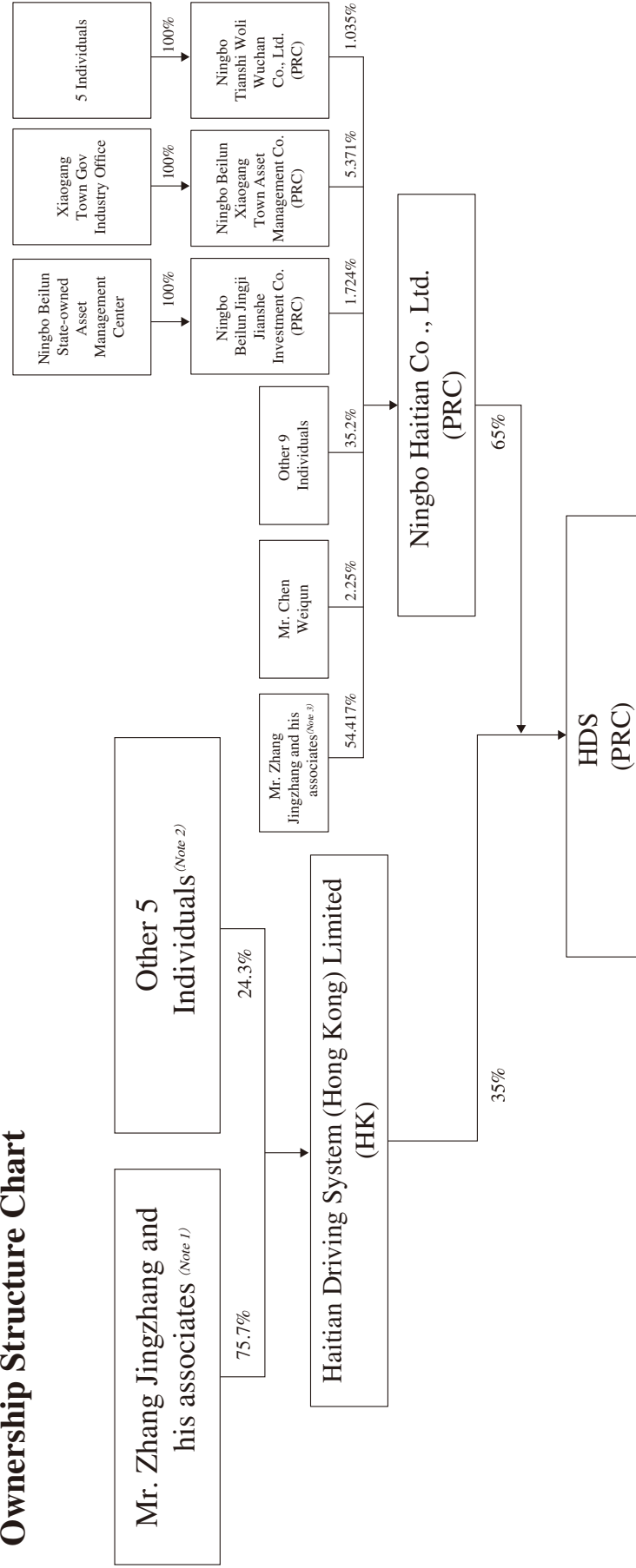
The Group is principally engaged in the design, development, manufacture and sales of PIMMs and related parts.

Haitian Plastics Machinery is a company established in the PRC and is a major operating subsidiary of the Company. It is primarily engaged in manufacture and sales of PIMMs.

HDS is a company established in the PRC and is primarily engaged in the research and development, manufacture and sales of servo system, linear motion guide, machinery robot, fork lift and other industrial machinery tools.

Set out below is the simplified ownership structure chart of HDS showing its ultimate beneficial owners:

## Ownership Structure Chart



*Note 1:* Each of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Liu Jianbo and Mr. Guo Mingguang, through their respective wholly-owned BVI company, holds 9.6%, 42.9%, 7.2%, 12% and 4% equity interest of Haitian Driving System (Hong Kong) Limited respectively.

*Note 2:* Other 5 Individuals are Ms. Chen Ningning, Mr. Fang Zhiguo, Mr. Shi Huajun, Mr. Yue Wei and Ms. Zhu Yuli.

*Note 3:* Each of Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang and Mr. Liu Jianbo respectively holds 18.2%, 22.832%, 5.5%, 4% and 3.885% equity interest of Ningbo Haitian Co., Ltd.

## G. DEFINITIONS

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

<b>“2014 Framework Agreement”</b>	the agreement dated 21 November 2014 entered into between Haitian Plastics Machinery as purchaser and HDS as vendor for the purchase of the Products for a term of three years which commenced on 1 January 2015 and ended on 31 December 2017;
<b>“2018 Framework Agreement”</b>	the agreement dated 26 January 2018 entered into between Haitian Plastics Machinery as purchaser and HDS as vendor for the purchase of the Products for a term of three years commencing on 1 January 2018 and ending on 31 December 2020;
<b>“2021 Framework Agreement”</b>	the agreement dated 27 November 2020 entered into between Haitian Plastics Machinery as purchaser and HDS as vendor for the purchase of the Products for a term of three years commencing on 1 January 2021 and ending on 31 December 2023;
<b>“associate(s)”</b>	has the meaning as defined in the Listing Rules;
<b>“Board”</b>	the board of Directors of the Company;
<b>“BVI”</b>	the British Virgin Islands
<b>“Company”</b>	Haitian International Holdings Limited, a limited liability company incorporate in the Cayman Islands;
<b>“connected person”</b>	has the meaning as defined in the Listing Rules;
<b>“continuing connected transaction”</b>	has the meaning as defined in the Listing Rules;
<b>“Director(s)”</b>	director(s) of the Company;
<b>“EGM”</b>	the extraordinary general meeting to be held by the Company to consider and, if thought fit, approve the 2021 Framework Agreement and the related annual caps;
<b>“Group”</b>	the Company and its subsidiaries;

<b>“Haitian Plastics Machinery”</b>	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;
<b>“HDS”</b>	寧波海天驅動有限公司(Ningbo Haitian Driving System Co., Ltd. *) (previously known as 寧波海天電機有限公司), a limited liability company incorporated in the PRC and a connected person of the Company;
<b>“HDS Hong Kong”</b>	Haitian Driving System (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a connected person of the Company;
<b>“HK\$” or “HK dollars”</b>	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC;
<b>“Independent Board Committee”</b>	a committee of the Board comprising Mr. Lou Baijun, Mr. Guo Yonghui, Dr. Yu Junxian and Mr. Lo Chi Chiu, being the independent non-executive Directors, which has been formed to advise the Independent Shareholders, as to whether the renewal of existing continuing connected transactions and the 2021 Framework Agreement are entered on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned, and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they should vote on the above resolutions after considering the recommendations of the Independent Financial Adviser;
<b>“Independent Financial Adviser”</b>	Sorrento Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Framework Agreement and the related annual caps;

<b>“Independent Shareholders”</b>	the shareholders of the Company other than Mr. Zhang Jingzhang, Mr. Zhang Jianming, Mr. Zhang Jianfeng, Mr. Guo Mingguang, Mr. Liu Jianbo, Mr. Chen Weiqun and their respective associates;
<b>“Independent Third Parties”</b>	person(s) or company(ies) which is not a connected person of the Company;
<b>“Listing Rules”</b>	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
<b>“Ningbo Haitian”</b>	寧波海天股份有限公司 (Ningbo Haitian Group Co., Ltd.*), a limited liability company incorporated in the PRC;
<b>“PIMMs”</b>	plastic injection moulding machineries;
<b>“PRC”</b>	the People’s Republic of China;
<b>“Products”</b>	servo systems, linear motion guides, ball screws and hydraulic parts;
<b>“Purchases”</b>	the purchases of the Products under the 2021 Framework Agreement; and
<b>“RMB” or “Renminbi”</b>	Renminbi, the lawful currency of the PRC.

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

Hong Kong, 27 November 2020

*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, Dr. Yu Junxian and Mr. Lo Chi Chiu.*

\* For identification purpose only.