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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)**

### **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE 2021 FRAMEWORK AGREEMENT**

References are made to the announcements of the Company dated 27 November 2020 and 8 December 2020 and the circular dated 16 December 2020 in relation to the continuing connected transactions contemplated under the 2021 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 2021 Framework Agreement were approved by the independent shareholders of the Company at the extraordinary general meeting held on 6 January 2021.

The Company anticipates that the amount of relevant Existing Caps of the Purchases under the 2021 Framework Agreement for the three years ended 31 December 2021, 2022 and 2023 will not be sufficient to meet the demand of the Group. Accordingly, on 10 September 2021 (after trading hours), the Board resolved to enter into the 2021 Supplemental Agreement with HDS to revise the Existing Caps. Save for the Revised Caps, all terms and conditions of the 2021 Framework Agreement shall remain unchanged.

Ningbo Haitian Driving is a connected person of the Company and the Purchases constitute continuing connected transactions of the Company. Pursuant to Rule 14A.54 of the Listing Rules, the Company will be required to re-comply with the applicable requirements under Chapter 14 of the Listing Rules with respect to the 2021 Supplemental Agreement (including the Revised Caps). As certain applicable percentage ratio(s) with respect to the 2021 Supplemental Agreement (including the Revised Caps) are higher than 5% on an annual basis, the 2021 Supplemental Agreement (including the Revised Caps) will be subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing details relating to the 2021 Supplemental Agreement (including the Revised Caps), a letter from the Independent Board Committee containing its advice in respect of the 2021 Supplemental Agreement (including the Revised 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 Supplemental Agreement (including the Revised Caps) will be dispatched to shareholders of the Company on or before 30 September 2021.

## REVISION OF ANNUAL CAPS IN RESPECT OF THE 2021 FRAMEWORK AGREEMENT

The Company has entered into the 2021 Framework Agreement on 27 November 2020 with HDS, pursuant to which, among other things, Haitian Plastics Machinery as purchaser has purchased the Products from HDS as vendor. The 2021 Framework Agreement and the Purchases contemplated thereunder together with the relevant annual caps for the three years ended 31 December 2023 were subsequently approved, confirmed and ratified by the Shareholders during an extraordinary general meeting held on 6 January 2021.

Based on the actual amounts of the Purchases made till 31 July 2021 and the projected demand of Haitian Plastics Machinery, the Company anticipates that the amount of relevant Existing Caps of the Purchases under the 2021 Framework Agreement for the three years ended 31 December 2021, 2022 and 2023 will not be sufficient to meet the demand of the Group. Accordingly, on 10 September 2021 (after trading hours) the Board resolved to enter into the 2021 Supplemental Agreement with HDS to revise the Existing Caps.

Save for the Revised Caps, all terms and conditions of the 2021 Framework Agreement shall remain unchanged. For the principal terms and details of the 2021 Framework Agreement, please refer to the announcements dated 27 November 2020 and 8 December 2020 and the circular of the Company dated 16 December 2020 respectively.

### Historical transaction amounts and the Proposed Revised 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 2021 Framework Agreement for the three financial years ended 31 December 2021, 2022 and 2023:

	Financial years ended 31 December		
	2021 (RMB million)	2022 (RMB million)	2023 (RMB million)
Existing Caps amounts	1,050	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 2021 Framework Agreement for the seven months ended 31 July 2021 based on the Group's unaudited management accounts:

	Seven months ended 31 July 2021 (RMB million)	Financial years ended 31 December	
		2022 (RMB million)	2023 (RMB million)
Actual transaction amounts	714.8	Not applicable	Not applicable

The Directors expect that, pursuant to the 2021 Supplemental 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	1,250	1,300	1,360

The above proposed Revised 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 seven months ended 31 July 2021;
- (ii) the significant increase in sales volume of PIMMs for the seven months ended 31 July 2021 as compared with the corresponding period in 2020 and the estimated growth in sales volume of PIMMs from 2021 to 2023 due to the strong recovery of the PIMM industry in the PRC primarily attributable to the better control of the COVID-19 pandemic (the “**Pandemic**”) as compared to overseas countries;
- (iii) the Group expect that there will continue to be a steady growth of demand of PIMMs from 2021 to 2023 due to the growing popularity of the Mars series PIMMs and the Group has recorded significant increase in its PIMMs sales in the PRC, the Southeast Asia, the South America and Europe during the first seven months of 2021 as compared with the same period in 2020; and
- (iv) as the current production capacity of the Group is limited and insufficient to meet the demand of customers, the Group will further increase the production capacity of PIMMs from 2021 to 2023 to capture the increasing demand by establishing new domestic and overseas production centers and upgrading the current manufacturing facilities in China.

In view of the foregoing factors, the Company anticipates that the actual amounts of transactions will exceed the previous projection and that the Existing Caps will not be sufficient to meet the Group’s requirement for the three years ended 31 December 2021, 2022 and 2023. Accordingly, the Company proposes to revise the Existing Caps to the proposed Revised Caps.

## **B. REASONS FOR AND BENEFITS OF REVISING THE EXISTING CAPS**

Starting from the second half of 2020, as the Pandemic was generally more serious in overseas, casting a significant influence on the local manufacturing industry in relevant countries, while the Pandemic was better controlled in China. Benefiting from a favorable domestic economic environment and the support from a series of easing policies such as the policy of stabilising investment and exports, the overall economy in China has shown signs of resuming steady development. Against this backdrop, China continued to play the key role of the world’s factory. Strong demands were seen from

both domestically and overseas in the PIMM industry. Needless to say, as a leader in the PIMM industry, the Company was also significantly benefitted. Based on the Company's condensed consolidated interim financial information for the six months ended 30 June 2021, the revenue of the Company amounted to RMB8,225.8 million for the six months ended 30 June 2021, representing an increase of 64.0% compared to RMB5,015.7 million for the same period in 2020.

In the long run, the progress of vaccination and development of the Pandemic are currently the essential factors affecting the recovery of the global economy. Through the recovery of economy during the previous year and the first half of this year, the overall global economy was back on track rapidly with an optimistic prospect. The Company is full of confidence regarding the continuous recovery of the overseas business for the second half of this year. At the same time, the Pandemic has posed a great influence on the adjustment of the global industrial structure and, among which, the booming development of new energy, electric vehicles and the green economy will also inject new motivation to the PIMM industry.

In light of the surging increase in the sales and revenue of the Company resulted from the Pandemic, it is reasonable to expect the corresponding amount of purchases made by the Company from HDS will also increase significantly. Therefore, the actual amounts for each year involved in the Purchases from 2021 to 2023 will exceed the Existing Caps under the 2021 Framework Agreement.

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 Revised Caps 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 Group will continue to follow the internal control procedures and pricing policies as stated in the announcements dated 27 November 2020 and 8 December 2020 and the circular of the Company dated 16 December 2020 respectively when conducting the Purchases contemplated under the 2021 Supplemental Agreement and the 2021 Framework Agreement. The aforementioned internal control procedures and pricing policies under the 2021 Framework Agreement are set out below for easy reference:

- (i) regarding each of the four categories of the Products, namely servo systems, linear motions guides, ball screws and hydraulic parts, the Group will select not less than five types of parts within each category for pricing comparison and determination;
- (ii) in relation to servo systems, linear motion guides and hydraulic parts, the procurement department of the Group will request supporting documents from HDS in relation to the Reference Prices for the supply from HDS to not less than two independent customers, on a quarterly basis, and compare against the prices which HDS offered to the Group, in order to ensure the prices of the Products (excluding ball screws) purchased by the Group from HDS are comparable to the prices offered by HDS to its independent customers;

- (iii) in relation to servo systems, linear motion guides and hydraulic parts, 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 in total not less than two independent suppliers, and compare against the prices which HDS offered to the Group, on a quarterly basis, in order to ensure the prices of the Products (excluding ball screws) purchased by the Group from HDS are not higher than the prices of comparable types of products manufactured by Independent Third Parties;
- (iv) in relation to ball screws, as the actual transaction amounts for the financial years ended 31 December 2018, 2019 and 2020 and the seven months ended 31 July 2021 are only RMB3,742, RMB708, nil and RMB4,040 respectively, the Group will carry out the internal control procedures stated in (i) to (iii) above on an annual basis instead; and
- (v) if the procurement department of the Group discovers any deviation from the procedures stated above, 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 Supplemental Agreement (including the Revised Caps) and 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 Supplemental Agreement (including the Revised Caps) and 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 Supplemental Agreement (including the Revised Caps) and the 2021 Framework Agreement.

The Company will continue to closely monitor the implementation of the 2021 Supplemental Agreement (including the Revised Caps) and the 2021 Framework 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 35.074% equity interests in Ningbo Haitian and 75.7% shareholding in HDS Hong Kong. Mr. Chen Weiqun, one of the executive Director, is interested in 1.8% equity interest in Ningbo Haitian. Pursuant to Rule 14A.07 of the Listing Rules, HDS is a connected person of the Company and the transaction contemplated under the 2021 Supplemental Agreement (including the Revised Caps) 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 2021 Supplemental Agreement (including the Revised Caps) are higher than 5% on an annual basis, the 2021 Supplemental Agreement (including the Revised Caps) will be subject to the reporting, announcement, circular, 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 Supplemental Agreement (including the Revised Caps) 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 Supplemental Agreement (including the Revised Caps) 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 Revised Caps 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 493,000 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;
- (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 470,000 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 100,000 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 177,000 issued shares of the Company (representing approximately 0.01% 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 250,000 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 Supplemental Agreement (including the Revised Caps). A circular containing, among other things, details relating to the 2021 Supplemental Agreement (including the Revised Caps), a letter from the Independent Board Committee containing its advice in respect of the 2021 Supplemental Agreement (including the Revised 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 Supplemental Agreement (including the Revised Caps) will be dispatched to shareholders of the Company on or before 30 September 2021.

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

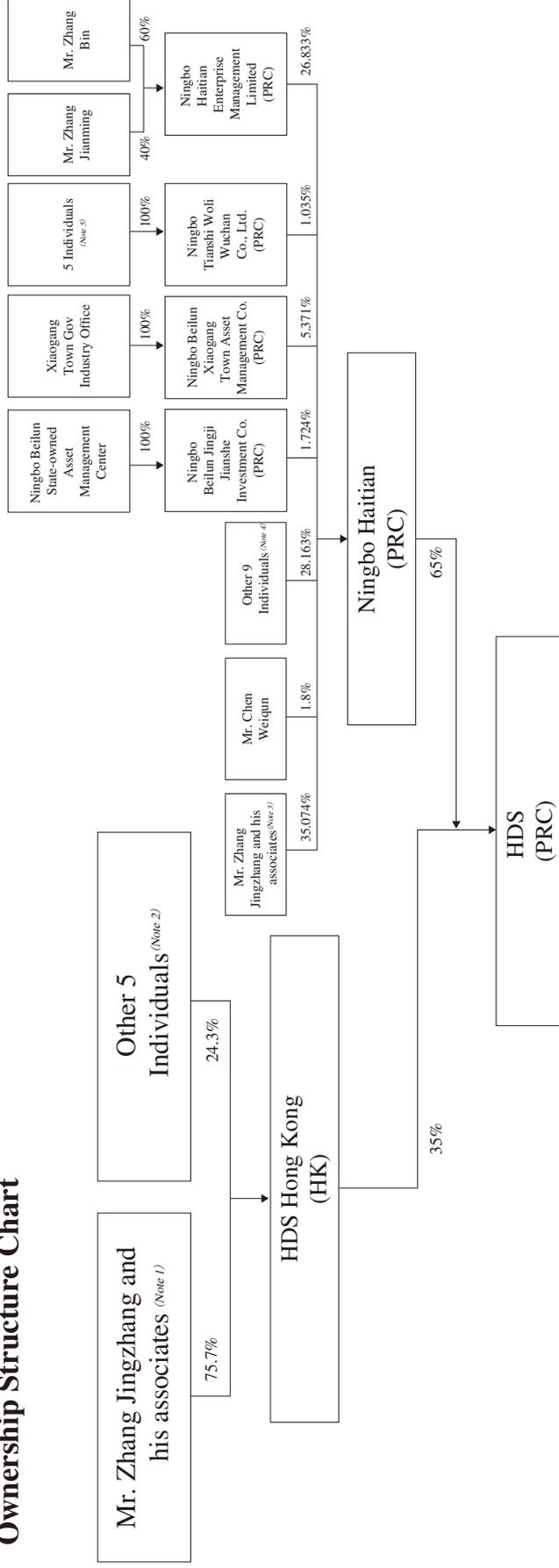
The Group is principally engaged in the design, development, manufacture and sales of PIMMs and related parts.

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 14.1%, 10.266%, 4.4%, 3.2% and 3.108% equity interest of Ningbo Haitian Co., Ltd.

*Note 4:* Other 9 Individuals holding 28.163% equity interest in Ningbo Haitian are Ms. Hu Min, Mr. Zhang Jianguo, Mr. Zhang Jinglai, Mr. Qian Yaoen, Ms. Chen Ningning, Mr. Yu Wenxian, Mr. Bei Haibo, Mr. Shui Caiyi and Mr. Hu Baohua.

*Note 5:* 5 Individuals holding 100% equity interest in Ningbo Tianshi Woli Wuchan Co., Ltd. are Mr. Wang Weigang, Mr. Ni Guoming, Ms. Liu Xiaohong, Mr. Zhao You and Mr. Mao Jianying.

## G. DEFINITIONS

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

<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>“2021 Supplemental Agreement”</b>	the supplemental agreement dated 10 September 2021 entered into between Haitian Plastics Machinery as purchaser and HDS as vendor for revising the Existing Caps and setting out the Revised Caps for a term of three years commencing on 1 January 2021 and ended 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 incorporated 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 Supplemental Agreement (including the Revised Caps);
<b>“Existing Caps”</b>	the existing annual caps of the Purchases under the 2021 Framework Agreement for the three years ended 31 December 2021, 2022 and 2023, as stated in the announcement of the Company dated 27 November 2020;

<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 2021 Supplemental Agreement (including the Revised Caps) 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 Supplemental Agreement (including the Revised 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 the 2021 Supplemental Agreement;
<b>“Revised Caps”</b>	the revised annual caps of the Purchases under the 2021 Supplemental Agreement for the three years ended 31 December 2021, 2022 and 2023, as stated in this announcement; 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, 10 September 2021

*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.