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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(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).



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 AND
HYDRAULIC PARTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Sorrento Capital Limited

Capitalised terms used in the lower portion of this cover page and the inside cover page of this circular shall have the same respective meanings as those defined in the section headed "DEFINITIONS" of this circular.

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 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 19 to 28 of this circular.

A notice convening the EGM to be held at Unit 1105, Level 11, Metroplaza, Tower 2, 223 Hing Fong Road, Kwai Fong, N.T., Hong Kong on Monday, 18 December 2023 at 10:00 a.m., is set out on pages 34 to 35 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.

1 December 2023

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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 the Products 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 the Products for a term of three years commencing on 1 January 2018 and ending on 31 December 2020;
- “2021 Framework Agreement”** 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;
- “2021 Supplemental Agreement”** the supplemental agreement dated 10 September 2021 entered into between Haitian Plastics Machinery as purchaser and HDS as vendor for a term of three years commencing on 1 January 2021 and ended on 31 December 2023, for the purpose of revising 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), and setting out 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 the announcement of the Company dated 10 September 2021);
- “2024 Framework Agreement”** the agreement dated 10 November 2023 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 2024 and ending on 31 December 2026;
- “associate(s)”** has the meaning as defined in the Listing Rules;
- “Board”** the board of Directors of the Company;

DEFINITIONS

“BVI”	the British Virgin Islands;
“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 on Monday, 18 December 2023 to consider and, if thought fit, approve the 2024 Framework Agreement and the related annual caps;
“Group”	the Company and its subsidiaries;
“Haitian Enterprise Management”	寧波海天企業管理有限公司 (Ningbo Haitian Enterprise Management Limited*), a limited liability company incorporated in the PRC and a connected person of the Company;
“Haitian Plastics Machinery”	海天塑機集團有限公司 (Haitian Plastics Machinery Group Co., Ltd.*), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
“HDS”	寧波海天驅動有限公司 (Ningbo Haitian Driving Systems Co., Ltd.*) (previously known as 寧波海天電機有限公司), a limited liability company incorporated in the PRC and a connected person of the Company;
“HDS Hong Kong”	Haitian Driving System (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a connected person of the Company;
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

DEFINITIONS

“Independent Board Committee”	a committee of the Board comprising Mr. Lou Baijun, Mr. Guo Yonghui, Ms. 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 2024 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 its 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;
“Independent Financial Adviser” or “Sorrento Capital”	Sorrento Capital Limited, a licensed corporation to carry out 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 of the Company in respect of the 2024 Framework Agreement and the related annual caps;
“Independent Shareholders”	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 who are required to abstain from voting on the resolution to approve the 2024 Framework Agreement, the Purchase and the related annual caps at the EGM pursuant to the Listing Rules;
“Independent Third Parties”	person(s) or company(ies) which is not a connected person of the Company;
“Latest Practicable Date”	27 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“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;
“Products”	servo systems, linear motion guides and hydraulic parts;
“Purchase”	the purchases of the Products under the 2024 Framework Agreement;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“SFO”	The Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	Percentage.

* For identification purpose only.

LETTER FROM THE BOARD



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 Jianming (*Chairman*)
Mr. ZHANG Bin (*Chief Executive Officer*)
Mr. ZHANG Jianfeng
Mr. CHEN Weiqun
Ms. CHEN Lu

Non-Executive Directors:

Mr. GUO Mingguang
Mr. LIU Jianbo

Independent Non-Executive Directors:

Mr. LOU Baijun
Mr. GUO Yonghui
Ms. YU Junxian
Mr. LO Chi Chiu

Registered Office:

P.O. Box 309, Uglan House
Grand Cayman KY1-1104
Cayman Islands

Principal place of business in China:

No. 1688 Haitian Road
Beilun District, Ningbo
Zhejiang Province
China
315800

Principal place of business in Hong Kong:

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

1 December 2023

To the Shareholders,

Dear Sirs,

**RENEWAL OF CONTINUING CONNECTED
TRANSACTIONS ON PURCHASE OF SERVO SYSTEMS,
LINEAR MOTION GUIDES AND
HYDRAULIC PARTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

References are made to the announcements of the Company dated 21 November 2014, 26 January 2018, 27 November 2020, 8 December 2020 and 10 September 2021 and the circulars dated 8 January 2015, 19 April 2018, 16 December 2020 and 11 October 2021 in relation to the continuing connected transactions contemplated under the 2014 Framework Agreement, the 2018 Framework Agreement, the 2021 Framework Agreement and the 2021 Supplemental Agreement entered into between the Company and HDS to purchase servo systems, linear motion guides, ball screws and hydraulic parts. The relevant transactions contemplated under the 2014 Framework Agreement, the 2018 Framework Agreement, the 2021 Framework Agreement and the 2021 Supplemental Agreement were approved by the independent shareholders of the Company at the extraordinary general meetings held on 26 January 2015, 25 May 2018, 6 January 2021 and 29 October 2021, respectively.

As the terms of the 2021 Framework Agreement and the 2021 Supplemental Agreement will expire on 31 December 2023, the Group has entered into the 2024 Framework Agreement with HDS on 10 November 2023 (after trading hours) in relation to the purchases of servo systems, linear motion guides and hydraulic parts for a term of three years commencing on 1 January 2024 and ending on 31 December 2026. The 2024 Framework Agreement is in substance a renewal of the 2021 Framework Agreement and the terms of the 2024 Framework Agreement are substantially the same as the 2021 Framework Agreement and as supplemented by the 2021 Supplemental Agreement.

The purpose of this circular is to provide you with, among other things, (i) information relating to the 2024 Framework Agreement and the transactions contemplated thereunder; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders on the terms of the 2024 Framework Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Sorrento Capital to the Independent Board Committee and the Independent Shareholders on the terms and conditions of the 2024 Framework Agreement and the transactions contemplated thereunder; and (iv) the notice convening the EGM.

LETTER FROM THE BOARD

2. PARTICULARS OF THE 2024 FRAMEWORK AGREEMENT

Details of the 2024 Framework Agreement are summarised as follows:

Parties to the 2024 Framework Agreement:	(i) HDS (as vendor); and (ii) Haitian Plastics Machinery (as purchaser).
Date of the 2024 Framework Agreement:	10 November 2023.
Term:	The term of the 2024 Framework Agreement is for three years from 1 January 2024 to 31 December 2026.
Subject:	Purchases of servo systems, linear motion guides and hydraulic parts.
Principal Terms:	<p>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.</p> <p>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 members of the Group and (2) HDS or its subsidiaries and associates.</p> <p>The terms of such sale and purchase agreements or orders shall 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 Independent Third Parties for the same or for similar products.</p> <p>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 Independent Third Parties as it deems fit.</p>
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.

LETTER FROM THE BOARD

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 circular.

In addition, 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.

LETTER FROM THE BOARD

Historical Transaction Amounts and the Proposed Annual Caps

The table below summarises the existing annual caps for the purchases of servo systems, linear motion guides, ball screws and hydraulic parts under the 2021 Framework Agreement and as supplemented by the 2021 Supplemental Agreement for the three financial years ended 31 December 2021, 2022 and 2023:

	Financial years ended 31 December		
	2021	2022	2023
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Existing cap amounts	1,250.0	1,300.0	1,360.0

The table below summarises the actual transaction amounts of the purchases of servo systems, linear motion guides, ball screws and hydraulic parts under the 2021 Framework Agreement and as supplemented by the 2021 Supplemental Agreement for the two financial years ended 31 December 2021 and 2022 and the eight months ended 31 August 2023:

	Financial years ended		Eight months
	31 December		ended
	2021	2022	31 August
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Actual transaction amounts	1,087.6	772.4	557.4

The Directors expect that, pursuant to the 2024 Framework Agreement, for the three financial years ending 31 December 2024, 2025 and 2026, the aggregate amount of the Purchases shall not exceed the annual caps set out below:

	Financial years ending 31 December		
	2024	2025	2026
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Annual cap amount	960.0	1,050.0	1,160.0

In determining the above annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts for the purchases of servo systems, linear motion guides, ball screws and hydraulic parts of the Group from HDS for the two financial years ended 2021 and 2022 and for the eight months ended 31 August 2023;
- (ii) in particular, the Group did not make any purchases in ball screws from HDS for the two financial years ended 2021 and 2022 and for the eight months ended 31 August 2023, due to insufficient supply. Accordingly, the 2024 Framework Agreement does not include the purchase of ball screws;

LETTER FROM THE BOARD

- (iii) the continued increase of production capacity of PIMMs of the Group in the coming three years (2024 to 2026) due to establishment of new domestic and overseas production centers and also upgrade of current manufacturing facilities in China; and
- (iv) the estimated growth of sales volume from 2024 to 2026 considering the increase of the production capacity of the Group.

Having considered the above factors, the Directors believe that there will be a steady growth in the sales volume of PIMMs of the Group from 2024 to 2026, thereby necessitating the Group to increase the purchase quantity of servo systems, linear motion guides and hydraulic parts, being the essential components to PIMMs. Based on the above reasons, the Directors consider the above annual caps are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

3. REASONS FOR AND BENEFITS OF THE 2024 FRAMEWORK AGREEMENT

The servo systems, linear motion guides 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 Jupiter series two-platen PIMMs 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 quality of such products has 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.

4. 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 2024 Framework Agreement are fair and reasonable:

- (i) regarding each of the three categories of the Products, namely servo systems, linear motion guides and hydraulic parts, the Group will select not less than five types of parts within each category for pricing comparison and determination;

LETTER FROM THE BOARD

- (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 has 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 Third Party 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 has offered to the Group on a quarterly basis, 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. As the market prices for the Products are generally stable throughout a year, the Directors are of the view that the Group's quarterly review and request of quotations from Independent Third Parties are sufficient to ensure that 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
- (iv) 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 Independent Third Party 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 2024 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 of the Company 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 2024 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 2024 Framework Agreement.

LETTER FROM THE BOARD

The Company will continue to closely monitor the implementation of the 2024 Framework Agreement 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.

5. FURTHER INFORMATION ON THE PARTIES

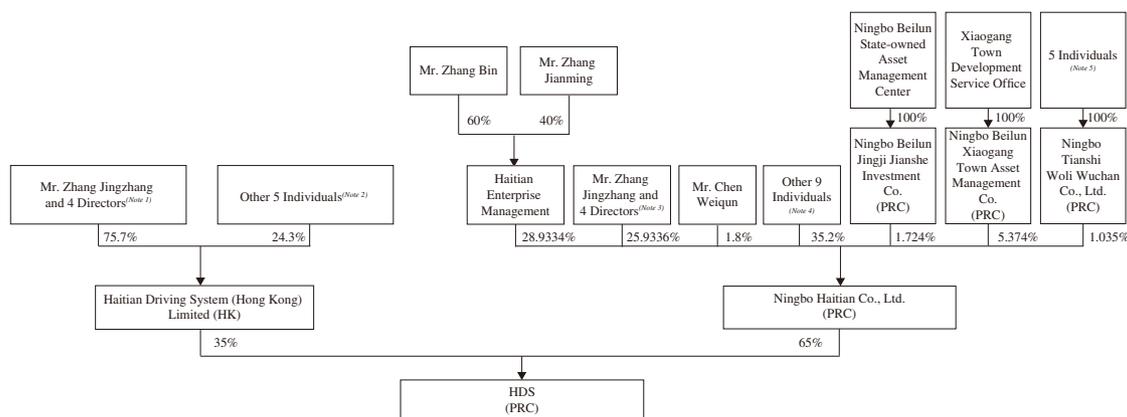
The Group is principally engaged in the design, development, manufacture and sales of PIMMs and related parts.

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 companies, 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 12.0%, 10.2656%, 4.4%, 3.2% and 3.108% equity interest of Ningbo Haitian Co., Ltd.

Note 4: Other 9 Individuals holding 35.2% 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.

LETTER FROM THE BOARD

6. LISTING RULES IMPLICATIONS

HDS is owned as to 65% by Ningbo Haitian and 35% by HDS Hong Kong. Mr. Zhang Jianming (the chairman of the Board and an executive Director), Mr. Zhang Jianfeng and Mr. Zhang Bin, (both executive Directors and Mr. Zhang Bin being a son of Mr. Zhang Jianming), Mr. Guo Mingguang and Mr. Liu Jianbo, (both non-executive Directors and the brothers-in-law of Mr. Zhang Jianming), Ms. Chen Lu (an executive Director, the wife of Mr. Zhang Bin and accordingly, an associate and connected person), and Mr. Zhang Jingzhang (a former executive Director and the former chairman of the Board, who has resigned since 21 August 2023 and remains a connected person of the Company for a period of 12 months after his resignation), are interested in an aggregate of 61.907% equity interests in Ningbo Haitian and 75.7% shareholding in HDS Hong Kong. Mr. Chen Weiqun, one of the executive Directors, 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 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 Jianming, Mr. Zhang Bin, Mr. Zhang Jianfeng, Mr. Guo Mingguang, Mr. Liu Jianbo, Mr. Chen Weiqun and Ms. Chen Lu has material interest in the transactions contemplated under the 2024 Framework Agreement by virtue of their interests in HDS and are therefore required to abstain from voting on the Board resolution approving the said agreement and the annual cap. In particular, Ms. Chen Lu, an executive Director and the wife of Mr. Zhang Bin, is accordingly an associate of Mr. Zhang Bin and a connected person of the Company despite not holding or owning any interest in HDS. Further, Mr. Zhang Jingzhang, a former executive Director and the former chairman of the Board, who has resigned since 21 August 2023 and remains a connected person of the Company for a period of 12 months after his resignation, will also abstain from voting on at the EGM on the relevant resolutions to be approved by the Independent Shareholders. Save and except for the aforesaid, none of the other Directors have any material interest in any of the transactions contemplated under the 2024 Framework Agreement and are required to abstain from voting on the Board resolutions to approve the same.

7. EGM, PROXY ARRANGEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL

A notice convening the EGM to be held at Unit 1105, Level 11, Metroplaza, Tower 2, 223 Hing Fong Road, Kwai Fong, N.T., Hong Kong on Monday, 18 December 2023 at 10:00 a.m., is set out on pages 34 to 35 of this circular at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the transactions contemplated under the 2024 Framework Agreement and the related annual caps.

LETTER FROM THE BOARD

In accordance with Rule 13.39(4) of the Listing Rules, voting at the EGM will be conducted by poll. 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 register of members of the Company will be closed from Wednesday, 13 December 2023 to Monday, 18 December 2023 (both dates inclusive), during which time no transfer of shares in the Company will be registered. In order to be qualified for attending and voting at the EGM, all transfer documents together with the relevant share certificate must be lodged the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 12 December 2023.

The parties set out below, who have a material interest in the Purchases, are required to abstain from voting on the resolution(s) approving the 2024 Framework Agreement, the Purchase and the related annual caps at the EGM under the Listing Rules:

- (i) Premier Capital Management Pte. Ltd., which holds 292,749,000 issued shares of the Company (representing approximately 18.34% shareholding of the Company) as of the date of this circular and is an associate of Mr. Zhang Jianming;
- (ii) Cambridge Management Consultants (PTC) Ltd., which holds 239,072,219 issued shares of the Company (representing approximately 14.98% shareholding of the Company) as of the date of this circular and is an associate of Mr. Zhang Jianming;
- (iii) Fiery Force Inc., an investment holding company wholly-owned by Mr. Zhang Jingzhang, a former executive Director and the former chairman of the Board, who has resigned since 21 August 2023 and remains a connected person of the Company for a period of 12 months after his resignation, which holds 493,000 issued shares of the Company (representing approximately 0.03% shareholding of the Company) as of the date of this circular;
- (iv) Mr. Zhang Jianming, executive Director and chairman of the Board, 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 circular;

LETTER FROM THE BOARD

- (v) Sino Thrill International Limited, an investment holding company wholly-owned by Mr. Zhang Jianfeng, which holds 1,949,000 issued shares of the Company (representing approximately 0.12% shareholding of the Company) as of the date of this circular;
- (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 circular;
- (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 circular;
- (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 circular; 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 circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed in this circular, no other shareholder of the Company has a material interest in the transactions contemplated under the 2024 Framework Agreement and is required to abstain from voting on the relevant resolution at the EGM.

8. 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 2024 Framework Agreement and the transactions contemplated thereunder and the related annual caps. Sorrento Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on such matters.

9. RECOMMENDATION

The Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) are of the view that the Purchase is 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. Accordingly, the Directors (including the independent non-executive Directors who have

LETTER FROM THE BOARD

considered the advice from the Independent Financial Adviser) recommend all the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the transactions contemplated under the 2024 Framework Agreement and the related annual caps.

10. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 17 to 18 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and to the letter from Sorrento Capital as set out on pages 19 to 28 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2024 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 Jianming
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 2024 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)

1 December 2023

To the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to a circular (the “Circular”) of the Company dated 1 December 2023 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 as members of the Independent Board Committee to advise you whether the terms of the 2024 Framework Agreement are 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. Sorrento Capital 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 5 to 16 of the Circular and the letter from Sorrento Capital as set out on pages 19 to 28 of the Circular, which contains, *inter alia*, its advice and recommendation regarding the terms of the 2024 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 2024 Framework Agreement and taking into account the advice and recommendation of the Independent Financial Adviser, we are of the view that the Purchases are in the ordinary and usual course of business of the Company, and terms of the 2024 Framework Agreement (including the proposed annual caps) are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole. We therefore recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM thereby approving the 2024 Framework Agreement.

Yours faithfully,
For and on behalf of
Independent Board Committee
Mr. Lou Baijun
Mr. GUO Yonghui
Ms. Yu Junxian
Mr. Lo Chi Chiu
Independent non-executive Directors

LETTER FROM SORRENTO CAPITAL

The following is the text of the letter of advice from Sorrento Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in relation to the renewal of continuing connected transactions for the purchase of servo systems, linear motion guides and hydraulic parts which has been prepared for the purpose of inclusion in this circular.



Room 1208, 12/F,
Wing On Centre,
111 Connaught Road Central,
Sheung Wan,
Hong Kong

1 December 2023

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the renewal of continuing connected transactions (the “**Continuing Connected Transactions**” or the “**Purchases**”) for the purchase of servo systems, linear motion guides and hydraulic parts (the “**CCT Products**”) by the Group from 寧波海天驅動有限公司 (transliterated as Ningbo Haitian Driving Systems Co., Ltd., hereinafter referred as “**HDS**”) and the proposed annual caps (the “**Proposed Annual Caps**”) under the 2024 Framework Agreement for the three years ending 31 December 2026, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to its shareholders dated 1 December 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

According to the Letter from the Board, HDS is owned as to 65% by Ningbo Haitian and 35% by HDS Hong Kong. Mr. Zhang Jianming (the chairman of the Board and an executive Director), Mr. Zhang Jianfeng and Mr. Zhang Bin (both executive Directors and Mr. Zhang Bin being a son of Mr. Zhang Jianming), Mr. Guo Mingguang and Mr. Liu Jianbo (both non-executive Directors and the brothers-in-law of Mr. Zhang Jianming), Ms. Chen Lu (an executive Director, the wife of Mr. Zhang Bin and accordingly, an associate and connected person), and Mr. Zhang Jingzhang (a former executive Director and the former chairman of the Board, who has resigned since 21 August 2023 and remains a connected person of the Company for a period of 12 months after his resignation), are

LETTER FROM SORRENTO CAPITAL

interested in an aggregate of 61.907% equity interests in Ningbo Haitian and 75.7% shareholding in HDS Hong Kong. Mr. Chen Weiqun, one of the executive Directors, 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 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.

The Independent Board Committee comprising Mr. Lou Baijun, Mr. Guo Yonghui, Ms. Yu Junxian and Mr. Lo Chi Chiu, all being the independent non-executive Directors, has been established by the Board to consider the terms of the 2024 Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps and to make recommendation to the Independent Shareholders as regards voting. We, Sorrento Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2024 Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps are normal commercial and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its shareholders as a whole.

Each of Mr. Zhang Jianming, Mr. Zhang Bin, Mr. Zhang Jianfeng, Mr. Guo Mingguang, Mr. Liu Jianbo, Mr. Chen Weiqun and Ms. Chen Lu has material interest in the transactions contemplated under the 2024 Framework Agreement by virtue of their interests in HDS and are therefore required to abstain from voting on the Board resolution approving the 2024 Framework Agreement and the Proposed Annual Caps. In particular, Ms. Chen Lu, an executive Director and the wife of Mr. Zhang Bin, is accordingly an associate of Mr. Zhang Bin and a connected person of the Company despite not holding or owning any interest in HDS. Further, Mr. Zhang Jingzhang, a former executive Director and the former chairman of the Board, who has resigned since 21 August 2023 and remains a connected person of the Company for a period of 12 months after his resignation, will also abstain from voting on at the EGM on the relevant resolution to be approved by the Independent Shareholders.

We are independent from and not connected with the Group, HDS, their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules. During the last two years, except for acting as independent financial adviser in relation to the renewal of continuing connected transactions of the Group which is not subject to shareholders' approval, we have not been engaged as any financial adviser to the Company. Accordingly we are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Purchases.

LETTER FROM SORRENTO CAPITAL

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations expressed to us by the Directors and management of the Company. We have assumed that (i) all such statements, information, opinions and representations expressed to us by the Directors and management of the Company, for which they are solely responsible, are true, accurate and complete in all material aspects at the time they were made and up to the date of the Circular; and (ii) all the opinions and representations have been reasonably made by the Directors and the management of the Company after due and careful enquiry. We have also assumed that the information referred to in the Circular will continue to be true, accurate and complete as at the date of the Circular and if there is any material change of information in the Circular up to the date of the EGM, we will inform the shareholders of the Company as soon as practicable. We have also sought and obtained confirmation from the Directors and/or management of the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONCERNED

In considering whether the terms of the 2024 Framework Agreement and the Proposed Annual Caps are fair and reasonable and are in the interest of the Company and its shareholders as a whole, we have taken into account the principal factors and reasons set out below:

1. **Background of and reasons for entering into the 2024 Framework Agreement**

As set out in the Letter from the Board, the Group is principally engaged in the design, development, manufacture and the sales of plastic injection moulding machines (“PIMMs”) and related parts. According to the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**Interim Report**”), (i) the Company recorded an audited revenue of approximately RMB12.31 billion for the year ended 31 December 2022 representing a decrease of approximately 23.16% as compared to that of approximately RMB16.02 billion for the previous year; and (ii) the Company recorded an unaudited revenue of approximately RMB6.38 billion for the six months ended 30 June 2023 which is comparable to that of approximately RMB6.51 billion for the corresponding period in the previous year. Notwithstanding the changes above, the PRC remained as the largest geographic market of the Company, and revenue from the sales in the PRC represented approximately 69.22%, 64.32% and 60.76% of the total revenue for the year ended 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023 respectively.

LETTER FROM SORRENTO CAPITAL

As set out in the Letter from the Board, Haitian Plastics Machinery is a major operating subsidiary of the Company primarily engaged in the manufacture and sales of PIMMs whereas HDS is primarily engaged in research and development, manufacture and sales of servo systems, linear motion guides, machinery robots, fork lifts and other industrial machinery tools. As advised by the Company, the CCT Products are essential components to be used in the Group's production of most PIMMs such as Mars series energy-saving PIMMs (the "**Mars Series**"), Zhafir electric PIMMs (the "**Zhafir Series**") and Jupiter series two-platen PIMMs (the "**Jupiter Series**"). In light of the importance of such components in the Group's production of PIMMs and the expected 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.

We have reviewed the Group's historical sales breakdown by product series for the two years ended 31 December 2022 and the eight months ended 31 August 2023 and noted that sales of Mars Series, Zhafir Series and Jupiter Series (collectively the "**Applicable Product Series**") represented over 90% of the Group's total sales in each year/period. As advised by the Company, 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 the CCT Products 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 technical specifications required by the Group's PIMMs and of satisfactory quality accepted by the Group.

Furthermore, 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 quality of such products has consistently met the Group's requirements. Having taken into consideration the abovementioned, in particular that (i) the CCT Products 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, we consider that there is commercial rationale for the Group to conduct the Purchases by entering into the 2024 Framework Agreement and the Purchases are in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

2. Principal terms of the 2024 Framework Agreement

Pursuant to the 2024 Framework Agreement, HDS will sell and it will procure its subsidiaries and associates to sell the CCT Products to Haitian Plastics Machinery or other members of the Group subject to entering into separate sale and purchase agreements or orders as agreed between (i) Haitian Plastics Machinery or other member of the Group; and (ii) HDS or its subsidiary or associate for a term commencing from 1 January 2024 to 31 December 2026. The terms of such sale and purchase contracts or orders should be fair and reasonable to both parties and the terms at which HDS offers the CCT 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.

LETTER FROM SORRENTO CAPITAL

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

The prices of the CCT Products will 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:

- (i) HDS has agreed that the prices of the CCT Products shall not be higher than (a) the price at which HDS supplies same or similar products to its independent third parties; and (b) the reasonable prices of the same model of the CCT 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; and
- (ii) 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.

We have analysed the key terms of the 2024 Framework Agreement in the ensuing sections, in relation to the aspects of the Proposed Annual Caps and the measures to safeguard interests of Independent Shareholders, and formed our view in the paragraph headed “RECOMMENDATION”.

3. Proposed Annual Caps and basis of determination

The below table sets out (i) the historical transaction values for the purchase of the CCT Products by the Group from HDS under the 2021 Framework Agreement (as amended and supplemented by the 2021 Supplemental Agreement) for each of the two years ended 31 December 2022 and the eight months ended 31 August 2023 (collectively the “**Historical CCT Period**”); (ii) the existing annual caps for each of the three years ending 31 December 2023; and (iii) the Proposed Annual Caps in respect of the purchase of the CCT Products by the Group from HDS under the 2024 Framework Agreement for the each of the three years ending 31 December 2026 (the “**CCT Period**”):

	Historical transaction amounts /annual caps for the year ended/ending 31 December					
	2021	2022	2023	2024	2025	2026
Existing annual caps/ Proposed Annual Caps (RMB' million)	1,250.0	1,300.0	1,360.0	960.0	1,050.0	1,160.0
Historical transaction amount (RMB' million)	1,087.6	772.4	557.4	N/A	N/A	N/A

Note: Being the unaudited transaction amount under the 2021 Framework Agreement (as amended and supplemented by the 2021 Supplemental Agreement) for the eight months ended 31 August 2023.

LETTER FROM SORRENTO CAPITAL

In order to assess the fairness and reasonableness of the Proposed Annual Caps, we have obtained, on quarterly basis, the sample invoices of the Group's purchases of the CCT Products from HDS as well as the price quotation of comparable products from the Company's independent third party suppliers, during the Historical CCT Period (i.e. up to 31 August 2023). For each of the CCT Products, we have reviewed an invoice in the largest transaction amount within each quarter of the year/eight-month period during the Historical CCT Period (i.e. 33 invoices in total). We have obtained the product list relevant to each invoice and reviewed the unit prices of the item with the largest transaction amount and, on the other hand, we have requested two sets of corresponding third party quotations for comparing the unit prices of selected items. Given (i) the transaction amounts of the selected items are the largest in sample invoices we have obtained; and (ii) our sampling frequency (i.e. quarterly review) allow us to assess the pricing of the CCT Products in regular interval during the Historical CCT Period irrespective of any seasonality factor, we consider that our sample size is sufficient and representative. We noted from the abovementioned sample invoices and price quotations that the unit prices of the CCT Products purchased from HDS are comparable to those the Group were quoted by its independent third party suppliers.

As regards the Proposed Annual Caps to be sought for each of the three years ending 31 December 2026, we have obtained and reviewed the expected sales of the CCT Products summing roughly up the Proposed Annual Caps. We understand from the Company that such estimates were prepared with reference to (i) the actual transaction amounts under the 2021 Framework Agreement (as amended and supplemented by the 2021 Supplemental Agreement) for the two financial years ended 31 December 2022 and the eight months ended 31 August 2023; (ii) the expected growth of the total revenue of the Group from 1 January 2024 to 31 December 2026 at an annual growth rate of 10% for the three years ending 31 December 2026; (iii) the stable contribution of the Applicable Product Series, being 96% of the total revenue of the Group for the three years ending 31 December 2026; and (iv) the stable cost-to-sales percentage of 6.8% (being the value of the Purchases over the sales of the Applicable Product Series) for the three years ending 31 December 2026. Based on the abovementioned, the Company expects the transaction values of the CCT Products to be (i) approximately RMB960 million for the year ending 31 December 2024; (ii) approximately RMB1,050 million for the year ending 31 December 2025; and (iii) approximately RMB1,155 million for the year ending 31 December 2026, which are roughly same as the Proposed Annual Caps.

As part of our due diligence review, we have analysed the fairness and reasonableness of the Proposed Annual Caps as follows.

Historical and expected sales of the Group

We have reviewed the historical transaction values of the CCT Products and noted that they decreased from approximately RMB1,087.61 million for the year ended 31 December 2021 to approximately RMB772.36 million for the year ended 31 December 2022. According to the Annual Report, in 2022, multiple unexpected domestic and international factors weakened the

LETTER FROM SORRENTO CAPITAL

demand and reduced the capital expenditures in most of the downstream industries of the Company, affecting the orders of PIMMs to a certain extent. According to the Interim Report, under the negative impact of insufficient domestic consumer demand and manufacturing investment, the unaudited revenue of the Company decreased from approximately RMB6,509.61 million for the six months ended 30 June 2022 to approximately RMB6,380.23 million for the six months ended 30 June 2023, representing a decrease of approximately 1.99% as compared to the same period in 2022. As advised by the Company, the CCT Products can be applied in the majority of products of the Group, and therefore the drop in overall sales of the Group in 2022 have led to the reduction in purchase of relevant components and parts including the CCT Products. For the eight months ended 31 August 2023, the transaction value of the CCT Products was approximately RMB557.37 million and the annualised transaction value of the CCT Products for the year ending 31 December 2023 is expected to be approximately RMB836.06 million which is approximately 61.47% of the existing annual cap for the year ending 31 December 2023 yet showing an increase of approximately 8.25% as compared with the actual transaction value of the CCT Products for the year ended 31 December 2022.

As part of our due diligence, we have enquired the Company as to the expected increase in total sales of the Group for the three financial years ending 31 December 2026 and obtained the expansion plan of production scale of the Group. Upon review, we noted that the Group plans to expand and/or set up its production bases in the PRC and overseas from 2024 to 2026 such that the total production capacity of the Group is expected to increase, on average, by approximately 6.5% per annum. Having considered the aforesaid improvement in sales of the Group in the first eight months of 2023 and the expansion plan of the Group from 2024 to 2026, we concur with the Company's basis to project its expected total sales with the support of its expansion plan in near future and are of the view that the expected annual growth rate of sales are reasonable.

Sales mix of PIMMs by product series of the Group

We have obtained and reviewed the sales breakdown of the Group and noted that the sales of the Applicable Product Series represented approximately 96% of the total sales of the Group during the Historical CCT Period. Therefore, it is reasonable for the Company to assume the percentage sales of the Applicable Product Series with reference to the stable parameter in the past.

Cost proportion of the Applicable Product Series

We discussed with the management of the Group and reviewed the Group's historical transaction amounts of the CCT Products for each of the two years ended 31 December 2022 and the eight months ended 31 August 2023, and noted that these transaction values, as cost, represented

LETTER FROM SORRENTO CAPITAL

approximately 6.8% of the sales of the Applicable Product Series during the Historical CCT Period. We have also enquired the management of the Company and were confirmed that the CCT Products will continue to be applicable in almost all of the Applicable Product Series notwithstanding the launch of new generation products and the expansion of production scale and therefore there should be no material change in proportion of CCT Products-related costs of the Applicable Product Series in near future. Therefore, it is reasonable for the Company to assume the cost proportion of the Applicable Product Series with reference to the stable past percentage.

Having considered the factors above, we are of the view that the bases on which the Proposed Annual Caps were determined are fair and reasonable and in the interests of the Company and its shareholders as a whole and the Proposed Annual Caps are fair and reasonable, and we consider that the Purchases are to be carried out on normal commercial terms and in the ordinary and usual course of business.

4. Internal control measures within the Group

As advised by the Company, the Company has adopted certain measures to ensure that the Continuing Connected Transactions are properly controlled and monitored and in compliance with the Listing Rules:

- (i) regarding each of the three categories of the CCT Products, the Group will select not less than five types of parts within each category for pricing comparison and determination;
- (ii) the procurement department of the Group will request supporting documents from HDS in relation to the Reference Prices for the supply of the CCT Products from HDS to not less than two independent customers, on quarterly basis, and compare against the prices of the CCT Products which HDS offered to the Group, in order to ensure the prices of the CCT Products purchased by the Group from HDS are comparable to the prices offered by HDS to its Independent Third Party customers;
- (iii) 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 of the CCT Products which HDS has offered to the Group on a quarterly basis, in order to ensure the prices of the CCT Products purchased by the Group from HDS are not higher than the prices of comparable types of products manufactured by Independent Third Parties. As the market prices for the CCT Products are generally stable throughout a year, the

LETTER FROM SORRENTO CAPITAL

Directors are of the view that the Group's quarterly review and request of quotations from Independent Third Parties are sufficient to ensure that the prices of the CCT Products purchased by the Group from HDS are not higher than the prices of comparable types of products manufactured by Independent Third Parties;

- (iv) 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 Independent Third Party 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;
- (v) the independent non-executive Directors will review the Continuing Connected Transactions under the 2024 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 of the Company 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; and
- (vi) the Company's external auditors will review the Continuing Connected Transactions under the 2024 Framework Agreement annually to check and confirm (among others) whether the pricing terms have been adhered to and whether the Proposed 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 2024 Framework Agreement.

Having reviewed the documents provided by the Company, including but not limited to, (i) sample invoices of HDS and quotation of the Independent Third Parties in relation to the purchase prices of the CCT Products and similar products); (ii) the Group's internal quarterly comparison tables on the purchase prices of and the CCT Products; (iii) the minutes of the audit committee of the Company in relation to the connected transactions of the Group and relevant internal control procedures; and (iv) the reports annually issued by the independent auditors of the Company on the connected transactions of the Group, we considered the Company has complied with the abovementioned internal control measures, and are of the view that the Company has established appropriate and effective internal control procedures to ensure the 2024 Framework Agreement (including the price determination) will be conducted on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

LETTER FROM SORRENTO CAPITAL

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the opinion that the Purchases are in the ordinary and usual course of business of the Company, and terms of the 2024 Framework Agreement (including the Proposed Annual Caps) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution proposed at the EGM thereby approving the 2024 Framework Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Sorrento Capital Limited
Wesker Poon
Managing Director

Note: Mr. Wesker Poon is a responsible officer of type 6 (advising on corporate finance) regulated activity and has more than ten years of experience in corporate finance and investment banking. Mr. Wesker Poon has participated in and completed various advisory transactions (including connected transactions of listed companies in Hong Kong).

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors and Chief Executive of the Company

As at the 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 of the Company	Approximate percentage of shareholding in the Company
Mr. Zhang Jianming	Corporate Interest ⁽¹⁾	531,821,219	33.32%
	Corporate Interest ⁽²⁾	3,957,000	0.25%
	Personal Interest	4,212,000	0.26%
Mr. Zhang Jianfeng	Corporate Interest ⁽²⁾	1,949,000	0.12%
Mr. Liu Jianbo	Corporate Interest ⁽²⁾	470,000	0.03%
Mr. Guo Mingguang	Corporate Interest ⁽²⁾	100,000	0.01%
	Spouse Interest ⁽³⁾	177,000	0.01%
Mr. Chen Weiqun	Corporate Interest ⁽²⁾	250,000	0.02%

Notes:

- (1) Mr. Zhang Jianming is deemed under the SFO to be interested in 292,749,000 shares of the Company held by Premier Capital Management Pte. Ltd. and 239,072,219 shares of the Company held by Cambridge Management Consultants (PTC) Ltd., respectively.
- (2) These Directors were deemed under the SFO to be interested in the respective shares of the Company held by their wholly-owned investment holding companies.
- (3) Ms. Zhang Xiaofei, spouse of Mr. Guo Mingguang, beneficially owned 177,000 shares of the Company.

Save as disclosed above, as at the 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 were required: (a) 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 they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, none of the Directors or chief executive of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(ii) Substantial Shareholders

As at the 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 of the Company	Approximate percentage of shareholding in the Company
Sky Treasure Capital Limited	Beneficial owner	433,888,453 (L)	27.18%
Premier Capital Management Pte. Ltd. (formerly known as Premier Capital Management (PTC) Ltd.)	Beneficial owner	292,749,000 (L)	18.34%
Cambridge Management Consultants (PTC) Ltd.	Beneficial owner	239,072,219 (L)	14.98%
UBS Trustees (B.V.I) Limited	Trustee ⁽¹⁾	433,888,453 (L)	27.18%

(L) denotes a long position

Note:

- (1) UBS Trustees (B.V.I) Limited, as the trustee of several trusts, is deemed to be interested in the shares held by Sky Treasure Capital Limited.

Save as disclosed above, as at the 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 Jianming and Mr. Zhang Jianfeng, both being directors, are directors of Sky Treasure Capital Limited, Premier Capital Management Pte. Ltd and Cambridge Management Consultants (PTC) Ltd. Mr. Zhang Bin and Mr. Chen Weiqun, both being Directors, are directors of Cambridge Management Consultants (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 which would be required to be disclosed under Rule 8.10 of the Listing Rules.

6. DIRECTORS INTERESTS' IN ASSETS

Save as disclosed in this circular, 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 to any member of the Group since 31 December 2022, 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, none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group taken as a whole.

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 2022, 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
Sorrento Capital Limited	a licensed corporation under the SFO authorized to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

Sorrento Capital 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, Sorrento Capital 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.

Sorrento Capital 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 2022, being the date to which the latest published audited accounts of the Company were made up, and up to the date of this circular.

The letter and recommendation given by Sorrento Capital are given as of the date of this circular for incorporation herein.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the below documents will be available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.haitianinter.com) from the date of this circular up to 14 days thereafter:

- (a) the 2024 Framework Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 17 to 18 of this circular;
- (c) the letter from Sorrento Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 and 28 of this circular;
- (d) the written consent of the expert as referred to in the section headed “9. Qualification and Consent of Expert” in this appendix; and
- (e) this circular.

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 Unit 1105, Level 11, Metroplaza, Tower 2, 223 Hing Fong Road, Kwai Fong, N.T., Hong Kong on Monday, 18 December 2023, at 10:00 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 2024 Framework Agreement dated 10 November 2023 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 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 of the Company (a “Director”) be and is hereby authorised for and on behalf of the Company to execute 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 expedient 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 Jianming
Chairman

Hong Kong, 1 December 2023

NOTICE OF EGM

Notes:

1. Any member entitled to attend, speak 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, speak 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 Wednesday, 13 December 2023 to Monday, 18 December 2023 (both dates inclusive), 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 12 December 2023 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.
7. In case the extraordinary general meeting (or any adjournment thereof) is anticipated to be affected by or tropical cyclone with warning signal no. 8 or above or "extreme conditions" caused by super typhoons or if a black rainstorm warning is in force at 7:00 a.m. on Monday, 18 December 2023, Shareholders are suggested to visit the Company's website (<http://haitianinter.com/en/>) and the HKEXnews website (<http://www.hkexnews.hk>) for the arrangements of the extraordinary general meeting (or any adjournment thereof).

* *For identification purpose only.*