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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)

CONTINUING CONNECTED TRANSACTION PURCHASE OF SERVO SYSTEMS

On 20 January 2009, HPMG, an indirect wholly owned subsidiary of the Company, entered into the Servo System Purchase Framework Agreement with HEM relating to the purchase of servo systems for a term commencing from the date of the Servo System Purchase Framework Agreement and ending on 31 December 2011. HEM is a connected person of the Company and the Purchase constitutes continuing connected transactions of the Company.

A circular containing details relating to the Servo System Purchase Framework Agreement, a letter from an independent committee of the Board containing its advice in respect of the Servo System Purchase Framework Agreement and the related annual caps, a letter of advice from an independent financial adviser, and a notice convening the EGM to consider and, if thought fit, approve the Servo System Purchase Framework Agreement and information relating to the related annual caps will be dispatched to shareholders of the Company as soon as practicable.

THE SERVO SYSTEM PURCHASE FRAMEWORK AGREEMENT

Parties

HEM (as vendor); and

HPMG, an indirect wholly owned subsidiary of the company (as purchaser)

Date

20 January 2009

Principal terms

HEM will sell and it will procure its subsidiaries to sell servo systems to HPMG or other members of the Group subject to the entering into separate sale and purchase contracts as agreed between (1) HPMG or other member of the Group and (2) HEM or its subsidiary. The terms of such sale and purchase contracts should be fair and reasonable to both parties and no less favourable than the terms at which HEM offers to independent third parties for the same or similar products.

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

The term of the Servo System Purchase Framework Agreement is from date of the Servo System Purchase Framework Agreement to 31 December 2011.

Pricing principle

The prices of the servo systems will be determined by reference to the prices at which comparable types of servo systems are sold/purchased by the parties to/from independent third parties and HEM has agreed that such prices would not be higher than the prices of comparable types of servo systems manufactured by independent third parties which can meet the technical specifications required by the Group's J5 series and J5-advanced series plastic injection moulding machines and of satisfactory quality accepted by the Group.

Condition Precedent

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

Proposed annual caps

The Directors expect that, pursuant to the Servo System Purchase Framework Agreement, for the three financial years ending 31 December 2011, the aggregate amount of the Purchase shall not exceed the annual caps set out below:

Annual caps for the financial year ending 31 December		
2009	2010	2011
RMB313 million (equivalent to approximately HK\$356 million)	RMB472 million (equivalent to approximately HK\$536 million)	RMB666 million (equivalent to approximately HK\$757 million)

The Group did not purchase servo systems in the past and therefore there is no historical figure of such purchases. The annual caps are prepared based on the estimated sales of J5 series and J5-advanced series plastic injection moulding machines. Please refer to the section headed “Reasons for and benefits of the Purchase” below for details of the servo system and J5 series and J5-advanced series plastic injection moulding machines.

For the year ended 31 December 2007, the total sales of the Group and J5 series were approximately RMB3,824.9 million and RMB430 million respectively and sales of J5 series accounted for approximately 11.2% of the Group’s total sales. The Group is still in the process of preparing the audited financial statement for the year ended 31 December 2008 and the sales of J5 series are expected to account for approximately 30% of the Group’s total sales in the same year. The Directors noticed the substantial increase in demand of J5 series plastic injection moulding machines from the Group’s customers and expect that the proportion of J5 series’ and J5-advanced series’ sales to the total sales of the Group will increase at a similar pace during the three years ending 31 December 2011.

The Directors believe that the Group will be able to achieve in 2009 total sales similar to those of 2007 and an average annual growth rate of total sales during years 2004 to 2007 for the two years ending 31 December 2010 and 2011. By assuming that the cost of servo systems is maintained at a fixed percentage of the sales of J5 series and J5-advanced series, the Directors have reached the annual caps mentioned above.

REASONS FOR AND BENEFITS OF THE PURCHASE

Servo system is a major component of the driving system in the J5 series and J5-advanced series plastic injection moulding machines manufactured by the Group and its main components include a servo motor and a servo drive. The Group currently purchases servo drives from third party suppliers and assembles servo system with self-manufactured servo motors as the costs of servo systems manufactured by third party suppliers available in the market are high.

As the sales of J5 series plastic injection moulding machines have grown substantially from the product's launch to the market in 2007 and demand is expected to grow in the future, the demand for servo systems in the J5 series and J5-advanced series is expected to increase substantially. Production of servo motors and assembly of servo system is not the main business of the Group and the Directors consider that it will be to the benefit of the Group if it can purchase servo systems from the market with competitive prices for its J5 series and J5-advanced series plastic injection moulding machines. HEM is able to provide the J5 series and J5-advanced series servo systems with prices lower than those of independent third party suppliers and HEM has agreed that the prices of its J5 series and J5-advanced series servo systems will not be higher than the prices of comparable types of servo systems manufactured by independent third parties which can meet the technical specifications required by the Group's J5 series and J5-advanced series plastic injection moulding machines and of satisfactory quality accepted by the Group.

The Directors (except for the independent non-executive Directors who reserve their views pending receipt of advice from the independent financial adviser) are of the view that the Purchase is in the ordinary course of business, on normal commercial terms which were arrived at after arm's length negotiations and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

HEM is owned as to 100% by Ningbo Haitian. Mr. Zhang Jingzhang, the Chairman and an executive Director, and his associates (including Mr. Zhang Jianming and Mr. Zhang Jianfeng, executive Directors and his sons, and Mr. Guo Mingguang and Mr. Liu Jianbo, executive Directors and his son-in-laws) are interested in approximately 54.42% equity interest in Ningbo Haitian and pursuant to Rule 14A.11(4) of the Listing Rules, HEM is a connected person of the Company and the Purchase constitutes 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 Purchase are higher than 2.5% on an annual basis and the annual consideration is

expected to be more than HK\$10,000,000, the Purchase will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The following parties, being associates of Mr. Zhang Jingzhang, will abstain from voting in the EGM:

- Sky Treasure Capital Limited, the controlling shareholder (as defined in the Listing Rules) of the Company which holds 68.39% issued shares of the Company
- Mr. Zhang Jianming, an executive Director, who directly holds 0.48% issued shares of the Company
- Mr. Zhang Jianfeng, an executive Director, who directly holds 0.16% issued shares of the Company

GENERAL

A circular containing, among other things, details relating to the Servo System Purchase Framework Agreement, a letter from an independent committee of the Board containing its advice in respect of the Servo System Purchase Framework Agreement and the related annual caps, a letter of advice from an independent financial adviser, and a notice convening the EGM to consider and, if thought fit, approve the Servo System Purchase Framework Agreement and information related to the related annual caps will be dispatched to shareholders of the Company as soon as practicable.

FURTHER INFORMATION ON THE PARTIES

The Group is principally engaged in the design, development, manufacture and sale of plastic injection moulding machines and related parts. HPMG is a major operating subsidiary of the Company engaged in the production of plastic injection moulding machines.

HEM is engaged in the design, development, manufacture and sale of servo systems.

DEFINITIONS

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

“associate(s)”	has the meaning as defined in the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	Haitian International Holdings Limited, a limited liability company incorporated in the Cayman Islands;
“connected person”	has the meaning as defined in the Listing Rules;
“continuing connected transaction”	has the meaning as defined in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting to be held by the Company to consider and, if thought fit, approve the Servo System Purchase Framework Agreement and the related annual caps;
“Group”	the Company and its subsidiaries;
“HEM”	寧波海天電機有限公司 (Ningbo Haitian Electric Machinery Co., Ltd.*), a limited liability company incorporated in the PRC;
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“HPMG”	寧波海天塑機集團有限公司 (Ningbo Haitian Plastic Machinery Group Co., Ltd.*), a limited liability company incorporated in the PRC and an indirect wholly owned subsidiary of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“J5 series”	a series of “J5” model plastic injection moulding machines manufactured by the Group in which a servo system is installed;

“J5-advanced series”	series of plastic injection moulding machines in development by the Group based on the technology of J5 series and in which a servo system is installed;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Ningbo Haitian”	寧波海天股份有限公司 (Ningbo Haitian Co., Ltd.*), a limited liability company incorporated in the PRC;
“PRC”	the People’s Republic of China;
“Purchase”	the purchase of the servo systems under the Servo System Purchase Framework Agreement;
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC;
“Servo System Purchase Framework Agreement”	the agreement dated 20 January 2009 entered into between HPMG and HEM for the purchase of servo systems for a term ending on 31 December 2011; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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

PRC, 20 January 2009

As at the date of this announcement, the Executive Directors of the Company are Mr. Zhang Jingzhang, Mr. Zhang Jianming, Prof. Helmut Helmar Franz, Mr. Zhang Jianfeng, Mr. Zhang Jianguo, Mr. Guo Mingguang, Ms. Chen Ningning and Mr. Liu Jianbo; the Non-executive Director is Mr. Hu Guiqing; and the Independent Non-executive Directors are Mr. Pan Chaoyang, Mr. Gao Xunxian, Mr. Dai Xiangbo and Dr. Steven Chow.

In this announcement, unless otherwise stated, certain amounts denominated in RMB have been translated into HK dollars at an exchange rate of RMB0.88 = HK\$1, for illustration purpose only. Such conversions shall not be construed as representations that amounts in RMB were or could have been or could be converted into HK dollars at such rates or any other exchange rates on such date or any other date.

* For identification purpose only