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Leoch International Technology Limited

理士國際技術有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 842)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS PROPOSED ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2018

Reference is made to the clarification announcement of Leoch International Technology Limited (the “Company”) dated 8 November 2012 (the “Announcement”) in relation to the continuing connected transactions between the Group, and Mr. Dong and his associates under the 2012 Master Leasing Agreement.

The Board is pleased to announce that upon the expiry of the 2012 Master Leasing Agreement, on 21 March 2016, the Company and Mr. Dong entered into the 2016 Master Leasing Agreement which is for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.

As at the date of this announcement, Mr. Dong, through Master Alliance, holds 74.03% of the issued share capital of the Company. Accordingly, Mr. Dong, a Controlling Shareholder of the Group, and his associates are deemed to be connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the 2016 Master Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps under the 2016 Master Leasing Agreement are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the 2016 Master Leasing Agreement and the transactions thereunder are only subject to the reporting, announcement and annual review requirements, but are exempt from the circular and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Announcement of the Company dated 8 November 2012 in relation

to the continuing connected transactions between the Group, and Mr. Dong and his associates under the 2012 Master Leasing Agreement.

The Board is pleased to announce that upon the expiry of the 2012 Master Leasing Agreement, on 21 March 2016, the Company and Mr. Dong entered into the 2016 Master Leasing Agreement which is for a term of three years commencing from 1 January 2016 and ending on 31 December 2018.

2016 MASTER LEASING AGREEMENT

Details of the 2016 Master Leasing Agreement are set out below:

Date	21 March 2016
Parties	(i) the Company (ii) Mr. Dong
Transactions	Pursuant to the 2016 Master Leasing Agreement, members of the Group will lease from Mr. Dong and/or Mr. Dong's associates various properties owned by them. Such properties are used principally as offices, warehouses and staff quarters to satisfy the needs of the Group's operations. Individual tenancy agreement will be entered into between members of the Group and Mr. Dong and/or Mr. Dong's associates with respect to the leasing arrangement of individual leased property from time to time. Details of such implementation agreements are set out below.
Term and termination	<p>The 2016 Master Leasing Agreement is for a term of three years commencing from 1 January 2016 and ending on 31 December 2018. Upon expiry of the term, the parties shall subject to the requirements of the Listing Rules, and further negotiations, enter into a new master lease agreement.</p> <p>Either party may, at any time before the 2016 Master Leasing Agreement expires, by giving not less than 30 days' notice, terminate the transactions under the 2016 Master Leasing Agreement.</p>
Price determination	The rental to be paid under the 2016 Master Leasing Agreement and the individual tenancy agreements to be entered into pursuant thereto shall be based on terms which are no less favourable to the Group than the terms available from independent third parties for lease of similar properties in the same location and such rental shall be satisfied in cash.

Historical Annual Caps and Proposed Annual Caps

Historical Annual Caps and Actual Transaction Values

The annual caps for the transactions contemplated under the 2012 Master Leasing Agreement for the three years ended 31 December 2015 and the actual rental expenses paid by the Group

for the same period are set out below:

	Year ending 31 December 2013 (RMB'000)	Year ending 31 December 2014 (RMB'000)	Year ending 31 December 2015 (RMB'000)
Annual caps for the rental expenses payable by the Group	3,500	3,500	3,500
Actual rental expenses paid by the Group	3,181	2,942	2,936

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the 2016 Master Leasing Agreement for the three years ending 31 December 2018 are set below:

	Year ending 31 December 2016 (RMB'000)	Year ending 31 December 2017 (RMB'000)	Year ending 31 December 2018 (RMB'000)
Annual caps for the rental expenses payable by the Group	3,500	3,500	3,500

In arriving at the above proposed annual caps, the Directors have considered the following factors: (i) the historical rentals payable under the 2012 Master Leasing Agreement, (ii) the Group's forecast for lease of properties in the coming years, (iii) the rental rates payable for similar properties in the same location, and (iv) possible fluctuations in the exchange rates.

Implementation Agreements

The members of the Group and Mr. Dong and/or his associates may enter into, from time to time and as necessary, individual tenancy agreements for each of the specific transaction contemplated under the 2016 Master Leasing Agreement during its term. Each individual tenancy agreement will set out the detailed terms of the leasing arrangements of the individual leased property and the provisions which reflect the binding principles, guidelines, term and conditions in the 2016 Master Leasing Agreement.

As the individual tenancy agreements provide for the leasing of properties as contemplated under the 2016 Master Leasing Agreement, they do not constitute new categories of connected transactions. Any such tenancy agreements will be within the ambit of the 2016 Master Leasing Agreement and the relevant annual caps, and prior to such annual caps being exceeded, the Company will comply with the relevant Listing Rules accordingly.

REASONS FOR BENEFITS OF ENTERING INTO THE 2016 MASTER LEASING AGREEMENT

The Group has from time to time leased properties from Mr. Dong and/or his associates. The properties leased from Mr. Dong and/or his associates are used principally as offices, warehouses and staff quarters to satisfy the needs of the Group's operations. With respect to the existing tenancy agreements, if the Group were to terminate such agreements, the Group

would have to incur significant and additional relocation costs. Furthermore, taking into account the fact that the rentals paid to Mr. Dong and/or his associates have been comparable to the prevailing market rates of the rentals of similar properties, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into 2016 Master Leasing Agreement and continue to lease properties from Mr. Dong and/or his associates.

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2016 Master Leasing Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable to the Group than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Company; (iv) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (v) that the proposed annual caps thereof for the three years ending 31 December 2018 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Since Mr. Dong has material interests in the 2016 Master Leasing Agreement, he had abstained from voting on the relevant Board resolutions approving the 2016 Master Leasing Agreement. Save for Mr. Dong, none of the Directors has any material interest in the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Dong, through Master Alliance, holds 74.03% of the issued share capital of the Company. Accordingly, Mr. Dong, a Controlling Shareholder of the Group, and his associates are deemed to be connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the 2016 Master Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps under the 2016 Master Leasing Agreement are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the 2016 Master Leasing Agreement and the transactions thereunder are only subject to the reporting, announcement and annual review requirements, but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION OF THE PARTIES OF THE TRANSACTIONS

The Company is principally engaged in the manufacture, development and sale of lead-acid batteries.

Apart from the business of the Group, Mr. Dong operates the following businesses:

- (i) manufacturing and sales of battery facilities, electronic products, chargers, converters, power supply products, plastic products and related parts; and
- (ii) manufacturing of electric vehicles, mini-electric cars and electric scooters.

DEFINITIONS

2012 Master Leasing Agreement	an agreement dated 8 November 2012 entered into by the Company and Mr. Dong, pursuant to which members of the Group will lease properties from Mr. Dong and/or his
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	associates
2016 Master Leasing Agreement	the agreement entered into between the Company and Mr. Dong on 21 March 2016 for a term of three years commencing from 1 January 2016 and ending on 31 December 2018, the details of which are set out in this announcement
associates	has the meaning ascribed to it under the Listing Rules
Board	the board of directors of the Company
BVI	The British Virgin Islands
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Master Alliance	Master Alliance Investment Limited, a limited liability company incorporated in the BVI on 7 April 2010 and wholly owned by Mr. Dong
Mr. Dong	Mr. Dong Li, an executive Director and the chairman of the Company, who through Master Alliance, is interested in approximately 74.03% of the total issued share capital of the Company and is hence a Controlling Shareholder of the Company
PRC	the People's Republic of China
RMB	Renminbi, the lawful currency of the PRC
Shareholders	the shareholders of the Company
Stock Exchange	the Stock Exchange of Hong Kong Limited

By order of the Board
Leoch International Technology Limited
Mr. Dong Li
Chairman

Hong Kong, 21 March 2016

As at the date of this announcement, the executive Directors are Mr. DONG Li, Ms. ZHAO Huan and Mr. Philip Armstrong NOZNESKY and the independent non-executive Directors are Mr. LIU Yangsheng, Mr. CAO Yixiong Alan, Mr. LAU Chi Kit and Dr. GONG Fangxiong.