

---

## THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Leoch International Technology Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



# 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)

**(1) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO:  
(A) SALES OF LEAD-ACID BATTERIES;  
(B) PURCHASES OF RAW MATERIALS; AND  
(C) PURCHASES OF BATTERY FACILITIES;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to  
the Independent Board Committee and Independent Shareholders**



---

A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from Optima Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 18 to 38 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 5th Floor, Xin Bao Hui Building, No. 2061, Nanshan Avenue, Nanshan District, Shenzhen, Guangdong Province, People's Republic of China on Monday, 30 November 2015 at 10:00 a.m. is set out on pages 46 to 49 of this circular. A form of proxy for use at the extraordinary general meeting of the Company is also enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting at the meeting or any adjourned meeting (as the case may be) should you so wish.

12 November 2015

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
 <b>Letter from the Board</b>	
Background .....	5
The Master Sales Agreement .....	6
The Master Raw Materials Purchases Agreement .....	8
The Master Facilities Purchases Agreement .....	9
Reasons for entering into the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement .....	11
Internal Control Measures .....	12
Listing Rules Implication .....	13
EGM .....	13
Recommendation .....	14
Further information .....	15
 <b>Letter from the Independent Board Committee</b> .....	
	16
 <b>Letter from Optima Capital</b> .....	
	18
 <b>Appendix – General information</b> .....	
	39
 <b>Notice of EGM</b> .....	
	46

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall have the following respective meanings:*

“2012 Agreements”	(i) the master sales agreement dated 25 October 2012 entered into between the Company and Mr. Dong in relation to the sales by the Group to Mr. Dong’s Associates of products including lead-acid batteries; and (ii) the master purchase agreement dated 25 October 2012 entered into between the Company and Mr. Dong in relation to the purchases by the Group from Mr. Dong’s Associates of products including battery cases, parts, models, chargers and electronic products and electric scooters, details of which are set out in the announcement of the Company dated 25 October 2012
“Announcement”	the announcement of the Company dated 13 October 2015 in relation to the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement
“associates”	has the meaning ascribed to this term under the Listing Rules
“Battery Facilities”	environmental protection facilities, manufacturing facilities and inspection facilities for lead-acid batteries and reserve power batteries and related products
“Board”	the board of Directors
“Company”	Leoch International Technology Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company

---

## DEFINITIONS

---

“EGM”	the extraordinary general meeting of the Company to be convened and held at 5th Floor, Xin Bao Hui Building, No. 2061, Nanhai Avenue, Nanshan District, Shenzhen, Guangdong Province, People’s Republic of China on Monday, 30 November 2015 at 10:00 a.m. to consider and, if appropriate, to approve, amongst other matters, each of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and the transactions contemplated thereunder
“Facilities Purchases Caps”	the maximum annual purchases amounts as set out in the Master Facilities Purchases Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps)
“Independent Shareholders”	Shareholders other than Mr. Dong’s Associates
“Latest Practicable Date”	6 November 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

---

## DEFINITIONS

---

“Master Alliance”	Master Alliance Investment Limited, a limited liability company incorporated in the British Virgin Islands which is wholly owned by Jingle Bells Group Limited, which in turn is wholly owned by DB International Trust (Singapore) Limited (which is a trustee of a discretionary trust established by Mr. Dong and the beneficiaries of which are family members of Mr. Dong)
“Master Facilities Purchases Agreement”	the master purchases agreement dated 13 October 2015 entered into between the Company and Mr. Dong in respect of the purchases by the Group from Mr. Dong’s Associates of the Battery Facilities
“Master Raw Materials Purchases Agreement”	the master purchases agreement dated 13 October 2015 entered into between the Company and Mr. Dong in respect of the purchases by the Group from Mr. Dong’s Associates of products including battery cases, parts, models, chargers and electronic products and electric scooters etc.
“Master Sales Agreement”	the master sales agreement dated 13 October 2015 entered into between the Company and Mr. Dong in respect of the sales by the Group to Mr. Dong’s Associates of products including lead-acid batteries and related parts etc.
“Mr. Dong”	Mr. Dong Li, the Chairman of the Board and an executive Director, who through Master Alliance, is interested in approximately 74.03% of the total issued share capital of the Company and hence a controlling Shareholder
“Mr. Dong’s Associates”	Mr. Dong and his associates, including Shenzhen Marshall Green Power Co., Ltd., Shenzhen Marshall Power Supply Co., Ltd., Shenzhen Marxon Power Supply Co., Ltd., Guangdong Marshall Electric Vehicle Co., Ltd., Shanghai Dongming Marshall Electric Vehicle Co., Ltd. and Shanghai Donmin Vehicle Co., Ltd. etc. but excluding the Group

---

## DEFINITIONS

---

“Optima Capital”	Optima Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps)
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RM Purchases Caps”	the maximum annual purchases amounts as set out in the Master Raw Materials Purchases Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Caps”	the maximum annual sales amounts as set out in the Master Sales Agreement
“SFO”	Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

---

## LETTER FROM THE BOARD

---



### **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)**

*Executive Directors:*

Mr. Dong Li  
Ms. Zhao Huan  
Mr. Philip Armstrong Noznesky

*Independent non-executive Directors:*

Mr. Liu Yangsheng  
Mr. Cao Yixiong Alan  
Mr. Lau Chi Kit  
Dr. Gong Fangxiong

*Registered Office:*

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Workshop C, 33/F,  
TML Tower  
No. 3 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

12 November 2015

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO:**

- (A) SALES OF LEAD-ACID BATTERIES;  
(B) PURCHASES OF RAW MATERIALS; AND  
(C) PURCHASES OF BATTERY FACILITIES;  
AND**

**(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**BACKGROUND**

Reference is made to the prospectus of the Company dated 3 November 2010 in relation to certain continuing sales and purchases transactions between the Group and Mr. Dong's Associates with their respective annual caps for the three years ended 31 December 2012. Such

---

## LETTER FROM THE BOARD

---

continuing transactions were renewed by the 2012 Agreements with renewed annual caps for the three years ending 31 December 2015 as announced by the Company on 25 October 2012. As the 2012 Agreements will soon expire and the sales and purchases transactions between the Group and Mr. Dong's Associates will continue in the foreseeable future, the Company announced in the Announcement that the Master Sales Agreement and the Master Raw Materials Purchases Agreement were entered into in relation to the same subject transactions with revised annual caps for a further term of 3 years up to 31 December 2018.

Reference is also made to the announcements of the Company dated 25 October 2012, 25 March 2013, 17 April 2014 and 14 August 2015 respectively in relation to the connected transactions for the purchases of certain Battery Facilities. In view of the continuing need for the Group to upgrade the Battery Facilities in compliance with the environmental requirements in the PRC and to increase its production capacity in the foreseeable future, the Company also announced in the Announcement that the Master Facilities Purchases Agreement was also entered into in relation to the purchase of the Battery Facilities with annual caps for a term up to 31 December 2017.

As each of the Sales Caps, the RM Purchases Caps and the Facilities Purchases Caps exceed 5% of the relevant percentage ratios and HK\$10,000,000 per annum, the transactions under each of the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with further details of the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders, other information relating to the Group and the Directors, and the notice of EGM.

### THE MASTER SALES AGREEMENT

**Date:**

13 October 2015

**Parties:**

- (i) The Company; and
- (ii) Mr. Dong.

---

## LETTER FROM THE BOARD

---

### Subject matters:

Pursuant to the Master Sales Agreement, the Group has agreed to sell products including lead-acid batteries and related parts such as cable jumpers, chargers, battery rack, battery tray and its upper/lower cover, etc. (which are not major products under the Master Sales Agreement) to Mr. Dong's Associates for a term of three years commencing from 1 January 2016, subject to approval by the Independent Shareholders at the EGM.

The selling price by the Group shall be at the prevailing market price based on the standard price list of the Group for its products applicable to all its customers (which generally was determined by the sales department on a fixed percentage of margins over costs (i.e. ranging from 10% to 30%) and taking into account of the lead price fluctuation and the selling price of the competitors), namely, the price at which the same type of products is sold by the Group to independent third parties on normal commercial terms in the ordinary course of business in the PRC, or on terms which are no less favourable to the Group than terms available to other independent third parties who are willing to order similar quantity under similar conditions. The selling price shall be settled within 30 to 60 days after delivery.

The price for the lead-acid batteries under the Master Sales Agreement is as follow:–

<b>Type of major products</b>	<b>Range of prices*</b> <i>(RMB per unit)</i>
Start lighting and ignition batteries	123 – 685
Reserve power batteries	6.7 – 656
Motive power batteries	64 – 665
Other batteries	12 – 98

\* *Based on price list as at the Latest Practicable Date, subject to change in future.*

The Sales Caps under the Master Sales Agreement are set out below:

	<b>Year ending</b> <b>31 December 2016</b> <i>(RMB million)</i>	<b>Year ending</b> <b>31 December 2017</b> <i>(RMB million)</i>	<b>Year ending</b> <b>31 December 2018</b> <i>(RMB million)</i>
Sales Caps	<u>100</u>	<u>150</u>	<u>200</u>

---

## LETTER FROM THE BOARD

---

In determining the Sales Caps, the Board has taken into account: (i) the historical amount of sales of lead-acid batteries and related parts etc. to Mr. Dong's Associates; and (ii) the purchase plan provided by Mr. Dong's Associates in the coming years catering for the launch of new products and expansion into new market with forecast demand of approximately RMB89 million, RMB124 million and RMB173 million respectively for each of the three years ending 31 December 2018; and (iii) the buffer to round up the aforesaid forecast demand to cater for possible increase in selling price due to lead prices fluctuation and other market factors. For each of the two years ended 31 December 2014 and the seven months ended 31 July 2015, sales of lead-acid batteries and related parts etc. to Mr. Dong's Associates amounted to approximately RMB30.0 million, RMB40.8 million and RMB34.5 million respectively. The annualized sales to Mr. Dong's Associates for the year ending 31 December 2015 are expected to be approximately RMB59.1 million which is close to the annual cap for the year ending 31 December 2015 under the relevant 2012 Agreement. The Sales Caps, though they are higher than the historical sales amounts to Mr. Dong's Associates, are set by the Group and Mr. Dong in view of the forecast growth in sales of Mr. Dong's Associates of 30% per annum between 2016 to 2018 on its existing products, and forecast revenue of new products to be launched by Mr. Dong's Associates between 2016 to 2018.

### THE MASTER RAW MATERIALS PURCHASES AGREEMENT

**Date:**

13 October 2015

**Parties:**

- (i) The Company; and
- (ii) Mr. Dong.

**Subject matters:**

Pursuant to the Master Raw Materials Purchases Agreement, the Group has agreed to purchase products including battery cases, parts, models, chargers and electronic products (for the manufacturing of the Group's battery products or sale as accessories of the Group's battery products) and electric scooters (for use by members of the Group) etc. from Mr. Dong's Associates for a term of three years commencing from 1 January 2016, subject to approval by the Independent Shareholders at the EGM.

---

## LETTER FROM THE BOARD

---

The purchase price of such raw materials by the Group shall be at the prevailing market price, namely, the price at which the same type of products is purchased by the Group from independent third parties on normal commercial terms in the ordinary course of business in the PRC, or on terms which are no less favourable to the Group than the terms available from independent third parties for purchase of similar materials of comparable quality and quantity. There is no fixed price list for the purchase of raw materials. Instead, the Group will obtain quotations from at least two independent suppliers for comparison of the prices. The purchase price shall be settled on a monthly basis with two to three months' credit period for the Group.

The RM Purchases Caps under the Master Raw Materials Purchases Agreement are set out below:

	<b>Year ending 31 December 2016</b> <i>(RMB million)</i>	<b>Year ending 31 December 2017</b> <i>(RMB million)</i>	<b>Year ending 31 December 2018</b> <i>(RMB million)</i>
RM Purchases Caps	<u>40</u>	<u>50</u>	<u>60</u>

In determining the RM Purchases Caps, the Board has taken into account: (i) the historical amount of purchases of raw materials from Mr. Dong's Associates; (ii) the Group's forecast for sales of the battery products in the coming years; and (iii) inflation rate in the PRC of 2%. For each of the two years ended 31 December 2014 and the seven months ended 31 July 2015, purchases of raw materials from Mr. Dong's Associates amounted to approximately RMB28.1 million, RMB29.2 million and RMB6.6 million respectively. These historical purchases amounts were lower than the respective annual purchases caps under the relevant 2012 Agreement mainly due to the closure of the production facilities of the Group in Shenzhen and Dongguan in August 2012 and the suspension of the production base in Zhaoqing from July 2012 to October 2013. The RM Purchases Caps, though they are higher than the historical purchases amounts from Mr. Dong's Associates, are set by the Group and Mr. Dong in view of the projected revenue growth of the Group of approximately 15% each year for the three years ending 31 December 2018 which lead to an increased consumption of raw materials.

### THE MASTER FACILITIES PURCHASES AGREEMENT

**Date:**

13 October 2015

---

## LETTER FROM THE BOARD

---

**Parties:**

- (i) The Company; and
- (ii) Mr. Dong.

**Subject matters:**

Pursuant to the Master Facilities Purchases Agreement, the Group has agreed to purchase Battery Facilities from Mr. Dong's Associates for a term commencing from 1 November 2015 up to 31 December 2017, subject to approval by the Independent Shareholders at the EGM.

The purchase price of Battery Facilities by the Group shall be determined at 8% discount to the average purchase prices of similar Battery Facilities as obtained by the Group from two independent third parties 30 days prior to the date of relevant purchase order. The discount of 8% represents the usual discount available from independent suppliers of similar Battery Facilities to the Group in the past which is in the range of 5% to 8%. The Group shall also compare the purchase price for repeated purchases of same type of Battery Facilities against the price charged by Mr. Dong's Associates in last transaction. In the event the quotations from independent suppliers vary significantly, the procurement department would ensure that the quotations obtained are accurate and valid with respect to the type, quality and installation plan of the Battery Facilities, and negotiate the terms of the purchase with Mr. Dong's Associates with reference to these quotations in order to ensure that the terms offered by Mr. Dong's Associates are no less favourable to the Group. Based on past experience, the prices quoted by independent suppliers would not vary significantly for similar quality and quantity of Battery Facilities to be ordered. Payment shall be made as to 30% upon entering into the relevant purchase contract as deposit, as to 60% upon satisfactory inspection and as to the remaining 10% as retention money payable after 1 year when no quality problem is identified.

The Facilities Purchases Caps under the Master Facilities Purchases Agreement are set out below:

	<b>Two months ending 31 December 2015</b> <i>(RMB million)</i>	<b>Year ending 31 December 2016</b> <i>(RMB million)</i>	<b>Year ending 31 December 2017</b> <i>(RMB million)</i>
Facilities Purchases			
Caps	<u>60</u>	<u>100</u>	<u>100</u>

---

## LETTER FROM THE BOARD

---

In determining the Facilities Purchases Caps, the Board has taken into account: (i) the historical amount of purchases of Battery Facilities from Mr. Dong's Associates; and (ii) the Group's forecast for the purchases/upgrade of Battery Facilities of up to RMB96 million for the year ending 31 December 2015 and up to RMB100 million for each of the two years ending 31 December 2017 to comply with the regulatory requirements in the PRC and to increase its production capacity. For each of the two years ended 31 December 2014 and the six months ended 30 June 2015, purchases of Battery Facilities from Mr. Dong's Associates amounted to approximately RMB19.8 million, RMB20.8 million and nil respectively. On 13 August 2015, the Group entered into various purchase agreements with Mr. Dong's Associates for the purchase of Battery Facilities of RMB36 million.

### **REASONS FOR ENTERING INTO THE MASTER SALES AGREEMENT, THE MASTER RAW MATERIALS PURCHASES AGREEMENT AND THE MASTER FACILITIES PURCHASES AGREEMENT**

The Group is principally engaged in the sale, development and manufacture of lead-acid batteries. Mr. Dong's Associates refer to those companies controlled by Mr. Dong which are principally engaged in the manufacture and sales of Battery Facilities, electronic products, chargers, converters, power supply products, plastic goods, and electric vehicles etc..

The transactions contemplated under the Master Sales Agreement and the Master Raw Materials Purchases Agreement have been conducted in the ordinary course of business of the Group. The Master Sales Agreement has provided a framework to protect the interests of the Group while enabling the Group with a stable source of revenue from the sales of lead-acid batteries and related parts. The Master Raw Materials Purchases Agreement will allow the Group to have a stable source of supply of certain raw materials such as battery cases, parts, models, chargers etc. with guaranteed quality for use in its production. The Master Sales Agreement and the Master Raw Materials Purchases Agreement are entered into to renew the 2012 Agreements, which will expire on 31 December 2015, with revised annual caps to cater for the continuing growth of the Group.

As mentioned in the announcements of the Company dated 25 October 2012, 25 March 2013, 17 April 2014 and 14 August 2015 respectively, the Group has commenced to update and upgrade its Battery Facilities and will continue to update and upgrade such facilities in accordance with the environmental requirements in PRC. The Group has been continually purchasing certain Battery Facilities from Mr. Dong's Associates from time to time since 2012 to ensure the application of advanced industrial technologies, the quality and due delivery of the relevant Battery Facilities and the protection of technology secrets, with the results of these objectives being achieved satisfactorily. In view of the continuing need for the Group to upgrade the Battery Facilities in compliance with the environmental requirements in the PRC and to increase its production capacity in the foreseeable future, the Board considers that the Master Facilities Purchases Agreement will ensure the Group to have a reliable source of supply of the Battery Facilities with proven quality to meet the PRC regulatory requirements.

---

## **LETTER FROM THE BOARD**

---

The Board considers that there is no disadvantage to the Group for entering into the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement, except that the Group may have to spend time and costs on implementation of the various internal control measures (as disclosed below) and on the annual review requirements under the Listing Rules in respect of these continuing connected transactions.

### **INTERNAL CONTROL MEASURES**

As part of its internal control procedures to determine the price and terms of the transactions contemplated under each of the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement so as to ensure that the transactions to be conducted are on normal commercial terms and not prejudicial to the Company's and its minority Shareholders' interest, and to ensure that the pricing mechanism contemplated under the respective master agreements have been followed, (i) the sales department will collect the price lists of lead-acid batteries from at least two independent competitors on a monthly basis and regularly review the price list of the Group to ensure that the selling price charged to Mr. Dong's Associates under the Master Sales Agreement is at least on the same bases and same rates for similar products sold to independent third parties; (ii) the procurement department will obtain quotation from Mr. Dong's Associates for each purchase and compare the quotations of similar raw materials and/or Battery Facilities from at least two other independent suppliers to ensure the price competitiveness of the raw materials and machineries purchases, before placing any purchase order(s) with Mr. Dong's Associates; (iii) the finance department will inform the sales and the procurement departments (as the case may be) the amounts of the Sales Caps, RM Purchases Caps and the Facilities Purchases Caps for the relevant period/year and monitor from time to time if such annual caps are exceeded and; (iv) the finance department will also approve the payment to be made to Mr. Dong's Associates to ensure that the payment terms are in line with the relevant master agreements.

Based on the above, the Directors (excluding Mr. Dong who had abstained at the Board meeting in view of his material interests in the transactions) consider that the entering into of the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement are in the ordinary course of business of the Group and that the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### LISTING RULES IMPLICATION

Mr. Dong is the Chairman of the Board and an executive Director who, through Master Alliance, is interested in 1,001,800,000 Shares or approximately 74.03% of the total issued share capital of the Company and hence a controlling Shareholder. He and his associates (i.e. Mr. Dong's Associates) are connected persons of the Company. Accordingly, the transactions contemplated under each of the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement constitute continuing connected transactions of the Company under the Listing Rules. As each of the Sales Caps, the RM Purchases Caps and the Facilities Purchases Caps exceed 5% of the relevant percentage ratios and HK\$10,000,000 per annum, the transactions under each of the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement will be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### EGM

Set out on pages 46 to 49 of this circular is a notice convening the EGM which will be held at 5th Floor, Xin Bao Hui Building, No. 2061, Nanhai Avenue, Nanshan District, Shenzhen, Guangdong Province, People's Republic of China on Monday, 30 November 2015 at 10:00 a.m. at which resolutions will be proposed to approve, among other matters, the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and the transactions contemplated thereunder. Mr. Dong's Associates shall abstain from voting at the EGM to approve the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon its ultimate beneficial owners and their respective associates; and (ii) no obligation or entitlement of its ultimate beneficial owners and their respective associates as at the Latest Practicable Date, whereby it or he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its or his Shares to a third party, either generally or on a case-by-case basis.

---

## LETTER FROM THE BOARD

---

The form of proxy for use at the EGM is enclosed with this circular. Such form is also available at the websites of the Company at <http://www.leoch.com/en/global.aspx> and of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it as soon as possible to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, and in any event not less than 48 hours before the time appointed for the holding of the EGM. Delivery of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so desire.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps). Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps).

All resolutions proposed to be approved at the EGM will be taken by way of a poll and an announcement on the outcome of the EGM will be made by the Company following the EGM in compliance with the requirement under the Listing Rules.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 16 to 17 of this circular. The Independent Board Committee, having taken into account the advice of Optima Capital, the text of which is set out on pages 18 to 38 of this circular, considers that (i) the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the transactions contemplated under each of the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement are in the ordinary and usual course of business of the Group. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and the transactions contemplated thereunder.

---

## LETTER FROM THE BOARD

---

### FURTHER INFORMATION

Your attention is also drawn to the general information of the Group as included in the Appendix.

Yours faithfully,  
By order of the Board  
**Leoch International Technology Limited**  
**Mr. Dong Li**  
*Chairman*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---



### **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)**

12 November 2015

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 12 November 2015 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and to advise the Independent Shareholders as to the fairness and reasonableness of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps), and to recommend how the Independent Shareholders should vote at the EGM. Optima Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 15 of the Circular, and the letter from Optima Capital to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps), as set out on pages 18 to 38 of the Circular.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Having taken into account the advice of Optima Capital, we consider that: (i) the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the transactions contemplated under each of the Master Sales Agreement, the Master Raw Materials Purchases Agreement and the Master Facilities Purchases Agreement are in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and the transactions contemplated thereunder.

Yours faithfully,

*Independent Board Committee*

**Mr. Liu Yangsheng**

**Mr. Lau Chi Kit**

**Mr. Cao Yixiong Alan**

**Dr. Gong Fangxiong**

---

## LETTER FROM OPTIMA CAPITAL

---

*The following is the text of a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



Suite 1501, 15th Floor  
Jardine House  
1 Connaught Place  
Central, Hong Kong

12 November 2015

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the fairness and reasonableness of the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) (together, the “**Master Agreements**”) and the transactions contemplated thereunder (together, the “**Continuing Connected Transactions**”). Details of the Master Agreements and the Continuing Connected Transactions are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 12 November 2015 (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 otherwise specified.

On 13 October 2015, (i) the Company entered into the Master Sales Agreement with Mr. Dong in respect of the sales of products including lead-acid batteries and related parts to Mr. Dong’s Associates; (ii) the Company entered into the Master Raw Materials Purchases Agreement with Mr. Dong in respect of the purchases of components including battery cases, parts, models, chargers and electronic products for use in the Group’s products or for re-sale and electric scooters for own use from Mr. Dong’s Associates; and (iii) the Company entered into the Master Facilities Purchases Agreement with Mr. Dong in respect of the purchases of Battery Facilities from Mr. Dong’s Associates.

---

## LETTER FROM OPTIMA CAPITAL

---

As Mr. Dong is the Chairman of the Board and an executive Director who, through Master Alliance, is interested in 1,001,800,000 Shares (equivalent to approximately 74.03% of the total issued share capital of the Company as at the date of the Master Agreements) and hence a controlling Shareholder, he and his associates (i.e. Mr. Dong's Associates) are connected persons of the Company. Accordingly, the transactions contemplated under each of the Master Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the Sales Caps, the RM Purchases Caps and the Facilities Purchases Caps exceed 5% of the relevant percentage ratios and HK\$10,000,000 per annum, the transactions under each of the Master Agreements will be subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval for each of the Master Agreements including the Sales Caps, the RM Purchases Caps and the Facilities Purchases Caps at the EGM. The voting at the EGM will be conducted by way of poll. Mr. Dong's Associates shall abstain from voting on the resolutions approving the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Shareholder is required to abstain from voting at the EGM.

The Independent Board Committee, comprising Mr. Liu Yangsheng, Mr. Cao Yixiong Alan, Mr. Lau Chi Kit and Dr. Gong Fangxiong, each being an independent non-executive Director, has been established to advise the Independent Shareholders as to whether the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM. We, Optima Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, neither Optima Capital nor persons stipulated under Rule 13.84(4) of the Listing Rules had any current business relationship with the Company, parties to the Master Agreements, or a director, subsidiary, holding company or substantial shareholder of the Company or parties to the Master Agreements, which would be reasonably considered to affect our independence in performing the duties as set out in the Listing Rules, or might reasonably give rise to a perception that our independence would be so affected.

---

## LETTER FROM OPTIMA CAPITAL

---

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company (together, the “**Management**”) and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the date hereof and will continue to be so as at the date of the EGM. We have assumed that all the opinions or representations of the Management have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and 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 and taxation implications of the Group, nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In considering whether the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below.

#### **1. Principal business of the Group and Mr. Dong’s Associates**

The Company is principally engaged in the sale, development and manufacturing of a broad line of lead-acid batteries under three major product categories, namely reserve power batteries, starting, lighting or ignition lead-acid batteries and motive power batteries. The Group sells over 2,000 models of lead-acid battery products, with capacity ranging from 0.251 to 4,055 Ampere-hour.

Mr. Dong’s Associates include companies principally engaged in manufacturing and sale of Battery Facilities, electronic products, chargers, converters, power supply products, plastic goods and related parts, and electric vehicles. Certain electronic products manufactured by Mr. Dong’s Associates are used as components in the manufacture of the Group’s battery products or for re-sale as accessories of the Group’s battery products or for the Group’s own use, and the Group purchases Battery Facilities manufactured by Mr. Dong’s Associates for use in its production facilities. On the other hand, some of the battery products manufactured by the Group may be used in the electric vehicles, mini-electric cars and electric scooters manufactured by Mr. Dong’s Associates.

---

## LETTER FROM OPTIMA CAPITAL

---

Having considered the respective principal activities of the Group and Mr. Dong's Associates as described above, we are of the view that the Master Sales Agreement and the Master Raw Materials Purchases Agreement are entered into in the ordinary and usual course of business of the Group while the Master Facilities Purchases Agreement is entered into in conjunction with the ordinary and usual course of business of the Group.

### 2. Background of and reasons for the Master Agreements

#### *Master Sales Agreement and Master Raw Materials Purchases Agreement*

As disclosed in the prospectus of the Company dated 3 November 2010, certain continuing connected transactions including (i) sales of lead-acid batteries and related parts (the "Sales"); and (ii) purchases of products including battery cases, parts, models, chargers and electronic products (for the manufacturing of the Group's battery products or sale as accessories of the Group's battery products) and electric scooters (for use by members of the Group) (the "RM Purchases") have been conducted, in the ordinary and usual course of businesses of the Group and Mr. Dong's Associates respectively, between the Group and Mr. Dong's Associates prior to the listing of the Company and were expected to continue following its listing on the Stock Exchange in November 2010. On 1 August 2010, the Company entered into a master sales agreement and a master purchases agreement with Mr. Dong for a term of three years commencing from 1 January 2010 to govern the Sales and the RM Purchases. On 25 October 2012, the Company and Mr. Dong entered into the 2012 Agreements to renew the aforesaid master agreements for a further period of three years ending on 31 December 2015. As the 2012 Agreements will expire on 31 December 2015 and the Sales and RM Purchases are expected to continue in future, the Company and Mr. Dong entered into the Master Sales Agreement and the Master Raw Materials Purchases Agreement to govern the continuing Sales and RM Purchases for a further term of three years commencing from 1 January 2016. The entering into of the Master Sales Agreement and the Master Raw Materials Purchases Agreement is a renewal of the 2012 Agreements.

The Sales to Mr. Dong's Associates for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 amounted to approximately RMB30.0 million, RMB40.8 million and RMB32.5 million respectively, representing approximately 0.82%, 0.96% and 1.65% of the consolidated revenue of the Group for the corresponding period respectively. The RM Purchases from Mr. Dong's Associates for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 amounted to approximately RMB28.1 million, RMB29.2 million and RMB5.5 million respectively, representing approximately 0.92%, 0.83% and 0.33% of the consolidated cost of sales of the Group for the corresponding period

---

## LETTER FROM OPTIMA CAPITAL

---

respectively. Neither the Sales nor the RM Purchases account for a significant portion of the Group's total sales or cost of sales. The Management considers that the Master Sales Agreement provides a framework to govern the terms of the future Sales with a recurring customer with satisfactory payment record while the Master Raw Materials Purchases Agreement would allow the Group to secure a stable source of raw materials of which the Group is satisfied with the quality. As the Master Sales Agreement and the Master Raw Materials Purchases Agreement do not impose any obligation on the part of the Group to sell or purchase a committed amount of products to or from Mr. Dong's Associates or restrict the Group from selling products or purchasing raw materials from independent third parties other than Mr. Dong's Associates, the entering into of the Master Sales Agreement and the Master Raw Materials Purchases Agreement would not result in an over-reliance on Mr. Dong's Associates.

### *Master Facilities Purchases Agreement*

The Company entered into various purchases agreements with Mr. Dong's Associates since October 2012 (the "**Original Facilities Purchases Agreements**") in relation to, among other things, the purchases of certain Battery Facilities from Mr. Dong's Associates, details of which are set out in the announcements of the Company dated 25 October 2012, 25 March 2013, 17 April 2014 and 14 August 2015 respectively. Each of the Original Facilities Purchases Agreements constitutes a connected transaction for the Company. The Battery Facilities mainly comprised additional equipment or components (such as jar formation water-cool tanks, welding equipment, lead dust and particles emission systems and filters, and lead and sulphuric acid emission systems) installed at the existing production facilities of the Group to improve the overall efficiency particularly in aspects relating to pollution control and environmental protection, and the type of equipment or components required for each of the production facilities of the Group are in general the same. We understand from the Management that the Battery Facilities used by the Group are similar to those used by other peer companies in the batteries manufacturing industry and the Group is therefore able to source the Battery Facilities from other independent suppliers in the market. Despite this, the Management prefers to purchase the Battery Facilities from Mr. Dong's Associates not only because of the quality of Battery Facilities offered by Mr. Dong's Associates but also for the protection of technology secrets. Throughout the installation process of the Battery Facilities, the technology secrets of the Group relating to development and manufacturing of lead-acid batteries is observable along the production lines of the Group and may be revealed to parties outside of the Group if the Battery Facilities were to be purchased from independent third parties. The Board expects that the Group will continue to purchase Battery Facilities to upgrade its production facilities in compliance with the environmental protection requirements in the PRC and increase its production capacity in the foreseeable future. In view of

---

## LETTER FROM OPTIMA CAPITAL

---

the repeated purchases of Battery Facilities and the similarity of the type of Battery Facilities to be purchased, it would be unduly burdensome if the Company is required to comply with the Listing Rules requirements in respect of connected transactions each time when Battery Facilities are purchased. Accordingly, on 13 October 2015, the Company and Mr. Dong entered into the Master Facilities Purchases Agreement to set out the framework of terms governing the purchases of Battery Facilities for the two months ending 31 December 2015 and two years ending 31 December 2017.

The total purchases of Battery Facilities under the respective Original Facilities Purchases Agreements for the two years ended 31 December 2013 and 2014 amounted to approximately RMB19.8 million and RMB20.8 million respectively. Despite no Battery Facilities have been purchased during the six months ended 30 June 2015, the Company has entered into various purchase agreements with Mr. Dong's Associates on 13 August 2015 for the purchase of Battery Facilities amounting to RMB36 million, details of which are set out in the announcement of the Company dated 14 August 2015.

### ***Auditor and independent non-executive Directors' review of past transactions***

As stated in the annual reports of the Company for the two financial years ended 31 December 2013 and 2014, the auditor of the Company has performed procedures in respect of the continuing connected transactions of the Group (including the transactions contemplated under the 2012 Agreements) in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules for each of the two years ended 31 December 2013 and 2014. In addition, the independent non-executive Directors have also confirmed that the continuing connected transactions of the Group (including the transactions contemplated under the 2012 Agreements) during each of the two years ended 31 December 2013 and 2014 have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing such transaction on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

---

## LETTER FROM OPTIMA CAPITAL

---

Taking into account the background and commercial reasons for the Master Agreements and the results of the review of the Sales and RM Purchases in the past two financial years by the auditor and independent non-executive Directors as described above, we are of the view that the entering into of each of the Master Agreements are in the interests of the Company and the Shareholders as a whole.

### **3. Principal terms of the Master Agreements**

In assessing whether the terms of the Master Agreements are fair and reasonable, we have reviewed the principal terms of each of the Master Agreements as discussed below:

#### ***Master Sales Agreement***

##### *Subject matters*

Pursuant to the Master Sales Agreement, the Group shall sell products including lead-acid batteries and related parts such as cable jumpers, chargers, battery racks, battery trays and covers to Mr. Dong's Associates.

##### *Pricing mechanism*

Pursuant to the Master Sales Agreement, the selling prices of the battery products are the prices at which the same type of products is sold by the Group to independent third parties on normal commercial terms in the ordinary course of business in the PRC, or on terms which are no less favourable to the Group than terms offered to other independent customers who are willing to order such products at similar quantity under similar conditions.

Based on the discussions with the Management, we understand that the Company has a standard price list for its products which is applicable to all customers (including Mr. Dong's Associates and independent third parties). The standard price list for each type of product is compiled by the sales department and is determined generally based on a fixed percentage of margins over costs, ranging from 10% to 30%, which takes into account the fluctuation in lead price and the selling prices of similar products offered by other battery manufacturers. The standard selling price list is revised monthly to reflect the fluctuation of lead price published on the Shanghai Metals Market and the latest market price information collated by the sales department and approved by the head of sales department and the general manager of the Group. Upon receiving sales orders from customers, the selling price quoted to customers by the sales department is generally based on the standard price list of the Group. The sales department may in certain cases provide bulk purchase discounts and adjust the selling price of the products in the event that the price of lead quoted on Shanghai Metals Market fluctuates significantly when the sales orders are received.

---

## LETTER FROM OPTIMA CAPITAL

---

The prices to be charged by the Group to Mr. Dong's Associates for the Sales shall be determined in accordance with the aforesaid standard price list and shall be no less favourable to the Group than the price of similar products offered by the Group to independent third parties. Prior to entering into any sales contracts with Mr. Dong's Associates, the head of sales department and the manager and head of finance department of the Group shall review and approve the terms (including the selling price and the overall sales volume) of the sales contracts. In particular, the selling prices offered to Mr. Dong's Associates are reviewed in accordance with the Group's pricing policy as described above and compared with the terms of similar sales transactions with independent third parties.

We consider that the pricing policy adopted for determining the selling prices to be charged to Mr. Dong's Associates as described above, which is also applied to other independent customers of the Group, is fair and reasonable.

### *Term and termination*

The Master Sales 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 Master Sales Agreement will, subject to the requirements of the Listing Rules, be renewed for a further period of three years by mutual agreement. Either party may, at any time before the expiry of the Master Sales Agreement, give not less than 30 days' notice to the other party to terminate the Master Sales Agreement.

### *Payment terms*

Pursuant to the Master Sales Agreement, Mr. Dong's Associates shall settle the selling price within 30 to 60 days after delivery of the battery products.

We have compared the above payment terms with the credit policy of the Group offered to other independent customers. We note that the credit period granted by the Group varies with the types of customers. In general, the Group would not grant credit to new customers while a credit period of 30 to 60 days would be granted to major customers. For customers engaging in the telecommunication industry, approximately 70% to 80% payment is required to be made within 60 days after signing of the sales contracts and the remaining balance shall be payable by installments upon integration of the Group's products into the telecommunications equipment and completion of final inspection. As Mr. Dong's Associates are neither new customers nor engaged in telecommunication business, the credit period of 30 to 60 days granted to Mr. Dong's Associates under the Master Sales Agreement is in line with that available to independent third parties.

---

## LETTER FROM OPTIMA CAPITAL

---

### *Master Raw Materials Purchases Agreement*

#### *Subject matters*

Pursuant to the Master Raw Materials Purchases Agreement, the Group shall purchase products including battery cases, parts, models, chargers and electronic products (for the manufacturing of the Group's battery products or sale as accessories of the Group's battery products) and electric scooters (for use by members of the Group) from Mr. Dong's Associates.

#### *Pricing mechanism*

The price of raw materials to be purchased by the Group from Mr. Dong's Associates shall be at the prevailing market price, which is the price at which the same type of products is purchased by the Group from independent third parties on normal commercial terms in the ordinary course of business in the PRC, or on terms which are no less favourable to the Group than the terms available from independent third parties for purchase of similar materials of comparable quality and quantity.

As advised by the Management, the raw materials purchased from Mr. Dong's Associates can be easily sourced from other suppliers in the market. The Group chooses its suppliers of raw materials based on, among other things, the quality of raw materials supplied, prices and payment terms offered and timeliness of delivery. According to the Group's internal control policies, it is required to maintain at least two suppliers for each type of raw materials. Prior to placing purchase orders with Mr. Dong's Associates, the Group shall obtain quotations from at least two independent suppliers for products of similar quality and quantity and compare the prices quoted with that of Mr. Dong's Associates to ensure that the prices offered by Mr. Dong's Associates are no less favourable to the Group than those offered by independent suppliers. In case there is no other supplier available for a particular type of raw material, the Group shall request for a cost breakdown from Mr. Dong's Associates and assess whether the mark up is acceptable. The Group would also compare the purchase price for repeated RM Purchases against the price charged by Mr. Dong's Associates in last transaction. The head of procurement department and the manager and head of finance department shall review and approve the quotations from Mr. Dong's Associates by comparing the terms against those available from two other independent suppliers, the costs breakdown supplied by Mr. Dong's Associates or the most recent transacted price so as to ensure that the terms (including the price and payment terms) offered by Mr. Dong's Associates are fair and reasonable and no less favourable to the Group than the terms offered by independent third parties.

---

## LETTER FROM OPTIMA CAPITAL

---

We consider that the policy adopted for determining the purchase prices of the RM Purchases as described above, which is principally based on market prices charged by other independent suppliers of the Group, is fair and reasonable.

### *Term and termination*

The Master Raw Materials Purchases 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 Master Raw Materials Purchases Agreement will, subject to the requirements of the Listing Rules, be renewed for a further period of three years by mutual agreement. Either party may, at any time before the expiry of the Master Raw Materials Purchases Agreement, by giving not less than 30 days' notice to the other party, terminate the Master Raw Materials Purchases Agreement.

### *Payment terms*

Pursuant to the Master Raw Materials Purchases Agreement, the Group shall settle the purchase price on a monthly basis with two to three months' credit period.

In determining whether the above payment term is fair and reasonable, we have compared it against the credit period offered by independent suppliers of raw materials to the Group. We note that independent suppliers of major raw materials for production, such as lead, require settlement upon delivery while the independent suppliers of supplementary raw materials normally grant a credit period of two to three months to the Group. As the RM Purchases from Mr. Dong's Associates are mostly supplementary raw materials, we consider that the payment terms stipulated in the Master Raw Materials Purchases Agreement are in line with those available from independent third parties.

### ***Master Facilities Purchases Agreement***

#### *Subject matters*

Pursuant to the Master Facilities Purchases Agreement, the Group will purchase Battery Facilities from Mr. Dong's Associates.

---

## LETTER FROM OPTIMA CAPITAL

---

### *Pricing mechanism*

The purchase price of the Battery Facilities payable by the Group shall be determined at a discount of 8% to the average purchase price of similar Battery Facilities obtained by the Group from two independent third parties within 30 days prior to the date of placing the relevant purchase order with Mr. Dong's Associates. The Management advised that based on their experience, the Group may be able to negotiate a discount on the initial quotations from independent suppliers of Battery Facilities and such discount normally ranges from 5% to 8%. The 8% discount adopted in determining the purchase price of Battery Facilities with Mr. Dong's Associates was set with reference to the usual range of discount obtainable from independent suppliers.

We are advised by the Management that the Group follows its internal control policies in relation to purchase transactions (including purchase of the Battery Facilities) from Mr. Dong's Associates consistently so as to ensure that the terms (including the price and payment terms) offered by Mr. Dong's Associates are no less favourable to the Group than those available from independent third parties. The Group chooses its suppliers of Battery Facilities principally by the quality of Battery Facilities supplied and reliability of services provided. The Group maintains a list of approved suppliers for Battery Facilities which includes Mr. Dong's Associates and independent suppliers. Prior to ordering Battery Facilities from Mr. Dong's Associates, the procurement department of the Group shall first obtain quotations from at least two independent suppliers from the list of approved suppliers of the Group on similar quality and quantity of Battery Facilities. Pursuant to the Master Facilities Purchases Agreement, the price to be charged by Mr. Dong's Associates will be set at a discount of 8% to the average purchase price of similar Battery Facilities as quoted by independent suppliers within 30 days prior to the date of placing the relevant purchase order with Mr. Dong's Associates. The Group shall also compare the purchase price for repeated purchases of same type of Battery Facilities against the price charged by Mr. Dong's Associates in last transaction. In the event the quotations from independent suppliers vary significantly, the procurement department would ensure that the quotations obtained are accurate and valid with respect to the type, quality and installation plan of the Battery Facilities, and negotiate the terms of the purchase with Mr. Dong's Associates with reference to these quotations. Based on the experience of the Management, the prices quoted by independent suppliers would not vary significantly for similar quality and quantity of Battery Facilities. The head

---

## LETTER FROM OPTIMA CAPITAL

---

of procurement department and the manager and head of the finance department are responsible for reviewing and approving the quotation from Mr. Dong's Associates by comparing the terms against those available from two other independent suppliers so as to ensure that the terms (including the price and payment terms) offered by Mr. Dong's Associates are in compliance with the pricing policies stipulated under the Master Facilities Purchases Agreement.

Based on the above, we are of the view that the pricing mechanism in respect of purchase of Battery Facilities is fair and reasonable.

### *Term and termination*

The Master Facilities Purchases Agreement is for a term of 26 months commencing from 1 November 2015 and ending on 31 December 2017. Pursuant to the Master Facilities Purchases Agreement, upon expiry of the term, the Master Facilities Purchases Agreement will, subject to the requirements of the Listing Rules, be renewed for a further period of three years by mutual agreement. Either party may, at any time before the expiry of the Master Facilities Purchases Agreement, give not less than 30 days' notice to the other party to terminate the Master Facilities Purchases Agreement.

### *Payment terms*

Pursuant to the Master Facilities Purchases Agreement, payment by the Group shall be made as to 30% upon entering into the relevant purchase contract for the Battery Facilities as deposit, as to 60% upon satisfactory inspection and as to the remaining 10% as retention money payable after one year when no quality problem is identified.

We have compared the credit terms offered by other independent suppliers of Battery Facilities and noted that similar settlement terms are offered to the Group. In view of this, we consider that the payment terms offered by Mr. Dong's Associates are in line with those available from independent third parties.

---

## LETTER FROM OPTIMA CAPITAL

---

### 4. Annual caps

#### *Sales Caps*

Pursuant to the Master Sales Agreement, the Sales Caps are set at the following amount:

	<b>For the year ending 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sales Caps	<u>100,000</u>	<u>150,000</u>	<u>200,000</u>

We have discussed with the Management and understand that the Sales Caps were determined after taking into account the historical amount of Sales and the purchase plan provided by Mr. Dong's Associates for the coming years.

Set out below are the historical Sales amounts for each of the two years ended 31 December 2013 and 2014 and the seven months ended 31 July 2015:

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>seven months</b>
	<b>2013</b>	<b>2014</b>	<b>ended 31 July</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Actual Sales	29,989	40,812	34,493
% change (as compared to the preceding year)	<u>+47%</u>	<u>+36%</u>	<u></u>

As shown in the table above, the Sales for the year ended 31 December 2013 amounted to approximately RMB30.0 million, representing an increase of approximately 47% from the Sales for the preceding year. For the year ended 31 December 2014, the Sales amount increased further to approximately RMB40.8 million, recording an approximately 36% increase over that for the year ended 31 December 2013. The Sales for the seven months ended 31 July 2015 were approximately RMB34.5 million, based on which the annualised Sales for the year ending 31 December 2015 are expected to be approximately RMB59.1 million.

---

## LETTER FROM OPTIMA CAPITAL

---

The Management advised that the increases in Sales to Mr. Dong's Associates over the past years were driven by the increase in the sales of electric vehicles and related electronic products by Mr. Dong's Associates in the PRC and overseas markets. The market for electric vehicles has been booming in recent years due to an increasing public awareness on environmental protection and government's initiatives in promoting the use of environmental friendly automotive. To capture more sales under such favourable market condition, Mr. Dong's Associates launched more types of electric vehicles and related electronic products, such as sanitation vehicles and patrol cars. In the coming years, Mr. Dong's Associates expect to expand its market share in existing markets and enter into new geographical region. In view of the positive outlook of the market, Mr. Dong's Associates advised the Management that they forecast an increment in sales at a compound annual growth rate ("CAGR") of 30% between 2016 and 2018 for their existing product lines. Furthermore, Mr. Dong's Associates will devote more resources to develop and launch new products, such as electric forklifts and electric cleaning facilities, to boost its revenue. In view of the positive market outlook in the logistics and storage industries and the emerging demand for environmental and cleaning facilities in the PRC, Mr. Dong's Associates expect these new products have growth potential which would generate significant amounts of revenue on top of the existing product lines. Accordingly, they estimate that there will be growth in their demand for the Group's battery products to be used as raw materials in their products.

Based on the forecast growth in sales of Mr. Dong's Associates of 30% per annum between 2016 to 2018 on the existing products, forecast revenue of new products to be launched by Mr. Dong's Associates between 2016 and 2018 and the annualised Sales for the year ending 31 December 2015 of approximately RMB59.1 million, the Group estimated that the Sales for each of the three years ending 31 December 2016, 2017 and 2018 would be approximately RMB89 million, RMB124 million and RMB173 million respectively. The Sales Caps for each of the three years ending 31 December 2016, 2017 and 2018 were set at RMB100 million, RMB150 million and RMB200 million respectively by rounding up the aforesaid Sales estimate which give additional buffer to cater for unforeseen circumstances due to changes in market conditions. The Directors are of the view, with which we concur, that the Sales Caps are reasonable having considered (i) the significant growth in the Sales during the three years ending 31 December 2015 as described above; (ii) the plan of Mr. Dong's Associates to launch new products and enter into new markets thus the need for the Group's battery products would increase significantly; and (iii) that sufficient buffer and flexibility is provided in the Sales Caps to cope with unforeseen events due to changes in market conditions and cater for possible increase in the selling price of the Group's products due to fluctuation in lead prices and other market factors. Such buffer is reasonable and in the interest of the Company as it prevents the Group from

---

## LETTER FROM OPTIMA CAPITAL

---

being unduly restricted to conduct business with Mr. Dong's Associates and having to incur additional time and cost to revise the Sales Caps during the term of the Master Sales Agreement if the growth in Sales exceeds the estimated demand from Mr. Dong's Associates.

### ***RM Purchases Caps***

Pursuant to the Master Raw Materials Purchases Agreement, the RM Purchases Caps are as follows:

	<b>For the year ending 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
RM Purchases Caps	<u>40,000</u>	<u>50,000</u>	<u>60,000</u>

We have discussed with the Management on the basis of determining the RM Purchases Caps and understand that they were determined after taking into account the historical amount of RM Purchases, the Group's forecast for sales of its battery products in the coming years, and inflation rate in the PRC.

Set out below are the amounts of RM Purchases for the two years ended 31 December 2013 and 2014 and the seven months ended 31 July 2015:

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>seven months</b>
	<b>2013</b>	<b>2014</b>	<b>ended 31 July</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Actual RM Purchases	28,054	29,222	6,559
% change (as compared to the preceding year)	<u>-32%</u>	<u>+4%</u>	<u></u>

---

## LETTER FROM OPTIMA CAPITAL

---

As shown in the table above, the actual RM Purchases from Mr. Dong's Associates were approximately RMB28.1 million and RMB29.2 million for each of the two years ended 31 December 2013 and 2014 and amounted to approximately RMB6.6 million for the seven months ended 31 July 2015. The Management advised that in August 2012, the Group decided to implement an internal reorganisation whereby its subsidiaries in Shenzhen ("**Shenzhen Leoch**") and Dongguan ("**Dongguan Leoch**") were repositioned from assembly centres to sales centres of the Group's battery products. The production facilities at Shenzhen Leoch and Dongguan Leoch were closed down in early 2013 and early 2015 respectively. Due to the proximity to Mr. Dong's Associates, Shenzhen Leoch and Dongguan Leoch used to purchase raw materials for the use in their manufacturing processes from Mr. Dong's Associates to control logistics cost and efficiency. The purchases of Shenzhen Leoch and Dongguan Leoch together accounted for approximately 60.0% and 68.7% of the total RM Purchases for the years ended 31 December 2012 and 2013 respectively. The closure of the production facilities of Shenzhen Leoch and Dongguan Leoch has explained for the significant decline in RM Purchases for the year ended 31 December 2013 and the seven months ended 31 July 2015. The suspension of the production in the Group's production base in Zhaoqing from July 2012 to October 2013 for self-examination and rectification as required by local authorities as part of a special environmental protection campaign has also caused the drop in the amount of RM Purchases in 2013. Furthermore, as a result of the changes in raw material specifications for lead-acid batteries of certain customers, fewer raw materials were purchased from Mr. Dong's Associates during the seven months ended 31 July 2015.

Following the closure of the production facilities in Dongguan Leoch, the Group expects that its production in Southern China will be concentrated at its production base in Zhaoqing. As the production base in Zhaoqing is also close to the warehouses of Mr. Dong's Associates, the Management expects the Group will continue to purchase raw materials from Mr. Dong's Associates. As the closure of the production facilities of Dongguan Leoch took place in early 2015, the Management considers it not appropriate to make reference to the actual RM Purchases in 2015 in determining the RM Purchases Caps and instead has made reference to the actual RM Purchases amount for the year ended 31 December 2014.

---

## LETTER FROM OPTIMA CAPITAL

---

Based on the discussions with the Management, we note that the RM Purchases Caps were determined taking into account the projected revenue growth of the Group of approximately 15% each year for the three years ending 31 December 2018. The Directors anticipate that the revenue growth momentum will be sustained in all three major product categories of lead-acid batteries of the Group, on the back of the increasing consumption of batteries driven by the urbanisation and industrial upgrades in the PRC as well as the steady growth around the world. The Management expects that the growth in revenue would be contributed mainly by the increase in sales volume and thus purchases of raw materials would increase along with the growth in revenue. Having considered the historical CAGR of the consolidated revenue of the Group of approximately 15% during the three years ended 31 December 2012 to 2014, we consider the revenue growth rate adopted by the Group in determining the RM Purchases Caps to be reasonable. Based on the projected revenue growth rate and the actual RM Purchases for the year ended 31 December 2014, the Group estimated that the RM Purchases for each of the years ending 31 December 2016, 2017 and 2018 would be approximately RMB39 million, RMB44 million and RMB51 million respectively. The RM Purchases Caps were set at RMB40 million, RMB50 million and RMB60 million respectively by rounding up the aforesaid RM Purchases estimates which give additional buffer to cater for unforeseen circumstances due to changes in market conditions and possible increase in purchase prices due to inflation. Such buffer is reasonable and in the interest of the Company as it prevents the Group from being unduly restricted to conduct business with Mr. Dong's Associates and having to incur additional time and cost to revise the RM Purchases Caps during the term of the Master Raw Materials Purchases Agreement if the growth in RM Purchases exceeds the Group's existing plan due to further cooperations with Mr. Dong's Associates to enhance the Group's competitiveness in the areas of, among other things, research and development, production and supply chain.

Based on the above analysis, we are of the view that the RM Purchases Caps are fair and reasonable.

---

## LETTER FROM OPTIMA CAPITAL

---

### *Facilities Purchases Caps*

The Facilities Purchases Caps pursuant to the Master Facilities Purchases Agreement are set out below:

	<b>For the two months ending 31 December 2015 (RMB'000)</b>	<b>For the year ending 31 December 2016                      2017 (RMB'000)                      (RMB'000)</b>	
Facilities Purchases Caps	<u>60,000</u>	<u>100,000</u>	<u>100,000</u>

The Facilities Purchases Caps were determined after taking into account the historical amount of purchases of Battery Facilities from Mr. Dong's Associates and the Group's forecast for the need of Battery Facilities for its facilities upgrade and general replacement and maintenance in the coming years.

As mentioned in the paragraph headed "Background of and reasons for the Master Agreements" above, the Management foresees a continuing need for the Group to purchase additional Battery Facilities to upgrade its production facilities in compliance with the environmental protection requirements in the PRC in the foreseeable future and to increase its production capacity. Since 2012, the Ministry of Industry and Information Technology and the Ministry of Environmental Protection of the PRC have jointly issued various notices concerning battery manufacturers including 鉛蓄電池行業准入條件 (Entry Requirements of Lead-acid Battery Industry\*) and 鉛蓄電池行業准入公告管理暫行辦法 (Announcement in relation to the Interim Measures of the Entry Requirements of Lead-acid Battery Industry\*) (together, the "**Industry Requirements**"). The Industry Requirements outline the PRC government's requirements on the lead-acid batteries industry players in the areas of production site selection, production capacity, types of production projects, production procedures and facilities, environmental protection, health and safety, energy saving and recycling issues. Supervision and compliance procedures to be performed by the relevant PRC government authorities and the lead-acid batteries manufacturers are also laid down respectively in the Industry Requirements. In response to the Industry Requirements, the Group has planned to undertake an overall upgrade of all of its four existing production bases in the PRC (the "**Battery Facilities Upgrade**"). Such plan involves, among other things, (i) upgrading certain major production facilities into

---

## LETTER FROM OPTIMA CAPITAL

---

automated, energy saving or environmental friendly ones; (ii) reorganising the settings of production area; (iii) setting up facilities catered for more sealed production environment; and (iv) incorporating facilities to handle pollutants emissions, such as lead dust and particles and waste water containing lead and sulphuric acid.

During the two years ended 31 December 2013 and 2014, the Group purchased Battery Facilities in the amount of approximately RMB19.8 million and RMB20.8 million respectively from Mr. Dong's Associates, a substantial portion of which were for the Battery Facilities Upgrade of the production facilities at two of the Group's subsidiaries, namely Leoch Battery (Jiangsu) Corp. ("**Jiangsu Leoch**") and Anhui Uplus Energy Technology Co., Ltd. ("**Anhui Uplus**"). Further purchases of Battery Facilities in the amount of RMB36.0 million were committed in August 2015 for the continuous works on the production facilities of Jiangsu Leoch and Anhui Uplus. As at the Latest Practicable Date, these two production bases have completed the Battery Facilities Upgrade in accordance with the standards of the Industry Requirements. Jiangsu Leoch has passed the relevant government assessments while Anhui Uplus is expected to complete the relevant government assessments by the end of 2015. Battery Facilities Upgrade at the remaining production bases at the other subsidiaries of the Group, namely Anhui Leoch Power Supply Corp. ("**Anhui Leoch Power**") and Zhaoqing Leoch Battery Technology Co., Ltd. ("**Zhaoqing Leoch**"), are planned to be completed within 2016. Accordingly, purchases of Battery Facilities specifically for the purpose of the Battery Facilities Upgrade are expected in the two months ending 31 December 2015 and the year ending 31 December 2016. In addition to completing all relevant upgrade and assessments in relation to the Industry Requirements in 2016 for all production bases in the PRC, the Management also expects that there would be continuous upgrades of the Group's production facilities and regular replacement and maintenance of its existing facilities in order to strengthen the Group's technology edge in the battery manufacturing industry and enhance the quality of its battery products.

The Facilities Purchases Caps of RMB60 million and RMB100 million respectively for the two months ending 31 December 2015 and the year ending 31 December 2016 were determined based on the estimated requirements for the Battery Facilities for Anhui Leoch Power and Zhaoqing Leoch in order to comply with the Industry Requirements, having made reference to the type of the Battery Facilities and related costs incurred for the Battery Facilities Upgrade already completed at Jiangsu Leoch and Anhui Uplus. Taking into account the actual purchases of RMB36.0 million in August 2015 and the Facilities Purchases Cap for the two months ending 31 December 2015, the total purchases of Battery Facilities for the year ending 31 December 2015 is estimated to be not exceeding RMB96 million. The Facilities Purchases Cap for the year ending 31 December 2016 was set at RMB100 million which is about the same as the total purchases estimated for the year ending 31 December 2015.

---

## LETTER FROM OPTIMA CAPITAL

---

For the year ending 31 December 2017, the Facilities Purchases Cap does not include any budget for meeting the Industry Requirements as all the Battery Facilities Upgrade in accordance with the Industry Requirements are expected to be completed in 2016. However, as the Group is planning to expand its production capacity in 2017 which may be undertaken by way of formation of a new joint venture in an overseas market, the Facilities Purchases Cap for the year ending 31 December 2017 is set at RMB100 million, which is the same as that for the year ending 31 December 2016, to cater for the needs to purchase Battery Facilities for the new joint venture.

Based on the analysis above, we are of the view that the Facilities Purchases Caps are fair and reasonable.

We note that the actual Sales for each of the two years ended 31 December 2013 and 2014 represent approximately 50% and 68% of the respective annual sales caps, and the actual RM Purchases for each of the two years ended 31 December 2013 and 2014 represent approximately 47% and 49% of the respective annual purchases caps under the 2012 Agreements. The utilisation of the historical caps could have been affected by factors such as the parties not being able to agree on the terms of transactions, given that the Group is obligated to conduct the Sales and RM Purchases with Mr. Dong's Associates on normal commercial terms and on terms no less favourable to the Group than those with independent third parties. In addition, the caps represent the upper limit of the Sales and RM Purchases that may be transacted with Mr. Dong's Associates. They are not commitments or targets for either party to meet. Thus, we do not consider it relevant to assess, and we have not considered, the utilisation of the historical caps under the 2012 Agreements in our assessment of the reasonableness of the Sales Caps and the RM Purchases Caps.

### **5. Corporate governance measures**

In addition to the pricing policies set out in its internal control manual, the Company has also adopted the following corporate governance measures to ensure that the Continuing Connected Transactions with Mr. Dong's Associates will be conducted on normal commercial terms:

- (i) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s) at the Board meeting and at the EGM respectively;
- (ii) the Group shall comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the Continuing Connected Transactions;
- (iii) the Group will engage the Company's auditor to report on the Continuing Connected Transactions every year in accordance with Rule 14A.56 of the Listing Rules; and

---

## LETTER FROM OPTIMA CAPITAL

---

- (iv) the Group will duly disclose in the annual reports and accounts the Continuing Connected Transactions during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

In light of the above, we are of the view that appropriate measures are in place to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and to safeguard the interests of the Company and the Shareholders as a whole.

### OPINION

Having taken into account the above principal factors and reasons, we consider that (i) the terms of the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the transactions contemplated under each of the Master Agreements are in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Master Sales Agreement (including the Sales Caps), the Master Raw Materials Purchases Agreement (including the RM Purchases Caps) and the Master Facilities Purchases Agreement (including the Facilities Purchases Caps).

Yours faithfully,  
for and on behalf of  
**Optima Capital Limited**  
**Beatrice Lung**  
*Managing Director*

*Ms. Beatrice Lung is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Ms. Lung has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.*

\* *The English translation of certain Chinese names or words in this letter are included for reference purpose only and should not be regarded as the official English translation of such Chinese names or words.*

## 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

### (a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were 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 or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Note	Nature of Interest	Number of Shares held	Number of underlying shares held	Approximate Percentage of issued share capital
Mr. Dong	1	Interest under a trust	1,001,800,000 (L)	–	74.03%
Ms. Zhao Huan	2	Beneficial owner	–	1,500,000 (L)	0.11%
Mr. Philip Armstrong Noznesky	3	Beneficial owner	–	1,500,000 (L)	0.11%
Mr. Cao Yixiong Alan	4	Beneficial owner	–	300,000 (L)	0.02%
Mr. Liu Yangsheng	5	Beneficial owner	–	300,000 (L)	0.02%

*The letter "L" denotes long position in the Shares/underlying shares*

*Notes:*

1. Mr. Dong is deemed to be interested in 1,001,800,000 Shares held by Master Alliance, a company which is wholly owned by Jingle Bells Group Limited, which in turn is wholly owned by DB International Trust (Singapore) Limited. DB International Trust (Singapore) Limited is the trustee of a discretionary trust established by Mr. Dong and the beneficiaries of whom are family members of Mr. Dong.
2. Ms. Zhao Huan has been granted options for 1,500,000 Shares under a share option scheme approved and adopted by the Company pursuant to the resolutions in writing passed by all shareholders of the Company on 25 May 2010 (the “**Pre-IPO Share Option Scheme**”).
3. Mr. Philip Armstrong Noznesky has been granted options for 1,500,000 Shares under the Pre-IPO Share Option Scheme.
4. Mr. Cao Yixiong Alan has been granted options for 300,000 Shares under another share option scheme approved and adopted by the Company pursuant to the resolutions in writing passed by all shareholders of the Company on 14 October 2010 (the “**Share Option Scheme**”).
5. Mr. Liu Yangsheng has been granted options for 300,000 Shares under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares 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:

Name of Shareholder	Note	Nature of interest	No. of Shares held	Approximate percentage of issued share capital
Master Alliance	1	Beneficial owner	1,001,800,000 (L)	74.03%
Jingle Bells Group Limited	1	Interest of controlled corporation	1,001,800,000 (L)	74.03%
DB International Trust (Singapore) Limited	1	Interest under a trust	1,001,800,000 (L)	74.03%

*The letter "L" denotes long position in the Shares*

*Note:*

1. Master Alliance is a company wholly owned by Jingle Bells Group Limited, which in turn is wholly owned by DB International Trust (Singapore) Limited. DB International Trust (Singapore) Limited is the trustee of a discretionary trust established by Mr. Dong and the beneficiaries of whom are family members of Mr. Dong. Mr. Dong is a director of Master Alliance.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such share capital), 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, and none of the Directors or proposed Director is a director or employee of the above-mentioned companies.

**(c) Director's interests in contracts**

As at the Latest Practicable Date, save as disclosed below, there is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group:–

- (a) a master leasing agreement dated 8 November 2012 and entered into between the Company and Mr. Dong pursuant to which members of the Group will lease from Mr. Dong or Mr. Dong's Associates properties for the use by members of the Group for a term of three years commencing from 1 January 2012 and ending on 31 December 2015, with the annual caps of RMB3.5 million, RMB3.5 million and RMB3.5 million for each of the three years ending 31 December 2015 respectively (the rental of which shall be based on the prevailing market rate of the rentals of similar properties at the time of signing individual tenancy agreement);
- (b) a master sales agreement dated 25 October 2012 and entered into between the Company and Mr. Dong pursuant to which members of the Group will sell to Mr. Dong's Associates products including lead-acid batteries, mainly motive power batteries, and related parts for a term of three years commencing from 1 January 2013 and ending on 31 December 2015, with the annual caps of RMB60.0 million, RMB60.0 million and RMB60.0 million for each of the three years ending 31 December 2015 respectively;
- (c) a master purchase agreement dated 25 October 2012 and entered into between the Company and Mr. Dong pursuant to which members of the Group will purchase from Mr. Dong's Associates products including battery cases, parts, models, chargers and electronic products for a term of three years commencing from 1 January 2013 and ending on 31 December 2015, with the annual caps of RMB60.0 million, RMB60.0 million and RMB60.0 million for each of the three year ending 31 December 2015 respectively;
- (d) the Master Sales Agreement;
- (e) the Master Raw Materials Purchases Agreement; and
- (f) the Master Facilities Purchases Agreement.

**(d) Director's interests in assets**

As at the Latest Practicable Date, save for the seven purchase agreements entered into between Mr. Dong's Associates and the Group all dated 13 August 2015 for the purchases of Battery Facilities at a total consideration of RMB36 million (details of which were disclosed in the announcement of the Company dated 14 August 2015), and the master agreements referred to in the paragraph headed "Director's interests in contracts" above, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**(e) Competing business**

As at the Latest Practicable Date, none of Directors and their respective associates were interested in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

**3. SERVICE CONTRACT**

As at the Latest Practicable Date, each of the Directors has entered into a service contract or appointment letter with the Company for a term of three years from their respective dates of appointment/re-appointment, details of which are as follows:

<b>Name of Director</b>	<b>Date of appointment/ re-appointment</b>	<b>Term</b>	<b>Directors' emoluments*</b>
Mr. Dong	17 November 2013	3 years	RMB794,000 for the year ended 31 December 2014
Ms. Zhao Huan	17 November 2013	3 years	RMB631,000 for the year ended 31 December 2014
Mr. Philip Armstrong Noznesky	17 November 2013	3 years	RMB2,308,000 for the year ended 31 December 2014
Mr. Liu Yangsheng	17 November 2013	3 years	RMB95,000 for the year ended 31 December 2014

Name of Director	Date of appointment/ re-appointment	Term	Directors' emoluments*
Mr. Cao Yixiong Alan	17 November 2013	3 years	RMB95,000 for the year ended 31 December 2014
Mr. Lau Chi Kit	17 September 2014	3 years	HK\$240,000 per annum
Dr. Gong Fangxiong	1 July 2015	3 years	HK\$240,000 per annum

\* *Excluding any equity settled share option expense and retirement benefit scheme contributions.*

#### 4. MATERIAL ADVERSE CHANGE

Save as disclosed in the interim report of the Company for the six months ended 30 June 2015 in which the Group recorded a decrease in both the revenue and gross profit and made a provision for the loss on a fire incident resulting in a loss before tax of RMB13.5 million for the six months ended 30 June 2015 as compared to profit before tax of RMB62.9 million for the six months ended 30 June 2014, the Directors are not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 December 2014, being the date of which the latest audited financial statements of the Group were made up.

#### 5. EXPERT'S QUALIFICATION AND CONSENT

Optima Capital is a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO which has provided its opinion contained in this circular.

Optima Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Optima Capital was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 10:00 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:00 p.m. at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the service contracts and appointment letters entered into between the Company and each of the Directors;
- (b) the 2012 Agreements;
- (c) the Master Sales Agreement;
- (d) the Master Raw Material Purchases Agreement; and
- (e) the Master Facilities Purchases Agreement.

---

## NOTICE OF EGM

---



# 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)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**EGM**”) of Leoch International Technology Limited (the “**Company**”) will be held at 5th Floor, Xin Bao Hui Building, No. 2061, Nanhai Avenue, Nanshan District, Shenzhen, Guangdong Province, People’s Republic of China on Monday, 30 November 2015 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT:**
  - (a) the master sales agreement dated 13 October 2015 (the “**Master Sales Agreement**”) entered into between the Company and Mr. Dong Li (“**Mr. Dong**”) in respect of the sales by the Company and its subsidiaries (together the “**Group**”) to Mr. Dong and his associates (together the “**Mr. Dong’s Associates**”) of products including lead-acid batteries and related parts etc. (together the “**Batteries Products**”) for a term of three years commencing from 1 January 2016 (a copy of the Master Sales Agreement is marked “**A**” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
  - (b) the maximum values for sales of the Batteries Products under the Master Sales Agreement of RMB100 million, RMB150 million and RMB200 million for each of the three years ending 31 December 2018 respectively be and are hereby approved; and

---

## NOTICE OF EGM

---

- (c) any one or more directors (the “**Directors**”) of the Company be and are hereby authorised to do all such acts and things as they consider necessary or expedient for the purposes of giving effect to the Master Sales Agreement and the transactions contemplated thereby.”

2. “**THAT:**

- (a) the master purchases agreement dated 13 October 2015 (the “**Master Raw Materials Purchases Agreement**”) entered into between the Company and Mr. Dong in respect of the purchases by the Group from Mr. Dong’s Associates of products including battery cases, parts, models, chargers and electronic products and electric scooters etc. (together the “**Raw Materials**”) for a term of three years commencing from 1 January 2016 (a copy of the Master Raw Material Purchases Agreement is marked “**B**” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;
- (b) the maximum values for purchase of the Raw Materials under the Master Raw Materials Purchases Agreement of RMB40 million, RMB50 million and RMB60 million for each of the three years ending 31 December 2018 respectively be and are hereby approved; and
- (c) any one or more Directors be and are hereby authorised to do all such acts and things as they consider necessary or expedient for the purposes of giving effect to the Master Raw Materials Purchases Agreement and the transactions contemplated thereby.”

3. “**THAT:**

- (a) the master purchases agreement dated 13 October 2015 (the “**Master Facilities Purchases Agreement**”) entered into between the Company and Mr. Dong in respect of the purchases by the Group from Mr. Dong’s Associates of the environmental protection facilities, manufacturing facilities and inspection facilities for lead acid batteries and reserve power batteries and related products (together the “**Battery Facilities**”) for a term commencing from 1 November 2015 up to 31 December 2017 (a copy of the Master Facilities Purchases Agreement is marked “**C**” and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereby be and are hereby approved, confirmed and ratified;

---

## NOTICE OF EGM

---

- (b) the maximum values for purchases of the Battery Facilities under the Master Facilities Purchases Agreement of RMB60 million, RMB100 million and RMB100 million for the two months ending 31 December 2015 and each of the two years ending 31 December 2017 respectively be and are hereby approved; and
- (c) any one or more Directors be and are hereby authorised to do all such acts and things as they consider necessary or expedient for the purposes of giving effect to the Master Facilities Purchases Agreement and the transactions contemplated thereby.”

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

Hong Kong, 12 November 2015

*Registered office:*

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Workshop C, 33/F  
TML Tower  
No. 3 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

---

## NOTICE OF EGM

---

3. In the case of joint holders of shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
  
4. All resolutions at the EGM will be conducted by way of a poll.