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**Leoch International Technology Limited**  
**理士國際技術有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 842)**

**DISCLOSEABLE TRANSACTION:  
PROPOSED ACQUISITION OF 60% OF  
THE REGISTERED CAPITAL OF THE TARGET**

The Board announces that on 18 November 2016 (after trading hours), the Vendors and the Purchaser (a wholly-owned subsidiary of the Company) entered into the Acquisition Agreement, pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase 60% of the registered capital of the Target for a cash consideration of RMB115,200,000 (equivalent to approximately HK\$130,176,000).

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company subject to reporting and announcement requirements under the Listing Rules.

**THE ACQUISITION**

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# ACQUISITION AGREEMENT

The salient terms of the Acquisition Agreement are as follows:

## Date

18 November 2016

## Parties

Vendors: (i) Zhu Chenglong# (朱成龍) (“Vendor A”); and

(ii) Sun Xinjian# (孫新建) (“Vendor B”)

Purchaser: Anhui Uplus New Energy Material Technology Co., Ltd.# (安徽力普拉斯新能源材料科技有限公司), an indirect wholly-owned subsidiary of the Company

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Vendors are Independent Third Parties. The Target is owned as to 80% by Vendor A and as to 20% by Vendor B as at the date of the Acquisition Agreement.

## Subject Matter

Subject to the terms of Acquisition Agreement, the Vendors have agreed to sell and the Purchaser has agreed to purchase 60% of the registered capital of the Target (as to 48% from Vendor A and as to 12% from Vendor B) for a cash consideration of RMB115,200,000 (equivalent to approximately HK\$130,176,000).

## Consideration

The Consideration of RMB115,200,000 shall be payable to the Vendors in cash in the following manner:

- (a) as to RMB23,040,000 (which is equivalent to 20% of the Consideration) upon Completion which shall be payable as to (i) RMB18,432,000 to Vendor A and (ii) RMB4,608,000 to Vendor B (the “Initial Payment”);

- (b) as to RMB57,600,000 (which is equivalent to 50% of the Consideration) within six months from the date of payment of the Initial Payment which shall be payable as to (i) RMB46,080,000 to Vendor A and (ii) RMB11,520,000 to Vendor B; and
- (c) the remaining balance of RMB34,560,000 (which is equivalent to 30% of the Consideration) shall be payable within one year after the date of the Initial Payment and subject to the Vendors' fulfilment of all the undertakings in the Acquisition Agreement to the satisfaction of the Purchaser, as to (i) RMB27,648,000 to Vendor A and (ii) RMB6,912,000 to Vendor B.

The Consideration was determined after arm's length negotiations between the Vendors and the Purchaser by reference to (i) the net asset value of the Target; (ii) the profit guarantee by the Vendors for three years commencing from 2017 (further details of which are set out in the section "Guarantee by the Vendors" below); and (iii) the synergy effect among the Group and the Target expected to be resulted from the vertical integration expansion under the Acquisition.

Having considered the above and the factors described under the section headed "Reasons for and the benefits of the Acquisition" below, the Directors consider that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **Conditions precedent**

Completion will take place after the satisfactory fulfilment or waiver, if applicable, of the following conditions:

- (1) the Acquisition Agreement duly executed by all parties;
- (2) all warranties and undertaking given by the Vendors under the Acquisition Agreement remaining true and correct in all material respects;
- (3) the Vendors not having committed any material breach of the Acquisition Agreement before Completion;
- (4) the Target having completed the necessary amendments to its constitutional document (including but not limited to the appointment of such persons nominated by the Purchaser as executive directors of the Target);

- (5) all necessary consents, authorisations, licences and approvals for or in connection with the Acquisition having been obtained by the Purchaser and the Target respectively;
- (6) the current accounts between the Vendors (and their related parties) and the Target having been settled to the satisfaction of the Purchaser;
- (7) the Purchaser and its advisers being satisfied with the results of the due diligence review to be conducted on the Target;
- (8) the Target having obtained a valid Hazardous Waste Business Licence# (危險廢物經營許可證) from the relevant authority;
- (9) the Target having employed a registered safety engineer in accordance with the relevant legal requirements;
- (10) the Target having received confirmation in writing from the local environmental protection authority confirming or certifying the Target's project and business complies with the relevant environmental protection legislation;
- (11) all the necessary registration having been completed in relation to any increase in registered capital of the Target prior to Completion; and
- (12) the Purchaser is satisfied with the solutions to any issue the Purchaser may discover during the pre-completion handover process in accordance with the terms of the Acquisition Agreement, including but not limited to labour, social security, prepayment of employee income tax, environment protection and the business of the Target.

### **Guarantee by the Vendors**

The Vendors have guaranteed to the Purchaser that the aggregate net profit attributable to shareholders of the Target after tax (“**Net Profit**”) for each of the financial year ending 31 December 2017, 2018 and 2019 (each a “**Relevant Financial Year**”) shall not be less than RMB40,000,000 (equivalent to approximately HK\$45,200,000) (the “**Guaranteed Amount**”).

In the event that the Net Profit of the Target for any of the Relevant Financial Year is less than the Guaranteed Amount, the Purchaser shall be entitled to a cash compensation from the Vendors equivalent to the difference between the Net Profit and the Guaranteed Amount for the Relevant Financial Year.

The difference between the Net Profit and the Guaranteed Amount in a Relevant Financial Year may be carried forward to the next Relevant Financial Year for setting off. Any positive balance between the Net Profit and the Guaranteed Amount in a Relevant Financial Year may be carried forward to the next Relevant Financial Year to set off any negative balance, and vice versa, any negative balance in a Relevant Financial Year may be set off by any positive balance in the following Relevant Financial Year.

### **Completion of the Acquisition**

Completion shall take place upon the registration of the 60% of the registered capital in the Target under the name of the Purchaser in the business registration of the Target and it shall be completed within 10 business days from the day of which all the conditions precedent in the Acquisition Agreement are either fulfilled or waived.

In the event that registration of the 60% of the registered capital in the Target under the name of the Purchaser in the business registration of the Target is not completed within 100 days from the date of the Acquisition Agreement and unless such non-completion is due to failure on the part of the Purchaser, the Vendors shall pay to the Purchaser RMB11,520,000 (equivalent to approximately HK\$13,017,600) in cash as compensation and the payment of this compensation shall not affect the obligations and continue performance of the Vendors and the Target in accordance with the terms and conditions of the Acquisition Agreement.

### **INFORMATION OF THE TARGET**

The Target is limited liability company established in the PRC in 2012. The Target is principally engaged in the recycling and remanufacturing of lead from disposed batteries.

Set out below is the financial information of the Target:

	<b>For the year ended 31 December 2014 Unaudited (RMB'000)</b>	<b>For the year ended 31 December 2015 Unaudited (RMB'000)</b>	<b>For the six months ended 30 June 2016 Unaudited (RMB'000)</b>
Revenue	76,911	496,003	491,555
Net profit/(loss) before taxation	(5,664)	(10,108)	2,964
Net profit/(loss) after taxation	(5,664)	(10,108)	2,964

The unaudited net asset of the Target as at 31 December 2015 were approximately RMB61.7 million (equivalent to approximately HK\$73.7 million).

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the manufacturing, development and sales of lead acid batteries, while the Target is principally engaged in the recycling and remanufacturing of lead from disposed batteries, which is the major materials of the Group's lead acid battery products. Through this vertical integration expansion, the Group can effectively secure a stable and constant supply of raw materials and facilitate its quality control as well. Meanwhile, a synergy effect can be further achieved by the Group's provision of disposed batteries during the production and collection of replaced batteries from customers as an input for the Target.

Moreover, to encourage the development of recycling business, the PRC authorities have introduced incentives, including subsidies, tax breaks and access to credit. The Board is of the view that, the success in the development of recycling business will generate steady revenue and good investment return to the Shareholders in light of the active policy of the PRC government.

Taking into account the abovementioned factors, the Directors consider that the terms and conditions of the Acquisition are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

## **FINANCIAL EFFECT OF THE ACQUISITION**

Upon Completion, the Target will become an indirect subsidiary of the Company whose results, assets and liabilities will be consolidated into the books of the Company.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company subject to reporting and announcement requirements under the Listing Rules.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the same meanings as set out below:

“Acquisition”	the proposed acquisition by the Group of 60% of the registered capital of the Target pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 18 November 2016 and entered into among the Vendors and the Purchaser in relation to the Acquisition
“Board”	the board of Directors
“Company”	Leoch International Technology Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 842)
“Completion”	completion of the Acquisition
“Consideration”	RMB115,200,000 (equivalent to approximately HK\$130,176,000), being the consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with his/her ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons (within the meaning of the Listing Rules)

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Anhui Uplus New Energy Material Technology Co., Ltd.# (安徽力普拉斯新能源材料科技有限公司), a wholly-owned subsidiary of the Company, being the purchaser under the Acquisition Agreement
“RMB”	Renmenbi, the lawful currency of PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Taihe Dahua Energy Technology Co., Ltd.# (太和縣大華能源科技有限公司), a company established in the PRC with limited liability, the entire registered capital of which is owned by the Vendors as at the date of this announcement
“Vendors”	Zhu Chenglong# (朱成龍) & Sun Xinjian# (孫新建), being the vendors to the Acquisition Agreement
“%”	per cent.

By Order of the Board  
**LEOCH INTERNATIONAL TECHNOLOGY LIMITED**  
**Mr. DONG Li**  
*Chairman*

Hong Kong, 18 November 2016

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

# *The English name is not an official name but is provided for identification purpose only.*