

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.*



**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 AND CONNECTED TRANSACTION IN  
RELATION TO INVESTMENT IN A TARGET COMPANY  
IN THE PRC**

**THE INVESTMENT AGREEMENT**

The Board is pleased to announce that on 6 June 2016 (after trading hours of the Stock Exchange), Zhaoqing Leoch (an indirect wholly-owned subsidiary of the Company) entered into an Investment Agreement with the Guangdong Marshall and the Target Company, pursuant to which Zhaoqing Leoch has agreed to inject approximately RMB121,065,300 into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company. Subject to satisfaction of the conditions precedent, the Consideration shall be satisfied by the Group through installment payment which will be used to settle the costs incurred for the construction and development of Zhaoqing Factory on Zhaoqing Land. As at the date of this announcement, the Target Company holds the land use right in respect of Zhaoqing Land.

Upon completion of the Investment Agreement, the Group will own 75.34% interests in the Target Company and the Target Company will become a subsidiary of the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Target Company and Guangdong Marshall are indirect wholly-owned subsidiaries of Mr. Dong, an executive Director and Controlling Shareholder of the Company and hence a connected person of the Company. As the Target Company and Guangdong Marshall are associates of Mr. Dong, each of the Target Company and Guangdong Marshall is deemed to be a connected person of the Company. Accordingly, the transactions contemplated under the Investment Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect of the Investment Agreement are higher than 5%, the transactions contemplated under the Investment Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios with respect of the Investment Agreement are higher than 5% but less than 25%, the transactions contemplated under the Investment Agreement also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

## **EXTRAORDINARY GENERAL MEETING**

An EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the Investment Agreement and the transactions contemplated thereunder. Each of Mr. Dong and his associates is required to abstain from voting on the relevant resolution to be proposed at the EGM.

An Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders in respect of terms of the Investment Agreement. The Company has appointed KGI Capital Asia Limited as its Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **GENERAL**

A circular containing, among other things, (i) further information on the Investment Agreement and the transactions contemplated thereunder, (ii) a letter from the Independent Board Committee setting out its recommendation and advice, and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of EGM will be dispatched to the Shareholders on or before 28 June 2016 (and in any event within 15 business days from the date of this announcement).

**Completion of the Investment Agreement is conditional on the satisfaction of the conditions precedent which are more fully described below. There is no assurance that the conditions precedent will be satisfied. Therefore the Investment Agreement and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing with Shares of the Company.**

## **PRINCIPAL TERMS OF THE INVESTMENT AGREEMENT**

<b>Date</b>	6 June 2016 (after trading hours of the Stock Exchange)
<b>Parties</b>	(a) Zhaoqing Leoch (an indirect wholly-owned subsidiary of the Company);  (b) Guangdong Marshall; and  (c) Target Company.
<b>Transaction</b>	<p>Pursuant to the Investment Agreement, Zhaoqing Leoch has agreed to inject the Consideration into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company.</p> <p>Upon completion of the Investment Agreement, the Group will own 75.34% interests in the Target Company and the Target Company will become a subsidiary of the Company.</p>

**Consideration and  
payment terms**

Subject to satisfaction of the conditions precedent, the Consideration shall be satisfied by the Group through installment payment which will be used to settle the costs incurred for the construction and development of Zhaoqing Factory on Zhaoqing Land. Details of such installment payments are set out below:

Within 1 business day following the satisfaction of all the conditions precedent, the Target Company shall deliver to Zhaoqing Leoch a written payment demand notice (“**Payment Notice**”) and the Group shall:

- Pay RMB30 million within 30 business days upon receipt of the Payment Notice;
- Pay an additional RMB30 million within 60 business days upon receipt of the Payment Notice; and
- Pay the remaining balance of approximately RMB61,065,300 within 90 business days upon receipt of the Payment Notice.

Upon receipt of the payment set out above, the Target Company shall, based on the actual costs incurred for the construction and development of Zhaoqing Factory, make payments to Zhaoqing Leoch who will in turn pay the relevant contractors engaged for the construction and development of Zhaoqing Factory. Payment to Zhaoqing Leoch will take place within 30 days after the Target Company has received proof that payment of such construction and development costs have been made by Zhaoqing Leoch.

The Consideration was determined after arm's length negotiations amongst the Parties and with reference to the valuation reports prepared by an independent third party certified valuer of Zhaoqing Factory and Zhaoqing Land, and the unaudited net asset value of the Target Company as at 31 December 2015. Based on the valuation reports, the net asset value of Zhaoqing Factory and Zhaoqing Land are approximately RMB121,065,300 and RMB39,624,700 respectively as at 19 May 2016. The unaudited net asset value of the Target Company is approximately RMB25,652,000 as at 31 December 2015. Payment of the Consideration will be funded by internal resources of the Group.

**Conditions Precedent**

Completion of the Investment Agreement is subject to various conditions being satisfied including the following:

- (a) the Investment Agreement and the transactions contemplated thereunder having been approved by the Board;
- (b) the Investment Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM; and
- (c) the receipt of all necessary approval(s) and/or consent(s) from the relevant governmental or regulatory bodies on the transactions contemplated pursuant to the Investment Agreement.

If the conditions are not satisfied on or before 31 December 2016 (or such other date as the Parties may agree in writing), the Investment Agreement shall terminate and save for antecedents breach, the rights and obligations of each of the Parties shall cease and determine.

**Completion**

Completion will take place on a date on which all the conditions precedent to the Investment Agreement have been satisfied or waived (if applicable).

## **FURTHER INFORMATION OF THE GROUP AND THE PARTIES**

### **The Group**

The Group is principally engaged in the manufacture, development and sale of lead-acid batteries. Zhaoqing Leoch is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Zhaoqing Leoch is principally engaged in the manufacture and sale of lead-acid batteries.

### **Guangdong Marshall**

Guangdong Marshall is a company established in the PRC with limited liability and is wholly owned by Mr. Dong. Guangdong Marshall is principally engaged in the manufacture and sale of electric vehicles, mini-electric cars, electric scooters and lead acid battery facilities.

### **The Target Company**

The Target Company is a company established in the PRC with limited liability and is a direct wholly-owned subsidiary of Guangdong Marshall and is principally engaged in the leasing of property. As at the date of this announcement, the Target Company holds the land use right in respect of Zhaoqing Land, which is located in the PRC at North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing with land lot no. 441284001008GS00001\* (肇慶高新區工業大街北面興隆五街南面地號441284001008GS00001). Upon completion of the Investment Agreement, 75.34% equity interest of the Target Company will be held by Zhaoqing Leoch. The Target Company had acquired the Zhaoqing Land in 2014 for a consideration of RMB25,875,000.

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2014 and 2015 extracted from its financial statements prepared in accordance with the PRC accounting principles:

	<b>For the year ended 31 December 2014 <i>RMB'000</i> unaudited</b>	<b>For the year ended 31 December 2015 <i>RMB'000</i> unaudited</b>
Loss before tax and extraordinary items	13	210
Loss after tax and extraordinary items	13	210
	<b>As at 31 December 2014 <i>RMB'000</i> unaudited</b>	<b>As at 31 December 2015 <i>RMB'000</i> unaudited</b>
Total assets	25,882	25,882
Total liabilities	20	230
Net assets	25,862	25,652

## **REASONS FOR BENEFITS OF ENTERING INTO THE INVESTMENT**

The Group had previously entered into a land use right agreement dated 9 October 2013 with Guangdong Marshall to rent the Zhaoqing Land for production-related purpose for a term commencing from 24 February 2014 and expiring on 4 November 2063, which is subject to renewal upon expiry (“**Land Use Right Agreement**”). Through the acquisition of 75.34% interests in the Target Company (which owns the land use right in respect of Zhaoqing Land), the Group will have control over the Zhaoqing Land and the Zhaoqing Factory which will in turn ensure that the Group’s use of the Zhaoqing Factory and Zhaoqing Land (including for production related purposes) will be stable and not disrupted through any uncertainty relating to the renewal of the Land Use Right Agreement. Accordingly, the Board considers that the execution of the Investment Agreement is in the interest of and beneficial to the Shareholders and the Group as a whole.

The Board (including the independent non-executive Directors) is of the view that (i) the terms of the Investment Agreement have been negotiated on an arm's length basis, which are fair and reasonable; and (ii) the Investment Agreement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Target Company and Guangdong Marshell are indirect wholly-owned subsidiaries of Mr. Dong, an executive Director and Controlling Shareholder of the Company and hence a connected person of the Company. As the Target Company and Guangdong Marshell are associates of Mr. Dong, each of the Target Company and Guangdong Marshell is deemed to be a connected person of the Company. Accordingly, the transactions contemplated under the Investment Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect of the Investment Agreement are higher than 5%, the transactions contemplated under the Investment Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, as one or more of the applicable percentage ratios with respect of the Investment Agreement are higher than 5% but less than 25%, the transactions contemplated under the Investment Agreement also constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules.

## **EXTRAORDINARY GENERAL MEETING**

An EGM will be convened by the Company at which resolutions will be proposed to seek approval from the Independent Shareholders for the Investment Agreement and the transactions contemplated thereunder. Each of Mr. Dong and his associates is required to abstain from voting on the relevant resolutions to be proposed at the EGM.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of terms of the Investment Agreement. The Company has appointed KGI Capital Asia Limited, as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

## GENERAL

A circular containing, among other things, (i) further information on the Investment Agreement and the transactions contemplated thereunder, (ii) a letter from the Independent Board Committee setting out its recommendation and advice, and (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of EGM will be dispatched to the Shareholders on or before 28 June 2016 (and in any event within 15 business days from the date of this announcement).

**Completion of the Investment Agreement is conditional on the satisfaction of the conditions precedent which is more fully described below. There is no assurance that the conditions precedent will be satisfied. Therefore the Investment Agreement and the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealing with Shares of the Company.**

## DEFINITIONS

associates	has the meaning ascribed to it under the Listing Rules
Board	the board of Directors of the Company
business day(s)	any day that is not a Saturday, a Sunday or other day on which banks are required or authorized by law to be closed in the PRC and Hong Kong
Company	Leoch International Technology Limited (理士國際技術有限公司), a company incorporated under the laws of the Cayman Islands on 27 April 2010 with limited liability and whose shares are listed and traded on the main board of the Stock Exchange
connected person(s)	has the meaning ascribed to it under the Listing Rules

Consideration	the consideration of approximately RMB121,065,300 payable by Zhaoqing Leoch to the Target Company pursuant to the Investment Agreement and in the manner set out therein
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
Director(s)	the director(s) of the Company
EGM	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Investment Agreement and the transactions contemplated thereunder
Group	the Company and its subsidiaries
Guangdong Marshall	Guangdong Marshall Electric Vehicle Co., Ltd.* (廣東瑪西爾電動科技有限公司), a company established in the PRC with limited liability on 23 October 2010 and indirect wholly-owned by Mr. Dong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Independent Board Committee	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the terms of the Investment Agreement and the transactions contemplated thereunder
Independent Financial Advisor	KGI Capital Asia Limited, a corporation licensed to carry out Type I (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the terms of the Investment Agreement and the transactions contemplated thereunder

Independent Shareholders	Shareholders (other than Mr. Dong and his associates) who are not required to abstain from voting at the EGM
Investment Agreement	an agreement dated 6 June 2016 entered into by the Zhaoqing Leoch, Guangdong Marshall and the Target Company, pursuant to which Zhaoqing Leoch has agreed to inject approximately RMB121,065,300 into the Target Company to acquire 75.34% of the enlarged registered capital of the Target Company
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
Master Alliance	Master Alliance Investment Limited, a limited liability company incorporated in the British Virgin Islands on 7 April 2010 and wholly owned by Mr. Dong
Mr. Dong	Mr. Dong Li, an executive Director and the chairman of the Company, who through Master Alliance, is indirectly interested in approximately 74.03% of the total issued share capital of the Company and is hence a Controlling Shareholder of the Company
Party/Parties	a party or parties (as the case may be) to the Investment Agreement
PRC	the People's Republic of China
RMB	Renminbi, the lawful currency of the PRC
Share(s)	share(s) in the share capital of the Company
Shareholder(s)	the holder(s) of share(s) of the Company
Stock Exchange	the Stock Exchange of Hong Kong Limited

Target Company	Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd.* (肇慶理士瑪西爾電動車有限公司), a company established in the PRC with limited liability on 24 June 2014 and a direct wholly-owned subsidiary of Guangdong Marshall as at the date of this announcement
Zhaoqing Factory	a factory constructed on the Zhaoqing Land for production-related purpose
Zhaoqing Land	the land located in the PRC at North Industrial Road and South Xing Long No. 5 Road of New High-tech Industrial Development Zone, Zhaoqing land lot no. 441284001008GS00001* (肇慶高新區工業大街北面興隆五街南面地號441284001008GS00001)
Zhaoqing Leoch	Zhaoqing Leoch Battery Technology Co., Ltd.* (肇慶理士電源技術有限公司), a company established in the PRC with limited liability on 9 May 2005 and an indirect wholly-owned subsidiary of the Company
%	per cent.

\* denotes an English translation of a Chinese name and is provided for identification purposes only

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

Hong Kong, 6 June 2016

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