

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)

ANNOUNCEMENT: CONTINUING CONNECTED TRANSACTIONS FOR THE THREE YEARS ENDING 31 DECEMBER 2021

The Board is pleased to announce that on 15 February 2019, the Company and Mr. Dong entered into the 2019 Master Leasing Agreement to renew the 2016 Master Leasing Agreement for a term of three years commencing from 1 January 2019 and ending on 31 December 2021.

As at the date of this announcement, Mr. Dong, through Master Alliance, holds 74.18% of the issued share capital of the Company. Accordingly, Mr. Dong, being a Controlling Shareholder of the Company, and his associates are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the 2019 Master Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps under the 2019 Master Leasing Agreement are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the 2019 Master Leasing Agreement and the transactions thereunder are only subject to the reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcements of the Company dated 21 March 2016 and 30 March 2016, respectively, in relation to the continuing connected transactions entered into between the Group, and Mr. Dong and his associates under the 2016 Master Leasing Agreement.

The Board is pleased to announce that upon the expiry of the 2016 Master Leasing Agreement, on 15 February 2019, the Company and Mr. Dong entered into the 2019 Master Leasing Agreement to renew the 2016 Master Leasing Agreement for a term of three years commencing from 1 January 2019 and ending on 31 December 2021.

2019 MASTER LEASING AGREEMENT

Details of the 2019 Master Leasing Agreement are set out below:

Date 15 February 2019

Parties (i) the Company
(ii) Mr. Dong

Transactions Pursuant to the 2019 Master Leasing Agreement, members of the Group will lease from Mr. Dong and/or his associates various properties owned by them. Such properties are used principally as offices and warehouses to satisfy the needs of the Group's operations. Individual tenancy agreement will be entered into between members of the Group and Mr. Dong and/or his associates with respect to the leasing arrangement of individual leased property from time to time. Details of such tenancy agreements entered and to be entered into between them are set out below.

Term and termination The 2019 Master Leasing Agreement is for a term of three years commencing from 1 January 2019 and ending on 31 December 2021. Upon expiry of the term, the parties shall subject to the requirements of the Listing Rules, and further negotiations, enter into a new master lease agreement.

Either party may, at any time before the 2019 Master Leasing Agreement expires, by giving not less than 30 days' notice, terminate the transactions under the 2019 Master Leasing Agreement.

Price determination The rental to be paid under the 2019 Master Leasing Agreement and the individual tenancy agreements entered and to be entered into pursuant thereto shall be based on terms which are no less favourable to the Group than the terms available from independent third parties for lease of similar properties in the same location and such rental shall be satisfied in cash.

Historical Annual Caps and Annual Caps

Historical Annual Caps and Actual Transaction Values

The annual caps for the transactions contemplated under the 2016 Master Leasing Agreement for the three years ended 31 December 2018 and the actual rental expenses paid by the Group for the same periods are set out below:

	Year ended 31 December 2016 (RMB'000)	Year ended 31 December 2017 (RMB'000)	Year ended 31 December 2018 (RMB'000)
Annual caps for the rental expenses payable by the Group	3,500	3,500	3,500
Actual rental expenses paid by the Group	3,364	3,199	3,046 (unaudited)

New Annual Caps

The new annual caps for the transactions contemplated under the 2019 Master Leasing Agreement for the three years ending 31 December 2021 are set below:

	Year ending 31 December 2019 (RMB'000)	Year ending 31 December 2020 (RMB'000)	Year ending 31 December 2021 (RMB'000)
Annual caps for the rental expenses payable by the Group	5,500	5,500	5,500

In arriving at the above new annual caps, the Directors have considered the following factors: (i) the historical rentals payable under the 2016 Master Leasing Agreement; (ii) the Group's forecast for lease of properties in the coming years; (iii) the rental rates payable for similar properties in the same location, which have increased substantially since the date of the 2016 Master Leasing Agreement; (iv) possible fluctuations in the exchange rates; and (v) new renovation and free equipment provided in the US Building (as defined below).

Similar to the 2016 Master Lease Agreement, the Group continues to lease the following three properties from Mr. Dong's associates for the Group's operation:

- (i) *Lease of Units E1-E4, E6- E7, E14-E63, E72-E112, E116-E135, E138-E145 of Xin Bao Hui Building, No. 2061 Nanhai Avenue, Nanshan District, Shenzhen, Guangdong, the PRC ("**E1 Properties**")*

The Group has entered into a tenancy agreement dated 24 December 2018 with Shenzhen Marshall Power Supply Co. Ltd. ("**Shenzhen Marshall**"), a company wholly owned by Mr. Dong, to lease the E1 Properties from Shenzhen Marshall, which is used as the Group's office in Shenzhen, for a term commencing from 24 December 2018 and expiring on 23 December 2021 at a monthly rent of RMB72,012, exclusive of management fees, water and electricity charges.

- (ii) *Lease of Units E8, E9, E148, E149 of Xin Bao Hui Building, No. 2061 Nanhai Avenue, Nanshan District, Shenzhen, Guangdong, the PRC ("**E8 Properties**")*

The Group has entered into a tenancy agreement dated 24 December 2018 with Shenzhen Marshall to lease the E8 Properties from Shenzhen Marshall, which is used as the Group's office in Shenzhen, for a term commencing from 24 December 2018 and expiring on 23 December 2021 at a monthly rent of RMB2,777, exclusive of management fees, water and electricity charges.

- (iii) *Lease of a Building Located at 19751 Descartes Foothill Ranches, County of Orange, State of California, the United States ("US Building")*

The Group has entered into a tenancy agreement dated 15 February 2019 with Eastern International LLC ("**Eastern International**"), a company wholly owned by the spouse of Mr. Dong, to lease the US Building from Eastern International, which is used as the Group's office and warehouse in the United States, for a term commencing from 1 January 2019 and expiring on 31 December 2021 at a monthly rent of US\$49,900 in 2019 with 3% annual increment in 2020 and 2021, respectively, exclusive of security deposit, association fees and other outgoings.

The above tenancy agreements are all within the ambit of the 2019 Master Leasing Agreement and subject to the new annual caps above.

REASONS FOR BENEFITS OF ENTERING INTO THE 2019 MASTER LEASING AGREEMENT

As disclosed in the past announcements and annual reports of the Company, the Group has from time to time leased properties from Mr. Dong and/or his associates. The properties leased from Mr. Dong and/or his associates are used principally as offices and warehouses to satisfy the needs of the Group's operations. With respect to the existing tenancy agreements, if the Group were to terminate such agreements, the Group would have to incur significant and additional relocation costs. Furthermore, taking into account the fact that the rentals paid or payable to Mr. Dong and/or his associates have been comparable to the prevailing market rates of the rentals of similar properties, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into 2019 Master Leasing Agreement and continue to lease properties from Mr. Dong and/or his associates.

The Directors (including the independent non-executive Directors) are of the view that: (A) the terms of the 2019 Master Leasing Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable to the Group than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Company; and (iv) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (B) the new annual caps under the 2019 Master Leasing Agreement for the three years ending 31 December 2021 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Since Mr. Dong has material interests in the 2019 Master Leasing Agreement, he had abstained from voting on the relevant Board resolutions approving the 2019 Master Leasing Agreement. Save for Mr. Dong, none of the Directors has any material interest in the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Dong, through Master Alliance, holds 74.18% of the issued share capital of the Company. Accordingly, Mr. Dong, being a Controlling Shareholder of the Company, and his associates are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the 2019 Master Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps under the 2019 Master Leasing Agreement are more than 0.1% but less than 5%, pursuant to Rule 14A.76 of the Listing Rules, the 2019 Master Leasing Agreement and the transactions thereunder are only subject to the reporting, announcement and annual review requirements, but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION OF THE PARTIES OF THE TRANSACTIONS

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

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

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

DEFINITIONS

2016 Master Leasing Agreement	an agreement dated 21 March 2016 entered into between the Company and Mr. Dong pursuant to which members of the Group have leased certain properties from Mr. Dong and/or his associates, the details of which were set out in the announcements dated 21 March 2016 and 30 March 2016, respectively
2019 Master Leasing Agreement	the agreement entered into between the Company and Mr. Dong on 15 February 2019 for a term of three years commencing from 1 January 2019 and ending on 31 December 2021, the details of which are set out in this announcement
associates	has the meaning ascribed to it under the Listing Rules
Board	the board of Directors
BVI	the British Virgin Islands
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Master Alliance	Master Alliance Investment Limited, a limited liability company incorporated in the BVI on 7 April 2010 and wholly owned by Mr. Dong
Mr. Dong	Mr. Dong Li, an executive Director and the chairman of the Board, who through Master Alliance, is interested in approximately 74.18% of the total issued share capital of the Company and is hence a Controlling Shareholder of the Company

PRC	the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong, Taiwan and Macau Special Administrative Region
RMB	Renminbi, the lawful currency of the PRC
Shareholders	the shareholders of the Company
US\$	United States dollars, the lawful currency of the United States of America

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

Hong Kong, 15 February 2019

As at the date of this announcement, the executive Directors are Mr. DONG Li and Ms. YIN Haiyan and the independent non-executive Directors are Mr. LIU Yangsheng, Mr. CAO Yixiong Alan and Mr. LAU Chi Kit.