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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)

CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO THE PRODUCT PROCUREMENT
FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 12 February 2025 in relation to the Proposed Spin-off. The Proposed Spin-off, if proceeded with, will result in the separate listing of the SpinCo on a U.S. Exchange and the separation of the SpinCo from the Company. The Board has approved to enter into the Product Procurement Framework Agreement with the SpinCo Group on 10 December 2025, pursuant to which the Retained Group has agreed to manufacture and sell finished power solution to SpinCo Group for its sales in the Overseas Markets and the SpinCo Group has agreed to procure finished power solution from the Retained Group. The Product Procurement Framework Agreement shall come into force upon execution by both parties and the approval by the EGM, and shall be effective on the SpinCo Listing Date with an initial term from the SpinCo Listing Date until the year ending 31 December 2027.

LISTING RULES IMPLICATIONS

Upon completion of the Proposed Spin-off, the SpinCo Group will be a connected person of the Retained Group given Dr. Dong, the Chairman of the Board, an executive Director and the Controlling Shareholder, who through Master Alliance, will hold more than 70% interest in the SpinCo Group. Accordingly, the transactions contemplated under the Product Procurement Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon completion of the Proposed Spin-off. As the highest applicable percentage ratio as set out in Rule 14.07 of the Listing Rules in respect of the Product Procurement Framework Agreement would be more than 5%, the transactions contemplated under the Product Procurement Framework Agreement are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Board has resolved and approved the resolution in relation to the Product Procurement Framework Agreement and its proposed annual caps on 10 December 2025, and authorised chairman of the Board to sign the Product Procurement Framework Agreement in due course. Dr. Dong, who is a connected Director of the Company, has abstained from voting on the resolution for the approval of the Product Procurement Framework Agreement and its proposed annual caps. Save for the above, none of the other Directors of the Company has a material interest in the Product Procurement Framework Agreement and the transactions contemplated thereunder.

In addition, the Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Product Procurement Framework Agreement and the proposed annual caps thereof for the period from the SpinCo Listing Date until 31 December 2026 and the financial year ending 31 December 2027. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matters.

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Product Procurement Framework Agreement and the proposed annual caps thereof. A circular containing, among other things, (i) further details of the Product Procurement Framework Agreement and the proposed annual caps thereof; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with the notice of the EGM, is expected to be despatched to the Shareholders on or before 15 December 2025.

PRODUCT PROCUREMENT FRAMEWORK AGREEMENT

Date: 10 December 2025

Parties:

- (i) the Company (on behalf of the Retained Group);
- (ii) Leoch Energy Inc (on behalf of the SpinCo Group)

Subject matters:

Pursuant to the Product Procurement Framework Agreement, the Retained Group has agreed to manufacture and sell finished power solution to SpinCo Group and SpinCo Group has agreed to procure finished power solution from the Retained Group for its sales in the Overseas Markets. Product Procurement Framework Agreement shall come into force upon the execution by both parties and the approval by the EGM, and shall be effective on the SpinCo Listing Date with an initial term from the SpinCo Listing Date until the year ending 31 December 2027.

The Retained Group and the SpinCo Group will enter into specific transaction agreements setting out the content of the products and/or solution to be supplied and the terms and conditions on which such products and/or solution will be provided, in accordance with the principles laid down by the Product Procurement Framework Agreement.

Pricing Policy

Pursuant to the Product Procurement Framework Agreement, the SpinCo Group will pay to the Retained Group purchase fees, being the cost amount of the Retained Group with a mark-up rate of approximately 10% to 25%. Such mark-up rate for the purchase fees is determined by the Retained Group and the SpinCo Group on an arm's length basis, with reference to:

- (1) the ascribed mark-up rates as reflected in the financials of the SpinCo Group (which have been prepared on a pro forma basis as if the SpinCo Group has been separated from the Retained Group throughout the financial years of 2022 to 2024) for the purchase of power solution from the Retained Group;
- (2) the cost and expense for the Retained Group for manufacturing these products; and
- (3) the price at which the same type of products is sold by the Retained Group to independent third parties on normal commercial terms in the ordinary course of business in the PRC, or on terms which are of no less favourable to the Retained Group than terms available to other independent third parties who are willing to order similar quantity under similar conditions.

Historical Amounts

For the three years ended 31 December 2022, 2023 and 2024, and the six months ended 30 June 2025, the transaction amount for SpinCo Group's procurement of batteries products from the Retained Group were RMB2,533.2 million, RMB2,678.7 million, RMB3,477.5 million and RMB2,153 million, respectively.

Proposed Annual Caps and Basis of Determination

Unit: RMB million

	From the SpinCo Listing Date until 31 December 2026	For the year ending 31 December 2027 <i>(RMB million)</i>
Annual caps	800	400

The aforesaid annual caps have been determined after taking into account the following factors:

- (1) the expected business development of the SpinCo Group and the historical transaction amounts between the SpinCo Group and the Retained Group with respect to the procurement arrangement. The transaction amount for SpinCo Group's procurement of batteries products from the Retained Group increased from RMB2.7 billion in 2023 to RMB3.5 billion in 2024. This is because the revenue of the Company increased significantly from 2023 to 2024, which was largely attributable to the revenues increase from the sale SLI batteries driven by higher sales of high-end products, improved delivery capabilities, and the continued expansion of automobile aftermarket services. However, due to the inherent lead time required for SpinCo's capacity expansion, the growth in SpinCo's production capacity has lagged behind its revenue growth. To ensure timely order fulfillment, the SpinCo has increased its procurement volume of finished power solution from Retain Group under the Product Procurement Framework Agreement. In addition, the value of product demand of the SpinCo Group had shown an increasing trend along with its expected business development, with an increase of approximately 25% from 2023 to 2024, and such trend is expected to continue for the three years ending December 31, 2027; and
- (2) the expected decline in the transaction amount of products to be procured by the SpinCo Group from the Retained Group under the Product Procurement Framework Agreement alongside the SpinCo Group's gearing up of its capabilities to conduct production activities independently upon completion of the Proposed Spin-off. It is currently expected that by the end of 2028, the SpinCo Group's own production capacity will be able to meet the vast majority of its internal demand. Specifically, the production capacity of the current nine factories of the SpinCo Group will increase gradually in the next three years from 2026 to 2028, while the SpinCo Group is currently expected to have a new factory in the 2027 to further increase its production facilities, reducing the transaction amount of products to be procured by the SpinCo Group from the Retained Group under the Product Procurement Framework Agreement to an immaterial amount.

Having considered the factors set out above, the Directors are of the view that the proposed annual caps for the Product Procurement Framework Agreement are fair and reasonable.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PRODUCT PROCUREMENT FRAMEWORK AGREEMENT

The Retained Group has been providing finished power solution to the SpinCo Group for its sales in the Overseas Markets since 2001, which was in line with the industry norm. Owing to the long term historical cooperation, the Retained Group has acquired comprehensive understanding of the SpinCo Group's business and operational requirements and established a great foundation for mutual trust, and therefore can well understand the technical standards of SpinCo Group's products based on their cooperative experience with the Retained Group, and provide power solution of the required quality and standard within the timeframe stipulated by the SpinCo Group. In light of the above, the Retained Group are well positioned to accommodate to the needs of the SpinCo Group and offer more tailored services with greater efficiency and flexibility in terms of supply chain management, inventory control and delivery cycle. These give the Retained Group a competitive edge over the other OEMs in its provisions of finished power solution to the SpinCo Group. If the SpinCo Group were to source power solution from other OEM(s), it would take additional time and resources for the SpinCo Group to identify suitable OEM(s) with requisite capability on fulfilment of customers' preference on shapes, plates and accessories of power solution. The SpinCo Group will also need to conduct additional product quality examination on these OEMs and obtain customers' consents on any changes of products resulted from engaging new OEMs. Such process would potentially incur substantial costs which is otherwise not economically beneficial to the SpinCo Group, and may prolong the product delivery timeline and therefore prejudice the SpinCo Group's customer satisfaction.

As of the current stage, the sourcing service provided to the SpinCo allows the SpinCo to remain competitive by leveraging the economies of scale of the Retained Group's manufacturing capabilities for mass production of power solution at a lower cost compared to the SpinCo sourcing such products and services on its own. This in turn enables the SpinCo Group to meet customer needs in the Overseas Markets at a more competitive pricing and cost-effective manner whilst allowing time for the SpinCo Group to gradually ramps up its own manufacturing and production capacity during the transitional period upon completion of the Proposed Spin-off.

As for the Retained Group, with the added benefit of having a good understanding of the operational flow of the SpinCo and a strong business relationship between the SpinCo and the Retained Group built over the years, the Retained Group is well-placed to supply power solution to the SpinCo Group during the transitional period upon completion of the Proposed Spin-off. The arrangement under the Product Procurement Framework Agreement is advantageous for the Retained Group as it provides the Retained Group with a stable source of income and recurring revenue streams (albeit in a decreasing trend) through the provisions of finished power solution to the SpinCo Group.

Based on the above and having considered the basis on which the proposed annual caps were determined, the Board is of the view that the Product Procurement Framework Agreement and its proposed annual caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Independent Board Committee comprising the independent non-executive Directors, having taken into account the views of Lego Corporate Finance Limited, has provided its advice on the Product Procurement Framework Agreement and its proposed annual caps as set out in the letter contained in the circular to be despatched thereafter.

INTERNAL CONTROL MEASURES

The Company has adopted the following internal control measures to ensure that the transactions contemplated under each of the Product Procurement Framework Agreement and the Brand Licensing Framework Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole:

- (i) the Company has adopted and implemented a management system on connected transactions. Under such system, the audit committee is responsible for conducting reviews on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the connected transactions. In addition, the audit committee, the Board and the Sales Department of the Company are jointly responsible for evaluating the terms under the framework agreements for connected transactions, in particular, with respect to the fairness of the pricing policies and annual cap under each agreement;

- (ii) the audit committee, the Board, the Finance Department and the Sales Department of the Company also regularly monitor the fulfillment status and the transaction updates under the agreements. Specifically, the Finance Department of the Company will inform the Sales Department of the Company the amounts of the annual caps under the framework agreements and conduct monthly review of the actual transaction amounts to ensure that the annual caps are not exceeded. In addition, the management of the Company, including each of the sales director, finance manager and finance director, also need to approve the pricing terms and regularly reviews the pricing policies of the agreements;
- (iii) the Company's independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the framework agreements and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- (iv) when considering fees for the products and services to be charged by the Group to the connected persons or by the connected persons to the Group, the Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between the Group and independent third parties for similar transactions, and the Sales Department of the Company will regularly review the corresponding price of the comparable power solution of the Retained Group offered to all customers, to ensure that the pricing and terms offered by the connected persons from mutual commercial negotiations (as the case may be) are fair, reasonable and are no less favorable than those to be offered by independent third parties; and
- (v) when considering any renewal or revisions to the framework agreements, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be), and the independent non-executive Directors and Independent Shareholders have the right to consider if the terms of the nonexempt continuing connected transactions (including the proposed annual cap) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, the Company will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under the Listing Rules.

DIRECTORS' CONFIRMATION AND INDEPENDENT SHAREHOLDERS' APPROVAL

The Board has resolved and approved the resolution in relation to the Product Procurement Framework Agreement and its proposed annual caps on 10 December 2025, and authorised chairman of the Board to sign the Product Procurement Framework Agreement in due course. Dr. Dong, a connected Director of the Company, has abstained from voting on the resolution for the approval of the Product Procurement Framework Agreement and its proposed annual caps. Save for the above, none of the other Directors of the Company has a material interest in the Product Procurement Framework Agreement and the transactions contemplated thereunder.

In addition, the Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Product Procurement Framework Agreement and the proposed annual caps thereof for the period from the SpinCo Listing Date until 31 December 2026 and the financial year ending 31 December 2027. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matters.

An EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Product Procurement Framework Agreement and the proposed annual caps thereof. A circular containing, among other things, (i) further details of the Product Procurement Framework Agreement and the proposed annual caps thereof; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Lego Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules, together with the notice of the EGM, is expected to be despatched to the Shareholders on or before 15 December 2025.

IMPLICATIONS UNDER THE LISTING RULES

Upon completion of the Proposed Spin-off and the Proposed Distribution, the SpinCo Group will be a connected person of the Retained Group given Dr. Dong, the Chairman of the Board, an executive Director and the Controlling Shareholder, who through Master Alliance, will hold more than 70% interest in the SpinCo Group. The Product Procurement Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon completion of the Proposed Spinoff.

As the highest applicable percentage ratio as set out in Rule 14.07 of the Listing Rules in respect of the Product Procurement Framework Agreement would be more than 5%, the transactions contemplated under the Product Procurement Framework Agreement are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE SPINCO GROUP AND THE RETAINED GROUP

As of the Latest Practicable Date, the Group is primarily engaged in (i) power solutions business categorized into three major categories: (a) network power batteries, including Telecom and UPS batteries which are widely used in communications networks and data centers at all levels to provide a key guarantee for the normal operation of communication networks and other reserve power batteries; (b) SLI batteries, which are used for the starting-and-stop, lightening and ignition (SLI) of automobiles, motorcycles and ships; and (c) motive power batteries, which are mainly used in electric bicycles, electric tricycles, low-speed electric cars, golf carts and sightseeing carts; and (ii) sales of recycled lead products business. For the three years ended 31 December 2024, the revenue generated by the above two major business segments from customers principally located in Chinese Mainland, Hong Kong, Macau, EMEA, Americas and Asia-Pacific (other than Chinese Mainland, Hong Kong and Macau).

The power solution products sold by the Retained Group and the SpinCo Group are customized for use in vehicles, energy storage systems and other applications for telecommunication stations and data centers in different markets and regions, with differentiated and distinguished features and characteristics in terms of their design, technical specification, functionality and capacity, which cater to specific models of products (such as electric vehicles and other battery-driven products) and application systems used or sold in different countries and regions, as well as with modifications necessary to comply with any applicable standard or product requirements under local laws and regulations. For example, the batteries used in BMW cars sold in China have different size, specifications, capacity and electricity compared to the BMW cars sold in the U.S. This is determined by local standards, product requirements and customer preference in different regions.

Upon completion of the Proposed Spin-off and the Proposed Distribution, the SpinCo Group will operate its power solution business in Overseas Markets, and the Retained Group will continue to operate its power solution business and sales of recycled lead products business in Chinese Mainland, Hong Kong and Macau.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Board”	board of directors of the Company
“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 under stock code: 842
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transactions”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Dr. Dong”	Dr. Dong Li, the Chairman of the Board and an executive Director, who, through Master Alliance, is interested in approximately 74.17% of the total issued share capital of the Company as of the date of this announcement and hence a Controlling Shareholder
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to approve, amongst other matters, Product Procurement Framework Agreement
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising of all the independent non-executive Directors established by the Company to advise (i) the Company Shareholders in respect of the terms of the Proposed Spin-off and the Proposed Distribution; and (ii) the Independent Company Shareholders in respect of the terms of, and the transactions contemplated under, the Product Procurement Framework Agreement
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, acting as the independent financial adviser to advise the Independent Board Committee and the Independent Company Shareholders in respect of the terms of the Product Procurement Framework Agreement
“Independent Company Shareholders”	Company Shareholder(s) who is/are not required to abstain from voting on the resolution to be proposed at the EGM to approve the Product Procurement Framework Agreement
“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 which is wholly owned by Dr. Dong
“Overseas Markets”	Europe, Middle East and Africa, Americas and Asia-Pacific regions (other than Chinese Mainland, Hong Kong and Macau)

“PRC”	the People’s Republic of China
“Product Procurement Framework Agreement”	the product procurement framework agreement to be entered into between the SpinCo Group and the Retained Group
“RMB”	Renminbi, the lawful currency of the PRC
“Retained Group”	the Company and its subsidiaries, excluding the SpinCo Group
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shareholder(s)”	holder(s) of Shares of the Company
“Shares”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“SpinCo”	Leoch Energy Inc, an exempted limited liability company incorporated in the Cayman Islands on 19 July 2024 and a wholly-owned subsidiary of the Company prior to the Proposed Spin-off, and the demerger entity in the Proposed Spin-off
“SpinCo Group”	the SpinCo and its subsidiaries
“SpinCo Listing Date”	the date on which the SpinCo is listed on the U.S. Stock Exchange
“Proposed Spin-off”	the proposed listing of the shares of the SpinCo on the U.S. Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“U.S. Stock Exchange” the New York Stock Exchange or Nasdaq

“%” per cent

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

Hong Kong, the PRC, 10 December 2025

As at the date of this notice, the executive directors are Dr. DONG Li and Ms. HONG Yu and the independent non-executive directors are Mr. CAO Yixiong Alan, Mr. LAU Chi Kit and Mr. LU Zhiqiang.