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)

CONNECTED TRANSACTIONS
PURCHASE AGREEMENT FOR PRODUCTION FACILITIES

In view of the expected growth of the sales for the Group's battery products, especially the rapid growth trending of the overseas markets, the Group has continuously expanded its production capacity through, among others, construction of new workshops and renovation workshops. As Zhaoqing Keli (an indirect wholly-owned subsidiary of the Company principally engaged in manufacturing production facilities) cannot meet the total need of the Group for the Production Facilities in a timely manner to meet the production schedule of the Group, on 12 December 2024 (after trading hours), Zhaoqing Keli as purchaser entered into the Purchase Agreement with Guangdong Marshell as vendor, pursuant to which Zhaoqing Keli has agreed to purchase certain Production Facilities from Guangdong Marshell at the total cash consideration of approximately RMB50.8 million (inclusive of 13% value added tax) (equivalent to approximately HK$55.8 million).

Guangdong Marshell is wholly-owned by Shenzhen Marshell which is in turn indirectly owned as to approximately 98.55% by Dr. Dong and his brother. As Dr. Dong is the Chairman of the Board and an executive Director of the Company, who, through Master Alliance, is interested in approximately 73.42% of the total issued share capital of the Company and hence a controlling Shareholder of the Company, Guangdong Marshell is a connected person of the Company. Accordingly, the transactions contemplated under the Purchase Agreement constitute connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Purchase Agreement in aggregate is more than 0.1% but less than 5%, the transactions contemplated under the Purchase Agreement constitute connected transactions of the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

On 12 December 2024 (after trading hours), Zhaoqing Keli (an indirect wholly-owned subsidiary of the Company) as purchaser entered into the Purchase Agreement with Guangdong Marshell as vendor, pursuant to which Zhaoqing Keli has agreed to purchase certain Production Facilities from Guangdong Marshell at the total consideration of approximately RMB50.8 million (inclusive of 13% value added tax) (equivalent to approximately HK$55.8 million). The principal terms of the Purchase Agreement are set out below: –

THE PURCHASE AGREEMENT

Date: 12 December 2024

Parties:

(i) Zhaoqing Keli as purchaser; and

(ii) Guangdong Marshell as vendor.

Subject matter: Zhaoqing Keli has agreed to purchase from Guangdong Marshell certain Production Facilities manufactured by Guangdong Marshell and its related company, which shall be delivered within 60 days from the date of the Purchase Agreement.

Consideration

The total cash consideration for the purchases under the Purchase Agreement is approximately RMB50.8 million (inclusive of 13% value added tax) (equivalent to approximately HK$55.8 million) which shall be paid by Zhaoqing Keli in the following manner:

(a) as to RMB15.2 million (inclusive of value added tax) (equivalent to approximately HK$16.7 million), representing 30% of the consideration, shall be paid to Guangdong Marshell within 30 days from the date of the Purchase Agreement;

(b) as to RMB30.4 million (inclusive of value added tax) (equivalent to approximately HK$33.5 million), representing 60% of the consideration, shall be paid to Guangdong Marshell within 30 days after the receipt of the Production Facilities and passing of the acceptance inspection by Zhaoqing Keli; and

(c) the remaining 10% of the consideration shall be paid within 30 days upon the expiry of the warranty period (which is 12 months from the date of the acceptance inspection), provided that no quality issue has arisen.

To the best knowledge of the Directors having made all necessary enquiries, the original acquisition costs of the Production Facilities under the Purchase Agreement are about RMB41.4 million (equivalent to approximately HK$45.5 million). The consideration of RMB50.8 million was determined after arm's length negotiation and is inclusive of (i) about 8% profit margin; and (ii) 13% value added tax. To the best knowledge and information of the Directors, the profit margin of suppliers of similar production facilities in the market is not lower than 15%. The Directors consider that the consideration payable under the Purchase Agreement (including the profit margin) is on more favourable terms taken into the consideration of the guaranteed quality and delivery time from Guangdong Marshell and was compared to two quotations obtained from independent third parties to provide the similar production facilities before entering into the Purchase Agreement.

INFORMATION ABOUT ZHAOQING KELI

Zhaoqing Keli is an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in the manufacture, development and sale of batteries and recycled lead business.

INFORMATION ABOUT GUANGDONG MARSHELL

Guangdong Marshell is wholly-owned by Shenzhen Marshell which is principally engaged in the manufacture and sales of electronic products, low capacity lithium-ion batteries, chargers, converters, power supply products, plastic goods, and electric vehicles etc.

REASONS FOR ENTERING INTO THE PURCHASE AGREEMENT

The Group had in the past purchased certain facilities for the production of batteries and related products from companies controlled by Dr. Dong. In recent years, there has been a global drive for the growth of the new energy sector through actively developing clean energy and promoting green and low-carbon transition, and thereby expected to boost the global market's overall demand for the Group's battery products. To resolve any insufficiency in production capacity to meet the growing demand, the Group has continuously expanded its production capacity through, among others, construction of new workshops and renovation workshops in the PRC and overseas. In this connection, the Group requires Production Facilities in an estimated total amount of about RMB179.0 million to enhance the production capacity in these workshops to cater for the growing demand for battery products both in domestic and overseas markets. However, taking into account of the existing resources and capacity of Zhaoqing Keli (which is principally engaged in manufacturing production facilities), it cannot meet the total need of the Group for the Production Facilities in a timely manner to meet the production schedule of the Group. Accordingly, approximately one-third of the Production Facilities would need to be outsourced to be provided by other supplier(s). In view of the guaranteed quality and delivery time, and the fee quoted from Shenzhen Marshell (which is on more favourable terms compared to other independent third parties), the Purchase Agreement is entered into for the purchase of the Production Facilities in the amount of RMB50.8 million for production in the Group's workshops. The Production Facilities do not fall within the scope of products to be purchased (which are mainly raw materials) from Shenzhen Marshell and other private entities controlled by Dr. Dong in the ordinary course of business of the Group under the master purchases agreement dated 2 December 2024 (details of which are set out in the announcement of the Company dated 2 December 2024). The Directors consider that the transactions contemplated under the Purchase Agreement are in line with the Group's development plan to meet the positive growth of the Group in the foreseeable future.

Accordingly, the Directors, including the independent non-executive Directors, are of the view that the Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole. Dr. Dong had abstained from voting on the relevant resolutions of the Board approving the Purchase Agreement and the transactions contemplated thereunder pursuant to the articles of association of the Company. Save as disclosed above, none of the Director has a material interest in the subject transactions and is required to abstain from voting on the relevant resolutions of the Board.

LISTING RULES IMPLICATION

Guangdong Marshell is wholly-owned by Shenzhen Marshell which is in turn indirectly owned as to approximately 98.55% by Dr. Dong and his brother. As Dr. Dong is the Chairman of the Board and an executive Director of the Company, who, through Master Alliance, is interested in approximately 73.42% of the total issued share capital of the Company and hence a controlling Shareholder of the Company, Guangdong Marshell is a connected person of the Company. Accordingly, the transactions contemplated under the Purchase Agreement constitute connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Purchase Agreement in aggregate is more than 0.1% but less than 5%, the transactions contemplated under the Purchase Agreement constitute connected transactions of the Company subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meaning:

"associates"	has the meaning ascribed to this term under the Listing Rules
"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 under stock code: 842
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company

"Dr. Dong"	Dr. Dong Li, the Chairman of the Board and an executive Director, who through Master Alliance, is interested in approximately 73.42% of the total issued share capital of the Company and hence a controlling Shareholder
"Group"	the Company and its subsidiaries
"Guangdong Marshell"	廣東瑪西爾電動科技公司 (Guangdong Marshell Electric Vehicle Co., Ltd.#), a company incorporated in the PRC with limited liability principally engaged in, among other things, the manufacture and sale of the Production Facilities
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Master Alliance"	Master Alliance Investment Limited, a limited liability company incorporated in the British Virgin Islands which is wholly owned by Dr. Dong
"Production Facilities"	facility, machinery and equipment including sink and stainless steel racks, transmission lines, cooling system etc. to be used for the Group's production in its newly constructed workshops or renovation workshops
"Purchase Agreement"	the agreement dated 12 December 2024 entered into between Zhaoqing Keli as purchaser and Guangdong Marshell as vendor in respect of the purchases of certain Production Facilities from Guangdong Marshell
"PRC"	the People's Republic of China which, for the purposes of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC

"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)
"Shenzhen Marshell"	深圳瑪西爾電動車股份公司 (Shenzhen Marshell Electric Vehicle Co., Limited#), a company established in the PRC which is indirectly owned as to approximately 98.55% by Dr. Dong and his brother
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Zhaoqing Keli"	肇慶科利機械裝備製造有限公司 (Zhaoqing Keli Machinery Equipment Manufacturing Co., Limited#), an indirect wholly-owned subsidiary of the Company established in the PRC
"%"	percent.

In this announcement, amounts in RMB are translated into HK$ on the basis of RMB1 = HK$1.10. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK$ at such rate or at other rates or at all.

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

Hong Kong, 12 December 2024

As at the date of this announcement, 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.

For identification purpose only