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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)**

### **ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

The Board is pleased to announce that on 23 December 2022 (after trading hours of the Stock Exchange), the Company and the Subscribers entered into the Subscription Agreements, pursuant to which (i) Subscriber A has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$26.8 million; (ii) Subscriber B has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$30 million; and (iii) Subscriber C has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$35 million.

Assuming full conversion of the Convertible Bonds at the initial Conversion Price (subject to adjustments), a maximum number of 60,000,000 Conversion Shares will be allotted and issued, representing approximately 4.42% of the issued share capital of the Company as at the date of this announcement and approximately 4.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the date of this announcement and up to conversion of the Convertible Bonds in full at the initial Conversion Price).

Subject to completion of the Subscriptions, the gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds will be approximately HK\$91.8 million and approximately HK\$91.5 million, respectively. The Company intends to use such net proceeds for the acquisition of machinery and equipment for the power solutions business of the Group.

The Conversion Shares will be allotted and issued under the General Mandate. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

**Completion of the Subscriptions is subject to fulfillment of the conditions precedent under the Subscription Agreements. Accordingly, the Subscriptions may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## INTRODUCTION

The Board is pleased to announce that on 23 December 2022 (after trading hours of the Stock Exchange), the Company and the Subscribers entered into the Subscription Agreements, pursuant to which (i) Subscriber A has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$26.8 million; (ii) Subscriber B has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$30 million; and (iii) Subscriber C has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in the principal amount of HK\$35 million.

## SUBSCRIPTION AGREEMENTS

The principal terms of the Subscription Agreements are set out below.

Date: 23 December 2022

Parties: The Company as the issuer and Subscriber A as the subscriber for the Subscription Agreement A.

The Company as the issuer and Subscriber B as the subscriber for the Subscription Agreement B

The Company as the issuer and Subscriber C as the subscriber for the Subscription Agreement C

## **Subscriptions**

Each of Subscriber A, Subscriber B and Subscriber C has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue to them, the Convertible Bonds in the principal amount of HK\$26.8 million, HK\$30 million and HK\$35 million respectively.

## **Conditions precedent**

The obligations of the Company and the Subscribers to effect Completion shall be conditional upon:

- (i) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreements and the transactions contemplated thereunder having been obtained;
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds, and such approval remains valid and effective;
- (iii) none of the warranties given by the Company thereunder having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (iv) none of the warranties given by each of the Subscribers under their respective Subscription Agreements having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

The conditions set out in (i) and (ii) above are incapable of being waived. Each of the Subscribers may at any time by notice in writing to the Company waive condition (iii) above under their respective Subscription Agreements. The Company may at any time by notice in writing to the Subscribers to waive condition (iv). If any of the conditions precedent above are not fulfilled (or waived, as the case may be) on or before the Long Stop Date, the Subscription Agreements shall cease and determine and no party shall have any claim against the other party for costs, damages, compensation or otherwise in respect of any matter or thing arising out of or in connection with the respective Subscription Agreements save in respect of any antecedent breach of any obligation thereof.

### **Completion**

Subject to fulfillment or waiver (as the case may be) of the conditions set out in the paragraph headed “Conditions precedent” above, Completion shall take place on a date falling on the fifth Business Day or such other day as agreed by the Company and the Subscribers.

### **ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE**

The principal terms of the Convertible Bonds to be issued under the Subscription Agreements are set out as follows:

Issuer: The Company

Principal amount: HK\$91.8 million in aggregate

Interest: The Convertible Bonds shall bear an interest from (and including) the date of issue at the rate of 5.5% per annum on the outstanding principal amount of the Convertible Bonds. Interest on the outstanding principal amount of the Convertible Bonds is payable half-yearly in arrears with interest payment to be made on the date falling six months from the date of issue of such Convertible Bonds and thereafter on the last day of each successive six-month period (the “**Interest Payment Date**”).

The Convertible Bonds will, in respect of the Conversion Rights attached thereto which are not yet exercised, cease to bear interest on the Maturity Date or the date of early redemption of the Convertible Bonds, whichever is earlier.

Should any part of the Convertible Bonds being converted or redeemed before the Interest Payment Date, interest shall be payable by the Company in respect of that part of the Convertible Bonds and calculated on pro rata basis for the relevant period from (and including) the date of issue of the Convertible Bonds up to the Conversion Date or the date of redemption (as the case may be).

- Maturity Date(s): The day falling on the third anniversary of the issue of the Convertible Bonds, provided that if such date is not a Business Day, the Business Day immediately after such date (the “**Maturity Date**”)
- Conversion right and limitation: A Bondholder shall have the right at any time during the Conversion Period to convert the whole or part (in authorised denominations) of the outstanding principal amount of Convertible Bonds registered in its name into Shares at the Conversion Price, provided that the issue of the Conversion Shares will not cause the public float of the Shares to be less than 25% (or any given percentage as required by the Listing Rules for the minimum percentage of Shares being held by the public) of the issued Shares of the Company.
- Conversion price: The initial Conversion Price for the Convertible Bonds shall be, subject to adjustments, HK\$1.53 per Conversion Share.
- Transferability: The Bondholder may only assign or transfer the Convertible Bonds in whole or in part to any other persons with the prior written consent of the Company.

Conversion Price  
adjustments:

The Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events, such as (i) consolidation or sub-division of Shares; (ii) capitalisation of profits or reserves; (iii) capital distribution; (iv) rights issues or grant of options or warrants to Shareholders to subscribe for Shares at a price which is less than 90% of the then market price of the Shares; (v) issue of convertible or exchangeable securities with the total effective consideration per Share at less than 90% of the then market price of the Shares or any rights of conversion, exchange or subscription attached to such securities are modified so that the said total effective consideration per Share is less than 90% of the then market price of the Shares; or (vi) issue of any Shares wholly for cash at a price per Share which is less than 90% of the then market price; and (vii) issue of new Shares for the acquisition of asset at a total effective consideration per Share less than 90% of the then market price of the Shares, in accordance with the provisions of the Convertible Bonds.

Ranking of Conversion  
Shares:

The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Conversion Shares.

Redemption:

*Redemption of the Convertible Bonds at the discretion of the Bondholders*

The Bondholder shall be entitled at its sole discretion without giving any reason and from time to time, by giving not less than one (1) month's notice to the Company, to request for early redemption of the outstanding Bonds (in whole or in part) at 102% (if the notice is given after six months but before the first anniversary of the date of issue of the Bonds), 104% (if the notice is given on or after the first anniversary but before the second anniversary of the date of issue of the Bonds) or 106% (if the notice is given on or after the second anniversary of the date of issue of the Bonds) of the principal amount of such outstanding Bonds together with all interest accrued up to the date of such redemption in cash.

*Redemption of the outstanding Convertible Bonds on the Maturity Date*

Unless previously redeemed, converted or purchased and cancelled as provided in the bond instrument, the Company shall redeem the Convertible Bonds which remains outstanding at 106% of such outstanding principal amount on the Maturity Date (or, if that is not a Business Day, the first Business Day thereafter) together with all interests accrued up to the date of such redemption in cash.

Voting:

A Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only it being a Bondholder.

Listing:

No application will be made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **Conversion Shares**

Assuming full conversion of the Convertible Bonds at the initial Conversion Price (subject to adjustments), a maximum number of 60,000,000 Conversion Shares will be allotted and issued, representing approximately 4.42% of the issued share capital of the Company as at the date of this announcement and approximately 4.23% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there will be no change in the issued share capital of the Company from the date of this announcement and up to conversion of the Convertible Bonds in full at the initial Conversion Price).

The Conversion Shares will be issued under the General Mandate, subject to the limit up to 271,570,933 Shares (representing 20% of the share capital of the Company in issue on the date of the annual general meeting of the Company (i.e. 30 May 2022)). As at the date of this announcement, no Share has been issued by the Company under the General Mandate. The General Mandate is therefore sufficient for the allotment and issue of the Conversion Shares. Accordingly, the allotment and issue of the Conversion Shares is not subject to the Shareholders' approval.

## **Conversion Price**

The initial Conversion Price for the Convertible Bonds shall be, subject to adjustments, HK\$1.53 per Conversion Share, which represents:

- (i) a premium of approximately 30.8% over the closing price of HK\$1.17 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements; and
- (ii) a premium of approximately 23.0% over the average closing price of approximately HK\$1.244 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Subscription Agreements.

The initial Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers taking into account (i) the existing capital market conditions in Hong Kong; and (ii) the recent closing prices of the Shares as quoted on the Stock Exchange up to and including the date of the Subscription Agreements.

## **INFORMATION ON THE SUBSCRIBERS**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Subscribers and their respective beneficial owners is an Independent Third Party and their background information are as follows:

- (i) Subscriber A is an open-end investment company incorporated in the Cayman Islands with limited liability. It is an investment fund managed by RAYS Capital Partners Limited, an Independent Third Party licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. It has a gross asset value of over US\$100 million and has a wide spread of investors (i.e. with not less than 50 ultimate beneficial owners) who are private investors.
- (ii) Subscriber B is a private investor.
- (iii) Subscriber C is a company incorporated in Hong Kong with limited liability principally engaged in investment holding, whose ultimate beneficial owner is Ms. Lee Wing Yin Jessica.

## **REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS**

The Company is an investment holding company. The Group is principally engaged in the manufacture, development and sale of batteries and recycled lead business.

Subject to completion of the Subscriptions, the gross proceeds and net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds will be approximately HK\$91.8 million and approximately HK\$91.5 million, respectively. The Company intends to use such net proceeds for the acquisition of machinery and equipment for the power solutions business of the Group and for working capital purposes of the Group. The net price per Conversion Share, which is calculated by dividing the aggregate net proceeds by the total number of the Conversion Shares based on the initial Conversion Price, is approximately HK\$1.53.

The Directors consider that the raising of funds by the issue of Convertible Bonds is justifiable taking into account the recent market conditions which represent an opportunity for the Group to strengthen its capital base and financial position. The Directors consider that the issue of Convertible Bonds is an appropriate means of raising additional capital since the Conversion Price is at a premium to the market price as set out above, which was arrived at after arm's length negotiations between the Company and the Subscribers. The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreements and the transactions contemplated thereunder, including the Conversion Price, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is the shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price, assuming there being no other change in the issued share capital and shareholding structure of the Company from the date of this announcement and up to the date of full conversion of the Convertible Bonds:

| Shareholders  | As at the date of this announcement |                                 | Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming there being no other change in the issued share capital and shareholding structure of the Company from the date of this announcement and up to the date of full conversion of the Convertible Bonds) |                                 |
|---|-------------------------------------|---------------------------------|--|---------------------------------|
|   | <i>Number of Shares</i>             | <i>Approx.% of shareholding</i> | <i>Number of Shares</i>  | <i>Approx.% of shareholding</i> |
| <b>Substantial shareholders</b>                       |                                     |                                 |  |                                 |
| Master Alliance Investment Limited<br><i>(Note 1)</i> | 1,011,548,000                       | 74.50                           | 1,011,548,000  | 71.34                           |
| <b>Public shareholders</b>                            |                                     |                                 |  |                                 |
| Subscriber A <i>(Note 2)</i>                          | –                                   | –                               | 17,516,340   | 1.24                            |
| Subscriber B <i>(Note 2)</i>                          | –                                   | –                               | 19,607,843   | 1.38                            |
| Subscriber C <i>(Note 2)</i>                          | –                                   | –                               | 22,875,817   | 1.61                            |
| Other public Shareholders                             | 346,306,666                         | 25.50                           | 346,306,666  | 24.43                           |
| <b>Total</b>  | <b>1,357,854,666</b>                | <b>100</b>                      | <b>1,417,854,666</b>   | <b>100</b>                      |

*Notes:*

1. Master Alliance Investment Limited is a company wholly owned by Dr. Dong Li.
2. According to the terms of the Convertible Bonds, a Bondholder shall have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of Convertible Bonds registered in her name into Conversion Shares at the Conversion Price, provided that the issue of the Conversion Shares will not cause the public float of the Shares to be less than 25% (or any given percentage as required by the Listing Rules for the minimum percentage of Shares being held by the public) of the issued Shares of the Company.
3. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not carried out any equity fund raising activities during the past 12 months immediately preceding the date of this announcement.

**Completion of the Subscriptions is subject to fulfillment of the conditions precedent as set out in the Subscription Agreements. Accordingly, the Subscriptions may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

Unless the context requires otherwise, capitalised terms used in this announcement shall have the following meaning:

|                 |  |
|-----------------|--|
| “Board”         | the board of Directors   |
| “Bondholder(s)” | a holder or holders in whose name the Convertible Bonds is registered in the register in relation to the Convertible Bonds |

|                       |   |
|-----------------------|---|
| “Business Day”        | any day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “Company”             | Leoch International Technology Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 842)  |
| “Completion”          | completion of the Subscriptions in accordance with the terms and conditions of the Subscription Agreements  |
| “connected person”    | has the meaning ascribed thereto under the Listing Rules  |
| “Conversion Period”   | the period commencing from the date on which the Convertible Bonds are issued to the Bondholder(s) up to and including the Maturity Date  |
| “Conversion Price”    | HK\$1.53 per Conversion Share, subject to adjustments   |
| “Conversion Rights”   | the rights of the Bondholder(s) to convert the principal amount outstanding under the Convertible Bonds registered in its name into Conversion Shares subject to the terms and conditions of the Convertible Bonds  |
| “Conversion Share(s)” | Share(s) to be allotted and issued upon exercise of the Conversion Rights   |
| “Convertible Bonds”   | unlisted 5.5% coupon convertible bonds in the principal amount of HK\$91.8 million to be issued by the Company pursuant to the terms and conditions of the Subscription Agreements  |

|                           |  |
|---------------------------|--|
| “Director(s)”             | director(s) of the Company   |
| “General Mandate”         | the general mandate granted to the Directors to allot and issue up to 271,570,933 Shares (representing 20% of the share capital of the Company in issue on the date of the annual general meeting) by the Shareholders at the annual general meeting of the Company held on 30 May 2022  |
| “Group”                   | the Company and its subsidiaries   |
| “Hong Kong”               | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Third Party” | any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules |
| “Listing Rules”           | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Long Stop Date”          | 13 January 2023 or such other date as may be agreed by the Company and the Subscribers in writing  |
| “SFO”                     | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)  |
| “Share(s)”                | ordinary share(s) of HK\$0.1 each in the share capital of the Company  |
| “Shareholder(s)”          | holder(s) of the issued Share(s)   |
| “Stock Exchange”          | The Stock Exchange of Hong Kong Limited  |

|                           |   |
|---------------------------|---|
| “Subscriber A”            | Asian Equity Special Opportunities Portfolio Master Fund Limited, an Independent Third Party  |
| “Subscriber B”            | Leung Shek Kong, an Independent Third Party   |
| “Subscriber C”            | Great Access Incorporation Limited, an Independent Third Party  |
| “Subscribers”             | Subscriber A, Subscriber B and Subscriber C collectively  |
| “Subscriptions”           | the subscriptions of the Convertible Bonds pursuant to the terms and conditions of the Subscription Agreements  |
| “Subscription Agreements” | the three conditional subscription agreements dated 23 December 2022 and entered into between the Company and each of the Subscribers respectively in relation to the Subscriptions |
| “Takeovers Code”          | The Hong Kong Code on Takeovers and Mergers   |
| “HK\$”                    | Hong Kong dollars, the lawful currency of Hong Kong   |
| “%”                       | per cent.   |

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

Hong Kong, 23 December 2022

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