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## CONNECTED TRANSACTIONS

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### DE MINIMIS TRANSACTIONS

#### *Licence to Use a Building Pending Issuance of Real Estate Title Certificate*

Mr. Dong owns a 60% equity interest in Dongguan Leoch Power Supply, which makes Dongguan Leoch Power Supply a connected party of our Company. Dongguan Leoch entered into a purchase agreement dated June 30, 2010 with Dongguan Leoch Power Supply pursuant to which Dongguan Leoch Power Supply agreed to sell and Dongguan Leoch agreed to purchase certain buildings with an aggregate GFA of approximately 10,000 sq.m. constructed by Dongguan Leoch Power Supply on a piece of land owned by Dongguan Leoch in Dongguan, PRC. Under the purchase agreement, the amount of consideration payable by Dongguan Leoch is to be determined by an independent valuation expert at the time of issue of a real estate title certificate in respect of the buildings, and is only due and payable after the issue of such certificate by the relevant government authorities to Dongguan Leoch. The transaction regarding the acquisition of the buildings pursuant to the purchase agreement will be subject to applicable provisions in relation to connected transactions of the Listing Rules upon issuance of the real estate title certificate and finalization of the consideration for the purchase. Where applicable, we will apply for a separate waiver for relevant connected transactions pursuant to applicable provisions under Chapter 14A of the Listing Rules. Pending the issue of the real estate title certificate, Dongguan Leoch Power Supply has granted to Dongguan Leoch a license to use the buildings at nil consideration. The purchase agreement further provides that if the local government orders the demolition of the buildings before the issue of the real estate title certificate, Dongguan Leoch Power Supply will compensate Dongguan Leoch for all costs and expenses relating to the demolition of the buildings and the costs of relocating Dongguan Leoch's manufacturing plant.

As all of the percentage ratios used to calculate the threshold for continuing connected transactions under the Listing Rules for the above transaction are less than 0.1% on an annual basis, these constitute de minimis connected transactions of our Company and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements according to Rule 14A.33(3) of the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT, BUT SUBJECT TO THE REPORTING, ANNOUNCEMENT AND ANNUAL REVIEW REQUIREMENTS

#### *Leases with Mr. Dong and his Associates*

We have entered into the following leases (the "Leases") with Mr. Dong and his associates:

*Lease of Units E8, E9, E148 and E149 of the Main Building of Xin Bao Hui Building, No. 2061 Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC*

Shenzhen Marshall Power Supply is wholly owned by Mr. Dong and thus a connected person of our Company. Shenzhen Leoch Battery has entered into a tenancy agreement dated September 1, 2010 with Shenzhen Marshall Power Supply pursuant to which Shenzhen Marshall Power Supply agreed to let their property with a total GFA of 42.72 sq.m. located at Units E8, E9, E148 and E149 of the main building of Xin Bao Hui Building located at No. 2061, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC to Shenzhen Leoch Battery for a term commencing from September 1, 2010 and expiring on August 31, 2012 at a monthly rent of RMB2,136, exclusive of management fees, water and electricity charges. Jones Lang LaSalle Sallmanns Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC.

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## CONNECTED TRANSACTIONS

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*Lease of Units E1-E4, E6, E7, E14-E63, E72-E112, E116-E135 and E138-E145 of the main building of Xin Bao Hui Building, No.2061, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC*

Shenzhen Marshell Power Supply is wholly owned by Mr. Dong and thus a connected person of our Company. Shenzhen Leoch has entered into a tenancy agreement dated September 1, 2010 with Shenzhen Marshell Power Supply pursuant to which Shenzhen Marshell Power Supply agreed to let their property with a total GFA of 1,107.88 sq.m. at Units E1-E4, E6, E7, E14-E63, E72-E112, E116-E135 and E138-E145 of the main building of Xin Bao Hui Building located at No.2061, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC to Shenzhen Leoch for a term commencing from September 1, 2010 and expiring on August 31, 2012 at a monthly rent of RMB55,394, inclusive of management fees, water and electricity charges. Jones Lang LaSalle Sallmans Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC.

*Lease of Portion of Unit 901 on Level 9 of Tianzheng International Plaza, No.399 Zhongyang Road, Nanjing City, Jiangsu Province, the PRC*

Nanjing Leoch has entered into a tenancy agreement dated January 1, 2010 which was supplemented by a supplemental tenancy agreement dated October 5, 2010 with Mr. Dong pursuant to which Mr. Dong agreed to let his property with a lettable area of 128 sq.m. located at Unit 901 on Level 9 of Tianzheng International Plaza, No.399 Zhongyang Road, Nanjing City, Jiangsu Province, the PRC to Nanjing Leoch for a term of three years commencing from January 1, 2010 and expiring on December 31, 2012 at an annual rent of RMB72,000, exclusive of management fees, water and electricity charges and other outgoings. Jones Lang LaSalle Sallmans Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the PRC.

*Lease of an Office Unit on Level 19 of an Office Building Located at 14 Kitchener Link, No. 19-29, Singapore*

Leoch Battery Pte has entered into a tenancy agreement dated March 1, 2010 with Mr. Dong pursuant to which Mr. Dong agreed to let an office unit with a floor area of 113 sq.m. on Level 19 of an office building located at 14 Kitchener Link, No. 19-29, Singapore to Leoch Battery Pte for a term of three year commencing from March 10, 2010 and expiring on March 10, 2013 at a monthly rent of SG\$3,250 (equivalent to approximately RMB16,380). Jones Lang LaSalle Sallmans Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in Singapore.

*Lease of a Building Located at 19751 Descartes Foothill Ranchs, County of Orange, State of California, the United States*

Eastern International LLC is wholly owned by Peng Hui, the spouse of Mr. Dong, and thus a connected person of our Company. Leoch Battery Corp has entered into a tenancy agreement dated May 1, 2006, which was supplemented by a supplemental tenancy agreement dated October 5, 2010 where the lease term became effective from January 1, 2010 and will expire on December 31, 2012, pursuant to which Eastern International LLC agreed to let its property with a total GFA of 30,000 sq.ft. (or 2,787.07 sq.m.) located at 19751 Descartes Foothill Ranch, County of Orange, State of California, the United States to Leoch Battery Corp at a monthly rent of US\$35,000, exclusive of security deposit, association fees and other outgoings. Pursuant to a lease addendum in relation to rent adjustment, the monthly rent was decreased to US\$30,000 commencing from August 1, 2008. Jones Lang LaSalle Sallmans Limited, our independent property valuer, has reviewed the terms of the tenancy agreement and confirmed that the rent payable by us is consistent with the prevailing market rates for similar premises in similar locations in the United States.

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## CONNECTED TRANSACTIONS

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### **Historical Figures**

For each of the three years ended December 31, 2009 and the six months ended June 30, 2010, the rental expenses paid to the connected persons with respect to the above properties were approximately RMB4.0 million, RMB3.6 million, RMB3.3 million and RMB1.7 million, respectively.

### **Annual Caps**

Based on the current rentals payable under the Leases and taking into account possible fluctuations in exchange rates, the annual caps for the rental expenses in connection with the Leases for the three years ending December 31, 2012 have been set at RMB3.0 million, RMB3.5 million and RMB3.3 million, respectively.

### ***Sales of Products to Connected Persons***

Certain sales transactions have been entered into between us and the companies in which Mr. Dong has a controlling interest (“Mr. Dong’s Associates”) during the Track Record Period and are expected to continue following the Listing. Mr. Dong’s Associates, with which we will continue to have sales transactions, are (i) Shenzhen Marshall Green Power, (ii) Shanghai Donmin Vehicle Co., Ltd., and (iii) Shenzhen Marxon Power Supply Co., Ltd. To the best knowledge of our Directors, the products we sold to Mr. Dong’s Associates are consumed by them in their production and not resold to other customers. For details of the principal businesses of Mr. Dong’s Associates, please refer to “Relationship with the Controlling Shareholders—Excluded Business” in this prospectus. As each of these companies is an associate of Mr. Dong, an executive Director and a Controlling Shareholder, and therefore a connected person of our Company, these transactions will constitute continuing connected transactions of our Company upon Listing.

### **Description of Transactions and the Major Terms**

Our Company entered into a master agreement with Mr. Dong dated August 1, 2010 (the “Master Sales Agreement”) which sets out the terms and conditions upon which members of our Group will sell to Mr. Dong’s Associates, and Mr. Dong’s Associates will purchase from members of our Group, products including lead-acid batteries, mainly motive power batteries, and related parts.

It is envisaged that from time to time and as required, the members of our Group will enter into individual sale and purchase agreements with Mr. Dong’s Associates. Such individual sale and purchase agreements are expected to contain more detailed terms of the sale and purchase and provisions which reflect the binding principles, guidelines, terms and conditions in the Master Sales Agreement.

### **Price Determination**

The products to be sold and purchased under the Master Sales Agreement shall be at the prevailing market price, namely, the price at which the same type of products is sold by us to independent third parties on normal commercial terms in the ordinary course of business in the PRC.

### **Term**

The Master Sales Agreement is for a term of three years commencing from January 1, 2010. Upon expiry of the term, the Master Sales Agreement will, subject to the requirements of the Listing Rules, be renewed for a further period of three years by mutual agreement.

### **Historical Figures**

For each of the three years ended December 31, 2009 and the six months ended June 30, 2010, the total transaction amount for the sales of products to Mr. Dong’s Associates was approximately RMB9.3 million, RMB14.0 million, RMB15.1 million and RMB12.6 million, respectively.

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## CONNECTED TRANSACTIONS

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### **Annual Caps**

The annual caps for the sales transactions under the Master Sales Agreement for the three years ending December 31, 2012 have been set at RMB38.0 million, RMB46.0 million and RMB54.0 million, respectively. The expected increase in transaction volume is a result of our motive power batteries gradually replacing the imported battery products currently consumed by Mr. Dong's Associates given the substantial improvement in the recharge cycle and energy density achieved by June 2010 and our cost advantage, and the business growth of Mr. Dong's Associates fuelled by increasing market demand, leading to further sales orders placed with us by Mr. Dong's Associates. As of August 31, 2010, the sales orders from Mr. Dong's Associates to be fulfilled in the four months ending December 31, 2010 amounted to an aggregate of RMB15.7 million.

As one or more than one of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules will on an annual basis be more than 0.1% but less than 5%, the Leases and the transactions contemplated under the Master Sales Agreement will constitute continuing connected transactions of the Company exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules and would require compliance with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules.

### **CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING, ANNOUNCEMENT, ANNUAL REVIEW REQUIREMENTS AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS**

#### *Purchases of Products from Connected Persons*

Certain purchase transactions have been entered into between us and Mr. Dong's Associates during the Track Record Period and are expected to be continued following the Listing. Mr. Dong's Associates, with which we will continue to have purchase transactions, are (i) Shenzhen Marshall Green Power, (ii) Shanghai Donmin Vehicle Co., Ltd. and (iii) Shenzhen Marxon Power Supply Co., Ltd. As each of these companies is an associate of Mr. Dong, an executive Director and our Controlling Shareholder, and thus a connected person of our Company, these transactions will constitute continuing connected transactions of our Company upon Listing.

#### **Description of Transactions and the Major Terms**

Our Company entered into a master agreement dated August 1, 2010 with Mr. Dong (the "Master Purchase Agreement") which sets out the terms and conditions upon which members of our Group will purchase from Mr. Dong's Associates, and Mr. Dong's Associates will sell to members of our Group, products including battery cases, parts, models, chargers and electronic products (for the manufacturing of our battery products or sale as accessories of our battery products) and electric scooters (for use by members of our Group).

It is envisaged that from time to time and as required, the members of our Group will enter into individual sale and purchase agreements with Mr. Dong's Associates. Such individual sale and purchase agreements are expected to contain more detailed terms of the sale and purchase and provisions which reflect the binding principles, guidelines, terms and conditions in the Master Purchase Agreement.

#### **Price Determination**

The products to be sold and purchased under the Master Purchase Agreement shall be at the prevailing market price, namely, the price at which the same type of products is sold to us by independent third parties on normal commercial terms in the ordinary course of business in the PRC.

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## CONNECTED TRANSACTIONS

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### Term

The Master Purchase Agreement is for a term of three years commencing from January 1, 2010. Upon expiry of the term, the Master Purchase Agreement will, subject to the requirements of the Listing Rules, be renewed for further period of three years by mutual agreement.

### Historical Figures

For each of the three years ended December 31, 2009 and the six months ended June 30, 2010, our expenditure for purchasing products from Mr. Dong's Associates was approximately RMB57.5 million, RMB47.2 million, RMB37.5 million and RMB27.6 million, respectively. During the three years ended December 31, 2009, our purchase from Mr. Dong's Associates decreased because as Jiangsu and Anhui production facilities were gradually commissioned in 2008 and 2009, they had surplus capacity to produce products, such as battery cases and parts, for use by our other production facilities, thus reducing the need to purchase those products from third parties. The purchase increased, however, in the six months ended June 30, 2010 because as battery production at Jiangsu and Anhui production facilities increased, they no longer have excess capacity to support the other production facilities and we again sourced those products from Mr. Dong's Associates.

### Annual Caps

Taking into consideration our results for the first half of 2010, and the expected stable transaction volume with Mr. Dong's Associates, the annual caps for the transactions under the Master Purchase Agreement for the three years ending December 31, 2012 have been set at RMB60.0 million, RMB60.0 million and RMB60.0 million, respectively. The annual caps are fixed for the three years ending December 31, 2012 because Mr. Dong's Associates utilize their surplus capacities to produce the products we purchase, and, based on our Directors' understanding, such surplus capacities will not exceed RMB60.0 million.

As one or more than one of the percentage ratios (other than the profits ratio) is/are on an annual basis not less than 5%, the transactions contemplated under the Master Purchase Agreement will constitute non-exempt continuing connected transactions of our Company under Rule 14A.35 of the Listing Rules and would require compliance with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, the annual review requirements under Rules 14A.37 to 14A.40 of the Listing Rules, and the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

### WAIVERS

Pursuant to Rule 14A.42(3) of the Listing Rules, we have applied to the Stock Exchange for, and was granted, waivers with respect to the above non-exempt continuing connected transactions. For our continuing connected transactions exempt from independent shareholders' approval requirement, but subject to reporting, announcement and annual review requirements, waivers are applied for the announcement requirements pursuant to Rule 14A.42(3) of the Listing Rules. For our continuing connected transactions subject to the reporting, announcement, annual review and independent Shareholders' approval requirements, waivers are applied for the announcement and the independent shareholders' approval requirements pursuant to Rule 14A.42(3) of the Listing Rules.

### CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the opinion that (i) the continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed annual caps for such continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

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## CONNECTED TRANSACTIONS

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### **CONFIRMATION FROM THE SOLE SPONSOR**

The Sole Sponsor is of the view that (i) the continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed annual caps for such continuing connected transactions are fair and reasonable and in the interests of our Company and the Shareholders as a whole.