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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)

CLARIFICATION ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS PROPOSED ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2015

Reference is made to the announcement of Leoch International Technology Limited (the "Company") dated 25 October 2012 (the "Announcement") in relation to the continuing connected transactions of the Company.

Master Purchase Agreement and Master Sales Agreement

In relation to the Master Purchase Agreement and Master Sales Agreement, the identities of Mr. Dong's Associates with which the Group has sales and purchase transactions are (i) Shenzhen Marshall Green Power Co., Ltd., (ii) Shanghai Dongmin Vehicle Co., Ltd., (iii) Shenzhen Marxon Power Supply Co., Ltd. and (iv) Guangdong Marshall Electric Vehicle Co., Ltd. The general information of Mr. Dong's Associates have been set out in the Announcement.

Leases

In relation to the leasing arrangements between the Group and Mr. Dong and Mr. Dong's Associates, a master leasing agreement dated 8 November 2012 (the "Master Leasing Agreement") has been entered into between the Company and Mr. Dong.

Details of the Master Leasing Agreement are set out below:

Date	8 November 2012
Parties	(i) the Company (ii) Mr. Dong

Continuing transactions	Pursuant to the Master Leasing Agreement, members of the Group will lease from Mr. Dong or Mr. Dong's Associates properties for the use by members of the Group. Individual
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tenancy agreement will be entered into between members of the Group and Mr. Dong or Mr. Dong's Associates with respect to the leasing arrangement of individual leased property.

Term and termination

The Master Leasing Agreement is for a term of three years commencing from 1 January 2013 and ending on 31 December 2015. Upon expiry of the term, the Master Leasing Agreement will, subject to the requirements of the Listing Rules, be renewed for further period of three years by mutual agreement.

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

Price determination

The rental to be paid under the Master Leasing Agreement and individual tenancy agreement to be entered into pursuant thereto shall be based on the prevailing market rate of the rentals of similar properties at the time of signing individual tenancy agreement.

Proposed Annual Caps

The Directors would like to clarify that the relevant proposed annual caps as mentioned in the Announcement, namely RMB3.5 million, RMB3.5 million and RMB3.5 million for the years ending 31 December 2013, 2014 and 2015, shall be for the transactions contemplated under the Master Leasing Agreement instead of the Leases. In arriving at the proposed annual caps, in addition to the current rentals payable under the Leases, the likelihood of renewal of the Leases upon expiry and possible fluctuations in the exchange rates, the Directors have taken into account potential new leases to be entered into with Mr. Dong and/or Mr. Dong's Associates under the Master Leasing Agreement. The renewal of the Leases upon their respective expiry and the entry into new leases under the Master Leasing Agreement will be subject to, among others, the needs of the Group's operations and negotiations with Mr. Dong and /or Mr. Dong's Associates.

Implementation Agreements

It is envisaged that from time to time and as required for the business of the Group, the members of our Group will enter into individual tenancy agreements with Mr. Dong or Mr. Dong's Associates. Such individual tenancy agreements are expected to contain more detailed terms of the leasing arrangements of individual leased property and provisions which reflect the binding principles, guidelines, terms and conditions in the Master Leasing Agreement. Details of the current tenancy agreements, namely the Leases, between the Group and Mr. Dong and Mr. Dong's Associates have been set out in the Announcement.

As the individual tenancy agreements provide for the leasing of properties as contemplated under the Master Leasing Agreement, as such, they do not constitute new categories of connected transactions. Any such tenancy agreements will be within the ambit of the Master Leasing Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Listing Rules accordingly.

Reasons for entering into the Master Leasing Agreement

The Group has from time to time leased properties from Mr. Dong and Mr. Dong's Associates. The properties leased from Mr. Dong and Mr. Dong's Associates including the Leases are used principally as offices, warehouses and staff quarters to satisfy the needs of the Group's operations. With respect to

the existing tenancy agreements, any relocation of which may incur extra costs to the Group. Furthermore, taking into account the fact that the rentals paid to Mr. Dong and Mr. Dong's 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 Master Leasing Agreement and continue to lease properties from Mr. Dong and Mr. Dong's Associates.

Listing Rules implications

The transactions contemplated under the Master Leasing Agreement constitute the 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 14A.10 of the Listing Rules) in respect of the proposed annual caps for the three years ending 31 December 2015 for transactions contemplated under the Master Leasing Agreement exceed 0.1% but less than 5%, the transactions thereunder are only subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the 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; (iv) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (v) that the proposed annual caps thereof for the three years ending 31 December 2015 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Dong has material interests in the transactions contemplated under the Master Leasing Agreement and has abstained from voting from the relevant Board resolutions. Other than Mr. Dong, none of the other Directors has a material interest in the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, there is no other continuing transaction entered into between any member of the Group and Mr. Dong and Mr. Dong's Associates, which would be, together with the transactions contemplated under the Master Leasing Agreement, aggregated under Rule 14A.25 of the Listing Rules.

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

Hong Kong, 8 November 2012

As of the date of this announcement, the executive Directors are Mr. Dong Li, Ms. Zhao Huan and Mr. Philip Armstrong Noznesky and the independent non-executive Directors are Mr. An Wenbin, Mr. Liu Yangsheng and Mr. Cao Yixiong Alan.