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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 PROPOSED ANNUAL CAPS FOR THE THREE YEARS ENDING 31 DECEMBER 2015

Reference is made to the Prospectus in respect of a series of continuing connected transactions and their respective annual caps for the two years ended 31 December 2011 and for the year ending 31 December 2012.

The Company expects to renew the Original Master Purchase Agreement and the Original Master Sales Agreement and proposes to renew annual caps for the transactions thereunder and under the Leases for the three years ending 31 December 2015.

The Master Purchase Agreement, the Master Sales Agreement and the Leases will be conducted between members of the Group and Mr. Dong and Mr. Dong's Associates. Mr. Dong, through Master Alliance, is the controlling shareholder of the Company, and therefore Mr. Dong and Mr. Dong's Associates are connected persons of the Company. In the circumstances, the transactions contemplated under the Master Purchase Agreement, the Master Sales Agreement and the Leases 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 Purchase Agreement, the Master Sales Agreement and the Leases 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.

I. Master Purchase Agreement

Date	25 October 2012
Parties	(i) the Company (ii) Mr. Dong

Continuing transactions

Pursuant to the Master Purchase Agreement, members of the Group will purchase from Mr. Dong's Associates, and Mr. Dong's Associates will sell to members of the Group, products including battery cases, parts, models, chargers and electronic products (for the manufacturing of the Group's battery products or sale as accessories of the Group's battery products) and electric scooters (for use by members of the Group).

Term and termination

The Master Purchase 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 Purchase 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 Purchase Agreement expires, by giving not less than 30 days' notice to terminate the transactions under 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 the Group by independent third parties on normal commercial terms in the ordinary course of business in the PRC.

Annual Caps***Actual Transaction Values***

The actual transaction values of the transactions contemplated under the Original Master Purchase Agreement for the two years ended 31 December 2011 and for the six months ended 30 June 2012, respectively, are set out below:

	Year ended 31 December 2010 (RMB'000)	Year ended 31 December 2011 (RMB'000)	Six months ended 30 June 2012 (RMB'000)
Payment payable by the Group to Mr. Dong's Associates	55,738	41,107	20,940

Historical Annual Caps

The annual caps for the transactions contemplated under the Original Master Purchase Agreement for the two years ended 31 December 2011 and for the year ending 31 December 2012, respectively, are set out below:

	Year ended 31 December 2010 (RMB'000)	Year ended 31 December 2011 (RMB'000)	Year ending 31 December 2012 (RMB'000)
Payment payable by the Group to Mr. Dong's Associates	60,000	60,000	60,000

As at the date of this announcement, the annual cap for the transactions contemplated under the Original Master Purchase Agreement for the year ending 31 December 2012 has not been exceeded.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Master Purchase Agreement for the three years ending 31 December 2015, respectively, are set below:

	Year ending 31 December 2013 (RMB'000)	Year ending 31 December 2014 (RMB'000)	Year ending 31 December 2015 (RMB'000)
Payment payable by the Group to Mr. Dong's Associates	60,000	60,000	60,000

In arriving at the above proposed annual caps, the Directors have taken into account the expected maximum surplus capacities of Mr. Dong's Associates which will be utilized to produce products the Group purchases.

Implementation Agreements

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.

As the individual sales and purchase agreements provide for the purchase of products including battery cases, parts, models, chargers and electronic products and electric scooters as contemplated under the Master Purchase Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Master Purchase 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 Purchase Agreement

The Group has from time to time purchased products including battery cases, parts, models, chargers and electronic products (for the manufacturing of the Group's battery products or sale as accessories of the Group's battery products) and electric scooters (for use by the Group) from Mr. Dong's Associates. As the supplies from Mr. Dong's Associates have been stable and the quality of the products supplied by Mr. Dong's Associates has been up to the requirements and standards of the Group and taking into account the fact that the prices quoted by Mr. Dong's Associates have been comparable to those quoted by independent suppliers, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into Master Purchase Agreement and continue to purchase products from Mr. Dong's Associates.

II. Master Sales Agreement

Date	25 October 2012
Parties	(i) the Company (ii) Mr. Dong
Continuing transactions	Pursuant to the Master Sales Agreement, members of the Group will sell to Mr. Dong's Associates, and Mr. Dong's

Associates will purchase from members of the Group, products including lead-acid batteries, mainly motive power batteries, and related parts.

Term and termination

The Master Sales 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 Sales 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 Sales Agreement expires, by giving not less than 30 days' notice to terminate the transactions under 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 the Group to independent third parties on normal commercial terms in the ordinary course of business in the PRC.

Annual Caps

Actual Transaction Values

The actual transaction values of the transactions contemplated under the Original Master Sales Agreement for the two years ended 31 December 2011 and for the six months ended 30 June 2012, respectively, are set out below:

	Year ended 31 December 2010 (RMB'000)	Year ended 31 December 2011 (RMB'000)	Six months ended 30 June 2012 (RMB'000)
Payment payable to the Group by Mr. Dong's Associates	37,429	33,202	9,491

Historical Annual Caps

The annual caps for the transactions contemplated under the Original Master Sales Agreement for the two years ended 31 December 2011 and for the year ending 31 December 2012, respectively, are set out below:

	Year ended 31 December 2010 (RMB'000)	Year ended 31 December 2011 (RMB'000)	Year ending 31 December 2012 (RMB'000)
Payment payable to the Group by Mr. Dong's Associates	38,000	46,000	54,000

As at the date of this announcement, the annual cap for the transactions contemplated under the Original Master Purchase Agreement for the year ending 31 December 2012 has not been exceeded.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Master Sales Agreement for the three years ending 31 December 2015, respectively, are set below:

Transactions	Year ending 31 December 2013 (RMB'000)	Year ending 31 December 2014 (RMB'000)	Year ending 31 December 2015 (RMB'000)
Payment payable to the Group by Mr. Dong's Associates	60,000	60,000	60,000

In arriving at the above proposed annual caps, the Directors have taken into account, among other matters, the historical sales amount and the expected sales amount for the three years ending 31 December 2012.

Implementation Agreements

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.

As the individual sales and purchase agreements provide for the sales of products including lead-acid batteries, mainly motive power batteries, and related parts as contemplated under the Master Sales Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Master Sales 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 Sales Agreement

The Group has from time to time sold its lead-acid battery products and related parts to Mr. Dong's Associates. As the prices offered by the Group to Mr. Dong's Associates have been comparable to those offered to independent customers, the Directors consider that it is in the interest of the Shareholders and the Group as a whole to enter into Master Sales Agreement and continue to sell lead-acid battery products to Mr. Dong's Associates.

III. Leases

The Group has entered into the following Leases with Mr. Dong and Mr. Dong's Associates:

- (a) *Lease of Units E64- E71 of the Main Building of Xin Bao Hui Building, No. 2061 Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC*

The Group has entered into a tenancy agreement dated 27 December 2010 with Shenzhen Marshall Power Supply, pursuant to which Shenzhen Marshall Power Supply agreed to let a property with a GFA of 97.94 sq.m. located at Units E64- E71 of the main building of Xin Bao Hui Building located at No. 2061, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC to the Group for a term commencing from 27 December 2010 and expiring on 26 December 2012 at a monthly rent of RMB4,897, exclusive of management fees, water and electricity charges.

- (b) *Lease of Units E146- E147 of the Main Building of Xin Bao Hui Building, No. 2061 Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC*

The Group has entered into a tenancy agreement dated 8 October 2012 with Shenzhen Marshall Power Supply, pursuant to which Shenzhen Marshall Power Supply agreed to let a property with a GFA of 21.22 sq.m. located at Units E146- E147 of the main building of Xin Bao Hui Building located at No. 2061, Nanhai Avenue, Nanshan District, Shenzhen City, Guangdong Province, the PRC

to the Group for a term commencing from 18 October 2012 and expiring on 17 October 2014 at a monthly rent of RMB1,061, exclusive of management fees, water and electricity charges.

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

The Group has entered into a tenancy agreement dated 1 January 2010 which was supplemented by a supplemental tenancy agreement dated 5 October 2010 with Mr. Dong, pursuant to which Mr. Dong agreed to let a 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 the Group for a term of three years commencing from 1 January 2010 and expiring on 31 December 2012 at an annual rent of RMB72,000, exclusive of management fees, water and electricity charges and other outgoings.

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

The Group has entered into a tenancy agreement dated 1 March 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 the Group for a term of three year commencing from 10 March 2010 and expiring on 10 March 2013 at a monthly rent of SG\$3,250 (equivalent to approximately RMB16,380).

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

The Group has entered into a tenancy agreement dated 1 May 2006, which was supplemented by a supplemental tenancy agreement dated 5 October 2010 with Eastern International LLC, a company wholly owned by the spouse of Mr. Dong, 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 the Group for a another term of three years commencing from 1 January 2010 and expiring on 31 December 2012 at a monthly rent of US\$30,000, exclusive of security deposit, association fees and other outgoings.

Annual Caps

Actual Transaction Values

The actual rental expenses contemplated under the Leases for the two years ended 31 December 2011 and for the six months ended 30 June 2012, respectively, are set out below:

	Year ended 31 December 2010 (RMB'000)	Year ended 31 December 2011 (RMB'000)	Six months ended 30 June 2012 (RMB'000)
Rental expenses payable by the Group to Mr. Dong and his associates	2,845	3,239	1,613

Historical Annual Caps

The annual caps for the rental expenses contemplated under the Leases for the two years ended 31 December 2011 and for the year ending 31 December 2012, respectively, are set out below:

	Year ended 31 December 2010 (RMB'000)	Year ended 31 December 2011 (RMB'000)	Year ending 31 December 2012 (RMB'000)
Rental expenses payable by the Group to Mr. Dong and his associates	3,000	3,500	3,300

As at the date of this announcement, the annual cap for the transactions contemplated under the Leases for the year ending 31 December 2012 has not been exceeded.

Proposed Annual Caps

The proposed annual caps for the transactions contemplated under the Leases for the three years ending 31 December 2015, respectively, are set below:

	Year ending 31 December 2013 (RMB'000)	Year ending 31 December 2014 (RMB'000)	Year ending 31 December 2015 (RMB'000)
Payment payable to the Group by Mr. Dong's Associates	3,500	3,500	3,500

In arriving at the above proposed annual caps, the Directors have taken into account the current rentals payable under the Leases, the likelihood of renewal of the Leases upon expiry and possible fluctuations in the exchange rates.

LISTING RULES IMPLICATIONS

Mr. Dong, through Master Alliance, is the controlling shareholder of the Company, therefore Mr. Dong and Mr. Dong's Associates are connected persons of the Company. Therefore, the transactions contemplated under the Master Purchase Agreement, the Master Sales Agreement and the Leases 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 Purchase Agreement, the Master Sales Agreement and the Leases 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 Purchase Agreement, the Master Sales Agreement and the Leases (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 Purchase Agreement, the Master Sales Agreement and the Leases 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 Purchase Agreement, the Master Sales Agreement and the Leases, aggregated under Rule 14A.25 of the Listing Rules.

GENERAL INFORMATION OF THE PARTIES OF THE TRANSACTIONS

The Company

The Company is principally engaged in the manufacture, development and sale of lead-acid batteries.

Mr. Dong's Associates

Mr. Dong operates other businesses apart from that of the Group in the following two lines of business:

- (i) manufacturing and sales of electronic products, chargers, converters, power supply products, plastic products and related parts; and
- (ii) manufacturing of electric vehicles, mini-electric cars and electric scooters.

DEFINITIONS

associates	has the meaning ascribed to it under the Listing Rules
Board	the board of directors of the Company
Company	Leoch International Technology Limited (理士國際技術有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and whose shares are listed and traded on the Stock Exchange
controlling shareholder	has the meaning ascribed to it under the Listing Rules
Director(s)	the director(s) of the Company
GFA	gross floor area
Group	the Company and its subsidiaries
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Leases	the various leases entered into between the Group and the Mr. Dong and his associates, details of which are set out in this announcement
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 BVI on 7 April 2010 and wholly owned by Mr. Dong

Master Purchase Agreement	the master agreement in relation to the purchase by the Group from Mr. Dong's Associates of products including battery cases, parts, models, chargers and electronic products and electric scooters dated 25 October 2012 and entered into between the Company and Mr. Dong
Master Sales Agreement	the master agreement in relation to the sales by the Group to Mr. Dong's Associates of products including lead-acid batteries and related parts dated 25 October 2012 and entered into between the Company and Mr. Dong
Mr. Dong	Mr. Dong Li, an executive Director and the chairman and chief executive officer of the Company, who through Master Alliance, is interested in approximately 75% of the total issued share capital of the Company and hence a controlling shareholder of the Company
Mr. Dong's Associates	the associates of Mr. Dong (excluding members of the Group)
Original Master Purchase Agreement	the master agreement in relation to the purchase by the Group from Mr. Dong's Associates of products including battery cases, parts, models, chargers and electronic products and electric scooters dated 1 August 2010 and entered into between the Company and Mr. Dong
Original Master Sales Agreement	the master agreement in relation to the sales by the Group to Mr. Dong's Associates of products including lead-acid batteries and related parts dated 1 August 2010 and entered into between the Company and Mr. Dong
PRC	the People's Republic of China, which for the purpose of this announcement only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
Prospectus	the Company's prospectus dated 3 November 2010
RMB	Renminbi, the lawful currency of the PRC
Shareholders	the shareholders of the Company
Shenzhen Marshall Power Supply	Shenzhen Marshall Power Supply Co. Ltd, a company wholly owned by Mr. Dong and a connected person of the Company
Stock Exchange	the Stock Exchange of Hong Kong Limited
sq.m.	square metres

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

Hong Kong, 25 October 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.