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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)

SUPPLEMENTAL ANNOUNCEMENT: CONTINUING CONNECTED TRANSACTIONS FOR THE THREE YEARS ENDING 31 DECEMBER 2021

Reference is made to the announcements (the “**Announcement**”) of the Company dated 15 February 2019, in relation to the continuing connected transactions entered into between the Group, and Mr. Dong and his associates under the 2019 Master Leasing Agreement. Capitalised terms defined in the Announcement shall have the same meaning herein unless otherwise defined or the context otherwise required.

On 6 March 2019, the Company and Mr. Dong entered into a Supplemental Master Leasing Agreement (the “**Supplemental Master Leasing Agreement**”) pursuant to which the new annual caps for the transactions contemplated under the 2019 Master Leasing Agreement for the three years ending 31 December 2021 has been amended to reflect changes made under the International Financial Reporting Standards (“**IFRS**”) applicable to the Company.

SUPPLEMENTAL MASTER LEASING AGREEMENT

Under IFRS 16, which came into effect on leases entered into after 1 January 2019, the Group as lessee shall recognise a lease as a right-of-use asset and a lease liability. The right-of-use asset represents its right to use the underlying leased assets over the lease term and the lease liability represents its obligation to make lease payments.

As such the annual cap under the 2019 Master Leasing Agreement was amended in the Supplemental Master Leasing Agreement such that it reflects the total value of the right-of-use asset contemplated under the 2019 Master Leasing Agreement. The Directors (including the independent non-executive Directors), having considered the value of the Company’s right-of-use of the assets contemplated under the 2019 Master Leasing Agreement for the lease term, therefore entered into the Supplemental Master Leasing Agreement to revise the annual cap for the 2019 Master Leasing Agreement as follows:

	Year ending 31 December 2019 (RMB'000)	Year ending 31 December 2020 (RMB'000)	Year ending 31 December 2021 (RMB'000)
Annual caps under the Supplemental Master Leasing Agreement	14,398	Nil	Nil

In arriving at the above new annual caps, the Directors have considered the following factors: (i) there is unlikely to be any other tenancy agreement to be entered into by the Company under the 2019 Master Leasing Agreement, and (ii) the value of the Group's right to use the underlying assets which is the subject of the 2019 Master Leasing Agreement for the lease term which is initially measured on present value basis and calculated by discounting the non-cancellable lease payments for the leases, using the incremental borrowing rate as the discount rate plus a reasonable buffer.

Save as to the above amendments to the annual cap, there is no other changes to the 2019 Master Leasing Agreement contemplated under the Supplemental Master Leasing Agreement.

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

Hong Kong, 6 March 2019

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