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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)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015	2014	
	<i>RMB million</i>	<i>RMB million</i>	Changes
Turnover	4,330.9	4,248.4	+1.9%
Gross profit	769.7	716.7	+7.4%
Profit for the year	106.3	81.8	+30.0%
Profit attributable to owners of the parent	106.6	81.8	+30.3%
Basic earnings per share (<i>RMB</i>)	0.08	0.06	+33.3%
Proposed final dividend per share (<i>HK cents</i>)	2.60	2.25	+15.6%

ANNUAL RESULTS

The board of directors (the “**Board**”) of Leoch International Technology Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2015. The Company’s audit committee (the “**Audit Committee**”) has reviewed the results and the financial statements of the Group for the year ended 31 December 2015 prior to recommending them to the Board for approval.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	<i>Notes</i>	2015 <i>RMB’000</i>	2014 <i>RMB’000</i>
REVENUE	4	4,330,893	4,248,351
Cost of sales		(3,561,184)	(3,531,691)
Gross profit		769,709	716,660
Other income and gains	4	70,567	75,644
Selling and distribution expenses		(216,466)	(202,255)
Administrative expenses		(216,802)	(220,072)
Research and development costs		(84,859)	(154,430)
Reversal of impairment losses for assets in Zhaoqing Leoch Battery Technology Co., Ltd. (“ Zhaoqing Leoch ”)		–	58,809
Other expenses		(75,568)	(50,093)
Finance costs	6	(104,673)	(108,505)
Share of profit and loss of a joint venture and an associate		(7,352)	(3,894)
PROFIT BEFORE TAX	5	134,556	111,864
Income tax expense	7	(28,251)	(30,073)
PROFIT FOR THE YEAR		106,305	81,791
Attributable to:			
Owners of the parent		106,579	81,791
Non-controlling interests		(274)	–
		106,305	81,791

	<i>Note</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
PROFIT FOR THE YEAR		<u>106,305</u>	<u>81,791</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	<i>9</i>		
Basic		<u>RMB0.08</u>	<u>RMB0.06</u>
Diluted		<u>RMB0.08</u>	<u>RMB0.06</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	<u>106,305</u>	<u>81,791</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	27,662	2,346
Income tax effect	<u>(4,149)</u>	<u>(352)</u>
	23,513	1,994
Exchange differences on translation of foreign operations	<u>1,513</u>	<u>13,019</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>25,026</u>	<u>15,013</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>25,026</u>	<u>15,013</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>131,331</u>	<u>96,804</u>
Attributable to:		
Owners of the parent	131,605	96,804
Non-controlling interests	<u>(274)</u>	<u>–</u>
	<u>131,331</u>	<u>96,804</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	<i>Notes</i>	2015 RMB'000	2014 <i>RMB'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		1,818,984	1,878,105
Investment properties		23,760	–
Properties under development		45,050	–
Prepaid land lease payments		84,739	128,738
Intangible assets		181,365	97,017
Investments in a joint venture and associates		21,898	15,880
Available-for-sale investment		54,257	23,346
Deposits paid for purchase of items of property, plant and equipment		12,538	7,843
Deferred tax assets		55,601	59,767
		<hr/>	<hr/>
Total non-current assets		2,298,192	2,210,696
CURRENT ASSETS			
Inventories	<i>10</i>	889,027	796,068
Completed properties held for sale		31,984	–
Trade and bills receivables	<i>11</i>	1,548,871	1,358,262
Prepayments, deposits and other receivables	<i>12</i>	119,085	66,404
Tax recoverable		31,497	61,260
Derivative financial instruments		4,290	6,575
Equity investments at fair value through profit or loss		22,543	–
Pledged deposits	<i>13</i>	580,401	622,514
Cash and cash equivalents	<i>13</i>	207,618	138,907
		<hr/>	<hr/>
Total current assets		3,435,316	3,049,990

	<i>Notes</i>	2015 RMB'000	2014 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and bills payables	<i>14</i>	1,220,091	1,216,390
Other payables and accruals	<i>15</i>	327,258	360,173
Interest-bearing bank borrowings	<i>16</i>	1,471,043	1,139,497
Derivative financial instruments		56,397	43,571
Income tax payable		81,080	62,073
		<u>3,155,869</u>	<u>2,821,704</u>
NET CURRENT ASSETS			
		<u>279,447</u>	<u>228,286</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u>2,577,639</u>	<u>2,438,982</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		15,929	13,583
Interest-bearing bank borrowings	<i>16</i>	84,848	62,173
Deferred government grants		31,280	32,550
		<u>132,057</u>	<u>108,306</u>
Total non-current liabilities		<u>132,057</u>	<u>108,306</u>
Net assets		<u>2,445,582</u>	<u>2,330,676</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		115,843	115,742
Reserves		2,323,745	2,214,934
		<u>2,439,588</u>	<u>2,330,676</u>
Non-controlling interests		5,994	–
		<u>2,445,582</u>	<u>2,330,676</u>
Total equity		<u>2,445,582</u>	<u>2,330,676</u>

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 27 April 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 November 2010. The registered office of the Company is located at the office of Codan Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in the manufacture, development and sale of lead-acid batteries.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs which comprise standards and interpretations approved by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance.

The Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is engaged in the manufacture and sale of lead-acid batteries. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sale of lead-acid batteries.

No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
The People's Republic of China ("PRC", for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan)	2,145,296	1,954,397
European Union	672,594	763,170
United States of America ("USA")	696,675	668,594
Other Asian countries/areas	582,827	608,936
Other countries	233,501	253,254
	<u>4,330,893</u>	<u>4,248,351</u>

The revenue information above is based on the location of the customers.

(b) *Non-current assets*

	31 December 2015 RMB'000	31 December 2014 RMB'000
PRC	2,059,419	2,004,068
Other countries/areas	128,915	123,515
	<u>2,188,334</u>	<u>2,127,583</u>

The non-current assets information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue of approximately RMB440,176,000 (2014: RMB600,250,000) was derived from sales to one customer, including sales to a group of entities which are known to be under common control with that customer, exceeding 10% of the Group's total revenue for the year ended 31 December 2015.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold. An analysis of revenue, other income and gains is as follows:

	2015 RMB'000	2014 RMB'000
<u>Revenue</u>		
Sale of goods	<u>4,330,893</u>	<u>4,248,351</u>
<u>Other income and gains</u>		
Rental income	2,567	147
Bank interest income	15,925	14,055
Government grants*	35,629	37,700
Sale of scrap materials	4,947	2,534
Foreign exchange gains, net	7,864	3,433
Gains on disposal of items of property, plant and equipment	–	8,918
Others	<u>3,635</u>	<u>8,857</u>
	<u>70,567</u>	<u>75,644</u>

* The government grants represent various cash payments and subsidies provided by the local government authorities to the Group as encouragement to its investment and technological innovation. There are no unfulfilled conditions or contingencies relating to these subsidies.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cost of inventories sold	<u>2,990,154</u>	<u>2,958,367</u>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	506,168	484,998
Performance-related bonuses	1,351	1,571
Equity-settled share option expenses	855	3,026
Pension scheme contributions	39,827	53,463
	<u>548,201</u>	<u>543,058</u>
Amortisation of computer software	1,002	1,207
Research and development costs:		
Deferred development costs amortised*	26,878	19,972
Current year expenditure	84,859	154,430
	<u>111,737</u>	<u>174,402</u>
Auditors' remuneration	2,400	2,350
Unrealised loss on:		
Forward currency contracts measured at fair value through profit or loss	20,476	36,998
Warrants measured at fair value through profit or loss	–	5,088
Equity investments at fair value through profit or loss	13,479	–
	<u>33,955</u>	<u>42,086</u>
Realised (gain)/loss on:		
Forward currency contracts measured at fair value through profit or loss	10,839	(4,464)
Expiration/exercise of warrants	(5,365)	7,259
Equity investments at fair value through profit or loss	(2,038)	–
	<u>3,436</u>	<u>2,795</u>
Net loss on financial instruments at fair value through profit or loss [#]	<u><u>37,391</u></u>	<u><u>44,881</u></u>

	<i>Note</i>	2015 RMB'000	2014 RMB'000
Depreciation of items of property, plant and equipment		190,320	182,888
Amortisation of prepaid land lease payments		1,864	2,210
Reversal of impairment losses for assets in Zhaoqing Leoch:**			
Property, plant and equipment		–	(56,173)
Prepaid land lease payments		–	(2,636)
		<u>–</u>	<u>(58,809)</u>
Impairment of trade receivables [#]	<i>11</i>	1,247	1,625
(Reversal of impairment)/impairment of inventories		(2,836)	4,717
Impairment of other items of property, plant and equipment [#]		1,569	–
Loss/(gain) on disposal of items of property, plant and equipment, net [#]		3,114	(8,918)
Loss on a fire incident ^{#^}		30,988	–
Gain on disposal of an associate		(367)	–
Minimum lease payments under operating leases		7,800	7,369

* The amortisation of deferred development costs is included in “Cost of sales” in the consolidated statement of profit or loss.

** The Company’s wholly-owned subsidiary, Zhaoqing Leoch, had suspended its production operations in accordance with the request of the local environmental protection bureau to conduct self-examination and enhancement of their production plants from July 2012 to October 2013. Although Zhaoqing Leoch resumed operation in November 2013, considering the effect of this suspension with a period of over one year, the management performed impairment tests on property, plant and equipment, prepaid land lease payments and inventories of Zhaoqing Leoch as of 31 December 2013, and recognised total impairment losses of RMB168,049,000 for the year ended 31 December 2013.

As at 31 December 2014, management reassessed the status of the property, plant and equipment and prepaid land lease payments. Management was of the view that the economic performance of the property, plant and equipment and prepaid land lease payments in Zhaoqing Leoch was, and would be, better than expected as a result of the industry boom. According to the impairment tests on these non-current assets as at 31 December 2014, a previously recognised impairment loss of RMB58,809,000 was reversed.

Net loss on financial instruments at fair value through profit or loss, impairment of trade receivables, impairment of other items of property, plant and equipment, loss on disposal of items of property, plant and equipment and loss on a fire incident are included in “**Other expenses**” in the consolidated statement of profit or loss.

^ On 24 March 2015, one of the warehouses of the Group’s production factory in Huaibei city, Anhui, the PRC, caught fire and resulted in losses on inventories and property, plant and equipment of RMB70,235,000 and RMB8,340,000, respectively. After taking into account of the reimbursement received/receivable from the insurance companies, a net loss of RMB30,988,000 was recognised in the consolidated statement of profit or loss in the current year.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 <i>RMB’000</i>	2014 <i>RMB’000</i>
Interest on bank borrowings	66,544	67,634
Interest arising from discounted bills	<u>38,129</u>	<u>43,939</u>
	104,673	111,573
Less: Interest capitalised	<u>–</u>	<u>(3,068)</u>
	<u>104,673</u>	<u>108,505</u>

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The major components of income tax charge for the year are as follows:

	2015 <i>RMB’000</i>	2014 <i>RMB’000</i>
Current – PRC	16,590	9,485
Current – Hong Kong	4,247	5,679
Current – Singapore	3,678	6,949
Current – USA	1,373	1,500
Deferred tax	<u>2,363</u>	<u>6,460</u>
Total tax charge for the year	<u>28,251</u>	<u>30,073</u>

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates for the country in which the majority of the companies of the Group are domiciled (i.e. the PRC) to the tax expense at effective tax rate is as follows:

	2015		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>134,556</u>		<u>111,864</u>	
Tax at the applicable tax rate	33,639	25.0	27,966	25.0
Tax concession for certain subsidiaries	(20,504)	(15.2)	(3,879)	(3.5)
Research and development costs plus deduction	(4,873)	(3.6)	(4,767)	(4.3)
Income not subject to tax	–	–	(14,703)	(13.1)
Expenses not deductible for tax	13,789	10.2	16,771	15.0
Tax losses not recognised	7,442	5.5	8,685	7.8
Tax losses utilised from previous periods	(1,870)	(1.4)	–	–
Effect on opening deferred tax of decrease in the rate	<u>628</u>	<u>0.5</u>	<u>–</u>	<u>–</u>
Tax charge at the Group's effective rate	<u><u>28,251</u></u>	<u><u>21.0</u></u>	<u><u>30,073</u></u>	<u><u>26.9</u></u>

8. DIVIDENDS

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Final – 2.60 HK cents (2014: 2.25 HK cents) per share	<u><u>29,478</u></u>	<u><u>23,999</u></u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,352,776,179 (2014: 1,344,534,167) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share for the year ended 31 December 2015 does not assume the conversion of the Company's warrants as the exercise prices were higher than the Company's share price. The effects of warrants were also excluded from the calculation of diluted earnings per share for the year ended 31 December 2014 as their effects would be anti-dilutive.

The calculations of basic and diluted earnings per share are based on:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>106,579</u>	<u>81,791</u>
	Number of shares	
	2015	2014
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,352,776,179	1,344,534,167
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>1,383,438</u>	<u>3,259,327</u>
	<u>1,354,159,617</u>	<u>1,347,793,494</u>

10. INVENTORIES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Raw materials	193,366	91,419
Work in progress	450,284	443,315
Finished goods	<u>245,377</u>	<u>261,334</u>
	<u>889,027</u>	<u>796,068</u>

11. TRADE AND BILLS RECEIVABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	1,540,426	1,281,593
Bills receivable	24,601	91,578
Less: Impairment provision	<u>(16,156)</u>	<u>(14,909)</u>
	<u>1,548,871</u>	<u>1,358,262</u>

The Group grants different credit periods to customers. The credit period of individual customers is considered on a case-by-case basis. Certain customers are required to make partial payment before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables of RMB174,846,000 (2014: RMB161,858,000) were under short term credit insurance and RMB64,277,000 (2014: RMB62,798,000) were under letters of credit. In addition, the Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

As at 31 December 2015, the Group had pledged certain trade receivables amounting to RMB78,271,000 (2014: RMB34,126,000) to banks with recourse in exchange for cash (note 17). The proceeds from pledging the trade receivables of RMB38,477,000 (2014: RMB11,208,000) were accounted for as collateralised bank advances until the trade receivables were collected or the Group made good of any losses incurred by the banks.

An aged analysis of the trade and bills receivables as at 31 December 2015 and 2014 based on the invoice date, net of provisions, is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	1,174,933	1,029,556
3 to 6 months	239,221	171,361
6 to 12 months	89,764	115,437
1 to 2 years	34,703	33,087
Over 2 years	10,250	8,821
	<u>1,548,871</u>	<u>1,358,262</u>

Movements in the provision for impairment of trade receivables are as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January	14,909	13,284
Impairment losses recognised (<i>note 5</i>)	1,247	1,625
As at 31 December	<u>16,156</u>	<u>14,909</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB16,156,000 (2014: RMB14,909,000) with a carrying amount before provision of RMB19,156,000 (2014: RMB14,909,000).

The above provision for impairment of trade receivables relates to individual customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The bills receivable are due to mature within one year from 31 December 2015.

An analysis of trade and bills receivables that were not individually nor collectively considered to be impaired is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	1,503,918	1,316,354
Past due but not impaired	41,953	41,908
	<u>1,545,871</u>	<u>1,358,262</u>

Receivables that were neither past due nor impaired relate to a large numbers of diversified customers that have not had a history of default recently.

Receivables that were past due but not impaired relate to a number of independent customers that have a good payment track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable.

Included in the Group's trade receivable are amounts due from the Group's joint venture and an associate of RMB2,440,000 (2014: RMB11,266,000) and nil (2014: RMB1,085,000), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	77,458	44,997
Deposits and other receivables	29,242	12,057
Loans to employees	6,459	5,597
Interest receivables	3,986	2,035
Current portion of prepaid land lease payments	1,940	1,718
	<u>119,085</u>	<u>66,404</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. CASH AND BANK BALANCES AND TIME DEPOSITS

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cash and bank balances	207,618	138,907
Time deposits	<u>580,401</u>	<u>622,514</u>
	<u>788,019</u>	<u>761,421</u>
Less: Pledged for interest-bearing bank borrowings	(174,096)	(387,767)
Pledged for bills payable	(322,125)	(232,332)
Pledged for letters of credit	<u>(84,180)</u>	<u>(2,415)</u>
	<u>(580,401)</u>	<u>(622,514)</u>
Cash and cash equivalents	<u><u>207,618</u></u>	<u><u>138,907</u></u>
Denominated in RMB	646,815	704,635
Denominated in US\$	86,334	41,054
Denominated in HK\$	48,731	8,573
Denominated in European Dollar	1,442	1,116
Denominated in Sri Lankan Rupee	272	4,447
Denominated in Singapore Dollar (“SG\$”)	1,286	1,596
Denominated in Australia Dollar	537	–
Denominated in Indian Rupee	<u>2,602</u>	<u>–</u>
	<u><u>788,019</u></u>	<u><u>761,421</u></u>

The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposit are made for varying period of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

14. TRADE AND BILLS PAYABLES

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables	335,918	355,785
Bills payable	<u>884,173</u>	<u>860,605</u>
	<u>1,220,091</u>	<u>1,216,390</u>

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 3 months	315,294	300,543
3 to 6 months	719,905	850,119
6 to 12 months	174,821	29,423
1 to 2 years	2,791	31,225
2 to 3 years	2,809	3,752
Over 3 years	<u>4,471</u>	<u>1,328</u>
	<u>1,220,091</u>	<u>1,216,390</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payable have maturity dates within 180 days. As at 31 December 2015, bills payable amounting to RMB837,944,000 (2014: RMB850,800,000) were issued on intercompany sales transactions within the Group and these bills were discounted to banks for short term financing.

As at 31 December 2015, certain of the Group's bills payables were secured by pledge of certain of the Group's time deposits amounting to RMB322,125,000 (2014: RMB232,332,000) (note 17).

15. OTHER PAYABLES AND ACCRUALS

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Provision for social insurance and retirement benefits	128,704	128,697
Advances from customers	55,755	82,105
Accrued expenses	53,754	37,582
Accrued payroll	34,647	34,134
Payables for purchase of items of property, plant and equipment	10,442	35,848
Provision for product warranties	10,069	8,373
Others	33,887	33,434
	<u>327,258</u>	<u>360,173</u>

16. INTEREST-BEARING BANK BORROWINGS

	2015			2014		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
Current						
	LIBOR	On				
Interest-bearing bank borrowings, guaranteed	+3.00	demand	544,240	-	-	-
Interest-bearing bank borrowings, secured	1.50 to 7.53	2016	888,326	1.95 to 7.80	2015	1,128,289
Collateralised bank advances, secured	2.00 to 3.50	2016	38,477	3.44 to 5.03	2015	11,208
			<u>1,471,043</u>			<u>1,139,497</u>
Non-current						
Interest-bearing bank borrowings, secured		2017-2028	84,848		2017-2028	62,173
			<u>1,555,891</u>			<u>1,201,670</u>
Denominated in RMB			804,958			811,893
Denominated in US\$			579,043			277,737
Denominated in HK\$			153,387			91,704
Denominated in SG\$			18,503			20,336
			<u>1,555,891</u>			<u>1,201,670</u>

Analysed into:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Bank loans and advances repayable:		
On demand	544,240	–
Within one year	926,803	1,139,497
In the second year	37,767	19,722
In the third to fifth years, inclusive	32,533	7,889
Beyond five years	14,548	34,562
	<u>1,555,891</u>	<u>1,201,670</u>

The Group's bank borrowings are secured by the following pledge or guarantees:

- (i) Pledge of the Group's assets with a total value of RMB1,208,881,000 (2014: RMB1,226,539,000) for the bank borrowings as disclosed in note 17.
- (ii) Cross guarantees executed by companies within the Group.

The Group entered into a three-year term loan facility agreement amounting to US\$58,000,000 on 21 September 2015 (the "**Facility Agreement**") with certain financial institutions (the "**Lenders**"). The total amount of the Facility Agreement was increased to US\$85,700,000 on 24 September 2015.

Under the Facility Agreement, there are specific performance obligations that Mr. Dong Li, who is the controlling shareholder of the Company, shall not cease to own, directly or indirectly, of at least 51% of the beneficial interest in the Company, carrying at least 51% of the voting right, free from any security. Mr. Dong Li shall not cease to have management control over the Company. Mr. Dong Li shall not cease to be the Chairman of the board of directors of the Company. At the date of approval of these audited consolidated financial statements, such obligations have been complied with.

Four of the Company's wholly-owned subsidiaries, namely Leoch Power Supply (H.K.) Limited, Leoch Battery Company Limited, Leoch Battery Pte. Ltd. and Leoch International Sales Limited were parties who act as guarantors, to guarantee punctual performance of the obligations under the Facility Agreement.

As at 31 December 2015, the Group had fully utilised the amount of US\$85,700,000 under the Facility Agreement. As at 31 December 2015, the outstanding term loan balance amounted to RMB544,240,000, of which, RMB54,424,000 and RMB489,816,000 are repayable within 1 year and in the 2nd to 3rd years inclusive, respectively. The term loan bears interest at LIBOR+3% per annum.

As at 31 December 2015, one of the financial covenants under the Facility Agreement was not satisfied. According to the relevant accounting standard, the long term portion of RMB489,816,000 of the term loan under the Facility Agreement, was classified as a current liability as at 31 December 2015.

Prior to the date of approval of these financial statements, the Group had applied for and the Lenders of the Facility Agreement had granted to the Group waivers from strict compliance with the said financial covenant.

17. PLEDGE OF ASSETS

	Prepaid land lease payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Pledged deposits <i>RMB'000</i> <i>(note 13)</i>	Trade receivables <i>RMB'000</i> <i>(note 11)</i>	Total <i>RMB'000</i>
31 December 2015					
Interest-bearing bank					
borrowings <i>(note 16)</i>	33,263	923,251	174,096	78,271	1,208,881
Bills payable <i>(note 14)</i>	-	-	322,125	-	322,125
Issue of letters of credit	-	-	84,180	-	84,180
	<u>33,263</u>	<u>923,251</u>	<u>580,401</u>	<u>78,271</u>	<u>1,615,186</u>
31 December 2014					
Interest-bearing bank					
borrowings <i>(note 16)</i>	33,825	770,821	387,767	34,126	1,226,539
Bills payable <i>(note 14)</i>	-	-	232,332	-	232,332
Issue of letters of credit	-	-	2,415	-	2,415
	<u>33,825</u>	<u>770,821</u>	<u>622,514</u>	<u>34,126</u>	<u>1,461,286</u>

18. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its staff quarters and office premises under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within one year	2,720	293
In the second to fifth years, inclusive	10,641	147
After five years	<u>13,020</u>	<u>20</u>
	<u><u>26,381</u></u>	<u><u>460</u></u>

(b) As lessee

The Group leases certain of its office properties from its related companies and independent third parties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

As at 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within one year	3,790	3,653
In the second to fifth years, inclusive	10,702	8,853
After five years	<u>12,168</u>	<u>14,196</u>
	<u><u>26,660</u></u>	<u><u>26,702</u></u>

19. COMMITMENTS

In addition to the operating lease commitments detailed in note 18(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Land and buildings	10,816	15,270
Plant and machinery	15,955	9,735
Capital contribution payable to an available-for-sale investment	10,751	14,000
	<u>37,522</u>	<u>39,005</u>

20. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

As further explained in note 2, due to the implementation of the Hong Kong Companies Ordinance (Cap.622) during the current year, the presentation and disclosure of certain items and balances in the financial statements, including the comparative amounts, have been revised to comply with the new requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a vertically integrated enterprise primarily engaged in the development, sale and manufacture of lead-acid batteries. The Group sells over 2,000 models of lead-acid battery products, ranging in capacity from 0.251 Ah to 4,055 Ah. Among the PRC battery manufacturers, the Group offers one of the broadest lines of lead-acid battery products.

For the year ended 31 December 2015 (the “**Period**”), the Group’s revenue amounted to RMB4,330.9 million, representing an increase of 1.9% from RMB4,248.4 million in 2014. Lead-acid batteries are generally classified into three major market categories, namely reserve power batteries, SLI batteries and motive power batteries. Details of business operations of the Group in these three categories are as follows:

Reserve power batteries

Reserve power batteries are the major revenue contributor of the Group. The Group’s sales of reserve power batteries during the Period amounted to RMB3,160.4 million, representing an increase of 2.3% from 2014. Reserve power battery products are further classified into four major application markets, namely uninterrupted power supply system (“**UPS**”), telecommunications, other consumer products and renewable energy. Sales of UPS, other consumer products and renewable energy categories increased as compared to a slight decrease in telecommunications category for the Period. The increase in sales of UPS, other consumer products and renewable energy categories was primarily due to an increase in the customer base in China and overseas and the contribution from new overseas markets, such as Australia. The Group’s sales in the telecommunication category decreased slightly, mainly due to the weak market demand of telecommunication batteries in the middle of 2015 as a result of strategic restructuring among major telecommunication providers in the PRC despite strong market demand afterwards.

SLI batteries

SLI batteries are used mainly in starting up automobiles and motorcycles. The Group's sales of SLI batteries during the Period amounted to RMB851.7 million, representing an increase of 2.0% from 2014. The increase was primarily attributable to an increase in the customer base of automobiles and motorcycles batteries.

Motive power batteries

Motive power batteries are mainly used to provide power for electric vehicles such as forklifts, golf carts, electric bicycles and other portable devices. During the Period, the Group recorded sales revenue of RMB136.8 million, representing an increase of 0.8% from 2014. The slight increase in sales was a result of the stabilization of the electric vehicle battery industry during the Period after the fierce competition in 2014.

Sales network

The Group distributes its products to more than 100 countries and regions across the world. The Group's regional sales centres are located in Beijing, Shenzhen, Zhaoqing, Nanjing, the United States, the European Union, Hong Kong, Singapore, India, Sri Lanka, Malaysia and Australia, together with 39 domestic sales centres across the PRC. As at the date of this Announcement, the Group has over 500 dedicated sales and after-sales employees. The Group will continue expanding its sales teams and marketing network to support the sales, distribution, and after-sales services for the reserve power batteries, SLI batteries and motive power batteries of the Group.

Research and development of new products

The Group is a leader in R&D and application of lead-acid battery technologies in China. The Group's battery research and development team consists of more than 400 researchers and technicians. To support its R&D efforts, the Group works closely with international and domestic battery experts and research institutions to develop new technologies. As at the date of this Announcement, the Group holds 896 patents and there are 70 proprietary technologies in the process of patent applications.

The Group has grasped and applied most of the lead-acid battery technologies in the world, including technologies used in the first generation open-type fluid infusion battery, the second generation Absorbent Glass Mat battery and new energy battery, the third generation pure lead battery, and the fourth generation Stop-Start battery. The Group is one of a handful of enterprises in the world possessing the third and the fourth generations of technologies. The Group's strong R&D capabilities enable it to produce a broad range of battery products deploying most of the key lead-acid battery technologies. As at the date of this announcement, the Group has developed more than 2,000 different types of battery products employing various application technologies, making the Group one of the battery enterprises with the broadest range of lead-acid batteries. During the Period, the Group continued to provide sufficient resource in R&D on all categories of product in order to secure growth in the future.

Production bases

During the Period, the Group operated seven well-built production bases, including four wholly-owned production bases in the PRC, a wholly-owned production base in Sri Lanka, and two joint venture production bases in Malaysia, with a total site area of approximately 920,000 sq.m. In the second half of the Period, the Group commenced the construction of a joint venture production base in India. Infrastructure works was completed and equipments were installed in early 2016. Trial production will commence in April of 2016. As at the end of 2015, the Group had production capacity of 18.2 million KVAh (31 December 2014: 18.2 million KVAh). To cope with potential business expansion, the Group is planning to further expand its production and manufacturing capacities in the PRC and oversea.

Trend of lead price

Lead is the main raw material of lead-acid batteries and accounts for a major sales cost for the Group's battery production. According to Shanghai Metals Market, an information service provider of the non-ferrous metal market, the monthly average lead prices was declined modestly by approximately 4% in January 2015 as compared with December 2014 which is RMB12,536 and RMB13,032 respectively. Average lead price remained stable for the next two months. Since April 2015, average lead price rebounded and except for November 2015, each month's average lead price is approximately 1% to 5% higher when compare with yearly average lead price of RMB13,097, which indicated that lead price is slowly rebounding to a higher level. To cope with potential risks of fluctuations in lead price, the Group adopts a price linkage mechanism, passing raw materials price fluctuations to its customers to hedge against relevant risks. The Group's centralized procurement of raw materials enables it to trim down costs of raw materials through favourable negotiations on bulk purchase contracts.

Future Prospects

Batteries, one of the necessities in modern society, are mainly used in UPS at data centres of computer networks, automobiles, motorcycles, telecommunication base stations, trains, subway, solar and wind power stations, substations, electric vehicles, elevators, backup lights and medical equipment. These equipment industries have been dominated in Europe and U.S.A., and accessory batteries have also been manufactured overseas. However, the surging application of these equipment amid the urbanization paces in the PRC is pushing forward a shift for such equipment to be manufactured domestically. Hence, the Group believes that the lead-acid battery market will enjoy continuous growth as driven by domestic industry upgrading and the ongoing shift of the high-end industries from overseas.

The Group anticipates that lead-acid batteries will sustain the growth momentum in three categories, namely reserve power batteries, SLI batteries and motive power batteries. To grasp these market opportunities, the Group has formulated the following strategic plans for the three categories of lead-acid batteries:

Reserve power batteries

Equipment manufacturers and operators are the Group's major customers. Reserve power battery products have four major application areas, namely UPS, telecommunications, other consumer products and renewable energy. The Group also believes that in the long run, reserve power batteries will sustain growth in these four major application markets. The Group has exerted all its efforts to expand its market share to secure its leading position in the domestic market of reserve power batteries. To deal with the intense competition and trade barrier in oversea market, the Group will continue seeking high quality joint venture partner to further expand overseas production base and business.

SLI batteries

China has been ranked first in vehicle production and sales in the world since 2010, with over 20 million vehicles, which is higher than over 10 million in the United States and over 10 million in the European Union. A consensus has therefore been formed in the market that the momentum of vehicle production and sales in China will continue from 2016 to 2022, further multiplying the demand for SLI batteries. The Group has strengthened its investment in SLI batteries, aiming to become one of the leading suppliers of SLI batteries for automobiles in China. The new joint venture production base in India will equip the Group with production capacity for SLI batteries to meet demand in the India market.

Motive power batteries

The demand for motive power batteries has been propelled by the extensive promotion and application of the batteries in electric transportations such as electric bicycles, low-speed battery vehicles and forklifts. The Group will maintain its competitiveness in the sector of low-speed electric vehicles and forklifts which will witness more extensive application as driven by industrial automation.

Financial Review

For the year ended 31 December 2015, the Group's revenue amounted to RMB4,330.9 million, representing an increase of 1.9% compared to the year ended 31 December 2014. The profit for the year amounted to RMB 106.3 million for the year ended 2015 as compared to RMB 81.8 million for the year ended 2014, of which the profit attributable to the owners of the parent amounted to RMB106.6 million as compared to RMB81.8 million for the corresponding period in 2014. Basic profit per share for the year ended 31 December 2015 was RMB0.08.

Revenue

The Group's revenue increased by 1.9% from RMB4,248.4 million for the year ended 31 December 2014 to RMB4,330.9 million for the year ended 31 December 2015.

The revenue of reserve power batteries increased by 2.3% from RMB3,088.9 million for the year ended 31 December 2014 to RMB3,160.4 million for the year ended 31 December 2015, which was principally due to an increase in the customer base in China and overseas and the contribution from new overseas markets, such as Australia, and strong market demand of telecommunication batteries near the end of 2015 after strategic restructuring among major telecommunication providers in the PRC. The revenue of SLI batteries increased by 2.0% from RMB835.4 million for the year ended 31 December 2014 to RMB851.7 million for the year ended 31 December 2015, which was primarily attributable to an increase in the customer base of automobiles and motorcycles batteries. The revenue of motive power batteries increased by 0.8% from RMB135.7 million for the year ended 31 December

2014 to RMB136.8 million for the year ended 31 December 2015, which was a result of the stabilization of the electric vehicle battery industry during the Period after the fierce competition in 2014. Details of the Group's revenue for the years ended 31 December 2015 and 2014 by category of batteries are set out below:

Product category	2015			2014	
	Revenue <i>RMB'000</i>	Share	Percentage increase/ (decrease)	Revenue <i>RMB'000</i>	Share
Reserve power batteries	3,160,400	73.0%	2.3%	3,088,905	72.7%
SLI batteries	851,704	19.6%	2.0%	835,356	19.7%
Motive power batteries	136,774	3.2%	0.8%	135,675	3.2%
Other	182,015	4.2%	(3.4%)	188,415	4.4%
Total	<u>4,330,893</u>	<u>100%</u>	<u>1.9%</u>	<u>4,248,351</u>	<u>100%</u>

Geographically, the Group's customers are principally located in the PRC, the United States of America, the European Union and other Asian countries/areas. The Group recorded different degree of growth in its sales in the PRC and the United States while sales in the European Union, other Asian Countries/areas and other secondary market decreased.

The Group's sales revenue in the PRC increased by 9.8% from RMB1,954.4 million for the year ended 31 December 2014 to RMB2,145.3 million for the year ended 31 December 2015, representing 49.5% of the Group's total revenue (for the year ended 31 December 2014: 46.0%). The increase was mainly due to increased customer base as a result of powerful marketing and strong market demand of telecommunication batteries near the end of 2015 after strategic restructuring among major telecommunication providers in the PRC.

The Group's sales revenue in the United States of America and European Union increased by 4.2% and decreased by 11.9% from RMB668.6 million and RMB763.2 million for the year ended 31 December 2014 to RMB696.7 million and RMB672.6 million for the year ended 31 December 2015, respectively, which was mainly due to the Group diverting its effort from European market to American market as a result of depreciation of currencies in European Union and economic recovery in the United States. The Group's sales revenue in other Asian countries/areas decreased by 4.3% from RMB608.9 million for the year ended 31 December 2014 to RMB582.8 million for the year ended 31 December 2015. The decrease was principally due to weak economy in the other Asian countries and keen competition in the region. The Group's sales revenue from battery products in other countries decreased by 7.8% from RMB253.3 million for the year ended 31 December 2014 to RMB233.5 million for the year ended 31 December 2015, which was mainly due to lower sales from Africa and South American, resulting in fierce competition from traditional European battery manufacturers.

The following revenue information is based on the location of the customers for the years ended 31 December 2015 and 2014:

	2015			2014	
	Revenue <i>RMB'000</i>	Share	Percentage increase/ (decrease)	Revenue <i>RMB'000</i>	Share
PRC	2,145,296	49.5%	9.8%	1,954,397	46.0%
United States of America	696,675	16.1%	4.2%	668,594	15.7%
European Union	672,594	15.5%	(11.9%)	763,170	18.0%
Other Asian countries/areas	582,827	13.5%	(4.3%)	608,936	14.3%
Other countries	233,501	5.4%	(7.8%)	253,254	6.0%
Total	<u>4,330,893</u>	<u>100%</u>	<u>1.9%</u>	<u>4,248,351</u>	<u>100%</u>

Cost of Sales

The Group's cost of sales increased by 0.8% from RMB3,531.7 million for the year ended 31 December 2014 to RMB3,561.2 million for the year ended 31 December 2015. The slight increase was mainly due to the better control on the manufacturing overhead during the Period resulting in corresponding increase in cost of sales less than sales growth.

Gross Profit

The Group's gross profit increased by 7.4% from RMB716.7 million for the year ended 31 December 2014 to RMB769.7 million for the year ended 31 December 2015. The overall gross profit margin increased from 16.9% for the year ended 31 December 2014 to 17.8% for the year ended 31 December 2015.

Other Income and Gains

Other income and gains decreased by 6.6% from RMB75.6 million for the year ended 31 December 2014 to RMB70.6 million for the year ended 31 December 2015, mainly due to the absence of gains on disposal of items of property, plant and equipment during the Period.

Selling and Distribution Expenses

The Group's selling and distribution costs increased by 7.0% from RMB202.3 million for the year ended 31 December 2014 to RMB216.5 million for the year ended 31 December 2015, primarily due to the increased salaries of sale personnel and cost of logistic service during the Period.

Administrative Expenses

The Group's administrative expenses decreased slightly by 1.5% from RMB220.1 million for the year ended 31 December 2014 to RMB216.8 million for the year ended 31 December 2015, mainly due to better control on administrative spending.

R&D Expenses

The development expenditure of the Group decreased by 45.0% from RMB154.4 million for the year ended 31 December 2014 to RMB84.9 million for the year ended 31 December 2015. The decrease in expenditure was mainly due to the fact that most of expenditure relating to development of new products carried out in 2014 were capitalized in 2015.

Other Expenses

The Group's other expenses increased by 50.9% from RMB50.1 million for the year ended 31 December 2014 to RMB75.6 million for the year ended 31 December 2015, which was mainly due to recognition of the loss on inventories and properties of RMB31.0 million as a result of the fire incident at one of the warehouses at Huaibei city, AHHUI, the PRC on 24 March 2015.

Fair value Gain/(Loss) on Financial Instruments at Fair Value through Profit or Loss, net

Included in other expenses, the Group recognized fair value loss on financial instruments at fair value through profit or loss of RMB37.4 million (31 December 2014: RMB44.9 million), which comprised fair value gain on warrants issued for RMB5.4 million (fair value loss for the year ended 31 December 2014: RMB12.4 million), fair value loss on foreign exchange forward contracts for RMB31.4 million (31 December 2014: RMB32.5 million) and fair value loss on equity investments for RMB11.4 million (31 December 2014: Nil), for the Period.

(i) Warrants

On 7 May 2014, the Company issued 46,000,000 warrants to certain independent third parties to subscribe for the Company's ordinary shares of HK\$0.1 each. The subscription rights attaching to 50% of these warrants may be exercised at any time during a period of 12 months commencing from 8 May 2014 with an exercise price of HK\$1.2 per share. The subscription rights attaching to the remaining 50% of these warrants may be exercised at any time during a period of 18 months commencing from 8 May 2014 with an exercise price of HK\$1.6 per share. These warrants are accounted for as financial liabilities and measured at fair value through profit or loss. At 31 December 2014, The Company had 33,000,000 warrants outstanding with a total fair value of RMB5.4 million.

In the current year, the subscription rights attaching to 23,000,000 warrants and 10,000,000 warrants expired on 6 November 2015 and 6 May 2015, respectively. Upon the expiration of these warrants, a fair value gain of RMB5.4 million was recognised in the statement of profit or loss in the current year.

(ii) *Forward currency contracts*

The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are measured at fair value through profit or loss. The net loss, including realised and unrealised, on changes in the fair value of the forward currency contracts amounting to RMB31.4 million (2014: RMB32.5 million) was recognised in the statement of profit or loss during the year. The maturity dates of the derivative financial instruments are within one year.

(iii) *Equity investments*

During the Period, the Group had listed equity investments in Hong Kong and the PRC. The fair values of the listed securities were determined by reference to their quoted market bid prices available on the relevant exchanges at the end of the period. Due to the sluggish share markets both in Hong Kong and the PRC, loss from the change in fair value of RMB11.4 million was recognised in the statement of profit or loss in the current year.

Finance Costs

The Group's finance costs decreased by 3.5% from RMB108.5 million for the year ended 31 December 2014 to RMB104.7 million for the year ended 31 December 2015, mainly due to the decreased interest expenses arising from discounted bills during the Period.

Profit before Tax

As a result of the foregoing factors, the Group recorded profit before tax of RMB134.6 million for the year ended 31 December 2015 as compared to RMB111.9 million for the year ended 31 December 2014.

Income Tax Expense

Income tax expense decreased by 6.0% from RMB30.1 million for the year ended 31 December 2014 to RMB28.3 million for the year ended 31 December 2015, mainly due to more tax concession obtained during the Period.

Profit for the Year

As a result of the foregoing factors, the Group recorded consolidated net profit of RMB106.3 million (for the year ended 31 December 2014: RMB81.8 million) for the year ended 31 December 2015, of which the Group recorded profit attributable to the owners of the parent of RMB106.6 million (for the year ended 31 December 2014: RMB81.8 million) for the same period.

Net Current Assets

As at 31 December 2015, the Group had net current assets of RMB279.4 million (31 December 2014: RMB228.3 million). The Group's current assets mainly consist of inventories, trade and bills receivables, cash and bank balances, prepayments, deposits and other receivables. The Group's current liabilities mainly consist of trade and bills payables, other payables and accruals, and interest-bearing bank borrowings.

Inventories

Inventories constituted one of the principal components of the Group's current assets. As at 31 December 2015, the Group had inventories of RMB889.0 million (31 December 2014: RMB796.1 million). The increase in inventories was primarily due to forecast of strong market demand of telecommunication batteries in the PRC in the early period of 2016.

Trade and Other Receivables

(a) Trade and bills receivables

The Group's trade and bills receivables primarily related to receivables for goods sold to its customers. As at 31 December 2015, the Group had trade and bills receivables of RMB1,548.9 million (31 December 2014: RMB1,358.3 million). The increase in trade and bills receivables was primarily because of the strong market demand of telecommunication batteries near the end of the Period after strategic restructuring among major telecommunication providers in the PRC.

(b) Prepayments, deposits and other receivables

The Group's prepayments and deposits mostly related to the purchase of raw materials. As at 31 December 2015, the Group had prepayments, deposits and other receivables of RMB119.1 million (31 December 2014: RMB66.4 million). The increase in prepayments, deposits and other receivables as compared to 2014 was primarily because the Group increased its prepayments for raw materials in order to meet the expected strong market demand of telecommunication batteries in the PRC in the early period of 2016.

Trade and Bills Payables

The Group's trade and bills payables primarily relate to its purchase of raw materials for production. As at 31 December 2015, the Group had trade and bills payables of RMB1,220.1 million (31 December 2014: RMB1,216.4 million). The slight increase in trade and bills payables was mainly because of the Group's increased procurement for increased turnover.

Other Payables and Accruals

The Group's other payables and accruals primarily consisted of payments for its expenditures related to construction and renovation of its production facilities, payments in connection with transportation charges, advance payments from customers for shipments and accruals for payroll and benefits for its employees. As at 31 December 2015, the Group had other payables and accruals of RMB327.3 million (31 December 2014: RMB360.2 million), the decrease was mainly due to the decreased payables for purchase of items of property, plant and equipment.

Capital Expenditures

During the year ended 31 December 2015, the Group invested RMB169.0 million (31 December 2014: RMB94.9 million) in property, plant and equipment for its new production facilities.

Liquidity and Financial Resources

As at 31 December 2015, the Group's net current assets amounted to RMB279.4 million (31 December 2014: RMB228.3 million), among which cash and bank deposits amounted to RMB788.0 million (31 December 2014: RMB761.4 million). As at 31 December 2015, the Group had bank borrowings of RMB1,555.9 million (31 December 2014: RMB1,201.7 million), all of which are interest-bearing. Except for borrowings of RMB84.8 million (31 December 2014: RMB62.2 million) which has a maturity over one year, all of the Group's bank borrowings were repayable within one year. The Group's borrowings were denominated in RMB, US dollars, HK dollars and Singapore dollars, and the effective interest rates of which as of 31 December 2015 were 1.50% to 7.53% (31 December 2014: 1.95% to 7.80%).

A portion of the Group's bank borrowings was secured by pledges over certain assets of the Group including property, plant and equipment, leasehold lands, deposits and trade and bills receivables. As at 31 December 2015, the Group's gearing ratio was 27.1% (31 December 2014: 22.8%), which was calculated by dividing total borrowings by total assets as at the end of each respective period, multiplied by 100%.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2015 (31 December 2014: Nil).

Foreign Exchange Risk

The Group operated primarily in the PRC. For the Group's companies in the PRC, their principal activities were transacted in RMB. For other companies outside of the PRC, their principal activities were transacted in U.S. dollars. However, as a result of the Group's revenue being denominated in RMB, the conversion into foreign currencies in connection with payments is subject to PRC regulatory restrictions on currency conversion. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, change in PRC's political and economic conditions. The Group's product sales adopted a price mechanism by which the currency fluctuation is basically transferred to the customers, but the Group's foreign currency trade receivables may still be exposed to risk in the credit period. The Group commenced using forward currency contracts since the year 2012 to eliminate the foreign currency exposures arising from sales denominated in U.S. dollar. The forward currency contracts must be in the same currency as the hedged item, i.e. U.S. dollar.

Loss on Inventories and Properties as a result of Fire Incident

As disclosed in the Company's announcement dated 25 March 2015, one of the warehouses of the Group's production factory in Huaibei city, Anhui, the PRC, caught fire on 24 March 2015, which resulted in losses on inventories and property, plant and equipment of RMB70.2 million and RMB8.3 million, respectively. After taking into account of the reimbursement received/receivable from the insurance companies, a net loss of RMB31.0 million was recognised in the consolidated statement of profit or loss in the current year.

Material Acquisition and Disposal

There was no material acquisition and disposal of subsidiaries or associated companies by the Group during the Period.

EMPLOYEES

As at 31 December 2015, the Group had 11,213 employees. Employee benefit expense (including directors' remuneration), which comprised wages and salaries, performance-related bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totaled RMB548.2 million for the year ended 31 December 2015 (the year ended 31 December 2014: RMB543.1 million).

The Group has a share option scheme for selected participants as incentive and reward for their contribution to the Group. A mandatory provident fund scheme and local retirement benefit schemes are also in effect. The Group encourages employees to receive continuing education and training to strengthen their work skills and for personal development. The Group also provides workshops for staff at different levels to enhance their knowledge of work safety and to build up team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$2.60 cents per share for the year ended 31 December 2015 (2014: HK\$2.25 cents per share). The final dividend shall be payable to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company as at the close of business on 8 June 2016. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the “**AGM**”), the final dividend will be paid to the Shareholders on or about 4 July 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed:

- (i) from Wednesday 25 May 2016, to Monday 30 May 2016, (both days inclusive), for the purpose of determining Shareholders’ entitlement to attend and vote at the AGM, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the and voting at the AGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company’s branch share registrar (see below) for registration by no later than 4:30 p.m. on Tuesday, 24 May 2016; and
- (ii) from Monday 6 June 2016, to Wednesday 8 June 2016, (both days inclusive), for the purpose of determining shareholders’ entitlement to receive the proposed final dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for receiving the proposed final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company’s branch share registrar (see below) for registration by no later than 4:30 p.m. on Friday, 3 June 2016.

(iii) The details of the Company's branch share register are as follows:

Tricor Investor Services Limited

Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the code for dealing in securities of the Company by its directors. After specific enquiry, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of shareholders and enhancing corporate value. The Board is of the view that the Company has complied with all applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee, which comprises four independent non-executive directors of the Company, namely, Mr. CAO Yixiong Alan (chairman of the Audit Committee), Mr. LIU Yangsheng, Mr. LAU Chi Kit and Dr. GONG Fangxiong, has reviewed the financial statements of the Group for the year ended 31 December 2015 and has discussed with the management and the external auditor of the Company on the accounting policies and practices adopted by the Group and the internal controls and financial reporting matters of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

ANNUAL GENERAL MEETING

The AGM will be held on Monday, 30 May 2016. Notice of the AGM (the “**Notice**”), which constitutes part of the circular, will be sent to the Shareholders together with the 2015 Annual Report. The Notice, the circular which sets out details of the business to be conducted at the AGM, and the proxy form will be published on the website of the Stock Exchange of Hong Kong Limited and the Company’s website. The poll results of the proposed resolutions will be published on the above-mentioned websites shortly after the AGM.

All Shareholders are encouraged to attend the AGM and exercise their right to vote. Shareholders are invited to ask questions related to the business of the meeting, and will be able to meet with the directors and the senior management of the Company.

APPRECIATION

The Board would like to express its sincere appreciation to the Shareholders, customers, suppliers and staff for their continuing support to the Group.

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

Hong Kong, 24 March 2016

As at 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. LIU Yangsheng, Mr. CAO Yixiong Alan, Mr. LAU Chi Kit and Dr. GONG Fangxiong.