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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 INTERIM RESULTS FOR
THE SIX MONTHS ENDED 30 JUNE 2015**

FINANCIAL HIGHLIGHTS

- Revenue decreased by 7.1% to RMB1,969.1 million.
- Gross profit decreased by 8.4% to RMB320.2 million.
- Loss attributable to owners of the Company was RMB16.4 million as compared to a profit attributable to owners of the Company of RMB50.8 million for the corresponding period in 2014.
- Basic loss per share was RMB0.01.

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Leoch International Technology Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2015 with comparative figures for the corresponding period in the year 2014. The unaudited interim condensed consolidated financial statements have been reviewed by the auditors of the Company, Ernst & Young, and the audit committee of the Company (the “Audit Committee”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
		(Unaudited) RMB'000	(Unaudited) RMB'000
REVENUE	4	1,969,050	2,120,234
Cost of sales		<u>(1,648,818)</u>	<u>(1,770,547)</u>
Gross profit		320,232	349,687
Other income and gains	4	34,205	21,317
Selling and distribution costs		(108,508)	(96,680)
Administrative expenses		(94,914)	(90,237)
Research and development costs	6	(38,275)	(39,456)
Fair value gain/(loss) from financial assets and financial liabilities at fair value through profit or loss, net	6	16,420	(23,911)
Other expenses		(83,837)	(5,403)
Finance costs	5	(51,761)	(52,197)
Share of losses of associates		<u>(7,046)</u>	<u>(198)</u>
(LOSS)/PROFIT BEFORE TAX	6	(13,484)	62,922
Income tax expense	7	<u>(2,891)</u>	<u>(12,158)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(16,375)</u>	<u>50,764</u>

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
<i>Note</i>	RMB'000	RMB'000
(LOSS)/PROFIT FOR THE PERIOD	<u>(16,375)</u>	<u>50,764</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	9,330	–
Income tax effect	<u>(1,400)</u>	–
	7,930	–
Exchange differences on translation of foreign operations	<u>(20,147)</u>	<u>7,090</u>
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	<u>(12,217)</u>	<u>7,090</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(12,217)</u>	<u>7,090</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(28,592)</u>	<u>57,854</u>
(Loss)/profit attributable to:		
Owners of the parent	<u>(16,375)</u>	<u>50,764</u>
Total comprehensive (loss)/income attributable to:		
Owners of the parent	<u>(28,592)</u>	<u>57,854</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8	
Basic	<u>(RMB0.01)</u>	<u>RMB0.04</u>
Diluted	<u>(RMB0.01)</u>	<u>RMB0.04</u>

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

		30 June	31 December
		2015	2014
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,821,308	1,878,105
Prepaid land lease payments		142,265	128,738
Investments in associates		13,860	15,880
Available-for-sale investment		32,676	23,346
Intangible assets		120,578	97,017
Deposits paid for purchase of items of property, plant and equipment		49,032	7,843
Deferred tax assets		71,250	59,767
		<hr/>	<hr/>
Total non-current assets		2,250,969	2,210,696
CURRENT ASSETS			
Inventories	<i>9</i>	713,512	796,068
Trade and bills receivables	<i>10</i>	1,303,982	1,317,555
Prepayments, deposits and other receivables		125,525	66,404
Tax recoverable		30,350	61,260
Amounts due from related companies		58,270	40,707
Financial assets at fair value through profit or loss	<i>14</i>	9,355	6,575
Pledged deposits	<i>11</i>	688,807	622,514
Cash and cash equivalents	<i>11</i>	147,335	138,907
		<hr/>	<hr/>
Total current assets		3,077,136	3,049,990

		30 June	31 December
		2015	2014
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	1,284,318	1,209,442
Other payables and accruals		409,605	360,173
Interest-bearing bank borrowings	<i>13</i>	1,105,965	1,139,497
Financial liabilities at fair value through profit or loss	<i>14</i>	32,889	43,571
Amounts due to related companies		1,040	6,948
Income tax payable		73,648	62,073
		<hr/>	<hr/>
Total current liabilities		2,907,465	2,821,704
		<hr/>	<hr/>
NET CURRENT ASSETS		169,671	228,286
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,420,640	2,438,982
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		14,506	13,583
Interest-bearing bank borrowings	<i>13</i>	94,562	62,173
Deferred government grants		31,982	32,550
		<hr/>	<hr/>
Total non-current liabilities		141,050	108,306
		<hr/>	<hr/>
Net assets		2,279,590	2,330,676
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Issued capital		115,799	115,742
Reserves		2,163,791	2,190,935
Proposed final dividend		–	23,999
		<hr/>	<hr/>
Total equity		2,279,590	2,330,676
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. CORPORATE 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.

In the opinion of the Directors, the immediate holding company of the Company is Master Alliance Investment Limited, a company incorporated in the British Virgin Islands. The ultimate holding company is DB International Trust (Singapore) Limited, which is the trustee of a discretionary trust established by Mr. Dong Li and the beneficiaries of whom are family members of Mr. Dong Li.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

These interim condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

2.2 ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The adoption of the new standards and interpretations has had no material effect on these interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture, development 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, development 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

	Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Mainland China	949,821	982,082
European Union	339,447	399,106
United States of America (the "USA")	332,318	309,144
Other Asian countries/areas	268,750	338,881
Other countries	78,714	91,021
	<u>1,969,050</u>	<u>2,120,234</u>

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

(b) Non-current assets

The following table presents the geographical information of non-current assets of the Group.

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
	Mainland China	2,029,733
Others	117,310	123,515
	<u>2,147,043</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.

(c) Information about major customers

During the six months ended 30 June 2015, no revenue from sales to a single customer amounted to 10% or more of the Group's revenue. During the six months ended 30 June 2014, revenue of approximately RMB390,127,000 was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer, which accounted for 18.4% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold. An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sale of goods	<u>1,969,050</u>	<u>2,120,234</u>
Other income and gains		
Bank interest income	6,785	9,686
Government grants*	7,321	6,177
Gain on disposal of items of property, plant and equipment	–	2,963
Gain on disposal of scrap materials	6,172	142
Foreign exchange differences, net	9,457	–
Others	<u>4,470</u>	<u>2,349</u>
	<u>34,205</u>	<u>21,317</u>

* Various government grants represented cash payments and subsidies by the local finance bureau to the Group as an encouragement to its investment and technological innovation. There are no unfulfilled conditions or contingencies relating to such subsidies.

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	35,642	28,823
Interest arising from discounted bills	16,831	30,506
	52,473	59,329
<i>Less: Interest capitalized</i>	(712)	(7,132)
	51,761	52,197

6. (LOSS)/PROFIT BEFORE TAX

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

	<i>Note</i>	Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold		1,393,729	1,381,627
Employee benefit expenses (including directors' remuneration):			
Wages and salaries		301,799	248,242
Performance-related bonuses		–	802
Equity-settled share option expenses		1,145	1,208
Pension scheme contributions		17,842	14,113
		320,786	264,365
Amortization of computer software		1,224	765
Research and development costs:			
Deferred development costs amortized*		12,385	11,812
Current period expenditure		38,275	39,456
		50,660	51,268

	<i>Note</i>	Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Unrealized (gain)/loss on:			
Forward currency contracts at			
fair value through profit or loss		(8,273)	14,535
Warrants at fair value through profit or loss	<i>14</i>	(5,189)	13,784
		(13,462)	28,319
Realized gain on:			
Forward currency contracts at			
fair value through profit or loss		(2,958)	(4,408)
Total (gain)/loss on financial assets/financial liabilities at fair value through profit or loss		(16,420)	23,911
Depreciation		93,127	108,415
Amortization of prepaid land lease payments		811	781
Recognition/(reversal) of impairment of trade receivables [#]		505	(2,578)
Write down of inventories to net realizable value [*]		1,881	7,777
Impairment of items of property, plant and equipment [#]		–	2,275
Minimum lease payments under operating leases		2,026	1,680
(Loss)/gain on disposal of items of property, plant and equipment, net [#]		2,624	(2,963)
Gain on disposal of an associate, net		(367)	–
Loss on a fire incident ^{#^}		78,575	–
Foreign exchange differences, net		(9,457)	3,029

* *The amortization of deferred development costs and write down of inventories to net realizable value are included in “Cost of sales” in the condensed consolidated statement of profit or loss and other comprehensive income.*

Impairment of trade receivables, impairment of items of property, plant and equipment, loss on disposal of items of property, plant and equipment and loss on a fire incident were included in “Other expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.

^ *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, totalling RMB78,575,000.*

7. INCOME TAX EXPENSE

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Current – Mainland China	10,586	5,255
Current – Hong Kong	1,302	2,952
Current – Singapore	1,248	5,793
Current – USA	1,666	2,236
Deferred tax	(11,911)	(4,078)
	<hr/>	<hr/>
Total tax charge for the period	<u>2,891</u>	<u>12,158</u>

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the six months ended 30 June 2015 attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,352,316,026 (six months ended 30 June 2014: 1,337,199,333) in issue during the period.

The calculation of diluted loss per share amounts is based on the loss for the six months ended 30 June 2015 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 period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2015 in respect of a dilution as the impact of the share options and warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss)/earnings per share calculations	<u>(16,375)</u>	<u>50,764</u>
	Number of shares	
	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	1,352,316,026	1,337,199,333
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>–</u>	<u>2,549,127</u>
	<u>1,352,316,026</u>	<u>1,339,748,460</u>

9. INVENTORIES

	30 June	31 December
	2015	2014
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Raw materials	88,771	91,419
Work in progress	437,718	443,315
Finished goods	<u>187,023</u>	<u>261,334</u>
	<u>713,512</u>	<u>796,068</u>

10. TRADE AND BILLS RECEIVABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade receivables	1,252,442	1,240,886
Bills receivable	66,954	91,578
Less: Impairment provision	<u>(15,414)</u>	<u>(14,909)</u>
	<u>1,303,982</u>	<u>1,317,555</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 minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables of RMB128,270,000 (31 December 2014: RMB161,858,000) were under short term credit insurance and RMB48,304,000 (31 December 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 30 June 2015, the Group had pledged certain trade and bills receivables amounting to RMB63,595,000 (31 December 2014: RMB34,126,000) to banks with recourse in exchange for cash. The proceeds from pledging the trade and bills receivables of RMB27,008,000 (31 December 2014: RMB11,208,000) were accounted for as collateralized bank advances until the bills were collected or the Group made good of any losses incurred by the banks (*note 13(iii)*).

An aged analysis of the trade and bills receivables as at 30 June 2015 and 31 December 2014 based on the invoice date, net of provisions, is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 90 days	995,795	988,849
91 to 180 days	175,415	171,361
181 to 365 days	92,365	115,437
1 to 2 years	28,754	33,087
Over 2 years	<u>11,653</u>	<u>8,821</u>
	<u>1,303,982</u>	<u>1,317,555</u>

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Cash and bank balances	147,335	138,907
Time deposits	<u>688,807</u>	<u>622,514</u>
	<u>836,142</u>	<u>761,421</u>
<i>Less: Pledged for interest-bearing bank borrowings (note 13(iv))</i>	(215,276)	(252,777)
Pledged for bills payable (note 12)	(332,119)	(232,332)
Pledged for letters of credit	<u>(141,412)</u>	<u>(137,405)</u>
	<u>(688,807)</u>	<u>(622,514)</u>
Cash and cash equivalents	<u>147,335</u>	<u>138,907</u>
Denominated in RMB	756,022	704,635
Denominated in US\$	40,673	41,054
Denominated in HK\$	32,134	8,573
Denominated in INR	4,458	–
Denominated in SG\$	1,932	1,596
Denominated in EUR	329	1,116
Denominated in AU\$	310	–
Denominated in LKR	<u>284</u>	<u>4,447</u>
	<u>836,142</u>	<u>761,421</u>

12. TRADE AND BILLS PAYABLES

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Trade payables	368,944	348,837
Bills payable	<u>915,374</u>	<u>860,605</u>
	<u>1,284,318</u>	<u>1,209,442</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:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 90 days	415,134	293,595
91 to 180 days	830,156	850,119
181 to 365 days	24,255	29,423
1 to 2 years	8,401	31,225
2 to 3 years	1,593	3,752
Over 3 years	<u>4,779</u>	<u>1,328</u>
	<u>1,284,318</u>	<u>1,209,442</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payable bear maturity dates within 180 days. As at 30 June 2015, bills payable amounting to RMB865,900,000 (31 December 2014: RMB850,800,000) were issued on intercompany sales transactions within Group companies and such bills were discounted to banks for short term financing.

As at 30 June 2015, certain of the Group's bills payable were secured by pledge of certain of the Group's time deposits amounting to RMB332,119,000 (31 December 2014: RMB232,332,000) (*note 11*).

13. INTEREST-BEARING BANK BORROWINGS

	30 June 2015			31 December 2014		
	Effective interest rate (%)	Maturity	(Unaudited) RMB'000	Effective interest rate (%)	Maturity	(Audited) RMB'000
Current						
Interest-bearing bank borrowings, secured	1.50 to 7.80	2016	1,078,957	1.95 to 7.80	2015	1,128,289
Collateralized bank advances, secured	2.00 to 4.53	2016	27,008	3.44 to 5.03	2015	11,208
			<u>1,105,965</u>			<u>1,139,497</u>
Non-current						
Interest-bearing bank borrowings, secured	1.50 to 7.53	2017-2028	94,562	1.50 to 7.53	2017-2028	62,173
			<u>1,200,527</u>			<u>1,201,670</u>

Analyzed into:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Bank loans and advances repayable:		
Within one year	1,105,965	1,139,497
In the second year	27,135	19,722
In the third to fifth years, inclusive	41,402	7,889
Beyond five years	26,025	34,562
	<u>1,200,527</u>	<u>1,201,670</u>

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

- (i) a charge over certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB783,597,000 (31 December 2014: RMB770,821,000) as at the end of the reporting period.
- (ii) a charge over certain of the Group's leasehold lands with a net carrying amount of approximately RMB24,058,000 (31 December 2014: RMB33,825,000) as at the end of the reporting period.
- (iii) certain of the Group's trade receivables with a carrying amount of approximately RMB63,595,000 (31 December 2014: RMB34,126,000) as at the end of the reporting period (*note 10*).
- (iv) the pledge of certain of the Group's time deposits amounting to approximately RMB215,276,000 (31 December 2014: RMB252,777,000) as at the end of the reporting period (*note 11*).
- (v) cross guarantees executed by companies within the Group.

14. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Financial assets at fair value through profit or loss:		
Forward currency contracts	<u>9,355</u>	<u>6,575</u>
Financial liabilities at fair value through profit or loss:		
Forward currency contracts	32,713	38,206
Warrants	<u>176</u>	<u>5,365</u>
	<u>32,889</u>	<u>43,571</u>

Warrants

On 7 May 2014, the Company issued 46,000,000 warrants for a net consideration of approximately RMB575,000 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. As the exercise price of these warrants are denominated in HK\$ which is not the functional currency of the Company, these warrants are accounted for as financial liabilities and measured at fair value through profit or loss.

The following warrants were outstanding during the period/year:

	Six months ended		Year ended	
	30 June 2015		31 December 2014	
	Weighted average exercise price <i>(HK\$ per share)</i>	Number of warrants	Weighted average exercise price <i>(HK\$ per share)</i>	Number of warrants
At 1 January	1.46	33,000,000	–	–
Granted during the period/year	–	–	1.40	46,000,000
Exercised during the period/year	–	–	1.20	(13,000,000)
Expired during the period/year	1.20	<u>(10,000,000)</u>	–	<u>–</u>
At 30 June/31 December	1.60	<u>23,000,000</u>	1.46	<u>33,000,000</u>

The fair value of the warrants was estimated as at the date of exercise and at the end of the reporting period, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the warrants were granted. The following table lists the inputs to the model used:

	Valuation date		
	30 June 2015	31 December 2014	31 December 2014
Underlying price (HK\$ per share)	1.02	1.40	1.40
Exercise price (HK\$ per share)	1.60	1.20	1.60
	6 November 2015	6 May 2015	6 November 2015
Expiry date			
Expected dividend yield (%)	–	–	–
Expected volatility (%)	49.15	37.06	51.24
Risk-free interest rate (%)	0.01	0.03	0.13
Number of shares	23,000,000	10,000,000	23,000,000

At the end of the reporting period, the Company had 23,000,000 (31 December 2014: 33,000,000) warrants outstanding with a total fair value of RMB176,000 (31 December 2014: RMB5,365,000). The change in fair value of RMB5,189,000 was recognized and charged to profit or loss in the current period. The exercise in full of the outstanding warrants would, under the present capital structure of the Company, result in the issue of 23,000,000 additional ordinary shares of the Company and additional share capital of HK\$2,300,000 and share premium of HK\$34,500,000.

At the date of approval of these interim condensed consolidated financial statements, the Company had 23,000,000 warrants outstanding, which represented approximately 1.7% of the Company's shares in issue as at that date.

15. 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 three 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 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	203	293
In the second to fifth years, inclusive	208	147
After five years	–	20
	411	460

(b) As lessee

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

As at 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within one year	3,044	3,653
In the second to fifth years, inclusive	8,849	8,853
After five years	<u>13,089</u>	<u>14,196</u>
	<u>24,982</u>	<u>26,702</u>

16. COMMITMENTS

In addition to the operating lease commitments as set out in note 15(b) above, the Group had the following capital commitments:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Contracted, but not provided for:		
Land and buildings	4,896	15,270
Plant and machinery	11,835	9,735
Capital contribution payable for:		
Available-for-sale investment*	<u>14,000</u>	<u>14,000</u>
	<u>30,731</u>	<u>39,005</u>

* On 8 June 2013, Leoch Battery (Jiangsu) Corp., a subsidiary of the Company, entered into an agreement to invest RMB35,000,000 in an available-for-sale equity investment. As at 30 June 2015, a total of RMB21,000,000 was paid and the remaining RMB14,000,000 will not become due until called by the general partner managing the investment.

17. EVENTS AFTER THE REPORTING PERIOD

With respect to the fire incident, details of which are set out in note 6 to these condensed consolidated financial statements, the Company had insurance policies to cover part of the loss from the fire incident. Based on the preliminary assessment report by the independent valuers appointed by the insurance companies in August 2015 as well as an independent legal opinion obtained, the Company is expected to recover not less than 70% compensation of the net book value of those damaged assets from the insurance companies. The expected recoverable amount includes the proceeds from disposal of the scrapped inventory resulting from the fire incident. Subsequent to the end of the reporting period, the Company has received approximately RMB14 million from the disposal of the scrapped inventory resulting from the fire incident.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in sale, development and manufacturing of lead-acid batteries. Among the PRC battery manufacturers, the Group offers one of the broadest lines 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.

For the six months ended 30 June 2015 (the “Period”), the Group’s revenue amounted to RMB1,969.1 million, representing a decrease of 7.1% from RMB2,120.2 million for the same period in 2014. Lead-acid batteries are classified into three market categories, namely reserve power batteries, SLI batteries and motive power batteries. Details of these three business operations of the Group are as follows:

(A) Reserve power batteries

Sales of reserve power batteries, being a major product line of the Group, amounted to RMB1,423.6 million during the Period, representing a decrease of 11.3% as compared to the same period of last year. Reserve power battery products are further classified into four application areas, namely uninterrupted power supply system (“UPS”), telecommunications, other consumer products and renewable energy. Sales of UPS, telecommunications and renewable energy batteries decreased as compared to an increase in other consumer products batteries. The slight decrease in sales in UPS and renewable energy batteries was mainly due to lower demand as a result of sluggish economy in China and overseas. The significant decrease in sales in telecommunications category was mainly attributable to weak market demand of telecommunication batteries as a result of strategic restructuring among major telecommunication providers in the PRC. In addition, the Group’s sales in other consumer products batteries increased due to the increase in customer base domestically in China and in overseas.

(B) SLI batteries

SLI batteries are used mainly in starting automobiles and motorcycles. The Group's sales of SLI batteries during the Period amounted to RMB391.0 million, representing a decrease of 0.3% as compared to the same period of last year. The slight decrease in sales was mainly due to increased customer base offset by the weak market demand as a result of weak consumer sentiment over the market in the PRC.

(C) Motive power batteries

Motive power batteries are mainly used to provide power for electric vehicles such as forklifts, golf cars and electric bicycles and other portable devices. During the Period, the Group recorded sales revenue of RMB67.2 million, representing a decrease of 0.2% as compared to the same period of last year. The minor decrease in sales was a result of the electric vehicle battery industry being stabilized for the Period after fierce competition in 2014.

Sales network

The Group distributes its products to more than 100 countries through a well established global sales network. Currently, the Group has over 500 dedicated sales and after-sales employees. 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 and Malaysia, together with 39 domestic sales centres across China. The Group will continue to expand its sales teams and marketing network to support the growth in sales, distribution, and after-sales services for the respective batteries categories of the Group.

Research and development of new products

The Group is a leader in research and development ("R&D") and application of lead-acid battery technologies in China. To support its R&D efforts, the Group works closely with international and domestic battery experts and research institutions to develop new technologies. The Group's battery research and development team consists of more than 400 researchers and technicians. Currently, the Group holds 879 patents and other 49 proprietary technologies are in the process of patent applications.

The Group has grasped and applied most of 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. Currently, the Group has developed more than 2,000 models of battery products of different types employing various application technologies, making the Group one of the battery enterprises with the broadest range of lead-acid batteries.

Production bases

The Group has eight established production bases, including five wholly-owned production bases in the PRC, a production base in Sri Lanka, two joint venture production bases in Malaysia, with a total site area of approximately 920,000 square meters. As at 30 June 2015, the Group's maximum production capacity has reached 18.2 million KVAH. The Group is continuing to further expand its production and manufacturing capacities overseas for strategic expansion of overseas market.

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 non-ferrous metal market, lead prices were generally on the decline under slight fluctuation during the Period. Domestic average lead price decreased from RMB13,874 per ton in the first half of 2014 to RMB12,973 per ton in 2015, representing a decrease of approximately 6.5%. To cope with potential risks of fluctuations in lead price, the Group adopted a price linkage mechanism, passing raw materials price fluctuations to customers to hedge 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

The Group anticipates that lead-acid batteries will sustain the growth momentum in all three categories of reserve power batteries, SLI batteries and motive power batteries, on the back of the increasing consumption of batteries as driven by the urbanization and industrial upgrades in China as well as the steady growth around the world. To grasp these market opportunities, the Group has formulated the following strategic plans for the three categories of lead-acid batteries:

(A) Reserve power batteries

Batteries are widely used by manufacturers and operators of electric equipment, which are major customers of the Group. 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 the growth in all the four categories. The Group has exerted all its efforts to expand the market share to secure its leading position in the domestic market of reserve power batteries.

(B) SLI batteries

China has been ranking first in vehicle production and sales in the world since 2010, with over 20 million vehicles which are higher than over 10 million in the United States and over 10 million in the European Union. A consensus is therefore achieved in the market that the momentum of vehicle production and sales in China will continue from 2015 to 2022, further multiplying the demand for SLI batteries. The Group has enhanced its investment and deployment in the business chain of SLI batteries, aiming to become one of the leading suppliers of SLI batteries for automobiles in China.

(C) 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. In particular, the Group will maintain its competitiveness in the sector of low-speed electric vehicles and forklifts which is to witness more extensive application as driven by industrial automation.

FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group's revenue amounted to RMB1,969.1 million, representing a decrease of 7.1% compared to that for the six months ended 30 June 2014. The loss attributable to owners of the Company amounted to RMB16.4 million as compared to the profit attributable to owners of the Company of RMB50.8 million for the six months ended 30 June 2014. Basic and diluted loss per share for the six months ended 30 June 2015 was RMB0.01.

Revenue

The Group's revenue decreased by 7.1% from RMB2,120.2 million for the six months ended 30 June 2014 to RMB1,969.1 million for the six months ended 30 June 2015.

The revenue of reserve power batteries decreased by 11.3% from RMB1,604.3 million for the six months ended 30 June 2014 to RMB1,423.6 million for the six months ended 30 June 2015, which was principally due to the weak market demand of telecommunication batteries as a result of strategic restructuring among major telecommunication providers in the PRC. The revenue of SLI batteries during the Period decreased by 0.3% from RMB392.3 million for the six months ended 30 June 2014 to RMB391.0 million for the six months ended 30 June 2015, which was mainly due to increased customer base offset by the weak market demand as a result of weak consumer sentiment over the market in the PRC. The revenue of motive power batteries decreased by 0.2% from RMB67.3 million for the six months ended 30 June 2014 to RMB67.2 million for the six months ended 30 June 2015, which was a result of the electric vehicle battery industry being stabilized for the Period after fierce competition in 2014. Details of the Group's revenue for the six months ended 30 June 2015 and 2014 by category of batteries are set out below:

Product category	Six months ended 30 June 2015		Six months ended 30 June 2014	
	Revenue <i>RMB'000</i>	Percentage %	Revenue <i>RMB'000</i>	Percentage %
Reserve power batteries	1,423,561	72.3%	1,604,343	75.7%
SLI batteries	390,992	19.9%	392,342	18.5%
Motive power batteries	67,245	3.4%	67,348	3.2%
Other	87,252	4.4%	56,201	2.6%
Total	1,969,050	100%	2,120,234	100%

Geographically, the Group's customers are principally located in Mainland China, the United States, European Union and other Asian countries/areas. The Group recorded different degree of decline in its sales in Mainland China, European Union, other Asian countries/area and other secondary market but there was growth in sales in the United States. The Group's sales revenue in Mainland China decreased by 3.3% from RMB982.1 million for the six months ended 30 June 2014 to RMB949.8 million for the six months ended 30 June 2015, representing 48.2% of the Group's total revenue (for the six months ended 30 June 2014: 46.3%). The slight decrease was principally due to weak market demand of telecommunication batteries as a result of strategic restructuring among major telecommunication providers in the PRC. The Group's sales revenue in the United States and European Union increased by 7.5% and decreased by 14.9% from RMB309.1 million and RMB399.1 million for the six months ended 30 June 2014 to RMB332.3 million and RMB339.4 million for the six months ended 30 June 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 the other Asian countries/areas decreased by 20.7% from RMB338.9 million for the six months ended 30 June 2014 to RMB268.8 million for the six months ended 30 June 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 in other counties decreased by 13.5% from RMB91.0 million for the six months ended 30 June 2014 to RMB78.7 million for the six months ended 30 June 2015, which was mainly due to lower sales from Africa and South America customers, with the traditional suppliers in such areas being European battery manufacturers.

The following table sets forth details of the Group's revenue during the six months ended 30 June 2015 and 2014 based on the geographic locations:

	Six months ended 30 June				
	2015		Percentage increase/ (decrease)	2014	
	Revenue RMB'000	%		Revenue RMB'000	%
Mainland China	949,821	48.2%	(3.3%)	982,082	46.3%
European Union	339,447	17.2%	(14.9%)	399,106	18.8%
United States of America (the "USA")	332,318	16.9%	7.5%	309,144	14.6%
Other Asian countries/areas	268,750	13.7%	(20.7%)	338,881	16.0%
Other countries	78,714	4.0%	(13.5%)	91,021	4.3%
Total	<u>1,969,050</u>	<u>100%</u>	<u>(7.1%)</u>	<u>2,120,234</u>	<u>100%</u>

Cost of Sales

The Group's cost of sales decreased by 6.9% from RMB1,770.5 million for the six months ended 30 June 2014 to RMB1,648.8 million for the six months ended 30 June 2015, mainly because of decreased sales volume.

Gross Profit

The Group's gross profit decreased by 8.4% from RMB349.7 million for the six months ended 30 June 2014 to RMB320.2 million for the six months ended 30 June 2015, mainly due to the decrease in revenue resulting from sluggish global economy during the Period. The overall gross profit margin slightly decreased from 16.5% for the six months ended 30 June 2014 to 16.3% for the six months ended 30 June 2015.

Other Income and Gains

Other income and gains increased by 60.5% from RMB21.3 million for the six months ended 30 June 2014 to RMB34.2 million for the six months ended 30 June 2015, which was primarily due to the increased foreign exchange gains during the Period.

Selling and Distribution Costs

The Group's selling and distribution costs increased by 12.2% from RMB96.7 million for the six months ended 30 June 2014 to RMB108.5 million for the six months ended 30 June 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 increased by 5.2% from RMB90.2 million for the six months ended 30 June 2014 to RMB94.9 million for the six months ended 30 June 2015, mainly due to the increased average salaries and the increased administrative staff in order to strengthen the management following the continuous expansion of the Group during the Period.

Other Expenses

The Group's other expenses dramatically increased by 1,451.9% from RMB5.4 million for the six months ended 30 June 2014 to RMB83.8 million for the six months ended 30 June 2015, which was mainly due to recognition of 100% of the loss on inventories and properties of about RMB78.6 million as a result of the fire incident at one of the warehouses at Huaibei city, Anhui, PRC on 24 March 2015 as referred to below.

Research and Development Costs

The research and development expenditure of the Group slightly decreased by 3.0% from RMB39.5 million for the six months ended 30 June 2014 to RMB38.3 million for the six months ended 30 June 2015, which was mainly due to the fact that the Group focused on controlling research and development costs during the Period.

Finance Costs

The Group's finance costs slightly decreased by 0.8% from RMB52.2 million for the six months ended 30 June 2014 to RMB51.8 million for the six months ended 30 June 2015, mainly due to the decrease in interest rates in PRC during the Period.

Loss before Tax

As a result of the foregoing factors, the Group recorded loss before tax of RMB13.5 million for the six months ended 30 June 2015 compared to profit before tax of RMB62.9 million for the six months ended 30 June 2014.

Income Tax Expenses

Income tax expenses decreased by 76.2% from RMB12.2 million for the six months ended 30 June 2014 to RMB2.9 million for the six months ended 30 June 2015, mainly due to the decrease in profit which was subject to tax of the Group during the Period.

Loss for the Period

As a result of the foregoing factors, the Group recorded loss attributable to owners of the Company of RMB16.4 million for the six months ended 30 June 2015 as compared to profit attributable to owners of the Company of RMB50.8 million for the six months ended 30 June 2014.

Liquidity and Financial Resources

As at 30 June 2015, the Group's net current assets amounted to RMB169.7 million (31 December 2014: RMB228.3 million), among which cash and bank deposit amounted to RMB836.1 million (31 December 2014: RMB761.4 million).

As at 30 June 2015, the Group had bank borrowings of RMB1,200.5 million (31 December 2014: RMB1,201.7 million), all of which are interest-bearing. Except for borrowings of RMB94.6 million which have a maturity of over 1 year, all of the Group's bank borrowings are repayable within one year. The Group's borrowings are denominated in RMB, US dollars, HK dollars and other currencies, and the effective interest rates of which as of 30 June 2015 were 1.5% to 7.8% (31 December 2014: 1.5% to 7.8%).

Most of the Group's bank borrowings are secured by pledges of certain assets of the Group including property, plant and equipment, leasehold lands, deposits and trade and bills receivables.

As at 30 June 2015, the Group's gearing ratio was 22.5% (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%.

Risks of Exchange Rate Fluctuation

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

Pledge of Assets

Please refer to Note 10, 11, 12 and 13 to interim condensed consolidated financial statements for details.

Capital Commitments

Please refer to Note 16 to interim condensed consolidated financial statements for details.

Loss on Inventories and Properties as a result of Fire Incident

During the Period, the Group recognized 100% of the loss on inventories and properties of about RMB78.6 million as a result of the fire incident at one of the warehouses at Huaibei city, Anhui, PRC on 24 March 2015 as disclosed in the Company's announcement dated 25 March 2015. The Group had insurance policies to cover part of the fire loss. Based on the assessment report by the independent valuers appointed by the insurance companies in early August 2015 as well as an independent legal opinion obtained, the Group would be able to recover not less than 70% compensation of the loss from insurance companies. Given the timing required by the insurance companies to process the compensation payment and based on the generally accepted accounting standards applicable as of the interim results date, for prudence sake, the Board has come up with the decision to record 100% of the loss to be reflected in the interim results for 2015 in the absence of the definite insurance claimed amount ascertained. Subsequent to the end of the reporting period, the Group has received approximately RMB14 million from the disposal of the scrapped inventory resulting from the fire incident.

Material Acquisition and Disposal

During the six months ended 30 June 2015, there was no material acquisition and disposal of subsidiaries or associated companies by the Group.

EMPLOYEES

As at 30 June 2015, the Group had 10,911 employees. Employee benefit expenses (including directors' remuneration), which comprise wages and salaries, bonuses, equity-settled share option expenses and pension scheme contributions, totalled RMB320.8 million for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB264.4 million).

The Group has a share option scheme in place 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 seek 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 team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

CORPORATE GOVERNANCE CODE

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 met the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period.

AUDIT COMMITTEE

The Audit Committee, which comprises the four independent non-executive Directors, namely, Mr. Cao Yixiong Alan (chairman of the Audit Committee), Mr. Liu Yangsheng, Mr. Lau Chi kit and Dr. Gong Fangxiong, has reviewed the unaudited financial statements of the Company for the six months ended 30 June 2015 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

APPRECIATION

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

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

Hong Kong, 26 August 2015

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. Liu Yangsheng, Mr. Cao Yixiong Alan, Mr. Lau Chi Kit and Dr. Gong Fangxiong.