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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 2016**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by 43.5% to RMB2,826.4 million.
- Gross profit increased by 41.8% to RMB454.0 million.
- Profit attributable to owners of the parent was RMB112.6 million as compared to a loss attributable to owners of the parent of RMB16.4 million for the corresponding period in 2015.
- Basic earnings per share was RMB0.08.

**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 2016 with comparative figures for the corresponding period in the year 2015. 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

For the six months ended 30 June 2016

		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
REVENUE	4	<b>2,826,402</b>	1,969,050
Cost of sales		<u><b>(2,372,441)</b></u>	<u>(1,648,818)</u>
Gross profit		<b>453,961</b>	320,232
Other income and gains	4	<b>33,476</b>	50,625
Selling and distribution expenses		<b>(120,214)</b>	(108,508)
Administrative expenses		<b>(90,960)</b>	(94,914)
Research and development costs	5	<b>(39,998)</b>	(38,275)
Other expenses		<b>(37,215)</b>	(83,837)
Finance costs	6	<b>(51,469)</b>	(51,761)
Share of loss of a joint venture and an associate		<u><b>(3,675)</b></u>	<u>(7,046)</u>
PROFIT/(LOSS) BEFORE TAX	5	<u><b>143,906</b></u>	<u>(13,484)</u>
Income tax expense	7	<u><b>(31,810)</b></u>	<u>(2,891)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u><b>112,096</b></u>	<u>(16,375)</u>
Attributable to:			
Owners of the parent		<b>112,638</b>	(16,375)
Non-controlling interests		<u><b>(542)</b></u>	<u>–</u>
		<u><b>112,096</b></u>	<u>(16,375)</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT	9		
Basic		<u><b>RMB0.08</b></u>	<u>(RMB0.01)</u>
Diluted		<u><b>RMB0.08</b></u>	<u>(RMB0.01)</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
PROFIT/(LOSS) FOR THE PERIOD	<b><u>112,096</u></b>	<b><u>(16,375)</u></b>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	<b>(4,345)</b>	9,330
Income tax effect	<b><u>(1,916)</u></b>	<u>(1,400)</u>
	<b>(6,261)</b>	7,930
Exchange differences on translation of foreign operations	<b><u>15,665</u></b>	<u>(20,147)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<b><u>9,404</u></b>	<u>(12,217)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b><u>9,404</u></b>	<u>(12,217)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<b><u>121,500</u></b>	<b><u>(28,592)</u></b>
Attributable to:		
Owners of the parent	<b>122,029</b>	(28,592)
Non-controlling interests	<b><u>(529)</u></b>	<u>–</u>
	<b><u>121,500</u></b>	<b><u>(28,592)</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

		<b>30 June 2016</b>	31 December 2015
		<b>(Unaudited)</b>	
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,814,745</b>	1,818,984
Investment properties		<b>23,166</b>	23,760
Properties under development		<b>69,717</b>	45,050
Prepaid land lease payments		<b>83,810</b>	84,739
Intangible assets		<b>195,775</b>	181,365
Investments in a joint venture and an associate		<b>18,635</b>	21,898
Available-for-sale investment		<b>49,912</b>	54,257
Deposits paid for purchase of items of property, plant and equipment		<b>21,007</b>	12,538
Deferred tax assets		<b>48,469</b>	55,601
		<hr/>	<hr/>
Total non-current assets		<b>2,325,236</b>	2,298,192
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	<b>959,278</b>	889,027
Completed properties held for sale		<b>31,984</b>	31,984
Trade and bills receivables	<i>11</i>	<b>2,185,162</b>	1,548,871
Prepayments, deposits and other receivables		<b>86,965</b>	119,085
Tax recoverable		–	31,497
Derivative financial instruments	<i>15</i>	<b>4,536</b>	4,290
Equity investments at fair value through profit or loss		<b>13,207</b>	22,543
Pledged deposits	<i>12</i>	<b>438,837</b>	580,401
Cash and cash equivalents	<i>12</i>	<b>283,257</b>	207,618
		<hr/>	<hr/>
Total current assets		<b>4,003,226</b>	3,435,316

		<b>30 June</b>	31 December
		<b>2016</b>	2015
		<b>(Unaudited)</b>	
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>13</i>	<b>1,502,677</b>	1,220,091
Other payables and accruals		<b>464,394</b>	327,258
Interest-bearing bank borrowings	<i>14</i>	<b>1,225,805</b>	1,471,043
Derivative financial instruments	<i>15</i>	<b>23,330</b>	56,397
Income tax payable		<b>75,665</b>	81,080
		<hr/>	<hr/>
Total current liabilities		<b>3,291,871</b>	3,155,869
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>711,355</b>	279,447
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,036,591</b>	2,577,639
		<hr/> <hr/>	<hr/> <hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>17,104</b>	15,929
Interest-bearing bank borrowings	<i>14</i>	<b>450,811</b>	84,848
Deferred government grants		<b>30,592</b>	31,280
		<hr/>	<hr/>
Total non-current liabilities		<b>498,507</b>	132,057
		<hr/>	<hr/>
Net assets		<b>2,538,084</b>	2,445,582
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>115,843</b>	115,843
Reserves		<b>2,416,776</b>	2,323,745
		<hr/>	<hr/>
		<b>2,532,619</b>	2,439,588
		<hr/>	<hr/>
Non-controlling interests		<b>5,465</b>	5,994
		<hr/>	<hr/>
Total equity		<b>2,538,084</b>	2,445,582
		<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 Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture, development and sale of lead-acid batteries.

In the opinion of the directors of the Company (the "Directors"), the immediate holding 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 the trust 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 2016 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 2015.

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 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The adoption of the new standards and amendments does not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. 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 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	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China*	1,694,829	949,821
European Union	327,509	339,447
United States of America (the "USA")	308,461	332,318
Other Asian countries/areas	292,664	268,750
Other countries	202,939	78,714
	<u>2,826,402</u>	<u>1,969,050</u>

\* *Mainland China means any part of the People's Republic of China ("PRC") excluding Hong Kong, Macau and Taiwan.*

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

##### (b) Non-current assets

	30 June	31 December
	2016	2015
	(Unaudited)	
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	2,091,838	2,059,419
Others	135,017	128,915
	<u>2,226,855</u>	<u>2,188,334</u>

The non-current asset 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 RMB753,740,000 (six months ended 30 June 2015: Nil) 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 six months ended 30 June 2016.

#### 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:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Revenue</b>		
Sale of goods	<b>2,826,402</b>	1,969,050
	<b>2,826,402</b>	1,969,050
<b>Other income and gains</b>		
Bank interest income	5,352	6,785
Government grants*	8,415	7,321
Dividend income from available-for-sale investment	15,728	–
Sale of scrap materials	1,405	6,172
Foreign exchange differences, net	–	9,457
Gains on disposal of items of property, plant and equipment	175	–
Fair value gain from financial assets and financial liabilities at fair value through profit or loss, net	–	16,420
Rental income	1,404	1,473
Others	997	2,997
	<b>33,476</b>	50,625
	<b>33,476</b>	50,625

\* *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/(LOSS) BEFORE TAX

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
Cost of inventories sold	<b>1,950,207</b>	1,393,729
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	<b>348,908</b>	301,799
Performance-related bonuses	<b>596</b>	–
Equity-settled share option expenses	<b>480</b>	1,145
Pension scheme contributions	<b>22,396</b>	17,842
	<b>372,380</b>	320,786
Amortisation of computer software	<b>517</b>	1,224
Research and development costs:		
Deferred development costs amortised*	<b>20,395</b>	12,385
Current period expenditure	<b>39,998</b>	38,275
	<b>60,393</b>	50,660
Unrealised gain:		
Forward currency contracts at fair value through profit or loss	<b>(1,561)</b>	(8,273)
Warrants at fair value through profit or loss	–	(5,189)
Equity investments at fair value through profit or loss	<b>(65)</b>	–
	<b>(1,626)</b>	(13,462)
Realised loss/(gain) on:		
Forward currency contracts at fair value through profit or loss	<b>16,857</b>	(2,958)
Equity investments at fair value through profit or loss	<b>1,574</b>	–
	<b>18,431</b>	(2,958)
Net loss/(gain) on financial instruments at fair value through profit or loss <sup>#</sup>	<b>16,805</b>	(16,420)

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation of property, plant and equipment	<b>95,261</b>	93,127
Depreciation of investment properties	<b>594</b>	–
Amortisation of prepaid land lease payments	<b>929</b>	811
Impairment of trade receivables <sup>#</sup>	<b>808</b>	505
Reversal of impairment of inventories*	<b>(1,881)</b>	(2,836)
(Gain)/loss on disposal of items of property, plant and equipment, net	<b>(175)</b>	2,624
Gain on disposal of an associate	–	(367)
Loss on a fire incident <sup>#</sup>	–	78,575
Foreign exchange loss/(gain), net <sup>#</sup>	<b>16,209</b>	(9,457)
Minimum lease payments under operating leases	<b>3,991</b>	2,026
	<b><u>          </u></b>	<b><u>          </u></b>

\* *The amortisation of deferred development costs and reversal of impairment of inventories are included in “Cost of sales” in the condensed consolidated statement of profit or loss.*

# *Net loss on financial instruments at fair value through profit or loss, impairment of trade receivables, loss on a fire incident and net foreign exchange loss are included in “Other expenses” in the condensed consolidated statement of profit or loss.*

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank borrowings	<b>38,313</b>	35,642
Interest arising from discounted bills	<b>13,156</b>	16,831
	<b>51,469</b>	52,473
<i>Less: Interest capitalised</i>	<b>–</b>	(712)
	<b><u>51,469</u></b>	<b><u>51,761</u></b>

## 7. INCOME TAX

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 statement of profit or loss are:

	Six months ended 30 June	
	2016 (Unaudited) <i>RMB'000</i>	2015 (Unaudited) <i>RMB'000</i>
Current:		
Mainland China	19,755	10,586
Hong Kong	1,672	1,302
Singapore	3,635	1,248
USA	355	1,666
Deferred	6,393	(11,911)
Total tax charged for the period	<u>31,810</u>	<u>2,891</u>

## 8. DIVIDENDS

	Six months ended 30 June	
	2016 (Unaudited) <i>RMB'000</i>	2015 (Unaudited) <i>RMB'000</i>
Final dividend declared	<u>29,478</u>	<u>23,999</u>

A final dividend of HK2.60 cents per share was declared in respect of the year ended 31 December 2015 (six months ended 30 June 2015: a final dividend of HK2.25 cents per share was declared and paid for the year ended 31 December 2014) to shareholders during the current period.



## 10. INVENTORIES

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015  RMB'000
Raw materials	<b>193,860</b>	193,366
Work in progress	<b>484,006</b>	450,284
Finished goods	<b>281,412</b>	245,377
	<b>959,278</b>	889,027

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015  RMB'000
Trade receivables	<b>2,171,021</b>	1,540,426
Bills receivable	<b>31,105</b>	24,601
Less: Impairment provision	<b>(16,964)</b>	(16,156)
	<b>2,185,162</b>	1,548,871

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 RMB182,157,000 (31 December 2015: RMB128,270,000) were under short term credit insurance and RMB47,363,000 (31 December 2015: RMB48,304,000) were under letters of credit. Trade receivables are non-interest-bearing.

As at 30 June 2016, the Group had pledged certain trade receivables amounting to RMB45,703,000 (31 December 2015: RMB78,271,000) to banks with recourse in exchange for cash. The proceeds from pledging the trade receivables of RMB29,339,000 (31 December 2015: RMB38,477,000) 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 (*note 14(iii)*).

An aged analysis of the trade and bills receivables as at 30 June 2016 and 31 December 2015 based on the invoice date, net of provisions, is as follows:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015  RMB'000
Within 3 months	1,581,468	1,174,933
3 to 6 months	209,484	239,221
6 to 12 months	341,407	89,764
1 to 2 years	45,215	34,703
Over 2 years	7,588	10,250
	<u>2,185,162</u>	<u>1,548,871</u>

## 12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015  RMB'000
Cash and bank balances	283,257	207,618
Time deposits	438,837	580,401
	<u>722,094</u>	<u>788,019</u>
<i>Less: Pledged for interest-bearing bank borrowings (note 14(iv))</i>	(8,812)	(174,096)
Pledged for bills payable (note 13)	(324,175)	(322,125)
Pledged for letters of credit	(105,850)	(84,180)
	<u>(438,837)</u>	<u>(580,401)</u>
Cash and cash equivalents	<u>283,257</u>	<u>207,618</u>
Denominated in RMB	574,273	646,815
Denominated in US\$	85,057	86,334
Denominated in HK\$	58,185	48,731
Denominated in Indian Rupee	2,611	2,602
Denominated in Australia Dollar	964	537
Denominated in Singapore Dollar	626	1,286
Denominated in European Dollar	353	1,442
Denominated in Sri Lankan Rupee	25	272
	<u>722,094</u>	<u>788,019</u>

### 13. TRADE AND BILLS PAYABLES

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015  RMB'000
Trade payables	551,858	335,918
Bills payable	<u>950,819</u>	<u>884,173</u>
	<b><u>1,502,677</u></b>	<b><u>1,220,091</u></b>

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:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015  RMB'000
Within 3 months	465,382	315,294
3 to 6 months	722,968	719,905
6 to 12 months	304,123	174,821
1 to 2 years	5,271	2,791
2 to 3 years	1,193	2,809
Over 3 years	<u>3,740</u>	<u>4,471</u>
	<b><u>1,502,677</u></b>	<b><u>1,220,091</u></b>

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 2016, bills payable amounting to RMB864,994,000 (31 December 2015: RMB837,944,000) were issued on intercompany sales transactions within Group companies and such bills were discounted to banks for short term financing.

As at 30 June 2016, certain of the Group's bills payable were secured by pledge of certain of the Group's time deposits amounting to RMB324,175,000 (31 December 2015: RMB322,125,000) (*note 12*).

## 14. INTEREST-BEARING BANK BORROWINGS

	30 June 2016 (Unaudited)			31 December 2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Interest-bearing bank borrowings, guaranteed	-	-	-	LIBOR +3.00	On demand	544,240
Interest-bearing bank borrowings, secured	1.50 to 6.77	2016-2017	1,047,634	1.50 to 7.53	2016	888,326
Collateralised bank advances, secured	2.00 to 3.50	2016-2017	29,339	2.00 to 3.50	2016	38,477
Current portion of long term bank borrowings, guaranteed	LIBOR +3.00	2016-2017	148,832	-	-	-
			<u>1,225,805</u>			<u>1,471,043</u>
<b>Non-current</b>						
Interest-bearing bank borrowings, secured	1.50 to 7.53	2017-2028	41,523	1.50 to 7.53	2017-2028	84,848
Interest-bearing bank borrowings, guaranteed	LIBOR +3.00	2017-2018	409,288	-	-	-
			<u>450,811</u>			<u>84,848</u>
			<u><u>1,676,616</u></u>			<u><u>1,555,891</u></u>

Analysed into:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 RMB'000
Bank loans and advances repayable:		
On demand	-	544,240
Within one year	1,225,805	926,803
In the second year	330,617	37,767
In the third to fifth years, inclusive	110,005	32,533
Beyond five years	10,189	14,548
	<u><u>1,676,616</u></u>	<u><u>1,555,891</u></u>

The Group's 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 RMB848,809,000 (31 December 2015: RMB923,251,000) 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 RMB32,857,000 (31 December 2015: RMB33,263,000) as at the end of the reporting period.
- (iii) certain of the Group's trade receivables with a carrying amount of approximately RMB45,703,000 (31 December 2015: RMB78,271,000) as at the end of the reporting period (*note 11*).
- (iv) the pledge of certain of the Group's time deposits amounting to approximately RMB8,812,000 (31 December 2015: RMB174,096,000) as at the end of the reporting period (*note 12*).
- (v) 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 loan facility under 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 interim condensed 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 Group's obligations under the Facility Agreement.

As at 30 June 2016, the Group had fully utilised the loan facility amount of US\$85,700,000 under the Facility Agreement. As at 30 June 2016, the outstanding term loan balance under the Facility Agreement amounted to US\$85,700,000 (equivalent to RMB558,120,000), of which, RMB148,832,000 and RMB409,288,000 are repayable within 1 year and in the second to fourth years, respectively. The term loan bears interest at LIBOR+3% per annum.

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
	(Unaudited)	(Unaudited)		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Forward currency contracts	<b>4,536</b>	<b>23,330</b>	4,290	56,397

### 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 RMB15,296,000 (six months ended 30 June 2015: net gain of RMB11,231,000) was recognised in the statement of profit or loss during the period. The maturity dates of the derivative financial instruments are within one year.

## 16. 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 (Unaudited) <i>RMB'000</i>	31 December 2015 <i>RMB'000</i>
Within one year	2,987	2,720
In the second to fifth years, inclusive	10,634	10,641
After five years	9,114	10,416
	<b>22,735</b>	<b>23,777</b>

(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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015  RMB'000
Within one year	<b>3,710</b>	3,790
In the second to fifth years, inclusive	<b>10,800</b>	10,702
After five years	<b>11,572</b>	12,168
	<b>26,082</b>	26,660

17. COMMITMENTS

In addition to the operating lease commitments as set out in note 16(b) above, the Group had the following capital commitments:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015  RMB'000
Contracted, but not provided for:		
Land and buildings	<b>11,209</b>	10,816
Plant and machinery	<b>7,482</b>	15,955
Capital contribution payable to an available-for-sale investment	<b>10,751</b>	10,751
	<b>29,442</b>	37,522

## **18. EVENT AFTER THE REPORTING PERIOD**

On 6 June 2016, the Group entered into an investment agreement with Guangdong Marshall Electric Vehicle Co., Ltd. (“Guangdong Marshall”) and Zhaoqing Leoch Marshall Electric Vehicle Co., Ltd. (the “Target Company”). Both Guangdong Marshall and the Target Company are wholly owned by Mr. Dong Li. Pursuant to the investment agreement, the Group will acquire 75.34% of the enlarged registered capital of the Target Company for a consideration of RMB121,065,300.

The Target Company is principally engaged in the leasing of property. The major asset held by the Target Company is the land use right in respect of a piece land located in Zhaoqing, PRC (“Zhaoqing Land”). Through the acquisition of 75.34% equity interests in the Target Company, the Group will have control over the land use right in respect of Zhaoqing Land.

The investment agreement was approved by the shareholders of the Company at the extraordinary general meeting held on 12 August 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group is principally engaged in sale, development and manufacturing 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 batteries.

For the six months ended 30 June 2016 (the “Period”), the Group’s revenue amounted to RMB2,826.4 million, representing an increase of 43.5% from RMB1,969.1 million for the same period in 2015. Lead-acid batteries are generally classified into three 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:

#### (A) Reserve power batteries

Reserve power batteries are the major revenue contributor of the Group. The Group sales of reserve power batteries during the Period, amounted to RMB2,099.5 million, representing an increase of 47.5% as compared to the same period of last year. 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, telecommunications and renewable energy batteries increased as compared to a decrease in other consumer products batteries. There was a slight increase in sales of UPS attributable to increase in sales in the PRC and Southeast Asia. Significant increase in sales from application market of telecommunications category was the main contributor of revenue in this category caused by the strong market demand of telecommunication batteries following the strategic restructuring among major telecommunication providers in the PRC. The Group’s sales in renewable energy batteries also increased due to the widespread application of emerging renewable energy, such as solar and wind power generation worldwide. In addition, the Group’s sales in other consumer products batteries decreased due to overall weak market demand in this application during the Period.

## **(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 RMB534.9 million, representing an increase of 36.8% as compared to the same period of last year. The significant increase in sales was mainly attributable to general increase in demand and increase in the customer base of automobiles and motorcycle batteries.

## **(C) Motive power batteries**

Motive power batteries are mainly used to provide power for electric vehicles such as forklifts, golf carts and electric bicycles and other portable devices. During the Period, the Group recorded sales revenue of RMB94.6 million, representing an increase of 40.7% as compared to the same period of last year. The significant increase in sales was mainly attributable to the substantial increase in sales of batteries for forklifts and golf carts.

## **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 925 patents and 37 other 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 four wholly-owned production bases in the PRC, a production base in Sri Lanka, two joint venture production bases in Malaysia and another joint venture production base in India, with a total site area of approximately 940,000 square meters. As at 30 June 2016, the Group's maximum production capacity has reached 18.9 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 fluctuating up and down but it was in an upward trend during the Period. Domestic average lead price increased from RMB12,973 per ton in the first half of 2015 to RMB13,270 per ton in 2016, representing an increase of approximately 2.3%. 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. To deal with the intense competition and trade barrier in overseas market, the Group will continue seeking high quality joint venture partner to further expand overseas production base and business.

### **(B) SLI batteries**

China has been ranking first in vehicle production and sales in the world since 2010, with over 20 million vehicles which is significantly higher than over 10 million vehicles sold in the United States and the European Union respectively. A consensus is therefore revealed 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 2016, the Group's revenue amounted to RMB2,826.4 million, representing an increase of 43.5% compared to the same period in 2015. The profit attributable to owners of the parent amounted to RMB112.6 million as compared to the loss attributable to owners of the parent of RMB16.4 million for the the same period in 2015. Basic and diluted earnings per share for the six months ended 30 June 2016 was RMB0.08.

### Revenue

The Group's revenue increased by 43.5% from RMB1,969.1 million for the six months ended 30 June 2015 to RMB2,826.4 million for the six months ended 30 June 2016.

The revenue of reserve power batteries increased by 47.5% from RMB1,423.6 million for the six months ended 30 June 2015 to RMB2,099.5 million for the six months ended 30 June 2016, which was principally due to the strong market demand of telecommunication batteries following the strategic restructuring among major telecommunication providers in the PRC. The revenue of SLI batteries during the Period increased by 36.8% from RMB391.0 million for the six months ended 30 June 2015 to RMB534.9 million for the six months ended 30 June 2016, which was primarily attributable to general increase in demand and the increase in the customer base of automobiles and motorcycle batteries. The revenue of motive power batteries increased by 40.7% from RMB67.2 million for the six months ended 30 June 2015 to RMB94.6 million for the six months ended 30 June 2016, which was mainly attributable to the substantially increased sales of batteries for forklifts and golf cars. Details of the Group's revenue for the six months ended 30 June 2016 and 2015 by category of batteries are set out below:

Product category	Six months ended 30 June		2015	
	Revenue <i>RMB'000</i>	Percentage increase %	Revenue <i>RMB'000</i>	%
Reserve power batteries	2,099,518	74.3%	1,423,561	72.3%
SLI batteries	534,929	18.9%	390,992	19.9%
Motive power batteries	94,645	3.3%	67,245	3.4%
Other	97,310	3.5%	87,252	4.4%
Total	<u>2,826,402</u>	<u>100%</u>	<u>1,969,050</u>	<u>100%</u>

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

The Group's sales revenue in the PRC increased by 78.4% from RMB949.8 million for the six months ended 30 June 2015 to RMB1,694.8 million for the six months ended 30 June 2016, representing 60.0% of the Group's total revenue (for the six months ended 30 June 2015: 48.2%). The significant increase was principally due to strong market demand of telecommunication batteries following strategic restructuring among major telecommunication providers in the PRC.

The Group's sales revenue in the United States and European Union decreased by 7.2% and 3.5% from RMB332.3 million and RMB339.4 million for the six months ended 30 June 2015 to RMB308.5 million and RMB327.5 million for the six months ended 30 June 2016, respectively, which was mainly due to the fierce competition in the American market and the European Union market. The Group's sales revenue in the other Asian countries/areas increased by 8.9% from RMB268.8 million for the six months ended 30 June 2015 to RMB292.7 million for the six months ended 30 June 2016. The increase was principally attributable to the increased market demand due to the recovery of economy in the other Asian countries. The Group's sales revenue in other counties increased by 157.8% from RMB78.7 million for the six months ended 30 June 2015 to RMB202.9 million for the six months ended 30 June 2016, which was mainly due to the substantial increase in sales of automobile battery and renewable energy battery in Africa during the Period.

The following table sets forth details of the Group's revenue during the six months ended 30 June 2016 and 2015 based on the geographic locations:

	Six months ended 30 June				
	2016		2015		
	Revenue	Percentage	Revenue	Percentage	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
		increase/			
		(decrease)			
Mainland China	1,694,829	60.0%	78.4%	949,821	48.2%
European Union	327,509	11.6%	(3.5%)	339,447	17.2%
United States of America (the "USA")	308,461	10.9%	(7.2%)	332,318	16.9%
Other Asian countries/areas	292,664	10.3%	8.9%	268,750	13.7%
Other countries	202,939	7.2%	157.8%	78,714	4.0%
Total	<u>2,826,402</u>	<u>100%</u>	<u>43.5%</u>	<u>1,969,050</u>	<u>100%</u>

## **Cost of Sales**

The Group's cost of sales increased by 43.9% from RMB1,648.8 million for the six months ended 30 June 2015 to RMB2,372.4 million for the six months ended 30 June 2016, mainly because of increased sales volume.

## **Gross Profit**

The Group's gross profit increased by 41.8% from RMB320.2 million for the six months ended 30 June 2015 to RMB454.0 million for the six months ended 30 June 2016, mainly attributable to the increase in overall revenue contributed by the significant increase in sales from the PRC and the United States during the Period. The overall gross profit margin slightly decreased from 16.3% for the six months ended 30 June 2015 to 16.1% for the six months ended 30 June 2016.

## **Other Income and Gains**

Other income and gains decreased by 33.8% from RMB50.6 million for the six months ended 30 June 2015 to RMB33.5 million for the six months ended 30 June 2016, which was primarily due to the decreased sale of scrap materials and absence of recognition of foreign exchange gains during the Period.

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses increased by 10.8% from RMB108.5 million for the six months ended 30 June 2015 to RMB120.2 million for the six months ended 30 June 2016, primarily due to: i) the increased salaries and the increased sale personnel following the continuous expansion of the Group; and ii) the increased cost of logistic service which was in line with the increased outbound sales during the Period.

## **Administrative Expenses**

The Group's administrative expenses decreased by 4.1% from RMB94.9 million for the six months ended 30 June 2015 to RMB91.0 million for the six months ended 30 June 2016, mainly due to better control over the administrative staff cost and other office expenses during the Period.

### **Fair Value Gain/(Loss) from Financial Assets and Financial Liabilities at Fair Value through Profit or Loss, net**

Included in other expenses, the Group recognized fair value loss from financial assets and financial liabilities at fair value through profit or loss of RMB16.8 million, which comprised fair value loss on foreign exchange forward contracts for RMB15.3 million and fair value loss on equity investments for RMB1.5 million, for the Period compared to fair value gain of RMB16.4 million for the six months ended 30 June 2015.

- (i) 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 RMB15.3 million was recognised in the statement of profit or loss during the Period. The maturity dates of the derivative financial instruments are within one year.
- (ii) 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, the loss, including realised and unrealised, on change in fair value of RMB1.5 million was recognised in the statement of profit or loss during the Period.

### **Other Expenses**

The Group's other expenses decreased by 55.6% from RMB83.8 million for the six months ended 30 June 2015 to RMB37.2 million for the six months ended 30 June 2016, which was mainly due to recognition of 100% of the loss on inventories and properties for the corresponding period in 2015 as a result of the fire incident at one of the warehouses at Huaibei city, Anhui, PRC on 24 March 2015.

## **Research and Development Costs**

The research and development expenditure of the Group slightly increased by 4.4% from RMB38.3 million for the six months ended 30 June 2015 to RMB40.0 million for the six months ended 30 June 2016. The increase in expenditure was mainly used for performance enhancement of existing products and development of new products during the Period.

## **Finance Costs**

The Group's finance costs slightly decreased by 0.6% from RMB51.8 million for the six months ended 30 June 2015 to RMB51.5 million for the six months ended 30 June 2016, mainly due to the decreased interest expenses arising from discounted bills during the Period.

## **Profit/(Loss) before Tax**

As a result of the foregoing factors, the Group recorded profit before tax of RMB143.9 million for the six months ended 30 June 2016 compared to loss before tax of RMB13.5 million for the six months ended 30 June 2015.

## **Income Tax Expenses**

Income tax expenses increased by 996.6% from RMB2.9 million for the six months ended 30 June 2015 to RMB31.8 million for the six months ended 30 June 2016, mainly due to the increase in profit which was subject to tax of the Group during the Period.

## **Profit/(Loss) for the Period**

As a result of the foregoing factors, the Group recorded profit attributable to owners of the parent of RMB112.6 million for the six months ended 30 June 2016 as compared to loss attributable to owners of the parent of RMB16.4 million for the six months ended 30 June 2015.

## **Liquidity and Financial Resources**

As at 30 June 2016, the Group's net current assets amounted to RMB711.4 million (31 December 2015: RMB279.4 million), among which cash and bank deposit amounted to RMB722.1 million (31 December 2015: RMB788.0 million).

As at 30 June 2016, the Group had bank borrowings of RMB1,676.6 million (31 December 2015: RMB1,555.9 million), all of which are interest-bearing. Except for borrowings of RMB450.8 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 2016 were in the range of 1.5% to 7.5% (31 December 2015: 1.5% to 7.5%).

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 2016, the Group's gearing ratio was 26.5% (31 December 2015: 27.1%), 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 2016 (31 December 2015: Nil).

## **Pledge of Assets**

Please refer to Notes 11, 12, 13 and 14 to interim condensed consolidated financial statements for details.

## **Capital Commitments**

Please refer to Note 17 to interim condensed consolidated financial statements for details.

## **Material Acquisition and Disposal**

During the six months ended 30 June 2016, there was no material acquisition and disposal of subsidiaries or associated companies by the Group.

## **EMPLOYEES**

As at 30 June 2016, the Group had 10,836 employees. Employee benefit expenses (including directors' remuneration), which comprise wages and salaries, bonuses, equity-settled share option expenses and pension scheme contributions, totalled RMB372.4 million for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB320.8 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 2016 (six months ended 30 June 2015: 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 Rules Governing the Listing of Securities in the Stock Exchange 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 2016 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group and internal controls, risk management 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 2016.

## **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, 18 August 2016

*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.*