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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 2014**

FINANCIAL HIGHLIGHTS

- Revenue increased by 24.3% to RMB2,120.2 million.
- Gross profit increased by 29.7% to RMB363.0 million.
- Profit attributable to owners of the Company was RMB50.8 million as compared to a loss attributable to owners of the Company of RMB234.4 million for the corresponding period in 2013.
- Basic earnings per share was RMB0.04.

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Leoch International Technology Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2014 with comparative figures for the corresponding period in the year 2013. The unaudited consolidated interim results 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 COMPREHENSIVE INCOME

For the six months ended 30 June 2014

| | <i>Notes</i> | Six months ended 30 June | |
|---|--------------|--------------------------------------|-------------------------------|
| | | 2014 | 2013 |
| | | (Unaudited) RMB'000 | (Unaudited) <i>RMB'000</i> |
| REVENUE | 4 | 2,120,234 | 1,706,282 |
| Cost of sales | | <u>(1,757,240)</u> | <u>(1,426,482)</u> |
| Gross profit | | 362,994 | 279,800 |
| Other income and gains | 4 | 21,317 | 22,584 |
| Selling and distribution costs | | (109,987) | (83,886) |
| Administrative expenses | | (90,237) | (104,825) |
| Research and development costs | 6 | (39,456) | (52,707) |
| Impairment losses recognized due to suspension of Zhaoqing Leoch Battery Technology Co., Ltd. ("Zhaoqing Leoch") | 6 | – | (207,940) |
| Fair value losses from financial assets and financial liabilities carried at fair value through profit or loss, net | 6 | (23,911) | (559) |
| Other expenses | | (5,403) | (2,418) |
| Finance costs | 5 | (52,197) | (42,803) |
| Share of profits and losses of associates | | <u>(198)</u> | <u>152</u> |
| PROFIT (LOSS) BEFORE TAX | 6 | 62,922 | (192,602) |
| Income tax expense | 7 | <u>(12,158)</u> | <u>(41,846)</u> |
| PROFIT (LOSS) FOR THE PERIOD | | <u>50,764</u> | <u>(234,448)</u> |

| | Six months ended 30 June | |
|---|---------------------------------|-------------------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| <i>Note</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Other comprehensive loss to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | <u>7,090</u> | <u>(4,767)</u> |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | <u>57,854</u> | <u>(239,215)</u> |
| Profit (Loss) attributable to: | | |
| Owners of the Company | <u>50,764</u> | <u>(234,448)</u> |
| Total comprehensive income (loss) attributable to: | | |
| Owners of the Company | <u>57,854</u> | <u>(239,215)</u> |
| EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | |
| | <i>8</i> | |
| Basic | <u>RMB0.04</u> | <u>RMB(0.18)</u> |
| Diluted | <u>RMB0.04</u> | <u>RMB(0.18)</u> |

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

| | | 30 June 2014 | 31 December 2013 |
|--|--------------|-------------------------|---------------------|
| | | (Unaudited) | (Audited) |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 9 | 1,861,868 | 1,929,472 |
| Prepaid land lease payments | | 68,295 | 69,076 |
| Investments in associates | | 17,849 | 18,657 |
| Available-for-sale investment | | 21,000 | 10,500 |
| Intangible assets | | 79,682 | 91,585 |
| Deposits paid for purchase of items of non-current assets | | 12,598 | 7,375 |
| Deferred tax assets | | 71,986 | 65,544 |
| Non-current portion of pledged deposits | 12 | <u>–</u> | <u>548</u> |
| Total non-current assets | | <u>2,133,278</u> | <u>2,192,757</u> |
| CURRENT ASSETS | | | |
| Inventories | 10 | 785,451 | 722,293 |
| Trade and bills receivables | 11 | 1,376,046 | 1,092,527 |
| Prepayments, deposits and other receivables | | 109,096 | 59,069 |
| Tax recoverable | | 78,611 | 100,395 |
| Amounts due from related companies | | 20,184 | 6,121 |
| Financial assets at fair value through profit or loss | | 19,128 | 10,484 |
| Pledged deposits | 12 | 768,566 | 684,255 |
| Cash and cash equivalents | 12 | <u>109,280</u> | <u>138,105</u> |
| Total current assets | | <u>3,266,362</u> | <u>2,813,249</u> |

| | | 30 June | 31 December |
|---|--------------|-----------------------|-----------------------|
| | | 2014 | 2013 |
| | | (Unaudited) | (Audited) |
| | <i>Notes</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | <i>13</i> | 1,414,090 | 1,067,658 |
| Other payables and accruals | | 342,971 | 369,716 |
| Interest-bearing bank borrowings | <i>14</i> | 1,149,382 | 1,183,141 |
| Financial liabilities at fair value through profit or loss | | 43,119 | 5,117 |
| Amounts due to related companies | | 2,583 | 31,595 |
| Income tax payable | | 66,737 | 59,695 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 3,018,882 | 2,716,922 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 247,480 | 96,327 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS | | | |
| CURRENT LIABILITIES | | 2,380,758 | 2,289,084 |
| | | <hr/> | <hr/> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 14,911 | 12,547 |
| Interest-bearing bank borrowings | <i>14</i> | 66,910 | 39,376 |
| Deferred government grants | | 29,251 | 26,860 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 111,072 | 78,783 |
| | | <hr/> | <hr/> |
| Net assets | | 2,269,686 | 2,210,301 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| EQUITY | | | |
| Issued capital | | 114,600 | 114,551 |
| Reserves | | 2,155,086 | 2,095,750 |
| | | <hr/> | <hr/> |
| Total equity | | 2,269,686 | 2,210,301 |
| | | <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, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in the manufacture, development and sale of lead-acid batteries.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2014 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 (the "Listing Rules") and International Accounting Standards 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

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 2013.

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 | |
|---------------------------------|--------------------------|------------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Mainland China | 982,082 | 779,027 |
| European Union | 399,106 | 322,107 |
| United States of America (“US”) | 309,144 | 193,897 |
| Other Asian countries/areas | 338,881 | 310,746 |
| Other countries | 91,021 | 100,505 |
| | <u>2,120,234</u> | <u>1,706,282</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 | 31 December |
|----------------|------------------|------------------|
| | 2014 | 2013 |
| | (Unaudited) | (Audited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Mainland China | 1,929,098 | 1,983,853 |
| Others | 111,194 | 132,312 |
| | <u>2,040,292</u> | <u>2,116,165</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 2014, the Group made sales to one customer of RMB390.1 million (six months ended 30 June 2013: RMB202.9 million), which exceeded 10% 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 | |
|--|--------------------------|------------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | | |
| Sale of goods | <u>2,120,234</u> | <u>1,706,282</u> |
| Other income and gains | | |
| Bank interest income | 9,686 | 11,585 |
| Government grants* | 6,177 | 8,751 |
| Gain on disposal of items of property, plant and equipment | 2,963 | – |
| Others | <u>2,491</u> | <u>2,248</u> |
| | <u>21,317</u> | <u>22,584</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 | |
|--|--------------------------|-----------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Interest on bank borrowings | 28,823 | 39,061 |
| Interest arising from discounted bills | <u>30,506</u> | <u>18,335</u> |
| | 59,329 | 57,396 |
| Less: Interest capitalized | <u>(7,132)</u> | <u>(14,593)</u> |
| | <u>52,197</u> | <u>42,803</u> |

6. PROFIT (LOSS) BEFORE TAX

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

| | <i>Notes</i> | Six months ended 30 June | |
|---|--------------|---------------------------------|--------------------|
| | | 2014 | 2013 |
| | | (Unaudited) | (Unaudited) |
| | | RMB'000 | RMB'000 |
| Cost of inventories sold | | 1,381,627 | 1,203,371 |
| Employee benefit expenses (including directors' remuneration): | | | |
| Wages and salaries | | 248,242 | 249,122 |
| Performance-related bonuses | | 802 | 546 |
| Equity-settled share option expenses | | 1,208 | 5,897 |
| Retirement benefit scheme contributions | | 14,113 | 4,172 |
| | | 264,365 | 259,737 |
| Amortization of computer software | | 765 | 795 |
| Research and development costs: | | | |
| Deferred development costs amortized | | 11,812 | 6,482 |
| Current period expenditure | | 39,456 | 52,707 |
| | | 51,268 | 59,189 |
| Minimum lease payments under operating leases | | | |
| Buildings | | 1,550 | 1,580 |
| Fair value losses from financial assets and financial liabilities carried at fair value through profit or loss, net | | 23,911 | 559 |
| (Gains) Losses on disposal of items of property, plant and equipment, net | | (2,963) | 450 |
| Depreciation | 9 | 108,415 | 61,585 |
| Amortization of prepaid land lease payments | | 781 | 843 |
| Impairment losses recognized due to suspension of Zhaoqing Leoch* | | – | 207,940 |
| Impairment provision of other items of property, plant and equipment | 9 | 2,275 | 1,862 |
| Write down of other inventories to net realizable value | | 7,777 | 703 |
| Reversal of impairment provision of trade receivables | | (2,578) | (1,710) |
| Foreign exchange differences, net | | 3,029 | (363) |

* *The Company's wholly-owned subsidiary, Zhaoqing Leoch, had suspended its production operations at the request of the local environmental protection bureau to conduct self-examination and enhancement of its production plants from July 2012 to October 2013. Considering the effect of this suspension with a period of over one year, the management performed impairment tests on property, plant and equipment and inventories of Zhaoqing Leoch as at 30 June 2013, and recognized impairment losses of RMB130.4 million and RMB77.5 million, respectively. In November 2013, Zhaoqing Leoch resumed operation. Management reassessed the impairment provision for property, plant and equipment, prepaid land lease payments and inventories as at 31 December 2013, and recognised impairment losses of RMB63.0 million, RMB2.7 million and RMB102.3 million, respectively. During the current period, management assessed there is no indication that the impairment loss recognized as at 31 December 2013 may no longer exist or may have decreased. Therefore, no adjustment was made to the impairment provision as at 30 June 2014.*

7. INCOME TAX EXPENSE

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

Pursuant to the laws and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

The Company's subsidiaries, Honour Label Investments Limited, Peak Year Investments Limited, Catherine Holdings International Company Limited and Sheldon International Limited, which were incorporated in the British Virgin Islands are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the British Virgin Islands.

Leoch Battery Corporation, incorporated in the United States, is subject to corporate income tax in the United States. The applicable federal corporate income tax rate is in the range of 15% to 35% on taxable income.

The provision for Hong Kong current tax is based on the statutory rate of 16.5% of the assessable profits of the Company's subsidiaries incorporated in Hong Kong, i.e., Leoch Power Supply (H.K.) Limited and Leoch Battery Company Limited. No provision for Hong Kong profits tax has been made by Kinetic Growth International Limited and Big Help Group Limited as they did not carry on any business in Hong Kong and had no assessable profits arising in or derived from Hong Kong during the period.

The Singapore authority approved the application of Leoch Battery Pte. Ltd. ("Leoch Battery Pte") for the Global Trader Programme status on 2 August 2011. The provision for Leoch Battery Pte's current income tax is based on the tax rate of 10%.

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the new PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Company in the PRC which are charged at preferential tax rates.

Leoch Battery (Jiangsu) Corp. and Anhui Uplus Energy Technology Co., Ltd were recognized as high-tech enterprises by the PRC tax authority in 2012 with an effective period of three years and were entitled to a 15% corporate income tax rate for year 2014.

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

| | Six months ended 30 June | |
|---------------------------------|---------------------------------|----------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Current – Mainland China | 5,255 | 10,609 |
| Current – Hong Kong | 2,952 | 3,545 |
| Current – Singapore | 5,793 | 1,696 |
| Current – US | 2,236 | 784 |
| Deferred tax | <u>(4,078)</u> | <u>25,212</u> |
| Total tax charge for the period | <u>12,158</u> | <u>41,846</u> |

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

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 June 2014 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,337,199,333 (six months ended 30 June 2013: 1,335,822,500) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the six months ended 30 June 2014 attributable to ordinary equity holders of the Company. 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 earnings 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.

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

| | Six months ended 30 June | |
|--|---------------------------------|-----------------------------|
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Earnings (Loss) | | |
| Profit (Loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings (loss) per share calculations | <u><u>50,764</u></u> | <u><u>(234,448)</u></u> |
| | Six months ended 30 June | |
| | 2014 | 2013 |
| | (Unaudited) | (Unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings (loss) per share calculations | 1,337,199,333 | 1,335,822,500 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | 2,549,127 | – |
| Share warrants | <u>34,877</u> | – |
| | <u><u>1,339,783,337</u></u> | <u><u>1,335,822,500</u></u> |

9. PROPERTY, PLANT AND EQUIPMENT

| | Six months ended 30 June 2014 (Unaudited) RMB'000 | Year ended 31 December 2013 (Audited) RMB'000 |
|---|---|---|
| Carrying amount at 1 January | 1,929,472 | 1,817,342 |
| Additions | 58,822 | 347,659 |
| Disposals | (17,265) | (18,256) |
| Exchange realignment | 1,529 | (269) |
| Impairment | (2,275) | (64,483) |
| Depreciation charge for the period/year | <u>(108,415)</u> | <u>(152,521)</u> |
| Carrying amount at 30 June/31 December | <u><u>1,861,868</u></u> | <u><u>1,929,472</u></u> |

At 30 June 2014, certain of the Group's buildings and machinery with a net carrying amount of approximately RMB815.6 million (31 December 2013: RMB561.3 million) were pledged as security for the Groups interest-bearing bank borrowings (*note 14(i)*).

10. INVENTORIES

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|------------------|---|---|
| Raw materials | 112,042 | 96,137 |
| Work in progress | 476,367 | 454,361 |
| Finished goods | <u>197,042</u> | <u>171,795</u> |
| | <u><u>785,451</u></u> | <u><u>722,293</u></u> |

11. TRADE AND BILLS RECEIVABLES

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|----------------------------|---|---|
| Trade receivables | 1,303,111 | 1,071,028 |
| Bills receivable | 83,641 | 34,783 |
| Less: Impairment provision | (10,706) | (13,284) |
| | <u>1,376,046</u> | <u>1,092,527</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.

An aged analysis of the trade and bills receivables as at 30 June 2014 and 31 December 2013 based on the invoice date, net of provisions, is as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-----------------|---|---|
| Within 90 days | 1,031,081 | 852,160 |
| 91 to 180 days | 191,761 | 133,394 |
| 181 to 365 days | 110,421 | 78,210 |
| 1 to 2 years | 38,227 | 23,469 |
| Over 2 years | 4,556 | 5,294 |
| | <u>1,376,046</u> | <u>1,092,527</u> |

As at 30 June 2014, certain of the Group's trade receivables with a carrying amounts of approximately RMB70.7 million (31 December 2013: RMB22.0 million) were pledged as security for the Group's interest-bearing bank borrowings (note 14(iii)).

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---|---|---|
| Cash and bank balances | 109,280 | 138,105 |
| Time deposits | 768,566 | 684,803 |
| | <u>877,846</u> | <u>822,908</u> |
| <i>Less: Pledged for interest-bearing bank borrowings (note 14(iv))</i> | (369,664) | (424,026) |
| Pledged for bills payable (note 13) | (218,288) | (258,259) |
| Pledged for letters of credit | (180,614) | (2,518) |
| | <u>(768,566)</u> | <u>(684,803)</u> |
| Cash and cash equivalents | <u>109,280</u> | <u>138,105</u> |
| Denominated in RMB | 840,302 | 810,972 |
| Denominated in US\$ | 29,254 | 4,736 |
| Denominated in HK\$ | 5,113 | 5,243 |
| Denominated in EUR | – | 10 |
| Denominated in INR | 979 | 1,509 |
| Denominated in SGD | 2,198 | 438 |
| | <u>877,846</u> | <u>822,908</u> |

13. TRADE AND BILLS PAYABLES

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|----------------|---|---|
| Trade payables | 417,819 | 336,427 |
| Bills payable | 996,271 | 731,231 |
| | <u>1,414,090</u> | <u>1,067,658</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 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-----------------|---|---|
| Within 90 days | 755,969 | 817,411 |
| 91 to 180 days | 578,508 | 204,420 |
| 181 to 365 days | 56,197 | 34,824 |
| 1 to 2 years | 19,925 | 8,968 |
| 2 to 3 years | 2,984 | 1,622 |
| Over 3 years | 507 | 413 |
| | <u>1,414,090</u> | <u>1,067,658</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 2014, bills payable amounting to RMB759.1 million (31 December 2013: RMB544.3 million) were issued on intercompany sales transactions within Group companies and such bills were discounted to banks for short term financing.

As at 30 June 2014, certain of the Group's bills payables were secured by pledge of certain of the Group's time deposits amounting to RMB218.3 million (31 December 2013: RMB258.3 million) (*note 12*).

14. INTEREST-BEARING BANK BORROWINGS

| | | 30 June 2014 (Unaudited) | | 31 December 2013 (Audited) |
|---|------------------|---|-----------------|----------------------------------|
| | <i>Maturity</i> | <i>RMB'000</i> | <i>Maturity</i> | <i>RMB'000</i> |
| Current | | | | |
| Interest-bearing bank borrowings, secured | 2014-2015 | 1,129,482 | 2014 | 1,144,220 |
| Collateralised bank advances, secured | 2014-2015 | 19,900 | 2014 | 38,921 |
| | | 1,149,382 | | 1,183,141 |
| Non-current | | | | |
| Interest-bearing bank borrowings, secured | 2017-2028 | 66,910 | 2017-2028 | 39,376 |
| | | 1,216,292 | | 1,222,517 |
| Denominated in RMB | | 801,213 | | 697,300 |
| Denominated in US\$ | | 274,384 | | 303,841 |
| Denominated in HK\$ | | 117,811 | | 198,124 |
| Denominated in SGD | | 22,884 | | 23,252 |
| | | 1,216,292 | | 1,222,517 |
| Interest rates per annum | | 1.88%-8.10% | | 0.95%-7.80% |

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

- (i) a charge over certain property, plant and equipment of the Group with a net carrying amount of approximately RMB815.6 million (31 December 2013: RMB561.3 million) as at the end of the reporting period (*note 9*).
- (ii) a charge over certain leasehold lands of the Group with a net carrying amount of approximately RMB59.2 million (31 December 2013: RMB37.9 million) as at the end of the reporting period.
- (iii) certain of the Group's trade receivables with a carrying amount of approximately RMB70.7 million (31 December 2013: RMB22.0 million) as at the end of the reporting period (*note 11*).
- (iv) the pledge of certain of the Group's time deposits amounting to approximately RMB369.7 million (31 December 2013: RMB424.0 million) as at the end of the reporting period (*note 12*).
- (v) cross guarantees executed by companies within the Group.

15. SHARE OPTION SCHEME

For the six months ended 30 June 2014, no share option has been granted or agreed to be granted to any person.

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 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---|---|---|
| Within one year | 291 | 266 |
| In the second to fifth years, inclusive | 197 | 295 |
| After five years | 8 | 18 |
| | 496 | 579 |

(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 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|---|---|---|
| Within one year | 3,511 | 3,681 |
| In the second to fifth years, inclusive | 9,431 | 10,077 |
| After five years | <u>15,296</u> | <u>14,298</u> |
| | <u>28,238</u> | <u>28,056</u> |

17. COMMITMENTS

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

| | 30 June 2014 (Unaudited) RMB'000 | 31 December 2013 (Audited) RMB'000 |
|-----------------------------------|---|---|
| Contracted, but not provided for: | | |
| Land and buildings | 13,010 | 7,308 |
| Plant and machinery | 9,501 | 21,586 |
| Capital contribution payable for: | | |
| Available-for-sale investment* | <u>14,000</u> | <u>24,500</u> |
| | <u>36,511</u> | <u>53,394</u> |

* On 8 June 2013, Jiangsu Leoch entered into an agreement to invest RMB35.0 million in an available-for-sale equity investment. As of 30 June 2014, a total of RMB21.0 million has been paid. According to the agreement, the remaining RMB14.0 million needs to be paid within 4 years from 25 September 2012, date of incorporation of the investee.

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 2014 (the “Period”), the Group’s revenue amounted to RMB2,120.2 million, representing an increase of 24.3% from RMB1,706.3 million for the same period in 2013. 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 RMB1,604.3 million during the Period, representing an increase of 28.5% 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. The sales in UPS category and telecommunications category had increased significantly. The increase in sales in telecommunications category was mainly attributable to the substantially increased overall investment of telecommunication in China customers in 2014 due to the start of 4G construction in China. In addition, the Group’s sales in renewable energy batteries increased due to the widespread application of emerging renewable energy, such as solar and wind power generation worldwide.

(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 RMB392.3 million, representing an increase of 3.1% as compared to the same period of last year. The slight growth in sales was mainly due to general increase in demand and the increased utilisation rate of the factories that led to the increase in the production of automobiles and motorcycles batteries.

(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 RMB67.3 million, representing an increase of 3.2% as compared to the same period of last year. Due to the fierce competition of this market, the growth of this sector slows down.

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 855 patents and other 163 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 seven established production bases, including five wholly-owned production bases in the PRC, a production base in Sri Lanka, a joint venture production base in Malaysia, with a total site area of approximately 910,000 square meters. In addition, there is another joint venture production base under construction in Malaysia with infrastructure works completed and equipment installed. Trial production is expected to commence in the fourth quarter of this year. As at 30 June 2014, the Group's maximum production capacity has reached 17.9 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 generally declining under slight fluctuation during the year. Domestic average lead price decreased from RMB14,479 per ton in the first half of 2013 to RMB13,874 per ton in 2014, representing a decrease of approximately 4.2%. To cope with potential risks of fluctuations in lead price, the Group adopts 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 2014 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 2014, the Group's revenue amounted to RMB2,120.2 million, representing an increase of 24.3% compared to that for the six months ended 30 June 2013. The profit attributable to owners of the Company amounted to RMB50.8 million as compared to the loss attributable to owners of the Company of RMB234.4 million for the six months ended 30 June 2013. Basic and diluted earnings per share for the six months ended 30 June 2014 was RMB0.04.

Revenue

The Group's revenue increased by 24.3% from RMB1,706.3 million for the six months ended 30 June 2013 to RMB2,120.2 million for the six months ended 30 June 2014.

The revenue of reserve power batteries increased by 28.5% from RMB1,248.8 million for the six months ended 30 June 2013 to RMB1,604.3 million for the six months ended 30 June 2014, which was principally due to the increased investment of 4G telecommunication equipments. The revenue of SLI batteries during the Period increased by 3.1% from RMB380.7 million for the six months ended 30 June 2013 to RMB392.3 million for the six months ended 30 June 2014. The revenue of motive power batteries increased by 3.2% from RMB65.3 million for the six months ended 30 June 2013 to RMB67.3 million for the six months ended 30 June 2014. Details of the Group's revenue for the six months ended 30 June 2014 and 2013 by category of batteries are set out below:

| Product category | Six months ended 30 June | | | | |
|-------------------------|---------------------------|-----------------------------|---------------------------|------------------|-------------|
| | 2014 | | 2013 | | |
| | Revenue <i>RMB'000</i> | Percentage increase % | Revenue <i>RMB'000</i> | % | |
| Reserve power batteries | 1,604,343 | 75.7% | 28.5% | 1,248,810 | 73.2% |
| SLI batteries | 392,342 | 18.5% | 3.1% | 380,717 | 22.3% |
| Motive power batteries | 67,348 | 3.2% | 3.2% | 65,273 | 3.8% |
| Other | 56,201 | 2.6% | 389.5% | 11,482 | 0.7% |
| Total | <u>2,120,234</u> | <u>100%</u> | <u>24.3%</u> | <u>1,706,282</u> | <u>100%</u> |

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 growth in its sales in the United States, European Union, Mainland China and other Asian countries/area while there was minor reduction in sales in other secondary market. The Group's sales revenue in Mainland China increased by 26.1% from RMB779.0 million for the six months ended 30 June 2013 to RMB982.1 million for the six months ended 30 June 2014, representing 46.3% of the Group's total revenue (for the six months ended 30 June 2013: 45.7%). The increase was principally due to the growth in sales of telecommunication batteries as a result of the initial investment in 4G technology by telecommunication companies in the PRC. The Group's sales revenue in the United States and European Union increased by 59.4% and 23.9% from RMB193.9 million and RMB322.1 million for the six months ended 30 June 2013 to RMB309.1 million and RMB399.1 million for the six months ended 30 June 2014, respectively, which was mainly due to the increase of purchase orders from overseas battery customers due to the Group's developing the United States and European Union market. The Group's sales revenue in the other Asian countries/areas increased by 9.1% from RMB310.7million for the six months ended 30 June 2013 to RMB338.9 million for the six months ended 30 June 2014. The increase was principally due to the stepping up of effort in building up the sales teams of southeast Asia and India and the sales effort in the region.

The following table sets forth details of the Group's revenue during the six months ended 30 June 2014 and 2013 based on the geographic locations:

| | Six months ended 30 June | | | | |
|-----------------------------|--------------------------|-------------|---------------------------------------|------------------|-------------|
| | 2014 | | Percentage increase/ (decrease) | 2013 | |
| Revenue | Revenue | % | | Revenue | % |
| | <i>RMB'000</i> | <i>%</i> | | <i>RMB'000</i> | <i>%</i> |
| Mainland China | 982,082 | 46.3% | 26.1% | 779,027 | 45.7% |
| European Union | 399,106 | 18.8% | 23.9% | 322,107 | 18.9% |
| United States | 309,144 | 14.6% | 59.4% | 193,897 | 11.4% |
| Other Asian countries/areas | 338,881 | 16.0% | 9.1% | 310,746 | 18.2% |
| Other countries | 91,021 | 4.3% | (9.4%) | 100,505 | 5.8% |
| Total | <u>2,120,234</u> | <u>100%</u> | <u>24.3%</u> | <u>1,706,282</u> | <u>100%</u> |

Cost of Sales

The Group's cost of sales increased by 23.2% from RMB1,426.5 million for the six months ended 30 June 2013 to RMB1,757.2 million for the six months ended 30 June 2014, mainly due to the resumption and increased utilization of the Group's production capacity during the Period resulting in corresponding increase in cost of sales less than sales growth.

Gross Profit

The Group's gross profit increased by 29.7% from RMB279.8 million for the six months ended 30 June 2013 to RMB363.0 million for the six months ended 30 June 2014, mainly due to the increase in revenue resulting economies of scale during the Period. The overall gross profit margin increased from 16.4% for the six months ended 30 June 2013 to 17.1% for the six months ended 30 June 2014.

Other Income and Gains

Other income and gains slightly decreased by 5.6% from RMB22.6 million for the six months ended 30 June 2013 to RMB21.3 million for the six months ended 30 June 2014, which was primarily due to the decreased bank interest income and governmental subsidy during the Period.

Selling and Distribution Costs

The Group's selling and distribution costs increased by 31.1% from RMB83.9 million for the six months ended 30 June 2013 to RMB110.0 million for the six months ended 30 June 2014, primarily due to the expansion in sales network as the Group further penetrates into the SLI battery sector.

Administrative Expenses

The Group's administrative expenses decreased by 13.9% from RMB104.8 million for the six months ended 30 June 2013 to RMB90.2 million for the six months ended 30 June 2014, mainly due to the re-classification of certain depreciation of capacity as the production cost rather than as administration cost after the resumption of the Group's production capacity.

Other Expenses

The Group's other expenses increased by 123.4% from RMB2.4 million for the six months ended 30 June 2013 to RMB5.4 million for the six months ended 30 June 2014, which was mainly due to the exchange loss resulted from the depreciation of RMB against US\$ and HK\$ during the Period.

Research and Development Costs

The research and development expenditure of the Group decreased by 25.1% from RMB52.7 million for the six months ended 30 June 2013 to RMB39.5 million for the six months ended 30 June 2014, which was mainly due to the fact that the Group focused on the market promotion and feedback of new product and postponed research investment during the Period.

Finance Costs

The Group's finance costs increased by 21.9% from RMB42.8 million for the six months ended 30 June 2013 to RMB52.2 million for the six months ended 30 June 2014, mainly due to the decrease of capital investment and interest capitalization during the Period.

Profit before Tax

As a result of the foregoing factors, the Group recorded profit before tax of RMB62.9 million for the six months ended 30 June 2014 compared to loss before tax of RMB192.6 million for the six months ended 30 June 2013.

Income Tax Expenses

Income tax expenses decreased by 70.9% from RMB41.8 million for the six months ended 30 June 2013 to RMB12.2 million for the six months ended 30 June 2014, mainly due to the write off of deferred tax assets by certain subsidiaries in the corresponding period last year.

Profit for the Period

As a result of the foregoing factors, the Group recorded profit attributable to owners of the Company of RMB50.8 million for the six months ended 30 June 2014 as compared to loss attributable to owners of the Company of RMB234.4 million for the six months ended 30 June 2013.

Liquidity and Financial Resources

As at 30 June 2014, the Group's net current assets amounted to RMB247.5 million (31 December 2013: RMB96.3 million), among which cash and bank deposit amounted to RMB877.8 million (31 December 2013: RMB822.9 million).

As at 30 June 2014, the Group had bank borrowings of RMB1,216.3 million (31 December 2013: RMB1,222.5 million), all of which are interest-bearing. Except for borrowings of RMB66.9 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 2014 were 1.88% to 8.10% (31 December 2013: 0.95% to 7.80%).

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 2014, the Group's gearing ratio was 22.5% (31 December 2013: 24.4%), 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 dollar. The forward currency contracts have been in the same currency as the hedged item, i.e. US dollar.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

Pledge of Assets

Please refer to Note 12 and Note 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

On 17 April 2014, the Company entered into a purchase agreement with Guangdong Marshall Electric Vehicle Co., Ltd. (a company wholly owned by Mr. Dong Li) as vendor for the purchase of certain environmental protection facilities, manufacture facilities and inspection facilities for reserve power batteries and related products manufactured by the vendor at a total consideration of not exceeding RMB25 million. Save and except the above, there was no material acquisition and disposal of subsidiaries or associated companies by the Group during the Period.

EMPLOYEES

As at 30 June 2014, the Group had 9,899 employees. Employee benefit expenses (including directors' remuneration), which comprise wages and salaries, bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totalled RMB264.4 million for the six months ended 30 June 2014 (six months ended 30 June 2013: RMB259.7 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 2014 (six months ended 30 June 2013: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of shareholders and enhancing corporate value. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules during the Period, except for code provision A.2.1 which stipulates that the roles of chairman (responsible for the management of the board of directors) and chief executive officer (responsible for the day-to-day management of the listed issuer's business) should be separate and should not be performed by the same individual. During the Period, Mr. Dong Li is the chairman and the chief executive officer of the Company. As Mr. Dong Li is the founder of the Group and has extensive experience in battery industry, the Board believes that it is in the best interest of the Group to have Mr. Dong Li taking up both roles for continuous effective management of the Board and business development of the Group.

With effect from 28 August 2014, Ms. Zhao Huan has been appointed as the chief executive officer of the Company and accordingly code provision A.2.1 has now been complied with.

AUDIT COMMITTEE

The Audit Committee, which comprises the three independent non-executive Directors, namely, Mr. Cao Yixiong Alan (chairman of the Audit Committee), Mr. Liu Yangsheng and Mr. Alfred Karho Chan, has reviewed the financial statements of the Company for the six months ended 30 June 2014 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 2014.

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, 28 August 2014

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 and Mr. Alfred Karho Chan.