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**Leoch International Technology Limited**  
**理士國際技術有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 842)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**

**FINANCIAL HIGHLIGHTS**

- Revenue increased by 12.3% to RMB3,646.9 million.
- Gross profit increased by 2.3% to RMB606.0 million.
- Loss attributable to the owners of the Company was RMB129.3 million as compared to profit attributable to the owners of the Company of RMB71.7 million for the corresponding period in 2012.
- Basic loss per share was RMB0.10.

**ANNUAL RESULTS**

The board of directors (the “Board”) of Leoch International Technology Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2013. The Company’s audit committee (the “Audit Committee”) has reviewed the results and the financial statements of the Group for the year ended 31 December 2013 prior to recommending them to the Board for approval.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2013*

	<i>Notes</i>	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
REVENUE	4	<b>3,646,874</b>	3,247,986
Cost of sales		<u><b>(3,040,858)</b></u>	<u>(2,655,784)</u>
Gross profit		<b>606,016</b>	592,202
Other income and gains	4	<b>102,139</b>	43,453
Selling and distribution expenses		<b>(191,408)</b>	(159,871)
Administrative expenses		<b>(240,521)</b>	(229,761)
R&D expenses		<b>(125,006)</b>	(93,817)
Impairment losses recognised due to suspension of Zhaoqing Leoch Battery Technology Co., Ltd. (“Zhaoqing Leoch”)		<b>(168,049)</b>	–
Other expenses		<b>(5,646)</b>	(12,545)
Finance costs	6	<b>(98,813)</b>	(62,850)
Share of profits (losses) of associates		<u><b>394</b></u>	<u>(296)</u>
(LOSS) PROFIT BEFORE TAX	5	<b>(120,894)</b>	76,515
Income tax expense	7	<u><b>(8,395)</b></u>	<u>(4,853)</u>
(LOSS) PROFIT FOR THE YEAR		<u><b>(129,289)</b></u>	<u>71,662</u>
<b>OTHER COMPREHENSIVE LOSS</b>			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u><b>(8,239)</b></u>	<u>(530)</u>
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods:		<u><b>(8,239)</b></u>	<u>(530)</u>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<u><b>(8,239)</b></u>	<u>(530)</u>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>		<u><b>(137,528)</b></u>	<u>71,132</u>

	<i>Notes</i>	<b>2013</b> <b><i>RMB'000</i></b>	2012 <i>RMB'000</i>
(Loss) Profit attributable to: Owners of the Company		<u>(129,289)</u>	<u>71,662</u>
Total comprehensive (loss) income attributable to: Owners of the Company		<u>(137,528)</u>	<u>71,132</u>
<b>(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	<i>9</i>		
Basic			
– For (loss) profit for the year		<u><b>RMB(0.10)</b></u>	<u>RMB0.05</u>
Diluted			
– For (loss) profit for the year		<u><b>RMB(0.10)</b></u>	<u>RMB0.05</u>

Details of the dividends payable and proposed for the year are disclosed in note 8 below.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

		2013	2012
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,929,472</b>	1,817,342
Prepaid land lease payments		<b>69,076</b>	73,390
Investments in associates		<b>18,657</b>	12,224
Available-for-sale investment		<b>10,500</b>	–
Financial assets at fair value through profit or loss		–	5,215
Intangible assets		<b>91,585</b>	60,981
Deposits paid for purchase of items of property, plant and equipment		<b>7,375</b>	14,737
Deferred tax assets		<b>65,544</b>	48,068
Non-current portion of pledged deposits	<i>13</i>	<b>548</b>	165,500
		<hr/>	<hr/>
Total non-current assets		<b>2,192,757</b>	2,197,457
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	<b>722,293</b>	847,094
Trade and bills receivables	<i>11</i>	<b>1,092,527</b>	957,925
Prepayments, deposits and other receivables	<i>12</i>	<b>59,069</b>	130,528
Tax recoverable		<b>100,395</b>	108,084
Amounts due from related companies		<b>6,121</b>	7,362
Financial assets at fair value through profit or loss		<b>10,484</b>	–
Equity investments at fair value through profit or loss		–	935
Pledged deposits	<i>13</i>	<b>684,255</b>	765,423
Cash and cash equivalents	<i>13</i>	<b>138,105</b>	82,893
		<hr/>	<hr/>
Total current assets		<b>2,813,249</b>	2,900,244

		2013	2012
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>14</i>	<b>1,067,658</b>	1,006,935
Other payables and accruals	<i>15</i>	<b>369,716</b>	243,078
Interest-bearing bank borrowings	<i>16</i>	<b>1,183,141</b>	1,208,115
Financial liabilities at fair value through profit or loss		<b>5,117</b>	–
Amounts due to related companies		<b>31,595</b>	13,431
Income tax payable		<b>59,695</b>	58,767
		<hr/>	<hr/>
Total current liabilities		<b>2,716,922</b>	2,530,326
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>96,327</b>	369,918
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b>2,289,084</b>	2,567,375
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>12,547</b>	8,939
Interest-bearing bank borrowings	<i>16</i>	<b>39,376</b>	186,433
Deferred government grants		<b>26,860</b>	27,722
		<hr/>	<hr/>
Total non-current liabilities		<b>78,783</b>	223,094
		<hr/>	<hr/>
Net assets		<b>2,210,301</b>	2,344,281
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Issued capital		<b>114,551</b>	114,455
Reserves		<b>2,095,750</b>	2,229,826
		<hr/>	<hr/>
Total equity		<b>2,210,301</b>	2,344,281
		<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 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.

**2.1 BASIS OF PREPARATION**

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

**3. OPERATING SEGMENT INFORMATION**

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

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

**Geographical information**

**(a) Revenue from external customers**

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
The People's Republic of China ("PRC", for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan)	<b>1,707,625</b>	1,463,502
European Union	<b>612,295</b>	630,286
United States of America	<b>514,799</b>	508,867
Other Asian countries/areas	<b>549,532</b>	456,675
Other countries	<b>262,623</b>	188,656
	<b><u>3,646,874</u></b>	<u>3,247,986</u>

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

(b) *Non-current assets*

	<b>31 December 2013 RMB'000</b>	31 December 2012 RMB'000
PRC	1,983,853	1,904,996
Other countries/areas	<u>132,312</u>	<u>73,678</u>
	<b><u>2,116,165</u></b>	<b><u>1,978,674</u></b>

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

**Information about a major customer**

Revenue from continuing operations of approximately RMB510,066,000 was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer, exceeding 10% of the Group's total revenue for the year ended 31 December 2013. There was no revenue from a single customer exceeding 10% of the Group's total revenue for the year ended 31 December 2012.

**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:

	<b>2013 RMB'000</b>	2012 RMB'000
<b>Revenue</b>		
Sale of goods	<b><u>3,646,874</u></b>	<b><u>3,247,986</u></b>
<b>Other income and gains</b>		
Rental income	75	181
Bank interest income	25,483	21,366
Government grants*	17,703	12,418
Sale of scrap materials	3,736	448
Exchange gains, net	9,350	1,687
Fair value gains, net		
Financial assets at fair value through profit or loss	29,253	2,164
Equity investments at fair value through profit or loss	(75)	86
Gains on disposal of items of property, plant and equipment	9,334	–
Others	<u>7,280</u>	<u>5,103</u>
	<b><u>102,139</u></b>	<b><u>43,453</u></b>

\* 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 these subsidies.

## 5. (LOSS) PROFIT BEFORE TAX

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

	<b>2013</b>	2012
	<b>RMB'000</b>	RMB'000
Cost of inventories sold	<u>2,626,507</u>	<u>2,327,140</u>
Employee benefit expense (including directors' remuneration):		
Wages and salaries	404,431	396,498
Performance-related bonuses	709	1,186
Equity-settled share option expenses	3,237	13,740
Retirement benefit scheme contributions	<u>56,603</u>	<u>23,671</u>
	<u>464,980</u>	435,095
Research and development costs	125,006	93,817
Auditors' remuneration	2,544	2,137
Depreciation of items of property, plant and equipment	152,521	97,959
Amortisation of prepaid land lease payments	1,686	1,331
Amortisation of intangible assets*	14,199	4,729
(Reversal of impairment) impairment provision of trade receivables	(2,223)	7,727
Impairment of items of property, plant and equipment for Zhaoqing Leoch**	63,037	–
Impairment of prepaid land lease payments**	2,690	–
Write down of inventories to net realisable value**	102,322	–
Other impairment of items of property, plant and equipment	1,446	–
Minimum lease payments under operating leases	7,150	7,355
(Gains) Losses on disposal of items of property, plant and equipment	<u>(9,334)</u>	<u>800</u>

\* The amortisation of intangible assets is included in "Administrative expenses" and "Cost of sales" in the consolidated statement of comprehensive income.

\*\* The Company's wholly-owned subsidiary, Zhaoqing Leoch, had suspended its production operations in accordance with the request of the local environmental protection bureau to conduct self-examination and enhancement of their production plants from July 2012 to October 2013. Although Zhaoqing Leoch resumed operation in November 2013, considering the effect of this suspension with a period of over one year, the management performed impairment tests on property, plant and equipment, prepaid land lease payments and inventories of Zhaoqing Leoch as of 31 December 2013, and accordingly recognised impairment losses amounting to RMB63,037,000, RMB2,690,000 and RMB102,322,000, respectively.

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Interest on bank borrowings	69,095	51,170
Interest arising from discounted bills	47,162	30,280
	<u>116,257</u>	<u>81,450</u>
<i>Less: Interest capitalised</i>	<u>(17,444)</u>	<u>(18,600)</u>
	<u><u>98,813</u></u>	<u><u>62,850</u></u>

## 7. INCOME TAX

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

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

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Group:		
Current – PRC	4,947	17,185
Current – Hong Kong	9,998	6,797
Current – Singapore	5,073	12,749
Current – USA	2,245	2,845
Deferred tax	<u>(13,868)</u>	<u>(34,723)</u>
Total tax charge for the year	<u><u>8,395</u></u>	<u><u>4,853</u></u>

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

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
(Loss) Profit before tax	<u>(120,894)</u>	<u>76,515</u>
Applicable tax rate of the Group	25%	25%
Tax at the applicable tax rate	(30,224)	19,129
Tax concession for certain subsidiaries	(6,144)	(37,307)
Income not subject to tax	(11,576)	(2,501)
Expenses not deductible for tax	39,479	10,715
Tax losses utilised from previous periods	(6,686)	–
Tax losses not recognised	22,857	14,817
Deferred tax assets valuation allowance	<u>689</u>	<u>–</u>
Tax charge at the Group's effective rate	<u><u>8,395</u></u>	<u><u>4,853</u></u>

## 8. DIVIDENDS

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Interim – nil (2012: 1.43 HK cents per share)	–	15,503
Special dividend – nil (2012: 3.57 HK cents per share)	<u>–</u>	<u>38,703</u>
	<u><u>–</u></u>	<u><u>54,206</u></u>

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

The calculation of basic (loss) earnings per share amounts is based on the (loss) profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,336,353,917 (2012: 1,335,299,269) in issue during the year.

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

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

**(Loss) Earnings**

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
(Loss) Profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss) earnings per share	<u><b>(129,289)</b></u>	<u>71,662</u>

**Shares**

	<b>Number of shares</b>	
	<b>2013</b>	2012
Weighted average number of ordinary shares in issue during the year used in the basic (loss) earnings per share calculation	<b>1,336,353,917</b>	1,335,299,269
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>–</u>	<u>9,399,950</u>
	<u><b>1,336,353,917</b></u>	<u>1,344,699,219</u>

## 10. INVENTORIES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Raw materials	96,137	156,936
Work in progress	454,361	376,634
Finished goods	<u>171,795</u>	<u>313,524</u>
	<u><b>722,293</b></u>	<u><b>847,094</b></u>

On 31 December 2013, inventories in the amount of RMB102,322,000 (2012: Nil) were written down to their net realisable values as disclosed in note 5.

## 11. TRADE AND BILLS RECEIVABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade receivables	1,071,028	933,809
Bills receivable	34,783	39,623
Less: Impairment provision	<u>(13,284)</u>	<u>(15,507)</u>
	<u><b>1,092,527</b></u>	<u><b>957,925</b></u>

The Group grants different credit periods to customers. The credit period of individual customers is considered on a case-by-case basis. Certain customers are required to make partial payment before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aging analysis of the trade and bills receivables as at 31 December 2013 and 31 December 2012 based on the invoice date, net of provisions, is as follows:

Outstanding Balances with ages:

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 90 days	<b>852,160</b>	703,044
91 to 180 days	<b>133,394</b>	191,659
181 to 365 days	<b>78,210</b>	23,251
1 to 2 years	<b>23,469</b>	35,699
Over 2 years	<b>5,294</b>	4,272
	<b><u>1,092,527</u></b>	<u>957,925</u>

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

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
As at 1 January	<b>15,507</b>	7,780
Impairment losses (reversed) recognised	<b><u>(2,223)</u></b>	<u>7,727</u>
As at 31 December	<b><u>13,284</u></b>	<u>15,507</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB13,284,000 (2012: RMB15,507,000) with a carrying amount before provision of RMB13,284,000 (2012: RMB15,507,000).

The above provision for impairment of trade receivables relates to individual customers that were in financial difficulties and the receivables that are not expected to be recoverable. These balances were fully provided for.

The bills receivable are due to mature within 180 days from 31 December 2013.

An analysis of trade and bills receivables that were not considered to be impaired is as follows:

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Neither past due nor impaired	<b>1,063,762</b>	910,026
Past due within 3 months but not impaired	<b>28,765</b>	47,899
	<b><u>1,092,527</u></b>	<u>957,925</u>

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

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

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Prepayments	<b>29,730</b>	91,933
Prepaid land lease payments	<b>1,624</b>	1,686
Interest receivables	<b>9,401</b>	12,453
Deposits and other receivables	<b>18,314</b>	24,456
	<b><u>59,069</u></b>	<u>130,528</u>

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

### 13. CASH AND BANK BALANCES AND TIME DEPOSITS

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Cash and bank balances	138,105	52,893
Time deposits	<u>684,803</u>	<u>960,923</u>
	<u><b>822,908</b></u>	<u><b>1,013,816</b></u>
<i>Less:</i> Pledged for interest-bearing bank borrowings	(424,026)	(620,130)
Pledged for bills payable	(258,259)	(278,380)
Pledged for letters of credit	<u>(2,518)</u>	<u>(32,413)</u>
	<b>(684,803)</b>	<b>(930,923)</b>
Cash and cash equivalents	<u><b>138,105</b></u>	<u><b>82,893</b></u>
Denominated in RMB	810,972	977,901
Denominated in USD	4,736	12,106
Denominated in HKD	5,243	21,226
Denominated in EUR	10	3
Denominated in INR	1,509	1,486
Denominated in SGD	<u>438</u>	<u>1,094</u>
	<u><b>822,908</b></u>	<u><b>1,013,816</b></u>

### 14. TRADE AND BILLS PAYABLES

	2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Trade payables	336,427	269,799
Bills payable	<u>731,231</u>	<u>737,136</u>
	<u><b>1,067,658</b></u>	<u><b>1,006,935</b></u>

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

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 90 days	<b>817,411</b>	300,133
91 to 180 days	<b>204,420</b>	673,507
181 to 365 days	<b>34,824</b>	14,686
1 to 2 years	<b>8,968</b>	11,753
2 to 3 years	<b>1,622</b>	795
Over 3 years	<b>413</b>	6,061
	<b><u>1,067,658</u></b>	<u>1,006,935</u>

#### 15. OTHER PAYABLES AND ACCRUALS

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Payables for purchase of items of property, plant and equipment	<b>66,048</b>	49,937
Advances from customers	<b>59,865</b>	60,455
Accrued expenses	<b>45,943</b>	25,689
Accrued payroll	<b>65,591</b>	34,438
Deferred government grants – current portion	<b>676</b>	676
Provision for social insurance and retirement benefits	<b>94,142</b>	55,265
Provision for product warranties	<b>5,716</b>	–
Others	<b>31,735</b>	16,618
	<b><u>369,716</u></b>	<u>243,078</u>

## 16. INTEREST-BEARING BANK BORROWINGS

	2013		2012	
	<i>Maturity</i>	<i>RMB'000</i>	<i>Maturity</i>	<i>RMB'000</i>
Current				
Interest-bearing bank borrowings, secured	2014	1,144,220	2013	1,155,981
Collateralised bank advances, secured	2014	<u>38,921</u>	2013	<u>52,134</u>
		<u>1,183,141</u>		<u>1,208,115</u>
Non-current				
Interest-bearing bank borrowings, secured	2017-2028	<u>39,376</u>	2014-2020	<u>186,433</u>
		<u>39,376</u>		<u>186,433</u>
Total		<u><u>1,222,517</u></u>		<u><u>1,394,548</u></u>
Denominated in RMB		697,300		683,695
Denominated in USD		303,841		309,592
Denominated in HKD		198,124		379,147
Denominated in SGD		23,252		1,131
Denominated in EUR		<u>-</u>		<u>20,983</u>
		<u><u>1,222,517</u></u>		<u><u>1,394,548</u></u>
Interest rates per annum:		0.95% to 7.80%		1.00% to 7.84%

Analysed into:

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Bank loans and advances repayable:		
Within one year	<b>1,183,141</b>	1,208,115
In the second year	<b>6,640</b>	156,068
In the third to fifth years, inclusive	<b>11,702</b>	9,565
Beyond five years	<b>21,034</b>	20,800
	<b><u>1,222,517</u></b>	<u>1,394,548</u>

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

- (i) Pledge of the Group's assets with a total value of RMB1,045,131,000 (31 December 2012: RMB1,209,722,000) for the bank borrowings as disclosed in note 18.
- (ii) Cross guarantees executed by companies within the Group.

## **17. SHARE OPTION SCHEMES**

- (a) Pursuant to the resolutions in writing passed by all shareholders of the Company on 25 May 2010, the Company approved and adopted a share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to selected participants for their contribution to, and continuing efforts to promote the interests of the Company and enabling the Group to recruit and retain high-calibre employees. The Company had conditionally granted options to subscribe for an aggregate of 39,180,000 shares (representing approximately 2.9% of the Company's total issued share capital assuming that the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme, as defined below, are not exercised) to 147 participants in consideration of an option price of RMB1.00 for each acceptance of an offer of options under the Pre-IPO Share Option Scheme. The number of shares which may be issued pursuant to the outstanding share options (i.e. options which have been granted but not yet lapsed or exercised) under the Pre-IPO Share Option Scheme as at 31 December 2013 was 30,654,000 shares. The subscription price in respect of each share under the Pre-IPO Share Option Scheme ranges from HK\$0.2 to HK\$5.0. No further options will be granted under the Pre-IPO Share Option Scheme after 28 October 2010.

(b) Pursuant to the resolutions in writing passed by all shareholders of the Company on 14 October 2010, the Company approved and adopted another share option scheme (the “Share Option Scheme”) for the purpose of providing incentives and rewards to selected participants for their contribution to, and continuing efforts to promote the interests of the Company and for such other purposes as the Board may approve from time to time. The Company had conditionally granted options to subscribe for an aggregate of 23,300,000 shares (representing approximately 1.7% of the Company’s total issued share capital assuming that the options granted under the Pre-IPO Share Option Scheme and any options which may be granted under the Share Option Scheme are not exercised) to 225 participants in consideration of an option price of RMB1.00 for each acceptance of an offer of options under the Share Option Scheme. The number of shares which may be issued pursuant to the outstanding share options (i.e. options which have been granted but not yet lapsed or exercised) under the Share Option Scheme as at 31 December 2013 was 21,040,000 shares. The subscription prices in respect of the options granted in 2011 and 2013 under the Share Option Scheme are HK\$2.39 per share and HK\$0.90 per share respectively.

## 18. PLEDGE OF ASSETS

31 December 2013	Prepaid land lease payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Pledged deposits <i>RMB'000</i>	Trade and bills receivables <i>RMB'000</i>	Total <i>RMB'000</i>
Interest-bearing bank					
borrowings	37,889	561,257	424,026	21,959	1,045,131
Bills payable	–	–	258,259	–	258,259
Issue of letters of credit	–	–	2,518	–	2,518
<b>Total</b>	<b>37,889</b>	<b>561,257</b>	<b>684,803</b>	<b>21,959</b>	<b>1,305,908</b>
31 December 2012	Prepaid land lease payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Pledged deposits <i>RMB'000</i>	Trade and bills receivables <i>RMB'000</i>	Total <i>RMB'000</i>
Interest-bearing bank					
borrowings	34,400	488,007	620,130	67,185	1,209,722
Bills payable	–	–	278,380	–	278,380
Issue of letters of credit	–	–	32,413	–	32,413
<b>Total</b>	<b>34,400</b>	<b>488,007</b>	<b>930,923</b>	<b>67,185</b>	<b>1,520,515</b>

## 19. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

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

As at 31 December 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Within one year	<b>266</b>	81
In the second to fifth years, inclusive	<b>295</b>	155
After five years	<b>18</b>	20
	<u><b>579</b></u>	<u>256</u>

### (b) As lessee

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

As at 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>2013</b> <i>RMB'000</i>	2012 <i>RMB'000</i>
Within one year	<b>3,681</b>	4,707
In the second to fifth years, inclusive	<b>10,077</b>	10,790
After five years	<b>14,298</b>	19,122
	<u><b>28,056</b></u>	<u>34,619</u>

## 20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19(b) above, the Group had the following capital commitments at the end of the reporting period:

	<b>2013</b>	2012
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Contracted, but not provided for:		
Land and buildings	<b>7,308</b>	36,623
Plant and machinery	<b>21,586</b>	96,037
	<b>28,894</b>	132,660
Capital contribution payable for:		
Investments in associates	–	11,100
Available-for-sale investment (i)	<b>24,500</b>	–
	<b>24,500</b>	11,100
	<b>53,394</b>	143,760

- (i) On 8 June 2013, Leoch Battery (Jiangsu) Corp. entered into an agreement to invest RMB35,000,000 in an available-for-sale equity investment. Pursuant to the agreement, a total of RMB10,500,000 has been paid as at 31 December 2013 and the balances of the investment will not become due until it's called by the general partner managing the investment. As at 31 December 2013, RMB24,500,000 has yet to be paid when called.

## 21. COMPARATIVE AMOUNTS

Certain comparative amounts in the consolidated financial statements have been reclassified to conform with the current year's presentation and accounting treatment.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

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

For the year ended 31 December 2013 (the “Period”), the Group’s revenue amounted to RMB3,646.9 million, representing an increase of 12.3% from RMB3,248.0 million in 2012. Lead-acid batteries are generally classified into three major market categories, namely reserve power batteries, SLI batteries and motive power batteries. Details of business operations of the Group in these three categories are as follows:

#### ***Reserve power batteries***

Reserve power batteries are the major revenue contributor of the Group. The Group’s sales of reserve power batteries during the Period amounted to RMB2,765.0 million, representing an increase of 16.6% from 2012. 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 slight decrease in other consumer batteries. The increase was mainly arised from the businesses from a new larger domestic UPS manufacturer. The Group’s sales in the telecom category increased, mainly due to the increased demand of telecom customers’ increased overall investments for the commencement of 4G operation in 2013, and the Group’s share in telecom operators sales has also increased. 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. The Group’s sales in other consumer categories slightly decreased during the Period, was primarily due to weak consumer market demand.

### ***SLI batteries***

SLI batteries are used mainly in starting up automobiles and motorcycles. The Group's sales of SLI batteries during the Period amounted to RMB698.0 million, representing a decrease of 8.3% from 2012. The decrease was primarily attributable to the Group's internal adjustment of automobile batteries by vigorously developing its new products during this year. Plant inspection and testing being conducted by automobile manufacturers in respect of the Group's batteries also caused the decrease in sales.

### ***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 RMB148.0 million, representing an increase of 67.1%. The increase in sales was due to the growth of the Group's batteries for golf carts and forklifts. Despite the keen competition from this market segment, the Group believed this segment's huge market was worth devoting more R&D and promotion efforts for the period, resulting in a bigger growth.

### ***Sales network***

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

### ***Research and development of new products***

The Group is a leader in R&D and application of lead-acid battery technologies in China. The Group's battery research and development team consists of more than 400 researchers and technicians. To support its R&D efforts, the Group works closely with international and domestic battery experts and research institutions to develop new technologies. Currently, the Group holds 676 patents and there are 944 proprietary technologies in the process of patent applications.

The Group has grasped and applied most of the lead-acid battery technologies in the world, including technologies used in the first generation open-type fluid infusion battery, the second generation Absorbent Glass Mat (“AGM”) 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 different types of battery products employing various application technologies, making the Group one of the battery enterprises with the broadest range of lead-acid batteries.

### ***Production bases***

During the Period, the Group operated seven well-built production bases, including five wholly-owned production bases in the PRC, a production base in Sri Lanka, and a joint venture production base in Malaysia, with a total site area of approximately 910,000 sq.m.. Currently, there is a joint venture production base under construction in Malaysia with infrastructure works completed and equipment installed. Trial production is commencing soon. As at the end of 2013, the Group’s production capacity has increased to 17.9 million KVAh from 11.0 million KVAh as at the end of 2012. The Group is continuing to further expand its production and manufacturing capacities.

### ***Trend of lead price***

Lead is the main raw material of lead-acid batteries and accounts for a major sales cost for the Group’s battery production. According to Shanghai Metals Market, an information service provider of the non-ferrous metal market, lead prices were generally declining under slight fluctuation during the year. Domestic average lead price decreased from RMB15,291 per ton in 2012 to RMB14,178 per ton in 2013, representing a decrease of approximately 7.3%. 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.

### ***Production suspension of Zhaoqing Leoch***

Zhaoqing Leoch, a subsidiary of the Group that engages in the production of lead-acid batteries, suspended production for self-examination and rectification in July 2012 as required by local authorities to cooperate with the local government for a special environment protection campaign. Zhaoqing Leoch, with a focus on reserve power battery products, accounted for approximately 14% of the comprehensive production capacity of the Group in 2013. Upon the completion of the environmental improvement campaign by Zhaoqing Leoch in accordance with the requirements of the relevant governmental department, on 18 October 2013, Zhaoqing Leoch received a reply notice from the relevant governmental department which in principle permitted Zhaoqing Leoch to resume its production operations.

### **Future Prospects**

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

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

### ***Reserve power batteries***

Equipment manufacturers and operators are the Group's major customers. Reserve power battery products have four major application areas, namely UPS, telecommunications, other consumer products and renewable energy. Our UPS batteries sales have been affected by the poor economy of Europe and the United States. Thanks to the 4G construction vigorously propelled by the telecom industry in the PRC, the demand of the telecom industry for batteries will increase remarkably. Therefore, the Group believes that in the long run, reserve power batteries will sustain growth in these four major application markets. The Group has exerted all its efforts to expand its market share to secure its leading position in the domestic market of reserve power batteries.

### ***SLI batteries***

China has been ranked first in vehicle production and sales in the world since 2010, with over 20 million vehicles, being higher than over 10 million in the United States and over 10 million in the European Union. A consensus has therefore been formed in the market that the momentum of vehicle production and sales in China will continue from 2014 to 2022, further multiplying the demand for SLI batteries. The Group has strengthened its investment in SLI batteries, aiming to become one of the leading suppliers of SLI batteries for automobiles in China.

### ***Motive power batteries***

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

### **Financial Review**

For the year ended 31 December 2013, the Group's revenue amounted to RMB3,646.9 million, representing an increase of 12.3% compared to the year ended 31 December 2012. The loss attributable to the owners of the Company amounted to RMB129.3 million as compared to profit attributable to the owners of the Company of RMB71.7 million for the corresponding period in 2012. Loss per share for the year ended 31 December 2013 was RMB0.10.

## Revenue

The Group's revenue increased by 12.3% from RMB3,248.0 million for the year ended 31 December 2012 to RMB3,646.9 million for the year ended 31 December 2013.

The revenue of reserve power batteries increased by 16.6% from RMB2,371.3 million for the year ended 31 December 2012 to RMB2,765.0 million for the year ended 31 December 2013. The revenue of SLI batteries decreased by 8.3% from RMB761.1 million for the year ended 31 December 2012 to RMB698.0 million for the year ended 31 December 2013. The revenue of motive power batteries increased by 67.1% from RMB88.6 million for the year ended 31 December 2012 to RMB148.0 million for the year ended 31 December 2013. Details of the Group's revenue for the years ended 31 December 2013 and 2012 by category of batteries are set out below:

Product category	2013		Percentage increase/ (decrease)	2012	
	Revenue RMB'000	Share		Revenue RMB'000	Share
Reserve power batteries	2,764,990	75.8%	16.6%	2,371,303	73.0%
SLI batteries	697,975	19.1%	(8.3%)	761,144	23.4%
Motive power batteries	148,037	4.1%	67.1%	88,566	2.7%
Other	35,872	1.0%	33.0%	26,973	0.9%
Total	<u>3,646,874</u>	<u>100%</u>	<u>12.3%</u>	<u>3,247,986</u>	<u>100%</u>

Geographically, the Group's customers are principally located in the PRC, the United States of America, the European Union and other Asian countries/areas. The Group recorded growth in its sales in the PRC, the United State, and other Asian Countries/areas while there was reduction in sales in European Union.

The Group's sales revenue in the PRC increased by 16.7% from RMB1,463.5 million for the year ended 31 December 2012 to RMB1,707.6 million for the year ended 31 December 2013, representing 46.8% of the Group's total revenue (for the year ended 31 December 2012: 45.1%). The increase was mainly attributable to the increased sales in the batteries for telecommunications category due to an increase in overall investments of domestic telecom

operators, which are the major customers of the Group's telecommunication batteries. The Group's sales revenue in the United States of America increased by 1.2% from RMB508.9 million for the year ended 31 December 2012 to RMB514.8 million for the year ended 31 December 2013. The Group's sales revenue in the European Union decreased by 2.9% from RMB630.3 million for the year ended 31 December 2012 to RMB612.3 million for the year ended 31 December 2013. For the United States of America market and the European Union market, there were no significant changes as the Group kept the similar promotion and pricing strategy in these markets during this year. The Group's sales revenue in other Asian countries/areas increased by 20.3% from RMB456.7 million for the year ended 31 December 2012 to RMB549.5 million for the year ended 31 December 2013. The increase was principally due to the substantial increase in sales in India as a result of the Group's effort to develop the Indian market. The Group's sales revenue from battery products in other countries increased by 39.2% from RMB188.7 million for the year ended 31 December 2012 to RMB262.6 million for the year ended 31 December 2013 which mainly include customers from Africa and South America, with the traditional suppliers in such areas being European battery manufacturers. The increase was attributable to the higher market competitiveness of the Group's products as a result of the Group devoting its effort to develop emerging markets and adjust products to markets of the third world countries.

The following revenue information is based on the location of the customers for the years ended 31 December 2013 and 2012:

	2013			2012	
	Revenue <i>RMB'000</i>	Share	Percentage increase/ (decrease)	Revenue <i>RMB'000</i>	Share
PRC	1,707,625	46.8%	16.7%	1,463,502	45.1%
United States of America	514,799	14.1%	1.2%	508,867	15.6%
European Union	612,295	16.8%	(2.9%)	630,286	19.4%
Other Asian countries/areas	549,532	15.1%	20.3%	456,675	14.1%
Other countries	262,623	7.2%	39.2%	188,656	5.8%
Total	<u>3,646,874</u>	<u>100%</u>	<u>12.3%</u>	<u>3,247,986</u>	<u>100%</u>

## **Cost of Sales**

The Group's cost of sales increased by 14.5% from RMB2,655.8 million for the year ended 31 December 2012 to RMB3,040.9 million for the year ended 31 December 2013. The increase was mainly attributable to the dampened capacity utilisation rate and additional expenses due to the increased environmental investments for overall improvements in environmental facilities of the Group's plants, which led to a faster growth percentage in cost of sales than sales revenue accordingly.

## **Gross Profit**

The Group's gross profit increased by 2.3% from RMB592.2 million for the year ended 31 December 2012 to RMB606.0 million for the year ended 31 December 2013. The overall gross profit margin decreased from 18.2% for the year ended 31 December 2012 to 16.6% for the year ended 31 December 2013. It was mainly attributable to the higher percentage of depreciation and staff costs than that of sales during the Period.

## **Other Income and Gains**

Other income and gains increased by 135.1% from RMB43.5 million for the year ended 31 December 2012 to RMB102.1 million for the year ended 31 December 2013, mainly due to the increase of investment income during the Period.

## **Selling and Distribution Expenses**

The Group's selling and distribution costs increased by 19.7% from RMB159.9 million for the year ended 31 December 2012 to RMB191.4 million for the year ended 31 December 2013, primarily due to sales increase and expansion in sales network.

## **Administrative Expenses**

The Group's administrative expenses increased by 4.7% from RMB229.8 million for the year ended 31 December 2012 to RMB240.5 million for the year ended 31 December 2013, mainly due to the increased administrative staff in order to strengthen the management following the continuous expansion of the Group during the Period.

## **R&D expenses**

The development expenditure of the Group increased by 33.2% from RMB93.8 million for the year ended 31 December 2012 to RMB125.0 million for the year ended 31 December 2013. The increase in expenditure was mainly used for performance enhancement of existing products and development of new products, enhancement of product competitiveness and increased commitment in research and development.

## **Other Expenses**

The Group's other expenses decreased by 55.0% from RMB12.5 million for the year ended 31 December 2012 to RMB5.6 million for the year ended 31 December 2013.

## **Impairment Losses Recognised due to Suspension of Zhaoqing Leoch**

The impairment loss during the Period was principally due to the long-term suspension and the related provision for investment for the Group's Zhaoqing production facilities in the first half year of 2013.

On 18 October 2013, Zhaoqing Leoch received a notice from the relevant government department that in principle permitted Zhaoqing Leoch to resume production operations after completing the environmental improvement campaign in accordance with the requirements of the relevant government department. Zhaoqing Leoch has resumed production operations gradually then. Notwithstanding the aforesaid resumption of production, the majority of the above provision for investment was kept as at 31 December 2013 based on the accounting principle of prudence. The Board will keep considering the necessity of the above provision for investment in accordance with the accounting requirement.

## **Finance Costs**

The Group's finance costs increased by 57.2% from RMB62.9 million for the year ended 31 December 2012 to RMB98.8 million for the year ended 31 December 2013, mainly due to the increase of interest rate during the Period.

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

As a result of the foregoing factors, the Group recorded loss before tax of RMB120.9 million for the year ended 31 December 2013 as compared to profit before tax of RMB76.5 million for the year ended 31 December 2012.

## **Income Tax Expense**

Income tax expense increased by 73.0% from RMB4.9 million for the year ended 31 December 2012 to RMB8.4 million for the year ended 31 December 2013, mainly due to the increase in income tax expense of some subsidiaries.

## **(Loss) Profit for the Year**

As a result of the foregoing factors, the Group recorded loss attributable to the owners of the Company of RMB129.3 million for the year ended 31 December 2013 as compared to profit attributable to the owners of the Company of RMB71.7 million for the year ended 31 December 2012.

## **Net Current Assets**

As at 31 December 2013, the Group had net current assets of RMB96.3 million (31 December 2012: RMB369.9 million). The Group's current assets mainly consist of inventories, trade and bills receivables, cash and bank balances, prepayments, deposits and other receivables. The Group's current liabilities mainly consist of trade and bills payables, other payables and accruals, and interest-bearing bank borrowings.

## **Inventories**

Inventories constituted one of the principal components of the Group's current assets. As at 31 December 2013, the Group had inventories of RMB722.3 million (31 December 2012: RMB847.1 million). The decrease in inventories was primarily due to the enhancement in inventory management by the Group.

## **Trade and Other Receivables**

### ***(a) Trade and bills receivables***

The Group's trade and bills receivables primarily related to receivables for goods sold to its customers. As at 31 December 2013, the Group had trade and bills receivables of RMB1,092.5 million (31 December 2012: RMB957.9 million). The increase in trade and bills receivables was primarily because of the increase in sales revenue.

**(b) *Prepayments, deposits and other receivables***

The Group's prepayments and deposits mostly related to the purchase of raw materials. As at 31 December 2013, the Group had prepayments, deposits and other receivables of RMB59.1 million (31 December 2012: RMB130.5 million). The decrease in prepayments, deposits and other receivables as compared to 2012 was primarily because the Group decreased its prepayments for raw materials after negotiation of the payment terms with the suppliers.

**Trade and Bills Payables**

The Group's trade and bills payables primarily relate to its purchase of raw materials for production. As at 31 December 2013, the Group had trade and bills payables of RMB1,067.7 million (31 December 2012: RMB1,006.9 million). The increase in trade and bills payables was mainly because of the Group's increased procurement for increased turnover.

**Other Payables and Accruals**

The Group's other payables and accruals primarily consisted of payments for its expenditures related to construction and renovation of its production facilities, payments in connection with transportation charges, advance payments from customers for shipments, current portion of deferred government grants, and accruals for payroll and benefits for its employees. As at 31 December 2013, the Group had other payables and accruals of RMB369.7 million (31 December 2012: RMB243.1 million), the increase was mainly due to the provision of the employee social insurance.

**Capital Expenditures**

During the year ended 31 December 2013, the Group invested RMB347.7 million (31 December 2012: RMB689.2 million) in property, plant and equipment for its new production facilities.

## **Liquidity and Financial Resources**

As at 31 December 2013, the Group's net current assets amounted to RMB96.3 million (31 December 2012: RMB369.9 million), among which cash and bank deposits amounted to RMB822.4 million (31 December 2012: RMB848.3 million). As at 31 December 2013, the Group had bank borrowings of RMB1,222.5 million (31 December 2012: RMB1,394.5 million), all of which are interest-bearing. Except for borrowings of RMB39.4 million which has a maturity over one year, all of the Group's bank borrowings were repayable within one year. The Group's borrowings were denominated in RMB, US dollars, HK dollars and Singapore dollars, and the effective interest rates of which as of 31 December 2013 were 0.95% to 7.80% (31 December 2012: 1.00% to 7.84%).

A portion of the Group's bank borrowings was secured by pledges over certain assets of the Group including property, plant and equipment, leasehold lands, deposits and trade and bills receivables. As at 31 December 2013, the Group's gearing ratio was 24.4% (31 December 2012: 27.4%), which was calculated by dividing total borrowings by total assets as at the end of each respective period, multiplied by 100%.

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 31 December 2013 (31 December 2012: nil).

## **Foreign Exchange Risk**

The Group operated primarily in the PRC. For the Group's companies in the PRC, their principal activities were transacted in RMB. For other companies outside of the PRC, their principal activities were transacted in U.S. dollars. However, as a result of the Group's revenue being denominated in RMB, the conversion into foreign currencies in connection with payments is subject to PRC regulatory restrictions on currency conversion. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, change in PRC's political and economic conditions. The Group's product sales adopted a price mechanism by which the currency fluctuation is basically transferred to the customers, but the Group's foreign currency trade receivables may still be exposed to risk in the credit period. The Group commenced using forward currency contracts since the year 2012 to eliminate the foreign currency exposures arising from sales denominated in U.S. dollar with a total amount of US\$65 million (2012: US\$5 million). The forward currency contracts must be in the same currency as the hedged item, i.e. U.S. dollar.

## **EMPLOYEES**

As at 31 December 2013, the Group had 10,257 employees. Employee benefit expense (including directors' remuneration), which comprised wages and salaries, performance-related bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totalled RMB465.0 million for the year ended 31 December 2013 (the year ended 31 December 2012: RMB435.1 million).

The Group did not experience any significant labour disputes that led to any material impact on its normal business operations.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 22 May 2014 to 26 May 2014 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting of the Company (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar (see below) for registration by no later than 4:30 p.m. on Wednesday 21 May 2014.

On or before 30 April 2014:

Computershare Hong Kong Investor Services Limited.

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong

On or after 1 May 2014:

Tricor Investor Services Limited.

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

## **COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the code for dealing in securities of the Company by its directors. After specific enquiry, all directors of the Company confirmed that they have complied with the required standard of dealings set out therein throughout the year ended 31 December 2013.

## **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 year ended 31 December 2013, except for the following deviation:

### **Code Provision A.2.1**

This code provision stipulates that the roles of the 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. Currently, Mr. Dong Li is both 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 the 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.

## **AUDIT COMMITTEE**

The Audit Committee, which comprises three independent non-executive directors of the Company, 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 Group for the year ended 31 December 2013 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

## **PUBLICATION OF ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2013, containing information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.leoch.com](http://www.leoch.com)) in due course.

## **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, 25 March 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*