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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 2020**

**FINANCIAL HIGHLIGHTS**

	<b>2020</b>	<b>2019</b>	
	<b><i>RMB million</i></b>	<b><i>RMB million</i></b>	<b>Changes</b>
Turnover	<b>9,631.4</b>	8,362.7	<b>+15.2%</b>
Gross profit	<b>1,188.3</b>	1,015.4	<b>+17.0%</b>
Profit for the year	<b>138.0</b>	127.5	<b>+8.2%</b>
Profit attributable to owners of the parent	<b>123.7</b>	132.6	<b>-6.7%</b>
Basic earnings per share ( <i>RMB</i> )	<b>0.09</b>	0.10	
Proposed final dividend per share ( <i>HK cents</i> )	<b>-</b>	2.0	

## ANNUAL RESULTS

The board of directors (the “**Board**”) of the Leoch International Technology Limited (“**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the previous year. 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 2020 prior to recommending them to the Board for approval.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2020*

	<i>Notes</i>	<b>2020</b> <i>RMB’000</i>	2019 <i>RMB’000</i>
REVENUE	4	<b>9,631,362</b>	8,362,722
Cost of sales		<u><b>(8,443,083)</b></u>	<u>(7,347,336)</u>
Gross profit		<b>1,188,279</b>	1,015,386
Other income and gains	4	<b>108,360</b>	173,784
Selling and distribution expenses		<b>(481,179)</b>	(392,029)
Administrative expenses		<b>(266,359)</b>	(273,530)
Research and development costs	5	<b>(172,720)</b>	(119,347)
Impairment losses on assets		<b>(20,675)</b>	(6,013)
Other expenses	6	<b>(35,874)</b>	(41,717)
Finance costs	7	<u><b>(158,180)</b></u>	<u>(197,772)</u>
PROFIT BEFORE TAX	5	<b>161,652</b>	158,762
Income tax expense	8	<u><b>(23,688)</b></u>	<u>(31,229)</u>
PROFIT FOR THE YEAR		<u><b>137,964</b></u>	<u>127,533</u>
Attributable to:			
Owners of the parent		<b>123,732</b>	132,586
Non-controlling interests		<u><b>14,232</b></u>	<u>(5,053)</u>
		<u><b>137,964</b></u>	<u>127,533</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		<u><b>RMB0.09</b></u>	<u>RMB0.10</u>
Diluted		<u><b>RMB0.09</b></u>	<u>RMB0.10</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>137,964</u>	<u>127,533</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	(776)	1,357
Income tax effect	<u>194</u>	<u>(339)</u>
	(582)	1,018
Exchange differences on translation of foreign operations	<u>1,325</u>	<u>2,173</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>743</u>	<u>3,191</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(541)	34,513
Income tax effect	<u>10,328</u>	<u>(7,505)</u>
	9,787	27,008
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>9,787</u>	<u>27,008</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>10,530</u>	<u>30,199</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>148,494</u>	<u>157,732</u>
Attributable to:		
Owners of the parent	134,569	162,002
Non-controlling interests	<u>13,925</u>	<u>(4,270)</u>
	<u>148,494</u>	<u>157,732</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,371,715</b>	2,151,252
Investment property		<b>356</b>	367
Right-of-use assets		<b>147,424</b>	190,973
Goodwill		<b>2,213</b>	10,636
Other intangible assets		<b>715,537</b>	670,983
Equity investments designated at fair value through other comprehensive income		<b>143,027</b>	164,709
Deposits paid for purchase of items of property, plant and equipment		<b>36,656</b>	140,204
Deferred tax assets		<b>61,724</b>	51,293
		<hr/>	<hr/>
Total non-current assets		<b>3,478,652</b>	3,380,417
<b>CURRENT ASSETS</b>			
Inventories	<i>11</i>	<b>1,776,904</b>	1,816,966
Trade receivables	<i>12</i>	<b>2,419,676</b>	2,306,871
Debt investments at fair value through other comprehensive income	<i>13</i>	<b>197,128</b>	134,784
Prepayments, other receivables and other assets	<i>14</i>	<b>276,059</b>	162,043
Financial assets at fair value through profit or loss	<i>15</i>	<b>75,912</b>	65,603
Structured bank deposits	<i>16</i>	–	59,793
Pledged deposits	<i>17</i>	<b>461,353</b>	464,146
Cash and cash equivalents	<i>17</i>	<b>387,148</b>	280,903
		<hr/>	<hr/>
Total current assets		<b>5,594,180</b>	5,291,109

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>18</i>	<b>2,139,389</b>	2,009,701
Other payables and accruals	<i>19</i>	<b>990,006</b>	854,809
Financial liabilities at fair value through profit or loss	<i>15</i>	<b>2,679</b>	5,457
Interest-bearing bank borrowings	<i>20</i>	<b>1,760,846</b>	2,269,996
Income tax payable		<b>104,841</b>	85,627
		<u><b>4,997,761</b></u>	<u>5,225,590</u>
Total current liabilities			
		<u><b>596,419</b></u>	<u>65,519</u>
<b>NET CURRENT ASSETS</b>			
		<u><b>4,075,071</b></u>	<u>3,445,936</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	<i>20</i>	<b>542,438</b>	36,190
Deferred tax liabilities		<b>55,503</b>	64,238
Deferred government grants		<b>72,095</b>	59,770
Other liabilities		<b>5,099</b>	11,549
		<u><b>675,135</b></u>	<u>171,747</u>
Total non-current liabilities			
		<u><b>3,399,936</b></u>	<u>3,274,189</u>
Net assets			
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		<b>116,224</b>	116,213
Reserves		<b>3,123,402</b>	3,001,533
		<u><b>3,239,626</b></u>	<u>3,117,746</u>
Non-controlling interests		<u><b>160,310</b></u>	<u>156,443</u>
Total equity		<u><b>3,399,936</b></u>	<u>3,274,189</u>

Notes:

## 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 27 April 2010 as an exempted company with limited liability under the Companies Act, Chapter 22 (Act 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 Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in the manufacture, development and sale of lead-acid batteries and other related items.

In the opinion of the directors of the Company (the "**Directors**"), the immediate holding company and the ultimate holding company is Master Alliance Investment Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Dong Li.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income, financial assets at fair value through profit or loss, structured bank deposits and financial liabilities at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
  
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
  
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group.
- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework<sup>2</sup></i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2<sup>1</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
IFRS 17	<i>Insurance Contracts<sup>3</sup></i>
Amendments to IFRS 17	<i>Insurance Contracts<sup>3,5</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>3</sup></i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use<sup>2</sup></i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract<sup>2</sup></i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 <sup>2</sup>
Amendments to IAS 1	<i>Disclosure of Accounting Policies<sup>3</sup></i>
Amendments to IAS 8	<i>Disclosure of Accounting Estimates<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> No mandatory effective date yet determined but available for adoption

<sup>5</sup> As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to IFRS Standards 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

### 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture, development and sale of lead-acid batteries and other related items.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to segments and to assess their performance. The information reported to the executive directors of the Company, who is the Group’s CODM for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the executive directors reviewed the gross profit of the Group as a whole reported under IFRSs. Therefore, the operation of the Group constitutes one reportable segment. Accordingly, no segment information is presented.

No segment assets and liabilities and related other segment information were presented as no such discrete financial information is provided to the CODM.

#### Information about products

An analysis of revenue by product is as follows:

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Lead-acid batteries	8,324,213	7,386,506
Recycled lead products	1,307,149	971,227
Others	—	4,989
	<u>9,631,362</u>	<u>8,362,722</u>

## Geographical information

### (a) Revenue from external customers

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC*	6,325,994	5,151,752
Europe, the Middle East and Africa	1,390,185	1,425,098
Americas	1,022,021	1,013,657
Asia-Pacific (other than PRC)	<u>893,162</u>	<u>772,215</u>
	<u><b>9,631,362</b></u>	<u><b>8,362,722</b></u>

\* The People's Republic of China ("PRC"), for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

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

### (b) Non-current assets

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PRC	2,750,088	2,774,521
Other countries/areas	<u>523,813</u>	<u>389,894</u>
	<u><b>3,273,901</b></u>	<u><b>3,164,415</b></u>

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

### Information about major customers

During the years ended 31 December 2020 and 2019, no revenue from sales to a single customer amounted to 10% or more of the Group's revenue.

#### 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers	<u>9,631,362</u>	<u>8,362,722</u>

#### Revenue from contracts with customers

##### (i) *Disaggregated revenue information*

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Types of goods		
Sale of industrial products	9,631,362	8,357,733
Others	<u>–</u>	<u>4,989</u>
	<u>9,631,362</u>	<u>8,362,722</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>9,631,362</u>	<u>8,362,722</u>

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	<u>143,635</u>	<u>178,188</u>

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

*Sale of industrial products*

The performance obligation for the sale of industrial products is satisfied upon delivery of the industrial products and payment is generally due within 60 to 90 days from delivery, except for new customers, where payment in advance is normally required.

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<u>Other income and gains</u>		
Bank interest income	<b>11,276</b>	13,655
Government grants*	<b>60,161</b>	80,794
Dividend income from equity investments designated at fair value through other comprehensive income	<b>672</b>	225
Sale of scrap materials	<b>4,016</b>	4,942
Foreign exchange gains, net	<b>7,221</b>	–
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	<b>4,120</b>	2,232
Fair value gains, net:		
Financial assets at fair value through profit or loss	<b>10,309</b>	3,511
Structured bank deposits	<b>1,276</b>	4,901
Gain on disposal of a subsidiary	–	56,101
Others	<b>9,309</b>	7,423
	<b><u>108,360</u></b>	<u>173,784</u>

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

## 5. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 RMB'000
Cost of inventories sold		<b>7,132,172</b>	6,184,270
Employee benefit expense (including directors' remuneration):			
Wages and salaries		<b>804,177</b>	748,522
Equity-settled share option expenses		<b>2,034</b>	2,701
Pension scheme contributions		<b>43,029</b>	54,054
		<u><b>849,240</b></u>	<u>805,277</u>
Amortisation of other intangible assets except for deferred development costs		<b>17,843</b>	20,673
Research and development costs:			
Deferred development costs amortised*		<b>165,504</b>	130,957
Current year expenditure		<b>172,720</b>	119,347
		<u><b>338,224</b></u>	<u>250,304</u>
Auditor's remuneration		<b>2,800</b>	2,800
Financial liabilities at fair value through profit or loss:			
Unrealised loss		<b>2,679</b>	5,457
Realised loss		<b>23,265</b>	–
		<u><b>25,944</b></u>	<u>5,457</u>
Fair value loss from financial liabilities at fair value through profit or loss, net	6	<u><b>25,944</b></u>	<u>5,457</u>
Financial assets at fair value through profit or loss:			
Unrealised gain		<b>(10,309)</b>	(3,511)
Structured bank deposits:			
Unrealised gain		–	(73)
Realised gain		<b>(1,276)</b>	(4,828)
		<u><b>(1,276)</b></u>	<u>(4,901)</u>
Fair value gain from structured bank deposits, net	4	<u><b>(1,276)</b></u>	<u>(4,901)</u>

		2020	2019
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Depreciation of property, plant and equipment		<b>260,257</b>	250,109
Depreciation of investment properties		<b>11</b>	11
Depreciation of right-of-use assets		<b>11,161</b>	11,632
Impairment of trade receivables	<i>12</i>	<b>12,252</b>	6,013
(Reversal of impairment)/impairment of inventories*	<i>11</i>	<b>(1,430)</b>	6,166
Impairment of goodwill		<b>8,423</b>	–
Loss on disposal of items of property, plant and equipment, net	<i>6</i>	<b>6,762</b>	22,653
Foreign exchange differences, net		<b>(7,221)</b>	6,092
Lease payment not included in the measurement of lease liabilities		<b><u>5,706</u></b>	<b><u>6,856</u></b>

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

## 6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2020	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Foreign exchange differences, net	–	6,092
Loss on disposal of items of property, plant and equipment, net	<b>6,762</b>	22,653
Fair value loss from financial liabilities at fair value through profit or loss, net	<b>25,944</b>	5,457
Others	<b><u>3,168</u></b>	<u>7,515</u>
	<b><u>35,874</u></b>	<u>41,717</u>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	<b>120,592</b>	153,991
Interest arising from discounted bills	<b>36,630</b>	42,434
Interest on lease liabilities	<b>958</b>	1,347
	<u><b>158,180</b></u>	<u>197,772</u>

## 8. 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 operate.

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

The subsidiaries, Honour Label Investments Limited, Peak Year Investments Limited, Sheldon International Limited, and Catherine Holdings International Company Limited (“**Catherine Holdings**”), 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 out 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 21% (2019: 21%) on taxable income.

The provision for Hong Kong profits tax is based on the statutory rate of 16.5% (2019: 16.5%) of the assessable profits of subsidiaries incorporated in Hong Kong, i.e., Leoch Power Supply (H.K.) Limited (“**Leoch Power Supply**”) and Leoch International Sales Limited (“**Leoch International Sales**”). No provision for Hong Kong profits tax has been made by Leoch Battery Company Limited (“**Leoch Battery Company**”) and Big Help Group Limited as they did not carry on any business in Hong Kong or had no assessable profits arising in or derived from Hong Kong during the year.

The Singapore authority approved the application of Leoch Battery Pte Limited (“**Leoch Battery Pte.**”) for the Global Trader Programme on 24 May 2014 and it was renewed on 30 August 2019, the effective period of which is from 1 January 2019 to 31 December 2023. The provision for the current income tax of Leoch Battery Pte. is based on the tax rate of 10% (2019: 10%).

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

Leoch Battery (Jiangsu) Corp., Anhui Leoch Power Supply Corp. and Anhui Uplus Energy Technology Co., Ltd were designated as high-tech enterprises by the PRC tax authorities and were entitled to a preferential tax rate of 15% for the year 2020.

Taihe Dahua Energy Technology Co. Ltd, which engages in qualified recycling businesses, is entitled to a 10% deduction of revenue for manufacturing qualified products with main qualified raw materials.

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

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Current – PRC	<b>22,951</b>	9,712
Current – Hong Kong	<b>(10,300)</b>	(6,575)
Current – Singapore	<b>14,180</b>	16,381
Current – USA	<b>1,517</b>	1,430
Current – Vietnam	<b>3,909</b>	–
Deferred tax	<b>(8,569)</b>	10,281
Total tax charge for the year	<b><u>23,688</u></b>	<u>31,229</u>

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the majority of the companies of the Group are domiciled to the tax expense at effective tax rate is as follows:

	<b>2020</b>		2019	
	<b>RMB'000</b>	%	RMB'000	%
Profit before tax	<b><u>161,652</u></b>		<u>158,762</u>	
Tax at the applicable tax rates	<b>42,243</b>	<b>26.1</b>	46,071	29.0
Tax concession for certain subsidiaries	<b>(29,309)</b>	<b>(18.1)</b>	(18,083)	(11.4)
Additional deductible research and development expenses	<b>(14,801)</b>	<b>(9.2)</b>	(10,541)	(6.6)
Expenses not deductible for tax	<b>450</b>	<b>0.3</b>	871	0.5
Tax losses not recognised	<b>29,028</b>	<b>18.0</b>	14,244	9.0
Tax losses utilised from previous periods	<b>(3,923)</b>	<b>(2.4)</b>	(1,333)	(0.8)
Tax charge at the Group's effective rate	<b><u>23,688</u></b>	<b><u>14.7</u></b>	<u>31,229</u>	<u>19.7</u>

## 9. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final – Nil (2019: HK 2.0 cents) per share	<u>–</u>	<u>24,321</u>

The Company does not intend to declare the payment of any final dividend in respect of the year ended 31 December 2020.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,357,594,679 (2019: 1,357,521,666) in issue during the year.

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

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>123,732</u>	<u>132,586</u>

	<b>Number of shares</b>	
	2020	2019
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,357,594,679	1,357,521,666
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>92,127</u>	<u>168,257</u>
	<u>1,357,686,806</u>	<u>1,357,689,923</u>

## 11. INVENTORIES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Raw materials	559,451	344,180
Work in progress	713,311	816,658
Finished goods	<u>504,142</u>	<u>656,128</u>
	<u><b>1,776,904</b></u>	<u><b>1,816,966</b></u>

As at 31 December 2020, inventories with the amount of RMB1,430,000 were reversed, while the amount of RMB6,166,000 was written down to their net realisable value at 31 December 2019 as disclosed in note 5.

At 31 December 2020, certain of the Group's inventories with a net carrying amount of approximately RMB100,000,000 was pledged to secure general banking facilities granted to the Group. For details of the pledged inventories, please refer to note 21 to the financial statements.

## 12. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	2,463,962	2,338,905
Less: Impairment provision	<u>(44,286)</u>	<u>(32,034)</u>
	<u><b>2,419,676</b></u>	<u><b>2,306,871</b></u>

The Group grants different credit periods to its customers. Credit periods for individual customers are considered on a case-by-case basis. Certain customers are required to make partial payments before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables of RMB244,949,000 (2019: RMB205,917,000) were under short term credit insurance and RMB53,332,000 (2019: RMB57,357,000) were under letters of credit. In addition, the Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

As at 31 December 2020, the Group pledged certain trade receivables amounting to RMB178,744,000 (2019: RMB96,149,000) to banks with recourse in exchange for cash (note 21). The proceeds from pledging the trade receivables of RMB152,010,000 (2019: RMB81,582,000) were accounted for as collateralised bank advances until the trade receivables were collected or the Group made good of any losses incurred by the banks.

An ageing analysis of the trade receivables as at 31 December 2020 and 2019 based on the invoice date, net of loss allowance, is as follows:

	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
Within 3 months	<b>1,762,602</b>	1,713,636
3 to 6 months	<b>354,538</b>	303,817
6 to 12 months	<b>154,416</b>	147,672
1 to 2 years	<b>110,550</b>	110,159
Over 2 years	<b>37,570</b>	31,587
	<b><u>2,419,676</u></b>	<u>2,306,871</u>

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

	<b>2020</b>	2019
	<b>RMB'000</b>	<i>RMB'000</i>
At beginning of year	<b>32,034</b>	26,021
Impairment losses ( <i>note 5</i> )	<b>12,252</b>	6,013
At end of year	<b><u>44,286</u></b>	<u>32,034</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2020**

	Current		Past due		Total
	Customers with credit enhancement	Ordinary customers	Customers with credit enhancement	Ordinary customers	
Expected credit loss rate	0.04%	0.85%	0.55%	100.00%	1.80%
Gross carrying amount (RMB'000)	1,892,031	383,461	148,936	39,534	2,463,962
Expected credit losses (RMB'000)	678	3,258	816	39,534	44,286

**As at 31 December 2019**

	Current		Past due		Total
	Customers with credit enhancement	Ordinary customers	Customers with credit enhancement	Ordinary customers	
Expected credit loss rate	0.04%	0.78%	0.57%	100.00%	1.37%
Gross carrying amount (RMB'000)	1,855,815	312,449	142,558	28,083	2,338,905
Expected credit losses (RMB'000)	710	2,429	812	28,083	32,034

**13. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

The balances as at 31 December 2020 and 31 December 2019 represent bills receivable held by the Group which were measured at fair value through other comprehensive income, since the bills receivable were held within the business model whose objective was achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows were solely payments of principal and interest on the principal amount outstanding.

The ageing analysis of bills receivable presented based on the issue date at 31 December 2020 and 31 December 2019 is as follows:

	2020 RMB'000	2019 RMB'000
Within 3 months	34,805	16,614
3 to 6 months	134,947	102,891
6 to 12 months	27,376	15,279
	<u>197,128</u>	<u>134,784</u>

The net loss on changes in the fair value of the debt investments at fair value through other comprehensive income amounting to RMB776,000 (2019: gain RMB1,357,000) was recognised in the consolidated statement of other comprehensive income during the year.

#### 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Prepayments	<b>211,905</b>	115,789
Deposits and other receivables	<b>56,555</b>	37,973
Loans to employees	<b>5,508</b>	8,211
Interest receivables	<b>2,091</b>	70
	<b><u>276,059</u></b>	<b><u>162,043</u></b>

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

#### 15. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>2020</b>	
	<b>Assets</b>	<b>Liabilities</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Listed equity investments, at fair value	<b>265</b>	–
Unlisted equity investments, at fair value	<b>8,563</b>	–
Commodity future and option contracts, at fair value	–	<b>2,679</b>
Other unlisted investment, at fair value	<b>67,084</b>	–
	<b><u>75,912</u></b>	<b><u>2,679</u></b>
	<b>2019</b>	
	<b>Assets</b>	<b>Liabilities</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Listed equity investments, at fair value	466	–
Unlisted equity investments, at fair value	9,002	–
Commodity future contracts, at fair value	–	5,457
Other unlisted investment, at fair value	56,135	–
	<b><u>65,603</u></b>	<b><u>5,457</u></b>

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The Group uses derivative financial instruments, such as commodity future and option contracts to hedge its price fluctuation risk. These commodity future and option contracts are not designated for hedge purposes and are measured at fair value through profit or loss.

The above other unlisted investment was the right to receive the proceeds from future sales of the properties. It was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

## 16. STRUCTURED BANK DEPOSITS

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Structured bank deposits, in licensed banks in Mainland China:		
With floating rate, at fair value	<u>          -</u>	<u>      59,793</u>

The structured bank deposits were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The net gain on changes in the fair value of the structured bank deposits amounting to RMB1,276,000 (2019: RMB4,901,000) was recognised in the consolidated statement of profit or loss during the year (note 4).

## 17. CASH AND BANK BALANCES AND TIME DEPOSITS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash and bank balances	387,148	280,903
Time deposits	<u>461,353</u>	<u>464,146</u>
	<u>848,501</u>	<u>745,049</u>
<i>Less:</i> Pledged for interest-bearing bank borrowings	(4,394)	(4,675)
Pledged for bills payable	(387,303)	(427,684)
Pledged for letters of credit	<u>(69,656)</u>	<u>(31,787)</u>
	<u>(461,353)</u>	<u>(464,146)</u>
Cash and cash equivalents	<u><u>387,148</u></u>	<u><u>280,903</u></u>
Denominated in RMB	609,215	638,484
Denominated in US\$	150,838	49,838
Denominated in HK\$	30,445	37,808
Denominated in Indian Rupee	30,231	7,041
Denominated in Malaysian Dollar (“MYR”)	3,628	4,113
Denominated in Singapore Dollar (“SG\$”)	1,593	603
Denominated in Euro (“EUR”)	13,406	4,863
Denominated in Australian Dollar (“AU\$”)	6,389	881
Denominated in Vietnamese Dong (“VND”)	2,622	–
Denominated in Sri Lankan Rupee	<u>134</u>	<u>1,418</u>
	<u><u>848,501</u></u>	<u><u>745,049</u></u>

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

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

## 18. TRADE AND BILLS PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables	958,829	805,666
Bills payable	<u>1,180,560</u>	<u>1,204,035</u>
	<u><b>2,139,389</b></u>	<u><b>2,009,701</b></u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 3 months	1,045,250	989,445
3 to 6 months	529,456	348,314
6 to 12 months	544,995	655,414
1 to 2 years	15,224	11,630
2 to 3 years	3,779	604
Over 3 years	<u>685</u>	<u>4,294</u>
	<u><b>2,139,389</b></u>	<u><b>2,009,701</b></u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payable have maturity dates within 365 days. As at 31 December 2020, bills payable amounting to RMB496,420,000 (2019: RMB722,500,000) were issued on intercompany sales transactions within the Group and these bills were discounted to banks for short term financing.

As at 31 December 2020, certain of the Group's bills payable were secured by the pledge of certain of the Group's time deposits amounting to RMB387,303,000 (2019: RMB427,684,000) (note 21).

## 19. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Provision for social insurance and retirement benefits		<b>155,587</b>	158,565
Contract liabilities	<i>(a)</i>	<b>189,666</b>	143,635
Accrued expenses		<b>140,548</b>	107,008
Accrued payroll		<b>49,643</b>	104,991
Lease liabilities		<b>6,032</b>	7,877
Payables for purchase of items of property, plant and equipment		<b>132,379</b>	60,616
Provision for product warranties		<b>17,057</b>	15,869
Tax payables other than current income tax liabilities		<b>189,321</b>	176,029
Payables to non-controlling shareholders		<b>46,898</b>	55,158
Others	<i>(b)</i>	<b>62,875</b>	25,061
		<b>990,006</b>	854,809

*Notes:*

(a) Details of contract liabilities are as follows:

	<b>31 December</b> <b>2020</b> <b>RMB'000</b>	31 December 2019 <i>RMB'000</i>
<i>Short-term advances received from customers</i>		
Sale of goods	<b>189,666</b>	143,635

Contract liabilities are short-term advances received to deliver industrial products.

(b) Other payables are non-interest-bearing and have no fixed terms of repayment.

## 20. INTEREST-BEARING BANK BORROWINGS

	31 December 2020			31 December 2019		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
<b>Current</b>						
	3.24 to 7.09, HIBOR+2.76% to			1.50 to 8.65, HIBOR+2.76% to		
Interest-bearing bank borrowings, secured	HIBOR+3.25%	2021	1,063,530	HIBOR+3.5%	2020	1,050,581
Collateralised bank advances, secured	2.29 to 4.79	2021	152,010	2.00 to 2.40, 2.56 to 8.70, HIBOR+2.25% to	2020	81,582
Interest-bearing bank borrowings, guaranteed	3.00 to 5.00, HIBOR+2.5%	2021	339,105	HIBOR+2.75%	2020	443,314
Current portion of long term bank borrowings, guaranteed	LIBOR+2.70	2021	192,321	LIBOR +2.50	2020	694,519
Interest-bearing bank borrowings, unsecured	1.00 to 7.20	2021	13,880	-	-	-
			<u>1,760,846</u>			<u>2,269,996</u>
<b>Non-current</b>						
Interest-bearing bank borrowings, secured	1.88 to 7.90	2022-2028	75,645	1.50 to 7.53	2021-2028	36,190
Interest-bearing bank borrowings, guaranteed	3.00	2022-2025	18,043	-	-	-
Interest-bearing bank borrowings, guaranteed	LIBOR+2.70	2022-2023	448,750	-	-	-
			<u>542,438</u>			<u>36,190</u>
			<u>2,303,284</u>			<u>2,306,186</u>
Denominated in RMB			1,036,869			892,414
Denominated in US\$			806,436			831,612
Denominated in HK\$			403,098			537,878
Denominated in SG\$			35,054			14,465
Denominated in MYR			13,029			22,171
Denominated in VND			8,798			-
Denominated in GBP			-			6,703
Denominated in EUR			-			943
			<u>2,303,284</u>			<u>2,306,186</u>

Analysed into:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank loans and advances repayable:		
Within one year	1,760,846	2,269,996
In the second year	229,312	22,771
In the third to fifth years, inclusive	309,124	5,630
Beyond five years	<u>4,002</u>	<u>7,789</u>
	<u><u>2,303,284</u></u>	<u><u>2,306,186</u></u>

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

- (i) pledge of the Group's assets with a total value of RMB961,251,000 (2019: RMB910,529,000) for the bank borrowings as disclosed in note 21; and
- (ii) cross guarantees executed by companies within the Group.

The Group entered into a three-year term loan facility agreement amounting to US\$100,000,000 on 7 May 2020 (the "**Facility Agreement**") with certain financial institutions (the "**Lenders**").

Under the Facility Agreement, there are specific performance obligations on Mr. Dong Li, the controlling shareholder of the Company, to not cease to own, directly or indirectly, at least 51% of the beneficial interest in the Company, carrying at least 51% of the voting right, free from any security. Further, Mr. Dong Li shall not cease to have management control over the Company or cease to be the Chairman of the board of directors of the Company. At the date of approval of these audited consolidated financial statements for the year ended 31 December 2020, such obligations have been complied with.

Six of the Company's wholly-owned subsidiaries, namely Catherine Holdings, Leoch Power Supply, Leoch Battery Company, Leoch International Holding Pte. Ltd., Leoch Battery Pte. and Leoch International Sales, were parties who act as guarantors to guarantee punctual performance of the Group's obligations under the Facility Agreement.

As at 31 December 2020, the outstanding term loan balance under the Facility Agreement amounting to US\$100,000,000 (equivalent to RMB641,071,000), of which RMB192,321,000 and RMB448,750,000 are repayable within one year and in the second to third years inclusive, respectively. The term loan bears interest at LIBOR+2.7% per annum.

## 21. PLEDGE OF ASSETS

	Prepaid land lease payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Pledged deposits <i>RMB'000</i> <i>(note 17)</i>	Inventories <i>RMB'000</i> <i>(note 11)</i>	Trade receivables <i>RMB'000</i> <i>(note 12)</i>	Total <i>RMB'000</i>
<b>31 December 2020</b>						
Interest-bearing bank borrowings <i>(note 20)</i>	49,168	628,945	4,394	100,000	178,744	961,251
Bills payable <i>(note 18)</i>	-	-	387,303	-	-	387,303
Issue of letters of credit	-	-	69,656	-	-	69,656
	<u>49,168</u>	<u>628,945</u>	<u>461,353</u>	<u>100,000</u>	<u>178,744</u>	<u>1,418,210</u>
		Prepaid land lease payments <i>RMB'000</i>	Property, plant and equipment <i>RMB'000</i>	Pledged deposits <i>RMB'000</i> <i>(note 17)</i>	Trade receivables <i>RMB'000</i> <i>(note 12)</i>	Total <i>RMB'000</i>
<b>31 December 2019</b>						
Interest-bearing bank borrowings <i>(note 20)</i>		60,356	749,349	4,675	96,149	910,529
Bills payable <i>(note 18)</i>		-	-	427,684	-	427,684
Issue of letters of credit		-	-	31,787	-	31,787
		<u>60,356</u>	<u>749,349</u>	<u>464,146</u>	<u>96,149</u>	<u>1,370,000</u>

## 22. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Contracted, but not provided for:		
Land and buildings	<b>1,613</b>	208
Plant and machinery	–	589
Capital contribution for investments in equity investments designated at fair value through other comprehensive income	<u><b>62,500</b></u>	<u>15,988</u>
	<u><b>64,113</b></u>	<u>16,785</u>

## 23. EVENT AFTER THE REPORTING PERIOD

On 13 January 2021, the Company offered to grant share options to various eligible participants under the 2020 Share Option Scheme of the Company adopted on 30 October 2020 to subscribe for a total of 5,000,000 ordinary shares of HK\$0.1 each in the capital of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the year ended 31 December 2020 (the “**Period**”), the Group’s revenue amounted to RMB9,631.4 million, representing an increase of 15.2% from RMB8,362.7 million for the corresponding period in 2019.

During the Period, revenue from batteries (and related items) business amounted to RMB8,324.2 million, representing an increase of 12.7% from RMB7,386.5 million for the corresponding period in 2019. The increase in revenue was mainly contributed by the PRC market and export business. The volume delivered in terms of ton was improved close to 20% as compared to the corresponding period last year in which more than 75% was contributed by the PRC market. Revenue from recycled lead business amounted to RMB1,307.1 million, representing an increase of approximately 34.6% from RMB971.2 million for the corresponding period in 2019.

Although PRC economic performance was badly hit due to the contraction in consumption, exports service and retail sales in the first half of 2020, it has been quickly rebounded after the pandemic was put under control for the rest of the year. On the other hand, lots of countries continue suffering from lockdown due to rising infection. The Group’s China domestic and exports benefit from the recovery and temporary uprising overseas demand but suffered from delay in overseas projects which affected our overseas reserve power battery business. Overall, all three categories of battery business enjoyed better performance than expected.

### Reserve power batteries

The Group’s sales of reserve power batteries during the Period amounted to RMB4,187.1 million (2019: RMB3,913.1 million), representing an increase of 7.0% as compared to the same period of last year. This accounted for approximately 50.3% of the total revenue from batteries sales as compared to 53.0% in 2019. The increment in sales revenue of reserve power batteries amounted to RMB274.0 million (2019: RMB523.8 million) during the Period.

Although the PRC reserve power battery business was quickly rebounded and recovered, it was dragged by the underperformance of overseas sales. In fact, the overall 2020 shipment in terms of ton was higher than 2019 by 15% in which most of the contribution was from the PRC market. Since monthly average SMM lead price per ton was lower due to unstable business environment, the industry price-linked pricing mechanism on lead price resulted in lower selling price per ton as compared to 2019, affecting the value amount increment. During the Period, the Group continued deploying huge resources in marketing and research and development on capturing the most of the opportunities from the rising 5G life cycle.

### **SLI batteries**

Sales of SLI batteries for the Group during the Period amounted to RMB2,883.1 million (2019: RMB2,470.5 million), representing an increase of 16.7% as compared to the same period last year. This accounted for approximately 34.6% of the total revenue from batteries sales as compared to 33.4% in 2019. The increment in sales revenue of SLI batteries amounted to RMB412.6 million (2019: RMB71.6 million decrement) during the Period.

Benefit from the recovery in the PRC automobile production, continuous enlarging domestic car ownership and rising export demand due to overseas lockdown, total shipment in terms of ton was higher than 2019 by 19%. Besides traditional fossil fuel vehicles, the Group has worked hard and become one of the major suppliers of domestic new energy automobile lead-acid battery. Moving forward, more resources, both marketing and research and development, will be deployed to capture the opportunity of the era of autonomous driving of smart cars.

### **Motive power batteries**

During the Period, motive power batteries business (which includes but not limited to applications in electric vehicles, electric forklifts and other battery-driven products) of the Group recorded sales revenue of RMB1,114.6 million (2019: RMB833.9 million), representing an increase of 33.7% as compared to last year. This accounted for approximately 13.4% of the total revenue from batteries sales as compared to 11.3% in 2019. The increment in sales revenue of motive power batteries amounted to RMB280.7 million (2019: RMB37.7 million decrement) during the Period.

The recovery of business activities in the PRC and booming export pushed up the demand for all area of applications in motive power battery, especially for machine used in logistic area. Total shipment in terms of ton was higher than 2019 by more than 30%. Besides lead-acid battery, the Group has deployed lot of resources in the development of various lithium models and will continue aiming at enlarging applications and market share.

## **Recycled lead**

Revenue from the sales of recycled lead products amounted to RMB1,307.1 million (2019: RMB971.2 million) during the Period, representing an increase of 34.6% as compared to last year. The expansion and upgrade of recycling lead production and environment protection measures has been completed and production activity was back to normal in late May of 2020. After resumption of full operation, output of the Group's recycling facilities increased significantly, generating sales to third parties of more than RMB1 billion in the second half of 2020.

## ***Sales network***

The Group maintained to distribute its products to more than 100 countries and regions across the world and has established regional sales offices in Beijing, Shenzhen, Zhaoqing, Nanjing, Hong Kong, Singapore, Malaysia, Australia and other ASEAN countries, India, Sri Lanka, USA and the EU, and United Kingdom. Together with the domestic sales centers in the PRC, the Group has more than 80 sales offices and centers around the world. As at 31 December 2020, the Group has over 700 dedicated sales and marketing and related supporting employees.

## ***Research and development ("R&D")***

In 2020, the Group continued to work closely with international and domestic battery experts and research institutions to perform research on new technologies and develop new products. These products include product series such as AGM VRLA batteries, VRLA-GEL battery, pure lead batteries, UPS high-rate batteries, marine batteries, railway batteries, start-stop batteries, automotive batteries, motorcycle batteries, OPzV, OPzS, PzS, PzV and PzB tubular plate batteries, golf cart batteries, scrubber sweeper batteries and electric vehicle batteries etc. We will continue to boost model yield, to increase overall running efficiency, and to save unnecessary cost of maintenance of carrying a bulky catalog, the catalog shelf will continue to slim down to carry most up to date and cutting-edge best-selling models.

During the Period, we continued working on new models of lead-acid and lithium-ion batteries and rolling out new products tailor-made for applications in each of the network power and motive market segment. New models of battery catering for the era of autonomous driving of smart cars are also on the way to be launched in the near future.

As at December 31, 2020, our battery R&D team of the Group consists of more than 350 researchers and related development & sampling technicians. The Group also owns 505 patents, with another 160 pieces in the process of patent application as at the date of this announcement.

## ***Production Base***

During the year, production volume of the Group's two new plants in Vietnam continues ramping up. The designed production capacity for both factories has been completed. For the network power plant with motorcycle battery production lines, occupation rate reached 90% while close to 70% occupation rate for the automotive battery plant in the last month of 2020.

Back in China, the production capacity for lead-acid plant was expanded by 10% to cope with the current and future growth and our lithium-ion batteries plant will be expanded gradually to cope with the business growth. Resources for production capacity will be concentrated in the PRC in the near future.

As mentioned earlier under the paragraph "Recycle Lead", the production activity was back to normal in late May of 2020. With production capacity of 200,000 tons, the plant was running close to maximum capacity during the second half of 2020.

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

Lead is the main raw material of lead-acid batteries and accounts for a major part of the product cost for the Group's battery production. According to Shanghai Metals Market ("SMM"), the monthly average lead price per ton fluctuated within the range of RMB14,038 to RMB15,949 during the Period, representing a change within the range of -8.1% to 4.4% as compared with SMM monthly average of RMB15,270 per ton in December 2019.

The monthly average SMM lead price per ton from January to June 2020 was RMB14,312, a 6.3% reduction as compared with SMM monthly average in December 2019, reflected the weak demand caused by the business activities lockdown in the PRC. The monthly average SMM lead price per ton from July to December 2020 was RMB15,041, a 1.5% reduction as compared with SMM monthly average in December 2019, reflected the demand is picked up and price was gradually increasing.

To cope with the potential pricing risk associated with the fluctuation in future lead price, the Group has adopted a price-linked pricing mechanism to minimize lead price exposure. In addition, the Group's centralized procurement of raw materials enables it to trim down costs of raw materials through favorable negotiations on bulk purchase contracts.

## **Future Prospects**

China's gross domestic product (GDP) broke through the 100-trillion-yuan mark, achieving an increase of 2.3% in GDP despite the impact of COVID-19. China is set to be the only major economy to have posted positive growth in GDP in 2020. The PRC government announced that the country had set a GDP target of more than 6% for 2021.

According to World Economic Outlook Report issued by IMF in January 2021, the global economy is projected to grow at 5.5% in 2021 while the prediction for China is 8.1%. This indicates that China continues to be one of the major drivers and contributors to global economy growth. The Group believes that resources shall be twisted to the PRC market in view of promising opportunities in all categories of battery. In fact, action has been taken since 2019 with detailed plans to be executed step by step.

On the other hand, global economic growth prediction is based on vaccine approvals and hopes of a turnaround in the pandemic in 2021. Renewed waves and new variants of the virus pose concerns for the outlook. We will pay extra attention to the changing macro and micro situations and revise our strategies as and when situation calls for.

### ***5G & Reserve Power Products***

In 2020, the central government of China has proposed to speed up the construction of new infrastructure such as 5G networks and data centers. It is expected that in the next 2–3 years, 5G network construction will continue to advance, gradually accomplishing wide-area coverage and consumer related innovative applications for 5G will grow in scale from 2022 and onward.

As mentioned last year, China would put in between 600,000 to 800,000 stand-alone (SA) macro base stations in total during 2020, possibly with the combination of various micro-cells, Pico, Femto and large scale antennas systems (LSAS) which collectively weight a much heavier loading on the demand on back-up power system and creates a promising outlook for the battery sector players. The construction of around 600,000 5G base stations has been completed in 2020, resulting in around a total of 718,000 5G base stations in the PRC. The total development of 5G networks is one of the major goals in the PRC 14th Five-Year Plan. The number of 5G base stations will continue to rise in 2021 and it is estimated that 1 million new 5G base stations will be built in 2021. On the basis of achieving deep coverage in cities as first priority, it will accelerate and extend to county and town level. The focus will be on the construction of micro base stations and indoor distributed base stations. In 2021, mobile and power grids enterprises will work together to promote the in-depth coverage of 5G networks.

In 2021, 5G base stations will continue developing rapidly and extend to ubiquitous data centers constructed in high speed. China Mobile, Alibaba, Tencent, etc, being the “core members” of the 5G infrastructure, have successively announced future investment plans for data centers. Data showed that by 2021, China’s big data market will reach RMB492.03 billion. It is predicted that by 2025, the number of global IoT devices will reach 41.6 billion and the amount of data generated will reach 79.4ZB.

The edge computing mode gives a better support to high-density, large-bandwidth, and low-latency business scenarios. An effective way is to build a business platform on the edge of the network close to users, provide storage, computing, and network resources. Some critical business applications will be executed by the edge data centers in order to reduce bandwidth and delay loss caused by network transmission and multi-level forwarding. It is estimated that by 2023, enterprises will have 50% of new applications deployed on the edge while by 2024, the number of edge applications will increase by 8 times. Edge data centers will become the key direction for many manufacturers to seize the market in the next step. Looking forward, there will be many data centers with less than one hundred equipment cabinets or even one equipment cabinet become a micro data center, a data center used for edge computing to support the demand for 5G “low latency, high interaction” data application scenarios.

In 2020, the global market demand for lithium batteries used for communication base stations is estimated to reach 22.8GWh. The 5G construction will rapidly push up the demand for lithium batteries using in base stations from 2021 to 2025. It is estimated that the number of communication towers will increase to 13 million by 2025, the global market demand for lithium batteries for communication will reach 60GWh, and the market size will exceed RMB60 billion. We expect the demand for lithium iron phosphate batteries used in communications will continue to expand and the Group’s lithium-ion battery plant will provide ground to capture new opportunity in this area.

In 2020, the “fast forward button” for the new 5G infrastructure development has been pressed. To get prepared for this opportunity, the Group will continue pulling resources in the development of 5G lead-acid and lithium batteries for various applications. Our aggressive sales teams are working hard on expanding our market share in the PRC.

### ***SLI batteries***

In 2020, global automobile production and sales had dropped sharply but the Chinese market only had slight downward adjustment year-on-year. Among them, new energy and commercial vehicles achieved growth of more than 20%. Throughout the year, domestic car ownership growing steadily reaching 280 million units, making China the top of the world which provided great support to the after-sales market of SLI battery. We believe PRC SLI battery market is stable and recovering.

Nowadays, Leoch represent more than 20% of the market share in commercial vehicle segment especially on batteries used for supporting air conditioning system in heavy duty automobile and we are one of the core suppliers to famous manufacturers such as FAW, SAW, Sinotruk, Foton, Shaanxi Heavy Duty Automobile etc..

Besides traditional fossil fuel vehicles, Leoch is one of the major suppliers of domestic new energy automobile brands such as BYD, Geely Auto, Nio, GWM, BAIO BJEV, Xpeng, ONE, Weltmeister etc. An auxiliary lead-acid battery is required in high-speed electric vehicles for low-voltage power supply.

The Group has a very solid position in the PRC SLI battery market and export OEM market. With the advent of the era of autonomous driving of smart cars, an additional lead-acid battery will be added to ensure the safety of the vehicle under extreme conditions, which will further promote the development of batteries and increment in sales.

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

In China, low-speed electric vehicles have shown a rapid development pattern along with the country's economic and social development. Leading manufacturers have all put forward multiplier growing plan which will drive the continuous development of the power battery industry. At present, the domestic market for low-speed electric vehicles, two-wheelers, and tricycles has reached 300 million units and the corresponding power battery market has reached more than RMB70 billion. It is expected that the market size will enjoy healthy growth rate in coming years.

The Group's motive power battery business unit always quickly responds and adapts to market changes. We believe our high-end batteries and differentiated management strategy is the driving force to continuous future growth. In 2020, a variety of products was launched with enthusiastic market responses. At the same time, the Group actively deploys lithium motive power battery projects and successively launched a number of models to the market. In 2021, we will continue to deepen the franchise store model, optimize the quality and quantity of agents, aiming at improving product turnover efficiency and sales scale of these sales channels in view of paving a solid foundation for continuous growth.

### ***International Market***

The Organization for Economic Cooperation and Development (OECD) expects the global economy to rebound from the coronavirus pandemic in 2021 as much as 4.2%. Although the outlook appears to be "vigorous," nearly all the world's economies except China will shrink. Many countries are currently fighting a resurgence of the virus but the re-imposition of containment measures is denting the economic rebound that had begun. The United States and Europe are expected to contribute less to the recovery than their weight in the global economy.

The strength of the recovery is projected to vary significantly across countries, depending on various factors such as access to medical interventions, effectiveness of policy support and exposure to cross-country spillovers etc.. The Group will closely monitor the recovering pace and remain prudent in managing our overseas resources.

### ***Recycled Lead***

In order to properly manage the environmental impact of disposal of scrap lead-acid batteries and eliminate the illegal recycling activities, the Ministry of Ecology and Environment of the People's Republic of China takes the lead and together with nine ministries and commissions participate in the promotion of "Pilot Work on Production Enterprise Responsibility Extension" as one of the important environment protection policies in the PRC. Leoch, being a renowned enterprise, devoted in promoting green recycling of lead, actively cooperates and responds to the new policy. A dedicated scrap battery recycling department, which utilizes our existing sales network, has established a national recycling network system for continuously promoting a closed-loop of new and scrap battery sales and collection business model.

With the completion of technical upgrades, our recycling plant has adopted and mastered advanced oxygen-enriched blowing furnace technology and low-temperature smelting process in which fuel consumption, smoke and dust rate can be reduced while quality can be ensured.

The closed-loop business model will contribute to constant supply of scrap lead-acid batteries to the recycling plant in which high production running rate can be accomplished for the new designed production capacity of 200,000 tons per year. The Group is confident that the output volume in 2021 will be higher than 2020.

## **FINANCIAL REVIEW**

For the Period, the Group's revenue amounted to RMB9,631.4 million, representing an increase of 15.2% from RMB8,362.7 million for the corresponding period in 2019. The profit for the Period amounted to RMB138.0 million as compared to RMB127.5 million for the year ended 31 December 2019, of which the profit attributable to the owners of the parent amounted to RMB123.7 million as compared to RMB132.6 million for the corresponding period in 2019. Basic earnings per share for the Period was RMB0.09 (2019: RMB0.10).

### **Revenue**

The Group's revenue from battery business increased by 12.7% from RMB7,386.5 million for the year ended 31 December 2019 to RMB8,324.2 million for the Period.

The Group's revenue from recycled lead products increased by 34.6% from RMB971.2 million for the year ended 31 December 2019 to RMB1,307.1 million for the Period, due to the resumption of full operation.

Details of the Group's revenue for the years ended 31 December 2020 and 2019 by product category are set out below:

Product category	2020			2019	
	Revenue <i>RMB'000</i>	Percentage share	Percentage Increase/ (decrease)	Revenue <i>RMB'000</i>	Percentage share
Reserve power batteries	4,187,085	43.5%	7.0%	3,913,062	46.8%
SLI batteries	2,883,146	29.9%	16.7%	2,470,539	29.5%
Motive power batteries	1,114,583	11.6%	33.7%	833,851	10.0%
Others	<u>139,399</u>	<u>1.4%</u>	<u>(17.5%)</u>	<u>169,054</u>	<u>2.0%</u>
Sub-total	<u>8,324,213</u>	<u>86.4%</u>	<u>12.7%</u>	<u>7,386,506</u>	<u>88.3%</u>
Recycled lead products	1,307,149	13.6%	34.6%	971,227	11.6%
Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,989</u>	<u>0.1%</u>
Total	<u><u>9,631,362</u></u>	<u><u>100%</u></u>	<u><u>15.2%</u></u>	<u><u>8,362,722</u></u>	<u><u>100%</u></u>

Geographically, the Group's customers are principally located in the PRC, Europe, Middle East and Africa ("EMEA"), Americas and Asia-Pacific (other than PRC). The Group recorded different degrees of growth in the PRC, Americas and Asia-Pacific (other than PRC) while sales in EMEA slightly decreased.

The Group's sales revenue in the PRC increased by 22.8% from RMB5,151.8 million for the year ended 31 December 2019 to RMB6,326.0 million for the Period, representing 65.7% of the Group's total revenue (2019: 61.6%). The increase was partly due to strong demand from battery business in the PRC during the Period and partly due to the increased production output from recycled lead products.

The following revenue information is based on the customer location for the years ended 31 December 2020 and 2019:

	2020			2019	
	Revenue <i>RMB'000</i>	Percentage share	Percentage increase/ (decrease)	Revenue <i>RMB'000</i>	Percentage share
PRC	6,325,994	65.7%	22.8%	5,151,752	61.6%
EMEA	1,390,185	14.4%	(2.4%)	1,425,098	17.1%
Americas	1,022,021	10.6%	0.8%	1,013,657	12.1%
Asia-Pacific (other than PRC)	<u>893,162</u>	<u>9.3%</u>	<u>15.7%</u>	<u>772,215</u>	<u>9.2%</u>
Total	<u><u>9,631,362</u></u>	<u><u>100%</u></u>	<u><u>15.2%</u></u>	<u><u>8,362,722</u></u>	<u><u>100%</u></u>

### Cost of Sales

The Group's cost of sales increased by 14.9% from RMB7,347.3 million for the year ended 31 December 2019 to RMB8,443.1 million for the Period, mainly because of the increased sales volume from both recycled lead products and battery business.

### Gross Profit

The Group's gross profit increased by 17.0% from RMB1,015.4 million for the year ended 31 December 2019 to RMB1,188.3 million for the Period, mainly due to the strong demand from battery business in the PRC and the resumption of full operation from recycled lead products. The gross profit margin leveled for battery business while increased for recycled lead products, resulting in the slight increase of overall gross profit margin from 12.1% for the year ended 31 December 2019 to 12.3% for the Period. The increase for recycled lead products was primarily a result of resumption of full operation.

## **Other Income and Gains**

Other income and gains decreased by 37.6% from RMB173.8 million for the year ended 31 December 2019 to RMB108.4 million for the Period. The decrease was mainly due to the lack of recognition of gain on disposal of a subsidiary and decreased government grants during the Period.

## **Selling and Distribution Expenses**

The Group's selling and distribution costs increased by 22.7% from RMB392.0 million for the year ended 31 December 2019 to RMB481.2 million for the Period. The increase was mainly caused by the increase in delivery costs and sales commission.

## **Administrative Expenses**

The Group's administrative expenses decreased slightly by 2.6% from RMB273.5 million for the year ended 31 December 2019 to RMB266.4 million for the Period. The decrease was mainly due to better cost control.

## **R&D Expenses**

R&D expenditure of the Group increased by 44.7% from RMB119.3 million for the year ended 31 December 2019 to RMB172.7 million for the Period. The increase in expenditure was mainly used for performance enhancement of existing products and development of new products in all categories during the Period.

## **Other Expenses**

The Group's other expenses decreased by 14.0% from RMB41.7 million for the year ended 31 December 2019 to RMB35.9 million for the Period, which was mainly due to the lack of recognition of exchange loss during the Period.

## **Finance Costs**

The Group's finance costs decreased by 20.0% from RMB197.8 million for the year ended 31 December 2019 to RMB158.2 million for the Period as a result of decreased average interest rate during the Period.

## **Profit before Tax**

As a result of the foregoing factors, the Group recorded profit before tax of RMB161.7 million for the Period as compared to RMB158.8 million for the year ended 31 December 2019.

## **Income Tax Expense**

Income tax expense decreased by 24.1% from RMB31.2 million for the year ended 31 December 2019 to RMB23.7 million for the Period, mainly because assessable profits from the lead-acid battery business decreased while profit from the recycled lead products was not subject to tax during the Period.

## **Profit for the Year**

As a result of the foregoing factors, the Group recorded net profit of RMB138.0 million (2019: RMB127.5 million) for the Period, of which the Group recorded profit attributable to the owners of the parent of RMB123.7 million (2019: RMB132.6 million) for the same period.

## **Net Current Assets**

As at 31 December 2020, the Group had net current assets of RMB596.4 million (2019: RMB65.5 million). The increase was mainly due to reclassification of a term loan as a non-current liability as at 31 December 2020 following the renewal of the term loan facility. The Group's current assets mainly consist of inventories, trade receivables, debt investments at fair value through other comprehensive income, cash and bank balances, prepayments, other receivables and other assets. 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 2020, the Group had inventories of RMB1,776.9 million (2019: RMB1,817.0 million). Inventories increased in recycled lead products while decreased in battery business, resulting in a slight overall decrease during the Period. The decrease in battery business was due to better inventory control.

## **Trade Receivables**

The Group's trade receivables primarily related to receivables for goods sold to its customers and mainly comprised customers from the battery business. As at 31 December 2020, the Group had trade receivables of RMB2,419.7 million (2019: RMB2,306.9 million). The increase in trade receivables was in line with the increase in sales from battery business during the Period.

## **Prepayments, Other Receivables and Other Assets**

The Group's prepayments mostly relate to the purchase of raw materials. As at 31 December 2020, the Group had prepayments, other receivables and other assets of RMB276.1 million (2019: RMB162.0 million), increasing by 70.4%. The increase was mainly because the Group increased its prepayments for raw materials due to expectation of strong demand in early of 2021.

## **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 2019, the Group had trade and bills payables of RMB2,139.4 million (2019: RMB2,009.7 million). The increase in trade and bills payables was partly due to the resumption of full operation of recycled lead products and partly due to the commencement of lithium battery operation in the PRC.

## **Other Payables and Accruals**

The Group's other payables and accruals primarily consisted of provision for social insurance and retirement benefits, payments for its expenditures related to construction and renovation of its production facilities, payments in connection with transportation charges, contract liabilities, tax payables other than current income tax liabilities and accruals for payroll and benefits for its employees. As at 31 December 2020, the Group had other payables and accruals of RMB990.0 million (2019: RMB854.8 million), the increase was mainly due to increase in payables for purchase of fixed assets and advances received from customers.

## **Capital Expenditures**

During the Period, the Group invested RMB520.0 million (2019: RMB398.1 million) in property, plant and equipment for its new production facilities.

## **Liquidity and Financial Resources**

As at 31 December 2020, the Group's net current assets amounted to RMB596.4 million (2019: RMB65.5 million), among which cash and bank deposits amounted to RMB848.5 million (2019: RMB804.8 million). As at 31 December 2020, the Group had bank borrowings of RMB2,303.3 million (2019: RMB2,306.2 million), all of which are interest-bearing. Except for borrowings of RMB542.4 million (2019: RMB36.2 million) which has a maturity over one year, all of the Group's bank borrowings were repayable within one year. The Group's borrowings were denominated in RMB, US dollars, HK dollars, Singapore dollars, Malaysian ringgits and Vietnamese Dong, and the effective interest rates of which as of 31 December 2020 were 1.00% to 7.90% (2019: 1.50% to 8.70%).

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, inventory and trade receivables. As at 31 December 2020, the Group's gearing ratio was 25.4% (2019: 26.6%), 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 2020 (2019: 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 US 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 regulatory restrictions on currency conversion in the PRC. The value of the RMB against the US dollars and other currencies may fluctuate and is affected by, among other things, change in the political and economic conditions in the PRC. 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.

## **Material Acquisition and Disposal**

There was no material acquisition or disposal of subsidiary, associated company or joint venture by the Group during the Period.

## **Significant Investments**

As at 31 December 2020, the Group had no significant investment with a value of 5% or more of the Group's total assets.

## **EMPLOYEES**

As at 31 December 2020, the Group had 14,553 employees. Employee benefit expenses (including directors' remuneration), which comprised wages and salaries, performance-related bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totaled RMB849.2 million for the Period (2019: RMB805.3 million).

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

## **FINAL DIVIDEND**

The Board does not recommend the payment of any final dividend for the Period (2019: HK2.0 cents).

## **ANNUAL GENERAL MEETING (“AGM”)**

The AGM will be held on or about Friday, 28 May 2021. Notice of the AGM will be sent to the Shareholders in due course. The poll results of the AGM will be published shortly after the AGM.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 25 May 2021, to Friday, 28 May 2021, (both days inclusive) for the purpose of determining Shareholders' entitlement to attend and vote at the AGM, during which period no transfer of Shares will be registered. In order to be eligible to attending and vote at the AGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 24 May 2021.

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

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

## **CORPORATE GOVERNANCE PRACTICES**

The Company was committed to maintaining a high standard of corporate governance with a view to safeguard the interests of its shareholders and enhance corporate value. The Board is of the view that the Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS**

The figures in this announcement of the results of the Group for the year ended 31 December 2020 have been agreed to the amounts set out in the Group’s draft consolidated financial statements for the year by the Group’s auditor, Ernst & Young (“**EY**”). The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standard on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

## **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. LAU Chi Kit and Dr. NAN Xinsheng, has reviewed the financial statements of the Group for the year ended 31 December 2020 and has discussed with the management and the external auditor of the Company on the accounting policies and practices adopted by the Group and the internal controls and financial reporting matters of the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

## **APPRECIATION**

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

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

Hong Kong, 26 March 2021

*As at the date of this announcement, the executive Directors are Mr. DONG Li and Ms. YIN Haiyan, and the independent non-executive Directors are Mr. CAO Yixiong Alan, Mr. LAU Chi Kit and Dr. NAN Xinsheng.*