

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2012**

#### **FINANCIAL HIGHLIGHTS**

- Revenue increased by 2.7% to RMB3,248.0 million.
- Gross profit decreased by 9.4% to RMB592.2 million.
- Profit attributable to owners of the Company decreased by 74.7% to RMB71.7 million.
- Basic earnings per share was RMB0.05.

#### **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 2012. 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 2012 prior to recommending them to the Board for approval.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	<i>Notes</i>	<b>2012</b> <b>RMB'000</b>	2011 <i>RMB'000</i>
REVENUE	4	<b>3,247,986</b>	3,164,056
Cost of sales		<b><u>(2,655,784)</u></b>	<u>(2,510,311)</u>
Gross profit		<b>592,202</b>	653,745
Other income and gains	4	<b>43,453</b>	70,878
Selling and distribution expenses		<b>(159,871)</b>	(114,048)
Administrative expenses		<b>(229,761)</b>	(179,758)
R&D expenses		<b>(93,871)</b>	(66,730)
Other expenses		<b>(12,545)</b>	(6,815)
Finance costs	6	<b>(62,850)</b>	(29,128)
Share of (losses) profits of associates		<b><u>(296)</u></b>	<u>122</u>
PROFIT BEFORE TAX	5	<b>76,515</b>	328,266
Income tax expense	7	<b><u>(4,853)</u></b>	<u>(44,646)</u>
PROFIT FOR THE YEAR		<b><u>71,662</u></b>	<u>283,620</u>
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		<b><u>(530)</u></b>	<u>(8,773)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<b><u>(530)</u></b>	<u>(8,773)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<b><u>71,132</u></b>	<u>274,847</u>
Profit attributable to:			
Owners of the Company		<b><u>71,662</u></b>	<u>283,620</u>
Total comprehensive income attributable to:			
Owners of the Company		<b><u>71,132</u></b>	<u>274,847</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	9		
Basic			
– For profit for the year		<b><u>RMB0.05</u></b>	<u>RMB0.21</u>
Diluted			
– For profit for the year		<b><u>RMB0.05</u></b>	<u>RMB0.21</u>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	<i>Notes</i>	<b>2012</b> <b>RMB'000</b>	2011 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,817,342</b>	1,229,681
Prepaid land lease payments		<b>73,390</b>	75,069
Investments in associates		<b>12,224</b>	5,442
Financial assets at fair value through profit or loss		<b>5,215</b>	–
Intangible assets		<b>60,981</b>	29,131
Non-current portion of trade receivables		<b>18,178</b>	14,115
Deposits paid for purchase of items of property, plant and equipment		<b>14,737</b>	90,787
Deferred tax assets		<b>48,068</b>	8,615
Time deposits	<i>13</i>	–	28,500
Non-current portion of pledged deposits	<i>13</i>	<b>165,500</b>	365,650
Total non-current assets		<b><u>2,215,635</u></b>	<u>1,846,990</u>
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	<b>847,094</b>	990,962
Trade and bills receivables	<i>11</i>	<b>939,747</b>	804,119
Prepayments, deposits and other receivables	<i>12</i>	<b>130,528</b>	159,434
Tax recoverable		<b>108,084</b>	87,422
Amounts due from related companies		<b>7,362</b>	13,150
Equity investments at fair value through profit or loss		<b>935</b>	1,262
Pledged deposits	<i>13</i>	<b>765,423</b>	274,841
Cash and cash equivalents	<i>13</i>	<b>82,893</b>	73,371
Total current assets		<b><u>2,882,066</u></b>	<u>2,404,561</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>14</i>	<b>1,006,935</b>	547,859
Other payables and accruals	<i>15</i>	<b>270,800</b>	246,644
Interest-bearing bank borrowings	<i>16</i>	<b>1,208,115</b>	740,935
Amounts due to related companies		<b>13,431</b>	5,933
Income tax payable		<b>58,767</b>	45,066
Total current liabilities		<b><u>2,558,048</u></b>	<u>1,586,437</u>
<b>NET CURRENT ASSETS</b>		<b><u>324,018</u></b>	<u>818,124</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>2,539,653</u></b>	<u>2,665,114</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>8,939</b>	4,209
Interest-bearing bank borrowings	<i>16</i>	<b>186,433</b>	330,691
Total non-current liabilities		<b><u>195,372</u></b>	<u>334,900</u>
Net assets		<b><u>2,344,281</u></b>	<u>2,330,214</u>
<b>EQUITY</b>			
Issued capital		<b>114,455</b>	114,267
Reserves		<b>2,229,826</b>	2,215,947
Total equity		<b><u>2,344,281</u></b>	<u>2,330,214</u>

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 (the "Shares") have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 November 2010 (the "Listing"). 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

The 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

	Group	
	2012	2011
	RMB'000	RMB'000
Mainland China	1,463,502	1,552,594
European Union	630,286	522,283
United States of America	508,867	489,453
Other Asian countries/areas	456,675	486,044
Other countries	188,656	113,682
	<u>3,247,986</u>	<u>3,164,056</u>

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

#### (b) Non-current assets

All significant operating assets of the Group are located in Mainland China. Accordingly, no geographical information of segment assets is presented.

#### 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>Group</b>	
	<b>2012</b>	2011
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>		
Sale of goods	<u><u>3,247,986</u></u>	<u><u>3,164,056</u></u>
<b>Other income and gains</b>		
Rental income	181	58
Bank interest income	21,366	17,976
Government grants*	12,418	36,239
Sale of scrap materials	448	4,159
Exchange gains, net	1,687	7,642
Fair value gains, net		
Financial assets at fair value through profit or loss	2,164	–
Equity investments at fair value through profit or loss	86	–
Others	<u>5,103</u>	<u>4,804</u>
	<u><u>43,453</u></u>	<u><u>70,878</u></u>

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

## 5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Cost of inventories sold	<u>2,327,140</u>	<u>2,232,196</u>
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	396,498	381,192
Performance related bonuses	1,186	1,689
Equity-settled share option expenses	13,740	11,546
Retirement benefit scheme contributions	<u>23,671</u>	<u>39,759</u>
	<u>435,095</u>	434,186
Research and development costs	93,817	66,730
Fair value (gains) losses from financial assets and equity investments carried at fair value through profit or loss*	(2,250)	218
Auditors' remuneration	2,137	2,092
Depreciation of property, plant and equipment	97,959	61,887
Amortisation of prepaid land lease payments	1,331	1,425
Amortisation of intangible assets**	4,729	469
Impairment of (Reversal of impairment of) trade receivables	7,727	(1,386)
Minimum lease payments under operating leases	7,355	7,007
Exchange gains, net	(1,687)	(7,642)
Loss on disposal of items of property, plant and equipment	<u>800</u>	<u>5,611</u>

\* The fair value (gains) losses from financial assets and equity investments carried at fair value through profit or loss are included in "Other income and gains" and "Other expenses" respectively in the consolidated statement of comprehensive income.

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

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Interest on bank borrowings	51,170	41,872
Interest arising from discounted bills	<u>30,280</u>	<u>4,090</u>
	81,450	45,962
Less: Interest capitalised	<u>(18,600)</u>	<u>(16,834)</u>
	<u>62,850</u>	<u>29,128</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 operate.

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

	<b>Group</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
Group:		
Current – PRC	<b>17,185</b>	37,872
Current – Hong Kong	<b>6,797</b>	5,396
Current – Singapore	<b>12,749</b>	3,784
Current – US	<b>2,845</b>	410
Deferred tax	<b>(34,723)</b>	(2,816)
Total tax charge for the year	<b><u>4,853</u></b>	<b><u>44,646</u></b>

A reconciliation of the income tax expense applicable to 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>Group</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
Profit before tax	<b><u>76,515</u></b>	<u>328,266</u>
Applicable tax rate of the Group	<b>25%</b>	25%
Tax at the applicable tax rate	<b>19,129</b>	82,067
Tax concession for certain subsidiaries	<b>(37,307)</b>	(45,898)
Income not subject to tax	<b>(2,501)</b>	(4,188)
Expenses not deductible for tax	<b>10,715</b>	9,979
Tax losses not recognised	<b>14,817</b>	2,686
Tax charge at the Group's effective rate	<b><u>4,853</u></b>	<b><u>44,646</u></b>

## 8. DIVIDENDS

	<b>2012</b>	2011
	<b>RMB'000</b>	<i>RMB'000</i>
Interim – 1.43 HK cents (2011: 3.3 HK cents) per share	<b>15,503</b>	35,953
Special dividend – 3.57 HK cents (2011: nil) per share	<b>38,703</b>	–
Final – Nil (2011: 1.6 HK cents) per share	<b>–</b>	21,332
	<b><u>54,206</u></b>	<b><u>57,285</u></b>

The Board does not recommend the payment of the final dividend for the year ended 31 December 2012. The Company had declared and paid an interim dividend of 1.43 HK cents per share and a special dividend of 3.57 HK cents per share during the year ended 31 December 2012.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,335,299,269 (2011: 1,333,334,000) in issue during the year.

The calculation of diluted earnings per share amounts is based on the 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 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:

<b>Earnings</b>	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share	<u><b>71,662</b></u>	<u>283,620</u>
	<b>Number of shares</b>	
	<b>2012</b>	2011
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>1,335,299,269</b>	1,333,334,000
Effect of dilution – weighted average number of ordinary shares: Share options	<u><b>9,399,950</b></u>	<u>24,899,484</u>
	<u><b>1,344,699,219</b></u>	<u>1,358,233,484</u>

## 10. INVENTORIES

	<b>Group</b>	
	<b>2012</b> <i>RMB'000</i>	2011 <i>RMB'000</i>
Raw materials	<b>156,936</b>	129,895
Work in progress	<b>376,634</b>	633,800
Finished goods	<u><b>313,524</b></u>	<u>227,267</u>
	<u><b>847,094</b></u>	<u>990,962</u>



## 11. TRADE AND BILLS RECEIVABLES

	<b>Group</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	<b>933,809</b>	789,445
Bills receivable	<b>39,623</b>	36,569
Less: Impairment provision	<b>(15,507)</b>	(7,780)
	<b>957,925</b>	818,234
Less: Non-current portion	<b>(18,178)</b>	(14,115)
	<b><u>939,747</u></b>	<b><u>804,119</u></b>

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 aged analysis of the trade and bills receivables as at 31 December 2011 and 31 December 2012 based on the invoice date, net of provisions, is as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 90 days	<b>703,044</b>	625,468
91 to 180 days	<b>191,659</b>	147,822
181 to 365 days	<b>23,251</b>	29,441
1 to 2 years	<b>35,699</b>	11,148
Over 2 years	<b>4,272</b>	4,355
	<b><u>957,925</u></b>	<b><u>818,234</u></b>

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

	<b>Group</b>	
	<b>2012</b>	2011
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	<b>7,780</b>	9,350
Impairment losses recognised	<b>8,890</b>	3,305
Amount written off as uncollectible	<b>–</b>	(184)
Impairment losses reversed	<b>(1,163)</b>	(4,691)
At 31 December	<b><u>15,507</u></b>	<b><u>7,780</u></b>

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 2012.

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

	<b>Group</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	<b>RMB'000</b>
Neither past due nor impaired	<b>910,026</b>	813,879
Past due within 3 months but not impaired	<b>47,899</b>	–
Past due over 1 year but not impaired	–	4,355
	<u>–</u>	<u>4,355</u>
	<b><u>957,925</u></b>	<b><u>818,234</u></b>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good 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 and the balances are still considered fully recoverable.

The carrying amounts of the trade and bills receivables pledged as security for interest-bearing bank loans granted to the Group amounted to RMB67.2 million as at 31 December 2012 (31 December 2011: RMB75.6 million).

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Prepayments	<b>91,933</b>	130,419	–	–
Prepaid land lease payments	<b>1,686</b>	1,338	–	–
Interest receivables	<b>12,453</b>	9,094	<b>12,267</b>	9,094
Deposits and other receivables	<b>24,456</b>	18,583	–	–
	<u>–</u>	<u>18,583</u>	<u>–</u>	<u>–</u>
	<b><u>130,528</u></b>	<b><u>159,434</u></b>	<b><u>12,267</u></b>	<b><u>9,094</u></b>

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash and bank balances	52,893	120,185	390	249
Time deposits	960,923	622,177	559,650	622,177
	<u>1,013,816</u>	<u>742,362</u>	<u>560,040</u>	<u>622,426</u>
Less: Pledged for interest-bearing bank borrowings	(620,130)	(591,377)	(559,650)	(591,377)
Pledged for bills payable	(278,380)	(16,608)	-	-
Pledged for letters of credit	(32,413)	(32,506)	-	-
Time deposits with terms over 3 months	-	(28,500)	-	(28,500)
	<u>(930,923)</u>	<u>(668,991)</u>	<u>(559,650)</u>	<u>(619,877)</u>
Cash and cash equivalents	<u>82,893</u>	<u>73,371</u>	<u>390</u>	<u>2,549</u>
Denominated in RMB	977,901	726,065	559,663	622,230
Denominated in US\$	12,106	10,833	83	13
Denominated in HK\$	21,226	1,778	294	183
Denominated in EUR	3	3,104	-	-
Denominated in INR	1,486	-	-	-
Denominated in SG\$	1,094	582	-	-
	<u>1,013,816</u>	<u>742,362</u>	<u>560,040</u>	<u>622,426</u>

### 14. TRADE AND BILLS PAYABLES

	Group	
	2012 RMB'000	2011 RMB'000
Trade payables	269,799	216,174
Bills payable	737,136	331,685
	<u>1,006,935</u>	<u>547,859</u>

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

	<b>Group</b>	
	<b>2012</b>	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	<b>300,133</b>	329,703
91 to 180 days	<b>673,507</b>	195,765
181 to 365 days	<b>14,686</b>	14,247
1 to 2 years	<b>11,753</b>	1,893
2 to 3 years	<b>795</b>	955
Over 3 years	<b>6,061</b>	5,296
	<u><b>1,006,935</b></u>	<u>547,859</u>

#### 15. OTHER PAYABLES AND ACCRUALS

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payables for purchase of items of property, plant and equipment	<b>49,937</b>	46,508	-	-
Advances from customers	<b>60,455</b>	63,156	-	-
Accrued expenses	<b>25,689</b>	23,640	-	392
Accrued payroll	<b>34,438</b>	25,696	-	-
Deferred government grants	<b>28,397</b>	28,787	-	-
Provision for social insurance and retirement benefits	<b>55,265</b>	48,242	-	-
Others	<b>16,619</b>	10,615	<b>47</b>	3
	<u><b>270,800</b></u>	<u>246,644</u>	<u><b>47</b></u>	<u>395</u>

## 16. INTEREST-BEARING BANK BORROWINGS

	Group			
	2012		2011	
	Maturity	<i>RMB'000</i>	Maturity	<i>RMB'000</i>
Current				
Interest-bearing bank borrowings, secured	2013	1,155,981	2012	689,932
Collateralised bank advances, secured	2013	<u>52,134</u>	2012	<u>51,003</u>
		<u>1,208,115</u>		<u>740,935</u>
Non-current				
Interest-bearing bank borrowings, secured	2014-2020	<u>186,433</u>	2013	<u>330,691</u>
		<u>186,433</u>		<u>330,691</u>
Total		<u><u>1,394,548</u></u>		<u><u>1,071,626</u></u>
Denominated in RMB		683,695		512,878
Denominated in US\$		309,592		371,498
Denominated in HK\$		379,147		187,250
Denominated in SG\$		1,131		–
Denominated in EUR		<u>20,983</u>		<u>–</u>
		<u><u>1,394,548</u></u>		<u><u>1,071,626</u></u>
Interest rates per annum:		1.00% to 7.84%		1.00% to 7.90%
Company				
	2012		2011	
	Maturity	<i>RMB'000</i>	Maturity	<i>RMB'000</i>
Current				
Interest-bearing bank borrowings, secured	2013	<u>362,473</u>	2012	<u>203,441</u>
Non-current				
Interest-bearing bank borrowings, secured	2014	<u>156,068</u>	2013	<u>330,691</u>
Total		<u><u>518,541</u></u>		<u><u>534,132</u></u>
Denominated in US\$		200,131		354,178
Denominated in HK\$		<u>318,410</u>		<u>179,954</u>
		<u><u>518,541</u></u>		<u><u>534,132</u></u>
Interest rates per annum:		1.00% to 2.40%		1.00% to 1.75%

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 RMB1,209.7 million (31 December 2011: RMB970.4 million) for the bank borrowings as disclosed in note 18.
- (ii) Cross guarantees executed by companies within the Group.

The balance is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans and advances repayable:				
Within one year	<b>1,208,115</b>	740,935	<b>362,473</b>	203,441
In the second year	<b>156,068</b>	330,691	<b>156,068</b>	330,691
In the third to fifth years, inclusive	<b>9,565</b>	–	–	–
Beyond five years	<b>20,800</b>	–	–	–
	<b><u>1,394,548</u></b>	<u>1,071,626</u>	<b><u>518,541</u></b>	<u>534,132</u>

## 17. SHARE OPTION SCHEME

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. As at 31 December 2012, 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 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 2012 was 35,062,000 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.

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. As at 31 December 2012, the Company had conditionally granted options to subscribe for an aggregate of 15,200,000 shares (representing approximately 1.1% 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 208 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 2012 was 13,700,000 shares. The subscription price in respect of each share under the Share Option Scheme is HK\$2.39.

## 18. PLEDGE OF ASSETS

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
Trade and bills payables	-	-	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>
31 December 2011	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	10,696	292,762	591,377	75,582	970,417
Trade and bills payables	-	-	16,608	-	16,608
Issue of letters of credit	-	-	32,506	-	32,506
<b>Total</b>	<b>10,696</b>	<b>292,762</b>	<b>640,491</b>	<b>75,582</b>	<b>1,019,531</b>

## 19. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases office premises under operating lease arrangements, with leases negotiated for terms ranging from five 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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Within one year	<b>81</b>	43
In the second to fifth years, inclusive	<b>155</b>	146
After five years	<b>20</b>	58
	<b>256</b>	<b>247</b>

**(b) As lessee**

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years, and those for office equipment are for terms ranging between two and five years.

As at 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<b>4,707</b>	5,913
In the second to fifth years, inclusive	<b>10,790</b>	1,086
After five years	<b>19,122</b>	—
	<u><b>34,619</b></u>	<u>—</u>
	<u><b>34,619</b></u>	<u><b>6,999</b></u>

**20. COMMITMENTS**

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

	<b>Group</b>	
	<b>2012</b>	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Land and buildings	<b>36,623</b>	74,582
Plant and machinery	<b>96,037</b>	70,678
	<u><b>132,660</b></u>	<u>145,260</u>
Capital contribution payable for:		
Investments in associates	<b>11,100</b>	17,712
Investments in a subsidiary	<b>—</b>	—
	<u><b>11,100</b></u>	<u>17,712</u>
	<u><b>143,760</b></u>	<u><b>162,972</b></u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

The Group is primarily engaged in sale, development and manufacturing of lead-acid batteries, which are conducted by its in-house teams under a vertically integrated management model. The Group sells over 2,000 models of lead-acid battery products, ranging in capacity from 0.251 Ah to 4,055 Ah. Among the PRC battery manufacturers, the Group offers one of the broadest lines of lead-acid batteries.

For the year ended 31 December 2012 (the "Period"), the Group's revenue amounted to RMB3,248.0 million, representing an increase of 2.7% from RMB3,164.1 million in 2011. Lead-acid batteries are classified into three market segments, namely reserve power batteries, SLI batteries and motive power batteries. Details of business operations of the Group in the three lead-acid battery segments, namely reserve power batteries, SLI batteries and motive power batteries, are as follows:

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

Reserve power battery products are further classified into four major application areas, namely uninterrupted power supply system ("UPS"), telecommunications, other consumer products and renewable energy. Reserve power batteries are the major revenue generator of the Group. The Group's sales of reserve power batteries during the Period amounted to RMB2,371.3 million, representing a decrease of 8.0% from 2011. The decrease was attributable to the dwindling sales in two segments of UPS and telecommunications, whereas consumer product batteries and renewable energy batteries witnessed growth in sales. The Group's decreased sales in UPS segment was due to a temporary difficulty in meeting the needs of customer orders, as a result of the production suspension and rectification under governmental regulation during certain periods in 2011 and 2012 at the Group's three production bases in Zhaoqing, Shenzhen and Dongguan which account for a majority of the Group's production capacity of UPS batteries. The Group's decreased sales in telecommunications segment was mainly due to a reduction in orders arising from the decreased overall investments of telecom customers in 2012. The segment of other consumer products, one of the most competitive products of the Group, experienced growth in its sales during the Period which was attributable to the increasing market share of the Group in such product category. 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.

#### ***SLI batteries:***

SLI batteries are used mainly in starting automobiles and motorcycles. The Group's sales of SLI batteries during the Period amounted to RMB761.1 million, representing a substantial increase of 102.9%. The increase was attributable to a significant production growth in SLI batteries for automobiles and motorcycles, as a result of the Group's higher capacity utilization rate in the Period.

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

Motive power batteries are mainly used to provide power for electric vehicles such as forklifts, golf cars and electric bicycles and other portable devices. During the Period, the Group recorded sales revenue of RMB88.6 million, representing a decrease of 50.2%. In view of the fierce competition in electric bicycle battery industry, the Group geared down its investment in this segment, resulting in the decreased sales in motive power batteries during the Period.

### ***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 34 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 sales, distribution, and after-sales 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 369 patents and other 390 proprietary technologies are in the process of patent applications.

The Group has grasped and applied most of lead-acid battery technologies in the world, including technologies used in the first generation open-type fluid infusion battery, the second generation AGM and new energy battery, the third generation pure lead battery, and the fourth generation Stop-Start battery. The Group is one of a handful of enterprises in the world possessing the third and the fourth generations of technologies. The Group's strong R&D capabilities enable it to produce a broad range of battery products deploying most of the key lead-acid battery technologies. Currently, the Group has developed more than 2,000 models of battery products of different types employing various application technologies, making the Group one of the battery enterprises with the broadest range of lead-acid batteries.

### ***Production bases***

During the Period, the Group operated eight production bases, including five wholly-owned production bases in the PRC, a production base in Sri Lanka and two joint venture production bases in Malaysia, with a total site area of approximately 910,000 sq.m.. Currently, most new production bases have completed infrastructure works with production equipment installed, and have commenced trial production. As at 31 December 2012, the Group's production capacity has increased to 11.0 million KVAh from 9.6 million KVAh as at the end of 2011. The Group will vigorously expedite the commissioning of the production bases 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 non-ferrous metal market, lead prices were generally declining under slight fluctuation during the year. Domestic average lead price decreased from RMB16,328 per ton in 2011 to RMB15,291 per ton in 2012, representing a decrease of approximately 6.4%. 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 certain plants***

Shenzhen Leoch Battery Technology Co., Ltd. and Dongguan Leoch Battery Technology Co., Ltd., two subsidiaries of the Group that engage in the assembly and production of lead-acid batteries, suspended production for self-examination in 2011. The two subsidiaries, with a focus on reserve power battery products, accounted for only 3.5% of the comprehensive production capacity of the Group. Dongguan Leoch Battery Technology Co., Ltd. has resumed production since 18 January 2012, while Shenzhen Leoch Battery Technology Co., Ltd. has closed its production capacity.

Zhaoqing Leoch Battery Technology Co., Ltd., 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 Battery Technology Co., Ltd., with a focus on reserve power battery products, accounted for approximately 20% of the comprehensive production capacity of the Group in 2012.

### **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, train, subway, solar and wind power stations, substations, electric vehicles, elevators, backup lights and medical equipment. As such equipment industries have been dominated by European and American countries, the accessory batteries are also manufactured overseas traditionally. However, the surging application of such equipment amid the urbanization paces of 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 growths 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 segments, 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 segments 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. The Group had been affected by insufficient production capacity during the period on these four major application segments. The Group expects to expand the supply of reserve power battery products with its new production capacity coming on stream. The Group also believes that in the long run, reserve power batteries will sustain the growths in all the four segments as high-tech industries are taking over low-end industries in the urbanization and industry upgrading progresses of the PRC, leading to escalating demand for various high-end electric equipment products. The Group has exerted all its efforts to expand the market share to secure its leading position in the domestic market of reserve power batteries.

### ***SLI batteries:***

China is in the process of urbanization. Urban population in the PRC for the first time in history exceeded rural population in 2012. The urbanization progress is expected to further spread from dozens of major metropolises to over 200 second-tier cities and more than 3,000 third-tier cities, leading to higher urbanization rate of the PRC and thus the increasing transportation demand within and among domestic cities and towns. China has been ranking first in vehicle production and sales in the world since 2010. A consensus is therefore achieved in the market that the momentum of vehicle production and sales in China will continue from 2013 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. However, in view of the market uncertainties among fierce competition by crowded manufacturers of electric bicycle batteries, the Group intends to maintain its current market share and withhold additional investments before the market becomes more visible.

## **Financial Review**

For the year ended 31 December 2012, the Group's revenue amounted to RMB3,248.0 million, representing an increase of 2.7% compared to the year ended 31 December 2011. The profit attributable to owners of the Company amounted to RMB71.1 million, representing a decrease of 74.7% compared to the year ended 31 December 2011. Earning per share for the year ended 31 December 2012 was RMB0.05.

## Revenue

The Group's revenue increased by 2.7% from RMB3,164.1 million for the year ended 31 December 2011 to RMB3,248.0 million for the year ended 31 December 2012.

The revenue of reserve power batteries decreased by 8.0% from RMB2,578.5 million for the year ended 31 December 2011 to RMB2,371.3 million for the year ended 31 December 2012. The revenue of SLI batteries increased by 102.9% from RMB375.2 million for the year ended 31 December 2011 to RMB761.1 million for the year ended 31 December 2012. The revenue of motive power batteries decreased by 50.2% from RMB178.0 million for the year ended 31 December 2011 to RMB88.6 million for the year ended 31 December 2012. Details of the Group's revenue for the years ended 31 December 2011 and 2012 by category of batteries are set out below:

Product category	2012			2011	
	Revenue RMB'000	Share	Percentage increase	Revenue RMB'000	Share
Reserve power batteries	2,371,303	73.0%	(8.0%)	2,578,549	81.5%
SLI batteries	761,144	23.4%	102.9%	375,190	11.9%
Motive power batteries	88,566	2.7%	(50.2%)	177,973	5.6%
Other	26,973	0.9%	(16.6%)	32,344	1.0%
Total	<u>3,247,986</u>	<u>100%</u>	<u>2.7%</u>	<u>3,164,056</u>	<u>100%</u>

Geographically, the Group's customers are principally located in Mainland China, the United States of America, European Union and other Asian countries/areas. The Group recorded growth in its sales in the United States of America, European Union and other areas while there was reduction in sales in Mainland China and other Asian countries/areas in particular India. The Group's sales revenue in Mainland China decreased by 5.7% from RMB1,552.6 million for the year ended 31 December 2011 to RMB1,463.5 million for the year ended 31 December 2012, representing 45.1% of the Group's total revenue (for the year ended 31 December 2011: 49.0%). The decrease was mainly attributable to the decreased sales in telecommunications segment due to a reduction in overall investments of domestic telecom operators, which are major customers of the Group's telecommunication batteries. The Group's sales revenue in the United States of America and European Union increased by 4.0% and 20.7% from RMB489.5 million and RMB522.3 million for the year ended 31 December 2011 to RMB508.9 million and RMB630.3 million for the year ended 31 December 2012, respectively. The increase was principally due to the shifting of orders of these overseas customers to the Group, given the higher competitiveness of the Group's products over the European and American rivals as a result of the Group's strengthened technology upgrading for its products. The Group's sales revenue in other Asian countries/areas decreased by 6.0% from RMB486.0 million for the year ended 31 December 2011 to RMB456.7 million for the year ended 31 December 2012. The decrease was principally due to the decrease in sales in India as a result of the depreciation of Indian currency which reduced the competitiveness of certain models of the Group's products manufactured in China. The Group's sales

revenue from battery products in other countries increased by 66.0% from RMB113.7 million for the year ended 31 December 2011 to RMB188.7 million for the year ended 31 December 2012. The increase was attributable to the higher market competitiveness of the Group's products as a result of the improving technological edge over European battery manufacturers, the traditional suppliers in such countries which mainly include Africa and South America.

The revenue information following is based on the location of the customers for the years ended 31 December 2011 and 2012:

	2012			2011	
	<i>RMB'000</i>	Share	Percentage increase/ (decrease)	<i>RMB'000</i>	Share
Mainland China	<b>1,463,502</b>	<b>45.1%</b>	<b>(5.7%)</b>	1,552,594	49.0%
United States of America	<b>508,867</b>	<b>15.6%</b>	<b>4.0%</b>	489,453	15.5%
European Union	<b>630,286</b>	<b>19.4%</b>	<b>20.7%</b>	522,283	16.5%
Other Asian countries/areas	<b>456,675</b>	<b>14.1%</b>	<b>(6.0%)</b>	486,044	15.4%
Other countries	<b>188,656</b>	<b>5.8%</b>	<b>66.0%</b>	113,682	3.6%
Total	<b><u>3,247,986</u></b>	<b><u>100%</u></b>	<b><u>2.7%</u></b>	<b><u>3,164,056</u></b>	<b><u>100%</u></b>

### *Cost of Sales*

The Group's cost of sales increased by 5.8% from RMB2,510.3 million for the year ended 31 December 2011 to RMB2,655.8 million for the year ended 31 December 2012. The increase was mainly attributable to the dampened capacity utilization rate and additional expenses due to the increased environmental investments for overall improvements in environmental facilities of the Group's plants, together with a significant increase in certain expenses due to the suspension of Zhaoqing production base, which led to a faster growth percentage in cost of sales than sales revenue accordingly.

### *Gross Profit*

The Group's gross profit decreased by 9.4% from RMB653.7 million for the year ended 31 December 2011 to RMB592.2 million for the year ended 31 December 2012, mainly attributable to the higher growth percentage of depreciation and staff costs than that of sales during the Period. The overall gross profit margin decreased from 20.7% for the year ended 31 December 2011 to 18.2% for the year ended 31 December 2012.

### *Other Income and Gains*

Other income and gains decreased by 38.7% from RMB70.9 million for the year ended 31 December 2011 to RMB43.5 million for the year ended 31 December 2012, which was primarily due to the decrease in government grants during the Period.

### ***Selling and Distribution Costs***

The Group's selling and distribution costs increased by 40.2% from RMB114.0 million for the year ended 31 December 2011 to RMB159.9 million for the year ended 31 December 2012, primarily due to the expansion in sales network as the Group further penetrated into the SLI battery sector and the increase of transportation charges.

### ***Administrative Expenses***

The Group's administrative expenses increased by 27.8% from RMB179.8 million for the year ended 31 December 2011 to RMB229.8 million for the year ended 31 December 2012, mainly due to the increased administrative staff in order to strengthen management for continuous expansion during the Period.

### ***R&D expenses***

The development expenditure of the Group increased by 40.6% from RMB66.7 million for the year ended 31 December 2011 to RMB93.8 million for the year ended 31 December 2012. 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 operating expenses increased by 84.1% from RMB6.8 million for the year ended 31 December 2011 to RMB12.5 million for the year ended 31 December 2012, mainly due to the increase in impairment provision of assets.

### ***Finance Costs***

The Group's finance costs increased by 115.8% from RMB29.1 million for the year ended 31 December 2011 to RMB62.9 million for the year ended 31 December 2012, mainly due to the increase of borrowings during the Period.

### ***Profit before Tax***

As a result of the foregoing factors, the Group recorded profit before income tax of RMB76.5 million for the year ended 31 December 2012 compared to RMB328.3 million for the year ended 31 December 2011, representing a decrease of 76.7%.

### ***Income Tax Expense***

Income tax expense decreased by 89.1% from RMB44.6 million for the year ended 31 December 2011 to RMB4.9 million for the year ended 31 December 2012, mainly due to the decrease in profit.

## ***Profit for the Year***

As a result of the foregoing factors, the Group's profit for the Period decreased by 74.7% from RMB283.6 million for the year ended 31 December 2011 to RMB71.7 million for the year ended 31 December 2012.

## ***Net Current Assets***

As at 31 December 2012, the Group had net current assets of RMB324.0 million (31 December 2011: RMB818.1 million). The Group's current assets mainly consist of inventories, trade and bills receivables, cash and bank balances, and 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 2012, the Group had inventories of RMB847.1 million (31 December 2011: RMB991.0 million). The decrease in inventories was primarily due to the enhancement in inventory management by the Group to optimize inventory.

## ***Trade and Other Receivables***

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

The Group's trade and bills receivables primarily relate to receivables for goods sold to its customers. As at 31 December 2012, the Group had trade and bills receivables of RMB939.7 million (31 December 2011: RMB804.1 million). The increase in trade and bills receivables was primarily because the Group further expanded the market, adjusted its marketing strategies, purchased credit insurance for some quality customers and thus extended the payment term of those customers.

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

The Group principally makes prepayments and deposits in connection with its purchase of raw materials, the large majority of which relates to its prepayments for raw materials. As at 31 December 2012, the Group had prepayments, deposits and other receivables of RMB130.5 million (31 December 2011: RMB159.4 million). The decrease in prepayments, deposits and other receivables was primarily because the Group decreased the prepayments of raw materials.



### ***Trade and Bills Payables***

The Group's trade and bills payables primarily relate to its purchase of raw materials that the Group requires for its production process. As at 31 December 2012, the Group had trade and bills payables of RMB1,006.9 million (31 December 2011: RMB547.9 million). The increase in trade and bills payables was mainly because the Group invested the retained capital into property, plant and equipment.

### ***Other Payables and Accruals***

The Group's other payables and accruals primarily consist of payments for its expenditures related to construction and outfitting of its production facilities, payments it makes in connection with transportation charges, advance payments that some international customers make to it in advance of its shipments, deferred government grants, and payroll and benefits for its employees and staff. As at 31 December 2012, the Group had other payables and accruals of RMB270.8 million (31 December 2011: RMB246.6 million).

### ***Capital Expenditures***

During the year ended 31 December 2012, the Group invested RMB689.2 million (31 December 2011: RMB777.6 million) in construction in progress and property, plant and equipment for its new production facilities.

### ***Liquidity and Financial Resources***

As at 31 December 2012, the Group's net current assets amounted to RMB324.0 million (31 December 2011: RMB818.1 million), among which cash and bank deposits amounted of RMB848.3 million (31 December 2011: RMB348.2 million). As at 31 December 2012, the Group had bank borrowings of RMB1,394.5 million (31 December 2011: RMB1,071.6 million), all of which are interest-bearing. Except for borrowings of RMB30.4 million which has a maturity over two years, all of the Group's bank borrowings are repayable within two years. The Group's borrowings are denominated in Euro, RMB, US dollars, HK dollars and Singapore dollars, and the effective interest rates of which as of 31 December 2012 were 1.0% to 7.8% (31 December 2011: 1.0% to 7.9%).

A portion of the Group's bank borrowings are 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 2012, the Group's gearing ratio was 27.4% (31 December 2011: 25.2%), 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 2012 (31 December 2011: nil).

## **Foreign Exchange Risk**

The Group operates primarily in the PRC. For the Group's companies in the PRC, their principal activities are transacted in RMB. For other companies outside of the PRC, their principal activities are transacted in U.S. dollars. However, as a result of the Group's revenue being denominated in RMB, the conversion of the revenue into foreign currencies in connection with expense payments is subject to PRC regulatory restrictions on currency conversion. The value of the RMB against the 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 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. Due to the Directors' consideration of that the Group is not exposed to material currency exchange risk, the Group did not arrange any hedge transaction to manage potential fluctuation risk.

## **EMPLOYEES**

As at 31 December 2012, the Group had 8,529 employees. Employee benefit expense (including directors' and chief executive's remuneration), which comprise wages and salaries, performance related bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totalled RMB435.1 million for the year ended 31 December 2012 (the year ended 31 December 2011: RMB434.2 million).

The Group did not experience any significant labour disputes that lead 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 28 May 2013 to 30 May 2013 (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, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday 27 May 2013.

## **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 saved as disclosed below, they have complied with the required standard of dealings set out therein throughout the year ended 31 December 2012.

## **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 2012, except for the following deviations:

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

This code provision stipulates that the roles of chairman (responsible for the management of the board of directors) and chief executive officer (responsible for the day-to-day management of the listed issuer's business) should be separate and should not be performed by the same individual. 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 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. An Wenbin, has reviewed the financial statements of the Group for the year ended 31 December 2012 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 2012.

## **PUBLICATION OF ANNUAL REPORT**

The annual report of the Company for the year ended 31 December 2012, 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, 28 March 2013

*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. An Wenbin, Mr. Liu Yangsheng and Mr. Cao Yixiong Alan.*