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 2016

FINANCIAL HIGHLIGHTS

	2016 *RMB million*	2015 *RMB million*	**Changes**
Turnover	**6,262.9**	4,330.9	**+44.6%**
Gross profit	**1,025.6**	769.7	**+33.2%**
Profit for the year	**231.8**	106.3	**+118.0%**
Profit attributable to owners of the parent	**241.9**	106.6	**+127.0%**
Basic earnings per share *(RMB)*	**0.18**	0.08	**+125.0%**
Proposed final dividend per share *(HK cents)*	**5.50**	2.60	**+111.5%**

ANNUAL RESULTS

The board of directors (the "**Board**") of Leoch International Technology Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2016. 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 2016 prior to recommending them to the Board for approval.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	*4*	**6,262,870**	4,330,893
Cost of sales		**(5,237,286)**	(3,561,184)
Gross profit		**1,025,584**	769,709
Other income and gains	*4*	**65,752**	70,567
Selling and distribution expenses		**(296,682)**	(216,466)
Administrative expenses		**(224,567)**	(216,802)
Research and development costs		**(101,865)**	(84,859)
Other expenses		**(75,824)**	(75,568)
Finance costs	*6*	**(108,931)**	(104,673)
Share of profits and losses of a joint venture and an associate		**(2,931)**	(7,352)
PROFIT BEFORE TAX	*5*	**280,536**	134,556
Income tax expense	*7*	**(48,749)**	(28,251)
PROFIT FOR THE YEAR		**231,787**	106,305
Attributable to:			
Owners of the parent		**241,898**	106,579
Non-controlling interests		**(10,111)**	(274)
		231,787	106,305
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**RMB0.18**	RMB0.08
Diluted		**RMB0.18**	RMB0.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**231,787**	106,305
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**35,083**	27,662
Income tax effect	**(11,771)**	(4,149)
	23,312	23,513
Exchange differences on translation of foreign operations	**25,679**	1,513
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**48,991**	25,026
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**48,991**	25,026
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**280,778**	131,331
Attributable to:		
Owners of the parent	**286,380**	131,605
Non-controlling interests	**(5,602)**	(274)
	280,778	131,331

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,877,677**	1,818,984
Investment properties		**31,663**	23,760
Properties under development		**40,869**	45,050
Prepaid land lease payments		**120,600**	84,739
Goodwill		**8,660**	–
Other intangible assets		**285,030**	181,365
Investments in a joint venture and an associate		**4,127**	21,898
Available-for-sale investments		**123,967**	54,257
Deposits paid for purchase of items of property, plant and equipment		**14,615**	12,538
Deferred tax assets		**54,715**	55,601
Total non-current assets		**2,561,923**	2,298,192
CURRENT ASSETS			
Inventories	*10*	**1,127,126**	889,027
Completed properties held for sale		**61,702**	31,984
Trade and bills receivables	*11*	**2,264,377**	1,548,871
Prepayments, deposits and other receivables	*12*	**134,725**	119,085
Tax recoverable		**–**	31,497
Derivative financial instruments		**4,625**	4,290
Equity investments at fair value through profit or loss		**13,595**	22,543
Pledged deposits	*13*	**490,885**	580,401
Cash and cash equivalents	*13*	**214,344**	207,618
Total current assets		**4,311,379**	3,435,316

	Notes	2016 RMB'000	2015 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,631,484**	1,220,091
Other payables and accruals	*15*	**542,867**	327,258
Interest-bearing bank borrowings	*16*	**1,275,014**	1,471,043
Derivative financial instruments		**13,636**	56,397
Income tax payable		**89,212**	81,080
Total current liabilities		**3,552,213**	3,155,869
NET CURRENT ASSETS		**759,166**	279,447
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,321,089**	2,577,639
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**31,448**	15,929
Interest-bearing bank borrowings	*16*	**488,463**	84,848
Deferred government grants		**43,249**	31,280
Total non-current liabilities		**563,160**	132,057
Net assets		**2,757,929**	2,445,582
EQUITY			
Equity attributable to owners of the parent			
Share capital		**115,846**	115,843
Reserves		**2,582,042**	2,323,745
		2,697,888	2,439,588
Non-controlling interests		**60,041**	5,994
Total equity		**2,757,929**	2,445,582

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 Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 November 2010. The registered office of the Company is located at the office of Codan Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in the manufacture, development and sale of lead-acid batteries.

2. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") which comprise standards and interpretations approved 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 derivative financial instruments, equity investments at fair value through profit or loss and certain available-for-sale investments 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.

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

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

	2016	2015
	RMB'000	*RMB'000*
PRC	**3,773,107**	2,145,296
European Union	**761,715**	672,594
The United States of America ("**USA**")	**762,237**	696,675
Other Asian countries/areas	**685,775**	582,827
Other countries	**280,036**	233,501
	6,262,870	4,330,893

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

(b) ***Non-current assets***

	2016 *RMB'000*	2015 *RMB'000*
PRC	**2,195,708**	2,059,419
Other countries/areas	**187,533**	128,915
	2,383,241	2,188,334

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

Information about a major customer

Revenue of approximately RMB1,589,080,000 (2015: RMB440,176,000) was derived from sales to one customer, including sales to a group of entities which are known to be under common control with that customer, exceeding 10% of the Group's total revenue for the year ended 31 December 2016.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold. An analysis of revenue, other income and gains is as follows:

	2016 *RMB'000*	2015 *RMB'000*
Revenue		
Sale of goods	**6,262,870**	4,330,893
Other income and gains		
Rental income	**3,563**	2,567
Bank interest income	**8,717**	15,925
Government grants*	**15,655**	35,629
Sale of scrap materials	**3,577**	4,947
Foreign exchange gains, net	**–**	7,864
Gains on disposal of items of property, plant and equipment	**956**	–
Fair value gains, net:		
Forward currency contracts measured at fair value through profit or loss	**3,551**	–
Dividend income from available-for-sale investments	**15,728**	–
Gain on remeasurement of the previously held interest in a joint venture *(note 17)*	**10,502**	–
Others	**3,503**	3,635
	65,752	70,567

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

5. PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**4,323,388**	2,990,154
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**598,075**	506,168
Performance-related bonuses	**1,645**	1,351
Equity-settled share option expenses	**1,376**	855
Pension scheme contributions	**45,144**	39,827
	646,240	548,201
Amortisation of other intangible assets except for deferred development costs	**2,586**	1,002
Research and development costs:		
Deferred development costs amortised*	**57,041**	26,878
Current year expenditure	**101,865**	84,859
	158,906	111,737
Auditor's remuneration	**2,500**	2,400
Unrealised (gain)/loss on:		
Forward currency contracts measured at fair value through profit or loss	**6,946**	20,476
Equity investments at fair value through profit or loss	**(648)**	13,479
	6,298	33,955
Realised (gain)/loss on:		
Forward currency contracts measured at fair value through profit or loss	**(10,497)**	10,839
Expiration of warrants	**–**	(5,365)
Equity investments at fair value through profit or loss	**4,014**	(2,038)
	(6,483)	3,436
Net (gain)/loss on financial instruments at fair value through profit or loss#	**(185)**	37,391

	Note	**2016**	2015
		RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment		**196,478**	190,320
Depreciation of investment properties		**1,188**	–
Amortisation of prepaid land lease payments		**2,844**	1,864
Impairment of trade receivables#	*11*	**21,910**	1,247
Impairment/(reversal of impairment) of inventories*		**14,491**	(2,836)
Impairment of other items of property, plant and equipment#		**–**	1,569
(Gain)/loss on disposal of items of property, plant and equipment, net#		**(956)**	3,114
Loss on a fire incident#		**–**	30,988
Gain on disposal of an associate		**–**	(367)
Foreign exchange loss/(gain), net#		**49,191**	(7,864)
Minimum lease payments under operating leases		**9,260**	7,800

* The amortisation of deferred development costs and impairment/(reversal of impairment) of inventories are included in "Cost of sales" in the consolidated statement of profit or loss.

\# Net loss on financial instruments at fair value through profit or loss, impairment of trade receivables, impairment of other items of property, plant and equipment, net loss on disposal of items of property, plant and equipment, loss on a fire incident and net foreign exchange loss are included in "Other expenses" in the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on bank borrowings	**74,645**	66,544
Interest arising from discounted bills	**34,286**	38,129
	108,931	104,673

7. INCOME TAX

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

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

Leoch Battery Corp., incorporated in the United States, is subject to corporate income tax in the United States. The applicable federal corporate income tax rate is in the range of 15% to 35% (2015: 15% to 35%) on taxable income.

The provision for Hong Kong profits tax is based on the statutory rate of 16.5% (2015: 16.5%) of the assessable profits of the subsidiary incorporated in Hong Kong, i.e., Leoch Power Supply (H.K.) Limited. No provision for Hong Kong profits tax has been made by Leoch Battery Company Limited 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 Leoch Battery Pte. Ltd.'s application for the Global Trader Programme status on 24 May 2014. The provision for Leoch Battery Pte. Ltd.'s current income tax is based on the tax rate of 10% (2015: 10%).

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the new PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the 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 in 2015 and were entitled to a preferential tax rate of 15% for the year 2016.

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

	2016 *RMB'000*	2015 *RMB'000*
Current – PRC	**39,031**	16,590
Current – Hong Kong	**3,819**	4,247
Current – Singapore	**5,958**	3,678
Current – USA	**891**	1,373
Deferred tax	**(950)**	2,363
Total tax charge for the year	**48,749**	28,251

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for the country in which the majority of the companies of the Group are domiciled (i.e., the PRC) to the tax expense at effective tax rate is as follows:

	2016		2015	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**280,536**		134,556	
Tax at the applicable tax rate	**70,133**	**25.0**	33,639	25.0
Tax concession for certain subsidiaries	**(48,872)**	**(17.4)**	(20,504)	(15.2)
Research and development costs plus deduction	**(7,832)**	**(2.8)**	(4,873)	(3.6)
Income not subject to tax	**(2,520)**	**(0.9)**	–	–
Expenses not deductible for tax	**23,557**	**8.4**	13,789	10.2
Tax losses not recognised	**14,283**	**5.1**	7,442	5.5
Tax losses utilised from previous periods	**–**	**–**	(1,870)	(1.4)
Effect on opening deferred tax due to decrease in the tax rate	**–**	**–**	628	0.5
Tax charge at the Group's effective rate	**48,749**	**17.4**	28,251	21.0

8. DIVIDENDS

	2016 *RMB'000*	2015 *RMB'000*
Final – 5.50 HK cents (2015: 2.60 HK cents) per share	**66,582**	29,478

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. 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 1,353,330,795 (2015: 1,352,776,179) 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:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**241,898**	106,579

	Number of shares	
	2016	2015
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,353,330,795**	1,352,776,179
Effect of dilution – weighted average number of ordinary shares:		
Share options	**784,213**	1,383,438
	1,354,115,008	1,354,159,617

10. INVENTORIES

	2016	2015
	RMB'000	*RMB'000*
Raw materials	**155,153**	193,366
Work in progress	**699,257**	450,284
Finished goods	**272,716**	245,377
	1,127,126	889,027

11. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**2,226,964**	1,540,426
Bills receivable	**75,479**	24,601
Impairment	**(38,066)**	(16,156)
	2,264,377	1,548,871

The Group grants different credit periods to 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 RMB271,596,000 (2015: RMB174,846,000) were under short term credit insurance and RMB48,688,000 (2015: RMB64,277,000) 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 2016, the Group pledged certain trade receivables amounting to RMB86,651,000 (2015: RMB78,271,000) to banks with recourse in exchange for cash (note 18). The proceeds from pledging the trade receivables of RMB54,222,000 (2015: RMB38,477,000) were accounted for as collateralised bank advances until the trade receivables were collected or the Group made good of any losses incurred by the banks.

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

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**1,641,807**	1,174,933
3 to 6 months	**386,401**	239,221
6 to 12 months	**176,558**	89,764
1 to 2 years	**49,930**	34,703
Over 2 years	**9,681**	10,250
	2,264,377	1,548,871

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

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**16,156**	14,909
Impairment losses recognised *(note 5)*	**21,910**	1,247
At 31 December	**38,066**	16,156

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB38,066,000 (2015: RMB16,156,000) with a carrying amount before provision of RMB38,066,000 (2015: RMB19,156,000).

The above provision for impairment of trade receivables relates to individual customers that were in financial difficulties.

The bills receivable are due to mature within one year from 31 December 2016.

An analysis of trade and bills receivables that were not individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**2,204,766**	1,503,918
Past due but not impaired	**59,611**	41,953
	2,264,377	1,545,871

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

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

Included in the Group's trade receivable are amounts due from the Group's joint venture of nil (2015: RMB2,440,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Prepayments	**94,525**	77,458
Deposits and other receivables	**30,561**	29,242
Loans to employees	**6,765**	6,459
Interest receivables	**34**	3,986
Current portion of prepaid land lease payments	**2,840**	1,940
	134,725	119,085

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

	2016	2015
	RMB'000	*RMB'000*
Cash and bank balances	**214,344**	207,618
Time deposits	**490,885**	580,401
	705,229	788,019
Less: Pledged for interest-bearing bank borrowings	**(9,020)**	(174,096)
Pledged for bills payable	**(404,771)**	(322,125)
Pledged for letters of credit	**(77,094)**	(84,180)
	(490,885)	(580,401)
Cash and cash equivalents	**214,344**	207,618
Denominated in RMB	**606,720**	646,815
Denominated in US$	**67,282**	86,334
Denominated in HK$	**25,156**	48,731
Denominated in Singapore Dollar ("**SG$**")	**2,709**	1,286
Denominated in Malaysian Dollar ("**MYR**")	**2,354**	–
Denominated in Indian Rupee	**335**	2,602
Denominated in Euro ("**EUR**")	**305**	1,442
Denominated in Sri Lankan Rupee	**189**	272
Denominated in Australia Dollar	**179**	537
	705,229	788,019

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 deposit 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.

14. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**641,357**	335,918
Bills payable	**990,127**	884,173
	1,631,484	1,220,091

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:

	2016	2015
	RMB'000	*RMB'000*
Within 3 months	**754,551**	315,294
3 to 6 months	**575,338**	719,905
6 to 12 months	**291,347**	174,821
1 to 2 years	**3,563**	2,791
2 to 3 years	**662**	2,809
Over 3 years	**6,023**	4,471
	1,631,484	1,220,091

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payable have maturity dates within 180 days. As at 31 December 2016, bills payable amounting to RMB866,432,000 (2015: RMB837,944,000) were issued on intercompany sales transactions within the Group and these bills were discounted to banks for short term financing.

As at 31 December 2016, certain of the Group's bills payables were secured by pledge of certain of the Group's time deposits amounting to RMB404,771,000 (2015: RMB322,125,000) (note 18).

15. OTHER PAYABLES AND ACCRUALS

	2016 *RMB'000*	2015 *RMB'000*
Provision for social insurance and retirement benefits	**130,577**	128,704
Advances from customers	**146,716**	55,755
Accrued expenses	**73,450**	53,754
Accrued payroll	**45,523**	34,647
Payables for purchase of items of property, plant and equipment	**12,464**	10,442
Provision for product warranties	**10,583**	10,069
Tax payables other than current income tax liabilities	**103,554**	14,257
Others	**20,000**	19,630
	542,867	327,258

16. INTEREST-BEARING BANK BORROWINGS

	31 December 2016			31 December 2015		
	Effective interest rate (%)	***Maturity***	***RMB'000***	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current						
Interest-bearing bank borrowings, guaranteed	**–**	**–**	**–**	LIBOR +3.00	On demand	544,240
Interest-bearing bank borrowings, secured	**1.50 to 6.77**	**2017**	**1,103,711**	1.50 to 7.53	2016	888,326
Collateralised bank advances, secured	**2.00 to 3.50**	**2017**	**54,222**	2.00 to 3.50	2016	38,477
Current portion of long term bank borrowings, guaranteed	**LIBOR +3.00**	**2017**	**117,081**	–	–	–
			1,275,014			1,471,043
Non-current						
Interest-bearing bank borrowings, secured	**1.50 to 7.53**	**2018-2028**	**78,680**	1.50 to 7.53	2017-2028	84,848
Interest-bearing bank borrowings, guaranteed	**LIBOR +3.00**	**2018**	**409,783**	–	–	–
			488,463			84,848
			1,763,477			1,555,891
Denominated in RMB			**634,970**			804,958
Denominated in US$			**674,702**			579,043
Denominated in HK$			**412,809**			153,387
Denominated in SG$			**18,214**			18,503
Denominated in MYR			**22,782**			–
			1,763,477			1,555,891

Analysed into:

	2016	2015
	RMB'000	*RMB'000*
Bank loans and advances repayable:		
On demand	**–**	544,240
Within one year	**1,275,014**	926,803
In the second year	**429,342**	37,767
In the third to fifth years, inclusive	**49,225**	32,533
Beyond five years	**9,896**	14,548
	1,763,477	1,555,891

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 RMB817,606,000 (2015: RMB1,208,881,000) for the bank borrowings as disclosed in note 18.

(ii) Cross guarantees executed by companies within the Group.

The Group entered into a three-year term loan facility agreement amounting to US$58,000,000 on 21 September 2015 (the "**Facility Agreement**") with certain financial institutions (the "**Lenders**"). The total amount of the Facility Agreement increased to US$85,700,000 on 24 September 2015.

Under the Facility Agreement, there are specific performance obligations that Mr. Dong Li, who is the controlling shareholder of the Company, shall not cease to own, directly or indirectly, of at least 51% of the beneficial interest in the Company, carrying at least 51% of the voting right, free from any security. Mr. Dong Li shall not cease to have management control over the Company. Mr. Dong Li shall not crease to be the Chairman of the board of directors of the Company. At the date of this announcement, such obligations have been complied with.

Four of the Company's wholly-owned subsidiaries, namely Leoch Power Supply (H.K.) Limited, Leoch Battery Company Limited, Leoch Battery Pte. Ltd. and Leoch International Sales Limited were parties who act as guarantors, to guarantee punctual performance of the obligations under the Facility Agreement.

As at 31 December 2016, the Group had utilised the amount of US$85,700,000 under the Facility Agreement. As at 31 December 2016, the outstanding term loan balance amounted to RMB526,864,000, of which, RMB117,081,000 and RMB409,783,000 are repayable within 1 year and in the 2nd to 3rd years inclusive, respectively. The term loan bears interest at LIBOR+3% per annum.

17. ACQUISITION OF SUBSIDIARIES

Leoch Accupower (M) Sdn. Bhd.

The investment in Leoch Accupower (M) Sdn. Bhd. ("**Leoch Accupower**") was accounted for as an investment in a joint venture as at 31 December 2015. On 10 July 2016, the Group obtained control over Leoch Accupower which then became a subsidiary of the Group.

As a result of the remeasurement of the Group's investment in the 51% equity interest in Leoch Accupower from its carrying amount of RMB18,998,000 to its fair value of RMB29,500,000 immediately before the acquisition, a gain of RMB10,502,000 was recognised in the consolidated statement of profit or loss during the year ended 31 December 2016. The acquisition was made as a part of the Group's strategy to expand its market share of lead-acid batteries in Malaysia.

The fair values of the identifiable assets and liabilities of Leoch Accupower as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB$'000
Property, plant and equipment	64,809
Prepaid land lease payments	9,071
Customer relationship	4,588
Trademark	20,124
Inventories	23,310
Trade and bills receivables	12,763
Prepayments, deposits and other receivables	4,542
Cash and bank balances	61
Trade and bills payables	(56,970)
Other payables and accruals	(9,554)
Interest-bearing bank borrowings	(26,296)
Deferred tax liabilities	(5,584)
Total identifiable net assets at fair value	40,864
Non-controlling interests	(20,024)
	20,840
Goodwill on acquisition	8,660
	29,500
Satisfied by:	
Previously held equity interest remeasured at acquisition-date fair value	29,500

No transaction costs were incurred in this acquisition.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash and bank balances acquired	61
Net inflow of cash and cash equivalents included in cash flows from investing activities	61

Since the acquisition, Leoch Accupower contributed RMB11,566,000 to the Group's turnover and RMB9,585,000 loss to the consolidated profit for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB6,287,951,000 and RMB225,968,000 respectively.

Zhaoqing Leoch Marshell Electric Vehicle Co., Ltd.

On 6 June 2016, the Group entered into an investment agreement with Guangdong Marshell Electric Vehicle Co., Ltd. ("**Guangdong Marshell**") and Zhaoqing Leoch Marshell Electric Vehicle Co., Ltd. ("**Zhaoqing Leoch Marshell**"), both of which are wholly owned by Mr. Dong Li. Pursuant to the investment agreement, the Group will acquire 75.34% of the enlarged registered capital of Zhaoqing Leoch Marshell at a consideration of RMB121,065,300.

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

The investment agreement was approved by the shareholders of the Company at the extraordinary general meeting held on 12 August 2016. The consideration has been paid by 9 September 2016.

In the opinion of the directors, up to the date of acquisition, Zhaoqing Leoch Marshell has not carried out any significant business transactions except for holding Zhaoqing Land. Therefore, Zhaoqing Leoch Marshell acquired by the Group does not constitute a business. The above acquisition has been accounted for by the Group as an acquisition of assets.

The net assets acquired by the Group in the above transaction are as follows:

	RMB$'000
Prepaid land lease payments	39,625
Cash and bank balances	121,065
	160,690
Non-controlling interests	(39,625)
	121,065
Satisfied by:	
Cash	121,065

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB$'000
Cash consideration	(121,065)
Cash and bank balances acquired	121,065
Net inflow of cash and cash equivalents included in cash flows from investing activities	–

18. PLEDGE OF ASSETS

	Prepaid land lease payments *RMB'000*	Property, plant and equipment *RMB'000*	Pledged deposits *RMB'000* *(note 13)*	Trade receivables *RMB'000* *(note 11)*	Total *RMB'000*
31 December 2016					
Interest-bearing bank borrowings *(note 16)*	78,520	643,415	9,020	86,651	817,606
Bills payable *(note 14)*	–	–	404,771	–	404,771
Issue of letters of credit	–	–	77,094	–	77,094
	78,520	643,415	490,885	86,651	1,299,471
31 December 2015					
Interest-bearing bank borrowings *(note 16)*	33,263	923,251	174,096	78,271	1,208,881
Bills payable *(note 14)*	–	–	322,125	–	322,125
Issue of letters of credit	–	–	84,180	–	84,180
	33,263	923,251	580,401	78,271	1,615,186

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its staff quarters and office premises under operating lease arrangements, with leases negotiated for terms ranging from one to eight 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 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**2,786**	2,720
In the second to fifth years, inclusive	**11,277**	10,641
After five years	**8,757**	13,020
	22,820	26,381

(b) As lessee

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

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**5,341**	3,790
In the second to fifth years, inclusive	**4,968**	10,702
After five years	**–**	12,168
	10,309	26,660

20. COMMITMENTS

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

	2016	2015
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Land and buildings	**13,191**	10,816
Plant and machinery	**18,145**	15,955
Capital contribution payable to an available-for-sale investments	**36,937**	10,751
Acquisition of a subsidiary *(note 21)*	**115,200**	–
	183,473	37,522

21. EVENT AFTER THE REPORTING PERIOD

On 18 November 2016, Anhui Uplus New Energy Material Techonology Co., Ltd. ("**Anhui Uplus New Energy**"), a subsidiary of the Company, entered into an agreement with independent third parties in relation to the proposed acquisition of 60% of the registered capital of Taihe Dahua Energy Technology Co., Ltd. ("**Taihe Dahua**"), a company in the PRC principally engaged in the recycling and remanufacturing of lead from disposed batteries at a cash consideration of RMB115,200,000. As at 31 December 2016, Anhui Uplus New Energy has not yet paid the consideration. As at the date of this announcement, Anhui Uplus New Energy has paid an amount of RMB23,040,000 of the consideration.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

For the year ended 31 December 2016 (the "**Period**"), the Group's revenue amounted to RMB6,262.9 million, representing an increase of 44.6% from RMB4,330.9 million in 2015. Lead-acid batteries are generally classified into three major market categories, namely reserve power batteries, SLI batteries and motive power batteries. Details of business operations of the Group in these three categories are as follows:

Reserve power batteries

Reserve power batteries are the major revenue contributor of the Group. The Group's sales of reserve power batteries during the Period amounted to RMB4,319.6 million, representing an increase of 36.7% from 2015. Reserve power battery products are further classified into four major application markets, namely uninterrupted power supply system ("**UPS**"), telecommunications, other consumer products and renewable energy. During the Period, sales in the four major application markets recorded different degree of growth. The increased in the revenue from sales of UPS and other consumer products categories was primarily due to the increased average selling prices resulting from the increase in lead price during the Period. The Group's sales in the telecommunication category increased significantly, mainly due to the fact that the Group secured a large number of orders from major telecommunication providers during the Period, as a result, the Group became the biggest telecommunication batteries provider in the PRC. The increase in sales of the renewable energy category was mainly due to its overall outperformance over the competitors in Africa.

SLI batteries

SLI batteries are used mainly in starting up automobiles and motorcycles. The Group's sales of SLI batteries during the Period amounted to RMB1,442.8 million, representing an increase of 69.4% from 2015. The increase was primarily due to the Group's continuing effort in penetrating the automobile battery market and became the new major battery supplier among major automobile makers in the PRC.

Motive power batteries

Motive power batteries are mainly used to provide power for electric vehicles, forklifts, golf carts, electric bicycles and other portable devices. During the Period, the Group recorded sales revenue of RMB281.8 million, representing an increase of 106.0% from 2015. The increase in sales was a result of the increased sales of forklift batteries and electric vehicle batteries.

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, Malaysia and Australia, together with 39 domestic sales centres across the PRC. As at the date of this announcement, the Group has over 500 dedicated sales and after-sales employees. The Group will continue expanding its sales teams and marketing network to support the sales, distribution, and 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 research and development ("**R&D**") and application of lead-acid battery technologies in the PRC. 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. The Group has obtained 45 patents during the Period and there are 57 proprietary technologies in the process of patent applications as at the date of this announcement.

The Group has grasped and applied most of the lead-acid battery technologies in the world, including technologies used in the first generation open-type fluid infusion battery, the second generation Absorbent Glass Mat battery and new energy battery, the third generation pure lead battery, and the fourth generation Stop-Start battery. The Group is one of a handful of enterprises in the world possessing the third and the fourth generations of technologies. The Group's strong R&D capabilities enable it to produce a broad range of battery products deploying most of the key lead-acid battery technologies. As at the date of this announcement, the Group has developed more than 2,000 different types of battery products employing various application technologies, making the Group one of the battery enterprises with the broadest range of lead-acid batteries. During the Period, the Group continued to provide sufficient resource in R&D on all categories of product in order to secure growth in the future.

To sustain business growth and development, the Group continues to explore advanced battery technologies. On 23 December 2016, the Group has entered a series B preferred stock purchasing agreement with Gridential Energy, Inc. ("**Gridential**") for a consideration of US$999,999.81. On 12 January 2017, Gridential has announced that total of US$6,000,000 series B preferred stock fundraise has completed in which there are four major battery companies and one of them is Leoch International Technology Limited.

Gridtential's Silicon Joule™ technology is a novel breakthrough that replaces the lead grid inside a traditional lead battery with a plated silicon wafer similar to a solar cell. This approach translates to performance levels that match or exceed lithium-ion battery performance in many high power, medium energy and deep cycling applications, with significant cost, safety and recycling advantages. Gridtential is licensing the technology and building out its drop-in specialty Silicon wafer supply, enabling manufacturing partners to easily adapt their existing highly productive factories to provide high performing 12V to 48V batteries to their customers, without large scale capital investments. The added funds will support further cost reductions and scaling of manufacturing processes to deliver 12 to 48V batteries, which can be one-third lighter than existing advanced lead batteries with performance up to 5 times in power density.

The Group will work closely with Gridtential to apply the technology from lab to commercial production.

Production bases

During the Period, the Group operated eight well-built production bases, including four wholly-owned production bases in the PRC, a wholly-owned production base in Sri Lanka, two joint venture production bases in Malaysia and a joint venture production bases in India, with a total site area of approximately 940,000 sq.m. As at the end of 2016, the Group had production capacity of 20.7 million KVAh (2015: 18.2 million KVAh). To cope with potential business expansion, the Group is planning to further expand its production and manufacturing capacities in the PRC and oversea.

Trend of lead price

Lead is the main raw material of lead-acid batteries and accounts for a major sales cost for the Group's battery production. According to Shanghai Metals Market, an information service provider of the non-ferrous metal market, the monthly average lead price per ton was moving between the range of RMB12,737 to RMB13,861 during the first 8 months of 2016, changed modestly within the range of –2.9% to 5.6% as compare with December 2015 which averages RMB13,122 per ton. Since September 2016, PRC raw material price are surging, monthly average lead price jumped to RMB14,369 during that month and ended at RMB19,563 in December 2016 representing a rapid increase from 9.5% to 49.1% as compare to December 2015 monthly average lead price. The first two month average lead price in 2017 was RMB18,300 and RMB18,933 respectively representing lead price is stabilized at this moment. To cope with potential risks of fluctuations in lead price, the Group adopts a price linkage mechanism, passing raw materials price fluctuations to customers to hedge relevant risks. The Group's centralized procurement of raw materials enables it to trim down costs of raw materials through favourable negotiations on bulk purchase contracts.

Future Prospects

In 2016, the Group managed to drive business growth in all categories of battery. Among the RMB1.9 billion increment in sales revenue, 84.3% was contributed from PRC. Accordingly, PRC share of Group's 2016 annual turnover increased to 60.2% (2015: 49.5%). The Group believes that the contribution in turnover will continue to be bigger in the PRC than overseas in next few years.

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

Reserve power batteries

Telecom operators and equipment manufacturers are the Group's major customers. Reserve power battery products have four major application areas, namely UPS, telecommunications, other customer products and renewable energy. The Group strongly believes that reserve power batteries will continue sustaining growth in these four major application markets.

The Group commanded leading position after its rapid growth in sale of telecommunication application batteries in the PRC. We will continue solidifying our market position in this area and plan to further increase our market share. Looking forward, further upgrade and development of the 5G network will provide additional boost to the demand for telecommunications batteries over the next few years. The rapid development of IT technologies such as cloud computing, big data, commerce and various types of data centers and servers will continue contributing to the growth momentum of reserve power batteries. Besides, the market size of the customer products and renewable energy will also enjoy different degree of growth rate. We believe the Group will continue to benefit from the growth in the reserve power market in the PRC and will exert all our efforts to expand our market share and secure our leading position in the domestic market of reserve power battery. To deal with the intense competition and trade barrier in overseas market, the Group plan to expand overseas production base and will continue seeking high quality joint venture partner to further expand overseas business.

SLI batteries

As a result of the strengthening investment in SLI batteries, the Group achieved very strong sales during 2016 with nearly 70% growth as compare to 2015.

SLI is the most important application area for lead-acid batteries with about 40-50% of the total batteries being used worldwide. Since 2010, the PRC has been ranked first in the World for vehicle production and sales. A consensus has formed that the PRC will be the largest market in which demand for SLI batteries will continue to grow and can account up to 50% of the total SLI batteries global sales by 2020.

With the implementation of the China Passenger Vehicle Fuel Consumption Standard IV, which requires the average fuel consumption of all new vehicles sold in 2020 to be 5.0L/100 km as compared to the current level of 6.9 L/100 km, being put into effect from the beginning of 2016, the demand for start-stop batteries in China is poised for strong growth. Furthermore, the aftermarket segment will facilitate the demand for SLI batteries as a result of the ageing of the vehicle fleet in the country. With more than 90 million new vehicles expected to be added over the next 5 years, the demand for SLI batteries remains robust.

Being one of the few manufacturers that posses the fourth generation Stop-Start battery, the Group is well prepared and planned to further increase the production capacity for SLI batteries aiming to become one of the leading suppliers of SLI batteries in the PRC. The Group is planning to expand our overseas production capacity to fulfill part of the demand from other countries.

Motive power batteries

Although this segment accounted for about 3% of the Group turnover in 2015, it continues to record significant growth in 2016. The demand for motive power batteries has been propelled by the extensive promotion and application of the batteries in electric transportation and equipment such as electric bicycles, low-speed battery vehicles and forklifts. The Group will pull in sufficient resources to maintain its competitiveness in the sector of low-speed vehicles and forklifts and try to expand its market share at a faster pace.

Financial Review

For the year ended 31 December 2016, the Group's revenue amounted to RMB6,262.9 million, representing an increase of 44.6% compared to the year ended 31 December 2015. The profit for the year amounted to RMB231.8 million for the year ended 2016 as compared to RMB106.3 million for the year ended 2015, of which the profit attributable to the owners of the parent amounted to RMB241.9 million as compared to RMB106.6 million for the corresponding period in 2015. Basic profit per share for the year ended 31 December 2016 was RMB0.18.

Revenue

The Group's revenue increased by 44.6% from RMB4,330.9 million for the year ended 31 December 2015 to RMB6,262.9 million for the year ended 31 December 2016.

The revenue of reserve power batteries increased by 36.7% from RMB3,160.4 million for the year ended 31 December 2015 to RMB4,319.6 million for the year ended 31 December 2016, which was principally because the Group secured a large number of orders from major telecommunication providers during the Period, as a result, the Group became the biggest telecommunication batteries provider in the PRC. The revenue of SLI batteries increased by 69.4% from RMB851.7 million for the year ended 31 December 2015 to RMB1,442.8 million for the year ended 31 December 2016, which was primarily due to the Group's continuing effort in penetrating the automobile battery market and became the new major battery supplier among major automobile makers in the PRC. The revenue of motive power batteries increased by 106.0% from RMB136.8 million for the year ended 31 December 2015 to RMB281.8 million for the year ended 31 December 2016, which was a result of the increased sales of forklift battery and electric vehicle battery. Details of the Group's revenue for the years ended 31 December 2016 and 2015 by category of batteries are set out below:

	2016			**2015**	
Product category	**Revenue**	**Percentage share**	**Percentage increase/ (decrease)**	**Revenue**	**Percentage share**
	RMB'000			*RMB'000*	
Reserve power batteries	4,319,624	69.0%	36.7%	3,160,400	73.0%
SLI batteries	1,442,831	23.0%	69.4%	851,704	19.6%
Motive power batteries	281,793	4.5%	106.0%	136,774	3.2%
Other	218,622	3.5%	20.1%	182,015	4.2%
Total	6,262,870	100%	44.6%	4,330,893	100%

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

The Group's sales revenue in the PRC increased by 75.9% from RMB2,145.3 million for the year ended 31 December 2015 to RMB3,773.1 million for the year ended 31 December 2016, representing 60.2% of the Group's total revenue (2015: 49.5%). The increase was mainly due to increased customer base for automobile batteries and the Group securing a large number of sale orders from major telecommunication providers during the Period.

The Group's sales revenue in the United States of America and European Union increased by 9.4% and13.3% from RMB696.7 million and RMB672.6 million for the year ended 31 December 2015 to RMB762.2 million and RMB761.7 million for the year ended 31 December 2016, respectively, which was mainly due to the Group's effort to reallocate resources in order to maintain market shares in the European market and the American market. The Group's sales revenue in other Asian countries/areas increased by 17.7% from RMB582.8 million for the year ended 31 December 2015 to RMB685.8 million for the year ended 31 December 2016. The increase was principally due to the Group actively exploring other Asian market and new business in India as result of the commencement of a joint venture operation in India. The Group's sales revenue from battery products in other countries increased by 19.9% from RMB233.5 million for the year ended 31 December 2015 to RMB280.0 million for the year ended 31 December 2016, which mainly include customers from Africa and South America. The increase was mainly due to the outperformance of renewable energy batteries over the competitors in Africa.

The following revenue information is based on the location of the customers for the years ended 31 December 2016 and 2015:

	2016			**2015**	
	Revenue	**Percentage share**	**Percentage increase/ (decrease)**	**Revenue**	**Precentage share**
	RMB'000			*RMB'000*	
PRC	3,773,107	60.2%	75.9%	2,145,296	49.5%
United States of America	762,237	12.2%	9.4%	696,675	16.1%
European Union	761,715	12.2%	13.3%	672,594	15.5%
Other Asian countries/areas	685,775	10.9%	17.7%	582,827	13.5%
Other countries	280,036	4.5%	19.9%	233,501	5.4%
Total	6,262,870	100%	44.6%	4,330,893	100%

Cost of Sales

The Group's cost of sales increased by 47.1% from RMB3,561.2 million for the year ended 31 December 2015 to RMB5,237.3 million for the year ended 31 December 2016, mainly because of the increased sales volume.

Gross Profit

The Group's gross profit increased by 33.2% from RMB769.7 million for the year ended 31 December 2015 to RMB1,025.6 million for the year ended 31 December 2016. The overall gross profit margin decreased from 17.8% for the year ended 31 December 2015 to 16.4% for the year ended 31 December 2016. This was mainly because part of lead price hike and consumption tax cannot fully be transferred to customers during the Period.

Other Income and Gains

Other income and gains decreased by 6.8% from RMB70.6 million for the year ended 31 December 2015 to RMB65.8 million for the year ended 31 December 2016 as dividend income from available-for-sale investments and gain on remeasurement of the previously held interest in a joint venture cannot compensate for the decrease in bank interest income and government grants during the Period.

Selling and Distribution Expenses

The Group's selling and distribution costs increased by 37.1% from RMB216.5 million for the year ended 31 December 2015 to RMB296.7 million for the year ended 31 December 2016, primarily due to the increased salaries of sale personnel and freight charges, which was in line with the increased sales during the Period.

Administrative Expenses

The Group's administrative expenses increased slightly by 3.6% from RMB216.8 million for the year ended 31 December 2015 to RMB224.6 million for the year ended 31 December 2016, mainly due to better control on administrative spending despite inflation.

R&D Expenses

The development expenditure of the Group increased by 20.0% from RMB84.9 million for the year ended 31 December 2015 to RMB101.9 million for the year ended 31 December 2016. The increase in expenditure was mainly used for performance enhancement of existing products and development of new products, enhancement of product competitiveness and increased commitment in research and development.

Other Expenses

The Group's other expenses increased slightly from RMB75.6 million for the year ended 31 December 2015 to RMB75.8 million for the year ended 31 December 2016, which mainly comprised impairment of trade receivables of RMB21.9 million and foreign exchange loss of RMB49.2 million for the year ended 31 December 2016, as compared to the loss on inventories and properties of RMB31.0 million and loss on forward currency contracts of RMB31.3 million for the year ended 31 December 2015.

Fair value Gain/(Loss) on Financial Instruments at Fair Value through Profit or Loss, net

During the Period, the Group recognized fair value gain on financial instruments at fair value through profit or loss of RMB0.2 million. The details are as follows:

(i) Forward currency contracts

The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are measured at fair value through profit or loss. The net gain, including realised and unrealised, on changes in the fair value of the forward currency contracts amounting to RMB3.6 million (2015: net loss of RMB31.3 million) was recognised in the statement of profit or loss during the year. The maturity dates of the derivative financial instruments are within one year.

(ii) Equity investments

During the Period, the Group had listed equity investments in Hong Kong and the PRC. The fair values of the listed securities were determined by reference to their quoted market bid prices available on the relevant exchanges at the end of the period. Due to the sluggish share markets in the early of 2016 both in Hong Kong and the PRC, net loss on equity investments of RMB3.4 million (2015: RMB11.4 million) was recognised in the statement of profit or loss in the current year.

Finance Costs

The Group's finance costs increased by 4.1% from RMB104.7 million for the year ended 31 December 2015 to RMB108.9 million for the year ended 31 December 2016, mainly due to the increased bank borrowings during the Period.

Profit before Tax

As a result of the foregoing factors, the Group recorded profit before tax of RMB280.5 million for the year ended 31 December 2016 as compared to RMB134.6 million for the year ended 31 December 2015.

Income Tax Expense

Income tax expense increased by 72.6% from RMB28.3 million for the year ended 31 December 2015 to RMB48.7 million for the year ended 31 December 2016, mainly due to the increase in profit which was subject to tax of the Group during the Period.

Profit for the Year

As a result of the foregoing factors, the Group recorded consolidated net profit of RMB231.8 million (2015: RMB106.3 million) for the year ended 31 December 2016, of which the Group recorded profit attributable to the owners of the parent of RMB241.9 million (2015: RMB106.6 million) for the same period.

Net Current Assets

As at 31 December 2016, the Group had net current assets of RMB759.2 million (2015: RMB279.4 million). The Group's current assets mainly consist of inventories, trade and bills receivables, cash and bank balances, prepayments, deposits and other receivables. The Group's current liabilities mainly consist of trade and bills payables, other payables and accruals, and interest-bearing bank borrowings.

Inventories

Inventories constituted one of the principal components of the Group's current assets. As at 31 December 2016, the Group had inventories of RMB1,127.1 million (2015: RMB889.0 million). The increase in inventory value was primarily due to increase in per unit value of inventory due to surging in raw material price in the last quarter of 2016 as compared to 2015.

Trade and Other Receivables

(a) Trade and bills receivables

The Group's trade and bills receivables primarily related to receivables for goods sold to its customers. As at 31 December 2016, the Group had trade and bills receivables of RMB2,264.4 million (2015: RMB1,548.9 million). The increase in trade and bills receivables was primarily due to significant increase in shipment at the end of the Period.

(b) Prepayments, deposits and other receivables

The Group's prepayments and deposits mostly related to the purchase of raw materials. As at 31 December 2016, the Group had prepayments, deposits and other receivables of RMB134.7 million (2015: RMB119.1 million). The increase in prepayments, deposits and other receivables as compared to 2015 was primarily because the Group increased its prepayments for raw materials due to the increase in raw material unit price.

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 2016, the Group had trade and bills payables of RMB1,631.5 million (2015: RMB1,220.1 million). The increase in trade and bills payables was mainly because of the Group's increased procurement for increased turnover.

Other Payables and Accruals

The Group's other payables and accruals primarily consisted of 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, advance payments from customers for shipments, tax payables other than current income tax liabilities and accruals for payroll and benefits for its employees. As at 31 December 2016, the Group had other payables and accruals of RMB542.9 million (2015: RMB327.3 million), the increase was mainly due to the increased advance payments from customers and the increased VAT payables and consumption tax payables.

Capital Expenditures

During the Period, the Group invested RMB207.8 million (2015: RMB169.0 million) in property, plant and equipment for its new production facilities.

Liquidity and Financial Resources

As at 31 December 2016, the Group's net current assets amounted to RMB759.2 million (2015: RMB279.4 million), among which cash and bank deposits amounted to RMB705.2 million (2015: RMB788.0 million). As at 31 December 2016, the Group had bank borrowings of RMB1,763.5 million (2015: RMB1,555.9 million), all of which are interest-bearing. Except for borrowings of RMB488.5 million (2015: RMB84.8 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 and Malaysia dollars, and the effective interest rates of which as of 31 December 2016 were 1.50% to 7.53% (2015: 1.50% to 7.53%).

A portion of the Group's bank borrowings was secured by pledges over certain assets of the Group including property, plant and equipment, leasehold lands, deposits and trade and bills receivables. As at 31 December 2016, the Group's gearing ratio was 25.7% (2015: 27.1%), 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 2016 (2015: Nil).

Foreign Exchange Risk

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

Material Acquisition and Disposal

On 6 June 2016, the Group entered into an investment agreement with Guangdong Marshell Electric Vehicle Co., Ltd. and Zhaoqing Leoch Marshell Electric Vehicle Co., Ltd.. Both Guangdong Marshell and Zhaoqing Leoch Marshell are wholly owned by Mr. Dong Li. Pursuant to the investment agreement, the Group will acquire 75.34% of the enlarged registered capital of Zhaoqing Leoch Marshell at a consideration of RMB121,065,300. The investment agreement was approved by the shareholders of the Company at the extraordinary general meeting held on 12 August 2016. The consideration has been paid by 9 September 2016.

On 18 November 2016, the Group also entered into an agreement with independent third parties in relation to the proposed acquisition of 60% of the registered capital of Taihe Dahua, a company in the PRC principally engaged in the recycling and remanufacturing of lead from disposed batteries for a cash consideration of RMB115,200,000. The acquisition was completed in January 2017. An amount of RMB23,040,000 (which is equivalent to 20% of the consideration) was paid upon the completion.

Save as disclosed above, there was no other material acquisition or disposal of subsidiary or associated companies by the Group during the Period.

EMPLOYEES

As at 31 December 2016, the Group had 12,333 employees. Employee benefit expense (including directors' remuneration), which comprised wages and salaries, performance-related bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totaled RMB646.2 million for the year ended 31 December 2016 (2015: RMB548.2 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 recommends the payment of a final dividend of HK5.50 cents per share for the year ended 31 December 2016 (2015: HK2.60 cents). The final dividend shall be payable to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company as at the close of business on Wednesday 7 June 2017. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**"), the final dividend will be paid to the Shareholders on or about Tuesday 4 July 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed:

(i) from Tuesday 23 May 2017, to Friday 26 May 2017, (both days inclusive), for the purpose of determining Shareholders' entitlement to attend and vote at the AGM, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the and voting 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 (see below) for registration by no later than 4:30 p.m. on Monday, 22 May 2017; and

(ii) from Monday 5 June 2017, to Wednesday 7 June 2017, (both days inclusive), for the purpose of determining Shareholders' entitlement to receive the proposed final dividend, during which period no transfer of shares of the Company will be registered. In order to qualify for receiving the proposed final dividend, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar (see below) for registration by no later than 4:30 p.m. on Friday, 2 June 2017.

(iii) The details of the Company's branch share register are as follows:

Tricor Investor Services Limited
Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

RE-DESIGNATION OF DIRECTOR

On 1 September 2016, Mr. Philip Armstrong NOZNESKY ("**Mr. NOZNESKY**") has been re-designated from an executive director to a non-executive director of the Company. Details of Mr. NOZNESKY's re-designation were disclosed in the Company's announcement dated 1 September 2016.

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 of Hong Kong Limited (the "**Listing Rules**") as the code for dealing in securities of the Company by its directors. After specific enquiry, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICES

Throughout the year, 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 complied with all applicable code provisions and certain recommended best practices set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules, except the following deviations:–

Code Provision A.6.7

Independent Non-executive Directors Attending General Meetings

Mr. CAO Yixiong Alan, Mr. LIU Yangsheng and Dr. GONG Fangxiong, the independent non-executive Directors of the Company, were unable to attend the AGM of the Company held on 30 May 2016 as they had business engagement.

AUDIT COMMITTEE

The Audit Committee, which comprises four independent non-executive directors of the Company, namely, Mr. CAO Yixiong Alan (chairman of the Audit Committee), Mr. LIU Yangsheng, Mr. LAU Chi Kit and Dr. GONG Fangxiong, has reviewed the financial statements of the Group for the year ended 31 December 2016 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 year ended 31 December 2016.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 26 May 2017. Notice of the AGM (the "**Notice**") will be sent to the Shareholders in due course. The poll results of the AGM will be published on the above-mentioned websites shortly after the AGM.

All Shareholders are encouraged to attend the AGM and exercise their right to vote. Shareholders are invited to ask questions related to the business of the meeting.

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, 24 March 2017

As at the date of this announcement, the executive Directors are Mr. DONG Li and Ms. ZHAO Huan, the non-executive Director is Mr. Philip Armstrong NOZNESKY and the independent non-executive Directors are Mr. LIU Yangsheng, Mr. CAO Yixiong Alan, Mr. LAU Chi Kit and Dr. GONG Fangxiong.