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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 842)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Revenue increased by 1.2% to RMB1,566.8 million.
- Gross profit decreased by 15.4% to RMB305.7 million.
- Profit attributable to owners of the Company decreased by 60.7% to RMB71.7 million.
- Basic earnings per share was RMB0.05.
- Interim dividend is 1.43 HK cents per share.
- A special dividend of 3.57 HK cents per share was recommended by the Board and is subject to the approval of the shareholders at the extraordinary general meeting of the Company.

INTERIM RESULTS

The Board of Directors (the "Board") of Leoch International Technology Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2012 with comparative figures for the corresponding period in the year 2011. The unaudited consolidated interim results have been reviewed by the auditors of the Company, Ernst & Young, and the audit committee of the Company (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**1,566,827**	1,547,642
Cost of sales		**(1,261,165)**	(1,186,467)
Gross profit		**305,662**	361,175
Other income and gains	*4*	**19,223**	27,071
Selling and distribution costs		**(66,817)**	(42,578)
Administrative expenses		**(107,527)**	(79,312)
Other expenses		**(54,322)**	(33,002)
Finance costs	*5*	**(20,221)**	(19,523)
Share of profit of an associate		**72**	59
PROFIT BEFORE TAX	*6*	**76,070**	213,890
Income tax expense	*7*	**(4,417)**	(31,406)
PROFIT FOR THE PERIOD		**71,653**	182,484
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**1,568**	(1,914)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**73,221**	180,570
Profit attributable to:			
Owners of the Company		**71,653**	182,484
		71,653	182,484
Total comprehensive income attributable to:			
Owners of the Company		**73,221**	180,570
		73,221	180,570
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB0.05**	RMB0.14
Diluted	*9*	**RMB0.05**	RMB0.13

Details of the dividends proposed for the period are disclosed in Note 8 below.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012 (Unaudited) *RMB'000***	31 December 2011 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,431,081**	1,229,681
Prepaid land lease payments		**74,493**	75,069
Interest in associates		**5,814**	5,442
Financial asset at fair value through profit or loss		**4,048**	–
Intangible assets		**42,485**	29,131
Non-current portion of trade receivables	*12*	**38,542**	14,115
Deposits paid for purchase of items of property, plant and equipment		**57,759**	90,787
Deferred tax assets		**30,295**	8,615
Time deposits	*13*	**–**	28,500
Long term portion of pledged deposits	*13*	**22,850**	365,650
Total non-current assets		**1,707,367**	1,846,990
CURRENT ASSETS			
Inventories	*11*	**1,105,622**	990,962
Trade and bills receivables	*12*	**982,351**	804,119
Prepayments, deposits and other receivables		**139,578**	159,434
Tax recoverable		**89,745**	87,422
Amounts due from related companies		**16,338**	13,150
Equity investments at fair value through profit or loss		**1,270**	1,262
Pledged deposits	*13*	**842,185**	274,841
Cash and cash equivalents	*13*	**77,860**	73,371
Total current assets		**3,254,949**	2,404,561
CURRENT LIABILITIES			
Trade and bills payables	*14*	**986,937**	547,859
Other payables and accruals		**306,378**	246,644
Interest-bearing bank borrowings	*15*	**1,176,401**	740,935
Amounts due to related companies		**3,195**	5,933
Income tax payable		**55,544**	45,066
Total current liabilities		**2,528,455**	1,586,437
NET CURRENT ASSETS		**726,494**	818,124
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,433,861**	2,665,114

	Notes	**30 June 2012 (Unaudited)** ***RMB'000***	31 December 2011 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*15*	**30,447**	330,691
Deferred tax liabilities		**8,676**	4,209
Total non-current liabilities		**39,123**	334,900
Net assets		**2,394,738**	2,330,214
EQUITY			
Issued capital		**114,377**	114,267
Reserves		**2,280,361**	2,152,947
Total equity		**2,394,738**	2,330,214

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 27 April 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 November 2010 (the "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. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

3. SEGMENT INFORMATION

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

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

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China	**668,455**	719,505
European Union	**349,463**	292,827
United States of America	**253,396**	214,801
Other Asian countries/areas	**214,025**	258,987
Other countries	**81,488**	61,522
	1,566,827	1,547,642

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 the 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:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,566,827**	1,547,642
Other income and gains		
Rental income	**84**	18
Bank interest income	**10,409**	7,340
Government grants*	**5,378**	15,853
Sale of scrap materials	**1,393**	1,338
Fair value gains from equity investments carried at fair value through profit or loss	**–**	81
Others	**1,959**	2,441
	19,223	27,071

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

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank borrowings	**33,163**	17,575
Interest arising from discounted bills	**4,928**	1,948
	38,091	19,523
Less: Interest capitalised	**(17,870)**	–
	20,221	19,523

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**1,125,696**	1,186,467
Employee benefit expense	**214,842**	178,600
Research and development costs	**47,160**	36,379
Depreciation of property, plant and equipment	**45,599**	27,534
Impairment/(reversal of impairment) of trade receivables	**2,827**	(3,727)

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/(credit) for the periods are as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax — PRC	**14,628**	31,437
Current tax — Hong Kong	**2,510**	2,073
Current tax — Singapore	**4,377**	–
Current tax — US	**115**	–
Deferred income tax	**(17,213)**	(2,104)
Total tax charge for the period	**4,417**	31,406

8. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Proposed interim dividend (not recognised as a liability as at 30 June) – HK$1.43 cents (2011: HK$3.3 cents) per share	**15,598**	36,555
Proposed special dividend (not recognised as a liability as at 30 June) – HK$3.57 cents (2011: nil) per share	**38,941**	–
	54,539	36,555

The Board has declared an interim dividend of 1.43 HK cents per share for the six months ended 30 June 2012 and recommended a special dividend of 3.57 HK cents per share. The special dividend is subject to the approval of the shareholders at the extraordinary general meeting of the Company (the "EGM"). Both the interim dividend and special dividend (if approved by shareholders at the EGM) will be paid on or around 18 December 2012 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 1 November 2012.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 June 2012 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,334,402,118 (six months ended 30 June 2011: 1,333,334,000) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the six months ended 30 June 2012 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share	**71,653**	182,484

	Six months ended 30 June	
	2012	2011
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,334,402,118**	1,333,334,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	**15,184,331**	25,989,915
	1,349,586,449	1,359,323,915

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Carrying amount at 1 January	**1,229,681**	520,929
Additions	**248,724**	777,645
Disposals	**(1,750)**	(6,244)
Exchange realignment	**25**	(762)
Depreciation charge for the period/year	**(45,599)**	(61,887)
Carrying amount at 30 June/31 December	**1,431,081**	1,229,681

At 30 June 2012, certain of the Group's buildings and machinery with a net carrying amount of approximately RMB260.7 million (31 December 2011: RMB292.8 million) were pledged to secure general banking facilities granted to the Group.

As at the date of this announcement, the Group has not obtained certificates of real estate ownership from the relevant PRC government authorities for certain buildings with a carrying amount of RMB12.9 million at 30 June 2012 (31 December 2011: RMB22.2 million). The Group is in the process of obtaining these certificates. Until obtaining the certificates, the Group has no right to assign or pledge these buildings.

11. INVENTORIES

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Raw materials	**157,071**	129,895
Work in progress	**741,511**	633,800
Finished goods	**207,040**	227,267
	1,105,622	990,962

12. TRADE AND BILLS RECEIVABLES

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Trade receivables	**1,029,624**	789,445
Bills receivables	**1,876**	36,569
Less: Impairment provision	**(10,607)**	(7,780)
	1,020,893	818,234
Less: Non-current portion	**(38,542)**	(14,115)
	982,351	804,119

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

An aged analysis of the trade and bills receivables as at 30 June 2012 and 31 December 2011 based on the invoice date, net of provisions, is as follows:

Outstanding balances with ages:

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Within 90 days	**758,937**	625,468
91 to 180 days	**99,739**	147,822
181 to 365 days	**146,383**	29,441
1 to 2 years	**14,321**	11,148
Over 2 years	**1,513**	4,355
	1,020,893	818,234

The carrying amounts of the trade and bills receivables pledged as security for interest-bearing bank loans granted to the Group amounted to RMB77.5 million as at 30 June 2012 (31 December 2011: RMB75.6 million).

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Cash and bank balances	**346,737**	120,185
Time deposits	**596,158**	622,177
	942,895	742,362
Less: Pledged for interest-bearing bank borrowings-current portion	**(640,598)**	(591,377)
Pledged for bills payable	**(146,321)**	(16,608)
Pledged for letters of credit	**(78,116)**	(32,506)
Time deposits with terms over 3 months	**–**	(28,500)
Cash and cash equivalents	**77,860**	73,371
Denominated in RMB	**927,956**	726,065
Denominated in US$	**13,765**	10,833
Denominated in HK$	**1,017**	1,778
Denominated in EUR	**–**	3,104
Denominated in SG$	**157**	582
	942,895	742,362

14. TRADE AND BILLS PAYABLES

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Trade payables	**257,417**	216,174
Bills payables	**729,520**	331,685
	986,937	547,859

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

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Within 90 days	**261,086**	329,703
91 to 180 days	**690,879**	195,765
181 to 360 days	**26,274**	14,247
1 to 2 years	**2,409**	1,893
2 to 3 years	**601**	955
Over 3 years	**5,688**	5,296
	986,937	547,859

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payables bear maturity dates within 180 days.

15. INTEREST-BEARING BANK BORROWINGS

	Maturity	30 June 2012 (Unaudited) *RMB'000*	Maturity	31 December 2011 (Audited) *RMB'000*
Current				
Interest-bearing bank borrowings, secured	2012-2013	**1,106,105**	2012	689,932
Collateralised bank advances, secured	2012-2013	**70,296**	2012	51,003
		1,176,401		740,935
Non-current				
Interest-bearing bank borrowings, secured	2013-2017	**30,447**	2013	330,691
Total		**1,206,848**		1,071,626
Dominated in RMB		**575,704**		512,878
Dominated in US$		**429,340**		371,498
Dominated in HK$		**200,241**		187,250
Dominated in SG$		**1,563**		–
Total		**1,206,848**		1,071,626
Interest rates		**1.00%-7.84%**		1.00%-7.90%

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

(i) a charge over certain property, plant and equipment of the Group with a net carrying amount of approximately RMB260.7 million (31 December 2011: RMB292.8 million) as at the end of the reporting period.

(ii) a charge over certain leasehold lands of the Group with a net carrying amount of approximately RMB24.6 million (31 December 2011: RMB10.7 million) as at the end of the reporting period.

(iii) pledged deposits of the Group with carrying amount of approximately RMB640.6 million (31 December 2011: RMB591.4 million) as at the end of the reporting period.

(iv) trade receivable of the Group with carrying amount of approximately RMB77.5 million (31 December 2011: RMB75.6 million) as at the end of the reporting period.

(v) cross guarantees executed by companies within the Group.

16. SHARE OPTION SCHEME

For the six months period from 1 January 2012 to 30 June 2012, no share option has been granted or agreed to be granted to any person.

17. 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 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 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Within one year	**61**	61
In the second to fifth years, inclusive	**101**	146
After five years	**68**	58
	230	265

(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 three to five years, and those for office equipment are for terms ranging between two and five years.

As at 30 June 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Within one year	**3,176**	5,913
In the second to fifth years, inclusive	**634**	1,086
	3,810	6,999

18. COMMITMENTS

In addition to the operating lease commitments as set out in note 17(b) above, the Group had the following capital commitments:

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Contracted, but not provided for:		
Land and buildings	**51,374**	74,582
Plants and machinery	**77,165**	70,678
Capital contribution payable to:		
Investment a subsidiary	**47,525**	–
Investment in associates	**16,550**	17,712
	192,614	162,972

19. EVENTS AFTER THE REPORTING PERIOD

The Company's wholly-owned subsidiary, Zhaoqing Leoch Battery Technology Co., Ltd. ("Zhaoqing Leoch") suspended its production operations in accordance with requests of the local environmental protection bureaus to conduct self-examination and enhancement of their production plants. Zhaoqing Leoch is in the process of self-examination and enhancement up to the date of these interim condensed financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading lead-acid battery enterprise in the PRC, primarily engaging in the manufacturing, development and sales of lead-acid batteries. The Group sells over 2,000 models of lead-acid battery products, ranging in capacity from 0.251 Ah to 4,055 Ah. Among the PRC battery manufacturers, the Group offers one of the broadest lines of lead-acid batteries. In 2012, the worldwide economies continued to feel the pinch of the European debt crisis and also the slowdown in China, and the equipment procurement market and consumer market around the world have been affected in varying degrees. Although the overall demand for lead-acid batteries, one of indispensable components of various equipment, maintained growth momentum, the conditions of market segments are distinct from one another.

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 six months ended 30 June 2012 (the "Period") amounted to RMB1,140.9 million, representing a decrease of 11.7%. 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 the shrinking battery orders from UPS manufacturer customers in domestic and Indian markets at the wake of the economic slowdown in China and India, which offset the sales growth of UPS batteries in other regions. The Group's decreased sales in telecommunications segment was mainly because that the Group reduced the acceptance of low-price orders from telecom operators which led to overall sales decline. The segment of other consumer products, one of the most competitive products of the Group, experienced growth in its sales during the Period. Such consumer products were largely for export rather than domestic sales, thus, the impact of decreased sales in China was insignificant. 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 RMB368.5 million, representing a substantial growth of 107.6%. During the Period, the Group intensified its investment in this segment. In particular, the production lines of SLI batteries for automobiles and motorcycles that are funded by proceeds from the listing entered into initial pilot run, leading to a substantially-enhanced production capacity. It is expected that the production capacity will be boosted further after the production lines commence full pilot run in the coming months. The Group will strive to become a major supplier of SLI batteries for automobiles and motorcycles of the PRC.

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 RMB52.3 million, representing a decrease of 17.5%. In view of the fierce competition in motive power battery industry, the Group weakened its investment in the related segment, resulting in decreased sales in motive power batteries during the Period.

Sales network

The Group has established an extensive sales network covering over 100 countries and regions across the world to distribute its batteries. Specifically, the Group has set up 34 sales centres nationwide and the Group's regional sales headquarters and operation centres are located in Shenzhen, Zhaoqing, Nanjing, Beijing, the United States, the European Union, Hong Kong and Singapore. Currently, the Group has over 500 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 249 patents and other 350 proprietary technologies are in patent applications.

The Group has grasped and applied most of lead-acid battery technologies in the world, including technologies used in the first generation AGM battery, the second generation GEL battery, the third generation pure lead battery, and the fourth generation Stop-Start battery. 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 base

During the Period, the Group operated eight production bases, including five wholly-owned production bases in the PRC, a wholly-owned production base in Sri Lanka and two joint venture production and operation bases in Malaysia. The total land area of production bases is approximately 910,000 sq.m. Currently, the infrastructure in most production bases has been completed with production equipment being installed. The Group is now commissioning the equipment in full swing and entering trial production. The Group's production capacity has increased to 11.0 million KVAh from 5.1 million KVAh at the date of Listing. 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 declining during the year. Domestic average lead price decreased from RMB16,933 per ton in the first half of 2011 to RMB15,512 per ton in 2012, representing a decrease of approximately 8.4%. To cope with potential risks of fluctuations in lead price, the Group adopts a price linkage mechanism, linking the raw materials price fluctuations with the product pricing to hedge relevant risks. The Group's centralised procurement of raw materials also 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 companies account for only 3.5% of the comprehensive production capacity, and Dongguan Leoch Battery Technology Co., Ltd. has resumed production since 18 January 2012.

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 competent local authorities to cooperate with the local government for a special environment protection campaign, and will report to related authorities for inspection once it completes the self-examination and rectification so as to resume production as soon as possible. Zhaoqing Leoch Battery Technology Co., Ltd. engages in the production of lead-acid batteries with the focus on reserve power battery products. Its production capacity accounts for approximately 20% of the comprehensive production capacity of the Group in 2012.

Future prospects

Batteries are one of the necessities in modern society. Batteries are indispensable for power supply of UPS in 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. Hence, the Group considers that the long-term growth in battery demand is a trend beyond dispute. And the lead-acid battery market will enjoy continuous growths as driven by domestic industry upgrading and industry shift from overseas, urbanization and rising national income in China, consolidation of domestic battery industry and more extensive application of renewable energy supported by governments worldwide. The Group anticipates that lead-acid batteries will sustain the growth 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:

As the PRC amid the urbanization and industry upgrading process, consumer and high-tech industries are taking over low-end industries, leading to escalating demand for various equipment, the manufacturers of which are the Group's major customers and future service targets for battery replacements. The Group believes that reserve power batteries, albeit affected by the short-term economic slowdown, will maintain the growth momentum in all of four major application segments namely UPS, telecommunication, other consumer products and renewable energy in the long term. However, affected by economic cycles and capital expense of enterprises, equipment procurement will present a gloomy picture. Thus, it is expected that the reserve power battery market will bear the brunt of inadequate capital expenses as a result of economic adjustments worldwide and dwindling profits of enterprises. Nevertheless, the Group will exert all its efforts to expand the market share, securing 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 step up, driving up the domestic transportation demand. In 2010, China ranked first in vehicle production and sales in the world. A consensus is therefore achieved in the market that the momentum of vehicle production and sales in China will continue from 2012 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, the Group has already invested heavily in SLI batteries and considers the fierce market competitions caused by crowded manufacturers of motive power batteries are not benign. Therefore, the Group will concentrate resources on the in-depth development of SLI battery market in the near future and will explore motive power battery market after further consolidation of the SLI battery market share. Nevertheless, the Group will maintain its current market share in motive power battery market.

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group's revenue amounted to RMB1,566.8 million, representing an increase of 1.2% compared to that for the six months ended 30 June 2011. The profit attributable to owners of the Company amounted to RMB71.7 million, representing a decrease of 60.7% compared to that for six months ended 30 June 2011. Earning per share for the six months ended 30 June 2012 was RMB0.05.

Revenue

The Group's revenue increased by 1.2% from RMB1,547.6 million for the six months ended 30 June 2011 to RMB1,566.8 million for the six months ended 30 June 2012.

The revenue of reserve power batteries decreased by 11.7% from RMB1,292.1 million for the six months ended 30 June 2011 to RMB1,140.9 million for the six months ended 30 June 2012. The revenue of SLI batteries during the period increased by 107.6% from RMB177.5 million for the six months ended 30 June 2011 to RMB368.5 million for the six months ended 30 June 2012. The revenue of motive power batteries decreased by 17.5% from RMB63.5 million for the six months ended 30 June 2011 to RMB52.3 million for the six months ended 30 June 2012. Details of the Group's revenue for the six months ended 30 June 2011 and 2012 by category of batteries are set out below:

	Six months ended 30 June				
	2012			2011	
Product category	**Revenue** *RMB'000*	*Share*	**Percentage increase/ (decrease)**	Revenue *RMB'000*	*Share*
Reserve power batteries	**1,140,850**	**72.8%**	**(11.7%)**	1,292,091	83.5%
SLI batteries	**368,488**	**23.5%**	**107.6%**	177,528	11.5%
Motive power batteries	**52,329**	**3.3%**	**(17.5%)**	63,453	4.1%
Other	**5,160**	**0.4%**	**(64.6%)**	14,570	0.9%
Total	**1,566,827**	**100%**	**1.2%**	1,547,642	100%

Geographically, the Group's customers are principally located in China, the United States, Europe and other Asian countries/areas. The Group recorded growth in its sales in the United States and Europe while there was reduction in sales in China and other Asian countries/areas in particular India. The Group's sales revenue in China decreased by 7.1% from RMB719.5 million for the six months ended 30 June 2011 to RMB668.5 million for the six months ended 30 June 2012, representing 42.6% of the Group's total revenue (for the six months ended 30 June 2011: 46.5%). The decrease was principally due to the slowdown of economic activities in the PRC leading to the reduction in orders from customers. The Group's sales revenue in the United States and Europe increased by 18.0% and 19.3% from RMB214.8 million and RMB292.8 million for the six months ended 30 June 2011 to

RMB253.4 million and RMB349.5 million for the six months ended 30 June 2012, respectively. The increase was principally due to the shifting of orders of these overseas customers to battery enterprises in China including the Group as a result of the reduction of production capacity in the United States and Europe. The Group's sales revenue in the other Asian countries/areas decreased by 17.4% from RMB259.0 million for the six months ended 30 June 2011 to RMB214.0 million for the six months ended 30 June 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 following table sets forth details of the Group's revenue during the six months ended 30 June 2011 and 2012 based on the geographic locations:

	Six months ended 30 June				
	2012			2011	
			Percentage increase/ (decrease)		
	RMB'000	***Share***		*RMB'000*	*Share*
China	**668,455**	**42.6%**	**(7.1%)**	719,505	46.5%
Europe	**349,463**	**22.3%**	**19.3%**	292,827	18.9%
United States	**253,396**	**16.2%**	**18.0%**	214,801	13.9%
Other Asian countries/areas	**214,025**	**13.7%**	**(17.4%)**	258,987	16.7%
Other countries	**81,488**	**5.2%**	**32.5%**	61,522	4.0%
Total	**1,566,827**	**100%**	**1.2%**	1,547,642	100%

Cost of Sales

The Group's cost of sales increased by 6.3% from RMB1,186.5 million for the six months ended 30 June 2011 to RMB1,261.2 million for the six months ended 30 June 2012, mainly due to the new installation of production capacity in run-in period resulting in corresponding increase in cost of sales greater than sales growth.

Gross Profit

The Group's gross profit decreased by 15.4% from RMB361.2 million for the six months ended 30 June 2011 to RMB305.7 million for the six months ended 30 June 2012, mainly because that the increase in depreciation and staff costs was greater than the increase in sales during the period. The overall gross profit margin decreased from 23.3% for the six months ended 30 June 2011 to 19.5% for the six months ended 30 June 2012.

Other Income and Gains

Other income and gains decreased by 29.0% from RMB27.1 million for the six months ended 30 June 2011 to RMB19.2 million for the six months ended 30 June 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 56.9% from RMB42.6 million for the six months ended 30 June 2011 to RMB66.8 million for the six months ended 30 June 2012, primarily due to the expansion in sales network as the Group further penetrates into the SLI battery sector.

Administrative Expenses

The Group's administrative expenses increased by 35.6% from RMB79.3 million for the six months ended 30 June 2011 to RMB107.5 million for the six months ended 30 June 2012, mainly due to increased expenses due to increased administrative staff in order to strengthen management for requirements of continuous expansion during the period.

Other Operating Expenses

The Group's other operating expenses increased by 64.6% from RMB33.0 million for the six months ended 30 June 2011 to RMB54.3 million for the six months ended 30 June 2012, mainly due to increase in expenses in research and development.

Finance Expenses

The Group's finance expenses increased by 3.6% from RMB19.5 million for the six months ended 30 June 2011 to RMB20.2 million for the six months ended 30 June 2012, mainly due to the increase of interest rate throughout the period.

Profit before Income Tax

As a result of the foregoing factors, the Group recorded profit before income tax of RMB76.1 million for the six months ended 30 June 2012 compared to RMB213.9 million for the six months ended 30 June 2011, representing a decrease of 64.4%.

Income Tax Expense

Income tax expense decreased by 85.9% from RMB31.4 million for the six months ended 30 June 2011 to RMB4.4 million for the six months ended 30 June 2012, mainly because that some profit-making subsidiaries were entitled to preferential tax rates, while some loss-making subsidiaries enjoyed lowered effective tax rates via provision for deferred income tax assets.

Profit for the Period

As a result of the foregoing factors, the Group's profit for the period decreased by 60.7% from RMB182.5 million for the six months ended 30 June 2011 to RMB71.7 million for the six months ended 30 June 2012.

Liquidity and Financial Resources

As at 30 June 2012, the Group's net current assets amounted to RMB726.5 million (31 December 2011: RMB818.1 million), among which cash and bank deposit amounted of RMB920.0 million (31 December 2011: RMB348.2 million).

As at 30 June 2012, the Group had bank borrowings of RMB1,206.8 million (31 December 2011: RMB1,071.6 million), all of which are interest-bearing. Except for borrowings of RMB11.0 million which has a maturity of five years, all of the Group's bank borrowings are repayable within two years. The Group's borrowings are denominated in RMB, US dollars, HK dollars and Singapore dollars, and the effective interest rates of which as of 30 June 2012 were 1.00% to 7.84% (31 December 2011: 1.00% to 7.90%).

Most of the Group's bank borrowings are secured by pledges of certain assets of the Group including property, plant and equipment, leasehold lands, deposits and trade and bills receivables.

As at 30 June 2012, the Group's gearing ratio was 24.3% (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%.

Risks of Exchange Rate Fluctuation

The Group adopts price linkage mechanism in its product sales which enables the Group to pass on the risks of exchange rate fluctuation of its sales to customers. But the Group's receivables in foreign currencies may be subject to potential risks of exchange rate fluctuation during account periods. However, appreciation of RMB will be in a slow progress based on public information of the PRC government, therefore the Board does not consider the Group faces material exchange rate risks.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2012 (31 December 2011: nil).

Pledge of Assets

Please refer to Note 15 to interim condensed consolidated financial statements for details.

Capital Commitments

Please refer to Note 18 to interim condensed consolidated financial statements for details.

EMPLOYEES

As at 30 June 2012, the Group had 11,867 employees. Employee benefit expense (including directors' remuneration), which comprise wages and salaries, performance related bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totalled RMB214.8 million for the six months ended 30 June 2012 (the six months ended 30 June 2011: RMB178.6 million).

The Group did not experience any significant labour disputes or substantial changes in the number of employees that lead to any disruption of its normal business operations.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has declared an interim dividend of 1.43 HK cents per share and recommended a special dividend of 3.57 HK cents per share. The special dividend is subject to the approval of the shareholders at the extraordinary general meeting of the Company (the "EGM"). Both the interim dividend and special dividend (if approved by the shareholders at the EGM) will be payable on or around 18 December 2012 to shareholders whose names appear on the Register of Members of the Company at the close of business on Thursday, 1 November 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 29 October 2012 to Thursday, 1 November 2012, both days inclusive, for the purpose of determining the shareholders' entitlements to the interim dividend and special dividend during which period no transfer of shares in the Company can be registered. In order to qualify for the interim dividend and special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 26 October 2012.

The Company will despatch to the shareholders a circular containing further details of the EGM together with the notice of the EGM and related proxy form as soon as practicable.

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") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by directors. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended 30 June 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, 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 six months ended 30 June 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, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 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.hkex.com.hk) and the Company (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, 29 August, 2012

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.