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 2013

FINANCIAL HIGHLIGHTS

- Revenue increased by 8.9% to RMB1,706.3 million.
- Gross profit decreased by 8.5% to RMB279.8 million.
- Loss attributable to owners of the Company was RMB234.4 million as compared to profit attributable to owners of the Company of RMB71.7 million for the corresponding period in 2012.
- Basic loss per share was RMB0.18.

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 2013 with comparative figures for the corresponding period in the year 2012. 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 2013

	Notes	Six months ended 30 June 2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
REVENUE	4	**1,706,282**	1,566,827
Cost of sales		**(1,426,482)**	(1,261,165)
Gross profit		**279,800**	305,662
Other income and gains	4	**22,584**	19,223
Selling and distribution costs		**(83,886)**	(66,817)
Administrative expenses		**(104,825)**	(107,527)
R&D expenses		**(52,707)**	(47,160)
Impairment losses recognized for long term suspension of Zhaoqing Leoch Battery Technology Co., Ltd. ("Zhaoqing Leoch")		**(207,940)**	–
Other expenses		**(2,977)**	(7,162)
Finance costs	5	**(42,803)**	(20,221)
Share of profit of an associate		**152**	72
(LOSS) PROFIT BEFORE TAX	6	**(192,602)**	76,070
Income tax expense	7	**(41,846)**	(4,417)
(LOSS) PROFIT FOR THE PERIOD		**(234,448)**	71,653
OTHER COMPREHENSIVE (LOSS) INCOME			
Exchange differences on translation of foreign operations		**(4,767)**	1,568
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(239,215)**	73,221
(Loss) Profit attributable to:			
Owners of the Company		**(234,448)**	71,653
		(234,448)	71,653
Total comprehensive (loss) income attributable to:			
Owners of the Company		**(239,215)**	73,221
		(239,215)	73,221
(LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	**RMB(0.18)**	RMB0.05
Diluted	9	**RMB(0.18)**	RMB0.05

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 (Unaudited) RMB'000	31 December 2012 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**1,877,594**	1,817,342
Prepaid land lease payments		**72,547**	73,390
Investments in associates		**17,592**	12,224
Financial assets at fair value through profit or loss		**3,906**	5,215
Intangible assets		**57,422**	60,981
Non-current portion of trade receivables	*12*	**11,030**	18,178
Deposits paid for purchase of items of property, plant and equipment		**17,064**	14,737
Deferred tax assets		**24,854**	48,068
Non-current portion of pledged deposits	*13*	**166,138**	165,500
Total non-current assets		**2,248,147**	2,215,635
CURRENT ASSETS			
Inventories	*11*	**867,240**	847,094
Trade and bills receivables	*12*	**1,023,726**	939,747
Prepayments, deposits and other receivables		**93,126**	130,528
Tax recoverable		**128,162**	108,084
Amounts due from related companies		**11,026**	7,362
Financial assets at fair value through profit or loss		**12,740**	–
Equity investments at fair value through profit or loss		**780**	935
Pledged deposits	*13*	**658,335**	765,423
Cash and cash equivalents	*13*	**80,394**	82,893
Total current assets		**2,875,529**	2,882,066
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,201,503**	1,006,935
Other payables and accruals		**289,420**	270,800
Interest-bearing bank borrowings	*15*	**1,202,765**	1,208,115
Financial liabilities at fair value through profit or loss		**17,973**	–
Amounts due to related companies		**14,586**	13,431
Income tax payable		**69,491**	58,767
Total current liabilities		**2,795,738**	2,558,048
NET CURRENT ASSETS		**79,791**	324,018
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,327,938**	2,539,653

	Notes	**30 June 2013 (Unaudited)** ***RMB'000***	31 December 2012 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*15*	**205,792**	186,433
Deferred tax liabilities		**10,937**	8,939
Total non-current liabilities		**216,729**	195,372
Net assets		**2,111,209**	2,344,281
EQUITY			
Issued capital		**114,525**	114,455
Reserves		**1,996,684**	2,229,826
Total equity		**2,111,209**	2,344,281

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 2013 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 2012.

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***

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China	**779,027**	668,455
European Union	**322,107**	349,463
United States of America	**193,897**	253,396
Other Asian countries/areas	**310,746**	214,025
Other countries	**100,505**	81,488
	1,706,282	1,566,827

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

(b) Non-current assets

The following table presents the geographical information of non-current assets of the Group.

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Mainland China	**1,913,575**	1,904,996
Other Asian countries/areas	**111,052**	61,454
	2,024,627	1,966,450

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	
	2013 (Unaudited) *RMB'000*	2012 (Unaudited) *RMB'000*
Revenue		
Sale of goods	**1,706,282**	1,566,827
Other income and gains		
Rental income	**77**	84
Bank interest income	**11,585**	10,409
Government grants*	**8,751**	5,378
Others	**2,171**	3,352
	22,584	19,223

* 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	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank borrowings	**39,061**	33,163
Interest arising from discounted bills	**18,335**	4,928
	57,396	38,091
Less: Interest capitalised	**(14,593)**	(17,870)
	42,803	20,221

6. (LOSS) PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**1,203,371**	1,125,696
Employee benefit expenses	**259,737**	214, 842
R&D expenses	**52,707**	47,160
Fair value losses from financial assets/liabilities and equity investments carried at fair value through profit or loss	**559**	–
Depreciation of property, plant and equipment	**61,585**	45,599
(Reversal of impairment)/impairment of trade receivables	**(1,710)**	2,827
Impairment losses recognized for long term suspension of Zhaoqing Leoch*	**207,940**	–
Other impairment of inventories	**703**	–
Other impairment of property, plant and equipment	**1,862**	–

* The Company's wholly-owned subsidiary, 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 still in the process of self-examination and enhancement up to the date of these announcement of interim results. Considering the effect of this suspension with the period over one year, the management performed impairment tests on property, plant and equipment and inventories of Zhaoqing Leoch as of 30 June 2013, and accordingly recognized impairment losses amounting to RMB130.4 million and RMB77.5 million, respectively.

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. The major components of income tax charge for the periods are as follows:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current — PRC	**10,609**	14,628
Current — Hong Kong	**3,545**	2,510
Current — Singapore	**1,696**	4,377
Current — US	**784**	115
Deferred tax	**25,212**	(17,213)
Total tax charge for the period	**41,846**	4,417

Including deferred tax expense of RMB29.4 million arising from the write-down of the deferred tax assets of Zhaoqing Leoch, based on the assessment of management at 30 June 2013 that it is not certain that sufficient taxable profit of Zhaoqing Leoch will be available to allow the benefit of that deferred tax assets to be utilised.

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Proposed interim dividend: nil (2012 : HK$1.43 cents) per share	–	15,598
Proposed special dividend: nil (2012 : HK$3.57 cents) per share	–	38,941
	–	54,539

No dividend was proposed or paid during the six months ended 30 June 2013.

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

The calculation of basic (loss) earnings per share amounts is based on the (loss) profit for the six months ended 30 June 2013 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,338,446,141 (six months ended 30 June 2012: 1,334,402,118) in issue during the period.

The calculation of diluted (loss) earnings per share amounts is based on the (loss) profit for the six months ended 30 June 2013 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 (loss) earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(Loss) Earnings		
(Loss) Profit attributable to ordinary equity holders of the Company, used in the basic and diluted (loss) earnings per share	**(234,448)**	71,653

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss) earnings per share calculation	**1,338,446,141**	1,334,402,118
Effect of dilution — weighted average number of ordinary shares:		
Share options	**–**	15,184,331
	1,338,446,141	1,349,586,449

10. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2013	Year ended 31 December 2012
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Carrying amount at 1 January	**1,817,342**	1,229,681
Additions	**256,699**	689,152
Disposals	**(2,317)**	(3,531)
Exchange realignment	**(274)**	(1)
Impairment	**(132,271)**	–
Depreciation charge for the period/year	**(61,585)**	(97,959)
Carrying amount at 30 June/31 December	**1,877,594**	(1,817,342)

At 30 June 2013, certain of the Group's buildings and machinery with a net carrying amount of approximately RMB566.3 million (31 December 2012: RMB488.0 million) were pledged to secure general banking facilities granted to the Group.

11. INVENTORIES

	30 June 2013 (Unaudited) ***RMB'000***	31 December 2012 (Audited) *RMB'000*
Raw materials	**150,639**	156,936
Work in progress	**274,195**	376,634
Finished goods	**442,406**	313,524
	867,240	847,094

During the six months ended 30 June 2013, the Group wrote down RMB78.2 million of inventories to net realizable values (six months ended 30 June 2012: nil).

12. TRADE AND BILLS RECEIVABLES

	30 June 2013 (Unaudited) ***RMB'000***	31 December 2012 (Audited) *RMB'000*
Trade receivables	**1,036,096**	933,809
Bills receivable	**12,457**	39,623
Less: Impairment provision	**(13,797)**	(15,507)
	1,034,756	957,925
Less: Non-current portion	**(11,030)**	(18,178)
	1,023,726	939,747

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 2013 and 31 December 2012 based on the invoice date, net of provisions, is as follows:

Outstanding balances with ages:

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Within 90 days	**792,392**	703,044
91 to 180 days	**120,605**	191,659
181 to 365 days	**100,487**	23,251
1 to 2 years	**18,059**	35,699
Over 2 years	**3,213**	4,272
	1,034,756	957,925

The carrying amounts of the trade and bills receivables pledged as security for interest-bearing bank loans granted to the Group amounted to RMB64.0 million as at 30 June 2013 (31 December 2012: RMB67.2 million).

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Cash and bank balances	**80,394**	52,893
Time deposits	**824,473**	960,923
	904,867	1,013,816
Less: Pledged for interest-bearing bank borrowings	**(456,685)**	(620,130)
Pledged for bills payable	**(304,899)**	(278,380)
Pledged for letters of credit	**(62,889)**	(32,413)
Cash and cash equivalents	**80,394**	82,893
Denominated in RMB	**893,479**	977,901
Denominated in US$	**9,198**	12,106
Denominated in HK$	**1,032**	21,226
Denominated in other currencies	**1,158**	2,583
	904,867	1,013,816

14. TRADE AND BILLS PAYABLES

	30 June 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Trade payables	**279,904**	269,799
Bills payable	**921,599**	737,136
	1,201,503	1,006,935

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 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Within 90 days	**709,240**	300,133
91 to 180 days	**457,128**	673,507
181 to 365 days	**16,763**	14,686
1 to 2 years	**12,744**	11,753
2 to 3 years	**238**	795
Over 3 years	**5,390**	6,061
	1,201,503	1,006,935

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

15. INTEREST-BEARING BANK BORROWINGS

	Maturity	**30 June 2013 (Unaudited)** ***RMB'000***	Maturity	31 December 2012 (Audited) *RMB'000*
Current				
Interest-bearing bank borrowings, secured	2014	**1,104,762**	2013	1,155,981
Interest-bearing bank borrowings, unsecured	2014	**50,000**		–
Collateralised bank advances, secured	2014	**48,003**	2013	52,134
		1,202,765		1,208,115
Non-current				
Interest-bearing bank borrowings, secured	2014-2028	**205,792**	2014-2020	186,433
Total		**1,408,557**		1,394,548
Denominated in RMB		**753,490**		683,695
Denominated in US$		**369,585**		309,592
Denominated in HK$		**260,322**		379,147
Denominated in other currencies		**25,160**		22,114
Total		**1,408,557**		1,394,548
Interest rates per annum		**1.00%-7.54%**		1.00%-7.84%

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 RMB566.3 million (31 December 2012: RMB488.0 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 RMB40.3 million (31 December 2012: RMB34.4 million) as at the end of the reporting period.

(iii) pledged deposits of the Group with carrying amount of approximately RMB456.7 million (31 December 2012: RMB620.1 million) as at the end of the reporting period.

(iv) trade receivables of the Group with carrying amount of approximately RMB64.0 million (31 December 2012: RMB67.2 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 2013 to 30 June 2013, 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 three 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 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2013 (Unaudited) ***RMB'000***	31 December 2012 (Audited) *RMB'000*
Within one year	**73**	81
In the second to fifth years, inclusive	**116**	155
After five years	**28**	20
	217	256

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twenty years.

As at 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) ***RMB'000***	31 December 2012 (Audited) *RMB'000*
Within one year	**3,446**	4,707
In the second to fifth years, inclusive	**10,488**	10,790
After five years	**17,986**	19,122
	31,920	34,619

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 2013 (Unaudited) *RMB'000*	31 December 2012 (Audited) *RMB'000*
Contracted, but not provided for:		
Land and buildings	**18,383**	36,623
Plant and machinery	**25,515**	96,037
Capital contribution payable for:		
Investments in associates	**5,414**	11,100
	49,312	143,760

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is primarily engaged in sale, development and manufacturing of lead-acid batteries. Among the PRC battery manufacturers, the Group offers one of the broadest lines 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.

For the six months ended 30 June 2013 (the "Period"), the Group's revenue amounted to RMB1,706.3 million, representing an increase of 8.9% from RMB1,566.8 million for the same period in 2012. Lead-acid batteries are classified into three market categories, namely reserve power batteries, SLI batteries and motive power batteries. Details of business operations of the Group in the three lead-acid battery categories, namely reserve power batteries, SLI batteries and motive power batteries, are as follows:

Reserve power batteries:

Sales of reserve power batteries, being a major product line of the Group, amounted to RMB1,248.8 million during the Period, representing an increase of 9.5%. Reserve power battery products are further classified into four application areas, namely uninterrupted power supply system ("UPS"), telecommunications, other consumer products and renewable energy. The Group's increased sales in UPS category was mainly attributable to a significant increase in sales in China and Southeast Asia, which offset the dwindling sales in Europe and America due to the economic downturn. The Group's increased sales in telecommunications category were mainly attributable to the increased overall investment of telecom customers in 2013 due to the start of 4G construction. The sales of the category of other consumer products remained stable during the Period, mainly due to the absence of noticeable growth in sales from Europe and America, being the major markets. 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 RMB380.7 million, representing an increase of 3.3%. The insignificant growth in sales was due to the fact that the Group's batteries were still in inspection and testing by automobile manufacturers.

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 RMB65.3 million, representing an increase of 24.7%. The increase was mainly attributable to the substantially increased sales of batteries for forklifts.

Sales Network

The Group distributes its products to more than 100 countries and regions across the world through a global sales network which is taking shape. Currently, the Group has over 500 dedicated sales and after-sales employees. The Group's regional sales centres are located in Beijing, Shenzhen, Zhaoqing, Nanjing, the United States, the European Union, Hong Kong, Singapore, India, Sri Lanka and Malaysia, together with 34 domestic sales centres across the PRC. 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. 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's battery research and development team consists of more than 400 researchers and technicians. Currently, the Group holds 550 patents and other 306 proprietary technologies are in the process of patent applications.

The Group has grasped and applied most of lead-acid battery technologies in the world, including technologies used in the first generation open-type fluid infusion battery, the second generation 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. Currently, the Group has developed more than 2,000 models of battery products of different types employing various application technologies, making the Group one of the battery enterprises with the broadest range of lead-acid batteries.

Production bases

The Group has seven established production bases and two production bases under construction, including five wholly-owned production bases in the PRC, a production base in Sri Lanka, a joint venture production base in Indonesian and two in Malaysia, with a total site area of approximately 910,000 sq.m.. Currently, most new production bases have completed infrastructure works with production equipment installed, and have commenced trial production. As at 30 June 2013, the Group's production capacity has increased to 17.9 million KVAh from 11.0 million KVAh as at the end of 2012. The Group will vigorously expedite the commissioning of the production bases to further expand its production and manufacturing capacities.

Trend of lead price

Lead is the main raw material of lead-acid batteries and accounts for a major sales cost for the Group's battery production. According to Shanghai Metals Market, an information service provider of non-ferrous metal market, lead prices were generally declining under slight fluctuation during the year. Domestic average lead price decreased from RMB15,512 per ton in the first half of 2012 to RMB14,479 per ton in 2013, representing a decrease of approximately 6.7%. To cope with potential risks of fluctuations in lead price, the Group adopts a price linkage mechanism, passing raw materials price fluctuations to customers to hedge relevant risks. The Group's centralized procurement of raw materials enables it to trim down costs of raw materials through favourable negotiations on bulk purchase contracts.

Production suspension of Zhaoqing Leoch

Zhaoqing Leoch Battery Technology Co., Ltd. ("Zhaoqing Leoch"), a subsidiary of the Group that engages in the production of lead-acid batteries, suspended production for self-examination and rectification in July 2012 as required by local authorities to cooperate with the local government for a special environment protection campaign. Zhaoqing Leoch, with a focus on reserve power battery products, accounted for approximately 14% of the comprehensive production capacity of the Group at 30 June 2013. As the production plant Zhaoqing Leoch has been suspended for more than twelve months, the Group made a provision for asset impairment of RMB207.9 million for the investment. The Group has carried out rectifications to the production plant and is applying to relevant authorities for acceptance inspection to seek resumption of production as soon as possible.

Future Prospects

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, on the back of the increasing consumption of batteries as driven by the urbanization and industrial upgrades in China. To grasp these market opportunities, the Group has formulated the following strategic plans for the three categories of lead-acid batteries.

Reserve power batteries:

Batteries are widely used by manufacturers and operators of electric equipment, which are major customers of the Group. Reserve power battery products have four major application areas, namely UPS, telecommunications, other consumer products and renewable energy. The Group also believes that in the long run, reserve power batteries will sustain the growths in all the four categories. The Group has exerted all its efforts to expand the market share to secure its leading position in the domestic market of reserve power batteries.

SLI batteries:

China has been ranking first in vehicle production and sales in the world since 2010, with over 20 million vehicles which are higher than over 10 million in the United States and over 10 million in the European Union. A consensus is therefore achieved in the market that the momentum of vehicle production and sales in China will continue from 2013 to 2022, further multiplying the demand for SLI batteries. The Group has enhanced its investment and deployment in the business chain of 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. In particular, the Group will maintain its competitive in the sector of low-speed electric vehicles and forklifts which is to witness more extensive application as driven by industrial automation.

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group's revenue amounted to RMB1,706.3 million, representing an increase of 8.9% compared to that for the six months ended 30 June 2012. The loss attributable to owners of the Company amounted to RMB234.4 million as compared to the profit attributable to owners of the Company of RMB71.7 million for the six months ended 30 June 2012. Loss per share for the six months ended 30 June 2013 was RMB0.18.

Revenue

The Group's revenue increased by 8.9% from RMB1,566.8 million for the six months ended 30 June 2012 to RMB1,706.3 million for the six months ended 30 June 2013.

The revenue of reserve power batteries increased by 9.5% from RMB1,140.9 million for the six months ended 30 June 2012 to RMB1,248.8 million for the six months ended 30 June 2013. The revenue of SLI batteries during the period increased by 3.3% from RMB368.5 million for the six months ended 30 June 2012 to RMB380.7 million for the six months ended 30 June 2013. The revenue of motive power batteries increased by 24.7% from RMB52.3 million for the six months ended 30 June 2012 to RMB65.3 million for the six months ended 30 June 2013. Details of the Group's revenue for the six months ended 30 June 2012 and 2013 by category of batteries are set out below:

	Six months ended 30 June				
	2013			2012	
Product category	**Revenue**		**Percentage increase/ (decrease)**	Revenue	
	RMB'000	***Share***		*RMB'000*	*Share*
Reserve power batteries	**1,248,810**	**73.2%**	**9.5%**	1,140,850	72.8%
SLI batteries	**380,717**	**22.3%**	**3.3%**	368,488	23.5%
Motive power batteries	**65,273**	**3.8%**	**24.7%**	52,329	3.3%
Other	**11,482**	**0.7%**	**122.5%**	5,160	0.4%
Total	**1,706,282**	**100%**	**8.9%**	1,566,827	100%

Geographically, the Group's customers are principally located in Mainland China, the United States of America, European Union and other Asian countries/areas. The Group recorded reduction in its sales in the United States of America and European Union while there was growth in sales in Mainland China and other Asian countries/areas. The Group's sales revenue in Mainland China increased by 16.5% from RMB668.5 million for the six months ended 30 June 2012 to RMB779.0 million for the six months ended 30 June 2013, representing 45.7% of the Group's total revenue (for the six months ended 30 June 2012: 42.6%). The increase was principally due to the growth in sales of telecommunication batteries as a result of the initial investment in 4G technology by telecommunication companies in the PRC. The Group's sales revenue in the United States of America and European Union decreased by 23.5% and 7.8% from RMB253.4 million and RMB349.5 million for the six months ended 30 June 2012 to RMB193.9 million and RMB322.1 million for the six months ended 30 June 2013, respectively. The decrease was principally due to the reduction in orders of these overseas customer as a result of the reduction in economic activities in the United States of America and European Union. The Group's sales revenue in the other Asian countries/areas increased by 45.2% from RMB214.0 million for the six months ended 30 June 2012 to RMB310.7 million for the six months ended 30 June 2013. The increase was principally due to the stepping up of effort in building up the sales teams of southeast Asia and the sales effort in the region.

The following table sets forth details of the Group's revenue during the six months ended 30 June 2012 and 2013 based on the geographic locations:

	Six months ended 30 June				
	2013			2012	
			Percentage increase/ (decrease)		
	RMB'000	***Share***		*RMB'000*	*Share*
Mainland China	**779,027**	**45.7%**	**16.5%**	668,455	42.6%
European Union	**322,107**	**18.9%**	**(7.8%)**	349,463	22.3%
United States of America	**193,897**	**11.4%**	**(23.5%)**	253,396	16.2%
Other Asian countries/areas	**310,746**	**18.2%**	**45.2%**	214,025	13.7%
Other countries	**100,505**	**5.8%**	**23.3%**	81,488	5.2%
Total	**1,706,282**	**100%**	**8.9%**	1,566,827	100%

Cost of Sales

The Group's cost of sales increased by 13.1% from RMB1,261.2 million for the six months ended 30 June 2012 to RMB1,426.5 million for the six months ended 30 June 2013, 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 8.5% from RMB305.7 million for the six months ended 30 June 2012 to RMB279.8 million for the six months ended 30 June 2013, mainly because that the increase in utilities and staff costs was greater than the increase in sales during the Period. The overall gross profit margin decreased from 19.5% for the six months ended 30 June 2012 to 16.4% for the six months ended 30 June 2013.

Other Income and Gains

Other income and gains increased by 17.5% from RMB19.2 million for the six months ended 30 June 2012 to RMB22.6 million for the six months ended 30 June 2013, which was primarily due to the increase in government grants during the Period.

Selling and Distribution Costs

The Group's selling and distribution costs increased by 25.5% from RMB66.8 million for the six months ended 30 June 2012 to RMB83.9 million for the six months ended 30 June 2013, 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 decreased by 2.5% from RMB107.5 million for the six months ended 30 June 2012 to RMB104.8 million for the six months ended 30 June 2013.

Other Expenses

The Group's other expenses decreased by 58.4% from RMB7.2 million for the six months ended 30 June 2012 to RMB3.0 million for the six months ended 30 June 2013.

Impairment losses recognized for long term suspension of Zhaoqing Leoch

Zhaoqing Leoch had been suspended by local authorities for environmental protection improvement since July 2012, the improvement had been completed and is under inspection by local authorities. Due to long-term suspension, the Group had provided impairment for property, plant and equipment and inventories of Zhaoqing Leoch.

R&D Expenses

The research and development expenditure of the Group increased by 11.8% from RMB47.2 million for the six months ended 30 June 2012 to RMB52.7 million for the six months ended 30 June 2013. The increase in expenditure was mainly used for performance enhancement of existing products and development of new products, enhancement of product competitiveness and increased commitment in research and development.

Finance Costs

The Group's finance costs increased by 111.7% from RMB20.2 million for the six months ended 30 June 2012 to RMB42.8 million for the six months ended 30 June 2013, mainly due to the increase in interest arising from discounted bills.

(Loss) Profit before Tax

As a result of the foregoing factors, the Group recorded loss before tax of RMB192.6 million for the six months ended 30 June 2013 compared to profit before tax of RMB76.1 million for the six months ended 30 June 2012.

Income Tax Expense

Income tax expense increased by 847.4% from RMB4.4 million for the six months ended 30 June 2012 to RMB41.8 million for the six months ended 30 June 2013, mainly due to the write off of deferred tax assets by certain subsidiaries.

(Loss) Profit for the Period

As a result of the foregoing factors, the Group recorded loss attributable to owners of the Company of RMB234.4 million for the six months ended 30 June 2013 as compared to profit attributable to owners of the Company of RMB71.7 million for the six months ended 30 June 2012.

Liquidity and Financial Resources

As at 30 June 2013, the Group's net current assets amounted to RMB79.8 million (31 December 2012: RMB324.0 million), among which cash and bank deposit amounted to RMB738.7 million (31 December 2012: RMB848.3 million).

As at 30 June 2013, the Group had bank borrowings of RMB1,408.6 million (31 December 2012: RMB1,394.5 million), all of which are interest-bearing. Except for borrowings of RMB205.8 million which have a maturity of over 1 year, all of the Group's bank borrowings are repayable within one year. The Group's borrowings are denominated in RMB, US dollars, HK dollars and other currencies, and the effective interest rates of which as of 30 June 2013 were 1.00% to 7.54% (31 December 2012: 1.00% to 7.84%).

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 2013, the Group's gearing ratio was 27.5% (31 December 2012: 27.4%), which was calculated by dividing total borrowings by total assets as at the end of each respective period, multiplied by 100%.

Risks of Exchange Rate Fluctuation

The Group primarily operates in the PRC and its principal activities are transacted in RMB. For other companies outside of the PRC, their principal activities are transacted in U.S. dollars. However, as a result of the Group's revenue being denominated in RMB, the conversion of the revenue into foreign currencies in connection with expense payments is subject to PRC regulatory restrictions on currency conversion. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in PRC's political and economic conditions. The Group adopted price linkage mechanism for product sales by which the risk of currency fluctuation is basically transferred to the customers. However, the Group's foreign currency trade receivables may still be exposed to risk in the credit period. As the Directors considered that the Group had no material currency exchange risk, the Group did not arrange any hedge transaction to manage potential fluctuation risk.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2013 (31 December 2012: 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 2013, the Group had 11,271 employees. Employee benefit expenses (including directors' remuneration), which comprise wages and salaries, bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totalled RMB259.7 million for the six months ended 30 June 2013 (the six months ended 30 June 2012: RMB214.8 million).

The Group had 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

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of shareholders and enhancing corporate value. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, 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 concurrently 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 Company for the six months ended 30 June 2013 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group and internal controls and financial reporting matters.

PURCHASE, 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 2013.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2013, containing information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.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, 21 August 2013

As of the date of this announcement, the executive Directors are Mr. Dong Li, Ms. Zhao Huan and Mr. Philip Armstrong Noznesky and the independent non-executive Directors are Mr. An Wenbin, Mr. Liu Yangsheng and Mr. Cao Yixiong Alan.