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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 2021

#### FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Changes
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	
Turnover	<b>5,180.5</b>	3,684.2	<b>40.6%</b>
Gross profit	<b>745.0</b>	477.4	<b>56.1%</b>
Profit for the Period	<b>44.5</b>	13.3	<b>233.8%</b>
Profit attributable to owners of the parent	<b>29.2</b>	25.2	<b>15.9%</b>
Basic earnings per share ( <i>RMB</i> )	<b>0.02</b>	0.02	

#### INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Leoch International Technology Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) with comparative figures for the corresponding period in the year 2020. The unaudited interim condensed consolidated financial statements 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 PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	(Unaudited) <b>RMB'000</b>	(Unaudited) <b>RMB'000</b>
REVENUE	4	<b>5,180,492</b>	3,684,183
Cost of sales		<b>(4,435,531)</b>	(3,206,830)
Gross profit		<b>744,961</b>	477,353
Other income and gains	4	<b>15,973</b>	32,487
Selling and distribution expenses		<b>(247,484)</b>	(171,440)
Administrative expenses		<b>(143,971)</b>	(119,699)
Research and development costs		<b>(172,357)</b>	(71,633)
Reversal of impairment/(impairment losses) on financial assets		<b>545</b>	(12,125)
Other expenses	6	<b>(71,937)</b>	(26,446)
Finance costs	7	<b>(70,207)</b>	(82,405)
PROFIT BEFORE TAX	5	<b>55,523</b>	26,092
Income tax expense	8	<b>(11,037)</b>	(12,764)
PROFIT FOR THE PERIOD		<b>44,486</b>	13,328
Attributable to:			
Owners of the parent		<b>29,170</b>	25,158
Non-controlling interests		<b>15,316</b>	(11,830)
		<b>44,486</b>	13,328
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		<b>RMB0.02</b>	RMB0.02
Diluted		<b>RMB0.02</b>	RMB0.02

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	<b>44,486</b>	13,328
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	<b>1,081</b>	76
Income tax effect	<b>(270)</b>	(19)
	<b>811</b>	57
Exchange differences on translation of foreign operations	<b>(4,580)</b>	(4,342)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(3,769)</b>	(4,285)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<b>11,594</b>	(12,286)
Income tax effect	<b>(2,766)</b>	7,944
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	<b>8,828</b>	(4,342)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<b>5,059</b>	(8,627)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<b>49,545</b>	4,701
Attributable to:		
Owners of the parent	<b>34,072</b>	16,890
Non-controlling interests	<b>15,473</b>	(12,189)
	<b>49,545</b>	4,701

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021 (Unaudited) <b>RMB'000</b>	31 December 2020 (Audited) <b>RMB'000</b>
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,350,018</b>	2,371,715
Investment property		<b>351</b>	356
Right-of-use assets		<b>142,528</b>	147,424
Goodwill		<b>2,213</b>	2,213
Other intangible assets		<b>717,986</b>	715,537
Equity investments designated at fair value through other comprehensive income		<b>171,023</b>	143,027
Deposits paid for purchase of items of property, plant and equipment		<b>23,965</b>	36,656
Deferred tax assets		<b>71,606</b>	61,724
Total non-current assets		<b>3,479,690</b>	3,478,652
<b>CURRENT ASSETS</b>			
Inventories	11	<b>2,040,474</b>	1,776,904
Trade receivables	12	<b>2,506,739</b>	2,419,676
Debt investments at fair value through other comprehensive income		<b>115,280</b>	197,128
Prepayments, other receivables and other assets		<b>240,023</b>	276,059
Financial assets at fair value through profit or loss		<b>67,786</b>	75,912
Pledged deposits	13	<b>551,565</b>	461,353
Cash and cash equivalents	13	<b>306,586</b>	387,148
Total current assets		<b>5,828,453</b>	5,594,180

		<b>30 June 2021 (Unaudited) RMB'000</b>	<b>31 December 2020 (Audited) RMB'000</b>
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	2,249,732	2,139,389
Other payables and accruals		998,672	983,974
Lease liabilities		3,832	6,032
Financial liabilities at fair value through profit or loss		29,769	2,679
Interest-bearing bank borrowings	15	1,906,201	1,760,846
Income tax payable		106,092	104,841
Total current liabilities		<u>5,294,298</u>	<u>4,997,761</u>
<b>NET CURRENT ASSETS</b>		<u>534,155</u>	<u>596,419</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,013,845</u>	<u>4,075,071</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	15	435,408	542,438
Deferred tax liabilities		55,737	55,503
Deferred government grants		68,180	72,095
Lease liabilities		4,235	5,099
Total non-current liabilities		<u>563,560</u>	<u>675,135</u>
Net assets		<u><b>3,450,285</b></u>	<u><b>3,399,936</b></u>
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Share capital		116,241	116,224
Reserves		<u>3,158,261</u>	<u>3,123,402</u>
		<b>3,274,502</b>	<b>3,239,626</b>
Non-controlling interests		<u>175,783</u>	<u>160,310</u>
Total equity		<u><b>3,450,285</b></u>	<u><b>3,399,936</b></u>

Notes:

## 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 27 April 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 November 2010. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in the manufacture, development and sale of lead-acid batteries and recycled lead business.

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

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has 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 information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The interim condensed consolidated financial information is unaudited, but has been reviewed by the Audit Committee of the Company.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

*Interest Rate Benchmark Reform*

Amendments to IFRS 16

*Covid-19-Related Rent Concessions (early adopted)*

The nature and impact of the revised IFRSs are described below:

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

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate (“**HIBOR**”) and the London Interbank Offered Rate (“**LIBOR**”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.

### 3. OPERATING SEGMENT INFORMATION

The Group is engaged in the manufacture and sale of lead-acid batteries and recycled lead business.

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

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

#### Information about products

An analysis of revenue by products is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Lead-acid batteries	<b>4,248,036</b>	3,405,425
Recycled lead products	<b>932,456</b>	278,758
	<b>5,180,492</b>	<b>3,684,183</b>



## Geographical information

### (a) Revenue from external customers

	Six months ended 30 June	
	2021	2020
	(Unaudited) RMB'000	(Unaudited) RMB'000
Mainland China*	3,157,461	2,284,686
Europe, the Middle East and Africa	1,071,093	658,547
Americas	559,353	431,737
Asia-Pacific (other than Mainland China)	392,585	309,213
	<u>5,180,492</u>	<u>3,684,183</u>

\* Mainland China means any part of the People's Republic of China excluding Hong Kong, Macau and Taiwan.

The revenue information above is based on the locations of the customers. All of the revenue is from sale of goods, which is recognised when the goods are transferred at a point in time.

### (b) Non-current assets

	30 June	31 December
	2021	2020
	(Unaudited) RMB'000	(Audited) RMB'000
PRC	2,670,403	2,750,088
Other countries/areas	566,658	523,813
	<u>3,237,061</u>	<u>3,273,901</u>

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

## Information about major customers

Revenue of approximately RMB581,884,000 (six months ended 30 June 2020: Nil) 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 six months ended 30 June 2021.

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

An analysis of revenue is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue from contracts with customers	<u>5,180,492</u>	<u>3,684,183</u>

##### Disaggregated revenue information

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Type of goods		
Sale of industrial products	<u>5,180,492</u>	<u>3,684,183</u>

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	<u>5,180,492</u>	<u>3,684,183</u>

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<b>Other income and gains</b>		
Bank interest income	2,921	6,479
Government grants*	7,045	17,008
Sale of scrap materials	2,323	2,627
Dividend income from equity investments designated at fair value through other comprehensive income	–	672
Rental income	664	1,882
Others	<u>3,020</u>	<u>3,819</u>
	<u>15,973</u>	<u>32,487</u>

\* The government grants represent various cash payments and subsidies provided by the local government authorities to the Group as an 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):

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of inventories sold	<b>3,781,412</b>	2,628,195
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	<b>441,667</b>	364,695
Equity-settled share option expenses	<b>681</b>	1,291
Pension scheme contributions	<b>26,560</b>	19,298
	<b>468,908</b>	385,284
Amortisation of other intangible assets except for deferred development costs	<b>8,769</b>	6,769
Research and development costs:		
Deferred development costs amortised*	<b>92,215</b>	84,488
Current period expenditure	<b>172,357</b>	71,633
	<b>264,572</b>	156,121
Financial liabilities at fair value through profit or loss:		
Unrealised loss	<b>29,787</b>	3,090
Realised loss	<b>9,854</b>	440
Fair value loss from financial liabilities at fair value through profit or loss, net	<b>39,641</b>	3,530

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Structured bank deposits:		
Unrealised loss	<u>–</u>	<u>127</u>
Financial assets at fair value through profit or loss:		
Unrealised loss	<u>8,126</u>	<u>2,074</u>
Depreciation of property, plant and equipment	<b>154,547</b>	130,608
Depreciation of investment property	<b>5</b>	5
Depreciation of right-of-use assets	<b>4,625</b>	5,925
(Reversal of impairment)/impairment of trade receivables	<b>(545)</b>	12,125
Impairment of inventories*	<b>5,799</b>	637
Loss on disposal of items of property, plant and equipment, net	<b>1,938</b>	1,551
Foreign exchange loss, net	<b>21,583</b>	17,615
Lease payment not included in the measurement of lease liabilities	<u><b>2,458</b></u>	<u>4,094</u>

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

## 6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange loss	21,583	17,615
Loss on disposal of items of property, plant and equipment	1,938	1,551
Fair value loss from financial assets at fair value through profit or loss	8,126	2,074
Fair value loss from financial liabilities at fair value through profit or loss	39,641	3,530
Fair value loss from structured bank deposits	–	127
Others	649	1,549
	<u>71,937</u>	<u>26,446</u>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	50,966	61,352
Interest arising from discounted bills	19,026	20,507
Interest on lease liabilities	215	546
	<u>70,207</u>	<u>82,405</u>

## 8. INCOME TAX

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current:		
Mainland China	<b>8,104</b>	15,786
Hong Kong	<b>(4,970)</b>	(5,813)
Singapore	<b>14,974</b>	10,133
United States of America	<b>5,202</b>	1,189
Vietnam	<b>424</b>	–
Deferred	<b>(12,697)</b>	(8,531)
Total tax charged for the period	<b>11,037</b>	12,764

## 9. DIVIDENDS

No dividend is proposed by the Directors for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,357,788,138 (six months ended 30 June 2020: 1,357,544,693) in issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period 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 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 or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<b>29,170</b>	<b>25,158</b>
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	<b>1,357,788,138</b>	<b>1,357,544,693</b>
Effect of dilution – weighted average number of ordinary shares: Share options	<b>3,167,165</b>	<b>132,397</b>
	<b>1,360,955,303</b>	<b>1,357,677,090</b>

## 11. INVENTORIES

	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Raw materials	<b>616,782</b>	<b>559,451</b>
Work in progress	<b>846,213</b>	<b>713,311</b>
Finished goods	<b>577,479</b>	<b>504,142</b>
	<b>2,040,474</b>	<b>1,776,904</b>

At 30 June 2021, certain of the Group's inventories with a net carrying amount of approximately RMB100,000,000 (31 December 2020: RMB100,000,000) were pledged to secure general banking facilities granted to the Group (note 15(v)).

## 12. TRADE RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	2,550,480	2,463,962
Less: Impairment provision	(43,741)	(44,286)
	<b>2,506,739</b>	<b>2,419,676</b>

The Group grants different credit periods to customers. The credit period of individual customers is considered on a case-by-case basis. Certain customers are required to make partial payment before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables of RMB276,669,000 (31 December 2020: RMB244,949,000) were under short term credit insurance and RMB43,941,000 (31 December 2020: RMB53,332,000) were under letters of credit. Trade receivables are non-interest-bearing.

As at 30 June 2021, the Group had pledged certain trade receivables amounting to RMB222,085,000 (31 December 2020: RMB178,744,000) to banks with recourse in exchange for cash. The proceeds from pledging the trade receivables of RMB188,772,000 (31 December 2020: RMB152,010,000) 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 (note 15(iii)).

An aged analysis of the trade receivables as at 30 June 2021 and 31 December 2020 based on the invoice date, net of provisions, is as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	2,007,213	1,762,602
3 to 6 months	296,408	354,538
6 to 12 months	141,542	154,416
1 to 2 years	35,817	110,550
Over 2 years	25,759	37,570
	<b>2,506,739</b>	<b>2,419,676</b>



### 13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Cash and bank balances	306,586	387,148
Time deposits	551,565	461,353
	<b>858,151</b>	<b>848,501</b>
<i>Less: Pledged for interest-bearing bank borrowings (note 15(iv))</i>	<b>(9,344)</b>	(4,394)
Pledged for bills payable (note 14)	<b>(457,571)</b>	(387,303)
Pledged for letters of credit	<b>(84,650)</b>	(69,656)
	<b>(551,565)</b>	<b>(461,353)</b>
Cash and cash equivalents	<b>306,586</b>	<b>387,148</b>
Denominated in RMB	736,856	609,215
Denominated in US\$	52,738	150,838
Denominated in HK\$	43,146	30,445
Denominated in Euro	9,027	13,406
Denominated in Indian Rupee	7,246	30,231
Denominated in Australian Dollar	3,020	6,389
Denominated in Vietnamese Dong	3,020	2,622
Denominated in Malaysian Ringgit	1,792	3,628
Denominated in Singapore Dollar	821	1,593
Denominated in Sri Lankan Rupee	485	134
	<b>858,151</b>	<b>848,501</b>

#### 14. TRADE AND BILLS PAYABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade payables	921,245	958,829
Bills payable	<u>1,328,487</u>	<u>1,180,560</u>
	<u><b>2,249,732</b></u>	<u><b>2,139,389</b></u>

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	1,070,138	1,045,250
3 to 6 months	490,497	529,456
6 to 12 months	669,870	544,995
1 to 2 years	17,459	15,224
2 to 3 years	1,344	3,779
Over 3 years	<u>424</u>	<u>685</u>
	<u><b>2,249,732</b></u>	<u><b>2,139,389</b></u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payable bear maturity dates within 360 days. As at 30 June 2021, bills payable amounting to RMB439,893,000 (31 December 2020: RMB496,420,000) were issued on intercompany sales transactions within Group companies and such bills were discounted to banks for short term financing.

As at 30 June 2021, certain bills payable of the Group were secured by pledge of certain time deposits of the Group amounting to RMB457,571,000 (31 December 2020: RMB387,303,000) (note 13).

## 15. INTEREST-BEARING BANK BORROWINGS

	30 June 2021 (unaudited)			31 December 2020 (audited)		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
<b>Current</b>						
Interest-bearing bank borrowings, secured	2.00 to 7.07, HIBOR+2.76% to HIBOR+3.25%	2021-2022	1,154,752	3.24 to 7.09, HIBOR+2.76% to HIBOR+3.25%	2021	1,063,530
Collateralised bank advances, secured	2.80 to 5.00	2021-2022	188,772	2.29 to 4.79	2021	152,010
Interest-bearing bank borrowings, guaranteed	1.80 to 6.00 HIBOR+2.5%	2021-2022	353,457	3.00 to 5.00, HIBOR+2.5%	2021	339,105
Current portion of long term bank borrowings, guaranteed	LIBOR+2.70	2021-2022	190,668	LIBOR+2.70	2021	192,321
Interest-bearing bank borrowings, unsecured	2.20 to 7.20	2021-2022	18,552	1.00 to 7.20	2021	13,880
			<u>1,906,201</u>			<u>1,760,846</u>
<b>Non-current</b>						
Interest-bearing bank borrowings, secured	1.88 to 7.90	2022-2028	69,808	1.88 to 7.90	2022-2028	75,645
Interest-bearing bank borrowings, guaranteed	3.00	2022-2025	16,042	3.00	2022-2025	18,043
Interest-bearing bank borrowings, guaranteed	LIBOR+2.70	2022-2023	349,558	LIBOR+2.70	2022-2023	448,750
			<u>435,408</u>			<u>542,438</u>
			<u><u>2,341,609</u></u>			<u><u>2,303,284</u></u>

Analysed into:

	<b>30 June 2021 (Unaudited) RMB'000</b>	<b>31 December 2020 (Audited) RMB'000</b>
Bank loans and advances repayable:		
Within one year	<b>1,906,201</b>	1,760,846
In the second year	<b>392,676</b>	229,312
In the third to fifth years, inclusive	<b>39,570</b>	309,124
Beyond five years	<b>3,162</b>	4,002
	<u><b>2,341,609</b></u>	<u>2,303,284</u>

The Group's 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 RMB535,837,000 (31 December 2020: RMB628,945,000) 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 RMB37,623,000 (31 December 2020: RMB49,168,000) as at the end of the reporting period.
- (iii) the pledge of certain trade receivables of the Group with a carrying amount of approximately RMB222,085,000 (31 December 2020: RMB178,744,000) as at the end of the reporting period (note 12).
- (iv) the pledge of certain time deposits of the Group amounting to approximately RMB9,344,000 (31 December 2020: RMB4,394,000) as at the end of the reporting period (note 13).
- (v) the pledge of inventories of the Group with a carrying amount of approximately RMB100,000,000 (31 December 2020: RMB100,000,000) as at the end of the reporting period (note 11).
- (vi) cross guarantees executed by companies within the Group.

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

Under the Facility Agreement, there are specific performance obligations that Mr. Dong Li, who is the controlling shareholder of the Company, shall not: (i) cease to own, directly or indirectly, at least 51% of the beneficial interest in the Company, carrying at least 51% of the voting right, free from any security; (ii) cease to have management control over the Company; or, (iii) cease to be the Chairman of the board of directors of the Company. At the date of approval of the interim condensed consolidated financial information, such obligations have been complied with.

Several of the Company's wholly-owned subsidiaries were parties who act as guarantors to guarantee punctual performance of the Group's obligations under the Facility Agreement.

As at 30 June 2021, the outstanding term loan balance amounted to US\$85,000,000 (equivalent to RMB540,226,000), of which RMB190,668,000 and RMB349,558,000 are repayable within one year and second year, respectively under the terms of the Facility Agreement. The term loan bears interest at LIBOR+2.7% per annum.

## 16. COMMITMENTS

The Group had the following capital commitments:

	30 June 2021 (Unaudited) <i>RMB'000</i>	31 December 2020 (Audited) <i>RMB'000</i>
Contracted, but not provided for:		
Land and buildings	238	1,613
Plant and machinery	3,118	–
Capital contribution for investments in equity investments designated at fair value through other comprehensive income	<u>42,500</u>	<u>62,500</u>
	<u><b>45,856</b></u>	<u><b>64,113</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The Group is a global supplier of power solutions for telecommunications and data center industries. It provides highly reliable and innovative backup power solutions to the world's leading telecommunications operators, infrastructure service providers and equipment manufacturers, as well as major international data center solution providers.

Additionally, the Group provides customers worldwide with a broad range of power solutions in various applications, including automobile, motorcycles and electric vehicles, renewable energy storage systems, and other consumer and industrial products. Also, the Group is engaged in recycled lead business in the People's Republic of China (the "PRC").

The Group serves battery customers in more than 100 countries through its over 80 sales offices and centers around the world, together with its eleven manufacturing facilities in the PRC, Vietnam, Malaysia, India and Sri Lanka.

The Group has two primary businesses: Power Solutions and Recycled Lead. The Power Solutions business is classified into three major categories based on applications, defined as follows:

- Reserve power batteries: including Telecom and UPS batteries which are widely used in communication networks and data centers at all levels to provide a key guarantee for the normal operation of communication networks and other reserve power batteries.
- SLI batteries: used for the starting, lightening and ignition (SLI) of automobiles, motorcycles and ships.
- Motive power batteries: mainly used in electric bicycles, electric tricycles, low-speed electric cars, golf carts and sightseeing carts.

## BUSINESS REVIEW

The global health crisis continues in the first half of 2021 with second and even third waves of the virus outbreak in many regions including APAC countries causing different degree of disruption to our overseas manufacturing bases and is continuing as of the date of this announcement is made. Supported by the Group's strong PRC manufacturing capacity and capability, overseas demand and customers' requirements can be fulfilled. However, because of escalating shipping rates for containers and delivery charges, distribution expenses proliferated, which suppressed our profit growth during the six months ended 30 June 2021 (the "**Period**").

For the Period, the Group's revenue amounted to RMB5,180.5 million, representing an increase of 40.6% from RMB3,684.2 million for the corresponding period in 2020.

The Group achieved solid performance in its Power Solutions business during the Period and battery delivery in terms of ton grew around 20 percent in the Period compared to the same period of last year. PRC shipment rose in high single digit while overseas shipment rose around 50 percent from a year earlier. The increased volume of shipment was mainly contributed by export business when global production capacity was recovering slowly amid the unstable pandemic condition.

During the Period, revenue from Power Solutions business amounted to RMB4,248.0 million, representing an increase of 24.7% from RMB3,405.4 million for the corresponding period in 2020 while revenue from Recycled Lead business amounted to RMB932.5 million, representing an increase of 234.5% from RMB278.8 million for the corresponding period in 2020.

## **Power Solutions Business**

### ***Reserve Power Battery***

As the major revenue contributor to the Group, the reserve power battery business accounted for 39.1% of total sales during the Period. Sales revenue during the Period amounted to RMB2,028.1 million (six months ended 30 June 2020: RMB1,842.3 million), representing an increase of 10.1% compared to the corresponding period last year. The increase was mainly attributable to overseas markets rebound compared to the weak demand in the same period of last year when the COVID-19 pandemic first spread all over the world.

### ***SLI Battery***

SLI battery business is the second largest revenue contributor to the Group. It contributed 27.5% of total sales in the Period. Sales revenue during the Period amounted to RMB1,425.9 million (six months ended 30 June 2020: RMB1,050.7 million), representing an increase of 35.7% compared to the corresponding period last year. During the Period, SLI battery business in the PRC market continued to grow while export were 4 times higher than the corresponding period in 2020 because buyers from various overseas markets turned to Chinese suppliers for products as a result of slow recovery of global production capacity.

### ***Motive Power Battery***

Motive power battery contributed to 10.6% of total sales in the Period. Sales revenue during the Period amounted to RMB547.9 million (six months ended 30 June 2020: RMB481.7 million), representing an increase of 13.7% compared to the corresponding period last year. The high demand from the PRC market was back to normal, resulting in a drop in turnover during the Period but was compensated by more than 150% increment in sales to overseas markets.

## **Recycled Lead Business**

Sales revenue of recycled lead products amounted to RMB932.5 million (six months ended 30 June 2020: RMB278.8 million) during the Period, representing an increase of 234.5% compared to the corresponding period last year. The Group's recycled lead business has resumed full operation since May 2020 and was running in full gear throughout the Period.



## **FUTURE PROSPECTS**

The PRC industrial production grew by 15.9 percent in the first six months of 2021 compared to the same period of last year, while in the second quarter, it rose by 8.9 percent from a year earlier. The result was a remarkable turnaround from the first half of last year, when the economy suffered a dramatic collapse as a result of the COVID-19 pandemic.

The PRC curtailed the COVID-19 virus successfully and was one of a few economies to expand in 2020. Dynamic growth is expected to continue through 2021, driven by exports, but especially by domestic demand, including policy-sponsored infrastructure projects. China's economy sustained a steady recovery with the production and demand picking up, employment and prices remaining stable, marketing expectations improving and major macro indicators staying within reasonable range during the Period. On the other hand, the National Bureau of Statistics of China released the latest economic data revealing that the growth rate of investment and industrial added value has fallen which reflects China's economy in the second half of the year is under downward pressure.

In recent months, the number of COVID-19 cases again surged globally which not only affected the market sentiment but also the Group's overseas business operations and production plants. The growth on export business reported during the Period is based on the worst situation in the same period in 2020 when the economic activities and business operations all over the world were all hard hit by the spread of COVID-19, and such growth is expected to slow down for the second half of 2021. It should be noted that the pandemic continues to evolve globally and there are many external uncertainties. Although China is contributing to the global economic recovery, its growth outlook for the remainder of 2021 appears slowing down and facing a number of challenges.

China's 5G rollout is leading the world. With an early deployment of the next generation superfast telecom technology, the country has rolled out 819,000 5G base stations at the end of first quarter of 2021, and the number is expected to hit 822 million by 2025. Moreover, the total number of 5G base stations deployed in China is expected to reach 1.7 million by the end of 2021, an even faster pace of network upgrading than 2020 and greatly expanding 5G coverage into counties and towns. It is expected that 5G will help accelerate the development of Internet of Things, big data, artificial intelligence and other technologies, driving the growth of the global data center market at an exponential rate. The Group believes that the new 5G investment cycle will drive the growth in the size of the telecommunications and data center backup power solution market in China and would definitely bring the Group with new growth opportunities in the near to medium term. To secure future growth and meet such rapid expansion of mobile and data center infrastructure new product requirements, the Group has put in extra resources on research and development at the expenses of short term profitability.

In recent months, the number of COVID-19 cases again surged in South East Asia as the Delta-variant spread to major cities around the world. In addition to the business operations of the Group in India, the Group's operation in Vietnam has also been particularly suffered among other South East Asian regions in which production plants of the Group are situated. As at the date of this announcement, overseas production plants are not fully resuming their normal production capacity and the Group believes this adverse condition and high shipping expenses might continue which is a big challenge for the rest of the year.

On the other hand, the operation of the lead recycling facility in China is back to normal and the Group expects the performance in the second half of 2021 will be similar as compared to first half if pandemic control continues to be successful in China.

Although unstable and unpredictable pandemic crisis is continuously bothering the whole world and short term profitability will be affected, the Group's confidence in its future prospects is strong and solid. The Group is committed to continuous investment on power solution in view of serving and providing the best solution to our global renowned customers in the 5G, automobile, electric car and equipment industries. Our professional global sales team and business partners create a promising base for our future sustainable growth with a clear vision to generate greater long-term value for our shareholders.

## **FINANCIAL REVIEW**

During the Period, the Group's revenue amounted to RMB5,180.5 million, representing an increase of 40.6% compared to the corresponding period in 2020. The profit for the Period amounted to RMB44.5 million, representing an increase of 233.8% compared to the corresponding period in 2020, of which the profit attributable to owners of the parent amounted to RMB29.2 million, representing an increase of 15.9% compared to the corresponding period in 2020. Basic and diluted earnings per share for the Period was RMB0.02.

### **Revenue**

The Group's revenue increased by 40.6% from RMB3,684.2 million for the six months ended 30 June 2020 to RMB5,180.5 million for the Period, of which the Group's revenue from the Power Solutions business increased by 24.7% from RMB3,405.4 million for the six months ended 30 June 2020 to RMB4,248.0 million for the Period, while the Group's revenue from the Recycled Lead business increased by 234.5% from RMB278.8 million to RMB932.5 million.

Details of the Group's revenue for the six months ended 30 June 2021 and 2020 by product are set out below:

Product	Six months ended 30 June				
	2021		Percentage increase	2020	
	Revenue <i>RMB'000</i>	%		Revenue <i>RMB'000</i>	%
Reserve power batteries	2,028,065	39.1%	10.1%	1,842,266	50.0%
SLI batteries	1,425,901	27.5%	35.7%	1,050,656	28.5%
Motive power batteries	547,855	10.6%	13.7%	481,711	13.1%
Others	246,215	4.8%	699.6%	30,792	0.8%
Sub-total	4,248,036	82.0%	24.7%	3,405,425	92.4%
Recycled lead products	932,456	18.0%	234.5%	278,758	7.6%
Total	<u>5,180,492</u>	<u>100%</u>	<u>40.6%</u>	<u>3,684,183</u>	<u>100%</u>

Geographically, the Group's customers are principally located in Mainland China, Europe, Middle East and Africa ("EMEA"), Americas and Asia-Pacific (other than Mainland China). The Group's revenue in Mainland China increased by 38.2% from RMB2,284.7 million for the six months ended 30 June 2020 to RMB3,157.5 million for the Period. The increase was mainly due to the increased production output from the Recycled Lead business. However, the Group's revenue from overseas markets recorded different degree of increases as a result of their difference in recovery from the COVID-19 pandemic.

The following table sets forth details of the Group's revenue during the six months ended 30 June 2021 and 2020 based on customer location:

Customer location	Six months ended 30 June				
	2021		Percentage increase	2020	
	Revenue <i>RMB'000</i>	%		Revenue <i>RMB'000</i>	%
Mainland China	3,157,461	60.9%	38.2%	2,284,686	62.0%
EMEA	1,071,093	20.7%	62.6%	658,547	17.9%
Americas	559,353	10.8%	29.6%	431,737	11.7%
Asia-Pacific (other than Mainland China)	392,585	7.6%	27.0%	309,213	8.4%
Total	<u>5,180,492</u>	<u>100%</u>	<u>40.6%</u>	<u>3,684,183</u>	<u>100%</u>

### Cost of Sales

The Group's cost of sales increased by 38.3% from RMB3,206.8 million for the six months ended 30 June 2020 to RMB4,435.5 million for the Period. The increase was mainly caused by the increased sales.

### Gross Profit

The Group's gross profit increased by 56.1% from RMB477.4 million for the six months ended 30 June 2020 to RMB745.0 million for the Period. The gross profit margin significantly increased for the Recycled Lead business while slightly increased for the Power Solutions business, resulting in the overall gross profit margin increase from 13.0% for the six months ended 30 June 2020 to 14.4% for the Period. The gross profit margin increase for the Recycled Lead business was a result of better profit contribution after the plant resumed full operation in May 2020.

## **Other Income and Gains**

Other income and gains decreased by 50.8% from RMB32.5 million for the six months ended 30 June 2020 to RMB16.0 million for the Period mainly due to the decline in government grants and bank interest income for the Period.

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses increased by 44.4% from RMB171.4 million for the six months ended 30 June 2020 to RMB247.5 million for the Period, mainly due to the significant increase in freight charges and sales staff commission. The increase in freight charges was partly due to the increase in sales and partly due to the freight charge rate hike at overseas markets because of the COVID-19 pandemic. The increase in sales staff commission was in line with the increase in sales.

## **Administrative Expenses**

The Group's administrative expenses increased by 20.3% from RMB119.7 million for the six months ended 30 June 2020 to RMB144.0 million for the Period, mainly due to the shutdown of factories in February of 2020 in Mainland China because of the COVID-19 pandemic, resulting in less administrative expenses for the six months ended 30 June 2020.

## **Research and Development Costs**

The research and development expenditure of the Group increased by 140.6% from RMB71.6 million for the six months ended 30 June 2020 to RMB172.4 million for the Period. The increase in the expenditure was partly used for performance enhancement of existing products and development of new products in all categories of the Power Solutions business and partly used for recycling skill improvement of the Recycled Lead business during the Period.

## **Other Expenses**

The Group's other expenses increased by 172.0% from RMB26.4 million for the six months ended 30 June 2020 to RMB71.9 million for the Period, mainly due to the increase of fair value loss from financial liabilities at fair value through profit or loss during the Period.

## **Finance Costs**

The Group's finance costs decreased by 14.8% from RMB82.4 million for the six months ended 30 June 2020 to RMB70.2 million for the Period as a result of lower average interest rate during the Period.

## **Profit before Tax**

As a result of the foregoing factors, the Group recorded profit before tax of RMB55.5 million for the Period (six months ended 30 June 2020: RMB26.1 million).

## **Income Tax Expenses**

Income tax expenses decreased by 13.5% from RMB12.8 million for the six months ended 30 June 2020 to RMB11.0 million for the Period, mainly due to the decrease in assessable profit of the Group during the Period.

## **Profit for the Period**

As a result of the foregoing factors, the Group recorded profit for the Period of RMB44.5 million (six months ended 30 June 2020: RMB13.3 million), of which the Group recorded profit attributable to owners of the parent of RMB29.2 million (six months ended 30 June 2020: RMB25.2 million).

## **Liquidity and Financial Resources**

As at 30 June 2021, the Group's net current assets amounted to RMB534.2 million (31 December 2020: RMB596.4 million), among which cash and bank deposit amounted to RMB858.2 million (31 December 2020: RMB848.5 million).

As at 30 June 2021, the Group had bank borrowings of RMB2,341.6 million (31 December 2020: RMB2,303.3 million), all of which are interest-bearing. Except for borrowings of RMB435.4 million which have a maturity of over one 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 2021 were in the range of 1.80% to 7.90% (31 December 2020: 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, time deposits, inventories and trade receivables.

As at 30 June 2021, the Group's gearing ratio was 25.2% (31 December 2020: 25.4%), 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 US 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 US 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.

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 30 June 2021 (31 December 2020: Nil).

### **Pledge of Assets**

Please refer to Notes 11, 12, 13, 14 and 15 to this announcement for details.

### **Capital Commitments**

Please refer to Note 16 to this announcement for details.

## **Significant Investment**

As at 30 June 2021, the Group has no significant investment with a value of 5% or more of the Group's total assets.

## **Material Acquisition and Disposal**

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

## **EMPLOYEES**

As at 30 June 2021, the Group had 13,917 employees. Employee benefit expenses (including directors' remuneration), which comprise wages and salaries, bonuses, equity-settled share option expenses and pension scheme contributions, totaled RMB468.9 million for the Period (six months ended 30 June 2020: RMB385.3 million).

The Group has a share option scheme in place 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 seek 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 team spirit. Staff are rewarded based on the overall performance of the Group as well as on individual performance and contribution.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the Period (six months ended 30 June 2020: Nil).

## **CORPORATE GOVERNANCE CODE**

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 Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Period.



## **AUDIT COMMITTEE**

The Audit Committee, which comprises the three independent non-executive Directors, namely, Mr. CAO Yixiong Alan (chairman of the Audit Committee), Mr. LAU Chi kit and Dr. NAN Xinsheng has reviewed the unaudited financial statements of the Company for the Period and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group and internal controls, risk management 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 Period.

## **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, 27 August 2021

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