理士電池
Leoch Battery

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 842)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	2021	2020	
	RMB million	*RMB million*	**Changes**
Turnover	**11,303.1**	9,631.4	**+17.4%**
Gross profit	**1,509.7**	1,188.3	**+27.0%**
Profit for the year	**166.7**	138.0	**+20.8%**
Profit attributable to owners of the parent	**136.1**	123.7	**+10.0%**
Basic earnings per share *(RMB)*	**0.10**	0.09	

ANNUAL RESULTS

The board of directors (the "**Board**") of the Leoch International Technology Limited ("**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2021 together with the comparative figures for the previous year. The Company's audit committee (the "**Audit Committee**") has reviewed the results and the financial statements of the Group for the year ended 31 December 2021 prior to recommending them to the Board for approval.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 *RMB'000*	2020 *RMB'000*
REVENUE	*4*	**11,303,125**	9,631,362
Cost of sales		**(9,793,419)**	(8,443,083)
Gross profit		**1,509,706**	1,188,279
Other income and gains	*4*	**84,221**	108,360
Selling and distribution expenses		**(586,076)**	(481,179)
Administrative expenses		**(306,212)**	(266,359)
Research and development costs	*5*	**(239,446)**	(172,720)
Impairment losses on assets		**(23,761)**	(20,675)
Other expenses	*6*	**(102,594)**	(35,874)
Finance costs	*7*	**(143,874)**	(158,180)
PROFIT BEFORE TAX	*5*	**191,964**	161,652
Income tax expense	*8*	**(25,235)**	(23,688)
PROFIT FOR THE YEAR		**166,729**	137,964
Attributable to:			
Owners of the parent		**136,126**	123,732
Non-controlling interests		**30,603**	14,232
		166,729	137,964
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**RMB0.10**	RMB0.09
Diluted		**RMB0.10**	RMB0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**166,729**	137,964
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**1,683**	(776)
Income tax effect	**(421)**	194
	1,262	(582)
Exchange differences on translation of foreign operations	**(1,312)**	1,325
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(50)**	743
Other comprehensive income 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	**8,736**	(541)
Income tax effect	**659**	10,328
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**9,395**	9,787
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**9,345**	10,530
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**176,074**	148,494
Attributable to:		
Owners of the parent	**145,247**	134,569
Non-controlling interests	**30,827**	13,925
	176,074	148,494

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,291,795**	2,371,715
Investment property		**345**	356
Right-of-use assets		**152,860**	147,424
Goodwill		**2,213**	2,213
Other intangible assets		**771,009**	715,537
Equity investments designated at fair value through other comprehensive income		**182,680**	143,027
Deposits paid for purchase of items of property, plant and equipment		**34,650**	36,656
Deferred tax assets		**66,263**	61,724
Total non-current assets		**3,501,815**	3,478,652
CURRENT ASSETS			
Inventories	*11*	**2,019,256**	1,776,904
Trade receivables	*12*	**2,725,702**	2,419,676
Debt investments at fair value through other comprehensive income	*13*	**106,349**	197,128
Prepayments, other receivables and other assets	*14*	**223,469**	276,059
Financial assets at fair value through profit or loss	*15*	**67,798**	75,912
Pledged deposits	*16*	**602,513**	461,353
Cash and cash equivalents	*16*	**349,229**	387,148
Total current assets		**6,094,316**	5,594,180

	Notes	**2021** *RMB'000*	2020 *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*17*	**2,319,251**	2,139,389
Other payables and accruals	*18*	**1,077,303**	983,974
Financial liabilities at fair value through profit or loss	*15*	**851**	2,679
Interest-bearing bank borrowings	*19*	**2,042,493**	1,760,846
Lease liabilities		**4,046**	6,032
Income tax payable		**108,576**	104,841
Total current liabilities		**5,552,520**	4,997,761
NET CURRENT ASSETS		**541,796**	596,419
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,043,611**	4,075,071
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*19*	**329,713**	542,438
Lease liabilities		**16,422**	5,099
Deferred tax liabilities		**53,282**	55,503
Deferred government grants		**65,129**	72,095
Total non-current liabilities		**464,546**	675,135
Net assets		**3,579,065**	3,399,936
EQUITY			
Equity attributable to owners of the parent			
Share capital		**116,241**	116,224
Reserves		**3,271,687**	3,123,402
		3,387,928	3,239,626
Non-controlling interests		**191,137**	160,310
Total equity		**3,579,065**	3,399,936

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 27 April 2010 as an exempted company with limited liability under the Companies Act, Chapter 22 (Act 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 other related items.

In the opinion of the directors of the Company (the "**Directors**"), the immediate holding company and the ultimate holding company of the 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise standards and interpretations issued by the International Accounting Standards Board ("**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income, financial assets at fair value through profit or loss, structured bank deposits and financial liabilities at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRS s 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 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 based on the Hong Kong Interbank Offered Rate ("**HIBOR**") and United States dollars based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group's HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by RFRs during the year, the amendments 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 the above-mentioned practical expedient upon the modification of these instruments 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 retrospectively 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.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture, development and sale of lead-acid batteries and other related items.

IFRS 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 are 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 executive directors review the gross profit of the Group as a whole reported under IFRSs. 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 product is as follows:

	2021	2020
	RMB'000	*RMB'000*
Lead-acid batteries	**9,249,219**	8,324,213
Recycled lead products	**2,053,906**	1,307,149
	11,303,125	9,631,362

Geographical information

(a) Revenue from external customers

	2021	2020
	RMB'000	*RMB'000*
PRC*	**7,094,708**	6,325,994
Europe, the Middle East and Africa	**1,893,018**	1,390,185
Americas	**1,534,927**	1,022,021
Asia-Pacific (other than the PRC)	**780,472**	893,162
	11,303,125	9,631,362

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

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

(b) Non-current assets

	2021	2020
	RMB'000	*RMB'000*
PRC	**2,715,069**	2,750,088
Other countries/areas	**537,803**	523,813
	3,252,872	3,273,901

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

During the year ended 31 December 2021, revenue from continuing operations of approximately RMB1,366,728,000 was derived from sales of recycled lead products to a single customer which contributed to over 10% of the total revenue of the Group, including sales to a group of entities which are known to be under common control with that customer. During the year ended 31 December 2020, no revenue from sales to a single customer amounted to 10% or more of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**11,303,125**	9,631,362

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of goods		
Sale of industrial products	**11,303,125**	9,631,362
Timing of revenue recognition		
Goods transferred at a point in time	**11,303,125**	9,631,362

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**189,666**	143,635

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation for the sale of industrial products is satisfied upon delivery of the industrial products and payment is generally due within 60 to 90 days from delivery, except for new customers, where payment in advance is normally required.

	2021	2020
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**10,567**	11,276
Government grants*	**37,767**	60,161
Dividend income from equity investments designated at fair value through other comprehensive income	**–**	672
Sale of scrap materials	**7,594**	4,016
Foreign exchange gains, net	**–**	7,221
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**3,282**	4,120
Fair value gains, net:		
Financial assets at fair value through profit or loss	**–**	10,309
Structured bank deposits	**–**	1,276
Others	**25,011**	9,309
	84,221	108,360

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

	Note	**2021** *RMB'000*	2020 *RMB'000*
Cost of inventories sold		**8,355,437**	7,132,172
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**941,935**	804,177
Equity-settled share option expenses		**2,932**	2,034
Pension scheme contributions		**75,340**	43,029
		1,020,207	849,240
Amortisation of other intangible assets except for deferred development costs		**17,501**	17,843
Research and development costs:			
Deferred development costs amortised*		**181,778**	165,504
Current year expenditure		**239,446**	172,720
		421,224	338,224
Auditor's remuneration		**2,900**	2,800
Financial liabilities at fair value through profit or loss:			
Unrealised loss		**860**	2,679
Realised loss		**72,273**	23,265
Fair value loss from financial liabilities at fair value through profit or loss, net	*6*	**73,133**	25,944

	Notes	**2021** **RMB'000**	2020 RMB'000
Financial assets at fair value through profit or loss:			
Unrealised loss/(gain)		**8,114**	(10,309)
Structured bank deposits:			
Realised gain		**–**	(1,276)
Fair value gain from structured bank deposits, net	*4*	**–**	(1,276)
Depreciation of property, plant and equipment		**338,687**	260,257
Depreciation of investment property		**11**	11
Depreciation of right-of-use assets		**10,467**	11,161
Impairment of trade receivables	*12*	**23,761**	12,252
Impairment/(reversal of impairment) of inventories*	*11*	**7,331**	(1,430)
Impairment of goodwill		**–**	8,423
Loss on disposal of items of property, plant and equipment, net	*6*	**5,927**	6,762
Foreign exchange differences, net		**11,532**	(7,221)
Lease payment not included in the measurement of lease liabilities		**5,108**	5,706

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

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2021	2020
	RMB'000	*RMB'000*
Foreign exchange differences, net	**11,532**	–
Loss on disposal of items of property, plant and equipment, net	**5,927**	6,762
Fair value loss from financial liabilities at fair value through profit or loss, net	**73,133**	25,944
Fair value loss from financial assets at fair value through profit or loss, net	**8,114**	–
Others	**3,888**	3,168
	102,594	35,874

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank borrowings	**103,058**	120,592
Interest arising from discounted bills	**38,836**	36,630
Interest on lease liabilities	**1,980**	958
	143,874	158,180

8. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in this jurisdiction.

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

Leoch Battery Corporation, incorporated in the United States of America, is subject to corporate income tax in the United States of America. The applicable federal corporate income tax rate is 21% (2020: 21%) on taxable income.

The provision for Hong Kong profits tax is based on the statutory rate of 16.5% (2020: 16.5%) of the assessable profits of subsidiaries incorporated in Hong Kong.

The Singapore authority approved the application of Leoch Battery Pte Limited ("**Leoch Battery Pte.**") for the Global Trader Programme on 24 May 2014 and it was renewed on 30 August 2019, the effective period of which is from 1 January 2019 to 31 December 2023. The provision for the current income tax of Leoch Battery Pte. is based on the tax rate of 10% (2020: 10%).

The provision for PRC current income tax is based on the statutory rate of 25% of the assessable profits of the Group's subsidiaries in the PRC as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in the PRC which are taxed at preferential rates.

Leoch Battery (Jiangsu) Corp., Anhui Leoch Power Supply Corp., Anhui Uplus Energy Technology Co., Ltd. and Anhui Leoch New Energy Development Ltd. were designated as high-tech enterprises by the PRC tax authorities and were entitled to a preferential tax rate of 15% for the year 2021.

Taihe Dahua Energy Technology Co. Ltd., which engages in qualified recycling businesses, is entitled to a 10% deduction of revenue for manufacturing qualified products with main qualified raw materials.

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

	2021	2020
	RMB'000	*RMB'000*
Current – PRC	**11,080**	22,951
Current – Hong Kong	**(8,010)**	(10,300)
Current – Singapore	**28,414**	14,180
Current – USA	**3,796**	1,517
Current – Vietnam	**(3,574)**	3,909
Deferred tax	**(6,471)**	(8,569)
Total tax charge for the year	**25,235**	23,688

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the majority of the companies of the Group are domiciled to the tax expense at effective tax rate is as follows:

	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Profit before tax	**191,964**		161,652	
Tax at the applicable tax rates	**43,775**	**22.7**	42,243	26.1
Tax concession for certain subsidiaries	**(29,407)**	**(15.3)**	(29,309)	(18.1)
Additional deductible research and development expenses	**(28,667)**	**(14.9)**	(14,801)	(9.2)
Expenses not deductible for tax	**1,983**	**1.0**	450	0.3
Tax losses not recognised	**37,995**	**19.8**	29,028	18.0
Tax losses utilised from previous periods	**(444)**	**(0.2)**	(3,923)	(2.4)
Tax charge at the Group's effective rate	**25,235**	**13.1**	23,688	14.7

9. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Final – Nil (2020: Nil)	**–**	–

The Company does not intend to declare the payment of any final dividend in respect of the year ended 31 December 2021.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,357,821,402 (2020: 1,357,594,679) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**136,126**	123,732

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,357,821,402**	1,357,594,679
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,400,353**	92,127
	1,360,221,755	1,357,686,806

11. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**533,335**	559,451
Work in progress	**705,902**	713,311
Finished goods	**780,019**	504,142
	2,019,256	1,776,904

As at 31 December 2021, inventories with the amount of RMB7,331,000 was written down to their net realisable value, while the amount of RMB1,430,000 of impairment of inventories was reversed at 31 December 2020 as disclosed in note 5.

At 31 December 2021, certain of the Group's inventories with a net carrying amount of approximately RMB100,000,000 (2020: RMB100,000,000) were pledged to secure general banking facilities granted to the Group. For details of the pledged inventories, please refer to note 20.

12. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**2,781,405**	2,463,962
Less: Impairment provision	**(55,703)**	(44,286)
	2,725,702	2,419,676

The Group grants different credit periods to its customers. Credit periods for individual customers are considered on a case-by-case basis. Certain customers are required to make partial payments before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables of RMB405,033,000 (2020: RMB244,949,000) were under short term credit insurance and RMB69,434,000 (2020: RMB53,332,000) were under letters of credit. In addition, the Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

As at 31 December 2021, the Group pledged certain trade receivables amounting to RMB365,908,000 (2020: RMB178,744,000) to banks with recourse in exchange for cash (note 20). The proceeds from pledging the trade receivables of RMB303,376,000 (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.

An ageing analysis of the trade receivables as at 31 December 2021 and 2020 based on the invoice date, net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**1,966,971**	1,762,602
3 to 6 months	**380,395**	354,538
6 to 12 months	**187,106**	154,416
1 to 2 years	**111,608**	110,550
Over 2 years	**79,622**	37,570
	2,725,702	2,419,676

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**44,286**	32,034
Impairment losses *(note 5)*	**23,761**	12,252
Amount written off as uncollectible	**(12,344)**	–
At end of year	**55,703**	44,286

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

	Current		**Past due**		**Total**
	Customers with credit enhancement	**Ordinary customers**	**Customers with credit enhancement**	**Ordinary customers**	
Expected credit loss rate	**0.15%**	**0.94%**	**0.70%**	**100.00%**	**2.00%**
Gross carrying amount *(RMB'000)*	**2,093,745**	**448,003**	**192,586**	**47,071**	**2,781,405**
Expected credit losses *(RMB'000)*	**3,044**	**4,232**	**1,356**	**47,071**	**55,703**

As at 31 December 2020

	Current		Past due		Total
	Customers with credit enhancement	Ordinary customers	Customers with credit enhancement	Ordinary customers	
Expected credit loss rate	0.04%	0.85%	0.55%	100.00%	1.80%
Gross carrying amount *(RMB'000)*	1,892,031	383,461	148,936	39,534	2,463,962
Expected credit losses *(RMB'000)*	678	3,258	816	39,534	44,286

13. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balances as at 31 December 2021 and 31 December 2020 represent bills receivable held by the Group which were measured at fair value through other comprehensive income, since the bills receivable were held within the business model whose objective was achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows were solely payments of principal and interest on the principal amount outstanding.

The ageing analysis of bills receivable presented based on the issue date at 31 December 2021 and 31 December 2020 is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**7,017**	34,805
3 to 6 months	**74,955**	134,947
6 to 12 months	**24,377**	27,376
	106,349	197,128

The net gain on changes in the fair value of the debt investments at fair value through other comprehensive income amounting to RMB1,683,000 (2020: loss RMB776,000) was recognised in the consolidated statement of other comprehensive income during the year.

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	RMB'000	*RMB'000*
Prepayments	**187,952**	211,905
Deposits and other receivables	**30,515**	56,555
Loans to employees	**2,888**	5,508
Interest receivables	**2,114**	2,091
	223,469	276,059

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

15. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	
	Assets	**Liabilities**
	RMB'000	***RMB'000***
Listed equity investments, at fair value	**134**	**–**
Commodity future and option contracts, at fair value	**–**	**851**
Other unlisted investment, at fair value	**67,664**	**–**
	67,798	**851**

	2020	
	Assets	Liabilities
	RMB'000	*RMB'000*
Listed equity investments, at fair value	265	–
Unlisted equity investments, at fair value	8,563	–
Commodity future and option contracts, at fair value	–	2,679
Other unlisted investment, at fair value	67,084	–
	75,912	2,679

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The Group uses derivative financial instruments, such as commodity future and option contracts, to manage the lead price fluctuation risk, which did not meet the criteria for hedge accounting and are measured at fair value through profit or loss.

The above other unlisted investment was the right to receive the proceeds from future sales of the properties. It was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

16. CASH AND BANK BALANCES AND TIME DEPOSITS

	2021	2020
	RMB'000	*RMB'000*
Cash and bank balances	**349,229**	387,148
Time deposits	**602,513**	461,353
	951,742	848,501
Less: Pledged for interest-bearing bank borrowings	**(4,269)**	(4,394)
Pledged for bills payable	**(440,448)**	(387,303)
Pledged for letters of credit	**(157,796)**	(69,656)
	(602,513)	(461,353)
Cash and cash equivalents	**349,229**	387,148
Denominated in RMB	**794,299**	609,215
Denominated in US$	**63,627**	150,838
Denominated in HK$	**48,508**	30,445
Denominated in Indian Rupee	**9,582**	30,231
Denominated in Malaysian Dollar ("**MYR**")	**3,002**	3,628
Denominated in Singapore Dollar ("**SG$**")	**2,919**	1,593
Denominated in Euro ("**EUR**")	**16,252**	13,406
Denominated in Australian Dollar ("**AU$**")	**7,526**	6,389
Denominated in Vietnamese Dong ("**VND**")	**4,074**	2,622
Denominated in Sri Lankan Rupee	**1,953**	134
	951,742	848,501

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**962,108**	958,829
Bills payable	**1,357,143**	1,180,560
	2,319,251	2,139,389

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

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**940,531**	1,045,250
3 to 6 months	**396,338**	529,456
6 to 12 months	**966,295**	544,995
1 to 2 years	**10,052**	15,224
2 to 3 years	**1,815**	3,779
Over 3 years	**4,220**	685
	2,319,251	2,139,389

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payable have maturity dates within 365 days. As at 31 December 2021, bills payable amounting to RMB637,180,000 (2020: RMB496,420,000) were issued on intercompany sales transactions within the Group and these bills were discounted to banks for short term financing.

As at 31 December 2021, certain of the Group's bills payable were secured by the pledge of certain of the Group's time deposits amounting to RMB440,448,000 (2020: RMB387,303,000) (note 20).

18. OTHER PAYABLES AND ACCRUALS

	Notes	**2021** **RMB'000**	2020 RMB'000
Provision for social insurance and retirement benefits		**168,652**	155,587
Contract liabilities	*(a)*	**194,424**	189,666
Accrued expenses		**162,381**	140,548
Accrued payroll		**50,344**	49,643
Payables for purchase of items of property, plant and equipment		**128,324**	132,379
Provision for product warranties		**18,968**	17,057
Tax payables other than current income tax liabilities		**174,358**	189,321
Payables to non-controlling shareholders		**94,835**	46,898
Others	*(b)*	**85,017**	62,875
		1,077,303	983,974

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 **RMB'000**	31 December 2020 RMB'000
Short-term advances received from customers		
Sale of goods	**194,424**	189,666

Contract liabilities are short-term advances received to deliver industrial products.

(b) Other payables are non-interest-bearing and have no fixed terms of repayment.

19. INTEREST-BEARING BANK BORROWINGS

	31 December 2021			31 December 2020		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Interest-bearing bank borrowings, secured	**1.88 to 7.09, HIBOR+2.76% to HIBOR+3.25%**	**2022**	**1,001,485**	3.24 to 7.09, HIBOR+2.76 to HIBOR+3.25	2021	1,063,530
Collateralised bank advances, secured	**2.00 to 4.79**	**2022**	**303,376**	2.29 to 4.79	2021	152,010
Interest-bearing bank borrowings, guaranteed	**1.80 to 6.00 HIBOR+2.5%**	**2022**	**549,093**	3.00 to 5.00, HIBOR+2.5	2021	339,105
Current portion of long term bank borrowings, guaranteed	**LIBOR+2.70**	**2022**	**188,539**	LIBOR+2.70	2021	192,321
Interest-bearing bank borrowings, unsecured	**–**	**–**	**–**	1.00 to 7.20	2021	13,880
			2,042,493			1,760,846
Non-current						
Interest-bearing bank borrowings, secured	**1.88 to 6.10**	**2023-2028**	**65,883**	1.88 to 7.90	2022-2028	75,645
Interest-bearing bank borrowings, guaranteed	**3.00**	**2023-2025**	**12,445**	3.00	2022-2025	18,043
Interest-bearing bank borrowings, guaranteed	**LIBOR+2.70**	**2023**	**251,385**	LIBOR+2.70	2022-2023	448,750
			329,713			542,438
			2,372,206			2,303,284
Denominated in RMB			**1,109,735**			1,036,869
Denominated in US$			**806,231**			806,436
Denominated in HK$			**397,739**			403,098
Denominated in SG$			**35,054**			35,054
Denominated in MYR			**17,070**			13,029
Denominated in VND			**6,377**			8,798
			2,372,206			2,303,284

Analysed into:

	2021	2020
	RMB'000	*RMB'000*
Bank loans and advances repayable:		
Within one year	**2,042,493**	1,760,846
In the second year	**297,719**	229,312
In the third to fifth years, inclusive	**29,971**	309,124
Beyond five years	**2,023**	4,002
	2,372,206	2,303,284

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

(i) pledge of the Group's assets with a total value of RMB1,309,456,000 (2020: RMB961,251,000) for the bank borrowings as disclosed in note 20; and

(ii) 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, as supplemented on 28 January 2021 (the "**Facility Agreement**") with certain financial institutions (the "**Lenders**").

Under the Facility Agreement, there are specific performance obligations on Mr. Dong Li, the controlling shareholder of the Company, to not 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. Further, Mr. Dong Li shall not cease to have management control over the Company or cease to be the Chairman of the board of directors of the Company. At the date of approval of these audited consolidated financial statements for the year ended 31 December 2021, such obligations have been complied with.

Several of the Company's wholly-owned subsidiaries were parties who act as guarantors, and the entire equity interests in two wholly-owned subsidiaries were pledged, to guarantee punctual performance of the Group's obligations under the Facility Agreement.

As at 31 December 2021, the outstanding term loan balance under the Facility Agreement amounting to US$70,000,000 (equivalent to RMB439,924,000), of which RMB188,539,000 and RMB251,385,000 are repayable within one year and second year respectively. The term loan bears interest at LIBOR+2.7% per annum.

20. PLEDGE OF ASSETS

	Prepaid land lease payments	**Property, plant and equipment**	**Pledged deposits**	**Inventories**	**Trade receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note 16)	*(note 11)*	*(note 12)*	
31 December 2021						
Interest-bearing bank borrowings *(note 19)*	**38,998**	**800,281**	**4,269**	**100,000**	**365,908**	**1,309,456**
Bills payable *(note 17)*	**–**	**–**	**440,448**	**–**	**–**	**440,448**
Issue of letters of credit	**–**	**–**	**157,796**	**–**	**–**	**157,796**
	38,998	**800,281**	**602,513**	**100,000**	**365,908**	**1,907,700**

	Prepaid land lease payments	Property, plant and equipment	Pledged deposits	Inventories	Trade receivables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note 16)	*(note 11)*	*(note 12)*	
31 December 2020						
Interest-bearing bank borrowings *(note 19)*	49,168	628,945	4,394	100,000	178,744	961,251
Bills payable *(note 17)*	–	–	387,303	–	–	387,303
Issue of letters of credit	–	–	69,656	–	–	69,656
	49,168	628,945	461,353	100,000	178,744	1,418,210

21. COMMITMENTS

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

	2021	2020
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Land and buildings	**999**	1,613
Capital contribution for investments in equity investments designated at fair value through other comprehensive income	**22,500**	62,500
	23,499	64,113

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2021 (the "**Period**"), the Group's revenue amounted to RMB11,303.1 million, representing an increase of 17.4% from RMB9,631.4 million for the corresponding period in 2020.

During the Period, revenue from batteries (and related items) business amounted to RMB9,249.2 million, representing an increase of 11.1% from RMB8,324.2 million for the corresponding period in 2020. The increase in revenue from batteries was mainly contributed by the 27.3% growth rate in the overseas market while the growth in revenue of the PRC market was 0.4%. The volume delivered in terms of ton was around 4.3% higher than the corresponding period last year and mainly contributed by the overseas business. This reflected that the per ton selling price had increased during the Period due to higher material cost and soaring logistic cost in 2021. Revenue from recycled lead business amounted to RMB2,053.9 million, representing an increase of approximately 57.1% from RMB1,307.1 million for the corresponding period in 2020.

Compared to 2020, export from the PRC was booming having benefited from continuing increase in overseas demand at the time when global production capacity was struggling during the COVID pandemic. By contrast, the growth in the PRC market slowed down after high rebounding rate in 2019. The effect of stringent pandemic control and unclear market outlook resulted in more prudent business behaviors. As a result, the Group's export sales raised while growth in the PRC domestic market was flat. Nevertheless, all three categories of battery business continued enjoying growth in various degree.

Reserve power batteries

The Group's sales of reserve power batteries during the Period amounted to RMB4,758.9 million (2020: RMB4,187.1 million), representing an increase of 13.7% as compared to the same period of last year. This accounted for approximately 51.5% of the total revenue from batteries sales for the Period as compared to 50.3% in 2020. The increment in sales revenue of reserve power batteries amounted to RMB571.8 million (2020: RMB274.0 million increment) during the Period.

Benefiting from the recovery of our brand in overseas 5G business and the strong ODM export, the high growth rate overcame the sluggish performance in the PRC market, allowing the Group's reserve power battery business to grow. Although the PRC reserve power battery business did not make any growth contribution in 2021, the huge resources the Group deployed in the PRC on marketing and research and development for new 5G product including lithium-ion battery will definitely be able to capture opportunities from the rising 5G life cycle in 2022 and onward.

SLI batteries

Sales of SLI batteries for the Group during the Period amounted to RMB3,006.0 million (2020: RMB2,883.1 million), representing an increase of 4.3% as compared to the same period last year. This accounted for approximately 32.5% of the total revenue for the Period from batteries sales as compared to 34.6% in 2020. The increment in sales revenue of SLI batteries amounted to RMB122.9 million (2020: RMB412.6 million increment) during the Period.

Similar to the demand for the Group's Reserve Power Batteries, export of the Group's SLI batteries outperformed the Group's PRC domestic SLI business in 2021. In order to enlarge our market share in the PRC market, more resources shall be deployed to capture the opportunity in the era of autonomous driving of smart cars. Being one of the major suppliers of domestic new energy automobile lead-acid batteries, the Group has confidence to further extend our customer bases and improve our ranking and status in the future.

Motive power batteries

During the Period, motive power batteries business (which includes but not limited to applications in electric vehicles, electric forklifts and other battery-driven products) of the Group recorded sales revenue of RMB1,223.1 million (2020: RMB1,114.6 million), representing an increase of 9.7% as compared to last year. This accounted for approximately 13.2% of the total revenue from batteries sales for the Period as compared to 13.4% in 2020. The increment in sales revenue of motive power batteries amounted to RMB108.5 million (2020: RMB280.7 million increment) during the Period.

After accomplished a high growth rate in the PRC during 2020, the enlarged base created a bottle neck in sustaining high growth. Supplemented by enlarged export in 2020, the Group managed to maintain growth. The Group will continue deploying enough resources in the development of various battery including lithium models aiming at enlarging applications and market share.

Recycled lead

Revenue from the sales of recycled lead products amounted to RMB2,053.9 million (2020: RMB1,307.1 million) during the Period, representing an increase of 57.1% as compared to last year. After resumption of full operation in May 2020, production capacity was fully occupied in 2021. Sales to thirds parties reflected the current potential that the plant can contribute to the Group's revenue.

Sales network

The Group maintained to distribute its products to more than 100 countries and regions across the World and has established regional sales offices in Beijing, Shenzhen, Zhaoqing, Nanjing, Hong Kong, Singapore, Malaysia, Australia and other ASEAN countries, India, Sri Lanka, USA and the EU, and United Kingdom. Together with the domestic sales centers in the PRC, the Group has more than 80 sales offices and centers around the world. As at 31 December 2021, the Group has over 700 dedicated sales and marketing and related supporting employees.

Research and development ("R&D")

During the Period, the Group continued working on new models of lead-acid and lithium-ion batteries and rolling out new products tailor-made for applications in each of the network power and motive market segments. New models of battery catering for the era of autonomous driving of smart cars were among these R&D projects. The Group worked closely with international and domestic battery experts and research institutions to perform research on new technologies and develop new products. Resource was pulled in and will continue on boosting model yield and increasing overall running efficiency in view of achieving higher cost competitiveness. As at 31 December 2021, our battery R&D team of the Group consists of more than 350 researchers and related development & sampling technicians.

Production Base

Vietnam was largely successful in containing new coronavirus infections until spring 2021, when the Delta variant started to spread. The introduction of factory quarantine significantly affected our Vietnam factories' labor supply since large number of workers resigned resulting labor force reduced to less than 20% and affected our normal production in the first half of 2021. Production was gradually ramped up when more workers returned in the third quarter of 2021 after the spread was under control and government tried to strike a balance between fighting the pandemic and battling to get its economy back on track. Eventually, our Vietnam factories, which accounted for 8% of the Group's total production capacity in 2021, overall annual average utilization ratio maintained at low 70% level. With 85% of our production capacity based in China, our overseas business was not affected due to the strong support by our PRC factories in 2021.

Although there was no aggressive expansion in production capacity for lead-acid batteries in 2021, we are gradually expanding lithium-ion batteries production capacity according to our strategic plan. We believe our preparation will start to provide fruitful return starting 2022. Resources for production capacity will be mostly concentrated in the PRC in the near future.

As mentioned earlier under the paragraph "Recycled Lead", recycling plant production capacity was fully utilized under the allowed production capacity of 200,000 tons in 2021.

Trend of lead price

Lead is the main raw material of lead-acid batteries and accounts for a major part of the product cost for the Group's battery production. According to Shanghai Metals Market ("**SMM**"), the monthly average lead price per ton fluctuated within the range of RMB14,651 to RMB15,591 during the Period, representing a change within the range of-0.4% to 6.0% as compared with SMM monthly average of RMB14,710 per ton in December 2020.

The monthly average SMM lead price per ton from January to June 2021 was RMB15,117, increased by 2.8% as compared with SMM monthly average in December 2020, reflected increasing demand for domestic and export battery products in the PRC. The monthly average SMM lead price per ton from July to December 2021 was RMB15,224, increased by 3.5% as compared with SMM monthly average in December 2020, reflected that the pace of increasing demand has slowed down due to various reasons including traffic jam in global logistic jam overseas and temporary electricity supply shortage during the last quarter of 2021 in China.

To cope with the potential pricing risk associated with the fluctuation in future lead price, the Group has adopted a price-linked pricing mechanism to minimise lead price fluctuation exposure. In addition, the Group's centralised procurement of raw materials enables it to trim down costs of raw materials through favorable negotiations on bulk purchase contracts.

Future Prospects

According to the National Bureau of Statistics, China's gross domestic product (GDP) grew by 8.1% in 2021, the largest jump since 2011. On the other hand, the rebound in global activity, together with supply disruptions and higher food and energy prices have pushed up inflation across many countries. China's effective outbreak prevention and control work enabled it to maintain the stable operation of industrial chains attributing China's strong export growth to efficient factory output. The global dependence on Chinese production continued to increase and the trend is expected to continue in 2022. However, a lower GDP target 5.5% set by China government, a thirty-year low, implies a weaker economy expectation reflecting more unstable factors in 2022.

The continuing disruption caused by COVID-19, as well as supply bottlenecks contribute to the expectation that global growth will decelerate markedly in 2022, from 5.5% to 4.1%, according to the World Bank. Output and investment in advanced economies are projected to return to pre-pandemic trends in 2022 but remain below in emerging markets and developing economies. This prediction was arrived before the war in Ukraine broke out. According to an assessment by United Nation Conference on Trade and Development (UNCTAD), rising food, fuel and fertilizer prices rapidly worsening outlook for the world economy.

Compared to the economic outlook of the rest of the world, China is still in a relatively strong position. Its success in containing the Covid-19 pandemic and stimulating productivity has allowed a relatively normal pace of work and life in the country, and its forecast GDP growth for 2022 is expected to exceed the world average. The Group believes that opportunities and challenges are intertwined in 2022 but opportunities are dominant especially in China. We will pay extra attention to the changing macro and micro situations and revise our strategies as and when situation calls for.

5G & Reserve Power Products

In 2022, most important China's growth engines come from infrastructure. The government report emphasize that part of infrastructure projects will be used on "new infra", which covers digitalization of factory operations, full 5G coverage of the economy. In 2021, China has more than 1.42 million 5G base stations and government has set a goal to build more than 600,000 in 2022, an increase by 42%. China will ramp up 5G coverage for business areas, industrial parks, high-speed trains, transport hubs, shopping centers, and other crowded spaces. The country will heavily promote the innovative development of 5G applications and further advance the demonstration of '5G + industrial internet' scenarios besides '5G + medical health' and '5G + smart education'. With all these development in plan, China will work to ensure the number of 5G base stations tops 2 million.

To achieve the goal in stepping up industrial digitalization, data centers development is pivoted to be a national priority in 2022. Local governments in China are doubling down on plans to accelerate 5G rollout and more than 20 provincial and municipal governments has emphasized that great effort will be put in construction of “new infrastructure” like 5G and data centers in their 2022 work plans. City like Shanghai has push forward the in-depth coverage of the superfast wireless network and has ambitions to build super large computing power platforms to meet growing demand.

The Ministry of Industry and Information Technology revealed that 2022 is a critical year for the large-scale development of 5G applications. Improving 5G network coverage, accelerating the in-depth integration of 5G and vertical industries and moderately speed up the coverage of 5G in counties and rural towns are the goals. Ten ministries, including the Cyberspace Administration of China, recently unveiled a digital rural development action plan for the period from 2022 to 2025, which called for an intensified push to promote digital infrastructure upgrades in rural areas.

As mentioned last year, the global market demand for lithium batteries used for communication base stations is estimated to reach 22.8GWh in 2020. The 5G construction will rapidly push up the demand for lithium batteries using in base stations from 2021 to 2025. It is estimated that the number of communication towers will increase to 13 million by 2025, the global market demand for lithium batteries for communication will reach 60GWh, and the market size will exceed RMB60 billion. We expect the demand for lithium iron phosphate batteries used in communications will continue to expand and the Group’s lithium-ion battery plant will provide ground to capture new opportunity in this area.

Since 2020, the “fast forward button” for the new 5G infrastructure development has been pressed. To get prepared for this opportunity, the Group will continue pulling resources in the development of 5G lead-acid and lithium batteries for various applications. Our aggressive sales teams are working hard on expanding our market share in the PRC.

SLI batteries

In spite of industry-wide chip supply shortage and increasing price of raw material, China's new automobile production and sales managed to grow in 2021, ending three years of consecutive decrease, according to the China Association of Automobile Manufacturers (CAAM). In 2021, China produced 26.082 million vehicles, up by 3.4% year over year while the market sold 26.275 million vehicles, up by 3.8% from a year ago. For 2022, the association expects vehicle outputs and sales in the world's largest automobile market will be better than 2021. All of that said, then, the outlook for 2022 is – broadly speaking – one of continued industry recovery, at least in terms of underlying demand.

Car sales in China in 2022 will see positive growth compared with 2021 as the global chip shortages will be solved. Chip shortages have cut vehicle production by over 1 million in China and over 11 million worldwide in 2021, according to statistics from AutoForecast Solutions. New energy vehicle segment (NEV), including battery electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, will be the biggest bright spot in 2022. Besides traditional fossil fuel vehicles, our Group is one of the major suppliers of domestic new energy automobile brands such as BYD, Geely Auto, Nio, GWM, BAIO BJEV, Xpeng, ONE, Weltmeister etc. An auxiliary lead-acid battery is required in high-speed electric vehicles for low-voltage power supply. The Group will put enough resource to secure and expand our market share in China.

The auto industry is used to being demand-led, but supply-side issues will continue to shape the global market in 2022. Pressures from energy costs and inflationary sources are rising and will hit businesses and households in the first half. This could bring a slowing in demand even before chip supply is realigned. On the flip side, fiscal stimulus is still abundant in many economies and personal mobility needs are high. The Group has a very solid position in the PRC SLI battery market and export OEM market. Our professional and dedicated sales and marketing staff around the globe with support of our PRC R&D team will continue to extend our market share globally.

Motive power batteries

In China, low-speed electric vehicles have shown a rapid development pattern along with the country's economic and social development. Leading manufacturers have all put forward multiplier growing plan which will drive the continuous development of the power battery industry. At present, the domestic market for low-speed electric vehicles, two-wheelers, and tricycles has reached more than 300 million units and the corresponding power battery market has reached more than RMB70 billion. It is expected that the market size will enjoy healthy growth rate in coming years.

The Group's motive power battery business unit always quickly responds and adapts to market changes. Compound average growth rate in the last two year was around 18% even under unstable economic environment around the world. We believe our high-end batteries and differentiated management strategy is the driving force to continuous future growth. The Group actively deploys lithium motive power battery projects and successively launched a number of models to the market. In 2021, we have continued deepening the franchise store model, optimizing the quality and quantity of agents, improving product turnover efficiency and sales scale of these sales channels and have paved a solid foundation for continuous growth.

International Market

The Group accelerated its growth overseas in 2021. In the Middle East and Africa market, capitalizing on the fast rebound of European economies and the fast development of its li-ion business, our Group's lithium products continue to gain market share with major Telcos and Tower operators in the region, especially in Africa and are also getting traction in the solar and hybrid generators markets. During the Period, the Group has consolidated its presence in Europe by establishing distribution in Spain through the acquisition of Meibat SA, a Spanish distributor. The Group can now offer value added logistics services to its clients in the main European markets of Germany, France, UK, Italy and Spain and has won new pan European leading OE customers in the UPS segment. With the devoting and concentration of our European team, the Group has confidence that the growth moment will continue in 2022.

Turning to APAC, although overall performance in 2021 was not well due to lockdown linked to the Covid-19 pandemic, Our Group continued to diversify its business with strong growth in India and UPS OE segment. With sustained availability of production in spite of tough operational challenges, our Group offered excellent service to its customers and gained significant market share in the regional UPS OE business. While telecom and infrastructure business in ASEAN suffered from further delays in customer investment and projects execution during this phase, the Group continued to diversify its business with new customers and launching successfully new products in Motive Power and Automotive segments. We believe the region recession has bottomed out and growth momentum will prevail in 2022.

The America market accomplished over 50% growth rate in 2021 contributed by the continued disruption in global production caused by COVID-19 except China. Buyers turn to stable source of supply in China boosted the demand even though delivery time will be significantly widened cause by the global sea freight jam. There was slightly improvement in the logistic traffic jam but recovery will take months or more than a year. The Group expected demand for PRC products will be strong in the first half of 2022 but will be gradually back to normal in the second half of 2022 if global production capacity continues improve.

The global economic outlook is exceptionally uncertain and global growth already expected to be weaker than it would have been after the war in Ukraine broke out. Inflation will be higher and the strength of the recovery is moderate in many countries. The Group will closely monitor the recovering pace and remain prudent in managing our overseas resources.

Recycled Lead

Our recycling plant was running close to its maximum allowed occupying ratio and released its potential benefit to the Group in 2021. Our dedicated scrap battery recycling department, which will utilize our existing sales network capability to collect old batteries, has started making contribution to constant supply of scrap lead-acid batteries to the recycling plant. The Group will continue strengthening this closed-loop business model and highly confident that the output volume in 2022 will be sustained.

FINANCIAL REVIEW

For the Period, the Group's revenue amounted to RMB11,303.1 million, representing an increase of 17.4% from RMB9,631.4 million for the corresponding period in 2020. The profit for the Period amounted to RMB166.7 million as compared to RMB138.0 million for the year ended 31 December 2020, of which the profit attributable to the owners of the parent amounted to RMB136.1 million as compared to RMB123.7 million for the corresponding period in 2020. Basic earnings per share for the Period was RMB0.10 (2020: RMB0.09).

Revenue

The Group's revenue from battery business increased by 11.1% from RMB8,324.2 million for the year ended 31 December 2020 to RMB9,249.2 million for the Period.

The Group's revenue from recycled lead products increased by 57.1% from RMB1,307.1 million for the year ended 31 December 2020 to RMB2,053.9 million for the Period, due to the resumption of full operation in late May of 2020.

Details of the Group's revenue for the years ended 31 December 2021 and 2020 by product category are set out below:

	2021			2020	
Product category	**Revenue** *RMB'000*	**Percentage share**	**Percentage Increase**	Revenue *RMB'000*	Percentage share
Reserve power batteries	**4,758,929**	**42.1%**	**13.7%**	4,187,085	43.5%
SLI batteries	**3,005,998**	**26.6%**	**4.3%**	2,883,146	29.9%
Motive power batteries	**1,223,082**	**10.8%**	**9.7%**	1,114,583	11.6%
Others	**261,210**	**2.3%**	**87.4%**	139,399	1.4%
Sub-total	**9,249,219**	**81.8%**	**11.1%**	8,324,213	86.4%
Recycled lead products	**2,053,906**	**18.2%**	**57.1%**	1,307,149	13.6%
Total	**11,303,125**	**100%**	**17.4%**	9,631,362	100%

Geographically, the Group's customers are principally located in the PRC, Europe, Middle East and Africa ("**EMEA**"), Americas and Asia-Pacific (other than PRC). The Group recorded different degrees of growth in the PRC, EMEA and Americas while sales in Asia-Pacific (other than PRC) decreased.

The Group's sales revenue in the PRC increased by 12.2% from RMB6,326.0 million for the year ended 31 December 2020 to RMB7,094.7 million for the Period, representing 62.8% of the Group's total revenue (2020: 65.7%). The increase was mainly due to the increased production output from recycled lead products.

The following revenue information is based on the customer location for the years ended 31 December 2021 and 2020:

	2021			2020	
	Revenue *RMB'000*	**Percentage share**	**Percentage increase/ (decrease)**	Revenue *RMB'000*	Percentage share
PRC	**7,094,708**	**62.8%**	**12.2%**	6,325,994	65.7%
EMEA	**1,893,018**	**16.7%**	**36.2%**	1,390,185	14.4%
Americas	**1,534,927**	**13.6%**	**50.2%**	1,022,021	10.6%
Asia-Pacific (other than PRC)	**780,472**	**6.9%**	**(12.6%)**	893,162	9.3%
Total	**11,303,125**	**100%**	**17.4%**	9,631,362	100%

Cost of Sales

The Group's cost of sales increased by 16.0% from RMB8,443.1 million for the year ended 31 December 2020 to RMB9,793.4 million for the Period, mainly because of the increased sales volume from both recycled lead products and battery business.

Gross Profit

The Group's gross profit increased by 27.0% from RMB1,188.3 million for the year ended 31 December 2020 to RMB1,509.7 million for the Period, mainly due to the strong demand from overseas markets and the resumption of full operation from recycled lead products. The gross profit margin increased for both battery business and recycled lead products, resulting in the increase of overall gross profit margin from 12.3% for the year ended 31 December 2020 to 13.4% for the Period. The increase for battery business was mainly due to less operational disruption in the PRC for the Period while the increase for recycled lead products was primarily a result of resumption of full operation in late May of 2020.

Other Income and Gains

Other income and gains decreased by 22.3% from RMB108.4 million for the year ended 31 December 2020 to RMB84.2 million for the Period, mainly due to decrease in government grants during the Period.

Selling and Distribution Expenses

The Group's selling and distribution costs increased by 21.8% from RMB481.2 million for the year ended 31 December 2020 to RMB586.1 million for the Period. The increase was mainly caused by increase in delivery costs and sales 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 commission was in line with the increase in sales.

Administrative Expenses

The Group's administrative expenses increased by 15.0% from RMB266.4 million for the year ended 31 December 2020 to RMB306.2 million for the Period. The increase was mainly due to the shutdown of factories in February of 2020 in the PRC because of the COVID-19 pandemic, resulting in less administrative expenses in 2020.

R&D Expenses

R&D expenditure of the Group increased by 38.6% from RMB172.7 million for the year ended 31 December 2020 to RMB239.4 million for the Period. The increase in expenditure was mainly used for performance enhancement of existing products and development of new products in all categories during the Period.

Other Expenses

The Group's other expenses increased by 186.0% from RMB35.9 million for the year ended 31 December 2020 to RMB102.6 million for the Period, which was mainly due to the 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 9.0% from RMB158.2 million for the year ended 31 December 2020 to RMB143.9 million for the Period as the average amount of borrowings during the Period was less than last year.

Profit before Tax

As a result of the foregoing factors, the Group recorded profit before tax of RMB192.0 million for the Period as compared to RMB161.7 million for the year ended 31 December 2020.

Income Tax Expense

Income tax expense increased by 6.5% from RMB23.7 million for the year ended 31 December 2020 to RMB25.2 million for the Period, mainly because assessable profits from the lead-acid battery business increased while profit from the recycled lead products was not subject to tax during the Period.

Profit for the Year

As a result of the foregoing factors, the Group recorded net profit of RMB166.7 million (2020: RMB138.0 million) and profit attributable to the owners of the parent of RMB136.1 million (2020: RMB123.7 million) for the Period.

Net Current Assets

As at 31 December 2021, the Group had net current assets of RMB541.8 million (2020: RMB596.4 million). The Group's current assets mainly consist of inventories, trade receivables, debt investments at fair value through other comprehensive income, cash and bank balances, prepayments, other receivables and other assets. The Group's current liabilities mainly consist of trade and bills payables, other payables and accruals, and interest-bearing bank borrowings.

Inventories

Inventories constituted one of the principal components of the Group's current assets. As at 31 December 2021, the Group had inventories of RMB2,019.3 million (2020: RMB1,776.9 million). Inventories remained stable in recycled lead products while inventories for battery business increased during the Period. The increase in battery business was a result of strong demand from overseas markets.

Trade Receivables

The Group's trade receivables primarily relate to receivables for goods sold to its customers and mainly comprised customers from the battery business. As at 31 December 2021, the Group had trade receivables of RMB2,725.7 million (2020: RMB2,419.7 million). The increase in trade receivables was in line with the increase in sales during the Period.

Prepayments, Other Receivables and Other Assets

The Group's prepayments mostly relate to the purchase of raw materials. As at 31 December 2021, the Group had prepayments, other receivables and other assets of RMB223.5 million (2020: RMB276.1 million), decreasing by 19.1%. The decrease was mainly because more raw material suppliers were asked to be paid on delivery other than prepayment.

Trade and Bills Payables

The Group's trade and bills payables primarily relate to its purchase of raw materials for production. As at 31 December 2021, the Group had trade and bills payables of RMB2,319.3 million (2020: RMB2,139.4 million). The increase in trade and bills payables was mainly due to increase in bills payables for short term financing. Such bills were issued on intercompany sales transactions within the Group and discounted to banks for short term financing.

Other Payables and Accruals

The Group's other payables and accruals primarily consisted of provision for social insurance and retirement benefits, payments for its expenditures related to construction and renovation of its production facilities, payments in connection with transportation charges, contract liabilities, tax payables other than current income tax liabilities and accruals for payroll and benefits for its employees. As at 31 December 2021, the Group had other payables and accruals of RMB1,077.3 million (2020: RMB984.0 million). The slight increase was mainly due to increase in loan from non-controlling shareholders.

Capital Expenditures

During the Period, the Group invested RMB282.6 million (2020: RMB520.0 million) in property, plant and equipment for its new production facilities.

Liquidity and Financial Resources

As at 31 December 2021, the Group's net current assets amounted to RMB541.8 million (2020: RMB596.4 million), among which cash and bank deposits amounted to RMB951.7 million (2020: RMB848.5 million). As at 31 December 2021, the Group had bank borrowings of RMB2,372.2 million (2020: RMB2,303.3 million), all of which are interest-bearing. Except for borrowings of RMB329.7 million (2020: RMB542.4 million) which have a maturity over one year, all of the Group's bank borrowings were repayable within one year. The Group's borrowings were denominated in RMB, US dollars, HK dollars, Singapore dollars, Malaysian ringgits and Vietnamese Dong, and the effective interest rates of which as of 31 December 2021 were 1.80% to 7.09% (2020: 1.00% to 7.90%).

A portion of the Group's bank borrowings was secured by pledges over certain assets of the Group including property, plant and equipment, leasehold lands, deposits, inventory, trade receivables and equity interests in its subsidiaries. As at 31 December 2021, the Group's gearing ratio was 24.7% (2020: 25.4%), which was calculated by dividing total borrowings by total assets as at the end of each respective period, multiplied by 100%.

Contingent Liabilities

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

Foreign Exchange Risk

The Group operated primarily in the PRC. For the Group's companies in the PRC, their principal activities were transacted in RMB. For other companies outside of the PRC, their principal activities were transacted in US dollars. However, as a result of the Group's revenue being denominated in RMB, the conversion into foreign currencies in connection with payments is subject to regulatory restrictions on currency conversion in the PRC. The value of the RMB against the US dollars and other currencies may fluctuate and is affected by, among other things, change in the political and economic conditions in the PRC. The Group's product sales adopted a price mechanism by which the currency fluctuation is basically transferred to the customers, but the Group's foreign currency trade receivables may still be exposed to risk in the credit period.

Material Acquisition and Disposal

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

Significant Investments

As at 31 December 2021, the Group had no significant investment with a value of 5% or more of the Group's total assets.

EMPLOYEES

As at 31 December 2021, the Group had 13,730 employees. Employee benefit expenses (including directors' remuneration), which comprised wages and salaries, performance-related bonuses, equity-settled share option expenses and retirement benefit scheme contributions, totaled RMB1,020.2 million for the Period (2020: RMB849.2 million).

The Group has a share option scheme for selected participants as incentive and reward for their contribution to the Group. A mandatory provident fund scheme and local retirement benefit schemes are also in effect. The Group encourages employees to receive continuing education and training to strengthen their work skills and for personal development. The Group also provides workshops for staff at different levels to enhance their knowledge of work safety and to build up team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil)).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2022, to Monday, 30 May 2022 (both days inclusive) for the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company ("**AGM**"), during which period no transfer of shares will be registered. In order to be eligible to attending and vote at the AGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 24 May 2022.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the code for dealing in securities of the Company by its directors. After making specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

CORPORATE GOVERNANCE PRACTICES

Throughout the Period, the Company was committed to maintaining a high standard of corporate governance with a view to safeguard the interests of its shareholders and enhance corporate value. The Board is of the view that the Company has complied with all applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in this announcement of the results of the Group for the year ended 31 December 2021 have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the Group's auditor, Ernst & Young ("**EY**"). The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standard on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee, which comprises three independent non-executive Directors, namely, Mr. CAO Yixiong Alan (chairman of the Audit Committee), Mr. LAU Chi Kit and Mr. LU Zhiqiang, has reviewed the financial statements of the Group for the year ended 31 December 2021 and has discussed with the management and the external auditor of the Company on the accounting policies and practices adopted by the Group and the internal controls and financial reporting matters of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

ANNUAL GENERAL MEETING

The AGM will be held on or about Monday, 30 May 2022. Notice of the AGM will be sent to the shareholders in due course. The poll results of the AGM will be published shortly after the AGM.

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

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continuing support to the Group.

By order of the Board
Leoch International Technology Limited
Mr. DONG Li
Chairman

Hong Kong, 31 March 2022

As at 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 Mr. LU Zhiqiang.