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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 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Changes
	2022	2021	
	<i>RMB million</i>	<i>RMB million</i>	
Turnover	6,168.3	5,180.5	+19.1%
Gross profit	685.4	745.0	-8.0%
Profit for the Period	96.5	44.5	+116.9%
Profit attributable to owners of the parent	80.0	29.2	+174.3%
Basic earnings per share (<i>RMB</i>)	0.06	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 2022 (the “**Period**”) with comparative figures for the corresponding period in the year 2021. 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 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
REVENUE	4	6,168,315	5,180,492
Cost of sales		<u>(5,482,909)</u>	<u>(4,435,531)</u>
Gross profit		685,406	744,961
Other income and gains	4	114,534	15,973
Selling and distribution expenses		(301,673)	(247,484)
Administrative expenses		(152,066)	(143,971)
Research and development costs		(122,172)	(172,357)
(Impairment losses)/reversal of impairment on financial assets		(2,065)	545
Other expenses	6	(3,304)	(71,937)
Finance costs	7	<u>(74,120)</u>	<u>(70,207)</u>
PROFIT BEFORE TAX	5	144,540	55,523
Income tax expense	8	<u>(48,060)</u>	<u>(11,037)</u>
PROFIT FOR THE PERIOD		<u>96,480</u>	<u>44,486</u>
Attributable to:			
Owners of the parent		80,020	29,170
Non-controlling interests		<u>16,460</u>	<u>15,316</u>
		<u>96,480</u>	<u>44,486</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		<u>RMB0.06</u>	<u>RMB0.02</u>
Diluted		<u>RMB0.06</u>	<u>RMB0.02</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	96,480	44,486
OTHER COMPREHENSIVE INCOME		
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	(282)	1,081
Income tax effect	70	(270)
	(212)	811
Exchange differences on translation of foreign operations	11,570	(4,580)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	11,358	(3,769)
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	32,336	11,594
Income tax effect	(7,879)	(2,766)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	24,457	8,828
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	35,815	5,059
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	132,295	49,545
Attributable to:		
Owners of the parent	115,835	34,072
Non-controlling interests	16,460	15,473
	132,295	49,545

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022	31 December 2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,257,764	2,291,795
Investment property		340	345
Right-of-use assets		175,424	152,860
Goodwill		2,405	2,213
Other intangible assets		788,773	771,009
Equity investments designated at fair value through other comprehensive income		235,579	182,680
Deposits paid for purchase of items of property, plant and equipment		68,575	34,650
Deferred tax assets		76,949	66,263
		<hr/>	<hr/>
Total non-current assets		3,605,809	3,501,815
CURRENT ASSETS			
Inventories	<i>11</i>	2,234,079	2,019,256
Trade receivables	<i>12</i>	2,769,766	2,725,702
Debt investments at fair value through other comprehensive income		105,334	106,349
Prepayments, other receivables and other assets		232,798	223,469
Financial assets at fair value through profit or loss		67,779	67,798
Pledged deposits	<i>13</i>	690,175	602,513
Cash and cash equivalents	<i>13</i>	428,641	349,229
		<hr/>	<hr/>
Total current assets		6,528,572	6,094,316

		30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and bills payables	14	2,556,496	2,319,251
Other payables and accruals		1,003,558	1,077,303
Lease liabilities		10,585	4,046
Financial liabilities at fair value through profit or loss		23,680	851
Interest-bearing bank borrowings	15	2,433,198	2,042,493
Income tax payable		149,380	108,576
		<hr/>	<hr/>
Total current liabilities		6,176,897	5,552,520
		<hr/>	<hr/>
NET CURRENT ASSETS		351,675	541,796
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,957,484	4,043,611
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	81,264	329,713
Deferred tax liabilities		59,443	53,282
Deferred government grants		68,855	65,129
Lease liabilities		34,473	16,422
		<hr/>	<hr/>
Total non-current liabilities		244,035	464,546
		<hr/>	<hr/>
Net assets		3,713,449	3,579,065
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		116,241	116,241
Reserves		3,388,320	3,270,396
		<hr/>	<hr/>
		3,504,561	3,386,637
		<hr/>	<hr/>
Non-controlling interests		208,888	192,428
		<hr/>	<hr/>
Total equity		3,713,449	3,579,065
		<hr/> <hr/>	<hr/> <hr/>

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 Dr. Dong Li.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - 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 engaged in the manufacture and sale of power solutions 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:

	Six months ended 30 June	
	2022 (Unaudited) <i>RMB'000</i>	2021 (Unaudited) <i>RMB'000</i>
Power solutions batteries	4,911,188	4,248,036
Recycled lead products	1,257,127	932,456
	<u>6,168,315</u>	<u>5,180,492</u>

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2022 (Unaudited) <i>RMB'000</i>	2021 (Unaudited) <i>RMB'000</i>
Mainland China*	3,347,229	3,157,461
Europe, the Middle East and Africa	995,876	1,071,093
Americas	1,179,691	559,353
Asia-Pacific (other than Mainland China)	645,519	392,585
	<u>6,168,315</u>	<u>5,180,492</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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Mainland China	2,871,926	2,715,069
Other countries/areas	421,355	537,803
	<u>3,293,281</u>	<u>3,252,872</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 RMB721,307,000 (six months ended 30 June 2021: RMB581,884,000) was derived from sales to one customer, including sales to a group of entities which are known to be under common control with that customer, exceeding 10% of the Group's total revenue for the six months ended 30 June 2022.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June 2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue from contracts with customers	<u>6,168,315</u>	<u>5,180,492</u>

Disaggregated revenue information

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Type of goods		
Sale of industrial products	<u>6,168,315</u>	<u>5,180,492</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>6,168,315</u>	<u>5,180,492</u>
	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Other income and gains		
Bank interest income	8,870	2,921
Government grants*	39,228	7,045
Sale of scrap materials	3,573	2,323
Foreign exchange gain	54,159	–
Rental income	1,544	1,464
Fair value gain from financial liabilities at fair value through profit or loss	4,057	–
Others	<u>3,103</u>	<u>2,220</u>
	<u>114,534</u>	<u>15,973</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):

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of inventories sold	4,767,743	3,781,412
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	454,858	441,667
Equity-settled share option expenses	2,089	681
Pension scheme contributions	31,047	26,560
	487,994	468,908
Amortisation of other intangible assets except for deferred development costs	9,077	8,769
Research and development costs:		
Deferred development costs amortised*	101,828	92,215
Current period expenditure	122,172	172,357
	224,000	264,572
Financial liabilities at fair value through profit or loss:		
Unrealised loss	22,789	29,787
Realised (gain)/loss	(26,846)	9,854
Fair value (gain)/loss from financial liabilities at fair value through profit or loss, net	(4,057)	39,641
Financial assets at fair value through profit or loss:		
Unrealised loss	19	8,126
Depreciation of property, plant and equipment	156,490	154,547
Depreciation of investment property	5	5
Depreciation of right-of-use assets	7,045	4,625
Impairment/(Reversal of impairment) of trade receivables	2,065	(545)
(Reversal of impairment)/impairment of inventories*	(1,538)	5,799
Loss on disposal of items of property, plant and equipment, net	1,291	1,938
Foreign exchange (gain)/loss, net	(54,159)	21,583
Lease payment not included in the measurement of lease liabilities	7,307	2,458

* *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	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange loss	–	21,583
Loss on disposal of items of property, plant and equipment	1,291	1,938
Fair value loss from financial assets at fair value through profit or loss	19	8,126
Fair value loss from financial liabilities at fair value through profit or loss	–	39,641
Others	1,994	649
	<u>3,304</u>	<u>71,937</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank borrowings	52,143	50,966
Interest arising from discounted bills	18,304	19,026
Interest on lease liabilities	3,673	215
	<u>74,120</u>	<u>70,207</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:

	Six months ended 30 June	
	2022 (Unaudited) <i>RMB'000</i>	2021 (Unaudited) <i>RMB'000</i>
Current:		
Mainland China	13,690	8,104
Hong Kong	204	(4,970)
Singapore	40,534	14,974
United States of America	5,759	5,202
Vietnam	484	424
Deferred	<u>(12,611)</u>	<u>(12,697)</u>
Total tax charged for the period	<u>48,060</u>	<u>11,037</u>

9. DIVIDENDS

No dividend is proposed by the Directors for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 1,357,854,666 (six months ended 30 June 2021: 1,357,788,138) 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:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	80,020	29,170
	<u>80,020</u>	<u>29,170</u>
	Number of shares	
	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	1,357,854,666	1,357,788,138
Effect of dilution – weighted average number of ordinary shares:		
Share options	<u>1,155,752</u>	<u>3,167,165</u>
	<u>1,359,010,418</u>	<u>1,360,955,303</u>

11. INVENTORIES

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	RMB'000	RMB'000
Raw materials	559,776	533,335
Work in progress	775,173	705,902
Finished goods	<u>899,130</u>	<u>780,019</u>
	<u>2,234,079</u>	<u>2,019,256</u>

At 30 June 2022, certain of the Group's inventories with a net carrying amount of approximately RMB100,000,000 (31 December 2021: RMB100,000,000) were pledged to secure general banking facilities granted to the Group (note 15(v)).

12. TRADE RECEIVABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade receivables	2,826,273	2,781,405
Less: Impairment provision	<u>(56,507)</u>	<u>(55,703)</u>
	<u>2,769,766</u>	<u>2,725,702</u>

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 RMB470,537,000 (31 December 2021: RMB405,033,000) were under short term credit insurance and RMB69,208,000 (31 December 2021: RMB69,434,000) were under letters of credit. Trade receivables are non-interest-bearing.

As at 30 June 2022, the Group had pledged certain trade receivables amounting to RMB451,374,000 (31 December 2021: RMB365,908,000) to banks with recourse in exchange for cash. The proceeds from pledging the trade receivables of RMB312,001,000 (31 December 2021: RMB303,376,000) 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 2022 and 31 December 2021 based on the invoice date, net of provisions, is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	2,182,914	1,966,971
3 to 6 months	444,559	380,395
6 to 12 months	58,558	187,106
1 to 2 years	35,116	111,608
Over 2 years	<u>48,619</u>	<u>79,622</u>
	<u>2,769,766</u>	<u>2,725,702</u>

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Cash and bank balances	428,641	349,229
Time deposits	<u>690,175</u>	<u>602,513</u>
	1,118,816	951,742
<i>Less: Pledged for interest-bearing bank borrowings (note 15(iv))</i>	(12,465)	(4,269)
Pledged for bills payable (note 14)	(547,265)	(440,448)
Pledged for letters of credit	<u>(130,445)</u>	<u>(157,796)</u>
	<u>(690,175)</u>	<u>(602,513)</u>
Cash and cash equivalents	<u>428,641</u>	<u>349,229</u>
Denominated in RMB	907,125	794,299
Denominated in US\$	131,059	63,627
Denominated in HK\$	52,408	48,508
Denominated in Euro	10,876	9,582
Denominated in Indian Rupee	6,516	3,002
Denominated in Malaysian Ringgit	5,564	7,526
Denominated in Australian Dollar	3,392	2,919
Denominated in Vietnamese Dong	1,246	16,252
Denominated in Sri Lankan Rupee	611	1,953
Denominated in Singapore Dollar	<u>19</u>	<u>4,074</u>
	<u>1,118,816</u>	<u>951,742</u>

14. TRADE AND BILLS PAYABLES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Trade payables	980,865	962,108
Bills payable	<u>1,575,631</u>	<u>1,357,143</u>
	<u>2,556,496</u>	<u>2,319,251</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 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Within 3 months	1,022,727	940,531
3 to 6 months	580,049	396,338
6 to 12 months	936,734	966,295
1 to 2 years	9,023	10,052
2 to 3 years	5,018	1,815
Over 3 years	<u>2,945</u>	<u>4,220</u>
	<u>2,556,496</u>	<u>2,319,251</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payable bear maturity dates within 365 days. As at 30 June 2022, bills payable amounting to RMB662,480,000 (31 December 2021: RMB637,180,000) were issued on intercompany sales transactions within Group companies and such bills were discounted to banks for short term financing.

As at 30 June 2022, certain bills payable of the Group were secured by pledge of certain time deposits of the Group amounting to RMB547,265,000 (31 December 2021: RMB440,448,000) (note 13).

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2022 (unaudited)			31 December 2021 (audited)		
	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	2022-2023	1,087,886	1.88 to 7.09, HIBOR+2.76 to HIBOR+3.25	2022	1,001,485
Collateralised bank advances, secured	LIBOR+2.5	2022-2023	312,001	LIBOR+2.5	2022	303,376
Interest-bearing bank borrowings, guaranteed	2.00 to 4.57 LIBOR+2	2022-2023	668,379	2.00 to 4.79 LIBOR+2	2022	549,093
Current portion of long term bank borrowings, guaranteed	2.20 to 5.80 LIBOR+2.5 LIBOR+2	2022-2023	364,932	1.80 to 6.00 HIBOR+2.5 LIBOR+2	2022	188,539
			2,433,198			2,042,493
Non-current						
Interest-bearing bank borrowings, secured	1.88 to 6.10	2023-2028	37,497	1.88 to 6.10	2023-2028	65,883
Interest-bearing bank borrowings, guaranteed	3.00 to 4.60	2023-2025	43,767	3.00	2023-2025	12,445
Interest-bearing bank borrowings, guaranteed	LIBOR+2.70	2023	–	LIBOR+2.70	2023	251,385
			81,264			329,713
			2,514,462			2,372,206

Analysed into:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Bank loans and advances repayable:		
Within one year	2,433,198	2,042,493
In the second year	28,797	297,719
In the third to fifth years, inclusive	51,289	29,971
Beyond five years	1,178	2,023
	2,514,462	2,372,206

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 RMB731,058,000 (31 December 2021: RMB800,281,000) 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 RMB38,826,000 (31 December 2021: RMB38,998,000) as at the end of the reporting period.
- (iii) the pledge of certain trade receivables of the Group with a carrying amount of approximately RMB451,374,000 (31 December 2021: RMB365,908,000) as at the end of the reporting period (note 12).
- (iv) the pledge of certain time deposits of the Group amounting to approximately RMB12,465,000 (31 December 2021: RMB4,269,000) 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 2021: 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, as supplemented on 28 January 2021 (the “**Facility Agreement**”) with certain financial institutions.

Under the Facility Agreement, there are specific performance obligations that Dr. 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, 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 30 June 2022, the outstanding term loan balance amounted to US\$55,000,000 (equivalent to RMB364,932,000) and is repayable within one year under the terms of the Facility Agreement. The term loan bears interest at LIBOR+2.7% per annum.

16. ACQUISITION OF A SUBSIDIARY

Leoch Iberia SL.

On 31 December 2020, Leoch International Holding Pte. Ltd. (“**Leoch International Holding**”), a wholly-owned subsidiary of the Company, entered into an agreement with three independent individual shareholders to acquire a company called Material Electric I Bateries, S.L in Spain, the name of which was changed to Leoch Iberia SL. (“**Iberia**”) on 15 April 2022. The consideration for acquiring the Iberia is four times average EBITDA from FY2021 to FY2023. Leoch International Holding paid the first cash consideration of EUR499,000 (equivalent to RMB3,467,000) on 7 March 2022. As at the date of acquisition and as at 30 June 2022, the fair values of contingent consideration were both nil. Leoch International Holding acquired 100% of the equity interest. As a result of the above transactions, Leoch International Holding obtained control over Iberia, which then became a subsidiary of the Company on 15 April 2022.

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

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	671
Customer relationship	2,384
Inventories	2,441
Trade and bills receivables	4,403
Prepayments, deposits and other receivables	1,373
Cash and cash equivalents	147
Trade and bills payables	(5,760)
Interest-bearing bank borrowings	(1,740)
Deferred tax liabilities	(644)
	<hr/>
Total identifiable net assets at fair value	3,275
	<hr/>
Goodwill on acquisition	192
	<hr/>
	3,467
	<hr/> <hr/>

An analysis of the cash flows for the period ended 30 June 2022 in respect of the acquisition of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	(3,467)
Cash and bank balances acquired	<u>147</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(3,320)</u>

Since the acquisition, Iberia contributed RMB3,318,000 to the Group's turnover and net profit of RMB120,000 to the consolidated profit for the period ended 30 June 2022.

Had the combination taken place at the beginning of the period, the revenue and the profit before tax of the Group for the period would have been RMB6,173,060,000 and RMB143,931,000, respectively.

17. COMMITMENTS

The Group had the following capital commitments:

	30 June 2022 (Unaudited) <i>RMB'000</i>	31 December 2021 (Audited) <i>RMB'000</i>
Contracted, but not provided for:		
Land and buildings	4,235	999
Capital contribution for investments in equity investments designated at fair value through other comprehensive income	<u>2,500</u>	<u>22,500</u>
	<u>6,735</u>	<u>23,499</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.

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

Prior to the conflict in Ukraine, the world economy was unevenly recovering from COVID-19. The war triggered a cost-of-living crisis by surging the price of energy and food. It has quashed hopes for a quick end to rising inflation across the global economy during 2021 and early 2022 caused by supply bottlenecks since the outbreak of pandemic. With stringent COVID-19 prevention and control measures continue in China followed by multiple cities implementing some form of lockdown since March 2022, it has put significant downward pressure to China's economic performance during the Period, resulting in production process being disrupted and supply chain being distressed around the world. Q2 2022 economic data recorded a decline on almost all major economic indicators, with April hitting China's economy the worst. Despite these adverse factors, the Group's strong PRC manufacturing capacity and capability provided strong support in fulfilling global customers' requirement; achieving encouraging overseas business growth which helped offset the abnormal performance in China. However, the escalating shipping rates for containers and delivery charges and distribution expenses did not show any downward trend, which affected our gross profit margin and suppressed our profit growth during the Period.

For the Period, the Group's revenue amounted to RMB6,168.3 million, representing an increase of 19.1% from RMB5,180.5 million for the corresponding period in 2021.

The Group achieved solid performance in its Power Solutions business during the Period and revenue from Power Solutions business amounted to RMB4,911.2 million, representing an increase of 15.6% from RMB4,248.0 million for the corresponding period in 2021 while revenue from Recycled Lead business amounted to RMB1,257.1 million, representing an increase of 34.8% from RMB932.5 million for the corresponding period in 2021. Battery delivery in terms of ton grew in small single digit while higher revenue growth was contributed by higher overseas battery sales and selling price per tons but lower gross profit margin due to surging freight-in cost.

Power Solutions Business

Reserve Power Battery

As the major revenue contributor to the Group, the reserve power battery business accounted for 47.7% of total sales during the Period. Sales revenue during the Period amounted to RMB2,945.4 million (six months ended 30 June 2021: RMB2,028.1 million), representing an increase of 45.2% compared to the corresponding period last year. Battery delivery in terms of ton grew by more than 10 percent in the Period compared to the same period of last year. PRC was the major contribution region with shipment rose by around 20 percent while overseas shipment rose by 6 percent from a year earlier. The increased volume of shipment was mainly contributed by PRC business as one of the growth engines in China since 2020, as 5G infrastructure had been rapidly developed and the “fast forward button” had been pressed. However, overseas growth was suppressed by the war and rising inflation.

SLI Battery

SLI battery business is the second largest revenue contributor to the Group. It contributed 22.8% of total sales in the Period. Sales revenue during the Period amounted to RMB1,406.9 million (six months ended 30 June 2021: RMB1,425.9 million), representing a decrease of 1.3% compared to the corresponding period last year. During the Period, the Group’s overseas SLI battery business enjoyed more than 35% growth in product delivery while PRC market was shrunk by more than 25% due to the lockdown since March, pushing the demand peak season backward which used to start in second quarter of each year.

Motive Power Battery

Motive power battery contributed to 8.7% of total sales in the Period. Sales revenue during the Period amounted to RMB534.6 million (six months ended 30 June 2021: RMB547.9 million), representing a decrease of 2.4% compared to the corresponding period last year. During the Period, the Group’s motive power battery export quantity in terms of tons was doubled when compared to corresponding period in 2021, reflecting overseas customers continue to rely on the Group’s high-quality products, and stable and strong supplying capability. However, PRC market suffered a 35% decline since lockdown suppressed demand from equipment manufacturers and aftermarket replacement.

Recycled Lead Business

Sales revenue of recycled lead products amounted to RMB1,257.1 million (six months ended 30 June 2021: RMB932.5 million) during the Period, representing an increase of 34.8% compared to the corresponding period last year. The Group's recycled lead business was in full operation and contributed to 20.4% of total sales in the Period. However, cost of scrap battery, the material cost of recycling business, was rising. This was caused by the adverse factors in China which resulted in lower gross profit margin during the Period and temporarily affected the profitability of this business segment.

FUTURE PROSPECTS

Downside risks are overwhelming among future economic forecast worldwide due to unanchored inflation, tightening global financial conditions, worsening debt distress in emerging markets and developing economies. According to the July 2022 report released by the International Monetary Fund (IMF), the baseline forecast is for global growth to slow from around 6 percent last year to 3.2 percent in 2022 and Europe on significant downgrades. Global inflation has been revised up due to soaring food and energy prices as well as lingering supply-demand imbalances. The baseline projection is pessimistic and was revised up to 8.3 percent in 2022, reflecting spillovers from the war in Ukraine and tighter monetary policy.

In late July, the PRC government quietly walked back on its 2022 GDP growth target of "around 5.5 percent" in a meeting about the economy, indicating it did not foresee reaching this figure by the end of 2022. Instead, it advocated for stabilizing employment and prices and keeping the economy operating within a reasonable range but provinces with potential should strive to achieve the expected economic and social development goals.

Infrastructure investment has traditionally been a core driver of China's economic growth, and it appears the government will continue to rely on it to prop up the economy in the coming months. In July 2022, fixed asset investment remained strong with high-tech manufacturing increased by 22.9 percent year-on-year, slowing down slightly from 23.8 percent in June. Among the high-tech manufacturing sectors, investment in electronics and communications equipment manufacturing grew by 27.5 percent. This matches with our reserve power batteries delivery record in July where China's reserve power batteries shipment in terms of ton grew by more than 30% when compared to the same period in 2021. The Group believes reserve power battery business will be one of the key growth drivers in 2022 and China's market will be the major revenue generator in this category due to the unchanged and strong support by the PRC government in the new 5G investment and development. Overseas market business growth could be hindered by the adverse factors like inflation, debt distress and foreseeable energy crisis in some advanced and emerging countries, making our reserve power battery business growth rate remain in small single digit.

The PRC government has been ramping up stimulus measures to boost its economy, including urging the country's financial system to support the private sector, implementing preferential tax policies and fee cuts, and increasing government spending and investment to indirectly support the real economy. The stimulus policies have created a positive impact and the first half of 2022 economic indicators show signs of recovery to some extent. The Group's SLI and motive power battery business in China has been gradually improving but negative growth rate continues. Our PRC team will put extra efforts, aiming to narrow the gap as much as possible.

It is expected for mild recessions to occur in the US and Europe later in 2022 and early 2023, but China will at best experience only a modest recovery as it is rebounding from lockdowns earlier in the year. On the other hands, GDP reports elsewhere beat expectations especially in the Middle East and some Asia Pacific countries. Global production capacity has been interrupted when production cost is ramping up due to high and inadequate energy supply and soaring logistic cost, resulting in supply chain imbalance. The world, including the Group's overseas customers, heavily depends on Chinese suppliers' high quality, stable supply and reasonable pricing. Matched with China's more than 13% export growth, the Group achieved solid improvement in export quantity and the trend continued in July 2022. We expected in general overseas business growth will continue but could be slower than the first half of 2022.

The operation of the lead recycling facility in China is in full gear, providing a solid growth in the first half of 2022. However, due to high logistic cost and scrap battery price, the gross profit contribution reduced significantly during the Period. The Group is working hard on adopting suitable measures to improve the performance in the second half of 2022 and making sure the performance of the lead recycling business can outplay last year's.

Although weakening growth prospects are expected across multiple economies and unstable and unpredictable crisis is continuously bothering the whole world, the Group's short term profitability will be affected but the Group's confidence in its future prospects is strong and solid. The Group is committed to continuous investment in 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 RMB6,168.3 million, representing an increase of 19.1% compared to the corresponding period in 2021. The profit for the Period amounted to RMB96.5 million, representing an increase of 116.9% compared to the corresponding period in 2021, of which the profit attributable to owners of the parent amounted to RMB80.0 million, representing an increase of 174.3% compared to the corresponding period in 2021. Basic and diluted earnings per share for the Period was RMB0.06.

Revenue

The Group's revenue increased by 19.1% from RMB5,180.5 million for the six months ended 30 June 2021 to RMB6,168.3 million for the Period, of which the Group's revenue from the Power Solutions business increased by 15.6% from RMB4,248.0 million for the six months ended 30 June 2021 to RMB4,911.2 million for the Period, while the Group's revenue from the Recycled Lead business increased by 34.8% from RMB932.5 million for the six months ended 30 June 2021 to RMB1,257.1 million for the Period.

Details of the Group's revenue for the six months ended 30 June 2022 and 2021 by product are set out below:

Product	Six months ended 30 June 2022		Percentage increase/ (decrease)	Six months ended 30 June 2021	
	Revenue RMB'000	%		Revenue RMB'000	%
Reserve power batteries	2,945,366	47.7%	45.2%	2,028,065	39.1%
SLI batteries	1,406,872	22.8%	(1.3%)	1,425,901	27.5%
Motive power batteries	534,604	8.7%	(2.4%)	547,855	10.6%
Others	24,346	0.4%	(90.1%)	246,215	4.8%
Sub-total	4,911,188	79.6%	15.6%	4,248,036	82.0%
Recycled lead products	1,257,127	20.4%	34.8%	932,456	18.0%
Total	<u>6,168,315</u>	<u>100%</u>	<u>19.1%</u>	<u>5,180,492</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 recorded different degrees of growth in its sales in Mainland China, Americas and Asia-Pacific (other than Mainland China) while sales in EMEA decreased.

The following table sets forth details of the Group's revenue during the six months ended 30 June 2022 and 2021 based on customer location:

Customer location	Six months ended 30 June				
	2022		Percentage increase/ (decrease)	2021	
Revenue <i>RMB'000</i>	%	Revenue <i>RMB'000</i>		%	
Mainland China	3,347,229	54.3%	6.0%	3,157,461	60.9%
EMEA	995,876	16.1%	(7.0%)	1,071,093	20.7%
Americas	1,179,691	19.1%	110.9%	559,353	10.8%
Asia-Pacific (other than Mainland China)	645,519	10.5%	64.4%	392,585	7.6%
Total	<u>6,168,315</u>	<u>100%</u>	<u>19.1%</u>	<u>5,180,492</u>	<u>100%</u>

Cost of Sales

The Group's cost of sales increased by 23.6% from RMB4,435.5 million for the six months ended 30 June 2021 to RMB5,482.9 million for the Period. The increase was mainly caused by the increased sales.

Gross Profit

The Group's gross profit decreased by 8.0% from RMB745.0 million for the six months ended 30 June 2021 to RMB685.4 million for the Period. The gross profit margin also decreased from 14.4% for the six months ended 30 June 2021 to 11.1% for the Period. This decrease is primarily attributable to the increase in distribution costs in the business operations of the Group, including escalating shipping rates for containers and delivery charges, distribution expenses and other supply chain costs and expenses, which have increased considerably during the Period due to the lingering impact of the COVID-19 pandemic around the world which was worsened by the Russia-Ukraine War and the temporary lockdown since March 2022 in multiple cities of China.

Other Income and Gains

Other income and gains increased by 617.0% from RMB16.0 million for the six months ended 30 June 2021 to RMB114.5 million for the Period mainly due to the significant increase in exchange gains and government grants for the Period.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 21.9% from RMB247.5 million for the six months ended 30 June 2021 to RMB301.7 million for the Period, mainly due to the increase in freight charges and export related expenses and insurance.

Administrative Expenses

The Group's administrative expenses increased by 5.6% from RMB144.0 million for the six months ended 30 June 2021 to RMB152.1 million for the Period, mainly due to the increase in overseas rental expenses and staff costs as a result of inflation.

Research and Development Costs

The research and development expenditure of the Group decreased by 29.1% from RMB172.4 million for the six months ended 30 June 2021 to RMB122.2 million for the Period. The decrease was mainly due to the completion in the part relating to the recycling skill improvement of the Recycled Lead business during the Period.

Other Expenses

The Group's other expenses decreased by 95.4% from RMB71.9 million for the six months ended 30 June 2021 to RMB3.3 million for the Period, mainly due to the decrease of fair value loss from financial liabilities at fair value through profit or loss and no foreign exchange loss during the Period.

Finance Costs

The Group's finance costs increased by 5.6% from RMB70.2 million for the six months ended 30 June 2021 to RMB74.1 million for the Period as a result of higher average interest rate during the Period.

Profit before Tax

As a result of the foregoing factors, the Group recorded profit before tax of RMB144.5 million for the Period (six months ended 30 June 2021: RMB55.5 million).

Income Tax Expenses

Income tax expenses increased by 335.4% from RMB11.0 million for the six months ended 30 June 2021 to RMB48.1 million for the Period, mainly due to the increase 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 RMB96.5 million (six months ended 30 June 2021: RMB44.5 million), of which the Group recorded profit attributable to owners of the parent of RMB80.0 million (six months ended 30 June 2021: RMB29.2 million).

Liquidity and Financial Resources

As at 30 June 2022, the Group's net current assets amounted to RMB351.7 million (31 December 2021: RMB541.8 million), among which cash and bank deposit amounted to RMB1,118.8 million (31 December 2021: RMB951.7 million).

As at 30 June 2022, the Group had bank borrowings of RMB2,514.5 million (31 December 2021: RMB2,372.2 million), all of which are interest-bearing. Except for borrowings of RMB81.3 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 2022 were in the range of 1.88% to 7.09% (31 December 2021: 1.80% to 7.09%).

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 2022, the Group's gearing ratio was 24.8% (31 December 2021: 24.7%), 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 2022 (31 December 2021: 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 17 to this announcement for details.

Significant Investment

As at 30 June 2022, 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 2022, the Group had 13,390 employees. Employee benefit expenses (including directors' remuneration), which comprise wages and salaries, bonuses, equity-settled share option expenses and pension scheme contributions, totaled RMB488.0 million for the Period (six months ended 30 June 2021: RMB468.9 million).

The Group has share option schemes 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 2021: 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 Mr. LU Zhiqiang 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
Dr. DONG Li
Chairman

Hong Kong, 26 August 2022

As of the date of this announcement, the executive Directors are Dr. 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.