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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

### FINANCIAL HIGHLIGHTS

| | **2022** | 2021 | |
|---|---|---|---|
| | ***RMB million*** | *RMB million* | **Changes** |
| Turnover | **12,845.9** | 11,303.1 | **13.6%** |
| Gross profit | **1,594.8** | 1,509.7 | **5.6%** |
| Profit for the year | **464.4** | 166.7 | **178.6%** |
| Profit attributable to owners of the parent | **442.8** | 136.1 | **225.3%** |
| Basic earnings per share *(RMB)* | **0.33** | 0.10 | |
| Proposed final dividend per share *(HK cents)* | **10.0** | Nil | |

## 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 2022 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 2022 prior to recommending them to the Board for approval.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2022*

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| REVENUE | 4 | **12,845,859** | 11,303,125 |
| Cost of sales | | **(11,251,085)** | (9,793,419) |
| Gross profit | | **1,594,774** | 1,509,706 |
| Other income and gains | 4 | **241,727** | 84,221 |
| Selling and distribution expenses | | **(389,151)** | (586,076) |
| Administrative expenses | | **(333,676)** | (306,212) |
| Research and development costs | 5 | **(382,868)** | (239,446) |
| Impairment losses on assets | | **(27,516)** | (23,761) |
| Other expenses | 6 | **(14,443)** | (102,594) |
| Finance costs | 7 | **(156,222)** | (143,874) |
| PROFIT BEFORE TAX | 5 | **532,625** | 191,964 |
| Income tax expense | 8 | **(68,184)** | (25,235) |
| PROFIT FOR THE YEAR | | **464,441** | 166,729 |
| Attributable to: | | | |
| Owners of the parent | | **442,772** | 136,126 |
| Non-controlling interests | | **21,669** | 30,603 |
| | | **464,441** | 166,729 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 10 | | |
| Basic | | **RMB0.33** | RMB0.10 |
| Diluted | | **RMB0.33** | RMB0.10 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2022*

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PROFIT FOR THE YEAR | **464,441** | 166,729 |
| 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 | **(835)** | 1,683 |
| Income tax effect | **209** | (421) |
| | **(626)** | 1,262 |
| Exchange differences on translation of foreign operations | **5,992** | (1,312) |
| Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods | **5,366** | (50) |
| 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 | **50,939** | 8,736 |
| Income tax effect | **(12,448)** | 659 |
| | **38,491** | 9,395 |
| Exchange differences arising on translation of functional currency to presentation currency | **(56,135)** | – |
| Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods | **(17,644)** | 9,395 |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX | **(12,278)** | 9,345 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | **452,163** | 176,074 |
| Attributable to: | | |
| Owners of the parent | **430,634** | 145,247 |
| Non-controlling interests | **21,529** | 30,827 |
| | **452,163** | 176,074 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2022*

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **2,289,686** | 2,291,795 |
| Investment property | | **334** | 345 |
| Right-of-use assets | | **239,026** | 152,860 |
| Goodwill | | **2,405** | 2,213 |
| Other intangible assets | | **783,241** | 771,009 |
| Equity investments designated at fair value through other comprehensive income | | **255,044** | 182,680 |
| Deposits paid for purchase of items of property, plant and equipment | | **63,964** | 34,650 |
| Deferred tax assets | | **71,213** | 66,263 |
| Total non-current assets | | **3,704,913** | 3,501,815 |
| CURRENT ASSETS | | | |
| Inventories | *11* | **2,136,470** | 2,019,256 |
| Trade receivables | *12* | **2,736,224** | 2,725,702 |
| Debt investments at fair value through other comprehensive income | *13* | **161,405** | 106,349 |
| Prepayments, other receivables and other assets | *14* | **473,432** | 223,469 |
| Financial assets at fair value through profit or loss | *15* | **51,951** | 67,798 |
| Pledged deposits | *16* | **793,806** | 602,513 |
| Cash and cash equivalents | *16* | **436,194** | 349,229 |
| Total current assets | | **6,789,482** | 6,094,316 |

| | Notes | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Trade and bills payables | *17* | **2,361,044** | 2,319,251 |
| Other payables and accruals | *18* | **1,052,461** | 1,077,303 |
| Financial liabilities at fair value through profit or loss | *15* | **13** | 851 |
| Interest-bearing bank borrowings | *19* | **2,641,654** | 2,042,493 |
| Lease liabilities | | **6,504** | 4,046 |
| Income tax payable | | **146,923** | 108,576 |
| Total current liabilities | | **6,208,599** | 5,552,520 |
| NET CURRENT ASSETS | | **580,883** | 541,796 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **4,285,796** | 4,043,611 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | *19* | **68,433** | 329,713 |
| Lease liabilities | | **22,667** | 16,422 |
| Deferred tax liabilities | | **64,180** | 53,282 |
| Deferred government grants | | **94,281** | 65,129 |
| Total non-current liabilities | | **249,561** | 464,546 |
| Net assets | | **4,036,235** | 3,579,065 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | **116,250** | 116,241 |
| Reserves | | **3,706,028** | 3,270,396 |
| | | **3,822,278** | 3,386,637 |
| Non-controlling interests | | **213,957** | 192,428 |
| Total equity | | **4,036,235** | 3,579,065 |

## 1. CORPORATE AND GROUP INFORMATION

Leoch International Technology Limited (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, and the address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in the power solutions business and the recycled lead business.

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 Dr. Dong Li.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations issued by the 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 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 3 | *Reference to the Conceptual Framework* |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| *Annual Improvements to IFRSs 2018-2020* | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

The nature and the impact of the revised IFRSs that are applicable to the Group 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* (the "**Conceptual Framework**") 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 year, 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 as determined by IAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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 amendment that is 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 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 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to IFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| IFRS 17 | *Insurance Contracts*[1] |
| Amendments to IFRS 17 | *Insurance Contracts*[1,5] |
| Amendment to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2,4] |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 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

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

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 December 2015 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 IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, 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 revisiting the accounting policy disclosures to ensure consistency with the amendments.

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 in IAS 12 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 (provided that sufficient taxable profit is available) 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 deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to IAS 12. The amendments are not expected to have any significant impact on the Group's financial statements.

## 3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the power solutions business and the recycled lead business.

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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Power solutions business | **10,432,834** | 9,249,219 |
| Recycled lead business | **2,413,025** | 2,053,906 |
| | **12,845,859** | 11,303,125 |

**Geographical information**

***(a) Revenue from external customers***

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PRC* | **7,550,180** | 7,094,708 |
| Europe, the Middle East and Africa | **1,892,764** | 1,893,018 |
| Americas | **2,199,121** | 1,534,927 |
| Asia-Pacific (other than the PRC) | **1,203,794** | 780,472 |
| | **12,845,859** | 11,303,125 |

* *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***

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PRC | **2,957,883** | 2,715,069 |
| Other countries/areas | **420,773** | 537,803 |
| | **3,378,656** | 3,252,872 |

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 2022, revenue from continuing operations of approximately RMB1,316,042,000 (2021: 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.

## 4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers | **12,845,859** | 11,303,125 |

**Revenue from contracts with customers**

***(i) Disaggregated revenue information***

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Types of goods** | | |
| Sale of industrial products | **12,845,859** | 11,303,125 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **12,845,859** | 11,303,125 |

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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of industrial products | **194,424** | 189,666 |

### *(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.

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Other income and gains | | |
| Bank interest income | **16,451** | 10,567 |
| Government grants* | **85,711** | 37,767 |
| Dividend income from equity investments designated at fair value through other comprehensive income | **7,343** | – |
| Sale of scrap materials | **6,264** | 7,594 |
| Foreign exchange gains, net | **80,639** | – |
| Gross rental income from investment property operating leases: | | |
| Other lease payments, including fixed payments | **3,900** | 3,282 |
| Fair value gains, net: | | |
| Financial liability at fair value through profit or loss | **36,600** | – |
| Others | **4,819** | 25,011 |
| | **241,727** | 84,221 |

* 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 | **2022** | 2021 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| Cost of inventories sold | | **9,795,721** | 8,355,437 |
| Employee benefit expense (including directors' remuneration): | | | |
| Wages and salaries | | **940,852** | 941,935 |
| Equity-settled share option expenses | | **4,916** | 2,932 |
| Pension scheme contributions | | **107,316** | 75,340 |
| | | **1,053,084** | 1,020,207 |
| Amortisation of other intangible assets except for deferred development costs | | **9,426** | 17,501 |
| Research and development costs: | | | |
| Deferred development costs amortised* | | **191,447** | 181,778 |
| Current year expenditure | | **382,868** | 239,446 |
| | | **574,315** | 421,224 |
| Auditor's remuneration | | **3,100** | 2,900 |
| Financial liabilities at fair value through profit or loss: | | | |
| Unrealised loss | | **13** | 860 |
| Realised (gain)/loss | | **(36,613)** | 72,273 |
| Fair value (gain)/loss from financial liabilities at fair value through profit or loss, net | | **(36,600)** | 73,133 |

| | Note | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Financial assets at fair value through profit or loss: | | | |
| Unrealised loss | *6* | **8,349** | 8,114 |
| Depreciation of property, plant and equipment | | **351,048** | 338,687 |
| Depreciation of investment property | | **11** | 11 |
| Depreciation of right-of-use assets | | **9,610** | 10,467 |
| Impairment of trade receivables | | **27,516** | 23,761 |
| Impairment of inventories* | | **5,553** | 7,331 |
| Loss on disposal of items of property, plant and equipment, net | *6* | **1,492** | 5,927 |
| Foreign exchange (gain)/loss, net | | **(80,639)** | 11,532 |
| Lease payment not included in the measurement of lease liabilities | | **14,028** | 8,832 |

* 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:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Foreign exchange loss, net | **–** | 11,532 |
| Loss on disposal of items of property, plant and equipment, net | **1,492** | 5,927 |
| Fair value loss from financial liabilities at fair value through profit or loss, net | **–** | 73,133 |
| Fair value loss from financial assets at fair value through profit or loss, net | **8,349** | 8,114 |
| Others | **4,602** | 3,888 |
| | **14,443** | 102,594 |

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank borrowings | **119,779** | 103,058 |
| Interest arising from discounted bills | **34,846** | 38,836 |
| Interest on lease liabilities | **1,597** | 1,980 |
| | **156,222** | 143,874 |

## 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, 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, is subject to corporate income tax in the United States. The applicable federal corporate income tax rate is 21% (2021: 21%) on taxable income.

The provision for Hong Kong profits tax is based on the statutory rate of 16.5% (2021: 16.5%) of the assessable profits of subsidiaries incorporated in Hong Kong.

The Singapore authority approved the application of Leoch Battery Pte. Ltd. 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. Ltd. is based on the tax rate of 10% (2021: 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., Zhaoqing Leoch Battery Technology Co., Ltd., 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 2022.

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

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current – PRC | **29,428** | 15,581 |
| Current – Hong Kong | **716** | (8,010) |
| Current – Singapore | **37,963** | 28,414 |
| Current – USA | **2,824** | 3,796 |
| Current – Vietnam | **440** | (3,574) |
| Under/(over) provision in prior years | **3,583** | (4,501) |
| Deferred tax | **(6,770)** | (6,471) |
| Total tax charge for the year | **68,184** | 25,235 |

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 in to the tax expense at the Group's effective tax rate is as follows:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Profit before tax | **532,625** | | 191,964 | |
| Tax at the applicable tax rates | **122,422** | **23.0** | 43,775 | 22.6 |
| Tax concession for certain subsidiaries | **(70,614)** | **(13.3)** | (29,407) | (15.3) |
| Additional deductible research and development expenses | **(41,339)** | **(7.8)** | (28,667) | (14.9) |
| Expenses not deductible for tax | **8,277** | **1.6** | 6,484 | 3.4 |
| Adjustments in respect of current tax of previous periods | **3,583** | **0.7** | (4,501) | (2.3) |
| Tax losses not recognised | **47,337** | **8.9** | 37,995 | 19.8 |
| Tax losses utilised from previous periods | **(1,482)** | **(0.3)** | (444) | (0.2) |
| Tax charge at the Group's effective rate | **68,184** | **12.8** | 25,235 | 13.1 |

## 9. DIVIDENDS

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Proposed final – HK10 cents (2021: Nil) per share | **121,302** | – |

The proposed final dividend for the year of 2022 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 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 1,357,854,935 (2021: 1,357,821,402) 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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations | **442,772** | 136,126 |

| | **Number of shares** | |
|---|---|---|
| | **2022** | 2021 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **1,357,854,935** | 1,357,821,402 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **3,878,398** | 2,400,353 |
| | **1,361,733,333** | 1,360,221,755 |

## 11. INVENTORIES

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Raw materials | **581,131** | 533,335 |
| Work in progress | **742,248** | 705,902 |
| Finished goods | **813,091** | 780,019 |
| | **2,136,470** | 2,019,256 |

As at 31 December 2022, inventories with the amount of RMB5,553,000 (2021: RMB7,331,000) were written down to their net realisable value as disclosed in note 5.

At 31 December 2022, certain of the Group's inventories with a net carrying amount of approximately RMB100,000,000 (2021: 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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **2,817,996** | 2,781,405 |
| *Less:* Impairment provision | **(81,772)** | (55,703) |
| | **2,736,224** | 2,725,702 |

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 RMB424,787,000 (2021: RMB405,033,000) were under short term credit insurance and RMB81,857,000 (2021: RMB69,434,000) 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 2022, the Group pledged certain trade receivables amounting to RMB407,147,000 (2021: RMB365,908,000) to banks with recourse in exchange for cash (please refer to note 20). The proceeds from pledging the trade receivables of RMB300,102,000 (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.

An ageing analysis of the trade receivables as at 31 December 2022 and 2021 based on the invoice date, net of loss allowance, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **1,991,360** | 1,966,971 |
| 3 to 6 months | **392,070** | 380,395 |
| 6 to 12 months | **222,677** | 187,106 |
| 1 to 2 years | **81,352** | 111,608 |
| Over 2 years | **48,765** | 79,622 |
| | **2,736,224** | 2,725,702 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **55,703** | 44,286 |
| Impairment losses *(please refer to note 5)* | **27,516** | 23,761 |
| Amount written off as uncollectible | **(1,447)** | (12,344) |
| At end of year | **81,772** | 55,703 |

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 2022**

| | **Current** | | **Past due** | | **Total** |
|---|---|---|---|---|---|
| | **Customers with credit enhancement** | **Ordinary customers** | **Customers with credit enhancement** | **Ordinary customers** | |
| Expected credit loss rate | **0.59%** | **0.93%** | **9.97%** | **100.00%** | **2.90%** |
| Gross carrying amount *(RMB'000)* | **2,028,030** | **595,551** | **144,532** | **49,883** | **2,817,996** |
| Expected credit losses *(RMB'000)* | **11,924** | **5,550** | **14,415** | **49,883** | **81,772** |

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 |

## 13. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balances as at 31 December 2022 and 31 December 2021 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 2022 and 31 December 2021 is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **143,465** | 7,017 |
| 3 to 6 months | **12,589** | 74,955 |
| 6 to 12 months | **5,351** | 24,377 |
| | **161,405** | 106,349 |

The net gain on changes in the fair value of the debt investments at fair value through other comprehensive income amounted to RMB835,000 (2021: loss of RMB1,683,000) was recognised in the consolidated statement of other comprehensive income during the year.

## 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Prepayments | **342,207** | 187,952 |
| Deposits and other receivables | **121,143** | 30,515 |
| Interest receivables | **5,738** | 2,114 |
| Loans to employees | **4,344** | 2,888 |
| | **473,432** | 223,469 |

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 2022 and 2021, the loss allowance was assessed to be minimal.

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

| | **2022** | |
|---|---|---|
| | **Assets** | **Liabilities** |
| | ***RMB'000*** | ***RMB'000*** |
| Listed equity investments, at fair value | **136** | **–** |
| Commodity future and option contracts, at fair value | **–** | **13** |
| Other unlisted investment, at fair value | **51,815** | **–** |
| | **51,951** | **13** |

| | 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 |

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

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Cash and bank balances | **436,194** | 349,229 |
| Time deposits | **793,806** | 602,513 |
| | **1,230,000** | 951,742 |
| *Less:* Pledged for interest-bearing bank borrowings | **(5,397)** | (4,269) |
| Pledged for bills payable | **(415,947)** | (440,448) |
| Pledged for letters of credit | **(372,462)** | (157,796) |
| | **(793,806)** | (602,513) |
| Cash and cash equivalents | **436,194** | 349,229 |
| Denominated in RMB | **1,015,042** | 794,299 |
| Denominated in US$ | **134,421** | 63,627 |
| Denominated in HK$ | **31,583** | 48,508 |
| Denominated in Australian Dollar ("**AU$**") | **13,990** | 7,526 |
| Denominated in Euro ("**EUR**") | **13,278** | 16,252 |
| Denominated in Indian Rupee | **8,090** | 9,582 |
| Denominated in Vietnam Dollar | **6,076** | 4,074 |
| Denominated in Malaysian Dollar ("**MYR**") | **3,485** | 3,002 |
| Denominated in Sri Lankan Rupee | **2,958** | 1,953 |
| Denominated in Singapore Dollar ("**SG$**") | **1,077** | 2,919 |
| | **1,230,000** | 951,742 |

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

| | 2022 | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **782,273** | 962,108 |
| Bills payable | **1,578,771** | 1,357,143 |
| | **2,361,044** | 2,319,251 |

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:

| | 2022 | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **833,140** | 940,531 |
| 3 to 6 months | **608,572** | 396,338 |
| 6 to 12 months | **906,326** | 966,295 |
| 1 to 2 years | **8,092** | 10,052 |
| 2 to 3 years | **2,247** | 1,815 |
| Over 3 years | **2,667** | 4,220 |
| | **2,361,044** | 2,319,251 |

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 2022, bills payable amounting to RMB684,236,000 (2021: RMB637,180,000) were issued on intercompany sales transactions within the Group and these bills were discounted to banks for short term financing.

As at 31 December 2022, certain of the Group's bills payable were secured by the pledge of certain of the Group's time deposits amounting to RMB415,947,000 (2021: RMB440,448,000) (please refer to note 20).

## 18. OTHER PAYABLES AND ACCRUALS

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Provision for social insurance and retirement benefits | | **191,124** | 168,652 |
| Contract liabilities | *(a)* | **284,339** | 194,424 |
| Accrued expenses | | **86,192** | 162,381 |
| Accrued payroll | | **51,128** | 50,344 |
| Payables for purchase of items of property, plant and equipment | | **114,382** | 128,324 |
| Provision for product warranties | | **22,891** | 18,968 |
| Tax payables other than current income tax liabilities | | **94,087** | 174,358 |
| Payables to non-controlling shareholders | | **72,371** | 52,064 |
| Others | *(b)* | **135,947** | 127,788 |
| | | **1,052,461** | 1,077,303 |

*Notes:*

(a) Details of contract liabilities are as follows:

| | 31 December 2022 RMB'000 | 31 December 2021 RMB'000 |
|---|---|---|
| *Short-term advances received from customers* | | |
| Sale of goods | **284,339** | 194,424 |

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 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate (%)** | **Maturity** | **RMB'000** | Effective interest rate (%) | Maturity | RMB'000 |
| **Current** | | | | | | |
| Interest-bearing bank borrowings, secured | **1.88 to 8.17, HIBOR+2.76 to HIBOR+5.17** | **2023** | **998,295** | 1.88 to 7.09, HIBOR+2.76 to HIBOR+3.25 LIBOR+2.5 | 2022 | 1,001,485 |
| Collateralised bank advances, secured | **2.00 to 4.57 LIBOR+2** | **2023** | **300,102** | 2.00 to 4.79 LIBOR+2 | 2022 | 303,376 |
| Interest-bearing bank borrowings, guaranteed | **2.00 to 7.26 HIBOR+2.5 LIBOR+2** | **2023** | **1,066,414** | 1.80 to 6.00 HIBOR+2.5 LIBOR+2 | 2022 | 549,093 |
| Current portion of long term bank borrowings, guaranteed | **LIBOR+2.70** | **2023** | **276,843** | LIBOR+2.70 | 2022 | 188,539 |
| | | | **2,641,654** | | | 2,042,493 |
| **Non-current** | | | | | | |
| Interest-bearing bank borrowings, secured | **1.88 to 6.00** | **2024-2028** | **28,626** | 1.88 to 6.10 | 2023-2028 | 65,883 |
| Interest-bearing bank borrowings, guaranteed | **3.00 to 4.60** | **2024-2025** | **39,807** | 3.00 | 2023-2025 | 12,445 |
| Interest-bearing bank borrowings, guaranteed | **LIBOR+2.70** | **2024** | **–** | LIBOR+2.70 | 2023 | 251,385 |
| | | | **68,433** | | | 329,713 |
| | | | **2,710,087** | | | 2,372,206 |
| Denominated in RMB | | | **1,730,454** | | | 1,109,735 |
| Denominated in US$ | | | **600,530** | | | 806,231 |
| Denominated in HK$ | | | **338,494** | | | 397,739 |
| Denominated in SG$ | | | **24,962** | | | 35,054 |
| Denominated in MYR | | | **13,938** | | | 17,070 |
| Denominated in EUR | | | **1,709** | | | – |
| Denominated in VND | | | **–** | | | 6,377 |
| | | | **2,710,087** | | | 2,372,206 |

Analysed into:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Bank loans and advances repayable: | | |
| Within one year | **2,641,654** | 2,042,493 |
| In the second year | **22,620** | 297,719 |
| In the third to fifth years, inclusive | **44,547** | 29,971 |
| Beyond five years | **1,266** | 2,023 |
| | **2,710,087** | 2,372,206 |

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 RMB1,293,367,000 (2021: RMB1,309,456,000) 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 Dr. Dong Li, the controlling shareholder of the Company, not to 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, Dr. 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 2022, 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 2022, the outstanding term loan balance under the Facility Agreement amounting to US$40,000,000 (equivalent to RMB276,843,000), which is repayable within one year. 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 2022** | | | | | | |
| Interest-bearing bank borrowings *(note 19)* | **45,859** | **734,964** | **5,397** | **100,000** | **407,147** | **1,293,367** |
| Bills payable *(note 17)* | **–** | **–** | **415,947** | **–** | **–** | **415,947** |
| Issue of letters of credit | **–** | **–** | **372,462** | **–** | **–** | **372,462** |
| | **45,859** | **734,964** | **793,806** | **100,000** | **407,147** | **2,081,776** |

| | 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 |

## 21. 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 the average EBITDA of IBERIA from FY2021 to FY2023. Leoch International Holding paid the first cash consideration of EUR499,000 (equivalent to approximately RMB3,467,000) on 7 March 2022. As at the date of acquisition and as at 31 December 2022, the fair value of contingent consideration was nil. 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) |
| Total identifiable net assets at fair value | 3,275 |
| Goodwill on acquisition | 192 |
| | 3,467 |
| Satisfied by: | |
| Cash | 3,467 |

An analysis of the cash flows for the year ended 31 December 2022 in respect of the Acquisition is as follows:

| | |
|---|---|
| | *RMB'000* |
| Cash consideration | (3,467) |
| Cash and bank balances acquired | 147 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (3,320) |

Since the Acquisition, IBERIA contributed RMB19,302,000 to the Group's turnover and net profit of RMB1,140,000 to the consolidated profit for the year ended 31 December 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 RMB12,850,410,000 and RMB532,013,000 respectively.

## 22. COMMITMENTS

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted, but not provided for: | | |
| Land and buildings | **2,866** | 999 |
| Capital contribution for investments in equity investments designated at fair value through other comprehensive income | **2,500** | 22,500 |
| | **5,366** | 23,499 |

## 23. EVENTS AFTER THE REPORTING PERIOD

On 9 January 2023, the Company issued unlisted convertible notes (the "**Convertible Notes**") in principal amount of HK$91,800,000, carrying interest at the rate of 5.5% per annum, payable semi-annually on 9 January and 9 July in arrears, and will mature in 2026. The offering price was at 100% of the principal amount of the Convertible Notes.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the year ended 31 December 2022 (the "**Period**"), the Group's revenue amounted to RMB12,845.9 million, representing an increase of 13.6% from RMB11,303.1 million for the corresponding period in 2021.

During the Period, revenue from batteries (and related items) business amounted to RMB10,432.8 million, representing an increase of 12.8% from RMB9,249.2 million for the corresponding period in 2021. The increase in revenue from batteries was contributed by the 25.8% growth rate in the overseas market and 1.9% in the PRC market. The volume delivered in terms of ton for lead-acid battery was flat when comparing with corresponding period last year. This reflected that the per ton selling price of lead-acid battery had increased during the Period and most importantly, contribution from lithium-ion battery sales started to kick in and could become one of major growth driver in the future. Revenue from recycled lead business amounted to RMB2,413.0 million, representing an increase of approximately 17.5% from RMB2,053.9 million for the corresponding period in 2021.

Compared to 2021, overseas business continued to be the major contributor in the growth of battery business providing double digit growth rate in two consecutive years supported by the Group's strong PRC manufacturing capacity and capability with highly competitive price and service. Meanwhile, the Chinese market recorded double digit growth in the third quarter of the Period yet the upward trend was interrupted by the unexpected government decision to relax stringent COVID-19 measures. The Group managed to maintain more than 20% growth rate in the reserve power battery business, resulting in a slight growth rate in 2022. Nevertheless, three categories of battery business had different degrees of performance during the Period.

### Reserve power batteries

The Group's sales of reserve power batteries during the Period amounted to RMB6,006.1 million (2021: RMB4,758.9 million), representing an increase of 26.2% as compared to the same period of last year. This accounted for approximately 57.6% of the total revenue from batteries sales for the Period as compared to 51.5% in 2021. The increment in sales revenue of reserve power batteries amounted to RMB1,247.2 million (2021: RMB571.8 million increment) during the Period.

The strong demand for reserve power batteries in 5G applications for communication networks and data centers continued in the PRC market throughout the whole year in 2022, accomplishing more than 20% growth rate year-to-year. Overseas market maintained low single digit growth due to the significantly unstable global economy after the outbreak of Russia-Ukraine war followed by inflation and rising price of energy during the Period. The downturn affected the overseas demand for the Group's reserve power batteries as the focus on developing 5G projects was diverted by the global economic crisis. Nevertheless, with the huge resources deployed in the PRC on research and development for new 5G battery products including lithium-ion battery during the last few years, the Group will definitely be able to capture opportunities continuously from the rising 5G life cycle onward.

**SLI batteries**

Sales of SLI batteries for the Group during the Period amounted to RMB2,860.1 million (2021: RMB3,006.0 million), representing decrease of 4.9% as compared to the same period last year. This accounted for approximately 27.4% of the total revenue for the Period from batteries sales as compared to 32.5% in 2021. The decrement in sales revenue of SLI batteries amounted to RMB145.9 million (2021: RMB122.9 million increment) during the Period.

The export growth of SLI batteries came to a halt due to the worsening global political and economical environment during the second half of the Period. Although in the second half of 2022, shipment in the PRC market improved by more than 25% when comparing to first half, overseas shipment in term of ton was reduced by more than 27% resulting in a small decrease in sales amount for the Period. Being one of the major suppliers of domestic new energy automobile lead-acid batteries, the Group has confidence to enlarge our market share in the PRC, extend our customer bases in car manufacturers and expand after-market sales volume in the future. The Group will continue to deploy resources to capture the opportunity in the era of autonomous driving of smart cars.

### Motive power batteries

During the Period, motive power batteries business (which includes but is not limited to applications in electric vehicles, electric forklifts and other battery-driven products) of the Group recorded sales revenue of RMB1,258.3 million (2021: RMB1,223.1 million), representing an increase of 2.9% as compared to last year. This accounted for approximately 12.1% of the total revenue from batteries sales for the Period as compared to 13.2% in 2021. The increment in sales revenue of motive power batteries amounted to RMB35.2 million (2021: RMB108.5 million increment) during the Period.

Overseas growth rate in term of ton increased by 45% year-to-year and such growth was contributed by the Group's stable production, high quality products and competitive pricing while overseas manufacturers were suffering from high inflation rate and energy cost. On the other hand, the PRC market demand remains sluggish and this offsets the growth from overseas market, resulting in a slight growth rate during the Period. To enhance future growth, the Group will continue to deploy sufficient resource in the development of various battery including lithium-ion models for enlarging applications and market share.

### Recycled lead

Revenue from the sales of recycled lead products amounted to RMB2,413.0 million (2021: RMB2,053.9 million) during the Period, representing an increase of 17.5% as compared to last year. Although production was in full capacity during the Period, high demand for wasted battery inflated the collection cost, resulting in a lower profit contribution when compared with last year.

### Sales network

The Group maintained its widespread sales network 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 Association of Southeast Asian Nations ("**ASEAN**") countries, India, Sri Lanka, the United States (the "**US**"), the European Union ("**EU**") countries and the United Kingdom (the "**UK**"). 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 2022, the Group has over 700 dedicated sales and marketing and related supporting employees.

## Research and development ("R&D")

During the Period, the Group continued to work on new models of lead-acid and lithium-ion batteries and roll out new products tailor-made for applications in each of the network power and motive market segments. In addition to 5G related application and auxiliary lead-acid battery used in EV, green energy storage is becoming a topical issue. Besides our comprehensive and traditionally strong lead-acid R&D capability in various models used in areas likes network energy, automobile and motive power, our advanced and sophisticated lithium-ion battery R&D center located in Anhui concentrating in and contributing to all kinds of projects will be the key to the Group's future growth. These lithium-ion battery are used in application areas and system like large energy storage, small household energy storage, commercial energy storage system, electric energy storage, communication energy storage and motive power storage etc. The Group will continue to work closely with international and domestic battery experts and research institutions to perform research on new technologies in different battery products.

Resources have been pulled in and the Group will continue on boosting model yield and increasing overall running efficiency in view of achieving higher cost competitiveness. As at 31 December 2022, our battery R&D team of the Group consists of more than 350 researchers and related development and sampling technicians.

## Production Base

In 2022, the Group had no expansion plan in the production capacity for lead-acid batteries but continued gradually on expanding lithium-ion batteries according to our strategic plan. In 2022, export business on lithium-ion batteries recorded satisfactory growth and our next target will be sharply increasing PRC shipment in 2023. Following the Group's tremendous effort in marketing, R&D and production capacity expansion during the last few years, the Group will enter into a fast growing stage on lithium-ion batteries shipment in the PRC and to the overseas market for the next few years. Resources for expanding production capacity will continue to be pulled into the PRC production base in 2023.

After our careful studies during the Period, in 2023, the Group will launch the first stage of investment in Mexico to establish a battery assembly plant to further strengthen the Company's competitiveness in the Americas which has been dominated by the US. Due to Mexico's unique geographical location and related export policy advantages, it is a good choice for us to invest in Mexico for enhancing our competitive advantage in the US market and to better serve our target customers in the Americas.

**Trend of lead price**

Lead is the main raw material of lead-acid batteries and accounts for a major part of the production 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 RMB14,876 to RMB15,566 during the Period, representing a change within the range of -2.5% to 2.0% as compared with SMM monthly average of RMB15,263 per ton in December 2021.

The monthly average SMM lead price per ton from January 2022 to June 2022 was RMB15,190 which has decreased by 0.5% as compared with SMM monthly average in December 2021, reflecting a stable demand for domestic and export battery products in the PRC. The monthly average SMM lead price per ton from July to December 2022 was RMB15,143, representing a modest decrease of 0.8% as compared with SMM monthly average in December 2021, reflecting that the pace of stability continued in the second half of 2022. This was in line with China's stable economic performance with 3% growth achieved in 2022 with GDP reaching RMB121.02 trillion while consumer prices and employment remained stable.

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) exceed RMB121 trillion in 2022, with a year-on-year increase of 3.0%, exceeding the expected 2.7%. China achieved steady economic growth, consumer prices and employment on top of the nation's well-ensured grain and energy security. Behind this achievement, China attained major economic targets in different aspects in terms of high-quality development, covering R&D investment, green energy consumption to high-quality opening-up and maintaining labor market stability. Despite the downward pressure in 2022, overall economic and social development was stable and healthy. In 2023, China set the GDP growth target at around 5%, revealing that the government is expecting overall recovery and improvement ahead.

The January 2023 World Economic Outlook Update projects that global economic growth will fall to 2.9 percent in 2023 but rise to 3.1 percent in 2024. The 2023 forecast is 0.2 percentage point higher than predicted in the October 2022 World Economic Outlook but below the historical average of 3.8 percent. Rising interest rates and the war in Ukraine continue to weigh on economic activities. China's recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall to 6.6 percent in 2023 and 4.3 percent in 2024, which are still above pre-pandemic levels.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than ever in the past several decades. Compared to the economic outlook of the rest of the world, China and ASEAN countries are in a relatively strong position. The Group believes that opportunities and challenges are intertwined in 2023 but opportunities are dominant in Asia 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 and Reserve Power Products**

The Ministry of Industry and Information Technology (the "**MIIT**") recently released a plan for the development of the country's information and communications industry during the 14th Five-Year Plan period. Development priorities include building advanced digital infrastructure facilities, expanding the development space for digitalisation, and building new business management systems, an accelerated plan aiming at constructing a cyber power and digital China in the next five years. By 2025, the overall scale of the information and communication industry will be further expanded, and the quality of development will be significantly improved with full coverage of townships, basic coverage of administrative villages, and deep coverage of key application scenarios.

According to the MIIT, as of January 2023, China has built and opened more than 2.3 million 5G base stations, and the construction of new data centers has achieved remarkable results. It also pointed out that in 2023, more policies and measures will encourage the deep integration of the digital economy and the real economy. The coordinated development of new information infrastructure construction will speed up the construction of 5G and gigabit optical networks. The construction of "broadband frontier" will start and comprehensively promote the research and development of 6G technology. Other policies and plans include improving the industrial Internet technology system and standard, application system, construction of virtual private network in the 5G industry, enhancing the development policy of the telecom business market, strengthening the entire process and chain management of App, strengthening the protection of personal information and user rights and interests, enhancing network and data security capabilities, and accelerating security industry innovation development.

The communication market in various regions of the world and the demand for lithium batteries is mainly divided into Asia-Pacific (except China, Japan and South Korea), Africa, the Middle East and South America on one hand, as well as China, Japan and South Korea, Europe and North America on the other. The communication network and power supply environment of the former are relatively backward and therefore the performance requirements and backup time of the base station backup power supply are relatively high. Compared with lead-acid batteries, lithium batteries have greater advantages, so the market demand in this area is relatively large; the demand for lithium batteries in base stations of the latter comes from 5G base stations, which are different from the power supply systems of 3G and 4G base stations. Lithium batteries in 5G communication base stations will have a lot of room for growth.

The Group's 2022 shipment data already revealed that the demand for reserve power batteries used in all kinds of 5G applications started to increase in the PRC market and the trend will go on. The Asia-Pacific was quickly recovering and further demand is expected since infrastructure development will flourish in the next few years. Other developed countries in Europe and North America are still faced with a lot of uncertainty as well as developing countries in Africa suffering from high inflation and different degree of financial difficulties.

We expect the Group's lithium iron phosphate batteries used in 5G application will continue to expand in the PRC and the overseas market. The Group is always well prepared and will continue in pulling resources in the development of 5G lead-acid and lithium batteries for various applications to capture all possible opportunities. Our aggressive global sales teams are working hard on expanding business in the PRC and the overseas market to secure continued growth trend in this category of battery business.

**SLI batteries**

According to the China Association of Automobile Manufacturers monthly articles, China's total automobile production and sales volume has been the first in the world for 14 consecutive years. In 2022, despite the impact of many adverse factors such as severe outbreak of epidemic, structural shortage of chips, high prices of power battery raw materials and local geopolitical conflicts, the overall recovery of China's automobile market has improved under such adverse circumstances. The effective pull of a series of stable growth and consumption promotion policies such as halving the purchase tax and the joint efforts of enterprises in the whole industry further helped to achieve positive growth and showed strong development resilience. In 2022, the production and sales of automobiles were 27.021 million and 26.864 million, up 3.4% and 2.1% year on year, respectively. Compared with the previous year, the growth rate of production was flat, and the growth rate of sales dropped by 1.7 percentage points. In 2022, new energy vehicles continued to grow explosively, with the production and sales of 7.058 million and 6.887 million vehicles, up 96.9% and 93.4% respectively year on year, and the market share reached 25.6%, which is 12.1 percentage points higher than that of the previous year.

Starting from 2023, with the further emergence of the effects of economic stabilization policies and measures, the impact of the superimposed epidemic subsidies and other favorable factors, China's economic prosperity continued to rise. The purchasing managers' index of the manufacturing industry has risen significantly and has been in the expansion range for two consecutive months. The market is expected to continue to improve. Macroeconomic stability is very important for the steady growth of the automobile market. In February, due to the Spring Festival, the base is relatively low, and the automobile production and sales have significantly increased on a month-on-month and year-on-year basis. Among them, the production and sales of passenger cars showed double-digit growth, while the production and sales of commercial vehicles showed double-digit growth year-on-year, and the export of new energy vehicles and automobiles continued to perform well.

In 2023, China will continue to implement the strategy of expanding domestic demand, actively promote the overall improvement of economic operation, improve quality and expand capacity. The China Association of Automobile Manufacturers believes that with the implementation of relevant supporting policies and measures, it will further stimulate market entities and consumption vitality, and is confident that the economy will improve throughout the year; in addition, problems such as chip supply shortages in 2023 are expected to be greatly alleviated. In 2023, the automobile market will continue to show a steady and positive development trend, showing a growth rate of about 3%.

In January to February 2023, the production and sales of new energy vehicles in the PRC were 977,000 and 933,000 respectively, up 18.1% and 20.8% year-on-year, and the market share reached 25.7%. It is expected that 2023 will break the record for both domestic and export markets. New energy vehicle segment (NEV), including battery electric vehicles, plug-in hybrid electric vehicles and fuel cell vehicles, will continue to be the bright spot in the future. 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. Auxiliary lead-acid battery is required in high-speed electric vehicles for low-voltage power supply. The Group will put sufficient resource to secure and expand our market share in China.

The Group has a very solid position in the PRC SLI battery market to manufacturers and export OEM market. Our continuing effort in building after-market distribution network is the key to our future growth. Our professional and dedicated sales and marketing staff around the globe are working hard each year to expand our sales volume and market share in the PRC market while at the same time attract more overseas OEM business. We have confidence that SLI battery business growth momentum can be restored in 2023.

***Motive power batteries***

The global low speed electric car market size is estimated to be worth USD 7,988.8 million in 2022 and is forecast to reach a size of USD 14,770 million by 2028 with a compound annual growth rate ("**CAGR**") of 10.8 percent. The main types of low-speed electric vehicles are electric golf carts, electric personal utility vehicles, electric low-speed off-road vehicles, and electric low-speed heavy-duty vehicles. During the Period, the Group's overseas sales of motive power batteries achieved more than 40% growth and we believe the long-term growing demand will provide exciting opportunity to expand our overseas market share despite that the short term global adverse financial factors might suppress 2023 demand.

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. In recent years, electric bicycles, electric motorcycles, electric tricycles and other electric vehicles have gradually become an important means of transportation for Chinese people due to their economical and convenient features.

The Group's motive power battery business unit always quickly responds and adapts to market changes. 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 2023, we will continue in deepening the franchise store model, optimizing the quality and quantity of agents, improving product turnover efficiency and sales scale of these sales channels to secure a solid foundation for continuous growth.

### *International Market*

Rising interest rates and the war in Ukraine continue to weigh on global economic activity. Global growth slows down significantly and the 2023 economic forecast are mixed with the US and major European economies but is widely expected to avoid officially entering recession. On the other hand, China and ASEAN will become the major contributors to the global economic growth.

The projection on GDP growth of the US in 2023, the world's largest economy, will be in the range of 0.2% to slightly higher than 1% while mild contractions in economic activity are expected in the UK and some major EU economies such as Germany and Italy. Some of Africa's major economies are expected to suffer from the ongoing impacts of the Russia-Ukraine war, runaway food price inflation and the tailwinds of the Covid-19 pandemic that caused enormous economic disruption. The Group's overseas performance could be affected in the US, European and Africa region but cost-of-living crisis with elevated food and energy prices lowered our overseas competitors, competitive power since production cost keep raising which led to unstable production output. On the other hand, more than 85% products of the Group are produced in China and secured by stable cost and production. The suppressing demand could be overcome by expansion of market share and our overseas professional sales and marketing team will put their best effort aiming at sustaining growth in 2023.

China's recent reopening has paved the way for a faster-than-expected recovery. Improving economic growth in China is positive for the ASEAN region and consensus was reached that it will remain as one of the fastest-growing regions of the world in 2023. The Group expects business growth in the APAC region will be the major contributor to our overseas business growth in 2023.

The wave of fear prompted by the collapse of California's Silicon Valley Bank (SVB) has been followed by fresh jitters over the stability of a major European bank Credit Suisse. Policymakers have tried to emphasise that the current turmoil is different to the global financial crisis 15 years ago as banks are better capitalised and funds are more easily available. At this moment, global economic outlook is exceptionally uncertain and worries about global banking turmoil are escalating. The Group will closely monitor the market conditions and remain prudent with caution in managing our overseas resources.

### *Recycled Lead*

According to the statistics of Zhuo Chuang Information, the total amount of waste batteries recycled by licensed disposal enterprises in the whole year is about 6.659 million tons, an increase of only 1%. However, in 2023, the disposal capacity of waste batteries will continue to expand, and it is expected to exceed 15 million tons per year, and the gap between supply and demand will widen. According to the assessment data, the output of waste batteries in 2023 may be 7 to 7.5 million tons, and the supply gap may be as high as 7.5 to 8 million tons.

China's recycling lead industry has developed rapidly, but the industry now faces problem of overcapacity, low profitability, and equipment and technology levels that need to be further improved. Despite these nationwide problems, our factory managed to run in full capacity and sustain growth. Our dedicated scrap battery recycling department, which will utilize our existing sales network capability to collect old batteries, has made contribution to the constant supply of scrap lead-acid batteries to the recycling plant in 2023. The Group will continue strengthening this closed-loop business model and is highly confident that the output volume in 2023 can be sustained.

The production and sales of new energy vehicles have continued to hit new highs, and the contradiction between supply of and demand for raw materials has become increasingly prominent. Setting up lithium battery recycling business will be brought up to our Group's investment agenda in 2023 after prudently evaluating the industry's future prospect and potential return.

## FINANCIAL REVIEW

For the Period, the Group's revenue amounted to RMB12,845.9 million, representing an increase of 13.6% from RMB11,303.1 million for the corresponding period in 2021. The profit for the Period amounted to RMB464.4 million as compared to RMB166.7 million for the year ended 31 December 2021, of which the profit attributable to the owners of the parent amounted to RMB442.8 million as compared to RMB136.1 million for the corresponding period in 2021. Basic earnings per share for the Period was RMB0.33 (2021: RMB0.10).

### Revenue

The Group's revenue from the power solutions business increased by 12.8% from RMB9,249.2 million for the year ended 31 December 2021 to RMB10,432.8 million for the Period.

The Group's revenue from the recycled lead business increased by 17.5% from RMB2,053.9 million for the year ended 31 December 2021 to RMB2,413.0 million for the Period, due to the strong demand for recycled lead products in the PRC.

Details of the Group's revenue for the years ended 31 December 2022 and 2021 by product category are set out below:

| | **2022** | | | 2021 | |
|---|---|---|---|---|---|
| **Product category** | **Revenue** | **Percentage share** | **Percentage increase/ (decrease)** | Revenue | Percentage share |
| | ***RMB'000*** | | | *RMB'000* | |
| Reserve power batteries | **6,006,115** | **46.8%** | **26.2%** | 4,758,929 | 42.1% |
| SLI batteries | **2,860,088** | **22.3%** | **(4.9%)** | 3,005,998 | 26.6% |
| Motive power batteries | **1,258,319** | **9.8%** | **2.9%** | 1,223,082 | 10.8% |
| Others | **308,312** | **2.4%** | **18.0%** | 261,210 | 2.3% |
| Sub-total | **10,432,834** | **81.3%** | **12.8%** | 9,249,219 | 81.8% |
| Recycled lead products | **2,413,025** | **18.7%** | **17.5%** | 2,053,906 | 18.2% |
| Total | **12,845,859** | **100%** | **13.6%** | 11,303,125 | 100% |

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

The following revenue information is based on the customer location for the years ended 31 December 2022 and 2021:

| | **2022** | | | 2021 | |
|---|---|---|---|---|---|
| | **Revenue** | **Percentage share** | **Percentage increase** | Revenue | Percentage share |
| | ***RMB'000*** | | | *RMB'000* | |
| PRC | **7,550,180** | **58.8%** | **6.4%** | 7,094,708 | 62.8% |
| EMEA | **1,892,764** | **14.7%** | **–** | 1,893,018 | 16.7% |
| Americas | **2,199,121** | **17.1%** | **43.3%** | 1,534,927 | 13.6% |
| Asia-Pacific (other than PRC) | **1,203,794** | **9.4%** | **54.2%** | 780,472 | 6.9% |
| Total | **12,845,859** | **100%** | **13.6%** | 11,303,125 | 100% |

## Cost of Sales

The Group's cost of sales increased by 14.9% from RMB9,793.4 million for the year ended 31 December 2021 to RMB11,251.1 million for the Period, mainly because of the increased sales volume.

## Gross Profit

The Group's gross profit increased by 5.6% from RMB1,509.7 million for the year ended 31 December 2021 to RMB1,594.8 million for the Period, mainly due to the strong demand from reserve power batteries. The gross profit margin remained flat for the power solutions business even after the reclassification of transportation cost from selling and distribution expenses to cost of sales while decreased in the recycled lead business, resulting in the decrease of overall gross profit margin from 13.4% for the year ended 31 December 2021 to 12.4% for the Period. The decrease for the recycled lead business was primarily a result of increased recycle cost of lead products.

## Other Income and Gains

Other income and gains increased by 187.0% from RMB84.2 million for the year ended 31 December 2021 to RMB241.7 million for the Period, mainly due to increase in foreign exchange gains and government grants during the Period.

## Selling and Distribution Expenses

The Group's selling and distribution costs decreased by 33.6% from RMB586.1 million for the year ended 31 December 2021 to RMB389.2 million for the Period. This was mainly due to the reclassification of transportation cost from selling and distribution expenses to cost of sales during the Period for better benchmarking with other companies in the industry.

## Administrative Expenses

The Group's administrative expenses increased by 9.0% from RMB306.2 million for the year ended 31 December 2021 to RMB333.7 million for the Period. The increase was mainly due to the increase in salaries and depreciation as a result of expansion in the PRC and the increase in stamp duty as a result of increased sale contracts.

## R&D Expenses

R&D expenditure of the Group increased by 59.9% from RMB239.4 million for the year ended 31 December 2021 to RMB382.9 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 decreased by 85.9% from RMB102.6 million for the year ended 31 December 2021 to RMB14.4 million for the Period because no fair value loss from financial liabilities at fair value through profit or loss and foreign exchange loss were recognized during the Period.

## Finance Costs

The Group's finance costs increased by 8.6% from RMB143.9 million for the year ended 31 December 2021 to RMB156.2 million for the Period as a result of interest rate hike during the Period.

**Profit before Tax**

As a result of the foregoing factors, the Group recorded profit before tax of RMB532.6 million for the Period as compared to RMB192.0 million for the year ended 31 December 2021.

**Income Tax Expense**

Income tax expense increased by 170.2% from RMB25.2 million for the year ended 31 December 2021 to RMB68.2 million for the Period, mainly because assessable profits from the power solutions business increased while profit from the recycled lead business 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 RMB464.4 million (2021: RMB166.7 million) and profit attributable to the owners of the parent of RMB442.8 million (2021: RMB136.1 million) for the Period.

**Net Current Assets**

As at 31 December 2022, the Group had net current assets of RMB580.9 million (2021: RMB541.8 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 2022, the Group had inventories of RMB2,136.5 million (2021: RMB2,019.3 million). Inventories remained stable in the recycled lead business while inventories for the power solutions business increased during the Period. The increase in the power solutions 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 power solutions business. As at 31 December 2022, the Group had trade receivables of RMB2,736.2 million (2021: RMB2,725.7 million). The slight increase in trade receivables was a result of increased sales and more efforts put into collection 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 2022, the Group had prepayments, other receivables and other assets of RMB473.4 million (2021: RMB223.5 million), increasing by 111.9%. The increase was mainly because the Group increased its prepayments for raw materials due to an expected strong demand in early 2023.

### 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 2022, the Group had trade and bills payables of RMB2,361.0 million (2021: RMB2,319.3 million). The slight 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 2022, the Group had other payables and accruals of RMB1,052.5 million (2021: RMB1,077.3 million).

### Capital Expenditures

During the Period, the Group invested RMB339.6 million (2021: RMB282.6 million) in property, plant and equipment for its new production facilities.

## Liquidity and Financial Resources

As at 31 December 2022, the Group's net current assets amounted to RMB580.9 million (2021: RMB541.8 million), among which cash and bank deposits amounted to RMB1,230.0 million (2021: RMB951.7 million). As at 31 December 2022, the Group had bank borrowings of RMB2,710.1 million (2021: RMB2,372.2 million), all of which are interest-bearing. Except for borrowings of RMB68.4 million (2021: RMB329.7 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 2022 were 1.88% to 8.17% (2021: 1.80% to 7.09%).

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 2022, the Group's gearing ratio was 25.8% (2021: 24.7%), 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 2022 (2021: 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 2022, the Group had no significant investment with a value of 5% or more of the Group's total assets.

## EMPLOYEES

As at 31 December 2022, the Group had 12,787 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 RMB1,053.1 million for the Period (2021: RMB1,020.2 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 recommends the payment of a final dividend of HK10 cents per share for the year ended 31 December 2022 (2021: Nil). The final dividend shall be payable to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company as at the close of business on Friday, 9 June 2023. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the "**AGM**"), the final dividend will be paid to the Shareholders on or about Monday, 10 July 2023.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed:

(i) from Monday, 22 May 2023, to Thursday, 25 May 2023, (both days inclusive) for the purpose of determining Shareholders' entitlement to attend and vote at the 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Friday, 19 May 2023; and

(ii) from Wednesday, 7 June 2023 to Friday, 9 June 2023 (both days inclusive), for the purpose of determining Shareholders' entitlement to receive the final dividend, during which period no transfer of Shares will be registered. In order to qualify for receiving the final dividend, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 6 June 2023.

## 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 Part 2 of 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 2022 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 2022 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 Thursday, 25 May 2023. 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**
**Dr. DONG Li**
*Chairman*

Hong Kong, 24 March 2023

*As at 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.*