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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 842)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

During the Period, the Group's revenue from the Power Solutions business recorded a year-on-year ("**YoY**") increase of 1.9% to RMB5,006.9 million (1H2022: RMB4,911.2 million), while the revenue from the recycled lead business decreased YoY by 20.7% to RMB996.5 million (1H2022: RMB1,257.1 million). The overall revenue slightly decreased YoY by 2.7% to RMB6,003.4 million (1H2022: RMB6,168.3 million). As a result of revenue mix shifting to higher margin product, gross profit increased by 19.3% to RMB818.0 million (1H2022: RMB685.4 million) and gross profit margin also increased from 11.1% to 13.6%. The increase in administrative expenses and research and development costs during the Period were part of the Group's development strategy to strive further growth, nevertheless, profit for the Period attributable to the owners of the parent reached RMB209.1 million, representing a YoY increase of 161.3%. To thank the unwavering support from shareholders, the Group declared an interim dividend of HK$4 cents per share, representing a dividend payout ratio of 24.0%.

As set out in the announcement of the Company dated 4 April 2023, commencing from the financial year 2022, the transportation cost of products of the Group have been included in the cost of sales. Accordingly, the transportation cost of products during the Period was included in the cost of sales instead of selling and distribution expenses for better benchmarking with other companies in the industry. If such transportation cost had been accounted for as selling and distribution expenses during the Period as they were for the six months ended 30 June 2022, the Group's gross profit for the Period would have been further increased by RMB116.0 million, and its gross profit margin would have further increased by 2.0% to 15.6%.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	
	RMB million	*RMB million*	**Changes**
Turnover	**6,003.4**	6,168.3	**-2.7%**
Cost of sales	**5,185.4**	5,482.9	**-5.4%**
Gross profit	**818.0**	685.4	**+19.3%**
Gross Margin	**13.6%**	11.1%	
Profit for the Period	**232.6**	96.5	**+141.1%**
Profit attributable to owners of the parent	**209.1**	80.0	**+161.3%**
Basic earnings per share *(RMB)*	**0.15**	0.06	
Proposed interim dividend per share *(HK cents)*	**4**	Nil	

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Leoch International Technology Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (together the "**Group**") for the Period with comparative figures for the corresponding period in the year 2022. The unaudited interim condensed consolidated financial statements have been reviewed by the auditor of the Company, Ernst & Young, and the audit committee of the Company (the "**Audit Committee**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
REVENUE	*4*	**6,003,416**	6,168,315
Cost of sales		**(5,185,436)**	(5,482,909)
Gross profit		**817,980**	685,406
Other income and gains	*4*	**125,780**	114,534
Selling and distribution expenses		**(214,336)**	(301,673)
Administrative expenses		**(195,019)**	(152,066)
Research and development costs		**(160,691)**	(122,172)
Impairment losses on financial assets		**(6,213)**	(2,065)
Other expenses	*6*	**(3,783)**	(3,304)
Finance costs	*7*	**(98,058)**	(74,120)
PROFIT BEFORE TAX	*5*	**265,660**	144,540
Income tax expense	*8*	**(33,034)**	(48,060)
PROFIT FOR THE PERIOD		**232,626**	96,480
Attributable to:			
Owners of the parent		**209,115**	80,020
Non-controlling interests		**23,511**	16,460
		232,626	96,480
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**RMB0.15**	RMB0.06
Diluted		**RMB0.15**	RMB0.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PROFIT FOR THE PERIOD	**232,626**	96,480
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Debt investments at fair value through other comprehensive income:		
Changes in fair value	**(929)**	(282)
Income tax effect	**232**	70
	(697)	(212)
Exchange differences on translation of foreign operations	**81,281**	11,570
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**80,584**	11,358
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of functional currency to presentation currency	**(23,438)**	–
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**29,936**	32,336
Income tax effect	**(7,306)**	(7,879)
	22,630	24,457
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(808)**	24,457
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**79,776**	35,815
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**312,402**	132,295
Attributable to:		
Owners of the parent	**288,830**	115,835
Non-controlling interests	**23,572**	16,460
	312,402	132,295

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (Unaudited) *RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**2,310,137**	2,289,686
Investment property		**1,269**	334
Right-of-use assets		**249,649**	239,026
Goodwill		**2,405**	2,405
Other intangible assets		**770,110**	783,241
Equity investments designated at fair value through other comprehensive income		**313,440**	255,044
Deposits paid for purchase of items of property, plant and equipment		**36,482**	63,964
Deferred tax assets		**73,471**	71,213
Total non-current assets		**3,756,963**	3,704,913
CURRENT ASSETS			
Inventories	*12*	**2,628,777**	2,136,470
Trade receivables	*13*	**2,826,350**	2,736,224
Debt investments at fair value through other comprehensive income		**286,058**	161,405
Prepayments, other receivables and other assets		**570,680**	473,432
Financial assets at fair value through profit or loss		**51,966**	51,951
Pledged deposits	*14*	**694,173**	793,806
Cash and cash equivalents	*14*	**445,747**	436,194
Total current assets		**7,503,751**	6,789,482

	Notes	**30 June 2023 (Unaudited)** ***RMB'000***	31 December 2022 (Audited) *RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*15*	**2,489,171**	2,361,044
Other payables and accruals		**1,144,666**	1,052,461
Lease liabilities		**11,213**	6,504
Financial liabilities at fair value through profit or loss		**3,883**	13
Interest-bearing bank borrowings	*16*	**2,708,836**	2,641,654
Income tax payable		**159,707**	146,923
Total current liabilities		**6,517,476**	6,208,599
NET CURRENT ASSETS		**986,275**	580,883
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,743,238**	4,285,796
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*16*	**207,920**	68,433
Convertible bonds		**59,289**	–
Deferred tax liabilities		**68,971**	64,180
Deferred government grants		**115,202**	94,281
Lease liabilities		**32,098**	22,667
Total non-current liabilities		**483,480**	249,561
Net assets		**4,259,758**	4,036,235
EQUITY			
Equity attributable to owners of the parent			
Share capital		**116,579**	116,250
Equity component of convertible bonds		**28,184**	–
Reserves		**3,877,466**	3,706,028
		4,022,229	3,822,278
Non-controlling interests		**237,529**	213,957
Total equity		**4,259,758**	4,036,235

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 27 April 2010 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and the Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 November 2010. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group is principally engaged in 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 is Master Alliance Investment Limited, a company incorporated in the British Virgin Islands and wholly owned by Dr. Dong Li.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and International Accounting Standards ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**").

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 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. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction 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 Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

(d) Amendments to IAS 12 International Tax Reform – Pilar Two Mode/Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

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

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

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

Information about products

An analysis of revenue by products is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Power solutions business	**5,006,921**	4,911,188
Recycled lead business	**996,495**	1,257,127
	6,003,416	6,168,315

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China*	**3,662,189**	3,347,229
Europe, the Middle East and Africa	**983,383**	995,876
Americas	**805,290**	1,179,691
Asia-Pacific (other than Mainland China)	**552,554**	645,519
	6,003,416	6,168,315

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

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

(b) Non-current assets

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**2,955,807**	2,957,883
Other countries/areas	**414,245**	420,773
	3,370,052	3,378,656

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

Information about major customers

Revenue of approximately RMB721,307,000 was derived from sales to one customer, including sales to a group of entities which are known to be under common control with that customer, exceeding 10% of the Group's total revenue for the six months ended 30 June 2022.

No revenue from sales to any customer amounted to 10% or more of the Group's total revenue for the six months ended 30 June 2023.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue from contracts with customers	**6,003,416**	6,168,315

Disaggregated revenue information

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Type of goods		
Sale of industrial products	**6,003,416**	6,168,315
Timing of revenue recognition		
Goods transferred at a point in time	**6,003,416**	6,168,315

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income and gains		
Foreign exchange gain, net	**74,189**	54,159
Government grants*	**34,880**	39,228
Bank interest income	**6,610**	8,870
Rental income	**3,198**	1,544
Sale of scrap materials	**2,734**	3,573
Fair value gain from financial liabilities at fair value through profit or loss	**1,808**	4,057
Others	**2,361**	3,103
	125,780	114,534

* *The government grants represent various cash payments and subsidies provided by the local government authorities to the Group as an encouragement to its investment and technological innovation. There are no unfulfilled conditions or contingencies relating to these subsidies.*

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**4,539,577**	4,767,743
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**480,052**	454,858
Equity-settled share option expenses	**4,863**	2,089
Pension scheme contributions	**48,173**	31,047
	533,088	487,994
Amortisation of other intangible assets except for deferred development costs	**10,675**	9,077
Research and development costs:		
Deferred development costs amortised*	**129,744**	101,828
Current period expenditure	**160,691**	122,172
	290,435	224,000
Financial liabilities at fair value through profit or loss:		
Unrealised loss	**3,753**	22,789
Realised gain	**(5,561)**	(26,846)
Fair value gain from financial liabilities at fair value through profit or loss, net	**(1,808)**	(4,057)
Financial assets at fair value through profit or loss:		
Unrealised (gain)/loss	**(15)**	19
Depreciation of property, plant and equipment	**167,167**	156,490
Depreciation of investment property	**246**	5
Depreciation of right-of-use assets	**8,500**	7,045
Impairment of trade receivables	**6,213**	2,065
Impairment/(reversal of impairment) of inventories*	**11,927**	(1,538)
Loss on disposal of items of property, plant and equipment, net	**2,101**	1,291
Foreign exchange gain, net	**(74,189)**	(54,159)
Lease payment not included in the measurement of lease liabilities	**6,591**	7,307

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

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	**2,101**	1,291
Fair value loss from financial assets at fair value through profit or loss	**–**	19
Others	**1,682**	1,994
	3,783	3,304

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank borrowings	**70,722**	52,143
Interest arising from discounted bills	**21,289**	18,304
Interest on lease liabilities	**1,374**	3,673
Interest on convertible bonds	**4,673**	–
	98,058	74,120

8. INCOME TAX

The Group calculates the income tax expense for the period using the tax rate that would be applicable to the expected total annual earnings. Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current:		
Mainland China	**5,479**	10,465
Hong Kong	**547**	204
Singapore	**18,887**	40,534
United States of America	**7,343**	5,759
Vietnam	**406**	484
Others	**5,387**	3,225
Deferred	**(5,015)**	(12,611)
Total tax charged for the period	**33,034**	48,060

9. DIVIDENDS

	For the Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Proposed interim – HK4 cents (2022: Nil) per ordinary share	**50,219**	–

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,361,104,160 (six months ended 30 June 2022: 1,357,854,666) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	**209,115**	80,020
Interest on convertible bonds	**4,673**	–
Profit attributable to ordinary equity holders of the parent used in the diluted earnings per share calculations	**213,788**	80,020

	Number of shares	
	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	**1,361,104,160**	1,357,854,666
Effect of dilution – weighted average number of ordinary shares:		
Share options	**35,526,654**	1,155,752
Convertible bonds	**60,000,000**	–
	1,456,630,814	1,359,010,418

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB179,272,000 (30 June 2022: RMB126,852,000).

Assets with a net book value of RMB8,392,000 (30 June 2022: RMB9,407,000) were disposed of by the Group during the six months ended 30 June 2023, resulting in a net loss on disposal of RMB2,101,000 (30 June 2022: RMB1,291,000).

During the six months ended 30 June 2023 and 2022, no impairment loss was recognised by the Group.

12. INVENTORIES

	30 June 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Raw materials	**700,199**	581,131
Work in progress	**948,598**	742,248
Finished goods	**979,980**	813,091
	2,628,777	2,136,470

At 30 June 2023, certain of the Group's inventories with a net carrying amount of approximately RMB100,000,000 (31 December 2022: RMB100,000,000) were pledged to secure general banking facilities granted to the Group (note 16(v)).

13. TRADE RECEIVABLES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
	RMB'000	*RMB'000*
Trade receivables	**2,910,303**	2,817,996
Less: Impairment provision	**(83,953)**	(81,772)
	2,826,350	2,736,224

The Group grants different credit periods to customers. The credit period of individual customers is considered on a case-by-case basis. Certain customers are required to make partial payment before or upon delivery. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables of RMB414,882,000 (31 December 2022: RMB424,787,000) were under short term credit insurance and RMB73,067,000 (31 December 2022: RMB81,857,000) were under letters of credit. Trade receivables are non-interest-bearing.

As at 30 June 2023, the Group had pledged certain trade receivables amounting to RMB428,369,000 (31 December 2022: RMB407,147,000) to banks with recourse in exchange for cash. The proceeds from pledging the trade receivables of RMB390,549,000 (31 December 2022: RMB300,102,000) were accounted for as collateralised bank advances until the trade receivables were collected or the Group made good of any losses incurred by the banks (note 16(iii)).

An aged analysis of the trade receivables as at 30 June 2023 and 31 December 2022 based on the invoice date, net of provisions, is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
	RMB'000	*RMB'000*
Within 3 months	**2,295,430**	1,991,360
3 to 6 months	**314,776**	392,070
6 to 12 months	**123,249**	222,677
1 to 2 years	**55,459**	81,352
Over 2 years	**37,436**	48,765
	2,826,350	2,736,224

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Cash and bank balances	**445,747**	436,194
Time deposits	**694,173**	793,806
	1,139,920	1,230,000
Less: Pledged for interest-bearing bank borrowings *(note 16(iv))*	**(5,251)**	(5,397)
Pledged for bills payable *(note 15)*	**(185,831)**	(415,947)
Pledged for letters of credit	**(503,091)**	(372,462)
	(694,173)	(793,806)
Cash and cash equivalents	**445,747**	436,194
Denominated in RMB	**958,314**	1,015,042
Denominated in US$	**83,057**	134,421
Denominated in Euro	**30,721**	13,278
Denominated in Indian Rupee	**17,614**	8,090
Denominated in HK$	**14,367**	31,583
Denominated in Australian Dollar	**13,349**	13,990
Denominated in Vietnamese Dong	**11,614**	6,076
Denominated in other currencies	**10,884**	7,520
	1,139,920	1,230,000

15. TRADE AND BILLS PAYABLES

	30 June 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Trade payables	**952,002**	782,273
Bills payable	**1,537,169**	1,578,771
	2,489,171	2,361,044

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

	30 June 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Within 3 months	**1,500,266**	833,140
3 to 6 months	**418,239**	608,572
6 to 12 months	**525,714**	906,326
1 to 2 years	**34,990**	8,092
2 to 3 years	**5,531**	2,247
Over 3 years	**4,431**	2,667
	2,489,171	2,361,044

The trade payables are non-interest-bearing and are normally settled on 90-day terms. All the bills payable bear maturity dates within 365 days. As at 30 June 2023, bills payable amounting to RMB452,594,000 (31 December 2022: RMB684,236,000) were issued on intercompany sales transactions within Group companies and such bills were discounted to banks for short term financing.

As at 30 June 2023, certain bills payable of the Group were secured by pledging of certain time deposits of the Group amounting to RMB185,831,000 (31 December 2022: RMB415,947,000).

16. INTEREST-BEARING BANK BORROWINGS

	30 June 2023 (unaudited)			31 December 2022 (audited)		
	Effective interest rate ***(%)***	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Interest-bearing bank borrowings, secured	**3.14 to 8.10, HIBOR+2.75 to HIBOR+3.50**	**2023-2024**	**884,757**	1.88 to 8.17, HIBOR+2.76 to HIBOR+5.17	2023	998,295
Collateralised bank advances, secured	**2.00 to 4.57, LIBOR+2**	**2023-2024**	**390,549**	2.00 to 4.57, LIBOR+2	2023	300,102
Interest-bearing bank borrowings, guaranteed	**2.00 to 6.20, HIBOR+2.5 to HIBOR+2.76, LIBOR+2**	**2023-2024**	**1,433,530**	2.00 to 7.26, HIBOR+2.5, LIBOR+2	2023	1,066,414
Current portion of long term bank borrowings, guaranteed	**LIBOR+2.70**	**2023**	**–**	LIBOR+2.70	2023	276,843
			2,708,836			2,641,654
Non-current						
Interest-bearing bank borrowings, secured	**1.88 to 6.00**	**2024-2028**	**172,333**	1.88 to 6.00	2024-2028	28,626
Interest-bearing bank borrowings, guaranteed	**3.00 to 4.60**	**2024-2026**	**35,587**	3.00 to 4.60	2024-2025	39,807
			207,920			68,433
			2,916,756			2,710,087

Analysed into:

	30 June 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Bank loans and advances repayable:		
Within one year	**2,708,836**	2,641,654
In the second year	**193,293**	22,620
In the third to fifth years, inclusive	**14,627**	44,547
Beyond five years	**–**	1,266
	2,916,756	2,710,087

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

(i) a charge over certain property, plant and equipment of the Group with carrying amount of approximately RMB750,509,000 (31 December 2022: RMB734,964,000) as at the end of the reporting period.

(ii) a charge over certain leasehold lands of the Group with carrying amount of approximately RMB45,205,000 (31 December 2022: RMB45,859,000) as at the end of the reporting period.

(iii) the pledge of certain trade receivables of the Group with carrying amount of approximately RMB428,369,000 (31 December 2022: RMB407,147,000) as at the end of the reporting period (note 13).

(iv) the pledge of certain time deposits of the Group amounting to approximately RMB5,251,000 (31 December 2022: RMB5,397,000) as at the end of the reporting period (note 14).

(v) the pledge of inventories of the Group with carrying amount of approximately RMB100,000,000 (31 December 2022: RMB100,000,000) as at the end of the reporting period (note 12).

(vi) cross guarantees executed by companies within the Group.

17. COMMITMENTS

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

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Land and buildings	**362**	2,866
Equity investments	**72,500**	2,500
	72,862	5,366

18. EVENTS AFTER THE REPORTING PERIOD

On 25 July 2023, the Group entered into a sale and purchase agreement with GS Yuasa International Limited, an independent third party to purchase the 70% equity of each of Tianjin GS Battery CO., LTD. and Yuasa Battery (SHUNDE) CO., LTD. for an aggregate cash consideration of RMB206,000,000 (subject to adjustment).

The transaction is scheduled with an installment payment where the Group shall pay (i) RMB41,500,000 upon completion of the acquisition; (ii) at least 15% of the consideration on or before the first anniversary of the acquisition; (iii) at least 35% on the second anniversary; and (iv) the final payment on the third anniversary. The installment payment portion shall bear interest at an annual interest rate of 4%. In addition, after the third anniversary of completion, the seller may exercise a put option granted by the buyer and require the buyer to purchase an additional 10% of the registered capital of either or both of the target companies. The consideration for acquiring such additional equity shall be calculated proportionally based on the net asset value of either or both the target companies (as the case may be) as of 28 September 2023 or the consideration for the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

The Group serves battery customers in more than 100 countries through its over 80 sales offices and centers around the world, together with its 13 manufacturing facilities in the PRC, Vietnam, Malaysia, India and Sri Lanka.

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

- Reserve power batteries: including Telecom and UPS batteries which are widely used in communication networks and data centers at all levels to provide a key guarantee for the normal operation of communication networks and other reserve power batteries.

- SLI batteries: used for the starting, lightening and ignition (SLI) of automobiles, motorcycles and ships.

- Motive power batteries: mainly used in electric bicycles, electric tricycles, low-speed electric cars, golf carts and sightseeing carts.

BUSINESS REVIEW

For the Period, the Group's overall revenue amounted to RMB6,003.4 million, representing a decrease of 2.7% from RMB6,168.3 million for the corresponding period in 2022.

The Group achieved slight improvement in its Power Solutions business during the Period and revenue from Power Solutions business amounted to RMB5,006.9 million, representing an increase of 1.9% from RMB4,911.2 million for the corresponding period in 2022 while revenue from Recycled Lead business amounted to RMB996.5 million, representing a decrease of 20.7% from RMB1,257.1 million for the corresponding period in 2022.

In the first half year of 2023, China economy showed a good momentum of recovery with estimated gross domestic product (GDP) up by 5.5 percent year on year. As expected, the Group's PRC battery business in average enjoyed more than 27% growth rate in terms of turnover. The 2023 real GDP growth projected by OECD for the world in June was 2.7% with around 5.4% projected for China, 0.9% for Europe, 0.3% for the United Kingdom and 1.6% for the United States. The Asian Development Bank (ADB) recently revised its 2023 forecast to 4.7 percent for ASEAN as global demand weakens. In the 2022 annual report, the Group expected China and ASEAN countries would be in a relatively strong position but opportunities and challenges are intertwined in 2023 especially in western developed countries. Accordingly, sluggish economic activities in Americas and Europe with unexpected delay of network power project in ASEAN resulting in a negative growth rate of around 17% sales in the overseas markets.

Power Solutions Business

Reserve Power Battery

As the major revenue contributor to the Group, the reserve power battery business accounted for 47.5% of total sales during the Period. Sales revenue during the Period amounted to RMB2,853.2 million (six months ended 30 June 2022: RMB2,945.4 million), representing a decrease of 3.1% compared to the corresponding period last year. The decrement in the amount of turnover was mainly due to delay in big customers' network projects in the ASEAN region, dragging down the satisfying result in China. The Group expect overseas shipment will catch up in the second half and the growth rate in China will continue as well.

SLI Battery

SLI battery business is the second largest revenue contributor to the Group. It contributed 24.5% of total sales in the Period. Sales revenue during the Period amounted to RMB1,469.1 million (six months ended 30 June 2022: RMB1,406.9 million), representing an increase of 4.4% compared to the corresponding period last year. The recovery of China with strong holiday tourism data and Travel-hungry Chinese speed up the peak season of the after-market battery demand. With our well-established distribution channel in the PRC, the Group enjoyed more than 25% growth in terms of turnover from the SLI battery market in China covering the sluggish demand in overseas market especially Americas, resulting in a small 4.4% growth during the Period.

Motive Power Battery

Motive power battery contributed to 10.4% of total sales in the Period. Sales revenue during the Period amounted to RMB621.8 million (six months ended 30 June 2022: RMB534.6 million), representing an increase of 16.3% compared to the corresponding period last year. The after-market demand also flourished in the PRC market with impressive double digit growth rate but was dragged down by weak demand in the Americas market.

Recycled Lead Business

Sales revenue of recycled lead products amounted to RMB996.5 million (six months ended 30 June 2022: RMB1,257.1 million) during the Period, representing a decrease of 20.7% compared to the corresponding period last year. The decrement of RMB260.6 million was due to the increase in internal sales from our recycling factory to our battery factories as raw material feed by more than RMB150 million and the reduction in sales to third parties for unprofitable accounts. In fact, the profit contribution from recycled lead business had been improved and this can be reflected from the improvement in the profit attributed to minority interest.

FUTURE PROSPECTS

In recent years, the global digital economy has developed vigorously with a wide range of application scenarios, covering artificial intelligence, Internet of Things, cloud commerce, big data and other fields, boosting the demand for data centers. According to the research by Spherical Insights & Consulting, the market size of data centers will rise from US$5 billion in 2023 at a compound annual growth rate of 12% to more than US$120 billion in 2030. At the same time, there are currently more than 8,000 data centers in the world, of which only 5.5% are located in China. The "14th Five-Year" Information and Telecommunication Industry Development Plan of the Ministry of Industry and Information Technology of the PRC clearly aims to accelerate the construction of digital infrastructure and a network power, greatly driving the development of data centers in China and driving up the demand for energy storage batteries. In addition, Danfoss expects that as the market demand for the Internet and intelligent technologies significantly increases, everyone in developed countries will "interact" with data centers at least once every 18 seconds. Therefore, power load demand generated by the rapid development of artificial intelligence, Internet of Things, cloud commerce, big data and other fields will increase exponentially, ushering in a greater development space. In addition, as the backup battery strategic partner of the world's major communication companies, the Group has continued to win biddings for energy storage battery cooperation projects, which has been recognized by leading communication companies for many years. In the future, we will seize the development opportunities of the telecommunication energy storage industry, strengthen cooperation with telecommunication companies, increase investment and development in R & D and manufacturing capabilities, and utilise our own industry experience to deploy new segments opportunities such as solar energy and wind energy. At the same time, we will continue to expand in the replacement market naturally.

In the context of increasing environmental awareness and continuous iterative upgrading of technology, new energy vehicles are the general trend. As a leading supplier of start-stop batteries for new energy vehicles and traditional vehicles, the Group has established long-term partnerships with major automakers, and has been widely recognized for its high-quality battery products and services. In the first half of 2023, according to the statistics of the China Association of Automobile Manufacturers, the national sales of automobiles increased by 8.84% year-on-year to more than 13.1 million, and the sales of new energy vehicles increased by nearly 140% year-on-year to about 1.55 million. Driven by the dual benefits of the country's vigorous promotion of green and low-carbon travel and dual-carbon goals in recent years, it is expected that the sales of new energy vehicles will continue to rise, and start-stop batteries, as one of the core parts of automobiles, will continue to benefit from this wave. According to industry research estimates by Future Market Insights, the global start-stop battery market size is expected to grow significantly from US$70.6 billion in 2022 to US$273.4 billion in 2032 at a compound annual growth rate of 14.5%. Considering that the start-stop battery is one of the indispensable components of new energy vehicles and fuel vehicles, and lead-acid batteries are still superior to lithium batteries in terms of safety and performance, new energy vehicle companies still use lead-acid batteries as the start-stop batteries of their vehicles. The Group has confidence in the future market demand and will continue to take advantage of the development of automotive batteries, strive to give full play to its cutting-edge technology advantages, provide high-quality products to partners, and continue to leverage on automotive supply chains, and simultaneously expand the network of after-sales market and expand market volume. We believe that under the hot market demand and the dual-wheel drive of upstream and downstream vehicles for the superimposed front-loading and rear-loading replacement, the Group's start-stop battery sales are expected to further increase, which will play an important role in boosting the overall business development.

In terms of household energy storage, under the global trend of promoting energy conservation and carbon reduction, household energy storage products are expected to achieve rapid development. According to a research performed by Mordor Intelligence, the market size of household energy storage products is expected to increase from approximately US$4.38 billion in 2023, with a compound annual growth rate of 24.4% to US$16.75 billion in 2028. At present, the Group is actively planning to expand the end point market, and launch lighter products in response to the needs of consumers and individual industrial and commercial institutions for energy storage systems, covering household and industrial energy storage systems, helping households to realize energy conversion and storage, improving the operational efficiency of new energy systems, and ensuring stable household power supply. The Group plans to gradually carry out the manufacture and sales of products to create another growth point for the Group's business and promote the diversification of its product portfolio.

In addition to consolidating the advantages of cutting-edge scientific research and strengthening research & development of product and manufacturing, the Group actively streamline its global production layout, enriches its production capacity of the existing factories, and enriches its product portfolio to meet the rising market demand for energy storage and start-stop batteries. With the increasing application of lithium batteries in energy storage systems, the Group's flagship factory in Anhui will focus on the production and research and development of lithium batteries, and plans to gradually increase the annual production capacity, so that customers could have more choices when choosing Leoch batteries. In addition, we plan to commence construction of a battery assembly plant in Mexico within the year, and extend the production line to serve, the previously uncovered North American region, so as to create a more global business network to better serve customers in the Americas region, develop more addressable markets, and achieve stronger business synergy.

In addition, the Group entered into an agreement with Japan's GS Yuasa International Limited ("**GS Yuasa**") in July this year, to acquire a 70% stake in each of Tianjin GS Battery CO., LTD ("**Tianjin GS**") and Yuasa Battery (SHUNDE) CO., LTD ("**Shunde Yuasa**") ("**Acquisition Targets**") for approximately HK$230 million. GS Yuasa is one of the world's largest manufacturers of automotive lead-acid batteries. Therefore, the Group believes that the acquisition of Tianjin GS and Shunde Yuasa will further deepen the friendly cooperation between the Group and GS Yuasa, and facilitate the expand of the business scale of the Group. The Group and the Acquisition Targets will complement each other's resources and leverage on their respective strengths. GS Yuasa has advantage with its strong brand, advanced production and R&D technologies, and rigorous quality control. The Group, on the other hand, has strong cost control capabilities and has gained in-depth insights into the Chinese market over the years. The mutually beneficial and win-win cooperation between the two parties will help expand the Group's distribution network in China and thus increase its market share.

Looking ahead, the sustained recovery of the global economy provides strong support for the overall business environment and the development of various industries. We hold an optimistic attitude towards the future development of the Group. As a leading global one-stop power solutions provider, the Group will strive to enhance and improve its products and services, serving customers in telecommunications, automotive and other industries with high-quality power products to meet the significant market demand. We will continue to explore potential opportunities and actively expand revenue channels, with an aim to achieve a diversified and steady growth for the Group, and create long-term value and fruitful returns for shareholders and stakeholders.

FINANCIAL REVIEW

During the Period, the Group's revenue amounted to RMB6,003.4 million, representing a decrease of 2.7% compared to the corresponding period in 2022. The profit for the Period amounted to RMB232.6 million, representing an increase of 141.1% compared to the corresponding period in 2022, of which the profit attributable to owners of the parent amounted to RMB209.1 million, representing an increase of 161.3% compared to the corresponding period in 2022. Basic and diluted earnings per share for the Period was RMB0.15.

Revenue

The Group's revenue slightly decreased by 2.7% from RMB6,168.3 million for the six months ended 30 June 2022 to RMB6,003.4 million for the Period, of which the Group's revenue from the Power Solutions business slightly increased by 1.9% from RMB4,911.2 million for the six months ended 30 June 2022 to RMB5,006.9 million for the Period, while the Group's revenue from the Recycled Lead business decreased by 20.7% from RMB1,257.1 million for the six months ended 30 June 2022 to RMB996.5 million for the Period.

Details of the Group's revenue for the six months ended 30 June 2023 and 2022 by product are set out below:

	Six months ended 30 June				
	2023			2022	
Product	**Revenue**		**Percentage increase/ (decrease)**	Revenue	
	RMB'000	***%***		*RMB'000*	*%*
Reserve power batteries	**2,853,186**	**47.5%**	**(3.1%)**	2,945,366	47.7%
SLI batteries	**1,469,096**	**24.5%**	**4.4%**	1,406,872	22.8%
Motive power batteries	**621,762**	**10.4%**	**16.3%**	534,604	8.7%
Others	**62,877**	**1.0%**	**158.3%**	24,346	0.4%
Sub-total	**5,006,921**	**83.4%**	**1.9%**	4,911,188	79.6%
Recycled lead products	**996,495**	**16.6%**	**(20.7%)**	1,257,127	20.4%
Total	**6,003,416**	**100%**	**(2.7%)**	6,168,315	100%

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

The following table sets forth details of the Group's revenue during the six months ended 30 June 2023 and 2022 based on customer location:

	Six months ended 30 June				
	2023			2022	
Customer location	**Revenue**		**Percentage increase/ (decrease)**	Revenue	
	RMB'000	*%*		*RMB'000*	*%*
Mainland China	**3,662,189**	**61.0%**	**9.4%**	3,347,229	54.3%
EMEA	**983,383**	**16.4%**	**(1.3%)**	995,876	16.1%
Americas	**805,290**	**13.4%**	**(31.7%)**	1,179,691	19.1%
Asia-Pacific (other than Mainland China)	**552,554**	**9.2%**	**(14.4%)**	645,519	10.5%
Total	**6,003,416**	**100%**	**(2.7%)**	6,168,315	100%

Cost of Sales

The Group's cost of sales decreased by 5.4% from RMB5,482.9 million for the six months ended 30 June 2022 to RMB5,185.4 million for the Period. The decrease was a result of revenue mix shifting to higher margin product.

Gross Profit

The Group's gross profit increased by 19.3% from RMB685.4 million for the six months ended 30 June 2022 to RMB818.0 million for the Period. The gross profit margin increased for both the power solutions business and the recycled lead business even after inclusion of transportation cost of the products in the cost of sales. The overall gross profit margin increased from 11.1% for the six months ended 30 June 2022 to 13.6% for the Period.

If transportation cost was to be recorded as a selling and distribution expense for the Period like they were for the six months ended 30 June 2022, the Group's selling and distribution expenses would be increased by 9.5% from RMB301.7 million for the six months ended 30 June 2022 to RMB330.3 million for the Period and the gross profit of the Group would be increased from RMB685.4 million for the six months ended 30 June 2022 to RMB933.9 million for the Period, representing an increase of 36.3%. The gross margin would then be increased from 11.1% for the six months ended 30 June 2022 to 15.6% for the Period.

Other Income and Gains

Other income and gains increased by 9.8% from RMB114.5 million for the six months ended 30 June 2022 to RMB125.8 million for the Period, mainly due to the increase in exchange gains for the Period.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 29.0% from RMB301.7 million for the six months ended 30 June 2022 to RMB214.3 million for the Period. This was mainly due to the inclusion of transportation cost of the products in the cost of sales instead of in the selling and distribution expenses during the Period for better benchmarking with other companies in the industry.

Administrative Expenses

The Group's administrative expenses increased by 28.2% from RMB152.1 million for the six months ended 30 June 2022 to RMB195.0 million for the Period, mainly due to the increase in staff costs.

Research and Development Costs

The research and development expenditure of the Group increased by 31.5% from RMB122.2 million for the six months ended 30 June 2022 to RMB160.7 million for the Period. The increase was mainly used for performance enhancement of selected products and development of new products in all categories during the Period.

Finance Costs

The Group's finance costs increased by 32.3% from RMB74.1 million for the six months ended 30 June 2022 to RMB98.1 million for the Period as a result of higher average interest rate during the Period.

Profit before Tax

As a result of the foregoing factors, the Group recorded profit before tax of RMB265.7 million for the Period (six months ended 30 June 2022: RMB144.5 million).

Income Tax Expenses

Income tax expenses decreased by 31.3% from RMB48.1 million for the six months ended 30 June 2022 to RMB33.0 million for the Period, mainly due to the decrease in taxable profit of the Group during the Period.

Profit for the Period

As a result of the foregoing factors, the Group recorded profit for the Period of RMB232.6 million (six months ended 30 June 2022: RMB96.5 million), of which the Group recorded profit attributable to owners of the parent of RMB209.1 million (six months ended 30 June 2022: RMB80.0 million).

Liquidity and Financial Resources

As at 30 June 2023, the Group's net current assets amounted to RMB986.3 million (31 December 2022: RMB580.9 million), among which cash and bank deposit amounted to RMB1,139.9 million (31 December 2022: RMB1,230.0 million).

As at 30 June 2023, the Group had bank borrowings of RMB2,916.8 million (31 December 2022: RMB2,710.1 million), all of which are interest-bearing. Except for borrowings of RMB207.9 million which have a maturity of over one year, all of the Group's bank borrowings are repayable within one year. The Group's borrowings are denominated in RMB, US dollars, HK dollars and other currencies, and the effective interest rates of which as of 30 June 2023 were in the range of 1.88% to 8.10% (31 December 2022: 1.88% to 8.17%).

Most of the Group's bank borrowings are secured by pledges of certain assets of the Group including property, plant and equipment, leasehold lands, time deposits, inventories and trade receivables.

As at 30 June 2023, the Group's gearing ratio was 25.9% (31 December 2022: 25.8%), which was calculated by dividing total borrowings by total assets as at the end of each respective period, multiplied by 100%.

Risks of Exchange Rate Fluctuation

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

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

Pledge of Assets

Please refer to Note 16 to this announcement for details.

Capital Commitments

Please refer to Note 17 to this announcement for details.

Significant Investment

As at 30 June 2023, the Group has no significant investment with a value of 5% or more of the Group's total assets.

Material Acquisition and Disposal

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

EMPLOYEES

As at 30 June 2023, the Group had 13,019 employees. Employee benefit expenses (including directors' remuneration), which comprise wages and salaries, bonuses, equity-settled share option expenses and pension scheme contributions, totaled RMB533.1 million for the Period (six months ended 30 June 2022: RMB488.0 million).

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

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK4 cents per share for the Period (six months ended 30 June 2022: Nil).

The interim 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, 8 September 2023. The interim dividend will be paid to the Shareholders on or about Friday, 22 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 6 September 2023 to Friday, 8 September 2023 (both days inclusive), for the purpose of determining Shareholders' entitlement to receive the interim dividend, during which period no transfer of Shares will be registered. In order to qualify for receiving the interim 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, 5 September 2023.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance with a view to safeguarding the interests of shareholders and enhancing corporate value. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code contained in Part 2 of Appendix 14 to the Listing Rules during the Period.

EVENTS AFTER THE PERIOD

With effect from 10 August 2023, Ms. YIN Haiyan ("**Ms. YIN**"), who was and is an executive Director, has been re-designated as the director of PRC Marketing System Department of the Company; and Mr. CHANG Jianwei has been appointed as the chief executive officer of the Company in place of Ms. YIN. Details of such change of chief executive officer of the Company is disclosed in the announcement of the Company dated 10 August 2023.

AUDIT COMMITTEE

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

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

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

APPRECIATION

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

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

Hong Kong, 22 August 2023

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