



Corporate Information	2
Financial Highlights	5
Chairman’s Statement	7
Management Discussion and Analysis	13
Directors and Senior Management	39
Report of the Directors	46
Corporate Governance Report	70
Independent Auditor’s Report	95
Consolidated Statement of Profit or Loss	104
Consolidated Statement of Comprehensive Income	105
Consolidated Statement of Financial Position	107
Consolidated Statement of Changes in Equity	109
Consolidated Statement of Cash Flows	111
Notes to the Financial Statements	114
Five Year Financial Summary	303

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Dr. DONG Li (*Chairman*)

Ms. YIN Haiyan

Ms. HONG Yu (appointed on 6 April 2023)

( )

### Independent Non-Executive Directors

Mr. CAO Yixiong Alan

Mr. LAU Chi Kit

Mr. LU Zhiqiang

## BOARD COMMITTEES

### Audit Committee

Mr. CAO Yixiong Alan (*Chairman*)

Mr. LAU Chi Kit

Mr. LU Zhiqiang

### Remuneration Committee

Mr. LAU Chi Kit (*Chairman*)

Dr. DONG Li

Mr. CAO Yixiong Alan

### Nomination Committee

Dr. DONG Li (*Chairman*)

Mr. LAU Chi Kit

Mr. LU Zhiqiang

### Company Secretary

Mr. CHOW Kam Keung, Albert





## Corporate Information

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

3  
TML  
33 C

C

## Corporate Information

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road, Hong Kong

16  
17

### PRINCIPAL BANKERS

Bank of China Limited  
The Hongkong and Shanghai Banking Corporation Limited  
China CITIC Bank International Limited  
Hang Seng Bank Limited  
Shanghai Pudong Development Bank Co., Ltd.  
The Bank of East Asia Limited  
China Construction Bank Corporation  
United Overseas Bank Limited  
China Guangfa Bank Co., Ltd.  
Citibank, N.A.



# Financial Highlights



Leoch International Technology Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are pleased to announce the following financial highlights:

	Year ended 31 December		Change
	2023	2022	
	RMB'000	RMB'000	
Revenue	<b>13,471,235</b>	12,845,859	+4.9%
Gross profit	<b>1,943,707</b>	1,594,774	+21.9%
Profit for the year	<b>567,836</b>	502,744	+12.9%
Profit attributable to owners of the parent	<b>535,372</b>	481,075	+11.3%
Basic earnings per share, in RMB	<b>0.39</b>	0.35	
Proposed final dividend per share (HK cents)	<b>7.0</b>	10.0	
Paid interim dividend per share (HK cents)	<b>4.0</b>	Nil	



## Financial Highlights

For the year ended 31 December 2023 (the “**Period**”), the Group’s audited profit attributable to owners of the parent amounted to approximately RMB535.4 million.

535.4

Basic earnings per share was RMB0.39 (2022: RMB0.35), the calculation of such basic earnings per share amount is based on the profit for the year attributable to owners of the parent and the weighted average number of ordinary shares of 1,362,202,493 (2022: 1,357,854,935) in issue during the year.

0.39  
0.35

1,362,202,493

1,357,854,935

The board of directors (the “**Board**”) of the Company recommend the payment of a final dividend of 7 cents for the year ended 31 December 2023 (2022: 10 cents). The Company had declared and paid an interim dividend of 4 cents during the year ended 31 December 2023.

10  
7  
4

The register of members of the Company will be closed:

(i) from Friday, 10 May 2024, to Thursday, 16 May 2024, (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 Thursday, 9 May 2024; and

(i)

17  
16

(ii) from Monday, 3 June 2024 to Wednesday, 5 June 2024 (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 Friday, 31 May 2024.

(ii)

17  
16





## WORDS FROM THE CHAIRMAN

On behalf of the board of directors (the “**Board**”) of Leoch International Technology Limited (the “**Company**”) and its subsidiaries (together, the “**Group**” “**Leoch**”), I hereby present Leoch audited report on its annual results for the year ended 31 December 2023 (the “**Period**”) for shareholders’ review.

### Global Overview

The size of the worldwide lead acid and Lithium battery market was estimated at USD104.31 billion in 2023, and between 2024 and 2030, it is projected to increase at a compound annual growth rate (CAGR) of 15.8%. The oil and gas, chemical, and healthcare industries heavily rely on UPS devices for uninterrupted power supply, which is anticipated to drive the battery market’s expansion. Because lead acid batteries are inexpensive and very reliable, they are utilized in crucial applications. The growing demand for electric vehicles in the U.S. and Mexico, on account of favorable government regulations, rising sales of electric vehicles rising along with government efforts to reduce the carbon footprint by deploying eco-friendly products, is expected to augment the market growth during the forecast period. Asia Pacific held the greatest revenue share of over 65% in 2023 and dominated the worldwide market. Grid storage, home storage, and commercial storage are all predicted to rise significantly due to a number of causes, including urbanization, industrialization, and rising disposable income in emerging nations, along with legislation that encourage investment in the area.

1,043.1  
15.8%  
UPS

65%

In terms of revenue, lead acid batteries accounted for the second largest share on the global battery market in 2023. The share of the market is projected to be supported by increased demand for Rechargeable batteries, e.g. starting, lighting and ignition switch battery in the automobile sector over the forecast period. The automobile sector led the global battery market with a market share of over 50% for lead acid battery in 2023.

50%



# Chairman's Statement

The application segment of the market in 2023 saw industrial batteries hold the largest share of 35.85%, primarily due to the growing need for energy storage and backup systems in a variety of industries while the use of small-sized batteries in consumer electronics and portable devices is anticipated to support market expansion. Automotive batteries ranked as the second-largest application sector, holding 34.62% of the global market share. Over the course of the growth periods, it is expected that the rise in passenger car manufacturing in developing nations like China, India, Brazil, and Russia will contribute to the market growth.

There have been significant breakthroughs brought about by the ongoing research and development of batteries, particularly in the domains of energy density, cycle life, and safety. Industrial batteries are now more economical, environmentally friendly, and efficient thanks to these technical advancements. Market for batteries has and is expected to grow significantly on a global scale due to a confluence of factors that highlight the increasing demand for stable and sustainable power solutions across various industries.

## Leoch Battery By Product line

Group Revenue reported at RMB13,471 million representing a growth of 4.9% primarily accounted for by Start Battery successful market expansion in EMEA region in addition to sustaining our leading position for both Backup Power and Motive Battery product lines

	134.71	4.9%
Start Battery EMEA		





## Chairman's Statement

Backup Power Product line had reported a sale revenue of RMB6,284 million representing 46.6% of our total portfolio. Increased demand for uninterrupted power supply (UPS), the growth in power outages, and increasing need for reliable power supply across many industries due to society's increasing reliance on technology and digital infrastructure. In recent years, power outages brought on by natural disasters, extreme weather, and deteriorating electrical infrastructure have increased in frequency. The disruption of vital services and considerable financial losses can result from these outages. Data centers need a consistent and dependable power source to prevent data loss and sustain uninterrupted operations. The expansion of cloud computing and digital services has increased the number of data centers. As a result, it is anticipated that demand for backup power will increase throughout due to the rising demand for uninterrupted power supply.

46.6%

62.84

(UPS)

Start Battery Product Line recorded its sale revenue of RMB3,687 million, representing 27.4% of our Revenue share. Our development of technology has helped reduce the idling time of engines, by automatically shutting down and restarting the internal combustion engine of the vehicle, thus reducing the fuel consumption and emissions. Increasing demand for start-stop technology by automotive manufacturers to reduce the CO<sub>2</sub> emission to meet government standards of emissions is also accelerating growth of the start-stop technology. Rampant integration of new technologies to enhance fuel-efficiency of start-stop technology is further boosting growth of the start-stop battery market.

27.4%

36.87

# Chairman’s Statement

Motive battery Product Line’s 2023 revenue was reported at RMB1,209 million, representing 9% of our revenue share. The robust plan changes on our supply chain and the burgeoning drive to shift to cleaner, more reliable, and sustainable energy sources have been the key contributor for our motive battery growth. Further, the concerns on global economic slowdown, the Impact of war in Ukraine, and the Risks of stagflation with possible market scenarios are pressing the need for us to re-deploy our market strategies by countries. We are expecting a healthy CAGR primarily propelled by staggering demand from emerging markets. Proliferating demand for smart storage, decentralized networks and intelligent automation, in flourishing fast developing nations are few key indicators to sustain the growth.

9% 12.09

Recycling Battery Product line had reported a revenue of RMB2,024 million, representing 15% of our portfolio, we foresee this industry to grow rapidly owing to increasing popularity of EVs and renewable energy storage systems leading to a higher demand for batteries, and, in turn, driving the need for recycling. Governments globally are implementing regulations to promote the recycling of batteries and reduce environmental impact, which is expected to further boost industry growth.

15% 20.24

## Leoch Battery By Regions

Due to the fastest-growing markets in the EV, urbanization, industrialization, and renewable energy sectors, Asia Pacific led the regional category in 2023. The main drivers of the region’s supremacy are its rapid industrial expansion and the need for energy efficiency from major nations like China, India, and Australia to lower expensive energy-related expenses and other environmental concerns.





## Chairman's Statement

China Region had recorded its revenue of RMB8,158 million accounting for 60% Revenue share via capitalizing on the trend of change in the automobile industry, in addition with our recent integration and expansion of Tianjin JV's venture with GS Yuasa to support our sales expansion, and also the ecology is gradually improving, with a complete industrial chain being built. With almost 900 gigawatt-long periods of assembling limit or 77% of the worldwide aggregate, China is home to six of the world's 10 greatest battery creators. Behind China's battery predominance is its upward mix across the remainder of the EV store network, from mining the metals to delivering the EVs. China dominance will be here to stay for the short term till it addresses the issues within the domestic industry, such as lopsided supply chain development, an imbalance in supply and demand, local protectionism, and quality inconsistencies are hampering the healthy growth of the industry.

81.58	60%	
		900
	77%	

Oversea Markets's Revenue was reported at RMB5,313 million, being 40% of our revenue share. North America and EMEA were the primary contributors of these growing markets following Asia Pacific owing to powerful expansion in the industrial automotive sector. In line with our ongoing capacity investment in Mexico, and given the presence and accumulation of global manufacturers like Exide, Odyssey, and Continental Battery Company, this will result in strong potential and capacities of batteries available in the region. Increasing requirements for industrial vehicles will augment the growth of the industrial batteries market in the region. The U.S. landscape of electric vehicles (EVs) and batteries is dynamic and complex, hence it will continue to remain a key player in the region contributing to the growth.

	53.13	40%
		EMEA
Exide Odyssey	Continental Battery Company	

Overall, in addition to technological advancements, Battery's market outlook will also be influenced by the industry's growing commitment to sustainability and energy optimization, capacity consolidation, and the integration of novel concepts. Leoch's Battery is positioned to revolutionize the energy and automotive industries by enabling a smooth transition to a more integrated and cleaner energy ecosystem.

# Chairman’s Statement

## PROSPECT & CHALLENGES

Many different players in the worldwide battery value chain are showing interest in Leoch Battery due to its excellent financial and competitive position. The company has developed the five-year expansion program, which includes pursuing strategic projects including our New Mexico battery plant commissioning to arrest the US and Europe untapped opportunities pipeline leveraging on its proximity and improved logistics lead time advantages. Where else in APAC region, the ongoing expansion on Plant capacity for both Malaysia is aimed to resolve the accumulated order backlogs, as for Vietnam, the ongoing lithium production plant expansion investment in addition to existing Anhui setup will further enhanced Lithium output capacity for Leoch Group. Both passenger electric vehicle (EV) applications and energy storage systems (ESS) are potential end markets for these projects. We are carrying out our strategy to position Leoch as the go-to industrialization partner in the global battery market, and we have some interesting conversations going on with possible strategic partners on global footprints partnership projects.

ESS

## COMMITMENT & ACKNOWLEDGEMENT

The company’s goal is to produce clean, affordable batteries in order to hasten the decarbonization of the world’s energy and transportation systems. Leoch’s main markets are energy storage systems (or “**ESS**”) and commercial mobility. Moving forward, the company is expected to continue its market leadership within the Battery’s market.

ESS

On behalf of the Board of Directors, we are committed to drive the business in fiscal year ‘24 to maximize EBITDA and free cash flow while accelerating key investments in portfolio differentiators, market-proven business development talent and upskilling initiatives to drive growth and long-term shareholder value. I would like to thank our shareholders, customers and business partners for their long-term support and trust. And to extend my appreciation to our management team and our staff members on achieving the outstanding results for 2023.

EBITDA





## BUSINESS REVIEW

For the year ended 31 December 2023 (the “Period”), the Group’s revenue amounted to RMB13,471.2 million, representing an increase of 4.9% from RMB12,845.9 million for the corresponding period in 2022.

			13,471.2
			12,845.9
	4.9%		

During the Period, revenue from batteries (and related items) business amounted to RMB11,447.5 million, representing an increase of 9.7% from RMB10,432.8 million for the corresponding period in 2022. The increase in revenue from batteries was contributed by the 19.4% growth rate in the PRC market and 0.3% in overseas market.

	11,447.5		
	10,432.8	9.7%	
		19.4%	0.3%

Comparing the revenue of RMB6,440.6 million from batteries (and related items) during the second half of 2023 with that of RMB5,006.9 million in the first half of the Period, sales increased by 28.6%. Both the PRC and overseas markets were catching up in which sales increased by 30.1% and 27.0% respectively when comparing the results for the second half and the first half of the Period. Besides seasonal factor, the spread of battery sales in the first half and second half of 2023 were 43.7% vs 56.3% (2022: 47.1% vs 52.9%) and similar ratio applied in both the PRC and overseas markets during the Period, reflecting that demand was steadily recovering in the battery industry globally.

		6,440.6		
	5,006.9		28.6%	
			30.1%	27.0%
		43.7%	56.3%	47.1%
	52.9%			

Reserve power battery remained the top revenue contributor during the Period but the pace of growth in SLI battery was expediting. Different from last two years when overseas business was the major contributor to the growth of battery business, the high growth rate in the PRC market covered the flat performance from overseas market. The Group believes that the recovery of overseas economy may be slow but with its continued efforts, it would achieve better performance in 2024. Nevertheless, three categories of battery business had different levels of performance during the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Reserve power batteries

The Group's sales of reserve power batteries during the Period amounted to RMB6,284.4 million (2022: RMB6,006.1 million), representing an increase of 4.6% as compared to the same period of last year. This accounted for approximately 54.9% of the total revenue from batteries sales for the Period as compared to 57.6% in 2022. The increment in sales revenue of reserve power batteries amounted to RMB278.3 million (2022: RMB1,247.2 million increment) during the Period.

6,284.4		6,006.1
	4.6%	
54.9%		57.6%
		278.3
		1,247.2

The Group managed to turn around the decrement in sales of RMB92.2 million during the first half of 2023 in the second half of 2023. This was contributed by more than 17% and close to 10% increase in shipping ton of lead-acid battery in the PRC and overseas market respectively during the second half of 2023 when compared to the first half of the Period and the sales growth of lithium battery products. On the other hand, the overseas project business was slowly recovering and the growth in PRC market was slowing down. Nevertheless, the continue recovery of global economy and expected stimulation in the PRC high-tech sector provide a strong support to the continuous growth momentum of the Group's reserve power business in 2024.

	92.2	
		17%
10%		

## SLI batteries

Sales of SLI batteries for the Group during the Period amounted to RMB3,687.0 million (2022: RMB2,860.1 million), representing an increase of 28.9% as compared to the same period last year. This accounted for approximately 32.2% of the total revenue from batteries sales for the Period as compared to 27.4% in 2022. The increment in sales revenue of SLI batteries amounted to RMB826.9 million (2022: RMB145.9 million decrement) during the Period.

		3,687.0
		2,860.1
	28.9%	
32.2%		27.4%
		826.9
		145.9





## MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the Group continued expanding its market share in the PRC and achieved satisfying result. Year to year growth in terms of shipping ton reached more than 30%. Although the overseas market recorded a negative growth rate during the first half of 2023, market demand rebounded significantly and shipping ton in the second half of the Period was close to two times higher than in the first half of the Period, resulting in more than 40% growth when compared with the corresponding period of last year. On the other hand, shipment to the PRC in the second half of 2023 grew by 40% when compared with the first half of 2023.

30%  
40%  
40%

The acquisition of 70% shareholding of two SLI factories in 2023 will further strengthen our product range and expand our market share in the PRC market. With more than RMB280 million turnover contribution to the Group's consolidated revenue in the last two months of 2023 by these two SLI factories, the Group's competitiveness in the PRC SLI batteries market is expected to remain on the rise in 2024.

70%  
280

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 ahead 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 RMB1,209.4 million (2022: RMB1,258.3 million), representing a decrease of 3.9% as compared to last year. This accounted for approximately 10.6% of the total revenue from batteries sales for the Period as compared to 12.1% in 2022. The decrement in sales revenue of motive power batteries amounted to RMB48.9 million (2022: RMB35.2 million increment) during the Period.

1,258.3  
1,209.4  
3.9%  
10.6%  
12.1%  
48.9  
35.2



## MANAGEMENT DISCUSSION AND ANALYSIS

Overseas weak demand for motive power battery dragged down the overall performance in 2023 even though the Group recorded more than 20% shipping ton growth in the PRC market. After experiencing 30% drop in demand for motive power battery in term of shipping ton during the first half of the Period in the overseas market compared with the corresponding period of last year, the decreasing rate in shipping ton in the second half of 2023 narrowed to 10%. Accordingly, the overall performance of the Group's motive power business in 2023 slightly deteriorated. Stabilized overseas performance in the second half of 2023 hinted that the market was bottoming and recovery is forthcoming.

20%  
30%  
10%

### Recycled lead

Revenue from the sales of recycled lead products amounted to RMB2,023.8 million (2022: RMB2,413.0 million) during the Period, representing a decrease of 16.1% as compared to last year. Before elimination of intercompany sales between recycling and battery business within the Group, total sales of recycling business was more or less the same during the Period when compared with 2022. Since the consolidated results reflected only sales to third parties, the decrease of RMB389.2 million turnover was mainly due to increased intercompany transactions.

2,023.8  
2,413.0  
16.1%  
389.2





# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 ASEAN countries, India, Sri Lanka, the United States, the European Union countries and the United Kingdom. Together with the domestic sales centers in the PRC, the Group has more than 80 sales offices and centers around the world. During the Period, the Group has newly established a wholly owned trading subsidiary in Indonesia. Indonesia is one of the emerging market economies in the world and the largest in Southeast Asia. As an upper-middle income country and a member of the G20, Indonesia is classified as a newly industrialized country and in 2023, it is a vital emerging economy that is taking big strides to achieve long-term growth. It is projected to become one of the world's seven largest economies by 2030 and the Group believes it is the right time to invest and grow our global footprint.

100

80

# MANAGEMENT DISCUSSION AND ANALYSIS

## Research and development (“R&D”)

During the Period, the Group continued to research and develop new models of lead-acid batteries, lithium-ion batteries and new power management systems. We have strong, rich and comprehensive R&D capabilities in various models of lead-acid batteries for use in the network energy, automotive and power sectors. In addition, energy storage and smart manufacturing are the current industry trends. Our advanced lithium-ion battery R&D centre in Anhui province is already in operation, with a wide range of applications including large-scale energy storage, industrial and commercial energy storage, household energy storage, battery cells, lithium-ion communication products, and uninterruptible power supply systems, which are the core of the Company’s future incremental capacity in the new energy wave. Our innovation centre in Singapore is engaged in R&D of new technologies such as battery management systems and energy management systems to provide customers with energy solutions for various scenarios. The Group will continue to invest in its R&D team and work closely with professional organisations and universities to conduct further research and develop battery technologies for different scenarios and functions.

The Group has invested in and will continue to increase the production capacity of each model of batteries and enhance the overall operational efficiency to achieve higher cost competitiveness. As at 31 December 2023, the Group’s battery R&D team consisted of over 380 R&D personnel and related development and sampling technicians.

380





# MANAGEMENT DISCUSSION AND ANALYSIS

## Production Base

During the Period, in view of expected future business growth, the Group conducted detailed analysis and taken strategic steps for its plan of expanding production capacity both in the PRC and overseas. As disclosed in the last annual report, a battery assembly plant will be established in Mexico to strengthen the Company's competitiveness in the American region dominated by the United States. It is expected operation will be started within a few months. Furthermore, another battery production plant in Mexico is under construction planning and is targeted to do a test run in the second quarter of 2025. The Group is prepared to further expand our market share in the Americas besides the United States to Mexico and other Latin America countries.

Back to APAC, the Group is working on establishing another SLI battery manufacturing plant in Malaysia in view of supporting the fast growing automotive industry. Production testing can start as early as in December 2024 or in early 2025.

During the Period, the Group's SLI battery business enjoyed satisfying growth. The Group's SLI battery turnover increased by 28.9% in 2023 as compared to 2022 and sales amount increased to around 59% of reserve power battery business in 2023 from around 48% in 2022. 70% equity interests of two SLI battery plants equipped with advanced technology were acquired in 2023 in view of expanding the Group's business scales and market share in the PRC market. The Group expects SLI business in the PRC will achieve a high growth rate in 2024.

	28.9%	
		48%
59%		
	70%	

Finally, the Group acquired a recycling lead plant in December 2023 aiming to expand and secure its lead supply and build a sustainable future. We are working on the re-opening plan currently.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Trend of lead price

Lead is the main raw material of lead-acid batteries and accounts for a major part of the product cost for the Group's battery production. According to Shanghai Metals Market ("SMM"), the monthly average lead price per ton fluctuated in the range of RMB15,108 to RMB16,522 during the Period, representing a change in the range of -2.9% to 6.1% as compared with SMM monthly average of RMB15,566 per ton in December 2022.

	15,108	16,522
	15,566	
-2.9%	6.1%	

The monthly average SMM lead price per ton from January to June 2023 was RMB15,167, which has decreased by 2.5% as compared with SMM monthly average in December 2022, reflecting weak recovery momentum for battery demand in the PRC and overseas market during the first half of 2023. The monthly average SMM lead price per ton from July to December 2023 was RMB16,020, representing an increase by 2.9% as compared with SMM monthly average in December 2022, reflecting that the pace of recovery speeded up in the second half of 2023. This was in line with the Group's performance in which battery turnover growth rate was only around 2% in the first half of the Period but increased to over 16% during the second half of the Period when compared with the corresponding period last year.

	15,167	2.5%
	16,020	2.9%
2%	16%	

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.





# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

## Digital Infrastructure Construction Will Driving the Growth of UPS Battery Market

UPS

With the rising demand for cloud services and data storage, as well as the demand for the development of fundamental advanced technologies such as artificial intelligence and machine learning, the global data centre market size is expected to reach US\$340,000,000,000 in 2024 and climb to over US\$438,700,000,000 in 2028 at a compound annual growth rate of 6.56%, according to a study by relevant professional institutions. Meanwhile, the Ministry of Industry and Information Technology of China has also clearly stated in the 14th Five-Year Plan for the Development of the Information and Communication Industry that it is necessary to accelerate the construction of digital infrastructure and promote the development of data centres in China. It is expected that the policies and development trends of various countries will continue to benefit the data centre industry in the future, and the development of the UPS battery industry supported by it will also continue to grow rapidly with broad market prospects. Secondly, as the Internet + UPS battery industry, big data and intelligent applications have all entered the stage of substantial implementation, the complexity of the system has increased significantly. As a supplier of reserve power battery equipments for major data centres in the world, the Group, as a leading enterprise, will highlight its integrated business advantages in terms of products, services and management systems, which is expected to further increase its market share. However, at the same time, we also see that although the market demand for UPS batteries has reached a new high in 2023, the rapid growth in production capacity of major manufacturers has also intensified the competition in the industry. The Group will further optimise its product technology, management methods and business philosophy to capture the replacement demand and potential opportunities in its existing market while actively striving for more incremental project contracts, and believes that it will be able to leverage its industry strengths to continuously strengthen its advantages in this business field.

3,400

6.56%  
4,387

UPS

+UPS

UPS





## Seize New Opportunities in the Transformation and Upgrading of Communications Industry

The global communication industry has been developing rapidly with the changes in fundamental underlying communication technologies and the continuous expansion of entertainment, media, transportation, health and other application scenarios based on such technologies, including artificial intelligence, autonomous driving, smart home, and the Internet of Things. It is expected that the battery market size of the telecommunications industry will grow at a compound annual growth rate of 15.76% by US\$9,240,000,000 from 2023 to 2028. It is worth mentioning that the recent 5G-A (mid-cycle refresh of 5G) proposed by Chinese communications services enterprises will help global operators to enter a new race track of industrial digitalization, creating a chain reaction with the booming intelligent technology. As a core supplier of energy storage batteries for equipment of the world's top ten communication operators, the Group will seize the once-in-a-century opportunity brought about by the digital transformation of the global economy and society, and help operators to build their networks on a large scale to consolidate their own industry competitiveness and strive for greater market share.

15.76%

92.4

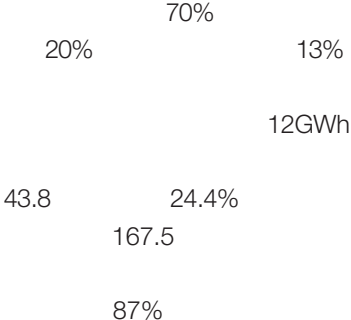
5G-A 5G



# MANAGEMENT DISCUSSION AND ANALYSIS

## Promote Product Diversification by Deploying the Household Energy Storage Business

Household energy storage has become a development track with high demand against the backdrops of the increasingly emphasized environmental protection issues and the increasingly fierce geopolitics. According to Bloomberg New Energy Finance, in 2023, more than 70% of residential solar systems in Germany and Italy, 20% of residential solar systems in Australia and 13% of residential solar systems in the United States installed batteries, and it is expected that the global residential battery installation capacity will reach 12GWh in 2023 alone. The global market size of household energy storage products is projected to increase from approximately US\$4,380,000,000 in 2023 to US\$16,750,000,000 in 2029 at a compound annual growth rate of 24.4%, according to market forecasts. Specifically, China holds a leading position in the global shipment of energy storage batteries, accounting for approximately 87% of the global shipment. Targeting the new opportunities arising from the development of the household energy storage industry, the Group has launched a variety of lightweight and high-efficiency household energy storage battery products suitable for household use, thereby expanding the scale of the end-consumer market and promoting product diversification.





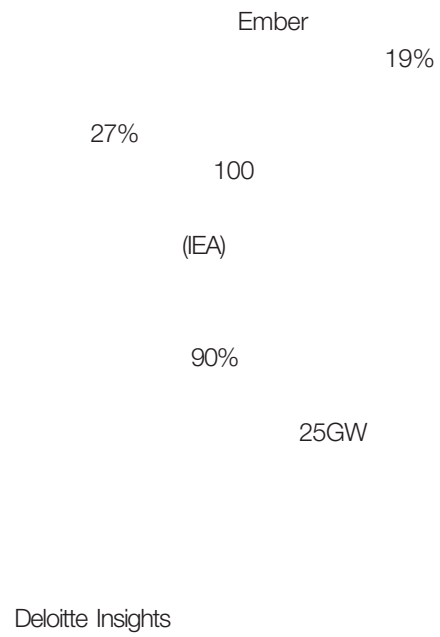
## MANAGEMENT DISCUSSION AND ANALYSIS

It is expected that the global automobile consumption market will continue to maintain rapid growth in 2024. In addition to the continuous growth of new car consumption in major economies, the sales volume of emerging economies, such as India, Thailand and Malaysia, will increase significantly. Among them, the new energy vehicle market will show a better growth trend driven by various factors including policy promotion, technological innovation and price reduction.

Based on the above development expectations, as a core supplier of batteries for global automobile SLI battery business, the Group is confident in the SLI battery business of the second largest business segment, and will proactively carry out strategic deployment. While continuously increasing investment in the research and development of relevant product technologies, the Group will accelerate the integration of the production capacity and brand resources of Tianjin GS and Shunde Yuasa, which were acquired by the Group earlier, to seize the incremental business opportunities brought about by the global sales of new energy vehicles,



# MANAGEMENT DISCUSSION AND ANALYSIS



# MANAGEMENT DISCUSSION AND ANALYSIS

(IEA)

50%

1.8

10%

(McKinsey)

9.2





## MANAGEMENT DISCUSSION AND ANALYSIS

In the face of fierce competition in the industry, the Group will always gain insight into the trend of industrial policies, keep abreast of the development trend in the industry, and meet the new ideas, new development and new needs of the global market through relentless pursuit of more new achievements, new products and new technologies, and continue to improve its global production and sales scale, so as to consolidate and strengthen its market position. As always, the Group will continue to fully play to its comparative advantages, expand and optimise the supply chain, formulate future development policies and strategies based on the expected growth of the industry, drive its own growth or take advantage of mergers and acquisitions to seize opportunities, especially in the fields of industrial battery reuse, maintenance and recycling business.

As one of the leading energy solutions providers in the market, the Group will continue to provide high-quality products and services to customers in the fields of global communications, data centres, automobiles and green energy, and reward shareholders with better performance.

### FINANCIAL REVIEW

For the Period, the Group's revenue amounted to RMB13,471.2 million, representing an increase of 4.9% from RMB12,845.9 million for the corresponding period in 2022. The profit for the Period amounted to RMB567.8 million as compared to RMB502.7 million for the year ended 31 December 2022, of which the profit attributable to the owners of the parent amounted to RMB535.4 million as compared to RMB481.1 million for the corresponding period in 2022. Basic earnings per share for the Period was RMB0.39 (2022: RMB0.35).	12,845.9	4.9%	13,471.2
		567.8	502.7
			535.4
			481.1
	0.35		0.39

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

The Group's revenue from the power solutions business increased by 9.7% from RMB10,432.8 million for the year ended 31 December 2022 to RMB11,447.5 million for the Period, while the Group's revenue from the recycled lead business decreased by 16.1% from RMB2,413.0 million for the year ended 31 December 2022 to RMB2,023.8 million for the Period.

	10,432.8	
9.7%	11,447.5	
	2,413.0	16.1%
	2,023.8	

Details of the Group's revenue for the years ended 31 December 2023 and 2022 by product category are set out below:

Product category	2023			2022		
	Revenue	Percentage share	Percentage increase/ (decrease)	Revenue	Percentage share	
	RMB'000			RMB'000		
Reserve power batteries	備用電池	6,284,398	46.6%	4.6%	6,006,115	46.8%
SLI batteries	起動電池	3,686,988	27.4%	28.9%	2,860,088	22.3%
Motive power batteries	動力電池	1,209,365	9.0%	(3.9%)	1,258,319	9.8%
Others	其他	266,706	2.0%	(13.5%)	308,312	2.4%
Sub-total	小計	11,447,457	85.0%	9.7%	10,432,834	81.3%
Recycled lead products	回收鉛產品	2,023,778	15.0%	(16.1%)	2,413,025	18.7%
Total	合計	13,471,235	100%	4.9%	12,845,859	100%

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

### EMEA

## MANAGEMENT DISCUSSION AND ANALYSIS



The following revenue information is based on the customer location for the years ended 31 December 2023 and 2022:

		2023			2022	
		Revenue	Percentage share	Percentage increase/ (decrease)	Revenue	Percentage share
		RMB'000			RMB'000	
Chinese Mainland	中國內地	8,157,704	60.5%	8.0%	7,550,180	58.8%
EMEA	EMEA	1,935,577	14.4%	2.3%	1,892,764	14.7%
Americas	美洲	2,140,455	15.9%	(2.7%)	2,199,121	17.1%
Asia-Pacific (other than PRC)	亞太地區 (不包括中國)	1,237,499	9.2%	2.8%	1,203,794	9.4%
Total	合計	13,471,235	100%	4.9%	12,845,859	100%

### Cost of Sales

The Group's cost of sales increased by 2.5% from RMB11,251.1 million for the year ended 31 December 2022 to RMB11,527.5 million for the Period, mainly because of the increased sales volume.

11,251.1  
2.5%  
11,527.5



# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit

The Group's gross profit increased by 21.9% from RMB1,594.8 million for the year ended 31 December 2022 to RMB1,943.7 million for the Period, mainly due to the strong demand from the reserve power batteries and SLI batteries business as a result of post-pandemic economy recovery globally. The gross profit margin increased steadily for the power solutions business while increased slightly for the recycled lead business, resulting in the increase of overall gross profit margin from 12.4% for the year ended 31 December 2022 to 14.4% for the Period. The increase in gross profit margin for the power solutions business was primarily a result of better control of manufacturing costs compounded by the drastically decreased transportation cost of the products.

	1,594.8	21.9%
	1,943.7	
12.4%	14.4%	

## Other Income and Gains

Other income and gains decreased by 17.7% from RMB292.5 million for the year ended 31 December 2022 to RMB240.8 million for the Period, mainly because the gain on bargain purchase cannot compensate for the decrease in foreign exchange gains, fair value gains on financial instruments at fair value through profit or loss and government grants during the Period.

	292.5	17.7%
	240.8	

## Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 19.3% from RMB389.2 million for the year ended 31 December 2022 to RMB464.3 million for the Period. The increase was mainly caused by the increase in import and export fees and sales commission. The increase in sales commission was in line with the increase in sales.

	389.2	
19.3%	464.3	



# MANAGEMENT DISCUSSION AND ANALYSIS



## Administrative Expenses

The Group's administrative expenses increased by 33.7% from RMB333.7 million for the year ended 31 December 2022 to RMB446.1 million for the Period. The increase was mainly due to the increase in salaries and depreciation as a result of further expansion in the PRC and overseas.

33.7%                      333.7  
446.1

## R&D Costs

R&D costs of the Group slightly decreased by 2.9% from RMB382.9 million for the year ended 31 December 2022 to RMB371.9 million for the Period.

2.9%                      382.9  
371.9

## Other Expenses

The Group's other expenses increased from RMB14.4 million for the year ended 31 December 2022 to RMB39.0 million for the Period mainly due to the increase in fair value loss from financial assets at fair value through profit or loss and loss on disposal of items of property, plant and equipment during the Period.

14.4  
39.0

## Finance Costs

The Group's finance costs increased by 43.1% from RMB156.2 million for the year ended 31 December 2022 to RMB223.6 million for the Period mainly due to the increased bank borrowings and a higher average interest rate during the Period.

43.1%                      156.2  
223.6

## Profit before Tax

As a result of the foregoing factors, the Group recorded profit before tax of RMB643.9 million for the Period as compared to RMB583.4 million for the year ended 31 December 2022.

643.9  
583.4

## MANAGEMENT DISCUSSION AND ANALYSIS

### Income Tax Expense

Income tax expense slightly decreased by 5.7% from RMB80.6 million for the year ended 31 December 2022 to RMB76.0 million for the Period, mainly because assessable profits from the power solutions business decreased while profit from the recycled lead business was effectively not subject to tax during the Period.

80.6	5.7%
76.0	

### Profit for the Year

As a result of the foregoing factors, the Group recorded net profit of RMB567.8 million (2022: RMB502.7 million) and profit attributable to the owners of the parent of RMB535.4 million (2022: RMB481.1 million) for the Period.

567.8	502.7
	535.4
	481.1

### Net Current Assets

As at 31 December 2023, the Group had net current assets of RMB1,160.7 million (2022: RMB580.9 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.

1,160.7
580.9

### Inventories

Inventories constituted one of the principal components of the Group's current assets. As at 31 December 2023, the Group had inventories of RMB2,748.7 million (2022: RMB2,136.5 million), representing an increase by 28.7% compared with last year. Increase in inventories was partly because of the acquisition of subsidiaries during the Period and partly because of the strong demand from the power solutions business.

2,748.7	2,136.5
	28.7%





# MANAGEMENT DISCUSSION AND ANALYSIS

2,736.2                      3,247.2                      18.7%

631.0  
I,†Ó\*Uæ9-Q .<A×6 ,v

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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, payables for acquisition of subsidiaries and accruals for payroll and benefits for its employees. As at 31 December 2023, the Group had other payables and accruals of RMB1,476.0 million (2022: RMB1,052.5 million), representing an increase by 40.2% compared with last year. The increase was caused partly by the acquisition of subsidiaries during the Period and partly by the increase in the accrued payroll.

1,476.0  
1,052.5  
40.2%

## Capital Expenditures

During the Period, the Group invested RMB609.1 million (2022: RMB339.6 million) in property, plant and equipment for its new production facilities.

609.1  
339.6

## Liquidity and Financial Resources

As at 31 December 2023, the Group's net current assets amounted to RMB1,160.7 million (2022: RMB580.9 million), among which cash and bank deposits amounted to RMB2,529.1 million (2022: RMB1,230.0 million).

1,160.7  
580.9  
2,529.1  
1,230.0  
4,457.4  
2,710.1  
68.4  
956.2  
2.00% 9.60%  
1.88% 8.17%





## MANAGEMENT DISCUSSION AND ANALYSIS

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 the Company's subsidiaries. As at 31 December 2023, the Group's gearing ratio was 31.6% (2022: 25.8%), which was calculated by dividing total borrowings by total assets as at the end of each respective period, multiplied by 100%.

31.6%	25.8%	100%
-------	-------	------

### Contingent Liabilities

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

### Foreign Exchange Risk

The Group operates globally. 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Material Acquisition and Disposal

On 25 July 2023, Leoch Battery Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement (as supplemented on 25 September 2023) with independent third parties in relation to the proposed acquisition (the “**Acquisition**”) of 70% of the registered capital of Tianjin GS and Shunde Yuasa. The Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Details of the Acquisition were set out in the note 23 of the financial statements and the announcements of the Company dated 25 July 2023 and 25 September 2023, respectively.

Leoch Battery Company Limited  
70%

23

Save as disclosed above, 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 2023, the Group had no significant investment with a value of 5% or more of the Group’s total assets.

5%

## EMPLOYEES

As at 31 December 2023, the Group had 14,364 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 RMB1,331.0 million for the Period (2022: RMB1,053.1 million).

14,364

1,331.0

1,053.1

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.





## EXECUTIVE DIRECTORS

**Dr. DONG Li** , aged 57, is an executive director, chairman of the Board and nomination committee, a member of the remuneration committee and founder of the Company. Dr. DONG has been appointed as executive director since 27 April 2010, the date of the incorporation of our Company. Dr. DONG is a controlling shareholder of the Company. He is also one of the authorised representatives of the Company and serving as director for various subsidiaries of the Group. Dr. DONG also serves as director for various private wholly owned companies which include investment holding and manufacturing enterprise.

57

Dr. DONG obtained a Doctor of Science from Shanghai University in 2021 and an EMBA degree from National University of Singapore in 2015. Dr. DONG graduated from Xi'an International Studies College, the predecessor of Xi'an International Studies University, in 1990 with a Bachelor of Arts degree and Northwest Textile University of Science and Technology, the predecessor of Xi'an Polytechnic University, in 1988 with a Bachelor's degree in Engineering.

EMBA

Dr. DONG personally did not hold any share options in the Company as at 31 December 2023.



# Directors and Senior Management





## Directors and Senior Management

**Ms. HONG Yu**, aged 52, is an executive director of the Company. Ms. HONG has been appointed as executive director since 6 April 2023.

52

Ms. HONG graduated from Northwest Textile University for Science and Technology, the predecessor of Xi'an Polytechnic University, in 1994 majoring in textiles engineering and minoring in international economics and sales.

Ms. HONG has almost 30 years of management and operational experience. From July 1994 to May 2000, she worked as the manager of the foreign trade department of Xi'an Oumei Handicrafts Co. Ltd. From July 2000 to May 2005, Ms. HONG joined the Group as a salesperson, and was subsequently promoted to the manager and deputy general manager of the foreign trade department. From May 2005 to June 2015, Ms. HONG was appointed as the vice president of purchasing department of the Group. From August 2015 to March 2020, Ms. HONG served as a partner of Zhongtong Yintai (Beijing) Investment Management Co., Ltd. From March 2020, Ms. HONG rejoined the Group as member of enterprise management team, financial committee officer, purchasing director and investment director.

30

Ms. HONG personally held 844,000 shares and 1,800,000 share options of the Company as at 31 December 2023.

844,000

1,800,000

## Directors and Senior Management

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CAO Yixiong Alan**, aged 55, has been appointed as an independent non-executive director, chairman of the audit committee and a member of remuneration committee of the Company since 14 October 2010. 55

Mr. CAO holds a Bachelor's degree in Accounting from Sonoma State University and an MBA degree from the Anderson School of the University of California, Los Angeles. He worked at the auditing department of Coopers & Lybrand between 1993 and 1996, and obtained his CPA license (California, United States) in 1996. From 1997 to 2002, he worked at J.P. Morgan and Merrill Lynch in their respective private banking divisions. Since 2002, he has been the Executive Director of Etech Capital, a subsidiary of Etech Securities, Inc., responsible for its Greater China private equity advisory business. He is also currently the Chief Executive Officer, Director and Founding Partner of Shanghai Great Wall Etech Capital Management Company, a joint venture between China Great Wall Asset Management Company, one of the largest Chinese asset management companies, and Etech Group. Mr. CAO is also currently the Chairman of the Board of Supervisors of Chongqing Tongli Heavy Machinery Manufacturing Co., LTD.

Coopers & Lybrand

J.P.

Mr. CAO personally held 1,100,000 share options in the Company as at 31 December 2023. 1,100,000



## Directors and Senior Management



**Mr. LAU Chi Kit**, aged 79, has been appointed as an independent non-executive director, the chairman of the remuneration committee, a member of the nomination committee and a member of the audit committee of the Company since 17 September 2014. 79

Mr. LAU retired from The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) in December 2000 after more than 35 years’ of service. Among the senior positions in HSBC, he was the Assistant General Manager and Head of Personal Banking Hong Kong and Assistant General Manager and Head of Strategic Implementation, Asia-Pacific Region. He is a Fellow of the Hong Kong Institute of Bankers (“**Institute**”). He was the chairman of the Institute’s Executive Committee (from January 1999 to December 2000) and is currently an Honorary Advisor of the Institute’s Executive Committee. He served as a member on a number of committees appointed by the Government of Hong Kong Special Administration Region, including the Advisory Council on the Environment (from October 1998 to December 2001), the Advisory Committee on Human Resources Development in the Financial Services Sector (from June 2000 to May 2001), the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption (from January 2000 to December 2003), the Environment and Conservation Fund Committee (from August 2000 to October 2006), the Innovation and Technology Fund (Environment) Projects Vetting Committee (from January 2000 to December 2004) and the Law Reform Commission’s Privacy Sub-committee (from February 1990 to March 2006). He also served as Chairman of the Business Environment Council Ltd. (from September 1998 to December 2001). 35

Currently, Mr. LAU is also an independent non executive director of Royale Home Holdings Ltd. (stock code: 1198) and Hin Sang Group (International) Holding Co Ltd (stock code: 6893). The shares of Royale Home Holdings Ltd. and Hin Sang Group (International) Holding Co Ltd are listed on the Main Board. 1198  
6893

Mr. LAU personally held 1,100,000 share options in the Company as at 31 December 2023. 1,100,000

## Directors and Senior Management

**Mr. LU Zhiqiang**, aged 49, has been appointed as an independent non-executive director, a member of the nomination committee and a member of the audit committee of the Company since 21 March 2022. 49

Mr. LU was Asia Fellow in Harvard University from August 2018 to July 2020. Mr. LU holds a Master Degree of Business Administration from Central State University of the United States of America in 2001, a Bachelor Degree of Engineering and a Bachelor Degree of Industry from Nanchang Hangkong University of The People's Republic of China in 1996 and 1997 respectively. Mr. LU attended the program of a Master of Science Degree in International Purchasing & Supply Chain Management organised by Audencia NANTES.Ecole de Management in 2002.

Mr. LU is currently an executive director and the chief executive officer of Hong Kong Life Sciences and Technologies Group Limited whose issued shares were listed on GEM of the Stock Exchange under stock code: 8085 but were delisted on 14 September 2020. He also served as an independent non-executive director of ASIA TELEVISION HOLDINGS LIMITED whose issued shares are listed on the Main Board of the Stock Exchange under stock code: 707 from 8 December 2023. He served as an executive director of Extrawell Pharmaceutical Holdings Limited whose issued shares are listed on the Main Board of the Stock Exchange under stock code: 858 from 27 January 2017 to 26 January 2020.

8085

707

858

Mr. LU personally held 300,000 share options in the Company as at 31 December 2023. 300,000

## CHIEF EXECUTIVE OFFICER

**Mr. CHANG Jianwei**, aged 52, is an executive director of the Company. Mr. CHANG has been appointed as executive director since 10 August 2023. 52

Mr. CHANG graduated from Nanjing Normal University in 1996 with a Bachelor of Arts degree. He also holds a Master Degree of Business Administration from Xi'an University of Technology in 2004 and is a Doctor of Philosophy graduate, doctorate in management of Jiangsu University.





## Directors and Senior Management

Mr. CHANG has almost 30 years of management and finance experience. He was deputy general manager of the finance department of Shanghai Pengxin Group and chief financial officer of Shanghai Pengxin Agricultural Investment Group before joining the Group. He served as finance manager of Sinarmas Paper (China) Investment Co. Ltd., deputy financial director of Hainan Jinhai Pulp & Paper Company Ltd., financial director of Gold Hongye Paper Group Co. Ltd., deputy general manager and chief financial officer of Jinhongye Paper (Nantong) Co., Ltd. as well as director of business development department of Bank of China (Zhenjiang Branch) Zhenjiang. From January 2022, Mr. CHANG joined the Company as the chief financial officer of the Group's battery business in January 2022 and was responsible for the PRC and overseas financial operations.

30

Mr. CHANG personally hold 236,000 shares and 700,000 share options of the Company as at 31 December 2023.

236,000

700,000

### CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

**Mr. CHOW Kam Keung Albert**, aged 59, joined the Company as chief financial officer and company secretary in 1 November 2015.

59

Mr. CHOW has almost 35 years of experience in accounting, auditing, tax, information system, corporate finance and management. Prior to joining the Company, he had held various senior positions with public companies listed in Hong Kong which mostly are manufacturing enterprises. Mr. CHOW obtained a Bachelor's degree in Business Administration with double majors in Accounting and Management Information Systems in 1986 and a Master's degree in Accounting in 1987 from the University of Hawaii in the United States. He is a member of The Hong Kong Institute of Certified Public Accountants, a CFA charter holder and a member of the Chinese Institute of Certified Public Accountants.

35

(CFA charter holder)

# Report of the Directors

The Board is pleased to present the annual report together with the consolidated financial statements for the year ended 31 December 2023 which have been audited by the Company's auditor Ernst & Young and reviewed by the audit committee of the Company.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries as at 31 December 2023 are set out in note 1 to the financial statements.

1

An analysis of the Group's performance for the year by operating segments is set out in note 4 to the financial statements.

4

## KEY RISKS AND UNCERTAINTIES

Risks and uncertainties involved in the business operations of the Group may affect the Group's financial conditions or growth prospects. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders. Key risk factors and uncertainties affecting the Group are outlined below:

- 1) Our revenue is substantially derived from batteries using lead-acid technology. If the lead-acid battery market does not grow at the rate we expect or at all, or if lead-acid technology is replaced by another technology, our business, profitability and future prospects may be materially and adversely affected;
- 1)





## Report of the Directors

- 2) The recent array of tariffs against numerous countries by the US government, any global economic downturn, or changes in the economic, political and social conditions in the PRC may have an adverse effect on our business, financial condition, results of operations and prospects; 2)
- 3) If we are unable to successfully develop new technology or new products, our business, results of operations and prospects may be adversely affected; 3)
- 4) We derive a significant portion of our income from our major customers, particularly UPS and telecommunications customers, and we have no long-term sales contracts with our customers. Our results of operations could be adversely affected if these customers reduce their orders or cease to order from us; 4) UPS
- 5) We face intense competition in our major markets and continuing pressure to reduce our production costs to remain price competitive; 5)
- 6) Fluctuations in the prices of raw materials, such as lead, could materially and adversely affect our results of operations; in addition, we rely on our major suppliers for our primary raw materials. Our operations could be affected if our major suppliers are not able to supply raw materials as scheduled. More information on our major suppliers is set out on page 66 under the heading “Major Suppliers and Customers” of the Report of Directors. 6) 66



## Report of the Directors

These factors are not exhaustive or comprehensive, and there may be other risks in addition to those shown above which are not known to the Group or which may not be material now but could become material in the future.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 104 and consolidated statement of comprehensive income on pages 105 to 106.

104 105 106

The Board recommended the payment of a final dividend of HK7 cents per share for the year ended 31 December 2023 (2022: HK10 cents per share) to be payable to the shareholders of the Company whose names appear on the register of members of the Company as at 5 June 2024. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting of the Company, the said final dividend will be paid to the Company's shareholders on or about 12 July 2024.

10 7

References are made to the interim results announcement of the Company dated 22 August 2023 and the interim report of the Company for the six months ended 30 June 2023. The Board has paid an interim dividend of HK4 cents per share for the six months ended 30 June 2023 in September 2023 (six months ended 30 June 2022: Nil).

2023 8 22  
2023 6 30  
4

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and an analysis of the performance of the Group during the year using key financial performance indicators are set out in the headed "Management Discussion and Analysis" on pages 13 to 38 of the annual report.

13 38





Discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are set out below:

### ENVIRONMENTAL POLICIES AND PERFORMANCE (ENVIRONMENTAL PROTECTION)

The Group is committed to safety and environmental protection and has implemented stringent environment protection policies to uphold high standards of operating practices.

Pursuant to the applicable environmental laws and regulations in PRC, the Group installed environmental protection equipment in all of our production facilities for the removal of lead dust and particles generated during our production process in order to minimize the amount of pollutants in the air. The equipment includes ventilation systems, dust absorbing and removing systems, acidic mist and lead fumes purifying machines and fresh air pipelines.

The Group installed waste water treatment facilities at our production facilities. The water treatment facility neutralizes the waste water and removes its lead content in accordance with the applicable environmental standards in PRC. At our Zhaoqing and Anhui production facilities, the purified water is collected and reused in our production process, thus achieving "zero discharge".

Our PRC factories management control and monitor the waste level regularly and consistently. Monitoring systems that provide ontime reading is connected to local government authorities in charge of environment protection for real-time monitoring purpose.

## Report of the Directors

### Compliance with laws and regulations

Compliance procedure are in place to ensure adherence to applicable laws, rules and regulations, in particular, those which may have significant impact on the Group. The Group holds high standards of operating practices and complies with the relevant standards. The Group has stringent requirements to maintain high levels of quality control and responsible business practices. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units on a timely basis to ensure that adjustments are made in our procedures and operations to reflect such changes.

During the year ended 31 December 2023, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

### Relationship with Employees, Suppliers and Customers

The Group believes that employees are important assets and provides competitive remuneration packages to attract and retain employees. The management regularly reviews the Group's remuneration to its employees to ensure that they remain comparable with prevailing market standards. Furthermore, the Group provides employee training programs to polish their skills and knowledge and a number of staff activities to enhance employees' sense of belonging and to help create a friendly and harmonious working environment.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its long-term goals and development. To maintain its brand competitiveness and dominant status, the Group aims at delivering consistently high standards of quality in the service to its customers. During the year ended 31 December 2023, there was no material and significant dispute between the Group and its suppliers and/or customers.





## RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 109 to 110 and in note 44 to the financial statements.

109 110  
44

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

14

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 31 to the financial statements.

31

## DISTRIBUTABLE RESERVES

As at 31 December 2023, the reserves of the Company available for distribution to shareholders amounted to approximately RMB799.1 million (2022: approximately RMB1,016.6 million).

799.1  
1,016.6

## TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

# Report of the Directors

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results of the Group and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 303 to 304 of this annual report.

303 304

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares for the ang ( DC BT0.041 Tw 9.5 0323nd2.331 )or t(December 20 th-US)/MCID 2998 DC BT0.028 Tw 9.5 0 scr/GS0 gs/T1





### DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### PERMITTED INDEMNITY

Subject to the applicable laws, every director and other officers of the Company shall be entitled to be indemnified by the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur in the execution and discharge of his or her duties or in relation thereto pursuant to the Company's Articles of Association. Such provisions were in force during the course of the financial year ended 31 December 2023 and remained in force as of the date of this report.

The Group has also taken out and maintained directors' liability insurance throughout the year.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management members of the Group are set out on pages 39 to 45 in the annual report of the Company.

39 45

### REMUNERATION POLICY

The remuneration policy for the Directors and senior management members of the Group was based on qualifications, years of experiences and the performance of individual employees and are reviewed regularly.

Details of the remuneration of the Directors and five highest paid employees are set out in notes 9 and 10 to the financial statements.

9 10

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 32 to the financial statements about the Company's share option schemes, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

32

### DIRECTORS INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed under the section headed "Connected Transactions" below, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling shareholder of the Company during the year ended 31 December 2023.





## Report of the Directors

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2023, the interests and short positions of each Director and chief executives of the Company in the shares, underlying shares and debentures of the Company which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required under Section 352 of the SFO, to be entered in the register required to be kept by the Company referred to in that section; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in the Listing Rules were as follows:

(a) XV 7 8  
(b)  
352  
(c)

Name of Director/ Chief Executives	Position	Nature of Interest	Number and class of securities*	Number and class of securities subject to options granted under the 2010 Share Option Scheme	Number and class of securities subject to options granted under the New Share Option Scheme	Total	Approximate percentage of shareholding <sup>(1)</sup>
Dr. DONG Li 董李博士	Director 董事	Interest of controlled corporation 受控法團的權益	1,015,021,000 <sup>(1)</sup> (L)	–	–	1,011,548,000	74.31%
Ms. YIN Haiyan 印海燕女士	Director 董事	Beneficial Owner 實益擁有人	150,000 (L)	– <sup>(2)</sup>	1,350,000 <sup>(3)</sup> (L)	1,500,000	0.11%
Ms. HONG Yu 洪渝女士	Director 董事	Beneficial Owner 實益擁有人	844,000 (L)	–	1,800,000 (L)	2,644,000	0.19%
Mr. CAO Yixiong Alan 曹亦雄先生	Director 董事	Beneficial Owner 實益擁有人	–	800,000 <sup>(4)</sup> (L)	300,000 <sup>(5)</sup> (L)	1,100,000	0.08%
Mr. LAU Chi Kit 劉智傑先生	Director 董事	Beneficial Owner 實益擁有人	–	800,000 <sup>(6)</sup> (L)	300,000 <sup>(7)</sup> (L)	1,100,000	0.08%
Mr. LU Zhiqiang 盧志強先生	Director 董事	Beneficial Owner 實益擁有人	–	–	300,000 <sup>(8)</sup> (L)	300,000	0.02%
Mr. CHANG Jianwei 常建偉先生	CEO 首席執行官	Beneficial Owner 實益擁有人	236,000 (L)	–	700,000 <sup>(9)</sup> (L)	936,000	0.07%

\* The letter “L” denotes long position of the shareholder in the Shares. \* L



## Report of the Directors

### Notes:

(1)	Dr. DONG Li is deemed to be interested in 1,015,021,000 shares held by Master Alliance Investment Limited, a company wholly owned by Dr. DONG Li.	(1)	Master Alliance Investment Limited 1,015,021,000	
(2)	Ms. YIN Haiyan has been granted options for 1,500,000 shares under the 2010 Share Option Scheme and exercised all of share options in August 2023, so there is no shares options under the 2010 Share Option Scheme. Please see paragraph headed "Share Option" below for further details of the 2010 Share Option Scheme.	(2)	1,500,000	2023 8
(3)	Ms. YIN Haiyan has been granted options for 2,000,000 shares under the New Share Option Scheme, and has exercised 400,000 and 250,000 shares options in August 2023 and October 2023 respectively, so Ms. YIN has 1,350,000 share options under the New Share Option Scheme. Please see paragraph headed "Share Option" below for further details of the New Share Option Scheme.	(3)	2,000,000 2023 10	2023 8 400,000 250,000 1,350,000
(4)	Mr. CAO Yixiong Alan has been granted options for 800,000 shares under the 2010 Share Option Scheme. Please see paragraph headed "Share Option" below for further details of the 2010 Share Option Scheme.	(4)	800,000	
(5)	Mr. CAO Yixiong Alan has been granted options for 300,000 shares under the New Share Option Scheme. Please see paragraph headed "Share Option" below for further details of the New Share Option Scheme.	(5)		300,000
(6)	Mr. LAU Chi Kit has been granted options for 800,000 shares under the 2010 Share Option Scheme. Please see paragraph headed "Share Option" below for further details of the 2010 Share Option Scheme.	(6)	800,000	
(7)	Mr. LAU Chi Kit has been granted options for 300,000 shares under the New Share Option Scheme. Please see paragraph headed "Share Option" below for further details of the New Share Option Scheme.	(7)		300,000
(8)	Mr. LU Zhiqiang has been granted options for 300,000 shares under the New Share Option Scheme. Please see paragraph headed "Share Option" below for further details of the New Share Option Scheme.	(8)		300,000
(9)	Mr. CHANG Jianwei has been granted options for 700,000 shares under the New Share Option Scheme. Please see paragraph headed "Share Option" below for further details of the New Share Option Scheme.	(9)		700,000
(10)	This is based on 1,365,990,666 Shares, being the number of issued Shares as at 31 December 2023.	(10)	1,365,990,666	





## Report of the Directors

Save as disclosed above, as at 31 December 2023, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, nor had there been any grant or exercise of rights of such interests during the year ended 31 December 2023.

352

XV

## SHARE OPTION

### Share Option Schemes

(i) Pursuant to the resolutions in writing passed by all shareholders of the Company on 14 October 2010, the Company approved and adopted another share option scheme (the “**2010 Share Option Scheme**”) (as amended at the annual general meeting of the Company held on 18 May 2018) for the purpose of providing incentive or reward to selected participants for their contribution to, and continuing efforts to promote the interests of, the Company and for such other purposes as the Board may approve from time to time. The number of shares which may be issued pursuant to the outstanding share options (i.e. options which have been granted but not yet lapsed or exercised) under the 2010 Share Option Scheme as at 31 December 2023 was 21,475,000 shares (representing approximately 1.57% of the issued share capital of the Company as at that date). No further options will be granted under the 2010 Share Option Scheme.

(i)

21,475,000

1.57%

## Report of the Directors

(ii) Pursuant to the resolutions in writing passed by all shareholders of the Company on 30 October 2020, the Company approved and adopted another share option scheme (the “**New Share Option Scheme**”) for the purpose of providing incentives or rewards to eligible persons for their contribution to or potential contribution to the Group and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and for such other purposes as the Board may approve from time to time. The number of shares which may be issued pursuant to the outstanding share options (i.e. options which have been granted but not yet lapsed or exercised) under the New Share Option Scheme as at 31 December 2023 was 48,418,000 (representing approximately 3.54% of the issued share capital of the Company as at that date). The number of options available for grant under the scheme mandate of the New Share Option Scheme at the beginning and the end of the Period were 77,814,466 Shares and 77,814,466 Shares respectively.

(ii)

48,418,000	
3.54%)	
77,814,466	77,814,466

During the Period, no options granted under all schemes of the Company.

The total number of Shares available for issue under each of the 2010 Share Option Scheme and the New Share Option Scheme (including options granted but not yet exercised and options available for issue) is 21,475,000 Shares and 126,232,466 Shares respectively, representing approximately 1.57% and 9.23% respectively of the total number of issued Shares as at the date of this report.

		21,475,000
126,232,466		
1.57%	9.23%	

Details of the Share Option Schemes are disclosed in note 32 to the financial statements.

32





## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2023, the following person (other than the directors and chief executives of the Company) had interests and short positions of 5% or more in the Shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under Section 336 of the SFO:

XV 2 3 5%  
336

Name of Shareholder	Nature of Interest	Number and class of securities* *	Approximate percentage of shareholding <sup>(3)</sup> (3)
Master Alliance Investment Limited <sup>(1)</sup>	Beneficial Owner 實益擁有人	1,015,021,000	74.31%
RAYS Capital Partners Limited <sup>(2)</sup>	Beneficial Owner 實益擁有人	81,751,288	5.98%
RUAN David Ching Chi <sup>(2)</sup>	Interest of controlled corporation 受控法團的權益	81,751,288	5.98%

\* The Letter "L" denotes long position of the shareholder in the shares of the Company. \* L

## Report of the Directors

### Notes:

- |     |   |     |   |
|-----|---|-----|---|
| (1) | Dr. DONG Li is deemed to be interested in 1,015,021,000 shares held by Master Alliance Investment Limited, a company wholly owned by Dr. DONG Li.                         | (1) | Master Alliance Investment Limited<br>1,015,021,000   |
| (2) | Mr. RUAN David Ching Chi is deemed to be interested in 81,751,288 shares held by RAYS Capital Partners Limited, a company owned as to 45.60% by Mr. RUAN David Ching Chi. | (2) | RUAN David Ching Chi RAYS Capital Partners Limited 45.60%<br>RAYS Capital Partners Limited 81,751,288 |
| (3) | This is based on 1,365,990,666 Shares, being the number of issued Shares as at 31 December 2022.  | (3) | 1,365,990,666   |

Save as disclosed above, at 31 December 2023, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short position in the shares, underlying shares or debentures of the Company which were required to be disclosed to the Company and the Stock Exchange under the Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

XV  
2 3  
336

## CONNECTED TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 December 2023 are set out in note 38 to the financial statements, some of which also constituted connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of the above-mentioned transactions. The connected transactions and continuing connected transactions entered into by the Group in 2023, which were required to be disclosed under the Listing Rules, are set out as follows:

38  
14A  
14A





### Continuing connected transaction subject to the reporting, announcement, annual review and independent shareholders' approval requirements

(i) *Sales of Products to Connected Persons*

(i)

The Company and Dr. DONG Li, a director and as such a connected person of the Company, renewed the master agreement dated 16 October 2018 and entered into a new master agreement dated 22 November 2021 (the “**2021 Master Sales Agreement**”), which sets out the terms and conditions upon which members of the Group will sell to Dr. DONG Li’s associates, and Dr. DONG Li’s associates will purchase from members of the Group, products including connecting cables which are components of battery products for motive power, moulds and other miscellaneous items. The products to be sold and purchased under the 2021 Master Sales Agreement shall be at the prevailing market price, namely, the price at which the same type of products is sold by us to independent third parties on normal commercial terms in the ordinary course of business in the PRC. The 2021 Master Sales Agreement is for a term of three years commencing from 1 January 2022, and ending on 31 December 2024. Upon expiry of the term, the 2021 Master Sales Agreement will, subject to the requirements of the Listing Rules, be renewed for a further period of three years by mutual agreement. The annual caps for the transactions under the 2021 Master Sales Agreement for each of the three years ending 31 December 2024 have been set at RMB280.0 million, RMB364.0 million and RMB473.2 million respectively. For the year ended 31 December 2023, the aggregate amount received by the Group under the 2021 Master Sales Agreement was approximately RMB74.3 million.

	280.0
364.0	473.0
	74.3

For further details regarding the 2021 Master Sales Agreement, please refer to the announcement of the Company dated 22 November 2021.

# Report of the Directors

(ii)





## Report of the Directors

The independent non-executive Directors have reviewed the continuing connected transactions above and confirmed that the transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group; (1)
- (2) on normal commercial terms or better; and (2)
- (3) according to the relevant agreements governing such transactions respectively on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. (3)

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in relation to the aforementioned continuing connected transactions.







# Report of the Directors

Limited

Master Alliance Investment

# Report of the Directors

The emolument policy for the Directors of the Group is determined by the Remuneration Committee, having regard to the Group's operating results, individual performance.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

## MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases attributable to the Group's major suppliers for the year ended 31 December 2023 are as follows:

– the largest supplier	6.3%	6.3%
– five largest suppliers in aggregate	30.2%	30.2%

The percentages of sales attributable to the Group's major customers for the year ended 31 December 2023 are as follows:

– the largest customer	7.1%	7.1%
– five largest customers in aggregate	15.1%	15.1%

None of the directors, their respective close associates (within the meaning of the Listing Rules) or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in these major suppliers and customers.





## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed:

- |   |                       |           |
|---|-----------------------|-----------|
| <p>(i) from Friday, 10 May 2024, to Thursday, 16 May 2024, (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 Thursday, 9 May 2024; and</p> | <p>(i)</p> <p>17</p>  | <p>16</p> |
| <p>(ii) from Monday, 3 June 2024 to Wednesday, 5 June 2024 (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 Friday, 31 May 2024.</p>         | <p>(ii)</p> <p>17</p> | <p>16</p> |

## Report of the Directors

### EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2023 and up to the date of this annual report, same as disclosed herein, the Board is not aware of any significant events that have occurred which require disclosed herein.

### EQUITY FUND RAISING ACTIVITIES

The Company issued unlisted convertible bonds (the “**Convertible Bonds**”) to three subscribers (namely, Asian Equity Special Opportunities Portfolio Master Fund Limited, Leung Shek Kong and Great Access Incorporation Limited, all being third parties independent of the Company and its connected persons in accordance with the Listing Rules) in the aggregate principal amount of HK\$91,800,000 on 9 January 2023. Assuming full conversion of the Convertible Bonds at the initial conversion price of HK\$1.53 per Share (subject to adjustments), a maximum number of 60,000,000 new ordinary shares of HK\$0.1 each in the share capital of the Company (the “**Conversion Shares**”) will be allotted and issued, with an aggregate nominal value of HK\$6,000,000. The net proceeds (after deducting all the relevant costs and expenses) from the issue of the Convertible Bonds of approximately HK\$91.5 million were proposed to be applied for the acquisition of machinery and equipment for the power solutions business of the Group. The closing price of the Shares as quoted on the Stock Exchange on the date of the subscription agreements was HK\$1.17 per Share. The net price per share to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds, which is calculated by dividing the aggregate net proceeds by the total number of the Conversion Shares based on the initial conversation price of HK\$1.53 per Share, is approximately HK\$1.53 per Conversion Share.

Asian Equity Special Opportunities Portfolio Master Fund Limited	
91,800,000	1.53
60,000,000	
0.1	6,000,000
	91.5
	1.17
1.53	
	1.53





## Report of the Directors

The Directors consider that the raising of funds by the issue of Convertible Bonds is justifiable taking into account the recent market conditions which represent an opportunity for the Group to strengthen its capital base and financial position. Details of the issue of the Convertible Bonds are disclosed in the announcement of the Company dated 23 December 2022.

As at the date of this report, 100% of the aggregate net proceeds have been utilised for the intended use stated above.

100%

Save as disclosed, there was no equity fund raising by the Company during the year ended 31 December 2023, nor were there any proceeds brought forward from any issue of equity securities made in previous financial years.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, there was sufficient public float of more than 25% of the Company's issued shares as at 31 December 2023.

25%

### AUDITOR

The financial statements have been audited by Ernst & Young who shall retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

There was no change in the auditors of the Company in any of the proceeding three years.

On behalf of the Board

**DONG Li**

*Chairman*

Hong Kong, 26 March 2024

# Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group’s annual report for the year ended 31 December 2023.

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

## CORPORATE PURPOSE, STRATEGY AND CORPORATE CULTURE

The Board defines the purpose, values and strategy of the Company and considers that the Company’s corporate culture is aligned. The Group is committed to investing in the power solution industry, creating value for consumers, and to delivering attractive and sustainable returns to the Shareholders. Despite the ever-changing operating environment, the Group places strong emphasis on workplace safety, employee relations and the efficient use of materials, energy and resources, promoting a culture of ethical conduct and integrity. A healthy corporate culture is important to good corporate governance which is crucial for achieving sustainable long-term success of the Group.

## ESG-RELATED MATTERS

The Company adheres to improving internal sustainability governance, strengthening the management and control of corporate development’s impact on the environment and society, and creating value for our stakeholders. The Board has overall responsibility for the Company’s ESG strategy and reporting, and oversees the overall ESG governance of the Company. In particular, the Board conducts a regular review of the Group’s ESG-related matters and considered, among others, (i) the adequacy of resource, staff qualification and experience, training programmes and budget of those relating to Group’s ESG performance and reporting; (ii) the changes, since the last annual review, in the nature and extent of significant ESG risks (if any); and (iii) the scope and quality of management’s ongoing monitoring of ESG risks. For further details, please refer to the Company’s Environmental, Social and Governance Report.

## ESG





## COMPLIANCE STATEMENTS

The Company has adopted and complied with the relevant code provisions set out in the Corporate Governance Code (the “**CG Code**”) based on the principles set out in Part 2 of Appendix C1 to the Listing Rules for the year ended 31 December 2023.

C1 2

The details of the compliance of the CG code set out in the mandatory disclosure requirements, complied by the Company, are shown below.

## MANDATORY DISCLOSURE REQUIREMENTS

### Corporate Governance Practices

The Board will continue to review its corporate governance practices from time to time to ensure that the regulatory requirements and principles, such as “comply or explain” regarding the code provisions of the CG Code and mandatory disclosure requirements set out in Part 2 of Appendix C1 to the Listing Rules, are met and the corporate governance practices of the Company is in line with expectations of shareholders and investors.

C1 2

In the opinion of the Board, the Company had complied with all applicable code provisions set out in the CG Code contained in Part 2 of Appendix C1 to the Listing Rules throughout the year ended 31 December 2023.

C1 2



# Corporate Governance Report

## Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of the Company (the “**Model Code**”) set out in Appendix C3 of the Listing Rules as the code for dealing in securities of the Company by its directors (the “**Directors**”).

C3

The Company has made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year ended 31 December 2023.

## Board of Directors

### *Composition of the Board*

As at 31 December 2023, the Board comprised three executive Directors and three independent non-executive Directors.

### *Executive Directors*

Executive Directors comprised Dr. DONG Li (chairman of the Board (the “**Chairman**”), Ms. YIN Haiyan and Ms. HONG Yu.

### *Independent non-executive Directors*

Independent non-executive Directors comprised Mr. CAO Yixiong Alan, Mr. LAU Chi Kit and Mr. LU Zhiqiang.

The name of each Director, as at the date of this report is set out under the section headed “Corporate Information” in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

There is no financial, business, family or other material/ relevant relationship between the Directors.





# Corporate Governance Report

## *Number of Board, Committee and General Meetings Held*

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved. During the financial year ended 31 December 2023, 89 Board meetings, 3 Audit Committee meetings, 2 Nomination Committee meetings, 2 Remuneration Committee meetings and 1 general meeting were held.

## *Attendance at the Board Meetings, Board Committee Meetings and General Meeting*

The attendance of each Director, by name, at the Board meetings, Board committee meetings and general meeting are set out below:

<b>Name of Director</b>	<b>Attendance/ Number of Board Meetings</b>	<b>Attendance/ Number of Audit Committee Meetings</b>	<b>Attendance/ Number of Nomination Committee Meetings</b>	<b>Attendance/ Number of Remuneration Committee Meetings</b>	<b>Attendance/ Number of General Meetings<sup>(1)</sup></b>
-------------------------	---	---	--	--	---

(1)

☒%☒

(1)

### **Executive Directors**

# Corporate Governance Report

Notes:

- (1) Being the annual general meeting of the Company held on 25 May 2023. (1)

## *Responsibilities, Accountabilities and Contributions of the Board and Management*

The Board, led by the Chairman, is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various authority and duties set out in their respective terms of reference. All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board has delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control system.





## Independent Non-executive Directors

Each of the independent non-executive Directors possesses different business experience, knowledge and professional background. The Company has at all times met the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of its Board members with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a written annual confirmation regarding the independence from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules and the Company still considers the independent non-executive Directors are independent. 3.13

Independent non-executive Directors have been invited to serve on the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”). Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors make various contributions to the effective direction of the Company.

# Corporate Governance Report

## Directors' Continuous Training and Professional Development

Every newly appointed Director will receive a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and full awareness of director's responsibilities and obligations under the Listing Rules and other legal and regulatory requirements.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses provided by legal advisers and/or any appropriate institutions and they have been requested to provide the Company with their training records.

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors have been given relevant guideline

C.1.4



# Corporate Governance Report



# Corporate Governance Report

## Remuneration Committee

The principal role and function of the Remuneration Committee are to (a) make recommendations to the Board on the Company’s policy and structure of the remuneration of the Directors and the senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) assess the performance of the executive Directors and approving their terms of their service contracts; (c) review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives; (d) make recommendations to the Board on the remuneration packages of individual executive director and senior management of the Company which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (e) make recommendations to the Board of on the remuneration of non-executive directors of the Company; (f) review and approve the remuneration payable to the executive directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive; (g) review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (h) ensure that no director of the Company or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration; and (i) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

- (a)
- (b)
- (c)
- (d)
- (e)
- (f)
- (g)
- (h)
- (i)

17

As at 31 December 2023, the Remuneration Committee comprised three members, namely, Dr. DONG Li (the executive Director), Mr. CAO Yixiong Alan and Mr. LAU Chi Kit, the latter two being independent non-executive Directors. Mr. LAU Chi Kit is the chairman of the Remuneration Committee.





# Corporate Governance Report

During the year ended 31 December 2023, the Remuneration Committee held two meetings to discuss, review, analyse and consider any change of the remuneration policy of the Company and performed all functions as disclosed above. The records of attendance of committee members, by name, at the meetings held are set out below:

Name of Director	Attendance/ Number of Meetings	
Mr. LAU Chi Kit	2/2	2/2
Dr. DONG Li	2/2	2/2
Mr. CAO Yixiong Alan	2/2	2/2

The Remuneration Committee adopted the model of making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

## *Nomination Committee*

The principal role and function of the Nomination Committee are to (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy and the board diversity policy (the “**Board Diversity Policy**”) which aims to set out the approach to achieve diversity on the Board; (b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) assess the independence of the independent non-executive directors; and (d) make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive. The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.



# Corporate Governance Report

As at 31 December 2023, the Nomination Committee comprised three members, namely, Dr. DONG Li (executive Director), Mr. LAU Chi Kit and Mr. LU Zhiqiang, the latter two being independent non-executive Directors. Dr. DONG Li is the chairman of the Nomination Committee.

During the year ended 31 December 2023, the Nomination Committee held two meetings and performed all functions as disclosed above. The attendance records of each member at the meetings are set out below:

<b>Name of Director</b>	<b>Attendance/ Number of Meetings</b>	
Dr. DONG Li	2/2	2/2
Mr. LAU Chi Kit	2/2	2/2
Mr. LU Zhiqiang	2/2	2/2

All Board members' appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. According to the Board Diversity Policy adopted by the Nomination Committee in 2013, selection of candidates will be based on a range of diversity





# Corporate Governance Report

The Audit Committee held three meetings during the year ended 31 December 2023 together with the Company's external auditor and the senior management and performed the following major tasks:

- Reviewed the scope of 2022 annual audit and 2023 interim review work, auditor's fees and terms of engagement; and
- Review and discuss the 2022 annual and 2023 interim financial statements, results announcement and report, the related accounting principles and practices adopted by the Group and the relevant audit findings.

The Audit Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

The attendance records of each member at the meeting are set out below:

Name of Director	Attendance/ Number of Meetings	
Mr. CAO Yixiong Alan	3/3	3/3
Mr. LAU Chi Kit	3/3	3/3
Mr. LU Zhiqiang	3/3	3/3

In addition, the Audit Committee has reviewed the financial statements of the Group for the year ended 31 December 2023 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.





# Corporate Governance Report

## *Corporate Governance Functions*

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year, the Board performed the following corporate governance matters:

- review of the corporate governance duties under the CG Code; and
- review of the compliance with the CG Code.

## MECHANISM TO ENSURE INDEPENDENT VIEWS FROM DIRECTORS

During the year, the Nomination Committee also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. Taking into account the following channels, the Nomination Committee considered that the Company had in place mechanisms which remain effective to ensure a strong independent element on the Board. To ensure independent views and input from any Director, the following mechanism is established by the Board:

### 1. Independence Assessment

1.

Each of the independent non-executive Directors shall provide a written annual confirmation of independence to the Company on their compliance with the independence requirements as set out under Rule 3.13 of the Listing Rules. The Nomination Committee shall assess the independence of independent non-executive Directors upon appointment and annually to ensure they can continually exercise independent judgement.

3.13

### 2. Composition of Board

2.

Currently, 50% of the Board members are executive Directors while 50% of the Board members are independent non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors.

50%  
50%





# Corporate Governance Report

### 3. Board Proceedings and Decision Making

At least 14 days' formal notice of regular Board and Board committee meetings will be given to all Directors, and all Directors are invited to include any matters for discussion in the agenda. By at least three business days in advance of every regular Board and Board committee meeting, Directors are provided with the meeting agenda and the relevant board papers containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings.

All Directors are required to declare their direct/indirect interests, if any, in any business proposals to be considered at the meetings and, where appropriate, they are required to abstain from voting on any Board resolution concerned.

Independent non-executive Directors should attend all regular meetings of the Board and Board committees on which they serve. They should also attend general meetings of the Company to acquire understanding of the views of the shareholders.

14

3.

### 4. Remuneration of Independent Non-executive Directors

Independent non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committees and no equity-based or incentive based compensation program is granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

4.

## Corporate Governance Report

### 5. Access to Professional Advice and Up-to-date Information 5.

The Company Secretary provided induction pack and orientation program for all new recruits to the Board. Such program would familiarise the newly appointed Director with the nature of the business, the corporation's strategy, the internal control and corporate governance practices and policies, and directors' duties and responsibilities. Subsequent information packages are regularly provided to the Directors to keep them abreast of their responsibilities and infuse them with new knowledge relevant to the Group's current business and operating environment.

To facilitate proper discharge of Directors' duties and responsibilities, all Directors (including independent non-executive Directors) are entitled to seek advice from the Company Secretary as well as from independent professional advisers at the expense of the Company.

### 6. Independent Views and Inputs Treasured and Valued 6.

During the Board and Board committee meetings, the independent non-executive Directors are encouraged to express freely their independent views and inputs in an open and candid manner. The Chairman also encourages questions and challenges from Directors, in particular independent non-executive Directors and their comments and concerns are closely followed up by the management.

In addition to Board meetings, the Chairman schedules a meeting annually with independent non-executive Directors without the presence of other Directors to discuss the affairs of the Group.





The Company Secretary is required to prepare minutes that record not only the decision reached but any concerns raised or dissenting views expressed by Directors. Draft versions of the minutes are circulated to all Directors for their comment and confirmation before it is finalised for records. Minutes of all Board and Board committee meetings are available for Directors' inspection.

The implementation and effectiveness of the above mechanisms have been reviewed by the Board on an annual basis and the Board believe these measures would allow Directors to contribute effectively and independent views and input are available to the Board and Board committees.

### **Directors' and Officers' Insurance**

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

### **Anti-corruption**

The Group formulates the "Business Ethics Control Procedure" which requires both employees and suppliers to sign the agreement for integrity. In addition, the "Anti-Corruption Procedure" is also formulated to cover lawful business, avoidance of conflict of interests, and fair competition, etc. The Group requests all employees to abide by the business ethics, employees must not ask for or receive any improper form or other improper benefits, which include but not limited to rebates, commissions, improper gifts or hospitality; avoidance of conflicts of interest at work. All employees are required to avoid any activities which might involve potential conflict of interests and they are required to receive regular training on anti-corruption.



# Corporate Governance Report

## Whistleblowing Policy

Employees are encouraged to report any non-conformity or violation of the anti-bribery and corruption policy in writing to management directly or to our dedicated response team. All cases will be investigated in a timely and confidential manner and the personnel who are involved in whistleblowing will be protected.

The Group formulates the “Regulations for Management of Whistle-blowing and Appeals” which stipulates in detail the procedure of whistle-blowing, the methodology of investigation and the way of appeal by the person under investigation. Employees can complain or report in a confidential manner to the Group’s senior management through the General Manager’s letterbox, telephone, and face-to-face communication, etc. The Group protects the personal privacy and the related rights of the whistle-blower.

## Directors’ Responsibilities for Financial Reporting in Respect of the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements are met and applicable accounting standards are complied with. The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.





## Internal Control and Risk Management

The Board acknowledges its responsibility for maintaining effective internal control and risk management systems to safeguard shareholder investments and the Group's assets on an ongoing basis and for reviewing the effectiveness of such system on an annual basis. Internal audits were carried out on all significant operation units of the Group on an ongoing basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board conducted a review of the effectiveness of the internal control and risk management systems of the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board is of the opinion that the internal control and risk management systems of the Group are effective and adequate. The Board is also reasonably satisfied that there are sufficient resources of staff with appropriate qualifications and experience in its accounting and financial reporting team and that sufficient training and budget have been provided.

## External Auditor and Auditor's Remuneration

The statement of the auditor of the Company about their report responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 95 to 103 of this annual report.

95 103

For the year ended 31 December 2023, the remuneration paid/payable to Ernst & Young, the Company's external auditor, for annual audit services provided to the Group and for non-audit services which comprise professional tax services, amounted to RMB3.4 million and RMB0.5 million, respectively.

0.5

3.4

# Corporate Governance Report





# Corporate Governance Report

## Enquiries from Shareholders

Shareholders are welcome to send their enquiries and concerns to the Board addressing to the Company Secretary of the Company through the following channels with contact details as set out below:

- i) by mail to the Company’s place of business at Unit C, 33/F, TML Tower, No. 3 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong; or i) 3 TML 33 C
- ii) by email to [ir@leoch.com](mailto:ir@leoch.com). ii) [ir@leoch.com](mailto:ir@leoch.com)

## Proposals at Shareholders’ Meetings

To safeguard shareholders’ interests and rights, a separate resolution is proposed for each substantially separate issue at shareholders’ meetings.

All resolutions put forward at shareholders’ meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders’ meeting.

## Changes to Constitutional Documents

The adoption the second amended and restated Memorandum and Articles of Association of the Company (the “**New M&A**”) was approved by the Shareholders at the annual general meeting held on 25 May 2023 incorporating amendments made for, among others, (i) bringing the relevant provisions in line with the amendments made to Listing Rules and applicable laws and procedures of the Cayman Islands; (ii) permitting a general meeting of the Company to be held as, in addition to a physical meeting, an electronic meeting or a hybrid meeting where Shareholders may attend the general meeting remotely through electronic means in addition to physical attendance in person; and (iii) making certain minor house-keeping amendments for the purpose of clarifying existing practice and making consequential amendments in line with the proposed amendments. Accordingly, the New M&A came into effect on 25 May 2023.

- (i)
- (ii)
- (iii)

# Corporate Governance Report

## Relationship with the Controlling Shareholders

The Company has received, from each of the Controlling Shareholders, an annual declaration on his/its compliance with the undertakings contained in the Deed of Non-Competition entered into by each of them in favour of the Company pursuant to which each of the Controlling Shareholders has individually, jointly, unconditionally and irrevocably undertaken and represented to the Company and each member of the Group that, among other things, he/it and his/its associates will not engage, directly or indirectly, in businesses which will or may compete with the business carried on or to be carried on by the Group. Details of the Deed of Non-Competition were disclosed in the Prospectus under the section headed “Relationship with Our Controlling Shareholders”.

The independent non-executive Directors have reviewed and have been satisfied that each of the Controlling Shareholders had complied with the Deed of Non-Competition for the year ended 31 December 2023.

## Communications with Shareholders and Investors

The Board believes that effective communication with shareholders is essential for enhancing investor relations and investors’ understanding of the Group’s business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.





## Corporate Governance Report

To promote effective communication, the Company adopts a shareholders' communication policy which sets out various communication channels for establishing a two-way relationship and communication between the Company and the Shareholders. The policy is reviewed on an annual basis to ensure its effectiveness. The Company maintains a website at [www.leoch.com](http://www.leoch.com) as a communication platform for shareholders and investors, where information and updates on the Group's business developments and operations, financial information and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

[www.leoch.com](http://www.leoch.com)

The Board considers that general meetings of the Company provide an important channel for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Board committees have endeavored to be available to answer questions raised by the shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them informed of the Group's developments.

During the year, the Company has reviewed the implementation and effectiveness of the shareholders' communication policy through discussions amongst Board members during board meetings. The Company has reviewed communication activities and engagement with Shareholders conducted in 2023 and was satisfied with the implementation and effectiveness of the shareholders' communication policy which allowed Shareholders to engage actively with the Company.

# Corporate Governance Report

## Company Secretary

The company secretary of the Company, Mr. CHOW Kam Keung Albert, is the chief financial officer and one of the employees of the Company.

Pursuant to Rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. Mr. Chow has provided his training records to the Company indicating that he has not less than 15 hours of relevant professional training by means of attending in-house briefings, attending seminars and reading relevant guideline materials.

3.29  
15

15





**Ernst & Young**

27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

**To the shareholders of**

**Leoch International Technology Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Leoch International Technology Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 104 to 302, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

104 302

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows



# Independent Auditor's Report

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.





## KEY AUDIT MATTERS *(continued)*

### Key audit matter

### How our audit addressed the key audit matter

#### ***Inventory provision***

The Group is principally engaged in the manufacture, development and sale of lead-acid batteries and other related items. Since technology develops rapidly in the lead-acid battery industry, the Group's inventories were subject to significant risk of obsolescence. Significant judgements and estimates were involved in determining the amount of provision of slow-moving and obsolete inventories by management. As the inventory balance amounting to RMB2,749 million was significant to the Group, which represented 20% of the total assets of the Group, and the provision of inventories was made based on subjective estimates and assumptions concerning future consumption or sales of inventories, we identified this as a key audit matter.

2,749  
20%

The disclosures about inventories are included in notes 3 and 20 to the financial statements.

3 20

We obtained an understanding of management's process about how to identify the slow-moving and obsolete inventories and to calculate the amount of provision.

We evaluated the sales orders in hand for the purpose of identifying the slow-moving and obsolete inventories by checking, on a sampling basis, the sales orders and agreements, and assessing the estimated sales taking into account previous estimations, the historical evidence supporting underlying assumptions and current market conditions.

We also checked on a sampling basis the ageing reports of inventories and the production records and sales of inventories made after the year end.

For the net realisable value of the slow-moving and obsolete inventories identified, we checked samples of recent sales invoices for the value.

# Independent Auditor’s Report

## KEY AUDIT MATTERS (continued)

**Key audit matter**

**How our audit addressed the key audit matter**

**Impairment of trade receivables**

The trade receivable balance was significant to the Group, which amounted to RMB3,247 million and represented approximately 23% of the total assets as at 31 December 2023. Assessment of the recoverability of trade receivables involves a high level of management’s judgement and estimation. During the year, management used a provision matrix to calculate expected credit losses for receivables. The matrix was initially based on the Group’s historical default rates, and specific factors that management considered in the estimation of the rates including the type of customers, ageing of the balances and recent historical payment patterns. Management then calibrated the matrix to adjust the historical credit loss experience with forward-looking information, such as forecasted economic conditions.

3,247  
23%

The relevant disclosures are contained in notes 3 and 21 to the financial statements.

3 21

We evaluated the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses (“ECLs”).

We assessed, on a sampling basis, whether items in the trade receivable ageing report were classified with the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices.

We assessed the adequacy of the ECL provision by (i) evaluating the reasonableness of management’s assumptions used in establishing the ECL provision matrix; (ii) examining the information used by management to form such estimation, including testing the accuracy of historical default data, evaluating whether the historical loss rates were appropriately adjusted based on current economic conditions and forward-looking information; and (iii) examining the actual losses recorded during the current financial year.

- (i)
- (ii)
- (iii)

We checked the relevant disclosures in the consolidated financial statements.





### OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs which comprise standards and Interpretations issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Independent Auditor's Report

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

## Independent Auditor's Report

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.





### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Ernst & Young  
*Certified Public Accountants*  
Hong Kong  
26 March 2024



# Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
			(Restated) <sup>#</sup>
			#
REVENUE	5	<b>13,471,235</b>	12,845,859
Cost of sales		<b>(11,527,528)</b>	(11,251,085)
Gross profit		<b>1,943,707</b>	1,594,774
Other income and gains	5	<b>240,766</b>	292,494
Selling and distribution expenses		<b>(464,279)</b>	(389,151)
Administrative expenses		<b>(446,084)</b>	(333,676)
Research and development costs	6	<b>(371,868)</b>	(382,868)
Reversal of impairment/ (impairment losses) on assets, net	6	<b>4,134</b>	(27,516)
Other expenses	7	<b>(38,968)</b>	(14,443)
Finance costs	8	<b>(223,554)</b>	(156,222)
PROFIT BEFORE TAX	6	<b>643,854</b>	583,392
Income tax expense	11	<b>(76,018)</b>	(80,648)
PROFIT FOR THE YEAR		<b>567,836</b>	502,744
Attributable to:			
Owners of the parent		<b>535,372</b>	481,075
Non-controlling interests		<b>32,464</b>	21,669
		<b>567,836</b>	502,744
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		<b>RMB 0.39</b>	RMB 0.35
Diluted		<b>RMB 0.38</b>	RMB 0.35

# Details of the restatements are set out in note 2.2 to the consolidated financial statements.

# 2.2

# Consolidated Statement of Comprehensive Income



Year ended 31 December 2023

	Notes	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
			(Restated) <sup>#</sup>
			#
<b>PROFIT FOR THE YEAR</b>		<b>567,836</b>	502,744
<b>OTHER COMPREHENSIVE (LOSS)/ INCOME</b>			
Other comprehensive (loss)/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	22	<b>(9)</b>	(835)
Income tax effect	30	<b>2</b>	209
		<b>(7)</b>	(626)
Exchange differences on translation of foreign operations		<b>(20,597)</b>	5,992
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		<b>(20,604)</b>	5,366

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated) <sup>#</sup>
Other comprehensive (loss)/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		(17)	172
Income tax effect	30	4	16
		(13)	188
Exchange differences arising on translation of functional currency to presentation currency		(4,987)	(56,135)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(5,000)	(55,947)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>		<b>(25,604)</b>	<b>(50,581)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>542,232</b>	<b>452,163</b>
Attributable to:			
Owners of the parent		509,720	430,634
Non-controlling interests		32,512	21,529
		<b>542,232</b>	<b>452,163</b>

# Details of the restatements are set out in note 2.2 to the consolidated financial statements.

2.2



# Consolidated Statement of Financial Position

31 December 2023

31st

# Consolidated Statement of Financial Position

31 December 2023

	Notes	31st December, 2023	31st December, 2022	1st January, 2022
		RMB'000	RMB'000	RMB'000
			(Restated) <sup>#</sup>	(Restated) <sup>#</sup>
<b>NON-CURRENT LIABILITIES</b>				
Convertible bonds	29	61,132	–	–
Interest-bearing bank and other borrowings	28	956,169	68,433	329,713
Lease liabilities	16(b)	32,888	22,667	16,422
Deferred tax liabilities	30	99,739	64,180	53,282
Deferred government grants		146,629	94,281	65,129
Total non-current liabilities		1,296,557	249,561	464,546
Net assets		4,588,640	4,036,235	3,579,065
<b>EQUITY</b>				
Equity attributable to owners of the parent				
Share capital	31	116,971	116,250	116,241
Equity component of convertible bonds	29	26,623	–	–
Reserves	33	4,055,568	3,706,028	3,270,396
		4,199,162	3,822,278	3,386,637
Non-controlling interests		389,478	213,957	192,428
Total equity		4,588,640	4,036,235	3,579,065

# Details of the restatements are set out in note 2.2 to the consolidated financial statements.

2.2

**Dong Li**

*Director*

**Hong Yu**

*Director*

# Consolidated Statement of Changes in Equity



Year ended 31 December 2023

	Attributable to owners of the parent											
	Share capital	Share premium account	Merger reserve	Share option reserve	Fair value reserve	Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	Note	(note 31)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)				
At 31 December 2021 as previously reported		116,241	1,149,365	281,301	37,932	33,029	183,520	24,615	1,560,634	3,386,637	192,428	3,579,065
Prior year adjustments (note 2.2)	2.2	-	-	-	-	(34,545)	-	-	34,545	-	-	-
At 1 January 2022 (restated)		116,241	1,149,365	281,301	37,932	(1,516)	183,520	24,615	1,595,179	3,386,637	192,428	3,579,065
Profit for the year (restated)		-	-	-	-	-	-	-	481,075	481,075	21,669	502,744
Other comprehensive income for the year:												
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax (restated)		-	-	-	-	188	-	-	-	188	-	188
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax		-	-	-	-	(626)	-	-	-	(626)	-	(626)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(50,003)	-	(50,003)	(140)	(50,143)
Total comprehensive income for the year (restated)		-	-	-	-	(438)	-	(50,003)	481,075	430,634	21,529	452,163
Exercise of the share options		9	136	-	(54)	-	-	-	-	91	-	91
Lapse of the share options		-	-	-	(25,745)	-	-	-	25,745	-	-	-
Transfer of fair value reserve of equity investments at fair value through other comprehensive income		-	-	-	-	(236)	-	-	236	-	-	-
Appropriations to reserves		-	-	-	-	-	45,709	-	(45,709)	-	-	-
Equity-settled share option arrangements		-	-	-	4,916	-	-	-	-	4,916	-	4,916
At 31 December 2022 (restated)		116,250	1,149,501*	281,301*	17,049*	(2,190)*	229,229*	(25,388)*	2,056,526*	3,822,278	213,957	4,036,235

# Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the parent												
	Share capital	Share premium account	Merger reserve	Equity component of				Statutory reserve fund	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
				convertible bonds	Share option reserve	Fair value reserve							
				RMB'000	RMB'000	RMB'000	RMB'000						
Note	(note 31)	(note 33)	(note 33)	(note 29)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	(note 33)	
At 31 December 2022 as previously reported	116,250	1,149,501	281,301	-	17,049	70,658	229,229	(25,388)	1,983,678	3,822,278	213,957	4,036,235	
Prior year adjustments (note 2.2)	-	-	-	-	-	(72,848)	-	-	72,848	-	-	-	
At 1 January 2023 (restated)	116,250	1,149,501	281,301	-	17,049	(2,190)	229,229	(25,388)	2,056,526	3,822,278	213,957	4,036,235	
Profit for the year	-	-	-	-	-	-	-	-	535,372	535,372	32,464	567,836	
Other comprehensive income for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	(13)	-	-	-	(13)	-	(13)	
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	-	-	(7)	-	-	-	(7)	-	(7)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(25,632)	-	(25,632)	48	(25,584)	
Total comprehensive income for the year	-	-	-	-	-	(20)	-	(25,632)	535,372	509,720	32,512	542,232	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	143,009	143,009	
Exercise of the share options	721	9,297	-	-	(2,825)	-	-	-	-	7,193	-	7,193	
Dividends paid	-	-	-	-	-	-	-	-	(171,660)	(171,660)	-	(171,660)	
Issue of convertible bonds	-	-	-	26,623	-	-	-	-	-	26,623	-	26,623	
Appropriations to reserves	-	-	-	-	-	-	75,319	-	(75,319)	-	-	-	
Equity-settled share option arrangements	-	-	-	-	5,008	-	-	-	-	5,008	-	5,008	
At 31 December 2023	116,971	1,158,798*	281,301*	26,623	19,232*	(2,210)*	304,548*	(51,020)*	2,344,919*	4,199,162	389,478	4,588,640	

\* These reserve accounts comprise the consolidated reserves of RMB4,055,568,000 (2022: RMB3,706,028,000) in the consolidated statement of financial position.

4,055,568,000  
3,706,028,000

# Consolidated Statement of Cash Flows



Year ended 31 December 2023

	Notes	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
			(Restated) <sup>#</sup>
			#
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>643,854</b>	583,392
Adjustments for:			
Finance costs	8	<b>223,554</b>	156,222
Interest income	5	<b>(19,929)</b>	(16,451)
Fair value loss/(gain) from financial assets at fair value through profit or loss, net	6	<b>12,110</b>	(42,418)
Fair value (gain)/loss from financial liabilities at fair value through profit or loss, net	6	<b>(1,074)</b>	13
Loss on disposal of items of property, plant and equipment	6	<b>14,079</b>	1,492
Gain on lease modifications		–	(135)
Depreciation of property, plant and equipment	14	<b>323,369</b>	351,048
Depreciation of investment property	15	<b>10</b>	11
Depreciation of right-of-use assets	16(a)	<b>19,991</b>	9,610
Amortisation of intangible assets	18	<b>237,800</b>	200,873
Amortisation of deferred government grants		<b>(17,253)</b>	(8,281)
(Reversal of impairment)/impairment of trade receivables	21	<b>(4,134)</b>	27,516
Impairment of inventories	20	<b>20,812</b>	5,553
Dividend income from financial assets at fair value through profit or loss	5	<b>(8,288)</b>	(7,343)
Equity-settled share option expenses	6	<b>5,008</b>	4,916
Gain on bargain purchase	6	<b>(75,835)</b>	–
		<b>1,374,074</b>	1,266,018



# Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated) <sup>#</sup>
Increase in inventories		<b>(397,805)</b>	(126,072)
Increase in trade receivables		<b>(452,384)</b>	(27,889)
Increase in debt investments at fair value through other comprehensive income		<b>(27,862)</b>	(55,890)
Increase in prepayments, other receivables and other assets		<b>(141,591)</b>	(241,092)
Decrease in financial assets at fair value through profit or loss		<b>9,623</b>	–
Increase/(decrease) in financial liabilities at fair value through profit or loss		<b>636</b>	(851)
Increase in trade and bills payables		<b>528,807</b>	36,033
Increase/(decrease) in other payables and accruals		<b>133,807</b>	(24,842)
Cash generated from operations		<b>1,027,305</b>	825,415
Income tax paid		<b>(63,607)</b>	(37,251)
Net cash flows from operating activities		<b>963,698</b>	788,164
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>19,929</b>	16,451
Purchases of items of property, plant and equipment		<b>(623,664)</b>	(368,929)
Proceeds from disposal of items of property, plant and equipment		<b>5,589</b>	3,170
Dividend income from financial assets at fair value through profit or loss	5	<b>8,288</b>	7,343
Proceeds from disposal of financial assets at fair value through profit or loss		<b>6,066</b>	468
Additions of financial assets at fair value through profit or loss		<b>(60,000)</b>	(20,000)
Additions of intangible assets	18	<b>(275,362)</b>	(211,027)
Additions of right-of-use assets	16(a)	<b>(5,538)</b>	(81,555)
Acquisition of subsidiaries/a subsidiary	37	<b>62,776</b>	(3,320)
Increase in pledged deposits		<b>(171,961)</b>	(191,293)
Receipt of deferred government grants		<b>69,601</b>	37,433



# Consolidated Statement of Cash Flows

Year ended 31 December 2023



	Notes	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
			(Restated) <sup>#</sup>
			#
Net cash flows used in investing activities		<b>(964,276)</b>	(811,259)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares, net of issuance expenses	31	<b>7,193</b>	91
New bank borrowings		<b>6,369,079</b>	4,521,004
Repayment of bank borrowings		<b>(4,918,582)</b>	(4,279,024)
Interest paid		<b>(223,554)</b>	(156,222)
Principal portion of lease payments		<b>(12,194)</b>	(4,920)
Dividends paid		<b>(171,660)</b>	–
Proceeds from issue of convertible bonds		<b>87,755</b>	–
Net cash flows from financing activities		<b>1,138,037</b>	80,929
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of year		<b>436,194</b>	349,229
Effect of foreign exchange rate changes, net		<b>(10,310)</b>	29,131
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>1,563,343</b>	436,194
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	25	<b>1,563,343</b>	436,194

<sup>#</sup> Details of the restatements are set out in note 2.2 to the consolidated financial statements.

2.2

# Notes to Financial Statements

31 December 2023

## 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 Company and its subsidiaries (collectively referred to as the “**Group**”) are 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 of the Company is Master Alliance Investment Limited, a company incorporated in the British Virgin Islands and wholly owned by Dr. Dong Li.

## 1.

22

3

Conyers  
Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive, PO Box  
2681, Grand Cayman, KY1-1111, Cayman  
Islands

Master Alliance Investment Limited





# Notes to Financial Statements

31 December 2023

Subsidiaries	Date of incorporation/ registration	Place of incorporation/ registration and business	Issued and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Leoch Battery Corporation ("Leoch Battery Corp.")	17 June 2003	USA**	US\$3,256,000	–	100	Sale of lead-acid batteries
Leoch Battery Corporation <b>Leoch Battery Corp.</b>		**	3,256,000			
Honour Label Investments Limited ("Honour Label")	28 February 2005	BVI***	US\$1	–	100	Investment holding
Honour Label Investments Limited <b>Honour Label</b>		***	1			
Peak Year Investments Limited ("Peak Year")	25 January 2007	BVI***	US\$1	–	100	Investment holding
Peak Year Investments Limited <b>Peak Year</b>		***	1			
Shieldon International Limited ("Shieldon")	19 January 2007	BVI***	US\$1	–	100	Investment holding
Shieldon International Limited <b>Shieldon</b>		***	1			
Leoch Battery Company Limited ("Leoch Battery Company")	25 April 2007	Hong Kong	HK\$1,000,000	–	100	Investment holding and sale of





## 1. CORPORATE AND GROUP INFORMATION *(continued)*

1.

### Information about subsidiaries *(continued)*

Subsidiaries	Date of incorporation/ registration	Place of incorporation/ registration and business	Issued and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Catherine Holdings International Company Limited (" <b>Catherine Holdings</b> ")	3 May 2010	BVI***	US\$4	100	–	Investment holding
Catherine Holdings International Company Limited <b>Catherine Holdings</b>		***	4			
Leoch Battery Pte. Ltd. ("Leoch Battery Pte.")	5 April 2010	Singapore	SG\$2,000,000	–	100	Sale of lead-acid batteries
Leoch Battery Pte. Ltd. <b>Leoch Battery Pte.</b>			2,000,000			
Leoch International Holding Pte. Ltd. ("Leoch International Holding")	21 April 2011	Singapore	SG\$1	–	100	Investment holding
Leoch International Holding Pte. Ltd. <b>Leoch International Holding</b>			1			
(Anhui Leoch Power Supply Corp.) ("Anhui Leoch Power") (i)	26 October 2010	PRC/Chinese Mainland*	RMB625,817,381	–	100	Manufacture and sale of lead-acid batteries
(i)		/ *	625,817,381			
Leoch Lanka (Private) Ltd.	26 January 2012	Sri Lanka	LKR337,712,000	–	100	Manufacture and sale of lead-acid batteries
Leoch Lanka (Private) Ltd.			337,712,000			
Leoch Batteries India Private Limited Leoch Batteries India Private Limited	31 October 2012	India	INR305,988,330 305,988,330	–	100	Sale of lead-acid batteries
Big Help Group Limited (" <b>Big Help</b> ") Big Help Group Limited <b>Big Help</b>	19 May 2011	Hong Kong	HK\$1 1	–	100	Investment holding
(Leoch Investment Development (Shenzhen) Limited) (ii)	23 June 2014	PRC/Chinese Mainland*	RMB1,607,458,555	–	100	Investment holding
(ii)		/ *	1,607,458,555			

# Notes to Financial Statements

31 December 2023

Subsidiaries	Date of incorporation/ registration	Place of incorporation/ registration and business	Issued and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
(Shenzhen Lihang Battery Technology Co., Ltd.) (ii)	29 November 2012	PRC/Chinese Mainland*	HK\$10,000,000	–	100	Investment holding
(ii)		/ *	10,000,000			
Leoch Super Power India Pvt	7 August 2015	India	INR259,110,200	–	100	Manufacture and sale of lead-acid batteries
Leoch Super Power India Pvt			259,110,200			
Energymax Power (M) Sdn Bhd ("Energymax")	10 July 2016	Malaysia	MYR40,000,000	–	51	Manufacture and sale of lead-acid batteries
Energymax Power (M) Sdn Bhd <b>Energymax</b>			40,000,000			
(Anhui Uplus New Energy Material Technology Co., Ltd.) ("Anhui Uplus New Energy") (i)	9 September 2016	PRC/Chinese Mainland*	RMB5,000,000	–	100	Investment holding
(i)		/ *	5,000,000			





## 1. CORPORATE AND GROUP INFORMATION *(continued)*

## 1.

### Information about subsidiaries *(continued)*

Subsidiaries	Date of incorporation/ registration	Place of incorporation/ registration and business	Issued and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
Leoch France Leoch France	23 November 2017	France	EUR100,000 100,000	–	100	Sale of lead-acid batteries
Leoch Nordeuropa GmbH Leoch Nordeuropa GmbH	22 February 2018	Germany	EUR100,000 100,000	–	100	Sale of lead-acid batteries
Leoch Italia s.r.l Leoch Italia s.r.l	11 October 2018	Italy	EUR100,000 100,000	–	100	Sale of lead-acid batteries
Leoch DBS Limited ("LBBS") Leoch DBS Limited LBBS	28 June 2017	United Kingdom	GBP751,000 751,000	–	100	Investment holding
Leoch Battery UK Ltd. ("LBUK") Leoch Battery UK Ltd. LBUK	20 October 2015	United Kingdom	GBP3,163,929 3,163,929	–	100	Sale of lead-acid batteries
(Shenzhen Leoch Power Development Co., Ltd.) (i)	21 September 2020	PRC/Chinese Mainland*	RMB10,000,000	–	100	Sale of lead-acid batteries
(i)		/ *	10,000,000			
(Anhui Leoch Renewable Energy Development Co., Ltd.) ("Anhui Leoch Energy") (i)	3 September 2018	PRC/Chinese Mainland*	RMB350,000,000	–	100	Manufacture and sale of lithium batteries
(i)		/ *	350,000,000			
(ii)	11 August 2021	PRC/Chinese Mainland*	USD45,000,000	–	100	Sale of lead-acid batteries
(ii)		/ *	45,000,000			
(ii)	9 December 2021	PRC/Chinese Mainland*	RMB304,965,000	–	100	Sale of lead-acid batteries
(ii)		/ *	304,965,000			
Leoch Battery Australia Pty. Ltd. Leoch Battery Australia Pty. Ltd.	20 September 2019	Australia	AUD200,000 200,000	–	100	Sale of lead-acid batteries



# Notes to Financial Statements

31 December 2023

Subsidiaries	Date of incorporation/ registration	Place of incorporation/ registration and business	Issued and paid-up capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
				%	%	
	24 March 2021	PRC/Chinese Mainland*	RMB10,000,000			





## 1. CORPORATE AND GROUP INFORMATION *(continued)*

1.

### Information about subsidiaries *(continued)*

\* PRC represents the People's Republic of China which excludes, for the purpose of this report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

\*\* USA represents the United States of America.

\*\*\* BVI represents the British Virgin Islands.

(i) The company is registered as limited companies under PRC law.

(ii) These entities are registered as wholly-foreign-owned enterprises under PRC law.

\*

\*\*

\*\*\*

(i)

(ii)

During the year, the Group acquired Tianjin GS, Shunde Yuasa and Tianjin JuLi from third parties. Further details of these acquisitions are included in note 37 to the financial statements.

37

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

# Notes to Financial Statements

31 December 2023

## 2.1 BASIS OF PREPARATION

## 2.1

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the the International Accounting Standards Board (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.





## 2.1 BASIS OF PREPARATION (continued)

## 2.1

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- |  |     |
|--|-----|
| (a) the contractual arrangement with the other vote holders of the investee; | (a) |
| (b) rights arising from other contractual arrangement; and                   | (b) |
| (c) the Group's voting rights and potential voting rights.                   | (c) |

# Notes to Financial Statements

31 December 2023

## 2.1 BASIS OF PREPARATION *(continued)*

2.1

### **Basis of consolidation *(continued)***

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of subsidiaries, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over subsidiaries, it derecognises the related assets (including goodwill) liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.





## 2.2 RESTATEMENT

## 2.2

Restatement in relation to the Group's equity investments designated at fair value through other comprehensive income.

In previous years, the Group classified certain investments as equity investments designated at fair value through other comprehensive income upon the first adoption of IFRS 9 "Financial Instruments" effected in 2018. During the year, the Group has reviewed the terms and condition of these investments and noted that these investments should have been classified as "Financial assets at fair value through profit or loss". Accordingly, adjustments have been made retrospectively to reclassify these investments from "Equity investments designated at fair value through other comprehensive income" to "Financial assets at fair value through profit or loss".

9

The impact of the prior year adjustments to the financial statements of the Group are set forth below.

	<b>31 December 2022</b>	1 January 2022
	<b>RMB\$'000</b>	RMB\$'000
<hr/>		
Consolidated statement of financial position:		
Decrease in equity investments designated at fair value through other comprehensive income	<b>243,210</b>	171,665
Increase in financial assets through profit or loss	<b>243,210</b>	171,665
Decrease in reserve-fair value reserve	<b>72,848</b>	34,545
Increase in reserve-retained profits	<b>72,848</b>	34,545
	<hr/>	

# Notes to Financial Statements

31 December 2023

## 2.2 RESTATEMENT (continued)

2.2

	Year ended 31 December 2022
	RMB\$'000
Consolidated statement of profit or loss and Consolidated statement of other comprehensive income:	
Increase in other income and gains	50,767
Increase in income tax expense	12,464
Decrease in other comprehensive (loss)/ income that will not be reclassified to profit or loss in subsequent periods	38,303

The adjustment has been applied as of the beginning of the earliest period presented and has been consistently applied throughout all relevant prior periods. The cumulative effect of the adjustment is reflected in the opening balances of equity for the earliest period presented.

Management believes that this change provides a more faithful representation of the consolidated financial position of the Group and of its consolidated financial performance. The impact on the comparative financial statements is disclosed for the benefit of stakeholders and to ensure transparency in our financial reporting. This adjustment does not impact the current year's consolidated financial statements.





## 2.2 RESTATEMENT *(continued)*

## 2.2

The following tables disclose the adjustment that have been made by the directors of the Group to each of the line items in the consolidated statements of profit or loss, the consolidated statement of comprehensive income for the year ended 31 December 2022, and the consolidated statement of financial position as at 31 December 2022 and 1 January 2022.

	As previously reported	Prior year adjustment	Restated
Year ended 31 December 2022	RMB\$'000	RMB\$'000	RMB\$'000
Other income and gains	241,727	50,767	292,494
Income tax expense	(68,184)	(12,464)	(80,648)
PROFIT FOR THE YEAR	464,441	38,303	502,744
Attributable to:			
Owners of the parent	442,772	38,303	481,075



# Notes to Financial Statements

31 December 2023

2.2





## 2.2 RESTATEMENT *(continued)* 2.2

	As previously reported	Prior year adjustment	Restated
1 January 2022	RMB\$'000	RMB\$'000	RMB\$'000
<b>NON-CURRENT ASSETS</b>			
Equity investments designated at fair value through other comprehensive income	182,680	(171,665)	11,015
Financial assets at fair value through profit or loss	–	171,665	171,665
<b>Total non-current assets</b>	<b>3,501,815</b>	<b>–</b>	<b>3,501,815</b>

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES 2.3

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

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

# Notes to Financial Statements

31 December 2023

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

## 2.3

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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.5 to the financial statements. The amendments have had an impact on the Group’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements. 1  
2  
2.5
  
- (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. Since the Group’s approach and policy align with the amendments, the amendments had no impact on the Group’s financial statements. 8





## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### 2.3

(c) Amendments to IAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> 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.	(c)	12	12
---	-----	----	----

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.

# Notes to Financial Statements

31 December 2023

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

## 2.3

(c) *(continued)*

(c)

Prior to the initial application of these 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.

12





# Notes to Financial Statements

31 December 2023

## 2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

## 2.4

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>3</sup></i>	10 28	3
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>1</sup></i>	16	1
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")<sup>1</sup></i>	1	1
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")<sup>1</sup></i>	1	1
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements<sup>1</sup></i>	7 7	1
Amendments to IAS 21	<i>Lack of Exchangeability<sup>2</sup></i>	21	2

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> No mandatory effective date yet determined but available for adoption

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





## 2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

## 2.4

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 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. However, the amendments are available for adoption now.

	10	
28		10
	28	

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.

	10	
28		10
	16	
		16



## 2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

## 2.4

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are shall be applied retrospectively with earlier application 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.

12





## 2.4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

## 2.4

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

7

7

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

21

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES

2.5

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### **Business combinations and goodwill** *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### **Business combinations and goodwill** *(continued)*

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

## 2.5

### Fair value measurement

The Group measures its 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 at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.



# Notes to Financial Statements

31 December 2023

2.5





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

## 2.5

### Related parties *(continued)*

- |  |        |        |
|--|--------|--------|
| (b) the party is an entity where any of the following conditions applies:  | (b)    |        |
| (i) the entity and the Group are members of the same group;  | (i)    |        |
| (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);                                    | (ii)   |        |
| (iii) the entity and the Group are joint ventures of the same third party;   | (iii)  |        |
| (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;   | (iv)   |        |
| (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;   | (v)    |        |
| (vi) the entity is controlled or jointly controlled by a person identified in (a);   | (vi)   | (a)    |
| (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and | (vii)  | (a)(i) |
| (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.                      | (viii) |        |

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years	20
Plant and machinery	5-10 years	5 10
Office equipment	3-5 years	3 5
Motor vehicles	4-5 years	4 5
Tooling and equipment	3-5 years	3 5





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### **Property, plant and equipment and depreciation *(continued)***

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

# Notes to Financial Statements

31 December 2023





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### **Intangible assets (other than goodwill)** *(continued)*

#### *Computer software*

Computer software of the Group is amortised on the straight-line basis over the estimated useful life of 10 years. 10

#### *Customer relationship*

Customer relationship of the Group is amortised on the straight-line basis over the estimated useful life of 10 years. 10

#### *Trademark*

Trademark of the Group is amortised on the straight-line basis over the estimated useful life of 8 years. 8

#### *Licence*

Licence of the Group is amortised on the straight-line basis over the estimated useful life of 10 years. 10

#### *Research and development costs*

All research costs are charged to the statement of profit or loss as incurred.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### **Intangible assets (other than goodwill)** *(continued)*

#### *Research and development costs (continued)*

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.





2.5



# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Leases *(continued)*

*Group as a lessee (continued)*

(b) Lease liabilities

(b)

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Leases *(continued)*

#### *Group as a lessee (continued)*

#### (b) Lease liabilities *(continued)* (b)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

#### (c) Short-term leases and leases of low-value assets (c)

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

12

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### **Leases *(continued)***

#### *Group as a lessor*

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Investments and other financial assets

#### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing the asset. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not determining fair value at initial recognition, financial assets are classified into two measurement categories: those to be measured at amortised cost and those to be measured at fair value through other comprehensive income. Financial assets measured at fair value through other comprehensive income are limited to debt investments that are held for long-term and have contractual cash flows that are solely payments of principal and interest.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### **Investments and other financial assets** *(continued)*

#### *Initial recognition and measurement (continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### **Investments and other financial assets** *(continued)*

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### **Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

#### **Financial assets at fair value through other comprehensive income (debt instruments)**

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### **Investments and other financial assets** *(continued)*

#### *Subsequent measurement (continued)*

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the



# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Investments and other financial assets *(continued)*

#### *Subsequent measurement (continued)*

#### Financial assets at fair value through profit or loss *(continued)*

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(a)  
(b)





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

## 2.5

### **Derecognition of financial assets *(continued)***

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Impairment of financial assets *(continued)*

#### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

12

12

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

30

The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Impairment of financial assets *(continued)*

#### *General approach (continued)*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	– Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs	1	12
Stage 2	– Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs	2	
Stage 3	– Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs	3	

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### **Impairment of financial assets** *(continued)*

#### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, financial liabilities at fair value through profit or loss and interest-bearing bank borrowings.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Financial liabilities *(continued)*

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

9

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Financial liabilities *(continued)*

#### Financial liabilities at fair value through profit or loss *(continued)*

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

9

#### Financial liabilities at amortised cost *(trade and other payables, and borrowings)*

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Financial liabilities *(continued)*

#### *Convertible bonds*

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.



# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Derivative financial instruments

#### *Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as commodity future contracts to hedge its price fluctuation risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are recognised directly in the statement of profit or loss.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The costs of raw materials comprise the purchasing costs of the materials and other costs incurred in bringing the materials to their present locations and conditions. The costs of work in progress and finished goods comprise direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices, less estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of the time value of money is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

## 2.5

### Provisions *(continued)*

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

- (i)
- (ii)

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

## 2.5

### Income tax *(continued)*

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### **Income tax *(continued)***

Deferred tax assets and deferred tax liabilities are offset and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred government grant account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### **Revenue recognition**

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

## 2.5

### Revenue recognition *(continued)*

#### *Revenue from contracts with customers (continued)*

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

15



# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Revenue recognition *(continued)*

#### *Revenue from contracts with customers (continued)*

(a) Sale of industrial products

(a)

Revenue from the sale of industrial products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the industrial products.

(b) Sale of properties

(b)

Revenue from the sales of properties is recognised at the point in time when control of the ownership is transferred to the buyer.

#### *Revenue from other sources*

Rental income is recognised on a time proportion basis over the lease terms.

#### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial lattice model.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Share-based payments *(continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Share-based payments *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Other employee benefits

#### *Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.





## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)* 2.5

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Foreign currencies

The financial statements are presented in RMB. In prior years, the Company's functional currency was RMB. As at 1 July 2018, the Directors had re-evaluated the economic environment of the Company and determined that the functional currency of the Company has been changed from RMB to USD given its major funding and financing activities were raised increasingly in USD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).







# Notes to Financial Statements

31 December 2023

## 2.5 MATERIAL ACCOUNTING POLICIES *(continued)*

2.5

### Foreign currencies *(continued)*

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:





### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### Judgements *(continued)*

##### *Property lease classification – Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

##### *Tax*

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and practices and makes tax provisions accordingly.

The Group's determination as to whether to recognise deferred tax liability for withholding taxes from the distribution of dividends from the subsidiaries in the PRC according to the relevant tax jurisdictions is subject to judgement on the timing of distribution of dividends. The Directors had assessed whether it is probable for the Group's PRC subsidiaries to distribute dividends out of their profits earned after 1 January 2008. For details, refer to note 30 to the financial statements.

30

# Notes to Financial Statements

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are described below.

#### *Impairment of goodwill*

2,405,000  
2,405,000  
17





### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### Estimation uncertainty *(continued)*

##### *Provision for expected credit losses on trade receivables (continued)*

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

21

# Notes to Financial Statements

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

### Estimation uncertainty *(continued)*

#### *Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“**IBR**”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).





### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### Estimation uncertainty *(continued)*

##### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

# Notes to Financial Statements

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

### Estimation uncertainty *(continued)*

#### *Useful lives of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### *Useful lives of intangible assets*

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. This estimate is based on the historical experience of the actual useful lives of intangible assets of similar functions. It could change significantly as a result of technical innovations. Management reassesses the useful lives at each reporting date.





### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### Estimation uncertainty *(continued)*

##### *Net realisable value of inventories*

Net realisable value of an inventory is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature which could change significantly as a result of competitor actions. Management reassesses these estimates at each reporting date. During the year ended 31 December 2023, the amount of inventory provision charged in the consolidated statement of profit or loss was RMB20,812,000 (2022: RMB5,553,000) (note 6).

20,812,000	5,553,000
6	

##### *Deferred tax assets*

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses as at 31 December 2023 was RMB806,620,000 (2022: RMB575,069,000). Further details are included in note 30 to the financial statements.

806,620,000
575,069,000
30



# Notes to Financial Statements

31 December 2023

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.5 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2023, the best estimate of the carrying amount of capitalised development costs was RMB743,294,000 (2022: RMB707,412,000). Further details are included in note 18 to the financial statements.

2.5

743,294,000

707,412,000

18





## 4. OPERATING SEGMENT INFORMATION

4.

The Group is principally engaged in 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.

8

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:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Power solutions business	<b>11,447,457</b>	10,432,834
Recycled lead business	<b>2,023,778</b>	2,413,025
	<b>13,471,235</b>	12,845,859

# Notes to Financial Statements

31 December 2023

## 4. OPERATING SEGMENT INFORMATION *(continued)*

4.

### Geographical information

(a) *Revenue from external customers*

(a)

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Chinese Mainland	<b>8,157,704</b>	7,550,180
Europe, the Middle East and Africa	<b>1,935,577</b>	1,892,764
Americas	<b>2,140,455</b>	2,199,121
Asia-Pacific (other than the Chinese Mainland)	<b>1,237,499</b>	1,203,794
<b>Total revenue</b>	<b>13,471,235</b>	12,845,859

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

(b) *Non-current assets*

(b)

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Chinese Mainland	<b>3,925,553</b>	2,957,883
Other countries/areas	<b>414,831</b>	420,773
<b>Total non-current assets</b>	<b>4,340,384</b>	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.





#### 4. OPERATING SEGMENT INFORMATION *(continued)*

##### Information about major customers

Revenue of approximately RMB1,316,042,000 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 year 2022.

1,316,042,000

10%

No revenue from sales to any customer amounted to 10% or more of the Group's total revenue for the year 2023.

10%

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

An analysis of revenue is as follows:

	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers	<b>13,471,235</b>	12,845,859

##### Revenue from contracts with customers

(i) *Disaggregated revenue information*

(i)

	2023	2022
	RMB'000	RMB'000
<b>Types of goods</b>		
Sale of industrial products	<b>13,471,235</b>	12,845,859
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>13,471,235</b>	12,845,859

# Notes to Financial Statements

31 December 2023

## 5. REVENUE, OTHER INCOME AND GAINS *(continued)*

### Revenue from contracts with customers *(continued)*

#### (i) *Disaggregated revenue information (continued)*

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:

	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	<b>284,339</b>	194,424

#### (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.

90 60





# Notes to Financial Statements

31 December 2023

## 6. PROFIT BEFORE TAX

6.

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

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Cost of inventories sold		<b>10,112,627</b>	9,795,721
Employee benefit expense (including directors' remuneration (note 9)):	9		
Wages and salaries		<b>1,209,759</b>	940,852
Equity-settled share option expenses		<b>5,008</b>	4,916
Pension scheme contributions		<b>116,220</b>	107,316
<b>Total</b>		<b>1,330,987</b>	1,053,084
Amortisation of other intangible assets except for deferred development costs	18	<b>12,654</b>	9,426
Research and development costs:			
Deferred development costs amortised*	*	<b>225,146</b>	191,447
Current year expenditure	18	<b>371,868</b>	382,868
<b>Total</b>		<b>597,014</b>	574,315
Auditor's remuneration		<b>3,400</b>	3,100
Financial liabilities at fair value through profit or loss:			
Unrealised (gain)/loss		<b>(1,074)</b>	13
Realised gain		<b>(5,922)</b>	(36,613)



# Notes to Financial Statements

31 December 2023



## 6. PROFIT BEFORE TAX (continued)

6.

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Fair value gain from financial liabilities at fair value through profit or loss, net		<b>(6,996)</b>	(36,600)
Financial assets at fair value through profit or loss:			
Unrealised loss/(gain)	/	<b>12,110</b>	(42,418)
Depreciation of property, plant and equipment	14	<b>323,369</b>	351,048
Depreciation of investment property	15	<b>10</b>	11
Depreciation of right-of-use assets	16(a)	<b>19,991</b>	9,610
(Reversal of impairment)/impairment of trade receivables, net	21	<b>(4,134)</b>	27,516
Write-down of inventories to net realisable value*	20	<b>20,812</b>	5,553
Loss on disposal of items of property, plant and equipment, net	7	<b>14,079</b>	1,492
Foreign exchange differences, net		<b>(42,687)</b>	(80,639)
Lease payment not included in the measurement of lease liabilities	16(c)	<b>33,662</b>	14,028
Bank interest income		<b>(19,929)</b>	(16,451)
Gain on bargain purchase		<b>(75,835)</b>	-

\* The amortisation of deferred development costs and write-down of inventories to net realisable value are included in "Cost of sales" in the consolidated statement of profit or loss.

\*



# Notes to Financial Statements

31 December 2023

## 7. OTHER EXPENSES

7.

An analysis of other expenses is as follows:

	2023	2022
	RMB'000	RMB'000
Loss on disposal of items of property, plant and equipment, net	14,079	1,492
Fair value loss from financial assets at fair value through profit or loss, net	17,986	8,349
Others	6,903	4,602
Total	<b>38,968</b>	14,443

## 8. FINANCE COSTS

8.

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	RMB'000
Interest on bank loans (including convertible bonds)	184,192	119,779
Interest arising from discounted bills	36,618	34,846
Interest on lease liabilities	2,744	1,597
Total	<b>223,554</b>	156,222





## 9. DIRECTORS' REMUNERATION 9.

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

383(1)(a)  
(b) (c) (f)  
2

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Fees	<b>648</b>	575
Other emoluments:		
Salaries, allowances and benefits in kind	<b>2,476</b>	1,577
Equity-settled share option expenses	<b>292</b>	192
Pension scheme contributions	<b>83</b>	76
Subtotal	<b>2,851</b>	1,845
Total	<b>3,499</b>	2,420

# Notes to Financial Statements

31 December 2023

## 9. DIRECTORS' REMUNERATION 9. *(continued)*

### (a) Independent non-executive directors (a)

The fees paid to independent non-executive directors were as follows:

	Salaries, allowances	Fees
[Redacted Table Content]		

\*





## 9. DIRECTORS' REMUNERATION (continued)

### (b) Executive directors

### (b)

	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Equity-settled share option expenses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2023</b>						
Executive directors:						
Dr. Dong Li	-	870	-	-	67	937
Ms. Yin Haiyan	-	906	-	102	16	1,024
Ms. HONG Yu *	-	700	-	121	-	821
	-	2,476	-	223	83	2,782
<b>2022</b>						
Executive directors:						
Dr. Dong Li	-	777	-	-	59	836
Ms. Yin Haiyan	-	800	-	113	17	930
	-	1,577	-	113	76	1,766

\* Ms. HONG Yu was appointed as an executive director of the Company on 6 April 2023.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2022: Nil).

# Notes to Financial Statements

31 December 2023

## 10. FIVE HIGHEST PAID EMPLOYEES

## 10.

The five highest paid employees during the year included two (2022: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2022: four) non-director, highest paid employees are as follows:

9

	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	3,152	4,408
Equity-settled share option expenses	229	304
Pension scheme contributions	40	46
<b>Total</b>	<b>3,421</b>	<b>4,758</b>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
Nil to RMB1,000,000		
1,000,000	1	2
RMB1,000,001 to RMB1,500,000		
1,000,001		
1,500,000	2	1
RMB1,500,001 to RMB2,000,000		
1,500,001		
2,000,000	–	1
RMB2,000,001 to RMB2,500,000		
2,000,001		
2,500,000	–	–
<b>Total</b>	<b>3</b>	<b>4</b>





## 11. 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, Peak Year, Sheldon and Catherine Holdings, which were incorporated in the British Virgin Islands, are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry out any business in the British Virgin Islands.

Leoch Battery Corp., incorporated in the United States, is subject to corporate income tax in the United States. The applicable federal corporate income tax rate is 21% (2022: 21%) on taxable income.

The provision for Hong Kong profits tax is based on the statutory rate of 16.5% (2022: 16.5%) of the assessable profits of subsidiaries incorporated in Hong Kong.

The Singapore authority approved the application of Leoch Battery Pte. for the Global Trader Programme on 24 May 2014 and it was renewed on 30 August 2019, the effective period of which is from 1 January 2019 to 31 December 2023. The provision for the current income tax of Leoch Battery Pte. is based on the tax rate of 10% (2022: 10%).

## 11.

	Honour Label	Peak Year	Sheldon	Catherine
Leoch Battery Corporation				21%
	21%			
			16.5%	
	16.5%			
Battery Pte. Ltd.				Leoch
				Leoch Battery Pte.
Ltd.				10%
	10%			

# Notes to Financial Statements

31 December 2023

## 11. INCOME TAX (continued)

11.

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.

25%

Jiangsu Leoch, Zhaoqing Leoch Battery, Anhui Leoch Power, Anhui Uplus and Anhui Leoch New Energy were designated as high-tech enterprises by the PRC tax authorities and were entitled to a preferential tax rate of 15% for the year 2023.

15%

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

10%

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

	2023	2022
	RMB'000	RMB'000
		(Restated)
Current – PRC	<b>25,283</b>	29,428
Current – Hong Kong	<b>929</b>	716
Current – Singapore	<b>52,479</b>	37,963
Current – USA	<b>8,853</b>	2,824
Current – Vietnam	<b>(232)</b>	440
(Over)/under provision in prior years	<b>(9,924)</b>	3,583
Deferred tax	<b>(1,370)</b>	5,694





## 11. INCOME TAX (continued)

## 11.

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the majority of the Company's subsidiaries are domiciled to the tax expense at effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2023		2022	
	RMB'000	%	RMB'000	%
			(Restated)	
Profit before tax	<b>643,854</b>		583,392	
Tax at the applicable tax rates	<b>115,620</b>	<b>18.0</b>	135,114	23.2
Tax concession for certain subsidiaries	<b>(42,291)</b>	<b>(6.6)</b>	(70,614)	(12.1)
Additional deductible research and development expenses	<b>(44,095)</b>	<b>(6.8)</b>	(41,339)	(7.1)
Income not subject to tax	<b>(18,959)</b>	<b>(2.9)</b>	–	–
Expenses not deductible for tax	<b>15,931</b>	<b>2.5</b>		



# Notes to Financial Statements

31 December 2023

## 11. INCOME TAX (continued)

11.

### Pillar Two income taxes

As stated in note 2.3(d), the Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation will be effective for the Group's financial year beginning 1 January 2024.

2.3(d)

The Group is in scope of the new tax legislation. However, the legislation was enacted close to the reporting date. Therefore, the Group is still in the process of assessing the potential exposure to Pillar Two income taxes. Potential exposure, if any, to





## 12. DIVIDENDS

12.

		<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
Proposed final –HK7 cents (2022: HK10 cents) per share	7 10	<b>86,790</b>	121,302

The proposed final dividend for the year of 2023 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

13.

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 1,362,202,493 (2022: 1,357,854,935) in issue during the year, as adjusted to reflect the rights issue during the year.

1,362,202,493  
1,357,854,935

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, 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 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 or conversion of all dilutive potential ordinary shares into ordinary shares.

# Notes to Financial Statements

31 December 2023

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

13.

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

	2023	2022
	RMB'000	RMB'000
		(Restated)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculations	<b>535,372</b>	481,075
Interest on convertible bonds	<b>10,017</b>	–
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	<b>545,389</b>	481,075
<b>Number of shares</b>		
	2023	2022
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>1,362,202,493</b>	1,357,854,935
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>30,971,108</b>	3,878,398
Convertible bonds	<b>60,000,000</b>	–
<b>Total</b>	<b>1,453,173,601</b>	1,361,733,333



# Notes to Financial Statements

31 December 2023



## 14. PROPERTY, PLANT AND EQUIPMENT

## 14.

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Tooling and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2023</b>							
Cost:							
At 31 December 2022 and 1 January 2023	1,183,983	3,137,955	55,841	55,638	285,364	100,271	4,819,052
Additions	30,933	196,665	8,277	3,973	32,448	336,798	609,094
Transfers	2,272	16,962	311	20	344	(19,909)	-
Acquisition from subsidiaries (note 37)	544,716	456,894	29,579	5,737	-	5,544	1,042,470
Disposals	(15,505)	(45,223)	(591)	(2,961)	(4,205)	-	(68,485)
Exchange realignment	956	(2,501)	25	(49)	185	(73)	(1,457)
At 31 December 2023	1,747,355	3,760,752	93,442	62,358	314,136	422,631	6,400,674
Accumulated depreciation and impairment:							
At 31 December 2022 and 1 January 2023	(416,769)	(1,777,699)	(44,308)	(45,167)	(243,854)	(1,569)	(2,529,366)
Depreciation provided during the year	(53,526)	(251,233)	(7,406)	(2,503)	(8,701)	-	(323,369)
Acquisition from subsidiaries (note 37)	(321,533)	(293,405)	(15,350)	(1,572)	-	-	(631,860)
Disposals	10,137	33,159	432	1,877	3,212	-	48,817
Exchange realignment	(936)	100	(19)	11	(116)	-	(960)
At 31 December 2023	(782,627)	(2,289,078)	(66,651)	(47,354)	(249,459)	(1,569)	(3,436,738)
Net carrying amount:							
At 31 December 2023	964,728	1,471,674	26,791	15,004	64,677	421,062	2,963,936

# Notes to Financial Statements

31 December 2023

## 14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

## 14.

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Tooling and equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2022							
Cost:							
At 31 December 2021 and							
1 January 2022	1,157,759	2,923,910	54,049	53,313	288,305	32,570	4,509,906
Additions	20,730	196,161	2,043	2,458	21,259	96,964	339,615
Transfers	2,206	26,504	7	53	562	(29,332)	-
Acquisition from subsidiaries (note 37)	37	850	-	172	594	-	1,616
Disposals	(66)	(16,784)	(398)	(773)	(25,690)	-	(43,711)
Exchange realignment	3,354	7,314	140	415	334	69	11,626
At 31 December 2022	1,183,983	3,137,955	55,841	55,638	285,364	100,271	4,819,052
Accumulated depreciation and impairment:							
At 31 December 2021 and							
1 January 2022	(366,500)	(1,509,391)	(39,783)	(41,344)	(259,524)	(1,569)	(2,218,111)
Depreciation provided during the year	(49,769)	(283,715)	(4,768)	(4,072)	(8,724)	-	(351,048)
Acquisition from subsidiaries (note 37)	37	(575)	-	(115)	(255)	-	(945)
Disposals	51	13,291	282	589	24,836	-	39,049
Exchange realignment	(551)	2,691	(39)	(225)	(187)	-	1,689
At 31 December 2022	(416,769)	(1,777,699)	(44,308)	(45,167)	(243,854)	(1,569)	(2,529,366)
Net carrying amount:							
At 31 December 2022	767,214	1,360,256	11,533	10,471	41,510	98,702	2,289,686

At 31 December 2023, certain of the Group's buildings and machinery with a net carrying amount of approximately RMB534,260,000 (2022: RMB734,964,000) were pledged to secure general banking facilities granted to the Group. For details of the pledged assets, please refer to note 35 to the financial statements.

534,260,000  
734,964,000

35



## 15. INVESTMENT PROPERTY

15.

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Cost:		
At 1 January and 31 December	<b>561</b>	561
Accumulated depreciation:		
At 1 January	<b>(227)</b>	(216)
Depreciation provided during the year	<b>(10)</b>	(11)
At 31 December	<b>(237)</b>	(227)
Carrying amount at 31 December	<b>324</b>	334

The Group's investment property represents one (2022: one) industrial property in Chinese Mainland which was subsequently measured using the cost model. The Directors have determined that the investment property consists of one class of assets, i.e., industrial property, based on the nature, characteristics and risk of the property. The Group's investment property was revalued on 31 December 2023 based on the valuation by management. Management has reviewed the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

## Notes to Financial Statements

31 December 2023

### 15. INVESTMENT PROPERTY (continued)

15.

The investment property is leased to a third party under operating leases.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment property:

	Fair value measurement as at 31 December 2023 using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1) 1	(Level 2) 2	(Level 3) 3	
	RMB'000	RMB'000	RMB'000	
Industrial property	-	-	14,236	14,236

	Fair value measurement as at 31 December 2022 using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1) 1	(Level 2) 2	(Level 3) 3	
	RMB'000	RMB'000	RMB'000	
Industrial property	-	-	14,142	14,142



## 15. INVESTMENT PROPERTY (continued)

### Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2022: Nil).

The fair value of the investment property is determined using the comparison method with reference to comparable sale evidence as available in the relevant market. Comparable properties of similar size, character and location are analysed and selected for the investment property in order to arrive at a fair comparison of its fair value. The fair value measurement is positively correlated to the market unit sale rate.

## 16. LEASES

### The Group as a lessee

The Group has lease contracts for various items of property, plant and machinery and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 46 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 2 and 9 years, while plant and machinery generally have lease terms between 3 and 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

## 15.

## 16.

46 50

2 9

3 10

12



# Notes to Financial Statements

31 December 2023

## 16. LEASES (continued)

16.

### The Group as a lessee (continued)

(a) *Right-of-use assets*

(a)

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	Properties	Plant and machinery	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	133,545	19,124	191	152,860
Additions	81,555	22,706	-	104,261
Disposal	-	(9,197)	-	(9,197)
Depreciation charge	(3,999)	(5,505)	(106)	(9,610)
Exchange realignment	280	425	7	712
As at 31 December 2022 and 1 January 2023	211,381	27,553	92	239,026
Additions	5,538	26,449	-	31,987
Additions as a result of acquisition of subsidiaries	217,536	3,358	-	220,894
Depreciation charge	(6,313)	(13,630)	(48)	(19,991)
Exchange realignment	(198)	795	(2)	595
<b>As at 31 December 2023</b>	<b>427,944</b>	<b>44,525</b>	<b>42</b>	<b>472,511</b>

At 31 December 2023, certain of the Group's prepaid land lease payments with a net carrying amount of approximately RMB106,835,000 (2022: RMB45,859,000) were pledged to secure general banking facilities granted to the Group. For details of the pledged assets, please refer to note 35 to the financial statements.

106,835,000  
45,859,000

35



## 16. LEASES (continued)

## 16.

## The Group as a lessee (continued)

(b) Lease liabilities

(b)

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023	2022
	RMB'000	RMB'000
Carrying amount at 1 January	29,171	20,468
New leases	26,449	22,706
Additions as a result of acquisition of subsidiaries	3,113	–
Accretion of interest recognised during the year	2,744	1,597
Payments	(14,938)	(6,517)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(9,332)
Exchange realignment	603	249
Carrying amount at 31 December	<b>47,142</b>	29,171
Analysed into:		
Current portion	<b>14,254</b>	6,504
Non-current portion	<b>32,888</b>	22,667

The maturity analysis of lease liabilities is disclosed in note 41 to the financial statements.

41

# Notes to Financial Statements

31 December 2023

## 16. LEASES (continued)

16.

### The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

(c)

	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities	2,744	1,597
Depreciation charge of right-of-use assets	19,991	9,610
Expense relating to short-term leases (included in cost of sales, selling, administrative expenses and distribution expenses)	33,662	14,028
<b>Total amount recognised in profit or loss</b>	<b>56,397</b>	<b>25,235</b>

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 34(c) to the financial statements.

(d)

34(c)

### The Group as a lessor

The Group leases its production and office premises consisting of three production premises and fifteen office premises under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB3,290,000 (2022: RMB3,900,000), details of which are included in note 5 to the financial statements.

3,290,000

5

3,900,000



16. LEASES *(continued)*

## 16.

**The Group as a lessor *(continued)***

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Within one year	<b>1,038</b>	1,915
After one year but within two years	<b>1,005</b>	1,350
After two years but within three years	<b>1,002</b>	1,153
After three years but within four years	<b>1,000</b>	1,149
After four years but within five years	<b>1,000</b>	1,047
After five years	<b>5,551</b>	6,551
Total	<b>10,596</b>	13,165

# Notes to Financial Statements

31 December 2023

## 17. GOODWILL

17.

	2023
	RMB'000
Cost and net carrying amount:	
At 1 January 2022:	
Cost	10,636
Accumulated impairment	(8,423)
Net carrying amount	2,213
Cost at 1 January 2022, net of accumulated impairment	2,213
Addition	192
Impairment during the year	-
At 31 December 2022	2,405
At 31 December 2022:	
Cost	10,828
Accumulated impairment	(8,423)
Net carrying amount	2,405
Cost at 1 January 2023, net of accumulated impairment	2,405
Impairment during the year	-
Cost and net carrying amount at 31 December 2023	2,405
At 31 December 2023:	
Cost	10,828
Accumulated impairment	(8,423)
Net carrying amount	2,405

### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the respective cash-generating units ("CGUs")





## 17. GOODWILL (continued)

## 17.

### Impairment testing of goodwill (continued)

The carrying amount of goodwill has been allocated to CGUs as follows:

		2023	2022
		RMB'000	RMB'000
Energymax	Energymax	237	237
Taihe Dahua		39	39
LBUK	LBUK	1,937	1,937
IBERIA	IBERIA	192	192
<b>Total</b>		<b>2,405</b>	<b>2,405</b>

The recoverable amounts of the above CGUs have been determined based on value-in-use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management.

The key assumptions adopted on the growth rate and discount rate used in the value-in-use calculations are based on management's best estimates. The terminal growth rate of 3% (2022: 3%) is determined by considering both internal and external factors relating to the CGUs. The discount rates applied to the cash flow projections are 15% (2022: 15%) for Energymax, 16% (2022: 16%) for Taihe Dahua, 11% (2022: 11%) for LBUK and 14% for IBERIA (2022: 14%).

				3%
				3%
Energymax		LBUK	IBERIA	
				15%
	15%	16%		16%
	11%	11%	14%	
	14%			

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill is based would not cause the carrying amount of goodwill to exceed its recoverable amount.

# Notes to Financial Statements

31 December 2023

## 18. OTHER INTANGIBLE ASSETS

18.

	Computer software	Deferred development costs	Customer relationship	Licence	Trademark	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023						
Cost at 1 January 2023, net of accumulated amortisation	6,943	707,412	14,673	47,573	6,640	783,241
Additions	14,334	261,028	-	-	-	275,362
Acquisition of subsidiaries (note 37)	1,402	-	-	-	-	1,402
Amortisation provided during the year	(4,167)	(225,146)	(1,853)	(6,488)	(146)	(237,800)
Exchange realignment	5	-	464	-	-	469
<b>At 31 December 2023</b>	<b>18,517</b>	<b>743,294</b>	<b>13,284</b>	<b>41,085</b>	<b>6,494</b>	<b>822,674</b>
At 31 December 2023:						
Cost	42,809	1,915,871	24,003	108,126	26,154	2,116,963
Accumulated amortisation	(24,292)	(1,172,577)	(10,719)	(67,041)	(19,660)	(1,294,289)
<b>Net carrying amount</b>	<b>18,517</b>	<b>743,294</b>	<b>13,284</b>	<b>41,085</b>	<b>6,494</b>	<b>822,674</b>
31 December 2022						
Cost at 1 January 2022, net of accumulated amortisation						





19. EQUITY INVESTMENTS  
DESIGNATED AT FAIR  
VALUE THROUGH OTHER  
COMPREHENSIVE INCOME

19.

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
		(Restated)
Equity investments designated at fair value through other comprehensive income:		
Unlisted equity investments, at fair value	<b>11,967</b>	11,834

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.



# Notes to Financial Statements

31 December 2023

## 20. INVENTORIES

20.

	2023	2022
	RMB'000	RMB'000
Raw materials	<b>765,176</b>	581,131
Work in progress	<b>895,422</b>	742,248
Finished goods	<b>1,088,122</b>	813,091
	<b>2,748,720</b>	2,136,470

The cost of inventories recognised as an expense during the year in respect of write down inventories to net realizable value was RMB20,812,000 (2022: RMB5,553,000)

20,812,000  
5,553,000

At 31 December 2023, certain of the Group's inventories with a net carrying amount of approximately RMB100,000,000 (2022: RMB100,000,000) were pledged to secure general banking facilities granted to the Group. For details of the pledged inventories, please refer to note 35 to the financial statements.

100,000,000  
100,000,000  
35



# Notes to Financial Statements

31 December 2023



## 21. TRADE RECEIVABLES

21.

	2023	2022
	RMB'000	RMB'000
Trade receivables	<b>3,320,369</b>	2,817,996
Impairment	<b>(73,128)</b>	(81,772)
Net carrying amount	<b>3,247,241</b>	2,736,224

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 RMB995,565,000 (2022: RMB424,787,000) were under short term credit insurance and RMB59,352,000 (2022: RMB81,857,000) 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.

995,565,000  
424,787,000  
59,352,000  
81,857,000

As at 31 December 2023, the Group pledged certain trade receivables amounting to RMB410,880,000 (2022: RMB407,147,000) to banks with recourse in exchange for cash (note 35). The proceeds from pledging the trade receivables of RMB327,160,000 (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. The details of the transfer of factored trade receivables are included in note 42 to the financial statements.

410,880,000  
407,147,000  
35  
327,160,000  
300,102,000  
42

# Notes to Financial Statements

31 December 2023

## 21. TRADE RECEIVABLES (continued)

21.

An ageing analysis of the trade receivables as at 31 December 2023 and 2022 based on the invoice date, net of loss allowance, is as follows:

		2023	2022
		RMB'000	RMB'000
Within 3 months	3	<b>2,569,245</b>	1,991,360
3 to 6 months	3 6	<b>469,362</b>	392,070
6 to 12 months	6 12	<b>164,491</b>	222,677
1 to 2 years	1 2	<b>30,152</b>	81,352
Over 2 years	2	<b>13,991</b>	48,765
Total		<b>3,247,241</b>	2,736,224

Movements in the loss allowance for impairment of





## 21. TRADE RECEIVABLES (continued)

## 21.

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 2023

	Current		Past due		Total
	Customers with credit enhancement	Ordinary customers	Customers with credit enhancement	Ordinary customers	
Expected credit loss rate	0.34%	1.20%	25.35%	100.00%	2.20%
Gross carrying amount (RMB'000)	2,610,401	608,858	59,133	41,977	3,320,369
Expected credit losses (RMB'000)	8,830	7,331	14,990	41,977	73,128

# Notes to Financial Statements

31 December 2023

21.

22.





## 22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The ageing analysis of bills receivable presented based on the issue date at 31 December 2023 and 31 December 2022 is as follows:

		2023	2022
		RMB'000	RMB'000
Within 3 months	3	148,854	143,465
3 to 6 months	3 6	32,368	12,589
6 to 12 months	6 12	8,036	5,351
<b>Total</b>		<b>189,258</b>	<b>161,405</b>

The net loss on changes in the fair value of the debt investments at fair value through other comprehensive income amounting to RMB9,000 (2022: RMB835,000) was recognised in the consolidated statement of other comprehensive income during the year.

9,000

835,000

## Notes to Financial Statements

31 December 2023

### 23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

23.

	2023	2022
	RMB'000	RMB'000
Prepayments	<b>341,296</b>	342,207
Deposits and other receivables	<b>279,255</b>	121,143
Interest receivables	<b>6,066</b>	5,738
Loans to employees	<b>4,400</b>	4,344
	<b>631,017</b>	473,432

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 2023 and 2022, the loss allowance was assessed to be minimal.





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

24.

	2023	
	Assets	Liabilities
	RMB'000	RMB'000
CURRENT		
Listed equity investments, at fair value	76	-
Commodity future and option contracts, 0ãî“ÂZ¬ RòIP*ž*R)Î(l at fair value	1,078	-
Other unlisted investment, at fair value		



# Notes to Financial Statements

31 December 2023

## 24. FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

24.

	2022	
	Assets	Liabilities
	RMB'000	RMB'000
	(Restated)	
<hr/>		
CURRENT		
Listed equity investments, at fair value	136	–
Commodity future and option contracts, at fair value	–	13
Other unlisted investment, at fair value	51,815	–
<hr/>		
Total	51,951	13
<hr/>		
NON-CURRENT		
Non listed investments, at fair value	243,210	–
<hr/>		





### 24. FINANCIAL ASSETS/ LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

### 24.

The above listed 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.

The above non listed investments were fund investments that have defined investment period and there is contractual obligation to distribute.

## Notes to Financial Statements

31 December 2023

### 25. CASH AND BANK BALANCES AND TIME DEPOSITS

	2023	2022
	RMB'000	RMB'000
Cash and bank balances	<b>1,563,343</b>	436,194
Time deposits	<b>965,767</b>	793,806
Subtotal	<b>2,529,110</b>	1,230,000
Less: Pledged for interest-bearing bank borrowings	<b>(25,766)</b>	(5,397)
Pledged for bills payable	<b>(597,220)</b>	(415,947)
Pledged for letters of credit		





25.

# Notes to Financial Statements

31 December 2023

26.

365 90

698,900,000  
684,236,000

597,220,000  
415,947,000  
35



# Notes to Financial Statements

31 December 2023



## 27. OTHER PAYABLES AND ACCRUALS

## 27.

		<b>2023</b>	2022
	Notes	<b>RMB'000</b>	RMB'000
Provision for social insurance and retirement benefits		<b>203,559</b>	191,124
Contract liabilities	(a)	<b>303,500</b>	284,339
Accrued expenses		<b>120,758</b>	86,192
Accrued payroll		<b>152,332</b>	51,128
Payables for purchase of items of property, plant and equipment		<b>151,573</b>	114,382
Provision for product warranties		<b>23,486</b>	22,891
Tax payables other than current income tax liabilities		<b>76,404</b>	94,087
Payables to non-controlling shareholders		<b>98,500</b>	72,371
Payables for acquisition of subsidiaries		<b>131,824</b>	–
Provision	(b)	<b>73,882</b>	–
Others	(c)	<b>140,208</b>	135,947
<b>Total</b>		<b>1,476,026</b>	1,052,461

# Notes to Financial Statements

31 December 2023

## 27. OTHER PAYABLES AND ACCRUALS (continued)

27.

Notes:

(a) Details of contract liabilities are as follows:

(a)

	<b>31 December 2023</b>	31 December 2022	1 January 2022
	<b>RMB'000</b>	RMB'000	RMB'000
<i>Short-term advances received from customers</i>			
Sale of goods	<b>303,500</b>	284,339	194,424

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

(b) The provision of RMB81,012,000 was recognised at the acquisition date of the acquiree Tianjin GS Battery Company Limited and Tianjin Juli Material Technology Co., Ltd. The provision is related to discharging the obligations to remediate pollution made over certain production plant locations. During the year, the contingent liability has been utilised RMB7,130,000. At the end of the reporting period, it has been decreased to RMB73,882,000.

(b)

81,012,000

7,130,000

73,882,000

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

(c)



# Notes to Financial Statements

31 December 2023



## 28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2023			31 December 2022		
	Effective interest rate (%) (%)	Maturity	RMB'000	Effective interest rate (%) (%)	Maturity	RMB'000
<b>Current</b>						
Interest-bearing bank borrowings, secured	2.56 to 8.45 HIBOR+2.75 2.56 8.45 HIBOR+2.75	2024	1,061,986	1.88 to 8.17, HIBOR+2.76 to HIBOR+5.17 1.88 8.17, HIBOR+2.76	2023	998,295
Collateralised bank advances, secured	2.32 to 5.00 2.32 5.00	2024	327,160	HIBOR+5.17 2.00 to 4.57 LIBOR+2 2.00 4.57 LIBOR+2	2023	300,102
Interest-bearing bank borrowings, guaranteed	2.00 to 8.37 HIBOR+3 2.00 8.37 HIBOR+3	2024	2,005,625	2.00 to 7.26 HIBOR+2.5 LIBOR+2 2.00 7.26 HIBOR+2.5 LIBOR+2	2023	1,066,414
Current portion of long term bank borrowings, guaranteed	HIBOR+ Applicable margin HIBOR +	2024	106,423	LIBOR+2.70 LIBOR+2.70	2023	276,843
<b>Total – current</b>			<b>3,501,194</b>			<b>2,641,654</b>
<b>Non-current</b>						
Interest-bearing bank borrowings, secured	3.30 to 8.30 3.30 8.30	2025-2038	283,266	1.88 to 6.00 1.88 6.00	2024-2028	28,626
Interest-bearing bank borrowings, guaranteed	2.00 to 9.60 2.00 9.60	2025-2026	69,840	3.00 to 4.60 3.00 4.60	2024-2025	39,807
Interest-bearing bank borrowings, guaranteed	HIBOR+ Applicable margin HIBOR +	2025-2026	603,063	LIBOR+2.70	2024	-
<b>Subtotal – non-current</b>			<b>956,169</b>			<b>68,433</b>
Convertible bonds	18.11	2025-2026	61,132	-	-	-
<b>Total – non-current</b>			<b>1,017,301</b>			<b>68,433</b>
<b>Total</b>			<b>4,518,495</b>			<b>2,710,087</b>
Denominated in RMB			3,035,419			1,730,454
Denominated in US\$			809,511			600,530
Denominated in HK\$			602,634			338,494
Denominated in S\$			9,694			24,962
Denominated in MYR			43,134			13,938
Denominated in EUR			897			1,709
Denominated in THB			34			-
Denominated in JPY			17,172			-
			<b>4,518,495</b>			<b>2,710,087</b>



## Notes to Financial Statements

31 December 2023

### 28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

28.

Analysed into:

	2023	2022
	RMB'000	RMB'000
Bank loans and advances repayable:		
Within one year	3,501,194	2,641,654
In the second year	405,190	22,620
In the third to fifth years, inclusive	438,111	44,547
Beyond five years	174,000	1,266
<b>Total</b>	<b>4,518,495</b>	<b>2,710,087</b>

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 RMB1,177,741,000 (2022: RMB1,293,367,000) for the bank borrowings as disclosed in note 35. | (i)  | 1,177,741,000<br>1,293,367,000<br>35 |
| (ii) Cross guarantees executed by companies within the Group.   | (ii) |                                      |

During the year, The Group renewed a three-year term loan facility agreement (the "**Facility Agreement**")

231,075,000                      70,375,000





# Notes to Financial Statements

31 December 2023

28.

51%

51%

# Notes to Financial Statements

31 December 2023

## 29. CONVERTIBLE BONDS

## 29.

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 in arrears, and will mature in 2026. The offering price was at 100% of the principal amount of the Convertible Notes.

91,800,000 5.5%

100%

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

The convertible bonds issued during the year have been split into the liability and equity components as follows:

	2023
	RMB’000
Nominal value of convertible bonds issued during the year	80,262
Equity component	(26,623)
Liability component at the issuance date	53,639
Interest expense	10,055
Interest paid	(4,581)
Exchange realignment	2,019
Liability component at 31 December	61,132





## 30. DEFERRED TAX

## 30.

The movements in deferred tax assets and liabilities during the year are as follows:

## Deferred tax assets

	Provision for impairment of trade receivables	Depreciation and impairment of property, plant and equipment	Tax losses	Equipment invested in subsidiaries with revalued amounts	Change in fair value of debt investments at fair value through other comprehensive income	Unpaid payroll and accruals	Provision for impairment of inventories	Unrealised profit	Deferred government grants	Change in fair value of financial liabilities at fair value through profit or loss	Lease liabilities	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 31 December 2021		11,527	1,298	21,279	667	126	10,423	5,228	9,401	6,229	85	-	66,263
Effect of adoption of amendments to IAS 12 (note 2.3)	12	2.3	-	-	-	-	-	-	-	-	-	4,243	

# Notes to Financial Statements

31 December 2023

## 30. DEFERRED TAX (continued)

30.

### Deferred tax liabilities

		Capitalised interest expense	Change in fair value of equity investments designated at fair value through other comprehensive income	Fair value adjustments arising from acquisition of subsidiaries	Change in fair value of financial assets at fair value through profit or loss	Right-of-use assets	Others	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021		2,546	8,801	17,196	16,915	-	7,824	53,282
Effect of adoption of amendments to IAS 12 (note 2.3)	12	-	-	-	-	4,243	-	4,243
	2.3	-	-	-	-	-	-	-
Prior year adjustment (note 2.2)	2.2	-	(9,181)	-	9,181	-	-	-
At 1 January 2022 (restated)		2,546	(380)	17,196	26,096	4,243	7,824	57,525
Deferred tax charged/(credited) to the statement of profit or loss during the year (restated)		(1,298)	-	(1,652)	10,376	1,963	3,010	12,399
Deferred tax credited to other comprehensive income during the year (restated)		-	(16)	-	-	-	-	(16)
Exchange realignment		-	-	478	-	-	-	478
Gross deferred tax liabilities at 31 December 2022 (restated)		1,248	(396)	16,022	36,472	6,206	10,834	70,386
Gross deferred tax liabilities at 31 December 2022		1,248	21,249	16,022	14,827	-	10,834	64,180
Effect of adoption of amendments to HKAS 12 (note 2.3)	12	-	-	-	-	6,206	-	6,206
	2.3	-	-	-	-	-	-	-
Prior year adjustment (note 2.2)	2.2	-	(21,645)	-	21,645	-	-	-
At 1 January 2023 (restated)		1,248	(396)	16,022	36,472	6,206	10,834	70,386
Deferred tax charged/(credited) to the statement of profit or loss during the year		(1,248)	-	(2,402)	(2,925)	2,624	2,958	(993)
Deferred tax credited to other comprehensive income during the year		-	(4)	-	-	-	-	(4)
Acquisition of subsidiaries (note 37)	37	-	-	38,727	-	-	-	38,727
Exchange realignment		-	-	453	-	-	-	453
Gross deferred tax liabilities at 31 December 2023		-	(400)	52,800	33,547	8,830	13,792	108,569



## Notes to Financial Statements

31 December 2023

### 30. DEFERRED TAX *(continued)*

30.

#### Deferred tax liabilities *(continued)*

At 31 December 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2023, the aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB959,999,000 (2022: RMB899,203,000).

959,999,000  
899,203,000

### 31. SHARE CAPITAL

31.

#### Shares

		2023	2022
Authorised:			
10,000,000,000 (31 December 2022: 10,000,000,000)	10,000,000,000		
10,000,000,000) ordinary shares of			
HK\$0.1 each (HK\$'000)	10,000,000,000		
	0.1	<b>1,000,000</b>	1,000,000
Issued and fully paid:			
1,365,990,666 (2022: 1,357,954,666)	1,365,990,666		
ordinary shares of HK\$0.1 each	1,357,954,666		
(HK\$'000)	0.1	<b>136,599</b>	135,795
Equivalent to RMB'000		<b>116,971</b>	116,250



## 31. SHARE CAPITAL *(continued)* 31.

### Shares *(continued)*

A summary of movements in the Company's share capital is as follows:

	Note	Number of shares in issue	Share capital RMB'000
At 1 January 2022		1,357,854,666	116,241
Exercise of share options		100,000	9
At 31 December 2022 and 1 January 2023		1,357,954,666	116,250
Exercise of share options	(i)	8,036,000	721
At 31 December 2023		1,365,990,666	116,971

- (i) The subscription rights attaching to 8,036,000 share options were exercised at subscription prices ranging from HK\$0.56 per share to HK\$1.76 per share, resulting in the issue of 8,036,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of RMB7,193,000. An amount of RMB2,825,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- |     |           |           |  |
|-----|-----------|-----------|--|
| (i) | 8,036,000 |           |  |
|     | 0.56      | 1.76      |  |
|     |           | 8,036,000 |  |
|     | 0.10      |           |  |
|     |           | 7,193,000 |  |
|     |           | 2,825,000 |  |

### Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 32 to the financial statements.

32



# Notes to Financial Statements

31 December 2023

## 32.SHARE OPTION SCHEMES

32.

### Share Option Schemes

The Company adopted a share option scheme (the “**2010 Share Option Scheme**”) which was approved and adopted by the written resolutions of all the shareholders of the Company passed on 14 October 2010 (as amended at the annual general meeting of the Company held on 18 May 2018) for the purpose of providing incentives or rewards to eligible persons for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the board of Directors may approve from time to time. Eligible persons of the 2010 Share Option Scheme include any director or employee (whether full time or part time), consultant or advisor of the Group who, in the sole discretion of the board of Directors, has contributed to or will contribute to the Group. The 2010 Share Option Scheme expired on 13 October 2020.

2010

2010

2010





## 32. SHARE OPTION SCHEMES (continued)

32.

### Share Option Schemes (continued)

The Company adopted a new share option scheme (the “**New Share Option Scheme**”) which was approved and adopted by the written resolutions of all the shareholders of the Company passed on 30 October 2020 for the purpose of providing incentives or rewards to eligible persons for their contribution to or potential contribution to the Group and to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group, and for such other purposes as the board of Directors may approve from time to time. Eligible persons of the New Share Option Scheme include any executive or non-executive director including any independent non-executive director or any employee (whether full-time or part-time) of any member of the Group, any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group, any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group, any provider of goods and/or services to the Group who the Board considers, in its sole discretion, has contributed to the Group. The New Share Option Scheme will expire on 29 October 2030.

All schemes of the Company are available to the Directors and employees (whether full time or part time) of any member of the Group.

# Notes to Financial Statements

31 December 2023

## 32. SHARE OPTION SCHEMES (continued)

32.

### Share Option Schemes (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting and certain disclosure and reporting requirements.

0.1% 5

The maximum number of unexercised share options currently permitted to be granted under all schemes of the Company must not, in aggregate, exceed 30% of the total number of shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in all schemes of the Company within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting and certain disclosure and reporting requirements.

30%

1%





## 32. SHARE OPTION SCHEMES (continued)

## 32.

### Share Option Schemes (continued)

The subscription price of share options is determinable by the Directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company. A consideration of RMB1.00 is payable on acceptance of the offer of an option or options.

(i) (ii) (iii)  
1.00

After 13 October 2020, no further options will be granted under the 2010 Share Option Scheme. However, the provisions of the 2010 Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any options, which were granted during the life of the 2010 Share Option Scheme, and may continue to be exercisable in accordance with their terms of issue.

2010 2010  
2010

The New Share Option Scheme became effective on 30 October 2020, unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption of the New Share Option Scheme by shareholders by resolution at a general meeting. The maximum number of share options available for grant under the New Share Option Scheme at 1 January 2023 and at 31 December 2023 were 77,814,466.

77,814,466

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

## Notes to Financial Statements

31 December 2023

### 32. SHARE OPTION SCHEMES (continued)

32.

#### Share Option Schemes (continued)

The following share options were outstanding under all schemes of the Company during the year:

	2023		2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	HK\$ per share	'000	HK\$ per share	'000
At 1 January	0.84	81,480	1.09	53,030
Granted during the year	–	–	0.57	37,500
Exercised during the year	1.00	(8,036)	1.02	(100)
Forfeited during the year	0.61	(3,551)	1.23	(8,950)
At 31 December	0.83	69,893	0.84	81,480



## 32. SHARE OPTION SCHEMES (continued)

## 32.

### Share Option Schemes (continued)

Movements in the Company's share options under all schemes of the Company during the year are as follows:

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options	Vesting period	Closing price of the shares of the Company immediately before the date on which options were granted
	At 1 January 2023	Exercised during the year	At 31 December 2023					
						HK\$ per share		
<b>Directors</b>								
Mr. Cao Yixiong Alan	300,000	-	300,000	22 November 2016	1 December 2017 to 21 November 2026	1.020	(i) One-third of the total number of the share options granted are exercisable at any time on or after 1 December 2017; (ii) (iii) One-third of the total number of the share options granted are exercisable at any time on or after 1 December 2018; and (iv) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 1 December 2019.	1.020
	200,000	-	200,000	19 July 2019	1 August 2020 to 18 July 2029	1.280	(i) One-third of the total number of the share options granted are exercisable at any time on or after 1 August 2020; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 1 August 2021; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 1 August 2022.	0.610
	300,000	-	300,000	3 April 2020	16 April 2021 to 2 April 2030	0.600	(i) One-third of the total number of the share options granted are exercisable at any time on or after 16 April 2021; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 16 April 2022; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 16 April 2023.	0.480
	300,000	-	300,000	24 October 2022	1 November 2023 to 23 October 2032	0.520	(i) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 November 2023; (ii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 November 2024; (iii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 November 2025; and (iv) The remaining one-fourth of the total number of the share options granted are exercisable at any time on or after 1 November 2026.	0.530

# Notes to Financial Statements

31 December 2023

Mr. Lau Chi Kit	300,000 - 300,000	22 November 2016 to 1 December 2017 to 21 November 2026	1,020 (i) One-third of the total number of the share options granted are exercisable at any time on or after 1 December 2017; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 1 December 2018; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 1 December 2019.	1,020
	200,000 - 200,000	19 July 2019 to 1 August 2020 to 32/10/2027		





# Notes to Financial Statements

31 December 2023

## 32. SHARE OPTION SCHEMES (continued)

## 32.

### Share Option Schemes (continued)

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options	Vesting period	Closing price of the shares of the Company immediately before the date on which options were granted
	At 1 January 2023	Exercised during the year	At 31 December 2023					
						HK\$ per share		
<b>Directors (continued)</b>								
Mr. Lu Zhiqiang	300,000	-	300,000	24 October 2022	1 November 2023 to 23 October 2032	0.520	(i) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 November 2023; (ii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 November 2024; (iii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 November 2025; and (iv) The remaining one-fourth of the total number of the share options granted are exercisable at any time on or after 1 November 2026.	0.530
Ms. Yin Haiyan	150,000	(150,000)	-	22 November 2016	1 December 2017 to 21 November 2026	1.020	(i) One-third of the total number of the share options granted are exercisable at any time on or after 1 December 2017; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 1 December 2018; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 1 December 2019.	1.020
	150,000	(150,000)	-	4 December 2017	16 December 2018 to 3 December 2027	1.442	(i) One-third of the total number of the share options granted are exercisable at any time on or after 16 December 2018; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 16 December 2019; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 16 December 2020.	1.430
	900,000	(900,000)	-	19 July 2019	1 August 2020 to 18 July 2029	1.280	(i) One-third of the total number of the share options granted are exercisable at any time on or after 1 August 2020; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 1 August 2021; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 1 August 2022.	0.610



# Notes to Financial Statements

31 December 2023

## 32. SHARE OPTION SCHEMES (continued)

32.

### Share Option Schemes (continued)

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options	Vesting period	Closing price of the shares of the Company immediately before the date on which options were granted
	At 1 January 2023	Exercised during the year	At 31 December 2023					
						HKS per share		
<b>Directors (continued)</b>								
Ms. Yin Haiyan	300,000	(300,000)	-	3 April 2020	16 April 2021 to 2 April 2030	0.600	(i) One-third of the total number of the share options granted are exercisable at any time on or after 16 April 2021; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 16 April 2022; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 16 April 2023.	0.480
	1,000,000	(400,000)	600,000	13 January 2021	16 January 2022 to 12 January 2031	0.560	(i) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2022; (ii) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2023; (iii) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2024; (iv) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2025; and (v) The remaining one-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2026.	0.560
	1,000,000	(250,000)	750,000	30 September 2022	1 October 2023 to 30 September 2032	0.572	(i) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2023; (ii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2024; (iii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2025; and (iv) The remaining one-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2026.	0.540





## 32. SHARE OPTION SCHEMES (continued)

32.

### Share Option Schemes (continued)

Name or category of participant	Number of share options			Date of grant of share options	Exercise period of share options	Exercise price of share options	Vesting period	Closing price of the shares of the Company immediately before the date on which options were granted
	At 1 January 2023	Exercised during the year	At 31 December 2023					
						HK\$ per share		
<b>Directors (continued)</b>								
Ms Hong Yu	1,000,000	-	1,000,000	13 January 2021	16 January 2022 to 12 January 2031	0.560	(i) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2022; (ii) (iii) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2023; (iv) (v) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2024; (vi) (vii) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2025; and (viii) The remaining one-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2026.	0.560
	800,000	-	800,000	30 September 2022	1 October 2023 to 30 September 2032	0.572	(i) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2023; (ii) (iii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2024; (iv) (v) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2025; and (vi) The remaining one-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2026.	0.540
	7,800,000	(2,150,000)	5,650,000					





32. SHARE OPTION SCHEMES  
(continued)

32.

Share Option Schemes (continued)

Name or category of participant	Number of share options					Date of grant of share options	Exercise period of share options	Exercise price of share options	Vesting period	Closing price of the shares of the Company immediately before the date on which options were granted
	At 1 January 2023	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2023					
							HK\$ per share			
Other employees in aggregate (each not exceeding the 1% individual limit) (continued) 1%	12,600,000	-	(1,517,000)	-	11,083,000	19 July 2019	1 August 2020 to 18 July 2029	1.280	(i) One-third of the total number of the share options granted are exercisable at any time on or after 1 August 2020; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 1 August 2021; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 1 August 2022.	0.610
	1,200,000	-	(200,000)	-	1,000,000	3 April 2020	16 April 2021 to 2 April 2030	0.600	(i) One-third of the total number of the share options granted are exercisable at any time on or after 16 April 2021; (ii) One-third of the total number of the share options granted are exercisable at any time on or after 16 April 2022; and (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 16 April 2023.	0.480
	3,000,000	-	-	-	3,000,000	13 January 2021	16 January 2022 to 12 January 2031	0.560	(i) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2022; (ii) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2023; (iii) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2024; (iv) One-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2025; and (v) The remaining one-fifth of the total number of the share options granted are exercisable at any time on or after 16 January 2026.	0.560

# Notes to Financial Statements

31 December 2023

## 32. SHARE OPTION SCHEMES (continued)

32.

### Share Option Schemes (continued)

Name or category of participant	Number of share options									
	At 1 January 2023	Granted during the year								
	13,050,000	-	(1,683,000)	(451,000)	10,916,000	2 September 2021	16 September 2022 to 1 September 2031	0.910	(i) One-third of the total number of the share options granted are exercisable at any time on or after 16 September 2022; (ii) (ii) One-third of the total number of the share options granted are exercisable at any time on or after 16 September 2023; and (iii) (iii) The remaining one-third of the total number of the share options granted are exercisable at any time on or after 16 September 2024. (iv)	0.840
	34,200,000	-	(648,000)	(3,100,000)	30,452,000	30 September 2022	1 October 2023 to 30 September 2032	0.572	(i) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2023; (ii) (ii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2024; (iii) (iii) One-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2025; and (iv) (iv) The remaining one-fourth of the total number of the share options granted are exercisable at any time on or after 1 October 2026. (v)	0.540
	73,680,000	-	(5,886,000)	(3,551,000)	64,243,000					
	81,480,000	-	(8,036,000)	(3,551,000)	69,893,000					





## 32. SHARE OPTION SCHEMES 32. (continued)

### Share Option Schemes (continued)

The exercise prices and exercise periods of the share options outstanding at 31 December 2023 are as follows:

Number of options	Exercise price per share	Exercise period
3,847,000	HK\$1.020 1.020	1 December 2017 to 21 November 2026
1,446,000	HK\$1.760 1.760	1 June 2018 to 24 May 2027
3,099,000		

## Notes to Financial Statements

31 December 2023

### 32. SHARE OPTION SCHEMES (continued)

#### Share Option Schemes (continued)

No share options were granted during the year ended 31 December 2023 (2022: 37,500,000). Accordingly, the number of shares that may be issued in respect of options granted during the year was nil (2022: 37,500,000).

The 8,036,000 share options exercised during the year resulted in the issue of 8,036,000 ordinary shares of the Company and additional share capital of HK\$803,600 (equivalent to RMB721,000) and share premium of HK\$7,233,000 (equivalent to RMB6,472,000), before an amount of HK\$3,155,000 (equivalent to RMB2,825,000) was transferred from the share option reserve to share premium upon the exercise of the share options.

At the end of the reporting period, the Company had outstanding share options for the subscription of 69,893,000 shares under all schemes of the Company, which represented approximately 5.12% of the issued share capital of the Company as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 69,893,000 additional ordinary shares of the Company and additional share capital of HK\$6,989,000 (equivalent to RMB6,334,000) and share premium of HK\$50,890,000 (equivalent to RMB46,118,000), before related issuance expenses.

At the date of approval of these financial statements, the Company had 68,992,000 share options outstanding under all schemes of the Company, which represented approximately 5.05% of the Company's shares in issue as at that date.

### 32.

		37,500,000
		37,500,000
	8,036,000	
	8,036,000	803,600
	721,000	
	7,233,000	6,472,000
	(	
	3,155,000	2,825,000
	)	
		69,893,000
	5.12%	69,893,000
		6,334,000
	6,989,000	
	50,890,000	
	46,118,000	
		68,992,000
	5.05%	





33.

	10%
	50%
	25%
229,229,000	304,548,000



# Notes to Financial Statements

31 December 2023

## 33. RESERVES (continued)

33.

### Share option reserve

Details of the Company's share option schemes and the share options issued under the schemes are included in note 32 to the financial statements.

32

### Fair value reserve

The fair value reserve comprises the fair value differences arising from the revaluation for the equity investments designated at fair value through other comprehensive income and debt investments designated at fair value through other comprehensive income.

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

34.

### (a) Major non-cash transactions

(a)

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB26,449,000 (2022: RMB22,706,000) and RMB26,449,000 (2022: RMB22,706,000), respectively, in respect of lease arrangements for property, machinery and other equipment.

26,449,000  
22,706,000

26,449,000  
22,706,000





### 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

34.

#### (b) Changes in liabilities arising from financing activities

(b)

2023

		Bank and other loans	Lease liabilities	Convertible bonds
		RMB'000	RMB'000	RMB'000
At 1 January 2023		2,710,087	29,171	–
Changes from financing cash flows		1,450,497	(14,938)	80,262
Equity component of convertible bonds		–	–	(26,623)
Acquisition from subsidiaries	37	283,564	3,113	–
(note 37)				
New leases		–	26,449	–
Foreign exchange movement		13,215	603	2,019
Interest expense		–	2,744	10,055
Interest paid		–	–	(4,581)
At 31 December 2023		4,457,363	47,142	61,132

# Notes to Financial Statements

31 December 2023

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

34.

### (b) Changes in liabilities arising from financing activities *(continued)*

(b)

2022

	Bank and other loans	Lease liabilities
	RMB'000	RMB'000
At 1 January 2022	2,372,206	20,468
Changes from financing cash flows	241,980	(6,517)
Acquisition from subsidiaries	1,740	–
New leases	–	22,706
Foreign exchange movement	94,161	249
Interest expense	–	1,597
Revision of a lease term arising from a change in the non- cancellable period of a lease	–	(9,332)





### 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

34.

#### (c) Total cash outflow for leases

(c)

The total cash outflow for leases included in the statement of cash flows is as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Within operating activities	<b>33,662</b>	14,028
Within investing activities	<b>5,538</b>	81,555
Within financing activities	<b>14,938</b>	6,517
<b>Total</b>	<b>54,138</b>	102,100

# Notes to Financial Statements

31 December 2023

## 35. PLEDGE OF ASSETS

## 35.

		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 14)	(note 25)	(note 20)	(note 21)	
		16	14	25	20	21	
<b>31 December 2023</b>							
Interest-bearing bank borrowings (note 28)	28	106,835	534,260	25,766	100,000	410,880	1,177,741
Bills payable (note 26)	26	-	-	597,220	-	-	597,220
Issue of letters of credit		-	-	342,781	-	-	342,781
		<b>106,835</b>	<b>534,260</b>	<b>965,767</b>	<b>100,000</b>	<b>410,880</b>	<b>2,117,742</b>
<b>31 December 2022</b>							
Interest-bearing bank borrowings (note 28)	28	45,859	734,964	5,397	100,000	407,147	1,293,367
Bills payable (note 26)	26	-	-	415,947	-	-	415,947
Issue of letters of credit		-	-	372,462	-	-	372,462
		<b>45,859</b>	<b>734,964</b>	<b>793,806</b>	<b>100,000</b>	<b>407,147</b>	<b>2,081,776</b>





## 36.COMMITMENTS

## 36.

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

(a)

	2023	2022
	RMB'000	RMB'000
Land and buildings	277	2,866
Capital contribution for financial assets at fair value through profit or loss	72,500	2,500
<b>Total</b>	<b>72,777</b>	<b>5,366</b>

## 37.BUSINESS COMBINATION

## 37.

### The acquisition of Tianjin GS and Shunde Yuasa (the “first acquisition”)

On 25 July 2023, Leoch Battery Company (the “**Buyer**”), a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties (the “**Sellers**”) in relation to the proposed acquisition of 70% of the registered capital of Tianjin GS and Shunde Yuasa (which together with Tianjin GS are collectively referred to as the “**Target Companies**”). On 25 September 2023, the Sellers and the Buyer entered into a Supplemental Agreement, and the consideration was adjusted to an amount equal to 70% of the total net asset value of the Target Companies as at 31 October 2023.

Leoch Battery Company Limited

70%

70%

# Notes to Financial Statements

31 December 2023

## 37. BUSINESS COMBINATION *(continued)*

37.

### The acquisition of Tianjin GS and Shunde Yuasa (the “first acquisition”) *(continued)*

The consideration for the first acquisition shall be paid in installments, with RMB60.0 million shall be paid at completion, RMB60.0 million shall be paid on or before the end of the first month following the date of Completion; and the remaining consideration shall be paid on or before the first anniversary of the date of completion. In addition, after the third anniversary of completion, the Sellers may exercise a put option and require the Buyer to purchase an additional 10% of the registered capital of the two or any of the Target Companies. The purchase price of such additional equity interests shall be prorated based on the audited net assets of the two or any of the Target Companies (as the case may be) as of 31 October 2023 or the consideration for the transaction.

60.0

60.0

10%

As a result of the above transactions, the Buyer obtained control over Target Companies, which then became subsidiaries of the Company on 31 October 2023.





### 37. BUSINESS COMBINATION (continued)

37.

#### The acquisition of Tianjin GS and Shunde Yuasa (the “first acquisition”) (continued)

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

	Fair value recognised on acquisition (Tianjin GS)	Fair value recognised on acquisition (Shunde Yuasa)
	RMB'000	RMB'000
Total non-current assets	380,761	169,543
Total current assets	291,923	160,431
Total current liabilities	(422,952)	(61,936)
Total non-current liabilities	(23,758)	(18,082)
Total identifiable net assets at fair value	225,974	249,956
Non-controlling interests	(67,792)	(74,987)
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	(39,127)	(31,435)
Satisfied by:		
Cash	114,174	137,650
Contingent consideration	4,881	5,884
Total consideration	119,055	143,534



# Notes to Financial Statements

31 December 2023

## 37. BUSINESS COMBINATION (continued)

37.

### The acquisition of Tianjin GS and Shunde Yuasa (the “first acquisition”) (continued)

Since the acquisition, the Target Companies contributed RMB281,909,000 to the Group’s turnover and net profit of RMB2,103,000 to the consolidated profit for the year ended 31 December 2023.

281,909,000  
2,103,000

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 RMB14,289,686,000 and RMB508,230,000 respectively.

14,289,686,000  
508,230,000

### The acquisition of Tianjin Juli Material Technology Co., Ltd. (the “second acquisition”)

On 10 November 2023, Anhui Uplus New Energy, a subsidiary of the Company, entered into an agreement with three independent third parties, Toho Zinc Co., LTD., GS Yuasa International Limited and Hakua Trading Co., LTD. (hereinafter referred to as “**Seller 1**”, “**Seller 2**” and “**Seller 3**” respectively, collectively referred to as the “Sellers”) to acquire a total of 93.2973% equity interest of Tianjin TOHO LEAD Recycling Co., Ltd. (later renamed to Tianjin JuLi Material Technology Co., LTD., “**Tianjin JuLi**”), with a consideration of RMB3 and RMB1 for each of the three sellers. The agreement also stipulates that Tianjin JuLi will be exempted from repaying the debts owed to Seller 1 and Seller 2, totaling about RMB140 million, after the signing date. The group will be responsible for the handling of Tianjin JuLi ‘s employees.

GS Yuasa International Limited  
Hakua Trading Co., LTD.

	<b>1</b>	<b>2</b>	<b>3</b>		
93.2973%					
	1		3		
				1	2
				140	





### 37. BUSINESS COMBINATION 37. (continued)

#### The acquisition of Tianjin Juli Material Technology Co., Ltd. (the “second acquisition”) (continued)

	<b>Fair value recognised on acquisition</b>
	RMB'000
<hr/>	
Total non-current assets	86,675
Total current assets	33,117
Total current liabilities	(114,288)
<hr/>	
Total identifiable net assets at fair value	5,504
Non-controlling interests	(231)
<hr/>	
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	(5,273)
<hr/>	
Satisfied by:	
Cash	—
<hr/> <hr/>	

# Notes to Financial Statements

31 December 2023

## 37. BUSINESS COMBINATION (continued)

37.

### The acquisition of Tianjin Juli Material Technology Co., Ltd. (the “second acquisition”) (continued)

Since the acquisition, Tianjin JuLi contributed Nil to the Group’s turnover and net loss of RMB3,957,000 to the consolidated profit for the year ended 31 December 2023.

3,957,000

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 RMB13,606,421,000 and RMB418,530,000 respectively.

418,530,000

13,606,421,000

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

RMB’000

---

Cash consideration	(251,824)
Cash consideration not paid yet	131,824
Cash and bank balances acquired	182,776

---

Net inflow of cash and cash equivalents included in cash flows from investing activities	62,776
--	--------

---





### 38. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

### 38.

- (a)

	Notes	2023 RMB'000	2022 RMB'000
<b>Purchases of raw materials from related companies</b>			
Related companies owned by Dr. Dong Li and his associates	(i)	44,271	36,357
<b>Sales of products to related companies</b>			
Related companies owned by Dr. Dong Li and his associates	(i)	74,299	100,635
<b>Interest expense to related parties</b>			
Non-controlling shareholders of subsidiaries	38(b)(i)	87	307

Note:

- (i) The purchases of raw materials and sales of products with the related companies were made according to prices mutually agreed between the parties on terms not less favourable to the Group than terms available to or from (as appropriate) independent third parties.

(i)

The related party transactions in respect of the purchases of raw materials and sales of products above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

A

# Notes to Financial Statements

31 December 2023

## 38. RELATED PARTY TRANSACTIONS *(continued)*

38.

### (b) Outstanding balances with related parties:

(b)

	Notes	Due from related parties		Due to related parties	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Current:</b>					
Non-controlling shareholders of subsidiaries	(i)	-	-	99,758	72,371
Related companies owned by Dr. Dong Li and his associates	(ii)	7,492	26,028	32,048	44,833
		<b>7,492</b>	<b>26,028</b>	<b>131,806</b>	<b>117,204</b>

Notes:

- (i) As at 31 December 2023, a loan amounting to RMB8,000,000 (2022: RMB4,000,000) from non-controlling shareholders of a subsidiary was unsecured, bore interest rate at 4.35% (2022: 6.60%) per annum and had no fixed terms of repayment. A loan amounting to RMB90,500,000 (2022: RMB67,200,000) from a non-controlling shareholder of a subsidiary was unsecured, interest-free and had no fixed terms.
- (ii) As at 31 December 2023 and 2022, all balances with the related companies owned by Dr. Dong Li and his associates were traded in nature, unsecured, interest-free and had no fixed terms of repayment.



### 38. RELATED PARTY TRANSACTIONS *(continued)*

38.

#### (c) Compensation of key management personnel of the Group:

(c)

	2023	2022
	RMB'000	RMB'000
Basic salaries and other benefits	9,616	9,225
Equity-settled share option expenses	870	778
Pension scheme contributions	211	174
	<b>10,697</b>	10,177

Further details of directors' emoluments are included in note 9 to the financial statements.

9

## Notes to Financial Statements

31 December 2023

### 39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**2023**

#### Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		Total
	Mandatorily designated as such	Debt investments	Equity investments	Financial assets at amortised cost	
	RMB'000	RMB'000	RMB'000	RMB'000	
Equity investments designated at fair value through other comprehensive income	–	–	11,967	–	11,967
Debt investments at fair value through other comprehensive income	–	189,258	–	–	189,258
Trade receivables	–	–	–	3,247,241	3,247,241
Financial assets included in prepayments, other receivables and other assets	–	–	–	283,656	283,656
Financial assets at fair value through profit or loss	328,579	–	–	–	328,579
Pledged deposits	–	–	–	965,767	965,767
Cash and cash equivalents					



### 39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

#### Financial liabilities

	Financial liabilities at fair value through profit or loss		
		Financial liabilities at amortised cost	Total
	Mandatorily designated as such		
	RMB'000	RMB'000	RMB'000
Trade and bills payables	-	3,003,992	3,003,992
Financial liabilities included in other payables and accruals	-	522,105	522,105
Lease liabilities	-	47,142	47,142
Financial liabilities at fair value through profit or loss	10,340	-	10,340
Interest-bearing bank borrowings	-	4,518,495	4,518,495
<b>Total</b>	<b>10,340</b>	<b>8,091,734</b>	<b>8,102,074</b>



## Notes to Financial Statements

31 December 2023

### 39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2022 (Restated)

#### Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		Financial assets at amortised cost	Total
	Mandatorily designated as such	Debt investments	Equity investments		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income	-	-	11,834	-	11,834
Debt investments at fair value through other comprehensive income	-	161,405	-	-	161,405
Trade receivables	-	-	-	2,736,224	2,736,224
Financial assets included in prepayments, other receivables and other assets	-	-	-	125,487	125,487
Financial assets at fair value through profit or loss	295,161	-	-	-	295,161
Pledged deposits	-	-	-	793,806	793,806
Cash and cash equivalents	-	-	-	436,194	436,194
<b>Total</b>	<b>295,161</b>	<b>161,405</b>	<b>11,834</b>	<b>4,091,711</b>	<b>4,560,111</b>



### 39. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

#### Financial liabilities

	Financial liabilities at fair value through profit or loss			
		Mandatorily designated as such	Financial liabilities at amortised cost	Total
		RMB'000	RMB'000	RMB'000
Trade and bills payables	–	–	2,361,044	2,361,044
Financial liabilities included in other payables and accruals	–	–	322,700	322,700
Lease liabilities	–	–	29,171	29,171
Financial liabilities at fair value through profit or loss	13	13	–	13
Interest-bearing bank borrowings	–	–	2,710,087	2,710,087
<b>Total</b>	<b>13</b>	<b>13</b>	<b>5,423,002</b>	<b>5,423,015</b>

# Notes to Financial Statements

31 December 2023

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.





#### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of the non-current portion of interest-bearing bank borrowings approximate to their amortised costs which have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2023 were assessed to be insignificant.

The fair values of unlisted equity investments at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") multiple and price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

40.

**EBITDA****P/E****EV/**

### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

The fair values of unlisted equity investments designated at fair value through other comprehensive income and certain investment at fair value through profit or loss have been estimated using the asset-based approach. The assets of the unlisted company include cash and cash equivalents, short-term principal-protected investment and investments in portfolio companies. Management has assessed that the fair values of cash and cash equivalents, the short-term principal-protected investment and the liabilities approximate to their carrying amounts with consideration of the nature and the short-term maturities of these instruments. The fair values of the investments in portfolio companies are estimated using different valuation methodologies according to the nature of individual investments, such as the trading price of listed shares, price of recent investments, market multiples and the discounted cash flow method.

The fair values of debt investments at fair value through other comprehensive income, which are bills receivable, have been estimated using a discounted cash flow valuation model based on the interest rate yield curve.

The Group invests in other unlisted investments, which represent the right to receive the proceeds from future sales of the properties. The Group has estimated the fair values of these unlisted investments by using a market-based valuation technique based on the selling price of comparable properties.

The Group enters derivative financial instruments with various counterparties, principally financial institutions with good credit ratings. Derivative financial instruments, including commodity future and option contracts, are based on quoted market prices.





40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

**Fair value hierarchy**

## Notes to Financial Statements

31 December 2023

### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

#### Fair value hierarchy *(continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	2023	2022
	RMB'000	RMB'000
		(Restated)
At 1 January	<b>255,044</b>	182,680
Total losses recognised in other comprehensive income	<b>(17)</b>	(65)
Total gains recognised in profit or loss	<b>5,876</b>	51,004
Additions	<b>60,000</b>	20,000
Disposals	<b>(6,066)</b>	(468)
Exchange realignment	<b>349</b>	1,893
At 31 December	<b>315,186</b>	255,044



## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

### Fair value hierarchy *(continued)*

*Liabilities measured at fair value*

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	1 RMB'000	2 RMB'000	3 RMB'000	
<b>2023</b>				
Financial liabilities at fair value through profit or loss	-	-	10,340	10,340
<b>2022</b>				
Financial liabilities at fair value through profit or loss	13	-	-	13

As at 31 December 2023 and 2022, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.







## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

41.

### Interest rate risk *(continued)*

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
		RMB'000	RMB'000
<b>2023</b>			
US\$	50	(2,500)	-
US\$	(50)	2,500	-
HKD	50	(2,278)	-
HKD	(50)	2,278	-
<b>2022</b>			
RMB	50	(118)	-
RMB	(50)	118	-
US\$	50	(2,357)	-
US\$	(50)	2,357	-
MYR	50	(55)	-
MYR	(50)	55	-
HKD	50	(1,626)	-
HKD	(50)	1,626	-

\* Excluding retained profits

\*

# Notes to Financial Statements

31 December 2023

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group operates in Hong Kong, the United States, Singapore, Malaysia and Chinese Mainland. For companies in Chinese Mainland, their principal activities are transacted in RMB. For other companies outside of Chinese Mainland, their principal activities are transacted in currencies other than the units' functional currencies. Approximately 42% (2022: 42%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 58% (2022: 58%) of costs were denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	2023	2022
41.	42%	42%
	58%	58%





## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

41.

### Foreign currency risk *(continued)*

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	RMB'000	RMB'000
<b>2023</b>			
If RMB weakens against US\$	5	23,786	-
If RMB strengthens against US\$	(5)	(23,786)	-
If RMB weakens against HK\$	5	(567)	-
If RMB strengthens against HK\$	(5)	567	-
If RMB weakens against EUR\$	5	9,481	-
If RMB strengthens against EUR\$	(5)	(9,481)	-
<b>2022</b>			
If RMB weakens against US\$	5	17,887	-
If RMB strengthens against US\$	(5)	(17,887)	-
If RMB weakens against HK\$	5	(15,377)	-
If RMB strengthens against HK\$	(5)	15,377	-
If RMB weakens against EUR\$	5	260	-
If RMB strengthens against EUR\$	(5)	(260)	-

\* Excluding retained profits

\*

# Notes to Financial Statements

31 December 2023

41.





## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

41.

### Credit risk *(continued)*

*Maximum exposure and year-end staging (continued)*

**As at 31 December 2023**

	12-month	Lifetime ECLs			Total
	ECLs				
	12	Stage 1	Stage 2	Stage 3	
	Stage 1	Stage 2	Stage 3	approach	
	1	2	3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	3,247,241	3,247,241
Financial assets included in prepayments, other receivables and other assets	283,657	-	-	-	283,657
Pledged deposits	965,767	-	-	-	965,767
Cash and cash equivalents	1,563,343	-	-	-	1,563,343
	<b>2,812,767</b>	-	-	<b>3,247,241</b>	<b>6,060,008</b>

# Notes to Financial Statements

31 December 2023

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

41.

### Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs		Lifetime ECLs		Total
	12				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	1	2	3		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	-	-	-	2,736,224	2,736,224
Financial assets included in prepayments, other receivables and other assets	125,487	-	-	-	125,487
Pledged deposits	793,806	-	-	-	793,806
Cash and cash equivalents	436,194	-	-	-	436,194
	1,355,487	-	-	2,736,224	4,091,711

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21.

\* 21

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

21



## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

41.

### **Credit risk *(continued)***

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

### **Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.



# Notes to Financial Statements

31 December 2023

41.





## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

41.

### Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	2023	2022
	RMB'000	RMB'000
Interest-bearing bank borrowings	<b>4,457,363</b>	2,710,087
Total assets	<b>14,095,244</b>	10,494,395
Gearing ratio	<b>32%</b>	26%

# Notes to Financial Statements

31 December 2023

## 42. TRANSFERS OF FINANCIAL ASSETS

### Transferred financial assets that are not derecognised in their entirety

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the “**Factoring Arrangement**”) and transferred certain trade receivables to banks. The Group is exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Factoring Arrangement that have not been settled as at 31 December 2023 amounted to RMB410,880,000 (2022: RMB407,147,000). The carrying amount of the assets that the Group continued to recognise as at 31 December 2023 was RMB410,880,000 (2022: RMB407,147,000) and that of the associated liabilities as at 31 December 2023 was RMB327,160,000 (2022: RMB300,102,000), which were recognised as collateralised bank advances, secured (note 28).

	410,880,000
	407,147,000
	410,880,000
	407,147,000
	327,160,000
	300,102,000
	28





## 42. TRANSFERS OF FINANCIAL ASSETS *(continued)*

### Financial assets that are derecognised in their entirety

During the years ended 31 December 2023 and 2022, the Group factored trade receivables to a bank on a non-recourse basis for cash. In the opinion of the directors, the Group has transferred substantially all risks and rewards associated with the factored trade receivables. Accordingly, the Group derecognised the full carrying amount of the trade receivables factored. The carrying amount of the trade receivables derecognised as at 31 December 2023 was RMB67,076,000 (2022: RMB61,056,000).

67,076,000  
61,056,000

## 43. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures. The Directors consider that such presentation would provide a more direct comparison to better reflect the financial performance of the Group.

## Notes to Financial Statements

31 December 2023

### 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

44.

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023	2022
	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	<b>1,124,463</b>	1,492,181
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	<b>837</b>	6,333
Financial assets at fair value through profit or loss	<b>76</b>	136
Total current assets	<b>913</b>	6,469
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	<b>3,222</b>	377
Interest-bearing bank borrowings	-	276,843
Total current liabilities	<b>3,222</b>	277,220
<b>NET CURRENT LIABILITIES</b>	<b>(2,309)</b>	(270,751)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,122,154</b>	1,221,430
<b>NON-CURRENT LIABILITIES</b>		
Convertible bonds	<b>61,132</b>	-
<b>Net assets</b>	<b>1,061,022</b>	1,221,430
<b>EQUITY</b>		
Issued capital	<b>116,971</b>	116,250
Equity component of convertible bonds	<b>26,623</b>	-
Reserves (note)	<b>917,428</b>	1,105,180
<b>Total equity</b>	<b>1,061,022</b>	1,221,430



# Notes to Financial Statements

31 December 2023



## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account	Shareholders' contribution	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	1,149,365	337,830	37,932	(44,313)	(299,914)	1,180,900
Loss and total comprehensive loss for the year	-	-	-	-	(196,577)	(196,577)
Exercise of share options	136	-	(54)	-	-	82
Lapse of the share options	-	-	(25,745)	-	25,745	-
Exchange differences on translation of foreign operations	-	-	-	115,859	-	115,859
Equity-settled share option arrangements	-	-	4,916	-	-	4,916
At 31 December 2022 and 1 January 2023	<b>1,149,501</b>	<b>337,830</b>	<b>17,049</b>	<b>71,546</b>	<b>(470,746)</b>	<b>1,105,180</b>
Loss and total comprehensive loss for the year	-	-	-	-	(55,110)	(55,110)
Exercise of share options	9,297	-	(2,825)	-	-	6,472
Exchange differences on translation of foreign operations	-	-	-	27,538	-	27,538
Dividends paid	-	-	-	-	(171,660)	(171,660)
Equity-settled share option arrangements	-	-	5,008	-	-	5,008
At 31 December 2023	<b>1,158,798</b>	<b>337,830</b>	<b>19,232</b>	<b>99,084</b>	<b>(697,516)</b>	<b>917,428</b>



# Five Year Financial Summary



A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below:

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Restated	Restated	Restated	Restated
<b>RESULTS</b>					
<b>REVENUE</b>	<b>13,471,235</b>	12,845,859	11,303,125	9,631,362	8,362,722
Cost of sales	<b>(11,527,528)</b>	(11,251,085)	(9,793,419)	(8,443,083)	(7,347,336)
Gross profit	<b>1,943,707</b>	1,594,774	1,509,706	1,188,279	1,015,386
Other income and gains	<b>240,766</b>	292,494	92,997	108,360	208,187
Selling and distribution expenses	<b>(464,279)</b>	(389,151)	(586,076)	(481,179)	(392,029)
Administrative expenses	<b>(446,084)</b>	(333,676)	(306,212)	(266,359)	(273,530)
Research and development costs	<b>(371,868)</b>	(382,868)	(239,446)	(172,720)	(119,347)
Impairment losses on assets	<b>4,134</b>	(27,516)	(23,761)	(20,675)	(6,013)
Other expenses	<b>(38,968)</b>	(14,443)	(102,594)	(36,427)	(41,717)
Finance costs	<b>(223,554)</b>	(156,222)	(143,874)	(158,180)	(197,772)
<b>PROFIT BEFORE TAX</b>	<b>643,854</b>	583,392	200,740	161,099	193,165
Income tax expense	<b>(76,018)</b>	(80,648)	(24,566)	(13,357)	(38,706)
<b>PROFIT FOR THE YEAR</b>	<b>567,836</b>	502,744	176,174	147,742	154,459
Profit for the year attributable to:					
Owners of the parent	<b>535,372</b>	481,075	145,571	133,510	159,512
Non-controlling interests	<b>32,464</b>	21,669	30,603	14,232	(5,053)
	<b>567,836</b>	502,744	176,174	147,742	154,459



## Five Year Financial Summary

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>TOTAL ASSETS</b>	<b>14,095,244</b>	10,494,395	9,596,131	9,072,832	8,671,526
<b>TOTAL LIABILITIES</b>	<b>(9,506,604)</b>	(6,458,160)	(6,017,066)	(5,672,896)	(5,397,337)
<b>NON-CONTROLLING INTERESTS</b>	<b>(389,478)</b>	(213,957)	(192,428)	(160,310)	(156,443)
	<b>4,199,162</b>	3,822,278	3,386,637	3,239,626	3,117,746



