CHINA LESSO GROUP HOLDINGS LIMITED

中國聯塑集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2128)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board is pleased to announce the consolidated financial results of the Group for the six months ended 30 June 2023.

HIGHLIGHTS

Compared to the financial results for the six months ended 30 June 2022:

- Revenue increased by 2.7% to RMB15,297 million
- Gross profit increased by 8.0% to RMB4,259 million
- Profit for the period increased by 10.1% to RMB1,436 million
- Basic earnings per share was RMB0.49, increased by 16.7%
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Six months ended 30 June 2023

	Note	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
REVENUE	3	**15,296,931**	14,889,613
Cost of sales		**(11,037,793)**	(10,946,918)
Gross profit		**4,259,138**	3,942,695
Other revenue, income and gains	3	**354,415**	228,365
Selling and distribution expenses		**(730,599)**	(665,952)
Administrative expenses		**(801,367)**	(749,073)
Impairment losses on financial and contract assets		**(365,963)**	(103,679)
Other expenses		**(641,717)**	(894,876)
Finance costs	4	**(530,944)**	(262,168)
Share of results of associates		**139,975**	61,671
Share of results of joint ventures		**(2,432)**	1,045
PROFIT BEFORE TAX	5	**1,680,506**	1,558,028
Income tax expense	6	**(244,907)**	(254,407)
PROFIT FOR THE PERIOD		**1,435,599**	1,303,621
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax		**(1,348)**	(75,980)
Share of other comprehensive income of an associate, net of tax		**39**	(7,127)
Exchange differences on translation of foreign operations		**237,795**	(332,162)
		236,486	(415,269)

	Note	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**(57,570)**	(195,653)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**178,916**	(610,922)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,614,515**	692,699
Profit for the period attributable to:			
Owners of the Company		**1,493,672**	1,296,710
Non-controlling interests		**(58,073)**	6,911
		1,435,599	1,303,621
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,650,364**	682,968
Non-controlling interests		**(35,849)**	9,731
		1,614,515	692,699
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	*8*	**RMB0.49**	RMB0.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	**30 June 2023 RMB'000 (Unaudited)**	31 December 2022 RMB'000 (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**14,407,139**	13,882,250
Right-of-use assets		**3,255,433**	2,474,880
Investment properties		**9,346,900**	8,027,487
Deposits paid for the purchase of land, property, plant and equipment		**1,364,127**	1,986,003
Goodwill		**540,093**	541,878
Other intangible assets		**426,463**	438,833
Interests in associates		**4,702,108**	2,696,897
Interests in joint ventures		**20,559**	14,191
Other financial assets	*9*	**1,963,433**	2,602,197
Loan receivables	*10*	**31,447**	42,473
Other non-current assets		**1,814,910**	1,689,328
Contract assets		**41,964**	42,284
Deferred tax assets		**608,757**	572,255
Total non-current assets		**38,523,333**	35,010,956
CURRENT ASSETS			
Inventories	*11*	**6,803,096**	6,499,986
Contract assets		**472,461**	553,288
Other financial assets	*9*	**53,538**	682,907
Loan receivables	*10*	**1,093,636**	1,096,843
Trade and bills receivables	*12*	**5,054,546**	4,873,943
Prepayments, deposits and other receivables		**2,717,170**	2,924,308
Cash and bank deposits		**7,109,807**	7,361,770
Total current assets		**23,304,254**	23,993,045

	Note	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited) (Restated)
CURRENT LIABILITIES			
Contract liabilities		**1,346,406**	3,489,765
Trade and bills payables	*13*	**8,981,712**	8,036,239
Other payables and accruals		**1,874,602**	2,182,777
Tax payable		**405,731**	367,752
Borrowings	*14*	**8,307,806**	7,257,639
Lease liabilities		**144,355**	107,670
Other financial liabilities		**6,720**	5,230
Total current liabilities		**21,067,332**	21,447,072
NET CURRENT ASSETS		**2,236,922**	2,545,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**40,760,255**	37,556,929
NON-CURRENT LIABILITIES			
Borrowings	*14*	**14,458,010**	12,778,043
Lease liabilities		**1,219,670**	470,736
Other long-term payables		**5,184**	8,903
Provision for long-term employee benefits		**6,738**	6,387
Deferred tax liabilities		**1,386,961**	1,407,648
Deferred income		**231,657**	244,126
Total non-current liabilities		**17,308,220**	14,915,843
Net assets		**23,452,035**	22,641,086
EQUITY			
Share capital	*15*	**135,344**	135,344
Reserves		**22,525,567**	21,707,065
Equity attributable to owners of the Company		**22,660,911**	21,842,409
Non-controlling interests		**791,124**	798,677
Total equity		**23,452,035**	22,641,086

Note:

1.1 BASIS OF PREPARATION

These condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for investment properties, other financial assets and other financial liabilities which have been measured at fair value. These condensed consolidated financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 1.2 below.

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current period's condensed consolidated financial statements.

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Other than as explained below regarding the impact of amendments to HKAS 12, the application of these new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements:

(a) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 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 it is probable that sufficient taxable profit will be available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that it is probable that sufficient taxable profit will be available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the condensed consolidated statement of financial position:

			Increase	
	Note	**As at 30 June 2023** ***RMB'000***	As at 31 December 2022 *RMB'000*	As at 1 January 2022 *RMB'000*
Assets				
Deferred tax assets	*(i)*	**56,457**	51,397	45,641
Total non-current assets		**56,457**	51,397	45,641
Total assets		**56,457**	51,397	45,641
Liabilities				
Deferred tax liabilities	*(i)*	**41**	106	–
Total non-current liabilities		**41**	106	–
Total liabilities		**41**	106	–
Net assets		**56,416**	51,291	45,641
Equity				
Retained profits (included in reserves)		**52,840**	48,156	44,233
Equity attributable to owners of the Company		**52,840**	48,156	44,233
Non-controlling interests		**3,576**	3,135	1,408
Total equity		**56,416**	51,291	45,641

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the condensed consolidated statement of profit or loss:

	Increase For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Income tax credit	**5,125**	2,121
Profit for the period	**5,125**	2,121
Attributable to:		
Owners of the Company	**4,684**	1,536
Non-controlling interests	**441**	585
	5,125	2,121
Total comprehensive income for the period	**5,125**	2,121
Attributable to:		
Owners of the Company	**4,684**	1,536
Non-controlling interests	**441**	585
	5,125	2,121

The adoption of amendments to HKAS 12 did not have any impact on other comprehensive income and the condensed consolidated statement of cash flows for the six months ended 30 June 2023 and 2022.

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

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of building materials and home improvement products; sale of products and provision of services relating to new energy business; the provision of renovation and installation works, environmental engineering and other related services, logistics and other related services, financial services and property rental and other related services. For management purposes, the Group's businesses are organised by geographical areas based on the location of the customers and assets are attributable to the geographical unit based on the location of the assets. The Group has eight reportable operating segments as follows:

(i) Southern China, including Guangdong Province, Guangxi Zhuang Autonomous Region, Hunan Province, Fujian Province and Hainan Province;

(ii) Southwestern China, including Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province and Xizang (Tibet) Autonomous Region;

(iii) Central China, including Hubei Province, Jiangxi Province and Henan Province;

(iv) Eastern China, including Shanghai Municipality, Jiangsu Province, Zhejiang Province and Anhui Province;

(v) Northern China, including Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province, Inner Mongolia Autonomous Region and Shanxi Province;

(vi) Northwestern China, including Shaanxi Province, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province and Xinjiang Uygur Autonomous Region;

(vii) Northeastern China, including Liaoning Province, Jilin Province and Heilongjiang Province; and

(viii) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, changes in fair value of investment properties, changes in fair value of financial instruments at FVTPL, changes in fair value of other financial liabilities, gain on early repayment of convertible loans, investment income, gain on disposal of a subsidiary, gain on disposal of an associate, gain from a bargain purchase, exchange differences, non-lease-related finance costs, share of results of associates and joint ventures and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude interests in associates, interests in joint ventures, other financial assets, deferred tax assets, cash and bank deposits and other unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue from external customers is derived from its operations in mainland China, special administrative regions of PRC and foreign countries.

During the six months ended 30 June 2023 and 2022, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

	Southern China *RMB'000*	Southwestern China *RMB'000*	Central China *RMB'000*	Eastern China *RMB'000*	Northern China *RMB'000*	Northwestern China *RMB'000*	Northeastern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2023										
Segment revenue:										
Sale of goods relating to building materials and home improvement business	6,210,667	1,355,626	1,482,514	967,562	1,184,528	964,358	390,837	612,531	-	13,168,623
Sale of goods and services income relating to new energy business	131,584	25,362	516,369	27,674	1,019	12,553	240	24,022	-	738,823
Contract revenue from renovation and installation works	453,701	8,523	36,224	74,125	19,707	14,454	4,844	33,081	-	644,659
Income from environmental engineering and other related services	56,343	5,546	17,506	60,468	309	62	150	35,240	-	175,624
Logistics and other related services	66,913	-	4	22,473	12	1	-	378,156	-	467,559
Financial service income	24,498	445	313	239	70	38	41	-	-	25,644
Property rental and other related services	8,035	12	5	532	46	-	-	67,369	-	75,999
Revenue from external customers	6,951,741	1,395,514	2,052,935	1,153,073	1,205,691	991,466	396,112	1,150,399	-	15,296,931
Intersegment revenue	2,879,976	223,085	230,974	188,644	250,691	147,624	63,435	512,542	(4,496,971)	-
Total	9,831,717	1,618,599	2,283,909	1,341,717	1,456,382	1,139,090	459,547	1,662,941	(4,496,971)	15,296,931
Segment results:	2,124,308	403,181	474,804	287,891	347,834	231,520	97,271	317,279	(24,950)	4,259,138
Reconciliations:										
Interest income										104,449
Loss for fair value changes of investment properties										(7,904)
Gain on fair value changes of financial instruments at FVTPL										101,115
Loss on fair value changes of other financial liabilities										(1,490)
Investment income										7,654
Gain on disposal of a subsidiary										1,173
Exchange gain										14,501
Finance costs (other than interest on lease liabilities)										(497,635)
Share of results of associates										139,975
Share of results of joint ventures										(2,432)
Unallocated income and expenses										(2,438,038)
Profit before tax										1,680,506
Other segment information:										
Write-down of inventories to net realisable value, net	41	(1,753)	(1,664)	(161)	332	(169)	(261)	4,641	-	1,006
Depreciation and amortisation	617,799	40,415	51,338	38,193	27,495	22,711	9,455	94,815	-	902,221
Impairment of loan receivables	331	-	-	-	-	-	-	-	-	331
Reversal of impairment of contract assets, net	(1,406)	-	-	-	-	-	-	(88)	-	(1,494)
Impairment of trade and bills receivables, net	182,281	(262)	742	3,155	1,306	484	969	3,092	-	191,767
Impairment of prepayment, net	1,502	12	-	-	-	-	-	393	-	1,907
Impairment of other receivables, net	174,629	-	-	-	-	-	-	730	-	175,359
Capital expenditure#	2,993,619	43,709	113,291	60,596	25,728	56,505	8,498	231,266	-	3,533,212
As at 30 June 2023										
Segment assets	28,780,623	1,676,699	2,032,349	2,152,185	1,003,970	1,069,758	480,978	10,172,823	-	47,369,385

\# Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, investment properties and other intangible assets, among which no additions resulted from business combination.

	Southern China *RMB'000*	Southwestern China *RMB'000*	Central China *RMB'000*	Eastern China *RMB'000*	Northern China *RMB'000*	Northwestern China *RMB'000*	Northeastern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2022										
Segment revenue:										
Sale of goods relating to building materials and home improvement business	6,892,353	1,369,881	1,526,669	958,344	1,157,202	867,513	307,886	619,393	–	13,699,241
Contract revenue from renovation and installation works	408,293	14,842	31,232	103,270	9,602	2,446	323	14,612	–	584,620
Income from environmental engineering and other related services	63,507	192	3,032	55,982	335	791	69	20,000	–	143,908
Logistics and other related services	140,843	679	3,172	122,667	15,191	105	16	56,146	–	338,819
Financial service income	29,186	4,322	789	10,940	34	17	25	–	–	45,313
Property rental and other related services	7,186	3	–	31	3	–	–	70,489	–	77,712
Revenue from external customers	7,541,368	1,389,919	1,564,894	1,251,234	1,182,367	870,872	308,319	780,640	–	14,889,613
Intersegment revenue	2,368,133	208,183	228,381	164,072	307,541	137,357	92,837	667,424	(4,173,928)	–
Total	9,909,501	1,598,102	1,793,275	1,415,306	1,489,908	1,008,229	401,156	1,448,064	(4,173,928)	14,889,613
Segment results:	2,093,362	356,240	469,835	362,178	339,010	225,144	62,869	60,975	(26,918)	3,942,695
Reconciliations:										
Interest income										60,475
Gain on fair value changes of other financial liabilities										41,672
Gain on early repayment of convertible loans										3,726
Investment income										14,277
Gain on disposal of a subsidiary										5,792
Gain on disposal of an associate										5,270
Gain from a bargain purchase										30
Loss on fair value changes of financial instruments at FVTPL										(243,996)
Exchange loss										(45,030)
Finance costs (other than interest on lease liabilities)										(250,229)
Share of results of associates										61,671
Share of result of a joint venture										1,045
Unallocated income and expenses										(2,039,370)
Profit before tax										1,558,028
Other segment information:										
Write-down of inventories to net realisable value, net	9,758	1,573	797	(673)	692	648	91	6,052	–	18,938
Depreciation and amortisation	785,839	37,511	50,219	37,235	21,515	21,408	9,826	63,701	–	1,027,254
Impairment of loan receivables	51,611	–	–	–	–	–	–	–	–	51,611
Reversal of impairment of contract assets, net	(7,412)	–	–	–	–	–	–	–	–	(7,412)
Impairment of trade and bills receivables, net	2,530	6,619	(7,372)	(13,722)	58,079	(486)	(6,277)	8,485	–	47,856
Impairment of other receivables, net	11,624	–	–	–	–	–	–	–	–	11,624
Capital expenditure#	1,562,207	57,966	61,329	111,921	20,249	84,138	3,325	340,338	–	2,241,473
As at 30 June 2022										
Segment assets	24,602,035	1,662,139	2,109,279	2,104,073	987,883	982,552	515,747	9,191,764	–	42,155,472

Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, investment properties and other intangible assets, among which the additions resulted from business combination amounted to RMB22,727,000.

3. REVENUE, OTHER REVENUE, INCOME AND GAINS

Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

By revenue nature:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Goods transferred at a point in time	**Services transferred over time**	**Total**	Goods transferred at a point in time	Services transferred over time	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers:						
Sale of goods relating to building materials and home improvement business	**13,168,623**	**–**	**13,168,623**	13,699,241	–	13,699,241
Sale of goods and services income relating to new energy business	**735,846**	**2,977**	**738,823**	–	–	–
Contract revenue from renovation and installation works	**–**	**644,659**	**644,659**	–	584,620	584,620
Income from environmental engineering and other related services	**–**	**175,624**	**175,624**	–	143,908	143,908
Logistics and other related services	**–**	**467,559**	**467,559**	–	338,819	338,819
Sub-total	**13,904,469**	**1,290,819**	**15,195,288**	13,699,241	1,067,347	14,766,588
Financial service income			**25,644**			45,313
Property rental and other related services			**75,999**			77,712
Total			**15,296,931**			14,889,613

By geographical locations:

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Goods transferred at a point in time	**Services transferred over time**	**Total**	Goods transferred at a point in time	Services transferred over time	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers:						
Mainland China	**13,267,916**	**844,342**	**14,112,258**	13,079,848	976,589	14,056,437
Outside China	**636,553**	**446,477**	**1,083,030**	619,393	90,758	710,151
Sub-total	**13,904,469**	**1,290,819**	**15,195,288**	13,699,241	1,067,347	14,766,588
Financial service income			**25,644**			45,313
Property rental and other related services			**75,999**			77,712
Total			**15,296,931**			14,889,613

Other revenue, income and gains

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Bank interest income	**46,008**	58,700
Interest income from other receivables	**15,577**	668
Interest income from other financial assets	**95**	1,107
Interest income from long-term lease receivables	**42,769**	–
Total interest income	**104,449**	60,475
Government grants and subsidies	**43,554**	39,667
Gain on fair value changes of financial instruments at FVTPL	**101,115**	–
Gain on fair value changes of other financial liabilities	**–**	41,672
Gain on early repayment of convertible loans	**–**	3,726
Investment income	**7,654**	14,277
Gain on disposal of a subsidiary	**1,173**	5,792
Gain on disposal of an associate	**–**	5,270
Gain on disposal of items of other intangible assets and property, plant and equipment	**–**	5,764
Gain on sale of raw materials	**11,267**	6,931
Gain on termination of right-of-use assets	**131**	2,127
Gain on disposal of right-of-use assets	**10,852**	–
Gain from debt restructuring with customers	**19,443**	–
Gain from a bargain purchase	**–**	30
Rental income	**7,699**	5,444
Others	**47,078**	37,190
	354,415	228,365

Government grants and subsidies mainly represent funding received from government authorities to support certain of the Group's research and development activities. There are no unfulfilled conditions or contingencies related to these grants and subsidies.

4. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Interest expenses on bank and other loans	**552,787**	266,240
Interest expenses on lease liabilities	**33,309**	11,939
	586,096	278,179
Less: Interest capitalised	**(55,152)**	(16,011)
	530,944	262,168

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold relating to building materials and home improvement business	**9,291,231**	10,012,100
Cost of goods and services relating to new energy business	**715,035**	–
Direct cost of renovation and installation works	**494,673**	542,693
Direct cost of environmental engineering and other related services	**132,168**	75,665
Direct cost of logistics and other related services	**364,262**	272,510
Direct cost of financial services	**7,201**	614
Direct cost of property rental and other related services	**32,217**	24,398
Write-down of inventories to net realisable value, net	**1,006**	18,938
Depreciation of property, plant and equipment	**757,909**	888,370
Depreciation of right-of-use assets	**112,319**	106,003
Amortisation of other intangible assets	**31,993**	32,881
Total depreciation and amortisation	**902,221**	1,027,254
Research and development costs	**615,169**	597,131
Loss/(gain) on disposal of items of other intangible assets and property, plant and equipment	**6,792**	(5,764)
Loss on fair value changes of investment properties	**7,904**	–
Gain on disposal of a subsidiary	**(1,173)**	(5,792)
Gain from debt restructuring with customers	**(19,443)**	–
Gain on disposal of an associate	**–**	(5,270)
Gain on early repayment of convertible loans	**–**	(3,726)
Gain on termination of right-of-use assets	**(131)**	(2,127)
Gain on disposal of right-of-use assets	**(10,852)**	–
(Gain)/loss on fair value changes of financial instruments at FVTPL	**(101,115)**	243,996
Loss/(gain) on fair value changes of other financial liabilities	**1,490**	(41,672)
Gain from a bargain purchase	**–**	(30)
Impairment of loan receivables	**331**	51,611
Reversal of impairment of contract assets, net	**(1,494)**	(7,412)
Impairment of trade and bills receivables, net	**191,767**	47,856
Impairment of prepayments, net	**1,907**	–
Impairment of other receivables, net	**175,359**	11,624
Foreign exchanges differences, net	**(14,501)**	45,030

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current tax		
PRC	**314,662**	324,054
Hong Kong	**1,293**	–
Other jurisdictions	**46,151**	6,411
	362,106	330,465
Overprovision in prior years		
PRC	**(31,080)**	(33,699)
Hong Kong	**(2,759)**	–
Other jurisdictions	**(77)**	–
	(33,916)	(33,699)
Deferred tax	**(83,283)**	(42,359)
Total tax charge for the period	**244,907**	254,407

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.

Hong Kong profits tax

The statutory rate of Hong Kong profits tax was 16.50% (six months ended 30 June 2022: 16.50%) on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (six months ended 30 June 2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.50% (six months ended 30 June 2022: 16.50%).

PRC corporate income tax

The Group's income tax provision in respect of its operations in mainland China has been calculated at the applicable tax rates on the taxable profits for both periods, based on the existing legislation, interpretations and practices in respect thereof.

Certain of the Group's PRC subsidiaries are qualified as High and New Technology Enterprises and are entitled to a preferential corporate income tax rate of 15.00% during both periods.

Income tax for other jurisdictions

The Group's tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

During the period, income tax of other jurisdictions mainly arose from Canada for the Group's disposal of investment property (six months ended 30 June 2022: Nil).

7. DIVIDENDS

	Six months ended 30 June			
	2023		2022	
	HK$ per share	***HK$'000***	*HK$ per share*	*HK$'000*
2022 final dividend declared (2022: 2021 final dividend declared)	**0.30**	**930,725**	0.26	806,629
Less: Dividends for shares held for share award scheme	**0.30**	**(6,897)**	0.26	(5,978)
		923,828		800,651
Equivalent to		**RMB821,560,000**		RMB649,336,000

The Board dose not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**1,493,672**	1,296,710

	Number of Shares Six months ended 30 June	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue	**3,102,418,400**	3,102,418,400
Weighted average number of shares held for the share award scheme	**(22,991,000)**	(22,991,000)
Adjusted weighted average number of ordinary shares of the Company in issue used in the basic and diluted earnings per share calculation	**3,079,427,400**	3,079,427,400

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 and 2022, respectively.

9. OTHER FINANCIAL ASSETS

	Note	**30 June 2023 RMB'000**	31 December 2022 RMB'000
Non-current			
Debt instruments at FVTPL:			
Unlisted convertible loans	(i)	**107,707**	103,537
Equity instruments at FVTOCI:			
Equity securities listed in PRC		**163,386**	681,491
Equity securities listed in Hong Kong		**342,870**	356,660
Unlisted equity securities		**1,156,349**	1,204,731
		1,662,605	2,242,882
Equity instruments at FVTPL:			
Equity securities listed in the United Kingdom	(ii)	**–**	43,165
Unlisted equity securities	(iii)	**178,809**	197,731
		178,809	240,896
Funds at FVTPL:			
Stock funds		**14,312**	14,882
		1,963,433	2,602,197
Current			
Debt instruments at FVTOCI:			
Debt securities listed in Hong Kong	(iv)	**–**	33,580
Debt instruments at FVTPL:			
Wealth management product		**–**	3,500
Unlisted convertible loans	(i)	**43,822**	41,000
		43,822	44,500
Equity instruments at FVTPL:			
Equity securities listed in PRC		**–**	588,065
Derivative financial instruments:			
Forward commodity contracts	(v)	**9,716**	16,762
		53,538	682,907
		2,016,971	3,285,104

Note:

(i) The convertible loans carry fixed interest at rates ranging from 6.00% to 10.00% (31 December 2022: 6.00% to 10.00%) per annum, and contained a right to convert the loans into ordinary shares of the issuers at the maturity dates from September 2023 to September 2024 (31 December 2022: June 2023 to September 2024).

(ii) The rights of the equity securities are restricted by a loan agreement with a third party as at 31 December 2022. The restriction has been released during the current period due to the maturity.

(iii) The equity securities contained a puttable option were classified as equity instruments at FVTPL.

(iv) The debt securities carry fixed interest at rate of 5.65% per annum, payable semi-annually in arrears and matured in January 2023.

(v) The Group has entered into various forward commodity contracts in order to protect itself from adverse movements in raw material prices. The forward commodity contracts are not designated for hedge purposes and are measured at FVTPL. Changes in the fair value of non-hedging forward commodity contracts amounting to RMB3,798,000 (six months ended 30 June 2022: Nil) were recognised in profit or loss during the period.

10. LOAN RECEIVABLES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Non-current		
Finance lease receivables	**18,864**	33,692
Factoring receivables	**12,583**	8,781
	31,447	42,473
Current		
Finance lease receivables	**152,133**	152,108
Factoring receivables	**1,271,010**	1,279,211
Receivables from supply-chain financing services	**51,744**	46,444
	1,474,887	1,477,763
Less: Provision for impairment	**(381,251)**	(380,920)
	1,093,636	1,096,843
	1,125,083	1,139,316

(A) Finance lease receivables

	Minimum lease receivables		Present value of minimum lease receivables	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Not more than 1 year	**154,213**	154,947	**152,133**	152,108
Over 1 year but within 5 years	**19,894**	35,724	**18,864**	33,692
	174,107	190,671	**170,997**	185,800
Less: Unearned finance income	**(3,110)**	(4,871)		
Present value of minimum lease receivables	**170,997**	185,800		

The Group's finance lease receivables are denominated in Renminbi. The effective interest rates of the receivables range from 5.61% to 10.02% (31 December 2022: 5.61% to 10.02%) per annum. There are no unguaranteed residual values of assets leased under finance leases and no contingent rent arrangements that needed to be recognised (31 December 2022: Nil).

The following is a credit quality analysis of these finance lease receivables:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Not past due	**48,225**	63,117
Overdue	**122,772**	122,683
	170,997	185,800

The receivables are secured by assets leased under finance leases and cash deposits (where applicable).

At the end of the reporting period, RMB70,031,000 (31 December 2022: RMB70,031,000) of the Group's finance lease receivables was impaired.

(B) Factoring receivables

The Group's factoring receivables arise from the provision of factoring services to companies located in PRC. The credit period granted to each customer is generally within 365 days.

Factoring receivables are secured by receivables and/or commercial bills originally owned by the customers. These receivables carry interest at rates ranging from 4.35% to 12.00% (31 December 2022: 4.35% to 12.00%) per annum.

The maturity profile of the factoring receivables at the end of the reporting period is as follows:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
With a residual maturity of:		
Not more than 3 months	**239,600**	44,270
Over 3 months to 6 months	**365,000**	47,724
Over 6 months to 12 months	**35,400**	667,607
Over 12 months to 24 months	**12,583**	8,781
Overdue	**631,010**	519,610
	1,283,593	1,287,992

At the end of the reporting period, RMB309,476,000 (31 December 2022: RMB309,145,000) of the Group's factoring receivables was impaired.

(C) Receivables from supply-chain financing services

The Group's receivables from supply-chain financing services arise from the provision of supply-chain financing services to companies located in PRC. The credit period for each customer is generally within 365 days.

These receivables carry interest at rates ranging from 9.00% to 18.00% (31 December 2022: 9.72% to 14.40%) per annum.

Certain receivables from supply-chain financing services amounting to RMB50,000,000 (31 December 2022: RMB44,700,000) are secured by certain interests of companies and personal guarantees.

The maturity profile of the receivables from supply-chain financing services at the end of the reporting period is as follows:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
With a residual maturity of:		
Not more than 3 months	**32,700**	23,920
Over 3 months to 6 months	**17,300**	20,780
Overdue	**1,744**	1,744
	51,744	46,444

At the end of the reporting period, RMB1,744,000 (31 December 2022: RMB1,744,000) of the Group's receivables from supply-chain financing services was impaired.

An impairment analysis is performed at each reporting date by considering the probability of default of those companies with financial conditions, historical loss experience, coverage by letters of credit or other forms of credit insurance. At the end of the reporting period, the loss given default for the remaining balance of loan receivables was not material and has no impact on the Group's condensed consolidated financial statements.

11. INVENTORIES

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Manufacturing and trading	**5,870,215**	5,591,757
Property development	**932,881**	908,229
	6,803,096	6,499,986

(A) Manufacturing and trading

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Raw materials	**2,250,725**	2,176,660
Work in progress	**520,567**	527,217
Finished goods	**3,098,923**	2,887,880
	5,870,215	5,591,757

(B) Property development

	30 June 2023 RMB'000	31 December 2022 RMB'000
Property under development	**932,881**	908,229

The property under development is expected to be completed in more than twelve months after the end of the reporting period.

12. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	**6,872,155**	6,430,705
Bills receivable	**163,442**	235,992
Less: Provision for impairment	**(1,981,051)**	(1,792,754)
	5,054,546	4,873,943

The Group's major customers are independent distributors, civil contractors, property developers, utility companies and municipalities in mainland China. Depending on the market condition, marketing tactics and relationships with the customers, the Group's trading terms with its independent distributors may change from settlement on an advance receipt basis to giving a credit period of generally one month or more, if appropriate. The Group does not have a standardised and universal credit period granted to the non-distributor customers. The credit period of an individual non-distributor customer is considered on a case-by-case basis and is set out in the sales contracts, as appropriate. Sales to small, new, or short-term customers are normally expected to be settled on an advance receipt basis or shortly after the goods delivery. No credit term period is set by the Group for small, new and short-term customers.

Trade and bills receivables are unsecured and interest-free.

An ageing analysis of the Group's trade and bills receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Not more than 3 months	**1,867,255**	1,912,294
Over 3 months to 6 months	**554,130**	819,347
Over 6 months to 12 months	**1,086,929**	829,209
Over 1 year to 2 years	**952,923**	973,127
Over 2 years to 3 years	**427,973**	212,998
Over 3 years	**165,336**	126,968
	5,054,546	4,873,943

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

13. TRADE AND BILLS PAYABLES

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Trade payables	**3,143,947**	2,395,833
Bills payable	**5,837,765**	5,640,406
	8,981,712	8,036,239

The trade payables are interest-free and are normally settled on terms of 30 to 90 days.

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
Not more than 3 months	**5,531,910**	4,450,477
Over 3 months to 6 months	**2,471,731**	2,382,825
Over 6 months to 12 months	**847,668**	1,077,242
Over 1 year to 2 years	**52,244**	62,797
Over 2 years to 3 years	**33,906**	17,776
Over 3 years	**44,253**	45,122
	8,981,712	8,036,239

14. BORROWINGS

	30 June 2023 RMB'000	31 December 2022 RMB'000
Current		
Unsecured bank loans	**7,991,319**	6,764,902
Current portion of long term unsecured bank loans	**198,279**	318,000
Secured bank loans	**49,999**	129,322
Current portion of long-term secured bank loans	**39,814**	10,933
Other borrowings	**28,395**	34,482
	8,307,806	7,257,639
Non-current		
Unsecured bank loans	**4,395,352**	3,411,533
Unsecured syndicated bank loans	**9,749,519**	9,088,342
Secured bank loans	**313,139**	278,168
	14,458,010	12,778,043
	22,765,816	20,035,682
Analysed into borrowings repayable:		
Within one year or on demand	**8,307,806**	7,257,639
In the second year	**6,403,835**	5,761,502
In the third to fifth years, inclusive	**7,743,637**	6,780,831
More than five years	**310,538**	235,710
	22,765,816	20,035,682

Note:

(a) The effective interest rates of the Group's borrowings range from 2.75% to 6.82% (31 December 2022: 2.80% to 6.37%) per annum.

(b) The secured bank loans are secured by land and its concession rights of a subsidiary, leasehold lands and buildings of subsidiaries, loan receivables of a subsidiary, investment property of a subsidiary, the concession rights of a subsidiary and personal guarantee provided by shareholders of subsidiaries.

(c) At the end of the reporting period, the Group's borrowings are denominated in US dollar, HK dollar, Renminbi, Australian dollar, Canadian dollar and Thai Baht which are equivalent to RMB6,237,440,000 (31 December 2022: RMB7,264,407,000), RMB5,140,669,000 (31 December 2022: RMB3,297,713,000), RMB11,121,449,000 (31 December 2022: RMB9,251,835,000), RMB215,963,000 (31 December 2022: RMB179,124,000), RMB1,295,000 (31 December 2022: RMB504,000) and RMB49,000,000 (31 December 2022: RMB42,099,000), respectively.

15. SHARE CAPITAL

	30 June 2023	31 December 2022
Authorised:		
20,000,000,000 (31 December 2022: 20,000,000,000) ordinary shares of HK$0.05 each	**HK$1,000,000,000**	HK$1,000,000,000
Issued and fully paid:		
3,102,418,400 (31 December 2022: 3,102,418,400) ordinary shares of HK$0.05 each	**HK$155,120,920**	HK$155,120,920
Equivalent to	**RMB135,344,000**	RMB135,344,000

16. COMMITMENTS

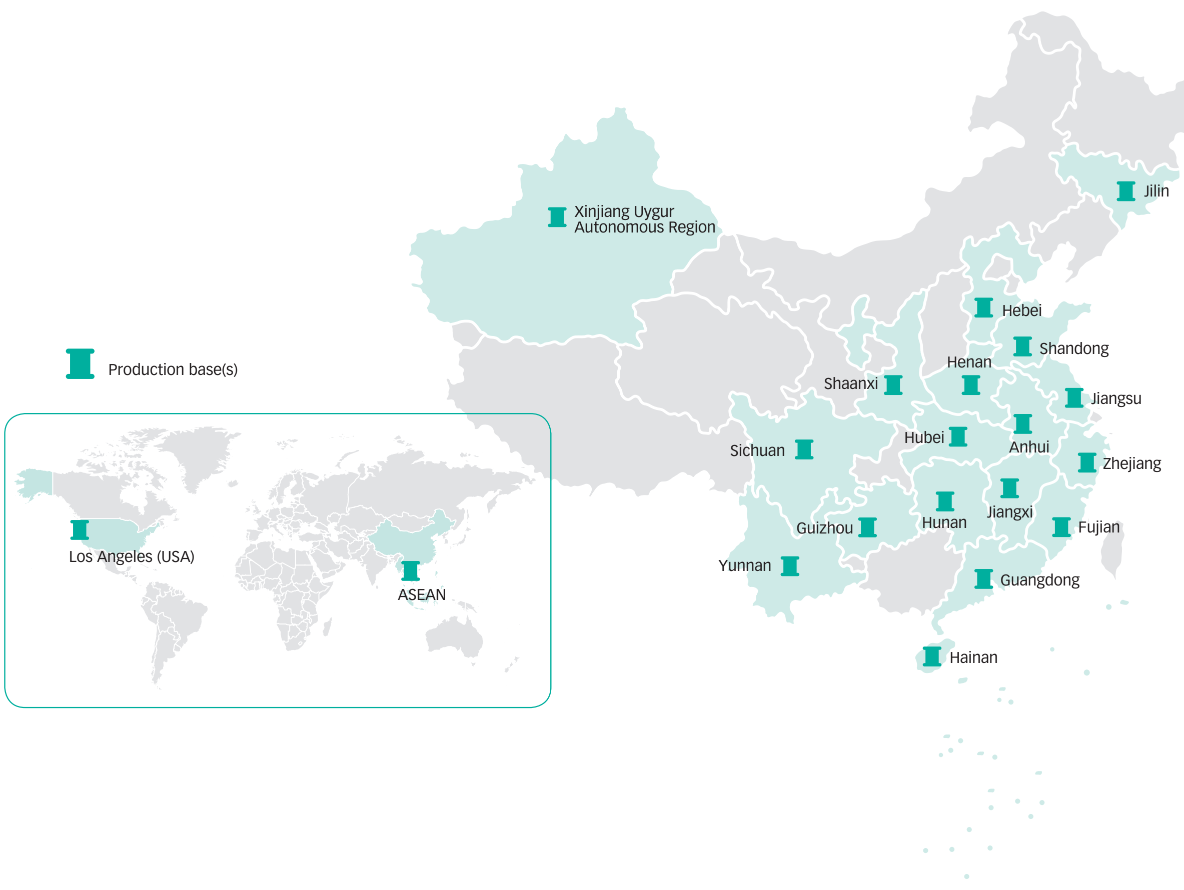
The Group had the following capital commitments at the end of the reporting period:

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment and investment properties	**1,942,382**	1,663,163

CORPORATE PROFILE

China Lesso Group Holdings Limited (Stock Code of Hong Kong Stock Exchange: 2128) is a leading large-scale industrial group that manufactures piping and building materials in mainland China. After more than 36 years of rapid development, the Group has evolved into a leader in the industry of building materials and home improvement. It provides high-quality products and services such as plastic piping, building materials and home improvement, new energy, environmental protection, and operates a supply chain service platform.

Currently, the Group has established over 30 advanced production bases in 18 provinces of China and in foreign countries. The Group has established a nationwide sales network and has also developed long-term strategic partnerships with 2,807 independent and exclusive first-tier distributors that enable timely and efficient supply of comprehensive, quality products and professional services to customers. As an integrated manufacturer of a comprehensive range of piping and building materials, China Lesso provides over 10,000 types of quality products, which are widely applied to such fields as home improvement, civil architecture, municipal water supply, drainage, energy management, electric power transmission, telecommunication, gas supply, fire services, environmental protection, agriculture and marine aquaculture.



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In the first half of 2023, although the Covid-19 pandemic showed signs of abating, the major developed economies were tightening their monetary policies to rein in inflation. This, coupled with the increasing geopolitical uncertainty, depressed consumer confidence. As a result, the global economic recovery was slower than expected. In China, economy and society at large fully returned to normal with the support of the state's economic stabilisation policy as pandemic restrictions were lifted. The country's gross domestic product grew by 5.5% year on year to approximately RMB59.30 trillion during the first half of 2023, accelerating by one percentage point from that in the first quarter.

Faced with the harsh conditions of both the domestic and international economic environment in the first half of 2023, provincial and municipal governments and their departments across China firmly pursued "steady progress" as the goal of their work and coordinated their efforts with the state's macroeconomic policies. As a result, the state policy of "stabilising growth, employment and prices" gradually produced an effect, and infrastructure investment, in particular, remained the most important contributor to the stabilisation of economic growth. In the first half of the year, provincial and municipal governments across the country implemented massive investment plans and started large-scale projects earlier. Total investments in infrastructure increased by 7.2% year on year, exceeding expectations. Specifically, investments in rail transport and water management industries grew by 20.5% and 9.6% respectively year on year, thus sustaining the stable development of the infrastructure construction and piping industries.

The Chinese government continued with its loosened policy on the property sector since the end of last year. At the beginning of this year, the central government reaffirmed the property sector's status as a pillar of the national economy, and set the tone for its policy on the sector which can be summed up in the phrases "preventing risks and stimulating demand". After the release of the pent-up demand, home buyers' sentiment became depressed quickly. Mounting pressure of the housing market correction disrupted a recovery. Presently, investors adopt a wait-and-see attitude towards the housing market, and home buyers' confidence is weak. In the short term, the market is still subject to downward pressure. The building materials and home improvement industries have been affected to a certain extent.

Promoting green development and conserving ecology have been the world's common goal. Therefore, China has also committed itself unswervingly to green development and has been stepping up its effort to build a green, low-carbon and circular economy. The country has been popularising a green lifestyle and fostering the development of green industries, aiming for carbon emissions peak and carbon neutrality. The environmental protection industry and photovoltaic industry are still booming and remain a bright prospect.

BUSINESS OVERVIEW

Facing challenges in the complicated international business environment, market competition and sales in the first half of 2023, China Lesso steadfastly adhered to the direction of its development, namely "further developing the piping business and capitalising on the emergence of green energy for mutual benefit". It follows a path of quality development according to the characteristics of its own brand. The Group has already extended the scope of its business from plastic piping to building materials and home improvement as well as other businesses, covering piping systems, building materials and home improvement, environmental protection, new energy, and a supply chain service platform. It enables its diverse businesses to develop in parallel and boost each other's development, thus broadening its income stream. It also actively developed the overseas markets. All this has laid a solid foundation for the Group's healthy development.

Revenue by Region#

	Revenue			% of total revenue	
	2023	2022		**2023**	2022
Six months ended 30 June	***RMB million***	*RMB million*	***Change***		
Southern China	**6,952**	7,541	*(7.8%)*	**45.5%**	50.7%
Southwestern China	**1,396**	1,390	*0.4%*	**9.1%**	9.3%
Central China	**2,053**	1,565	*31.2%*	**13.4%**	10.5%
Eastern China	**1,153**	1,251	*(7.8%)*	**7.5%**	8.4%
Northern China	**1,206**	1,183	*2.0%*	**7.9%**	7.9%
Northwestern China	**991**	871	*13.8%*	**6.5%**	5.9%
Northeastern China	**396**	308	*28.5%*	**2.6%**	2.1%
Outside China	**1,150**	781	*47.4%*	**7.5%**	5.2%
	15,297	14,890	*2.7%*	**100.0%**	100.0%

Details of the scope of coverage of each region are set out in note 2 to this announcement.

At the end of the reporting period, the number of the Group's independent and exclusive first-tier distributors across the country increased to 2,807 (1H 2022: 2,706). Southern China remained the Group's major revenue-contributing market, accounting for 45.5% of the Group's total revenue (1H 2022: 50.7%), while other regions accounted for 54.5% (1H 2022: 49.3%).

Revenue by Business Unit

	Revenue			% of total revenue	
	2023	2022		**2023**	2022
Six months ended 30 June	***RMB million***	*RMB million*	***Change***		
Plastic piping systems	**12,233**	12,763	*(4.2%)*	**80.0%**	85.7%
Building materials and home improvement	**1,341**	1,219	*10.0%*	**8.8%**	8.2%
Others	**1,723**	908	*89.8%*	**11.2%**	6.1%
	15,297	14,890	*2.7%*	**100.0%**	100.0%

During the reporting period, China's economic recovery was sluggish while its property sector was in the doldrums, thus still exerting intense pressure on businesses. Nevertheless, China Lesso demonstrated strong resilience by maintaining steady development in its business. Its revenue edged up to RMB15,297 million (1H 2022: RMB14,890 million) year-on-year. Gross profit was RMB4,259 million (1H 2022: RMB3,943 million) and gross profit margin was 27.8% (1H 2022: 26.5%) mainly due to a year-on-year decline in the costs of the raw materials, the timely adjustments to the products' average selling prices and an increase in the total sales volume.

The Group strived to maximise the benefits from economies of scale by forging ahead with the automation and intelligentisation of production, actively upgrading production technology and equipment, and formulating and adopting an effective procurement strategy to control the costs of raw materials and production. In addition, the Group enhanced its operational efficiency, optimised its product portfolio and increased its market share. All these contributed to the steady development of its business and helped it maintain its profitability at a healthy level.

During the reporting period, the Group's EBITDA increased by 9.3% year on year to RMB3,114 million (1H 2022: RMB2,847 million), and the EBITDA margin was 20.4% (1H 2022: 19.1%). Profit before tax increased by 7.9% year on year to RMB1,681 million (1H 2022: RMB1,558 million). Net profit margin was 9.4% (1H 2022: 8.8%). Profit attributable to owners of the Company increased by 15.2% year on year to RMB1,494 million (1H 2022: RMB1,297 million). Basic earnings per share were RMB0.49 (1H 2022: RMB0.42). The effective tax rate decreased to 14.6% (1H 2022: 16.3%).

BUSINESS REVIEW AND OUTLOOK

Plastic Piping Systems

In the first half of 2023, the central government's economic growth stabilisation policy continued to improve infrastructure investment. The provincial and municipal governments and their departments across the country sped up infrastructure investment and construction. Many large infrastructure projects such as those of transportation and hydraulic engineering were started almost simultaneously, inducing a new round of business growth in the plastic piping industry. China Lesso, as always, aligned its business with the state policies and market demand by capitalising on the state's expansion of the piping systems and the rapid development of smart pipeline networks. Meanwhile, the Group continued to strengthen its strategic partnerships with government departments and leading central government-owned and state-owned infrastructure construction enterprises by proactively participating in projects of national development plan and urban redevelopment projects. The Group thus achieved synergies with its strategic business partners and consolidated its leading position in the piping market.

Revenue by Region

	Revenue			**% of revenue**	
	2023	2022		**2023**	2022
Six months ended 30 June	***RMB million***	*RMB million*	***Change***		
Southern China	**5,679**	6,312	*(10%)*	**46.4%**	49.5%
Other than Southern China	**6,051**	5,930	*2.0%*	**49.5%**	46.4%
Outside China	**503**	521	*(3.6%)*	**4.1%**	4.1%
	12,233	12,763	*(4.2%)*	**100.0%**	100.0%

Revenue by Product Application

	Revenue			**% of revenue**	
	2023	2022		**2023**	2022
Six months ended 30 June	***RMB million***	*RMB million*	***Change***		
Water supply	**4,846**	4,978	*(2.7%)*	**39.6%**	39.0%
Drainage	**4,458**	4,825	*(7.6%)*	**36.5%**	37.8%
Power supply and telecommunications	**1,864**	2,152	*(13.4%)*	**15.2%**	16.9%
Gas transmission	**237**	200	*18.6%*	**1.9%**	1.6%
Others#	**828**	608	*36.2%*	**6.8%**	4.7%
	12,233	12,763	*(4.2%)*	**100.0%**	100.0%

"Others" include agricultural applications, floor heating and fire services.

During the reporting period, the stable performance of the plastic piping systems business recorded revenue of RMB12,233 million (1H 2022: RMB12,763 million), accounting for 80.0% of the total revenue of the Group (1H 2022: 85.7%).

Average Selling Price, Sales Volume, and Revenue by Product Material

Six months ended 30 June	Average selling price			Sales volume			Revenue		
	2023	2022		**2023**	2022		**2023**	2022	
	RMB	*RMB*	***Change***	***Tonne***	*Tonne*	***Change***	***RMB million***	*RMB million*	***Change***
PVC	**7,536**	9,561	*(21.2%)*	**938,783**	831,624	*12.9%*	**7,075**	7,951	*(11.0%)*
Non-PVC#	**15,353**	16,758	*(8.4%)*	**335,961**	287,162	*17.0%*	**5,158**	4,812	*7.2%*
	9,596	11,408	*(15.9%)*	**1,274,744**	1,118,786	*13.9%*	**12,233**	12,763	*(4.2%)*

"Non-PVC" plastic pipes and pipe fittings mainly refer to those made of PE or PP-R.

During the reporting period, the Group adjusted its sales strategy and further diversified its product portfolio according to the market conditions. This boosted the sales of its plastic pipes and pipe fittings. Sales volume of the products increased by 13.9% year on year. Sales volume of PVC products rose by 12.9% year on year to 938,783 tonnes (1H 2022: 831,624 tonnes), while that of non-PVC products increased by 17.0% year on year to 335,961 tonnes (1H 2022: 287,162 tonnes). Revenue from sales of PVC products decreased by 11.0% year on year to RMB7,075 million (1H 2022: RMB7,951 million), while revenue from sales of non-PVC products grew by 7.2% year on year to RMB5,158 million (1H 2022: RMB4,812 million).

The Group continued with its effective procurement strategy, took advantage of its economies of scale to proactively control costs and made timely adjustments to its sales strategy so that its gross profit margin was maintained at a reasonable and healthy level. The average selling price of the Group's plastic piping products declined by 15.9% year on year to RMB9,596 per tonne (1H 2022: RMB11,408 per tonne). The gross profit margin of this business increased to 30.0% (1H 2022: 26.4%).

As a leading enterprise in the piping industry, the Group proactively aligns its development with China's strategy of transforming itself into a manufacturing powerhouse. Therefore, it has fully embarked on the upgrading and transformation of its business and has sped up the profound integration of new-generation information technology with manufacturing. Presently, the Group has already established smart factories in its production bases in China by adopting such technologies as the Internet of things, smart control and automated production. The Group's annual designed capacity for manufacturing plastic piping products is 3.21 million tonnes, and the capacity utilisation rate during the period reached 75.8%. In the future, the Group will take an all-out effort to build digitalised, smart factories so as to efficiently provide integrated quality products and services for residents around the world.

In the first half of 2023, the Group continued to further develop its principal business and explored the possibilities of product diversification and innovation in multiple areas both horizontally and vertically by giving full play to its own advantages in the industry. It was extending the scope of the applications of its piping in such fields as industries, agriculture, transmission of petroleum and natural gas, urban services, ventilation system and fire services, etc. It also kept launching new products as it aspired to develop a comprehensive range of specialised products, thus broadening its customer base.

Improving infrastructure can help sustainably implement the rural revitalisation strategy in China. The Group took advantage of professionalism in the piping business by stepping up the research and development of piping for agriculture and accessory products, and thus became an important driving force behind rural revitalisation. The Group proactively took an all-out effort to extend the scope of the application of its products, which have now been widely used in the transmission of drinking water to villages, sewerage, electric power transmission, telecommunication, natural gas transmission, irrigation and marine aquaculture, etc. During the reporting period, the Group won contracts to undertake a number of infrastructure construction and renovation projects for rural revitalisation, thus diversifying its income source and expanding its market share.

Since the resumption of international business, the Group has grasped the opportunities to further develop overseas markets with the aim of enhancing its brand's influence and penetration in overseas markets. During the reporting period, the Group continued to improve its business presence and market coverage overseas, speed up the localisation of its brand in overseas markets, and improve its overseas supply chain. The Group localised its production at its production bases in Indonesia and Cambodia so as to meet the local customers' needs more efficiently. Moreover, the second phase of the construction of the Group's production base in Indonesia was progressing steadily.

Year 2023 is a critical moment for the stabilisation and quality improvement of China's economic growth. The infrastructure construction sector has become a pillar of the country's economic stabilisation. Therefore, it is predicted that growth in infrastructure investment will be maintained at a high level in 2023. The government's favourable policy on infrastructure construction has boosted the investment in both the redevelopment of old towns and the construction of new infrastructure as well as the swift construction of the pipeline networks for the transmission of petroleum and natural gas and for water supply. This has generated a big increase in demand for piping. The boom in the piping industry is expected to continue. As a leading company in the plastic piping industry, China Lesso is poised to capitalise on the industry's quicker development, and its business will continue to grow steadily.

Looking ahead, the Group will continue to seek strategic partners in government departments, central government-owned and civilian-owned enterprises. This will enable all the parties to complement each other with their respective advantages, share information and attain synergy. The Group will thus be able to consolidate its market leadership. Furthermore, the Group will forge ahead with the intelligentisation and digitalisation of its business and, at the same time, facilitate the digital transformation, Internet-enabled coordination and intelligentisation of many other manufacturing companies. The move can contribute to the high-quality development of the Group's business, add impetus to the establishment of its smart factories and set it on the path to green, environmental and sustainable development. Overall, the management is confident about the future of the plastic piping business and believes that it will continue to perform steadily.

Building Materials and Home Improvement

In the first half of 2023, the central government took a firm stand in "housing is for living in, not for speculation". Both the rigid and upgrading demand for housing were supported by city-specific policies on the regulation of the property market, with the aim of ensuring the delivery of properties, safeguarding people's livelihood and stabilising the property market. Although China's property sector anticipated a certain degree of recovery, the constraints on both the supply and demand sides led to lacklustre performance of both the market and property companies and ultimately a slowdown in the property market's recovery. Even though the property market was gradually returning to normal, some property firms had yet to ameliorate the problem of risks that had snowballed over a long period of time. Moreover, the growing presence of the central government-owned and state-owned enterprises could herald further market concentration. The mounting pressure exerted by the nationwide housing market correction is something to be reckoned with. As a result, the building materials and home improvement industry was also affected to a certain extent. During the reporting period, revenue from the Group's building materials and home improvement business was RMB1,341 million, representing 8.8% of the Group's total revenue.

Civilian-owned property firms were exiting the market and risks such as defaults on loans were spreading amid the deep correction in the property market while the central government-owned and state-owned enterprises which had ample capital stepped up their efforts to undertake property development projects, thus playing a key role in the property sector. The Group proactively diversified its client base by seeking to undertake more projects led by the government and state-owned enterprises and by decreasing the proportion of civilian-owned property companies in its client base. The move reduced the Group's business risk and, at the same time, strengthened its client base. The Group also sought cross-industry cooperation with companies in various industries so as to stabilise the income source of its building materials and home improvement business.

In the era of a property market dominated by pre-owned homes, interior decoration has become the main growth driver of the home decoration market. The Group accurately grasped the new trend in the home decoration industry, leveraged its own advantages and took into account customers' needs, the trends in consumption and the applications to create a solution that encompassed a comprehensive range of high-quality products for home decoration. During the reporting period, China Lesso was steadily building up its network of Lesso home decoration product shops in many cities across the country, enriching its product portfolio and providing home decoration service for communities, thus contributing to the steady development of its building materials and home improvement business.

In the second half of 2023, the property market's recovery remains bumpy. The government is also expected to step up its policy by introducing more targeted measures to stimulate the property market and by adjusting and optimising such policies in a timely manner to better satisfy the rigid and upgrading demand for housing. This can help stabilise both the market's performance and the growth in consumption. The Group will continue to focus on the product quality and improve its one-stop total solution and services. It will help promote healthy, green construction with its diverse, high-quality building materials and home improvement products and services. Meanwhile, the Group will grasp opportunities in the construction of property projects to optimise its client mix by proactively developing business with new clients in a strong financial position. It will also form mutually beneficial alliances to boost sales. The Group will continue to give full play to the synergy between its piping business and building materials and home improvement business, diversify its sales channels, increase investment in product research and development, cultivate technology talent, and innovate and upgrade green products.

Others

Environmental Protection

The environmental protection industry is a key driver of both the improvement of the ecological environment and the green development. It is also an important driving force behind the economic and societal development and green transformation. The Group always attaches great importance to environmental protection and has proactively responded to the state's policy on environmental protection by fostering its own environmental protection business. However, slowdown in both the economic recovery and industrial investment in China, coupled with the decreases in the number of construction projects and production, led to a decline in hazardous waste in the first half of 2023. During the reporting period, the Group's environmental protection business recorded a revenue of RMB176 million.

During the reporting period, the Group focused on expanding its environmental protection business by securing new business with leading enterprises and with some key customers in the traditional industries. In the urban service sector, the Group mainly developed the markets of key regions and actively provided regional environmental consulting and design services. This, coupled with the strengthening of the Group's core business in which it had a competitive advantage, laid a solid foundation for the sustainable development of its business in the future. In addition, the Group extended the scope of its business in alignment with the state policies, especially the government's strategy of attaining the carbon emissions peak and carbon neutrality. Therefore, it focused on developing its environmental business extensively in the areas of the treatment and operation of water environment, water ecology, and soil and mine remediation, with the aim of enabling a green life for society. In the future, the Group will continue to explore the possibilities of collaborating on government projects when developing the market, with a focus on such fields as the agriculture, the treatment of soil, maintenance of water quality and provision of technical services, thus creating more favourable conditions for its future development.

Supply Chain Service Platform

The Group's supply chain service platform is a transnational platform geared to the needs of Chinese manufacturers of building materials, home improvement and consumer goods. It serves as a springboard for their expansion into overseas markets, especially the Southeast Asian market. International business has resumed after the Covid-19 pandemic has shown signs of abating. During the reporting period, the supply chain service platform recorded revenue of RMB579 million.

The Group adopted a prudent strategy for development in the light of weak global investor sentiment, and so slowed down its investment in this business segment. The Group will consider disposing of some overseas assets in that business according to the market conditions. Such move will not only increase the cash flow and mitigate the liquidity pressure, but also increase the shareholder return. Looking ahead, the Group will make steady progress in this business segment according to the market conditions and its business performance.

In June, the Group announced its proposal to spin off its subsidiary EDA Cloud Technology Holdings Limited ("EDA"), and applied to the Stock Exchange for the listing of EDA. The Group believed that the proposed spin-off would be able to create greater value for itself, own a separate fund-raising platform and broaden its investor base through the global offering of EDA's shares. In addition, the proposed spin-off will enable both the Group and EDA to focus on the key developments of their respective businesses, and improve EDA's business operation and financial management.

New Energy

In the first half of 2023, China's photovoltaic industry was in a clearer direction of development and maintained its growth momentum. All the businesses along the value chain of the industry were growing to a higher proportion and had a larger room for development. China Lesso aligned itself with the state's green development by proactively building up its new energy business with its own advantage of resources, thus capitalising on the state policies and the bright prospect of the market. Lesso New Energy Development Private Limited ("Lesso New Energy") extensively built up its new energy business that encompassed research and development, production, sales and after-sales service along the entire value chain of the industry with its focus on solar power and energy storage, providing products for photovoltaics and energy storage and services for energy project investment and engineering.

Leveraging the advantageous resources of the Group's principal business of piping, Lesso New Energy rapidly built up its business portfolio and enabled the new energy business and the piping business to share resources, add impetus to each other's development mutually and attain synergy. In the first half of 2023, the new energy business recorded revenue of RMB739 million, accounting for 4.8% of the Group's total revenue.

During the reporting period, Lesso New Energy's production base in Wusha Industrial Park, Shunde, Guangdong province, was put into operation. In February 2023, the Eastern China operation centre in Suzhou, Jiangsu province was established to speed up the development of the new energy business. Lesso New Energy's first overseas production base will be established in Indonesia soon. The move will increase Lesso New Energy's photovoltaic module production capacity and enable it to develop new overseas markets.

Lesso New Energy and TÜV SÜD signed a strategic cooperation agreement on the photovoltaic products at Intersolar Europe in Munich, Germany. The agreement marked further cooperation in the development of the one-stop technology and service of photovoltaic products in the field of new energy, and would expedite the worldwide sales of Lesso New Energy's photovoltaic products.

Although the new energy business is still at the stage of expansion and only makes a limited contribution to the Group's revenue and profit, it helps the Group expand into overseas markets and overcome the problem of the changes in the economy. It also operates in a huge potential industry for development and will become a new source of income for the Group. In the future, Lesso New Energy will continue to enhance its technology development capability by exploring the possibilities of new modes of cooperation with various types of companies and, at the same time, closely monitor the changes in the market conditions so as to adjust the pace of its development accordingly in line with the Group's prudent business strategy.

Summary

China is on a bumpy path to an economic recovery, and it is expected to press on with its economic stabilisation policy in the second half of 2023. China Lesso will maintain its prudent approach to business development and remain committed to its missions by adopting the concept of sustainable development, giving full play to its smart manufacturing capability as its core competency, and innovating and upgrading its products. All these measures will add impetus to the Group's high-quality development. It will keep fostering the development of its principal piping business and, at the same time, answer the state's call for transition to new energy by proactively developing its businesses of environmental protection and new energy. Through these measures, the Group contributes to the state's quality development and, at the same time, builds up its ecosystem of efficiently-run, green, smart technology-enabled and diverse businesses, thus laying a solid foundation for its sustainable development and generating shareholder return for the long term.

FINANCIAL POSITION

The Group continued to adopt prudent financial policies. Finance, fund utilisation and fund raising activities of the Group are subject to effective centralised management and supervision. The Group keeps reasonable gearing level and adequate liquidity.

At the end of the reporting period, the Group had total debts (i.e. borrowings and lease liabilities) of RMB24,130 million, of which 26.8% was denominated in US dollar, 21.3% was denominated in HK dollar, 50.6% was denominated in RMB, 0.9% was denominated in Australian dollar and 0.4% was denominated in other currencies. The Group's borrowings are subject to effective interest rates ranging from 2.75% to 6.82% per annum with maturity periods ranging from within one year to more than five years. The Group's Gearing Ratio stood at a healthy level of 50.7%.

At the end of the reporting period, the Group's total equity increased to RMB23,452 million. The Group's current assets and current liabilities were RMB23,304 million and RMB21,067 million, respectively. The Group's Current Ratio decreased to 1.11 from 1.12 as at 31 December 2022, while Quick Ratio decreased to 0.78 from 0.82 as at 31 December 2022.

The Board believes the Group will be able to continue to generate positive cash flows from its operations. With cash and bank deposits, including restricted cash, of RMB7,110 million as well as unutilised banking facilities, the Board considers that the Group has sufficient working capital for its operation and future development.

The Group had no material exposure to foreign exchange fluctuation and no hedging had been arranged during the period.

CHARGE ON ASSETS

At the end of the reporting period, the secured bank loans are secured by land and its concession rights of a subsidiary, leasehold lands and buildings of subsidiaries, loan receivables of a subsidiary, investment property of a subsidiary, the concession rights of a subsidiary and personal guarantee provided by shareholders of subsidiaries.

CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

At the end of the reporting period, the Group employed a total of approximately 21,600 employees including directors. Total staff costs were RMB1,158 million during the reporting period. The Group ensures that the remuneration packages for employees are determined based on their work performance, professional experience and the prevailing industry practice. Discretionary year-end bonus and shares award may be distributed to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

SIGNIFICANT INVESTMENT

The Group did not have any significant investment with a value of 5% or more of its total assets at the end of the reporting period.

INVESTMENT IN ASSOCIATES

	30 June 2023 *RMB million*	31 December 2022 *RMB million*
Keda	**1,917**	–
Xingfa Aluminium	**1,577**	1,524
Others	**1,208**	1,173
	4,702	2,697

At the end of the reporting period, the Group held 26.11% and 7.01% equity interests in Xingfa Aluminium Holdings Limited ("Xingfa Aluminium") (Stock Code: 98) and Keda Industrial Group Co., Ltd. ("Keda") (listed on the Shanghai Stock Exchange, stock code: 600499), respectively.

Xingfa Aluminium is one of the leading aluminium profile manufacturers in China. The core businesses of Xingfa Aluminium include the manufacture and sale of construction aluminium profiles and industrial aluminium profiles. The Group considers that Xingfa Aluminium not only serves as a valuable investment with sustainable returns, but also as a good strategic investment. With extensive experience in the business of construction materials and industrial materials, Xingfa Aluminium has established various kinds of sales channels and a diverse customer base. During the reporting period, Xingfa Aluminium recorded a revenue of RMB7,827 million, and profit attributable to the shareholders of Xingfa Aluminium was RMB261 million.

Keda's businesses cover, among others, ceramic machinery, brick machinery, stone machinery and other building materials machinery manufacturing and sale, clean energy environmental protection equipment, lithium battery materials and smart energy. Keda's enterprise mission of "green solution, greener life" is consistent with the Group's strategy to promote green development. The Group will strengthen its connection with Keda by actively seeking business cooperation in overseas markets such as Africa and exploring new business development. During the reporting period, Keda recorded a revenue of RMB4,747 million, and profit attributable to the shareholders of Keda was RMB1,268 million.

These investments may create long-term commercial synergies with the Group's businesses to broaden its sales channels and expand its customer base, and enrich the Group's comprehensive portfolio of products and services. These investments can facilitate the Group's business diversification and reinforce its market leadership.

INVESTMENT PROPERTIES

At the end of the reporting period, the Group's investment properties were RMB9,347 million. Increase in investment properties was mainly attributable to the collection of certain properties from debtors of RMB1,130 million, exchange gain on translation of RMB393 million, and set-off with disposal of a portion of vacant land in Toronto , Canada of RMB302 million, during the reporting period.

Among these investment properties, the properties in Toronto, Canada, Long Island, US, Auburn district of Sydney and China are existing properties; the construction of first-phase projects in Thailand, Myanmar, Cambodia and Indonesia have been completed; and other properties are under rezoning or at the planning stage of development.

FINANCIAL INVESTMENTS

At the end of reporting period, the Group held long-term and short-term financial investments of approximately RMB1,963 million (2022: RMB2,602 million) and RMB54 million (2022: RMB683 million), respectively. The investment portfolio is comprised of 25.1% in listed equity securities (issued by PRC-based companies of: home improvement and furnishings shopping malls operating and property management), 7.5% in unlisted debt securities, 66.2% in unlisted equity securities and 1.2% other financial investments.

During the reporting period, the Group recognised a realised fair value gain of approximately RMB116 million, unrealised mark-to-market valuation net loss of approximately RMB15 million and recognised approximately RMB18 million of exchange net gain on translation. Income from the portfolio amounted to approximately RMB8 million in the reporting period, representing dividend and interest incomes.

The Group will study the market and information of the prospective investees cautiously before investment decisions making. The Group will also monitor the performance of its investees closely and regularly after purchases and will adjust the investment strategy in a cautious manner to minimise the impact of market volatility on the Group as and when necessary.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023. Such condensed consolidated financial statements have not been audited but have been reviewed by the independent auditor of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

China Lesso is always committed to maintaining high standards of corporate governance practices and business ethics of the Group. The Board believes in good corporate governance practices and business ethics which are essential for achieving sustainable development, establishing investors' confidence in the Company and safeguarding and enhancing the interests of the Shareholders.

In pursuit of good and high standards of corporate governance practices, the Board reviews the corporate governance practices of the Company from time to time so as to meet the expectations of the Shareholders for continual improvement, and fulfill its commitment of pursuing excellent corporate governance. In the opinion of the directors, the Company complied with all the applicable code provisions of the Code during the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code governing securities transactions by directors of the Company. Having made specific enquiry to the directors, all of them confirmed that they have complied with the required standards as set out in the Model Code throughout the reporting period. The Model Code is also applicable to other specific senior management of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CHANGE IN COMPOSITION OF BOARD AND BOARD COMMITTEE

Mr. Lin Dewei retired from his office as an executive Director with effect from 10 May 2023. Each of Mr. Wong Kwok Ho Jonathan and Ms. Lan Fang retired from his/her office as an independent non-executive Director with effect from 10 May 2023. Each of Dr. Hong Ruijiang and Ms. Lee Vanessa has been serving as an independent non-executive Director with effect from 10 May 2023.

Dr. Hong Ruijiang is appointed as a member of the nomination committee and the remuneration committee of the Company, and Ms. Lee Vanessa is appointed as a member of the nomination committee and the audit committee of the Company with effect from 10 May 2023. Mr. Wong Kwok Ho Jonathan ceased to be a member of the nomination committee, audit committee and remuneration committee of the Company, and Ms. Lan Fang ceased to be a member of the nomination committee of the Company with effect from 10 May 2023.

Save for those disclosed above, there is no other information in respect of the directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. For details, please refer to the Company's announcement dated 10 May 2023 in respect of the appointment of independent non-executive directors and change in composition of board committees.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (1H2022: Nil). A final dividend of HK30 cents per share was paid on Thursday, 25 May 2023 in respect of the year ended 31 December 2022 to Shareholders.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.lesso.com). The 2023 interim report will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board
China Lesso Group Holdings Limited
Wong Luen Hei
Chairman

Hong Kong, 28 August 2023

As at the date of this announcement, the executive directors of the Company are Mr. Wong Luen Hei, Mr. Zuo Manlun, Ms. Zuo Xiaoping, Mr. Lai Zhiqiang, Mr. Kong Zhaocong, Mr. Chen Guonan, Dr. Lin Shaoquan, Mr. Huang Guirong and Mr. Luo Jianfeng; and the independent non-executive directors of the Company are Dr. Tao Zhigang, Mr. Cheng Dickson, Ms. Lu Jiandong, Dr. Hong Ruijiang and Ms. Lee Vanessa.

GLOSSARY

"Board"	the board of directors of the Company
"China" or "PRC"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company" or "China Lesso"	China Lesso Group Holdings Limited
"Current Ratio"	the ratio of current assets to current liabilities
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"FVTOCI"	fair value through other comprehensive income
"FVTPL"	fair value through profit or loss
"Gearing Ratio"	the total debts divided by the sum of total debts and total equity
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PE"	polyethylene
"PP-R"	polypropylene random
"PVC"	polyvinyl chloride

"Quick Ratio"	the ratio of current assets less inventories to current liabilities
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) of a nominal value of HK$0.05 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"tonne(s)"	a unit measuring weight, equal to 1,000 kilograms
"US"	the United States of America
"US$"	US dollar, the lawful currency of US
"%"	per cent

* The English or Chinese translations in this announcement, where indicated, denote for identification purposes only.

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements. These forward-looking statements include, without limitation, statements related to revenue and earnings. The words "believe", "intend", "expect", "anticipate", "forecast", "estimate", "predict", "is confident", "has confidence" and similar expressions are also intended to represent forward-looking statements. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of China Lesso about the businesses, industries and markets in which China Lesso operates.