LESSO 联塑

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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Board is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2023.

HIGHLIGHTS

Compared to the last year consolidated financial results:

- Revenue increased by 0.3% to RMB30,868 million
- Gross profit decreased by 1.5% to RMB8,121 million
- Profit for the year decreased by 7.9% to RMB2,320 million
- Basic earnings per share was RMB0.77, decreased by 6.1%
- The payment of a final dividend of HK20 cents per share is recommended for the year ended 31 December 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Note	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
REVENUE	*3*	**30,868,289**	30,767,211
Cost of sales		**(22,747,275)**	(22,525,788)
Gross profit		**8,121,014**	8,241,423
Other revenue, income and gains	*3*	**717,590**	668,454
Selling and distribution expenses		**(1,572,851)**	(1,461,755)
Administrative expenses		**(1,663,901)**	(1,569,099)
Impairment losses on financial and contract assets		**(857,546)**	(465,548)
Other expenses		**(1,294,948)**	(1,614,451)
Finance costs	*4*	**(1,112,761)**	(681,084)
Share of results of associates		**323,905**	71,094
Share of results of joint ventures		**3,667**	1,390
PROFIT BEFORE TAX	*5*	**2,664,169**	3,190,424
Income tax expense	*6*	**(343,823)**	(669,874)
PROFIT FOR THE YEAR		**2,320,346**	2,520,550
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income:			
Changes in fair value, net of tax		**1,189**	317,013
Share of other comprehensive income of an associate, net of tax		**865**	(1,039)
Exchange differences on translation of foreign operations		**299,364**	(715,543)
		301,418	(399,569)

	Note	2023 RMB'000	2022 RMB'000 (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, net of tax		**(143,805)**	(406,280)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**157,613**	(805,849)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,477,959**	1,714,701
Profit attributable to:			
Owners of the Company		**2,368,062**	2,521,245
Non-controlling interests		**(47,716)**	(695)
		2,320,346	2,520,550
Total comprehensive income attributable to:			
Owners of the Company		**2,499,787**	1,716,617
Non-controlling interests		**(21,828)**	(1,916)
		2,477,959	1,714,701
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	8	**RMB0.77**	RMB0.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**15,245,858**	13,882,250
Right-of-use assets		**3,226,472**	2,474,880
Investment properties		**9,188,888**	8,027,487
Deposits paid for the purchase of land, property, plant and equipment		**1,375,290**	1,986,003
Goodwill		**540,085**	541,878
Other intangible assets		**409,370**	438,833
Interests in associates		**4,864,524**	2,696,897
Interests in joint ventures		**26,658**	14,191
Other financial assets	*9*	**1,945,765**	2,602,197
Loan receivables	*10*	**12,392**	42,473
Other non-current assets		**1,679,063**	1,689,328
Contract assets		**41,735**	42,284
Deferred tax assets		**661,170**	572,255
Total non-current assets		**39,217,270**	35,010,956
CURRENT ASSETS			
Inventories	*11*	**6,187,275**	6,499,986
Properties from receivables settlement	*12*	**424,192**	–
Contract assets		**275,400**	553,288
Other financial assets	*9*	**16,491**	682,907
Loan receivables	*10*	**306,949**	1,096,843
Trade and bills receivables	*13*	**4,533,468**	4,873,943
Prepayments, deposits and other receivables		**2,186,240**	2,924,308
Cash and bank deposits		**6,552,984**	7,361,770
		20,482,999	23,993,045
Asset held for sale		**331,001**	–
Total current assets		**20,814,000**	23,993,045

	Note	2023 RMB'000	2022 RMB'000 (Restated)
CURRENT LIABILITIES			
Contract liabilities		**3,124,568**	3,489,765
Trade and bills payables	*14*	**8,369,185**	8,036,239
Other payables and accruals		**1,695,294**	2,182,777
Tax payable		**501,708**	367,752
Borrowings	*15*	**10,692,553**	7,257,639
Lease liabilities		**129,412**	107,670
Other financial liabilities		**–**	5,230
Total current liabilities		**24,512,720**	21,447,072
NET CURRENT (LIABILITIES)/ASSETS		**(3,698,720)**	2,545,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**35,518,550**	37,556,929
NON-CURRENT LIABILITIES			
Borrowings	*15*	**8,652,033**	12,778,043
Lease liabilities		**1,221,639**	470,736
Other long-term payables		**5,472**	8,903
Provision for long-term employee benefits		**6,908**	6,387
Deferred tax liabilities		**1,086,143**	1,407,648
Deferred income		**235,277**	244,126
Total non-current liabilities		**11,207,472**	14,915,843
Net assets		**24,311,078**	22,641,086
EQUITY			
Share capital	*16*	**135,344**	135,344
Reserves		**23,368,139**	21,707,065
Equity attributable to owners of the Company		**23,503,483**	21,842,409
Non-controlling interests		**807,595**	798,677
Total equity		**24,311,078**	22,641,086

NOTE:

1.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, other financial assets, asset held for sale and other financial liabilities which have been measured at fair value. These consolidated financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2023, the Group recorded net current liabilities of RMB3,698,720,000, which were mainly resulted from reclassification of long-term bank loans of RMB3,868,827,000 which will be due for repayment in 2024 as current liabilities, as disclosed in note 15.

On 13 September 2023, the Company (as guarantor) and its wholly-owned subsidiary (as borrower) entered into a facility agreement (the "Facility Agreement"), in relation to dual currency syndicated term loan and revolving credit facilities in the equivalent amount of US$600,000,000 (equivalent to approximately RMB4,249,620,000) (which may be subsequently increased up to US$800,000,000 equivalent (equivalent to approximately RMB5,666,160,000)). The maturity date (the "Original Maturity Date") under the Facility Agreement is the date falling 48 months after the earlier of (a) the first utilisation date under the Facility Agreement and (b) the end of the availability period of one of the term facilities, provided that the Original Maturity Date may be extended for a further period of 12 months subject to the terms and conditions of the Facility Agreement.

The directors of the Company believe the Group will be able to continue to generate positive cash flows from its operations. On this basis, the directors of the Company consider that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months. Accordingly, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis.

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 year's consolidated financial statements.

HKFRS 17	Insurance Contracts
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 year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these 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.

Prior to the initial application of these amendments, the Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. 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 at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statement of financial position:

			Increase	
	Note	**As at 31 December 2023** ***RMB'000***	As at 31 December 2022 *RMB'000*	As at 1 January 2022 *RMB'000*
Assets				
Deferred tax assets	*(i)*	**58,796**	51,397	45,641
Total non-current assets		**58,796**	51,397	45,641
Total assets		**58,796**	51,397	45,641
Liabilities				
Deferred tax liabilities	*(i)*	**–**	106	–
Total non-current liabilities		**–**	106	–
Total liabilities		**–**	106	–
Net assets		**58,796**	51,291	45,641
Equity				
Retained profits (included in reserves)		**55,304**	48,156	44,233
Equity attributable to owners of the Company		**55,304**	48,156	44,233
Non-controlling interests		**3,492**	3,135	1,408
Total equity		**58,796**	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 consolidated statement of profit or loss:

	Increase For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Income tax credit	**7,505**	5,650
Profit for the year	**7,505**	5,650
Attributable to:		
Owners of the Company	**7,148**	3,923
Non-controlling interests	**357**	1,727
	7,505	5,650
Total comprehensive income for the year	**7,505**	5,650
Attributable to:		
Owners of the Company	**7,148**	3,923
Non-controlling interests	**357**	1,727
	7,505	5,650

The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to owners of the Company, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 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. The Group has applied the amendments and the mandatory temporary exception retrospectively.

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. During the year, the Group changed its identification of reportable segments as the revised basis of segment identification provides a more appropriate presentation of the segment information. Prior year segment information is restated for comparative purpose. The Group has three reportable segments as follows:

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

(ii) Other than Southern China, including regions in China other than Southern China; and

(iii) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource 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 subsidiaries, gain from a bargain purchase, gain on termination of right-of-use assets, gain on disposal of right-of-use assets, gain from debt restructuring with customers, loss on disposal of associates, 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, asset held for sale 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 China and outside China.

During the years ended 31 December 2023 and 2022, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

OPERATING SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

	Southern China *RMB'000*	**Other than Southern China** *RMB'000*	**Outside China** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue:					
Sale of goods relating to building materials and home improvement business	**12,496,150**	**12,788,513**	**1,231,454**	**–**	**26,516,117**
Sale of goods and services income relating to new energy business	**200,146**	**805,683**	**51,492**	**–**	**1,057,321**
Contract revenue from renovation and installation works	**981,264**	**417,769**	**73,797**	**–**	**1,472,830**
Income from environmental engineering and other related services	**117,311**	**179,425**	**89,855**	**–**	**386,591**
Logistics and other related services	**230,328**	**41,773**	**968,888**	**–**	**1,240,989**
Financial service income	**37,473**	**2,393**	**–**	**–**	**39,866**
Property rental and other related services	**16,385**	**818**	**137,372**	**–**	**154,575**
Revenue from external customers	**14,079,057**	**14,236,374**	**2,552,858**	**–**	**30,868,289**
Intersegment revenue	**1,467,779**	**1,248,929**	**591,631**	**(3,308,339)**	**–**
Total	**15,546,836**	**15,485,303**	**3,144,489**	**(3,308,339)**	**30,868,289**

	Southern China *RMB'000*	Other than Southern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment results:	**3,819,959**	**3,600,939**	**689,192**	**10,924**	**8,121,014**
Reconciliations:					
Interest income					**208,746**
Gain on fair value changes of investment properties					**10,314**
Gain on fair value changes of financial instruments at FVTPL					**84,998**
Gain on fair value changes of other financial liabilities					**5,230**
Investment income					**19,179**
Gain on disposal of subsidiaries					**9,708**
Gain on termination of right-of-use assets					**1,953**
Gain on disposal of right-of-use assets					**10,944**
Gain from debt restructuring with customers					**33,487**
Exchange loss					**(1,770)**
Finance costs (other than interest on lease liabilities)					**(1,045,410)**
Share of results of associates					**323,905**
Share of results of joint ventures					**3,667**
Unallocated income and expenses					**(5,121,796)**
Profit before tax					**2,664,169**
Segment assets:	**27,436,368**	**8,030,959**	**10,165,350**	**–**	**45,632,677**
Reconciliations:					
Interests in associates					**4,864,524**
Interests in joint ventures					**26,658**
Other financial assets					**1,962,256**
Deferred tax assets					**661,170**
Cash and bank deposits					**6,552,984**
Asset held for sale					**331,001**
Total assets					**60,031,270**

	Southern China RMB'000	Other than Southern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Other segment information:					
Write-down of inventories to net realisable value, net	**27,535**	**6,422**	**(23,244)**	**–**	**10,713**
Depreciation and amortisation	**1,261,782**	**396,976**	**176,846**	**–**	**1,835,604**
Impairment of loan receivables, net	**1,516**	**–**	**–**	**–**	**1,516**
Impairment of contract assets, net	**96,707**	**–**	**(147)**	**–**	**96,560**
Impairment of trade and bills receivables, net	**550,946**	**23,021**	**5,708**	**–**	**579,675**
Impairment of prepayments, net	**2,514**	**–**	**(607)**	**–**	**1,907**
Impairment of other receivables, net	**177,300**	**4**	**2,491**	**–**	**179,795**
Capital expenditure#	**4,790,135**	**610,889**	**598,413**	**–**	**5,999,437**

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

OPERATING SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

	Southern China *RMB'000*	Other than Southern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue:					
Sale of goods relating to building materials and home improvement business	13,967,364	12,309,966	1,267,342	–	27,544,672
Sale of goods and services income relating to new energy business	378,104	208,842	2,432	–	589,378
Contract revenue from renovation and installation works	934,616	382,294	42,286	–	1,359,196
Income from environmental engineering and other related services	146,650	153,303	48,373	–	348,326
Logistics and other related services	97,789	80,325	515,015	–	693,129
Financial service income	64,129	18,855	–	–	82,984
Property rental and other related services	14,363	455	134,708	–	149,526
Revenue from external customers	15,603,015	13,154,040	2,010,156	–	30,762,211
Intersegment revenue	1,255,062	1,281,606	599,813	(3,136,481)	–
Total	16,858,077	14,435,646	2,609,969	(3,136,481)	30,762,211

	Southern China RMB'000	Other than Southern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment results:	4,368,143	3,384,292	503,497	(14,509)	8,241,423
Reconciliations:					
Interest income					174,867
Gain on fair value changes of investment properties					120,936
Loss on fair value changes of financial instruments at FVTPL					(283,759)
Gain on fair value changes of other financial liabilities					59,552
Gain on early repayment of convertible loans					3,862
Investment income					22,374
Gain on disposal of subsidiaries					8,510
Gain from a bargain purchase					30
Gain on termination of right-of-use assets					2,145
Loss on disposal of associates					(30,649)
Exchange gain					40,018
Finance costs (other than interest on lease liabilities)					(652,091)
Share of results of associates					71,094
Share of result of a joint venture					1,390
Unallocated income and expenses					(4,589,278)
Profit before tax					3,190,424
Segment assets:	27,042,591	8,438,496	9,592,697	–	45,073,784
Reconciliations:					
Interests in associates					2,696,897
Interest in a joint venture					14,191
Other financial assets					3,285,104
Deferred tax assets (restated)					572,255
Cash and bank deposits					7,361,770
Total assets (restated)					59,004,001

	Southern China *RMB'000*	Other than Southern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Other segment information:					
Write-down of inventories to net realisable value, net	30,924	6,214	8,748	–	45,886
Depreciation and amortisation	1,419,757	330,430	163,932	–	1,914,119
Impairment of other intangible assets	66,875	–	–	–	66,875
Reversal of impairment of loan receivables, net	(156,104)	–	–	–	(156,104)
Impairment of long-term loan receivables	50,000	–	–	–	50,000
Reversal of impairment of contract assets, net	(3,207)	–	–	–	(3,207)
Impairment of trade and bills receivables, net	470,924	51,363	24,769	–	547,056
Impairment of prepayments, net	1,945	–	–	–	1,945
Impairment of other receivables, net	24,056	–	3,747	–	27,803
Capital expenditure#	3,235,083	623,631	1,128,375	–	4,987,089

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 RMB23,684,000.

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:

	2023			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	**26,516,117**	**–**	**26,516,117**	27,544,672	–	27,544,672
Sale of goods and services income relating to new energy business	**1,041,413**	**15,908**	**1,057,321**	566,244	23,134	589,378
Contract revenue from renovation and installation works	**–**	**1,472,830**	**1,472,830**	–	1,359,196	1,359,196
Income from environmental engineering and other related services	**–**	**386,591**	**386,591**	–	348,326	348,326
Logistics and other related services	**–**	**1,240,989**	**1,240,989**	–	693,129	693,129
	27,557,530	**3,116,318**	**30,673,848**	28,110,916	2,423,785	30,534,701
Financial service income			**39,866**			82,984
Property rental and other related services			**154,575**			149,526
			30,868,289			30,767,211

By geographical locations:

	2023			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:						
China	**26,274,585**	**1,983,777**	**28,258,362**	26,841,142	1,818,111	28,659,253
Outside China	**1,282,945**	**1,132,541**	**2,415,486**	1,269,774	605,674	1,875,448
	27,557,530	**3,116,318**	**30,673,848**	28,110,916	2,423,785	30,534,701
Financial service income			**39,866**			82,984
Property rental and other related services			**154,575**			149,526
			30,868,289			30,767,211

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**3,337,562**	3,089,455
Contract revenue from renovation and installation works	**39,841**	55,310
Income from environmental engineering and other related services	**–**	147
Logistics and other related services	**10,478**	–
	3,387,881	3,144,912

Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 360 days from delivery or is settled on an advance receipt basis depending on the market conditions, market tactics and relationships with the customers.

Renovation, installation and engineering services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Logistics and other related services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days upon completion of services or is settled on an advance receipt basis depending on the relationships with the customers.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at the end of the reporting period are as follows:

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Not more than 1 year	**545,706**	1,192,544
Over 1 year	**252,444**	219,791
	798,150	1,412,335

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised over one year relate to renovation, installation and engineering services. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised not more than one year. The amounts disclosed above do not include variable consideration which is constrained.

OTHER REVENUE, INCOME AND GAINS

	2023 *RMB'000*	2022 *RMB'000*
Bank interest income	**95,902**	95,322
Interest income from other loan receivables	**24,881**	12,080
Interest income from other financial assets	**1,787**	32,362
Interest income from long-term lease receivables	**86,176**	35,103
Total interest income	**208,746**	174,867
Government grants and subsidies	**209,978**	115,070
Gain on fair value changes of investment properties	**10,314**	120,936
Gain on fair value changes of financial instruments at FVTPL	**84,998**	–
Gain on fair value changes of other financial liabilities	**5,230**	59,552
Gain on early repayment of convertible loans	**–**	3,862
Investment income	**19,179**	22,374
Gain on disposal of items of other intangible assets and property, plant and equipment	**–**	16,976
Gain on disposal of subsidiaries	**9,708**	8,510
Gain from a bargain purchase	**–**	30
Gain on termination of right-of-use assets	**1,953**	2,145
Gain on disposal of right-of-use assets	**10,944**	–
Gain from debt restructuring with customers	**33,487**	–
Rental income	**9,901**	17,516
Exchange gain	**–**	40,018
Others	**113,152**	86,598
	717,590	668,454

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

	2023 *RMB'000*	2022 *RMB'000*
Interest expenses on bank and other loans	**1,159,132**	700,841
Interest expenses on lease liabilities	**67,351**	28,993
	1,226,483	729,834
Less: Interest capitalised	**(113,722)**	(48,750)
	1,112,761	681,084

5. PROFIT BEFORE TAX

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

	2023 **_RMB'000_**	2022 _RMB'000_
Cost of inventories sold relating to building materials and home improvement business	**19,156,399**	20,033,849
Cost of goods and services relating to new energy business	**967,265**	511,322
Direct cost of renovation and installation works	**1,260,023**	1,052,753
Direct cost of environmental engineering and other related services	**262,940**	229,760
Direct cost of logistics and other related services	**1,011,486**	592,545
Direct cost of financial services	**11,831**	2,681
Direct cost of property rental and other related services	**66,618**	56,992
Write-down of inventories to net realisable value, net	**10,713**	45,886
Depreciation of property, plant and equipment	**1,568,024**	1,664,727
Depreciation of right-of-use assets	**218,637**	185,212
Amortisation of other intangible assets	**48,943**	64,180
Total depreciation and amortisation	**1,835,604**	1,914,119
Research and development costs	**1,237,708**	1,219,208
Loss/(gain) on disposal of items of other intangible assets and property, plant and equipment	**17,981**	(16,976)
Changes in fair value of investment properties	**(10,314)**	(120,936)
Loss on disposal of associates	**–**	30,649
(Gain)/loss on fair value changes of financial instruments at FVTPL	**(84,998)**	283,759
Gain on fair value changes of other financial liabilities	**(5,230)**	(59,552)
Gain on early repayment of convertible loans	**–**	(3,862)
Gain on disposal of subsidiaries	**(9,708)**	(8,510)
Gain from a bargain purchase	**–**	(30)
Gain on termination of right-of-use assets	**(1,953)**	(2,145)
Gain on disposal of right-of-use assets	**(10,944)**	–
Gain from debt restructuring with customers	**(33,487)**	–
Impairment of interest in associates	**8,850**	–
Impairment of other intangible assets	**–**	66,875
Impairment/(reversal of impairment) of loan receivables, net	**1,516**	(156,104)
Impairment of long-term loan receivables	**–**	50,000
Impairment/(reversal of impairment) of contract assets, net	**96,560**	(3,207)
Impairment of trade and bills receivables, net	**579,675**	547,056
Impairment of prepayments, net	**1,907**	1,945
Impairment of other receivables, net	**179,795**	27,803
Foreign exchange differences, net	**1,770**	(40,018)

6. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current tax		
PRC	**747,002**	673,647
Hong Kong	**4,151**	3,896
Other jurisdictions	**62,279**	44,399
	813,432	721,942
(Over)/under provision in prior years		
PRC	**(41,252)**	(34,863)
Hong Kong	**(2,347)**	896
Other jurisdictions	**64**	–
	(43,535)	(33,967)
Deferred tax	**(426,074)**	(18,101)
Total tax charge for the year	**343,823**	669,874

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

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

PRC CORPORATE INCOME TAX

The Group's income tax provision in respect of its operations in China has been calculated at the applicable tax rates on the taxable profits for both years, 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 years.

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 year ended 31 December 2023, income tax of other jurisdictions mainly arose from Canada (2022: US) for the Group's disposal of investment properties.

7. DIVIDENDS

	2023		2022	
	HK$ **per share**	***HK$'000***	*HK$* per share	*HK$'000*
2022 final dividend paid (2022: 2021 final dividend paid)	**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		**RMB831,903,000**		RMB649,336,000

Subsequent to the end of the reporting period, a final dividend of HK20 cents in respect of the year ended 31 December 2023 per ordinary share in aggregate of HK$615,885,000 has been declared by the Board to the owners of the Company whose names appear on the Company's register of members on 5 July 2024 (2022: final dividend of HK30 cents per ordinary share in aggregate of HK$923,828,000). The amount of the final dividend declared for the year ended 31 December 2023 is calculated based on the number of issued shares, less dividends for shares held for the share award scheme, at the date of approval of these consolidated financial statements.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	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	**2,368,062**	2,521,245

	Number of Shares	
	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 years ended 31 December 2023 and 2022, respectively.

9. OTHER FINANCIAL ASSETS

	Note	2023 RMB'000	2022 RMB'000
Non-current			
Debt instruments at FVTOCI:			
Debt securities listed in Hong Kong	*(i)*	**141,873**	–
Debt instruments at FVTPL:			
Unlisted convertible loans	*(ii)*	**90,357**	103,537
Equity instruments at FVTOCI:			
Equity securities listed in the PRC		**148,362**	681,491
Equity securities listed in Hong Kong		**219,414**	356,660
Unlisted equity securities		**1,101,555**	1,204,731
		1,469,331	2,242,882
Equity instruments at FVTPL:			
Equity securities listed in the United Kingdom	*(iii)*	**–**	43,165
Equity securities listed in the PRC	*(iv)*	**30,000**	–
Unlisted equity securities	*(iv)*	**200,876**	197,731
		230,876	240,896
Funds at FVTPL:			
Stock funds		**13,328**	14,882
		1,945,765	2,602,197
Current			
Debt instruments at FVTOCI:			
Debt securities listed in Hong Kong	*(i)*	**–**	33,580
Debt instruments at FVTPL:			
Wealth management product		**–**	3,500
Unlisted convertible loans	*(ii)*	**16,491**	41,000
		16,491	44,500
Equity instruments at FVTPL:			
Equity securities listed in the PRC		**–**	588,065
Derivative financial instruments:			
Forward commodity contracts	*(v)*	**–**	16,762
		16,491	682,907
		1,962,256	3,285,104

Note:

(i) The debt securities carry fixed interest at a rate of 7.50% (2022: 5.65%) per annum, payable semi-annually in arrears and will mature in May 2034 (2022: January 2023).

(ii) The convertible loans carry fixed interest at rates ranging from 6.00% to 10.00% (2022: ranging from 6.00% to 10.00%) per annum, and contained a right to convert the loans into ordinary shares of the issuers at the maturity date from September 2024 to October 2026 (2022: June 2023 to September 2024).

(iii) 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 year due to the maturity.

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

(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 RMB5,655,000 (2022: RMB2,842,000) were recognised in profit or loss during the year.

(vi) During the year ended 31 December 2023, the Group received dividends in the amounts of RMB19,068,000 (2022: RMB12,915,000) from the equity instruments at FVTOCI.

10. LOAN RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Non-current		
Finance lease receivables	**7,569**	33,692
Factoring receivables	**4,823**	8,781
	12,392	42,473
Current		
Finance lease receivables	**153,401**	152,108
Factoring receivables	**484,805**	1,279,211
Receivables from supply-chain financing services	**51,179**	46,444
	689,385	1,477,763
Less: Provision for impairment	**(382,436)**	(380,920)
	306,949	1,096,843
	319,341	1,139,316

(A) FINANCE LEASE RECEIVABLES

	Minimum lease receivables		Present value of minimum lease receivables	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Not more than 1 year	**155,146**	154,947	**153,401**	152,108
Over 1 year but within 5 years	**8,860**	35,724	**7,569**	33,692
	164,006	190,671	**160,970**	185,800
Less: Unearned finance income	**(3,036)**	(4,871)		
Present value of minimum lease receivables	**160,970**	185,800		

The Group's finance lease receivables are denominated in Renminbi. The effective interest rates of the receivables range from 5.61% to 10.78% (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 (2022: Nil).

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

	2023	2022
	RMB'000	*RMB'000*
Not past due	**38,287**	63,117
Overdue	**122,683**	122,683
	160,970	185,800

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

Cash deposits from finance lease customers are collected upfront based on certain percentage of the entire value of the lease contracts. When the lease contracts expire and all related liabilities and obligations are fulfilled by the customers, the cash deposit will be returned in full. The balance of the cash deposit can also be used to settle any outstanding lease receivables for the corresponding lease contract.

At the end of the reporting period, RMB71,547,000 (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 the 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 4.00% to 15.00% (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:

	2023	2022
	RMB'000	*RMB'000*
With a residual maturity of:		
Not more than 3 months	**11,521**	44,270
Over 3 months to 6 months	**26,691**	47,724
Over 6 months to 12 months	**12,280**	667,607
Over 12 months to 24 months	**4,471**	8,781
Over 24 months to 36 months	**352**	–
Overdue	**434,313**	519,610
	489,628	1,287,992

At the end of the reporting period, RMB309,145,000 (2022: RMB309,145,000) of the Group's factoring receivables was impaired, among which RMB135,256,000 (2022: RMB135,256,000) was provided for certain individual customer groups.

(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 the PRC. The credit period for each customer is generally within 365 days.

These receivables carry interest at rates ranging from 9.00% to 16.20% (2022: 9.72% to 14.40%) per annum.

Certain receivables from supply-chain financing services amounting to RMB49,435,000 (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:

	2023	2022
	RMB'000	*RMB'000*
With a residual maturity of:		
Not more than 3 months	**33,296**	23,920
Over 3 months to 6 months	**12,000**	20,780
Over 6 months to 12 months	**4,139**	–
Overdue	**1,744**	1,744
	51,179	46,444

At the end of the reporting period, RMB1,744,000 (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 consolidated financial statements.

11. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Manufacturing and trading	**5,239,246**	5,591,757
Property development	**948,029**	908,229
	6,187,275	6,499,986

(A) MANUFACTURING AND TRADING

	2023	2022
	RMB'000	*RMB'000*
Raw materials	**1,939,287**	2,176,660
Work in progress	**596,202**	527,217
Finished goods	**2,703,757**	2,887,880
	5,239,246	5,591,757

(B) PROPERTY DEVELOPMENT

	2023	2022
	RMB'000	*RMB'000*
Property under development	**948,029**	908,229

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

12. PROPERTIES FROM RECEIVABLES SETTLEMENT

	2023	2022
	RMB'000	*RMB'000*
Completed properties held for sale	**424,192**	–

At the end of the reporting period, properties from receivables settlement represented the completed properties obtained by the Group from receivables settlement arrangement and held for resale. The Group has obtained ownership certificates of the properties.

The properties are carried at the lower of cost and net realisable value. The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the properties to their present location and condition.

13. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**6,759,727**	6,430,705
Bills receivable	**131,717**	235,992
Less: Provision for impairment	**(2,357,976)**	(1,792,754)
	4,533,468	4,873,943

The Group's major customers are independent distributors, civil contractors, property developers, utility companies and municipalities in 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:

	2023	2022
	RMB'000	*RMB'000*
Not more than 3 months	**1,562,030**	1,912,294
Over 3 months to 6 months	**663,173**	819,347
Over 6 months to 12 months	**884,132**	829,209
Over 1 year to 2 years	**897,964**	973,127
Over 2 years to 3 years	**352,300**	212,998
Over 3 years	**173,869**	126,968
	4,533,468	4,873,943

14. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**3,280,076**	2,395,833
Bills payable	**5,089,109**	5,640,406
	8,369,185	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:

	2023	2022
	RMB'000	*RMB'000*
Not more than 3 months	**4,881,254**	4,450,477
Over 3 months to 6 months	**2,936,292**	2,382,825
Over 6 months to 12 months	**420,588**	1,077,242
Over 1 year to 2 years	**48,906**	62,797
Over 2 years to 3 years	**29,619**	17,776
Over 3 years	**52,526**	45,122
	8,369,185	8,036,239

15. BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Current		
Unsecured bank loans	**6,549,400**	6,764,902
Current portion of long-term unsecured bank loans	**1,631,858**	318,000
Secured bank loans	**141,355**	129,322
Current portion of long-term secured bank loans	**115,934**	10,933
Current portion of unsecured syndicated loans	**2,236,969**	–
Other borrowings	**17,037**	34,482
	10,692,553	7,257,639
Non-current		
Unsecured bank loans	**3,624,296**	3,411,533
Unsecured syndicated bank loans	**4,921,822**	9,088,342
Secured bank loans	**105,915**	278,168
	8,652,033	12,778,043
	19,344,586	20,035,682
Analysed into borrowings repayable:		
Within one year or on demand	**10,692,553**	7,257,639
In the second year	**1,909,172**	5,761,502
In the third to fifth years, inclusive	**6,528,650**	6,780,831
More than five years	**214,211**	235,710
	19,344,586	20,035,682

Note:

(a) The effective interest rates of the Group's borrowings range from 2.50% to 7.07% (2022: 2.80% to 6.37%) per annum.

(b) At the end of the reporting period, the secured bank loans are secured by land and its concession rights of subsidiaries, investment property of a subsidiary, personal guarantees provided by shareholders of subsidiaries and the guarantees provided by shareholders of subsidiaries.

At 31 December 2022, 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, the concession rights of a subsidiary and a personal guarantee provided by a shareholder of that subsidiary and the guarantee provided by shareholders of a subsidiary.

(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 Baht which are equivalent to RMB4,242,510,000 (2022: RMB7,264,407,000), RMB4,492,342,000 (2022: RMB3,297,713,000), RMB10,281,695,000 (2022: RMB9,251,835,000), RMB281,206,000 (2022: RMB179,124,000), RMB622,000 (2022: RMB504,000) and RMB46,211,000 (2022: RMB42,099,000), respectively.

16. SHARE CAPITAL

Shares	2023	2022
Authorised:		
20,000,000,000 (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 (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

17. COMMITMENTS

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

	2023 *RMB'000*	2022 *RMB'000*
Property, plant and equipment and investment properties	**2,072,082**	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 China. After more than 37 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 19 provinces of China and in foreign countries. The Group has established a nationwide sales network and has also developed long-term strategic partnerships with 2,853 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.

CHAIRMAN'S STATEMENT

2023 was the year when China just began to recover from the pandemic outbreak. The country adhered to the tone of its economic work — "pursuing progress amid stability" by promoting high-quality development while working at full steam to stabilise growth and employment rate and mitigate risks. Nevertheless, businesses were still facing challenges and uncertainties in an operating environment marked by the global economic volatility and geopolitical turbulence.

As China's leading piping and building materials conglomerate, China Lesso has developed over the years into a manufacturer with a comprehensive product system of building materials and home improvement in the country, boasting its own competitive advantages and offering over 10,000 types of products. The Group will continue to capitalise on the stable demand for infrastructure and piping arising from the favourable government policies as it seeks to make steady progress and generate good returns for the shareholders and investors in the volatile business environment. For the year 2023, the Group recorded a total revenue of RMB30,868 million and a profit attributable to owners of the Company of RMB2,368 million. The Board proposed payment of a final dividend of 20 HK cents per share for the year ended 31 December 2023.

For 37 years, China Lesso has unwaveringly adhered to its development direction, namely "further developing the piping business and capitalising on the emergence of green energy for mutual benefit", and has also been striving for customer satisfaction by prioritising quality and driving its development with industry-leading technology, thus creating high-value products and services for society. Currently, the Group has an extensive scope of businesses that encompass piping, building materials and home improvement, environmental protection, new energy, and a supply chain service platform. Keeping pace with internationalisation and globalisation, China Lesso has established 30 advanced production bases in 19 provinces of China and in overseas countries. It has also been proactively optimising its business portfolio and market coverage according to its business strategy and broadening both its sales network and market.

Piping business has always been China Lesso's core and mainstay business and the primary source of profit. The Group has consistently maintained its leading position in the piping systems market and will be able to continue leading the development of the piping industry by expediting intelligent manufacturing, product innovation, the upgrading of production, the improvement of both quality and efficiency, and by maintaining high quality standards. The move will also help the Group to enhance its operational efficiency, expand its market share and bolster its profitability.

To create better urban and living spaces, the Group actively offers society high-quality products and solutions featuring green, low-carbon and environmentally friendly. It continuously innovates and updates its green products in its businesses of piping and environmental protection. Meanwhile, it will proactively manage the environmental impacts of its business operations by reducing their environmental footprint. It will also create a diverse and harmonious environment for work and cooperation while pursuing sustainable development and contributing to the national efforts to attain the dual goals of carbon emissions peak and carbon neutrality.

In the future, China Lesso will continue to fully capitalise on the ongoing demand for infrastructure construction on the back of the state policy and economic recovery by proactively developing further and expanding its piping business, enhancing the products at this mainstay business, optimising the product portfolio and expanding its market share. Meanwhile, the Group has established smart factories that integrate intelligent manufacturing and automated production by adopting technologies such as artificial intelligence, the Internet and the Internet of Things and by combining these technologies with digitalised and intelligentized operation and management. The move has enhanced its core competency.

Although myriad challenges and uncertainties still lie ahead in the future, I am confident about leading the management team as a cohesive group, adapting to market trends through the upgrading of business operation and innovation, grasping opportunities in overseas markets, raising the standards of management, making steady progress with prudence, providing quality products and services for society, clients and consumers, and capitalising on the industry's high-quality development.

The Board and I would like to express our heartfelt gratitude to the whole staff for their contributions. China Lesso will strive for good results, share the fruits with its customers, business partners and employees, and continue to create value for society and the shareholders.

Wong Luen Hei
Chairman of the Board
Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2023, interest rate hikes, decreased investment and frequent geopolitical conflicts significantly impacted the global economy, hindering its recovery. In China, the economy faced a turbulent external environment and domestic pressure, including shrinking demand, hard-hit supply side and falling expectations. All these posed unprecedented challenges to the business environment. Nevertheless, China's economy was resilient, vibrant and full of potential, and its economic stabilisation policies yielded effect consistently, thereby contributing to a recovery. According to the National Bureau of Statistics of China, the country's gross domestic product grew by 5.2% to approximately RMB126 trillion.

2023 was the year when China began to recover from the pandemic outbreak. It was against the backdrop of the complicated and volatile global economy that the country adhered to the tone of its economic work — "pursuing progress amid stability". Efforts were made to stimulate the domestic demand and facilitate the high-quality development as it worked to stabilise growth and employment rate and mitigate risks. Infrastructure played a key role in fueling the three economic growth drivers, namely export, consumption and investment. During the year, government departments and provincial governments pressed ahead with major infrastructure projects. Undoubtedly, infrastructure was the key driving force behind the economy. Total investments in the sector grew by 5.9% year-on-year in 2023, outpacing the country's overall fixed asset investment. Particularly, investments in the railway transportation and water management increased by approximately 25.2% and 5.2% year-on-year, respectively, driving the steady development of the infrastructure construction and piping industries.

In the past year, China's property sector experienced turbulence as regulatory measures, market changes and debt crises forced many property developers into a quagmire. Although government departments at all levels had already optimised their policies on the property market with the aim of stabilising it and the regulatory environment became almost as lax as it had been in 2014, the property market continued its downtrend. Property developers were under liquidity pressure, while home buyers' confidence had yet to recover. Both the market and property development firms continued to undergo adjustments amid the upheavals in the supply and demand. The property market will still face pressure in the short term, thus affecting the building materials and home improvement industry to a certain extent.

To attain the goals of carbon emissions peak by 2030 and carbon neutrality by 2060, China is expediting its green development at full steam. The State Council issued a white paper titled "China's Green Development in the New Era" at the beginning of 2023, stipulating the directions of the country's green development, including "the continuing optimisation of the industry structure", "promotion of green production" and "popularisation of green lifestyle". The boom in the environmental protection and photovoltaic industries is expected to continue.

BUSINESS OVERVIEW

In 2023, China Lesso unwaveringly adhered to its development direction, namely "further developing the piping business and capitalising on the emergence of green energy for mutual benefit" despite the complicated and volatile business environment and the intensifying competition. It also strives for customer satisfaction by prioritising quality and driving its development with industry-leading technology, as well as creating high-value products and services for society. Having pursued high-quality development over years, the Group has developed itself into a conglomerate whose businesses include piping systems, building materials and home improvement, environmental protection, new energy, and a supply chain service platform. It maintains its leadership in the market for piping systems and, at the same time, is developing diverse businesses to broaden its income stream. The Group is also proactively developing into overseas markets, thus laying a solid foundation for its long-term and healthy development.

The Group has always aligned and integrated its own development with the national strategies. It fulfills its responsibility as a brand by expediting intelligent manufacturing, innovation, business transformation and upgrading, and the improvement of both quality and efficiency. Such efforts have resulted in a number of breakthroughs and achievements. It has led the industry's development with high standards and high quality, contributing to the success of China's economic transformation strategy. In the past year, the Group won a number of accolades in recognition of its performance, including the titles of "An Influential Enterprise in the Capital Market for 2023", "The Most Popular Enterprise in the Stock Connect in 2023", "One of the Top 100 Growth Companies in 2023", "A Valuable Brand in the Great Brand Annual Summit 2023", "China's Leading Home Improvement Brand in 2023" and "A Preferred Supplier (Native Brand) of Central Government-owned and State-owned Property Development Enterprises — in the Category of Piping", etc. In addition, the Group also ranked "26th among the Top 200 in China's Light Industry" and "9th among the Top 100 in China's Light Industry Technology". It also received the "State Scientific and Technological Progress Award — 1st Class" from the Ministry of Education, further testifying to its diverse strengths.

As a leading brand in the industry, the Group keeps on revitalising its brand, upgrading its positioning, and updating its development strategy. It also adheres to the brand concept of "focusing on product quality, maintaining innovation capability and creating high-value products and services for society", thereby establishing a platform for the ecosystem of products for cultural environment and living space, and leading the industry down the path to steady, green and high-quality development.

The Group proactively supported the state's call for saving energy and reducing emissions in line with the trend of green development. It is set on a path to green, low-carbon and sustainable development by planning for carbon emissions reduction in such aspects as the supply and consumption of energy and conversion to new energy.

The Group incorporates the environmental concept into its product life cycle by enhancing the products' structure and performance, developing industry-leading technology and contributing to environmental protection with technology. Meanwhile, it has established a comprehensive environmental management system, and keeps on optimising both the environmental management standardisation and the procedure for business operation. It steps up the monitoring of the environment, the management of industrial wastes and the control of noises with the aim of raising energy efficiency and creating a safe and healthy work environment. The Group's moves to build a green factory and green businesses are aligned with the national goals of attaining carbon emissions peak by 2030 and carbon neutrality by 2060.

Revenue by Region#

	Revenue			% of total revenue	
	2023	2022		**2023**	2022
	RMB million	*RMB million*	Change		
Southern China	**14,079**	15,603	*(9.8)%*	**45.6%**	50.7%
Other than Southern China	**14,236**	13,154	*10.7%*	**46.1%**	42.8%
Outside China	**2,553**	2,010	*27.0%*	**8.3%**	6.5%
Total	**30,868**	30,767	*0.3%*	**100.0%**	100.0%

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

For the year ended 31 December 2023, the number of the Group's independent and exclusive first-tier distributors across the country increased to 2,853 (2022: 2,786). Southern China remained the Group's major revenue-contributing market, accounting for 45.6% of the Group's total revenue (2022: 50.7%), while the revenue from other regions accounted for 54.4% (2022: 49.3%).

Revenue by Business Unit

	Revenue			% of total revenue	
	2023	2022		**2023**	2022
	RMB million	*RMB million*	Change		
Plastic piping systems	**24,585**	25,607	*(4.0)%*	**79.6%**	83.2%
Building materials and home improvement	**2,839**	2,705	*5.0%*	**9.2%**	8.8%
Others#	**3,444**	2,455	*40.3%*	**11.2%**	8.0%
Total	**30,868**	30,767	*0.3%*	**100.0%**	100.0%

\# "Others" include businesses of environmental engineering and other related services, financial services and others.

In 2023, the economy and investment in China still faced myriad challenges. Particularly, the property sector remained in a trough while the capital market became volatile and complicated. Nevertheless, China Lesso forged ahead with its development and adhered to the principle of prudent business operation by further developing its mainstay business, fortifying its market position and maintaining the quality standards. It demonstrated resilience by maintaining steady business development. Its revenue remained flat at RMB30,868 million (2022: RMB30,767 million). Gross profit was RMB8,121 million (2022: RMB8,241 million) and gross profit margin remained flat at 26.3% (2022: 26.8%). These changes were resulted from (i) an increase in total sales volume of plastic piping systems business which benefited from the timely adjustments to its average selling prices arising from a decline in the cost of raw materials during the year; and (ii) an increase in revenue contribution from other businesses with less gross profit margin.

The Group strived to maximise the benefits from economies of scale by forging ahead with the automatic and intelligentized 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, it raised 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 record a profit consistently.

During the year, the Group's EBITDA decreased by 3% to RMB5,613 million (2022: RMB5,786 million), and the EBITDA margin was 18.2% (2022: 18.8%). Profit before tax decreased by 16.5% to RMB2,664 million (2022: RMB3,190 million). Net profit margin was 7.5% (2022: 8.2%). Profit attributable to owners of the Company decreased by 6.1% to RMB2,368 million (2022: RMB2,521 million). The decrease in the profit was mainly due to impairment provision for the Group's receivables from customers and interest rate increase on borrowings. Basic earnings per share were RMB0.77 (2022: RMB0.82). The effective tax rate decreased to 12.9% (2022: 21.0%).

To express gratitude to the Shareholders for their support and to share with them the fruits of the Group's endeavours, the Board recommended the payment of a final dividend of 20 HK cents per share for the year ended 31 December 2023 (2022: 30 HK cents per share).

BUSINESS REVIEW AND OUTLOOK

Plastic Piping Systems

In 2023, to offset the downtrend of investment in the property sector and stabilise the economy, the government continued to step up its investment in infrastructure. The central government adopted a policy of bolstering investment in infrastructure and, most importantly, it issued RMB1 trillion worth of treasury bonds in the fourth quarter of 2023, with most of the proceeds to be invested in infrastructure. Investment in infrastructure may experience a marginal rebound and add impetus to the economic recovery. As the proceeds from the treasury bond issue are gradually invested in specific projects, progress in hydraulic engineering projects such as those of drainage, water supply, and those related to urban services and agriculture are expected to accelerate. Additionally, the demand for cement, waterproofing works, investment in piping network, hydraulic engineering design and construction works may grow further, thus creating a huge business opportunity for the plastic piping system industry.

China Lesso capitalised on the ongoing demand for infrastructure construction on the back of the state policy and economic recovery by proactively developing and expanding its piping business. It not only kept refining its mainstay products but also innovated both its products and technology, thus enhancing its core competency and expanding its market share. 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 system market.

Revenue by Region

	Revenue			**% of revenue**	
	2023	2022		**2023**	2022
	RMB million	*RMB million*	Change		
Southern China	**11,445**	12,839	*(10.9)%*	**46.5%**	50.1%
Other than Southern China	**12,184**	11,750	*3.7%*	**49.6%**	45.9%
Outside China	**956**	1,018	*(6.1)%*	**3.9%**	4.0%
Total	**24,585**	25,607	*(4.0)%*	**100.0%**	100.0%

Revenue by Product Application

	Revenue			% of revenue	
	2023	2022		**2023**	2022
	RMB million	*RMB million*	Change		
Water supply	**9,422**	9,968	*(5.5)%*	**38.3%**	38.9%
Drainage	**9,175**	9,677	*(5.2)%*	**37.3%**	37.8%
Power supply and telecommunications	**3,733**	4,206	*(11.2)%*	**15.2%**	16.4%
Gas transmission	**509**	461	*10.5*	**2.1%**	1.8%
Others#	**1,746**	1,295	*34.7%*	**7.1%**	5.1%
Total	**24,585**	25,607	*(4.0)%*	**100.0%**	100.0%

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

During the year, the plastic piping systems business had steady performance, recording revenue of RMB24,585 million (2022: RMB25,607 million), accounting for 79.6% of the total revenue of the Group (2022: 83.2%).

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

	Average selling price			Sales volume			Revenue		
	2023	2022		**2023**	2022		**2023**	2022	
	RMB	*RMB*	Change	***Tonne***	*Tonne*	Change	***RMB million***	*RMB million*	Change
PVC products	**7,209**	8,825	*(18.3)%*	**1,941,263**	1,776,304	*9.3%*	**13,996**	15,675	*(10.7)%*
Non-PVC products#	**15,010**	16,122	*(6.9)%*	**705,461**	616,069	*14.5%*	**10,589**	9,932	*6.6%*
Total	**9,289**	10,704	*(13.2)%*	**2,646,724**	2,392,373	*10.6%*	**24,585**	25,607	*(4.0)%*

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

In the light of the declining raw material prices, the Group adjusted its sales strategy according to the market conditions and further diversified its product portfolio. These moves boosted the sales of its plastic pipes and pipe fittings, with a 10.6% year-on-year increase in sales volume in 2023. Sales volume of PVC products increased by 9.3% year-on-year to 1,941,263 tonnes (2022: 1,776,304 tonnes), while that of non-PVC products increased by 14.5% year-on-year to 705,461 tonnes (2022: 616,069 tonnes). Revenue from sales of PVC products decreased by 10.7% year-on-year to RMB13,996 million (2022: RMB15,675 million) while that from sales of non-PVC products increased by 6.6% year-on-year to RMB10,589 (2022: RMB9,932 million).

During the year, the Group was able to maintain its gross profit margin at a reasonable and healthy level due to a gradual decline in raw material prices, its adoption of effective procurement strategies and timely adjustments to the selling prices as well as its economies of scale. The Group decreased the average selling price of its plastic piping systems by 13.2% year-on-year to RMB9,289 per tonne (2022: RMB10,704 per tonne). The gross profit margin at its plastic piping system business was 28.5% (2022: 27.5%).

As a leading enterprise in the piping industry, the Group aims to develop its intelligent manufacturing capability by proactively embracing new-generation information technologies such as artificial intelligence, 5G telecommunication technology, Internet and Internet of Things, etc. It also drives its own development by combining the abovementioned information technologies with digitalised operation and management, thus furthering the integration of digital economy and real economy. The Group has already established smart factories by adopting such technologies as the Internet of Things, intelligent manufacturing and automated production in order to enhance its production capability. During the year, the Group's annual designed production capacity for plastic piping systems was 3.21 million tonnes, and the capacity utilisation rate was approximately 79.4%. Intelligent manufacturing not only improves efficiency but also effectively reduces carbon emissions and pollution, thus blazing a trail for the piping industry's green and low-carbon practices, bringing advantage to production and sales, creating a win-win situation for both the economy and environment, and adding new impetus and new advantages to high-quality development.

While focusing on the development of its piping business, the Group responded to the state's rural revitalisation policy by leveraging its business advantages and research and development capabilities. It extended the scope of the applications of its piping systems and provided products, facilities and solutions of high standards for large-scale planting. As a pioneer of intelligent agriculture, the Group proactively contributed to agricultural modernisation during the year by stepping up its research and development of agricultural facilities. It further developed modern technologies and applied them to the facility agriculture projects. The Group leveraged its professional advantages to support modern agriculture with the application of piping, having its products and technologies applied to agriculture, animal husbandry, marine aquaculture, thus facilitating the modernisation and upgrading of traditional agriculture and accelerating China's rural revitalisation while enriching its revenue source and expanding its market share.

In 2023, new business opportunities were expected to arise as international commerce gradually returned to normal. With a visionary strategy, the Group proactively developed overseas markets, tapping into the huge domestic demand and grasping the opportunities for infrastructure construction there on the one hand, and increasing the influence and penetration of its brand there on the other hand. During the year, the Group accelerated the localisation of its brand in overseas markets with its strong technology capabilities and its advantageous piping product system when further developing the Southeast Asian market. Currently, the Group's production bases in Indonesia, Cambodia, Thailand and Malaysia have already been put into operation while those in the Philippines, Bangladesh and Vietnam are under preparation for construction, providing more room for the Group's development.

In 2024, infrastructure investment will remain the key driver of economic growth and is expected to maintain high growth rate. At the beginning of 2024, provincial and municipal governments across the country increased investment in quality projects with efficiency and economic benefits. They also stepped up efforts to initiate major projects in the year, including those in the sectors of transportation, energy, water management and new infrastructure. These initiatives provide crucial support to the recovering economy. The Group will fully grasp the opportunities presented by the infrastructure investment and continue to develop its plastic piping system business, which can contribute to the Group's steady growth.

In the future, the Group will continue to strengthen its strategic partnerships with government departments as well as leading central government-owned and state-owned infrastructure construction enterprises by proactively participating in projects of national development plan and urban redevelopment projects, with the aim of achieving synergies with its strategic business partners and consolidating its leading position in the piping market. Furthermore, the Group will continue to make innovation the core driving force behind its development, and keep innovating its products, services and business model. It will also further develop its intelligent manufacturing capability, enhance its sustainable development capability and facilitate the high-quality development of its business.

BUILDING MATERIALS AND HOME IMPROVEMENT

In 2023, China's property sector was undergoing adjustment at a trough. Property developers' liquidity did not yet show any obvious signs of improvement. The sector still laboured ahead under downward pressure. To prevent the property sector's systemic risk and ensure the property market's steady and healthy development, the Chinese government increasingly relaxed its regulatory measures and adopted policies which were favourable to both the supply and demand sides. However, home buyers' confidence remained weak while risks involving property developers were brewing up, leading to consistently sluggish sales and impeding a recovery in the market. As a result, the building materials and home improvement industry was also affected to a certain extent. During the year, revenue from the Group's building materials and home improvement business was RMB2,839 million, accounting for 9.2% of the Group's total revenue.

The outlook for the property sector remained clouded. Civilian-owned property firms were facing the problems of financial difficulty and declining sales, whereas the central government-owned and state-owned enterprises had an advantage of ample capital and were more resilient, making them key players in the property sector. To mitigate business risk, the Group proactively diversified its client base by pursuing 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 property market has undergone adjustment for more than two years. In 2024, the state is expected to continue with relaxed regulatory measures while optimising them to better satisfy the demand of rigid and upgrading housing. As the policies on the supply and demand sides are implemented in synergy and the policy on facilitating property firms' ability to raise funds is likely to be fine-tuned and implemented, as such, the number of factors favourable to the property market's development is increasing. Such policies are expected to yield results so the property market is likely to bottom out gradually. The Group will continue to focus on product quality and enhancing 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 property construction projects and optimise its client mix by proactively engaging new clients with strong financial position so as 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

The Group's other businesses include environmental protection, supply chain service platform and new energy

Environmental protection as an industry is regarded as a new growth driver. The Group has been developing its environmental protection business in support of the state's efforts to attain the dual goals of carbon emissions peak and carbon neutrality ("dual carbon goals"). In 2023, China's economic recovery was slower than expected and industrial investment was geared down, leading to decreases in the number of projects and the industrial output and, ultimately a decrease in hazardous wastes. However, the Group still made steady progress in business. During the year, revenue from its environmental protection business edged up to RMB387 million. In the future, the Group will further explore the opportunities for undertaking government projects, with a focus on such fields such as agriculture, soil treatment , quality maintenance and provision of technical services, thus creating more favourable conditions for its future development.

The Group will adopt a prudent approach in developing its supply chain service platform business, with a focus on the Southeast Asian market. In 2023, the supply chain service platform business recorded revenue of RMB1,515 million. In light of the uncertainty over the global environment for investment, the Group slowed down its investment in the supply chain service platform business, and planned to dispose of some overseas assets in that business or lease out such assets according to the market conditions. Such moves does not only increase the Group's cash flow and mitigate the liquidity pressure, but it can also increase the shareholder return. Looking ahead, the Group will continue to fine-tune its business development strategy according to the market conditions and its business performance.

Under the guidance of the dual carbon goals, China's energy sector is speeding up its transition to green, low-carbon practices, thus significantly enhancing both the quality and efficiency of its development. In 2023, the trend in China's photovoltaic industry changed — prices of the products manufactured at various production processes declined, while competition intensified. Industry players which had not yet developed the advantages of economies of scale and vertical integration were subjected to severe pressure. The photovoltaic industry entered a stage of consolidation, with market shares increasingly concentrated in the leading photovoltaic manufacturers. During the year, the new energy business of the Group recorded revenue of RMB1,057 million, accounting for 3.5% of the Group total revenue. In the future, the global photovoltaic industry is expected to continue its restructuring and the industry players' development will become even more divergent. The competition will remain intense. In the light of such market conditions and the fact that the new energy business is still in the preliminary stage of its development, the Group will take a prudent approach and reconsider adjusting the direction and strategy of the development of its new energy business.

SUMMARY

China's economy will continue to face myriad challenges in 2024, but it is likely to stay on track for improvement as the macroeconomic policies gradually yield results and the industries undergo steady transformation and upgrading. China Lesso will adhere to its original aspiration and the principles of the prudent operation and development of business. It will seek to innovate with prudence and drive development with innovation. The Group will further develop its capabilities for intelligent manufacturing and green production, continue to explore opportunities in its mainstay business and enhance synergy across its diverse businesses. Meanwhile, it will pursue the upgrading and innovation to keep up with the market trends, enhance its brand strength, and add impetus into its high-quality development. The Group will also grasp opportunities in overseas markets and embrace globalisation by increasing its brand's influence and penetration there with its core capability for intelligent manufacturing. The Group will raise the standards of its management in order to reduce costs, raise efficiency, make steady progress and generate shareholder return for the long term.

CAPITAL EXPENDITURE

During the reporting period, the Group's capital expenditure was approximately RMB5,999 million, which was primarily used for improvement of automated facilities and installation of solar power facilities in production bases, expansion of the existing production bases, properties received from receivables settlement and construction of certain investment properties.

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 RMB20,696 million, of which 21.5% was denominated in US dollar, 21.7% was denominated in HK dollar, 55.0% was denominated in RMB, 1.4% 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 2.50% to 7.07% 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 46.0%.

At the end of the reporting period, the Group's total equity increased to RMB24,311 million. The Group's current assets and current liabilities were RMB20,814 million and RMB24,513 million, respectively. The Group's Current Ratio decreased to 0.85 from 1.12 as at 31 December 2022, while Quick Ratio decreased to 0.57 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 RMB6,553 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 subsidiaries, investment property of a subsidiary, personal guarantees provided by shareholders of subsidiaries, the guarantees 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 21,000 employees including directors. Total staff costs were RMB2,440 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

	2023	2022
	RMB million	*RMB million*
Keda	**1,950**	–
Xingfa Aluminium	**1,708**	1,524
Others	**1,207**	1,173
	4,865	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 RMB17,353 million, and profit attributable to the shareholders of Xingfa Aluminium was RMB804 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 RMB9,696 million, and profit attributable to the shareholders of Keda was RMB2,092 million. The aggregate cash consideration for acquisition of Keda's interests was approximately RMB2,100 million during the reporting period.

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 RMB9,189 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 RMB335 million, and set-off with disposal of a portion of vacant land in Toronto, Canada of RMB307 million and the remaining portion of this land amounted to RMB331 million transferred to assets held for sale, 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 RMB1,946 million (2022: RMB2,602 million) and RMB16 million (2022: RMB683 million), respectively. The investment portfolio is comprised of 20.3% in listed equity securities (issued by PRC-based companies of: home improvement and furnishings shopping malls operating and property management), 7.2% in listed debt securities, 5.4% in unlisted debt securities, 66.4% in unlisted equity securities and 0.7% other financial investments.

During the reporting period, the Group recognised a fair value gain of approximately RMB85 million in profit or loss, recognised mark-to-market valuation net loss of approximately RMB143 million in other comprehensive income and approximately RMB12 million of exchange net gain on translation. Income from the portfolio amounted to approximately RMB21 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.

EVENT AFTER THE REPORTING PERIOD

The Board announced that on 31 January 2024, the Company entered into the new machinery purchase agreement with Guangdong Liansu Machinery in relation to the possible purchase of machinery by the Group from Guangdong Liansu Machinery during the years ending 31 December 2024, 31 December 2025 and 31 December 2026 at a price not exceeding the price offered to the Group by any independent third parties. The annual machinery purchase caps for each of the period, shall not exceed RMB300 million.

On 31 January 2024, the Company entered into the supply agreement with Yan Sing Fu Sing in relation to the possible supply of building materials, new energy solutions and renovation services by the Group to Yan Sing Fu Sing during the years ending 31 December 2024, 31 December 2025 and 31 December 2026 at a price no more favorable than the price offered by the Group to any independent third parties. The annual sales caps for each of the period, shall not exceed RMB200 million.

For details, please refer to the announcement of the Company dated on 31 January 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the annual results of the Group for the year ended 31 December 2023.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year that will be contained in the annual report. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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 year. 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.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK20 cents per share for the year ended 31 December 2023 (the "Proposed Final Dividend") to the Shareholders whose names appear on the register of members of the Company on Friday, 5 July 2024 , subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 24 May 2024 (the "2024 AGM"). It is expected that the Proposed Final Dividend will be paid on Thursday, 18 July 2024 .

The total dividend for 2023 amounts to a total of HK20 cents per share (2022: HK30 cents per share), which represents a payout ratio of 23.7% (2022: 33.0%) of the profit attributable to the Shareholders for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

(A) for Determining the Entitlement to Attend, Speak and Vote at the 2024 AGM

The record date for determining the entitlement to attend, speak and vote at the 2024 AGM will be Friday, 24 May 2024. The register of members of the Company will be closed from Wednesday, 22 May 2024 to Friday, 24 May 2024, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to attend, speak and vote at the 2024 AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 21 May 2024.

(B) for Determining the Entitlement to the Proposed Final Dividend

The record date for the Proposed Final Dividend will be Friday, 5 July 2024. The register of members of the Company will be closed from Wednesday, 3 July 2024 to Friday, 5 July 2024, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 2 July 2024.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.lesso.com). The 2023 annual 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 March 2024

As at the date of this announcement, the executive Directors 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 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 C1 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
"Guangdong Liansu Machinery"	Guangdong Liansu Machinery Manufacturing Co., Ltd.*, a company indirectly wholly-owned by Mr. Wong Luen Hei and a connected person of the Company as defined under the Listing Rules
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the PRC
"Indonesia"	Republic of Indonesia
"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 C3 to the Listing Rules

"PE"	polyethylene
"PP-R" 「PP-R」	polypropylene random 無規共聚聚丙烯
"PVC"	polyvinyl chloride
"Quick Ratio"	the ratio of current assets less inventories to current liabilities, properties from receivables settlement and asset held for sale
"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
"Yan Sing Fu Sing"	Yan Sing Fu Sing Real Estate (Holdings) Limited, a company ultimately and wholly-owned by four connected persons of the Company
"%"	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.