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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board is pleased to announce the consolidated financial results of the Group for the six months ended 30 June 2022.

HIGHLIGHTS

Compared to the financial results for the six months ended 30 June 2021:

- Revenue increased by 1.1% to RMB14,890 million
- Gross profit decreased by 9.9% to RMB3,943 million
- Profit for the period decreased by 26.8% to RMB1,302 million
- Basic earnings per share was RMB0.42, decreased by 28.8%
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Six months ended 30 June 2022

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	3	**14,889,613**	14,723,265
Cost of sales		**(10,946,918)**	(10,349,464)
Gross profit		**3,942,695**	4,373,801
Other revenue, income and gains	3	**228,365**	368,691
Selling and distribution expenses		**(665,952)**	(661,499)
Administrative expenses		**(749,073)**	(794,885)
Impairment losses on financial and contract assets		**(103,679)**	(88,075)
Other expenses		**(894,876)**	(804,860)
Finance costs	4	**(262,168)**	(256,045)
Share of results of associates		**61,671**	122,180
Share of result of a joint venture		**1,045**	782
PROFIT BEFORE TAX	5	**1,558,028**	2,260,090
Income tax expense	6	**(256,528)**	(480,881)
PROFIT FOR THE PERIOD		**1,301,500**	1,779,209
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax		**(75,980)**	1,187
Share of other comprehensive income of an associate, net of tax		**(7,127)**	3,891
Exchange differences on translation of foreign operations		**(332,162)**	(246,825)
		(415,269)	(241,747)

	Note	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		**(195,653)**	63,541
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**(610,922)**	(178,206)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**690,578**	1,601,003
Profit for the period attributable to:			
Owners of the Company		**1,295,174**	1,814,284
Non-controlling interests		**6,326**	(35,075)
		1,301,500	1,779,209
Total comprehensive income for the period attributable to:			
Owners of the Company		**681,432**	1,666,229
Non-controlling interests		**9,146**	(65,226)
		690,578	1,601,003
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	*8*	**RMB0.42**	RMB0.59

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**12,784,190**	12,331,567
Right-of-use assets		**2,382,018**	2,378,954
Investment properties		**8,692,038**	7,809,639
Deposits paid for the purchase of land, property, plant and equipment		**1,188,909**	1,043,250
Goodwill		**540,086**	495,857
Other intangible assets		**529,415**	547,836
Interests in associates		**2,193,508**	2,618,990
Interest in a joint venture		**13,846**	12,801
Other financial assets	*9*	**2,042,082**	2,031,511
Loan receivables	*10*	**67,100**	86,400
Other non-current assets		**407,183**	385,376
Contract assets		**40,732**	39,980
Deferred tax assets		**482,557**	349,105
Total non-current assets		**31,363,664**	30,131,266
CURRENT ASSETS			
Inventories	*11*	**6,661,456**	6,881,329
Contract assets		**600,191**	576,901
Other financial assets	*9*	**695,711**	822,696
Loan receivables	*10*	**1,093,907**	1,152,292
Trade and bills receivables	*12*	**4,939,764**	4,212,442
Prepayments, deposits and other receivables		**2,228,483**	2,130,992
Cash and bank deposits		**5,581,311**	7,646,249
		21,800,823	23,422,901
Asset held for sale		**–**	929,022
Total current assets		**21,800,823**	24,351,923

	Note	**30 June 2022** *RMB'000* **(Unaudited)**	31 December 2021 *RMB'000* (Audited)
CURRENT LIABILITIES			
Contract liabilities		**1,785,300**	3,249,079
Trade and bills payables	*13*	**8,006,252**	7,545,637
Other payables and accruals		**2,249,070**	1,697,228
Tax payable		**227,542**	360,574
Borrowings	*14*	**5,877,751**	7,279,814
Convertible loans	*15*	**–**	624,430
Lease liabilities		**92,906**	77,670
Other financial liabilities		**21,320**	29,171
Total current liabilities		**18,260,141**	20,863,603
NET CURRENT ASSETS		**3,540,682**	3,488,320
TOTAL ASSETS LESS CURRENT LIABILITIES		**34,904,346**	33,619,586
NON-CURRENT LIABILITIES			
Borrowings	*14*	**11,139,356**	9,879,291
Lease liabilities		**397,789**	414,698
Other long-term payables		**7,287**	10,385
Provision for long-term employee benefits		**5,622**	5,219
Other financial liabilities		**399**	42,188
Deferred tax liabilities		**1,286,853**	1,200,818
Deferred income		**271,584**	260,224
Total non-current liabilities		**13,108,890**	11,812,823
Net assets		**21,795,456**	21,806,763
EQUITY			
Share capital	*16*	**135,344**	135,344
Reserves		**20,629,790**	20,635,797
Equity attributable to owners of the Company		**20,765,134**	20,771,141
Non-controlling interests		**1,030,322**	1,035,622
Total equity		**21,795,456**	21,806,763

Note:

1.1 BASIS OF PREPARATION

These condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for investment properties, other financial assets, asset held for sale and other financial liabilities which have been measured at fair value. These condensed consolidated financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these condensed consolidated financial statements are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) as disclosed in note 1.2 below.

These condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The application of these revised standards in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

(viii) Outside China.

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

Segment assets exclude interests in associates, interest in a joint venture, 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 mainland China, special administrative regions of PRC and foreign countries.

During the six months ended 30 June 2022 and 2021, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

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

	Southern China *RMB'000*	Southwestern China *RMB'000*	Central China *RMB'000*	Eastern China *RMB'000*	Northern China *RMB'000*	Northwestern China *RMB'000*	Northeastern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2021										
Segment revenue:										
Sale of goods	7,396,648	1,374,689	1,518,740	859,141	1,164,905	709,913	390,236	402,417	–	13,816,689
Contract revenue from renovation and installation works	460,263	29,536	52,887	83,962	27,430	4,788	3,717	5,493	–	668,076
Income from environmental engineering and other related services	71,679	2,761	6,249	53,398	451	3	–	–	–	134,541
Financial service income	29,498	3,774	949	13,330	1,949	15	36	–	–	49,551
Property rental and other related services	5,941	–	–	–	–	–	–	48,467	–	54,408
Revenue from external customers	7,964,029	1,410,760	1,578,825	1,009,831	1,194,735	714,719	393,989	456,377	–	14,723,265
Intersegment revenue	2,450,465	259,618	341,687	290,444	315,153	125,599	102,494	399,603	(4,285,063)	–
Total	10,414,494	1,670,378	1,920,512	1,300,275	1,509,888	840,318	496,483	855,980	(4,285,063)	14,723,265
Segment results:	2,581,795	412,559	517,567	227,876	319,567	184,721	91,413	108,179	(69,876)	4,373,801
Reconciliations:										
Interest income										54,673
Gain on fair value changes of financial instruments at FVTPL										205,307
Gain on fair value changes of other financial liabilities										2,814
Investment income										2,566
Gain from a bargain purchase										463
Loss on fair value changes of investment properties										(85,768)
Loss on deemed disposal of associates										(56,670)
Exchange loss										(24,834)
Finance costs (other than interest on lease liabilities)										(252,347)
Share of results of associates										122,180
Share of result of a joint venture										782
Unallocated income and expenses										(2,082,877)
Profit before tax										2,260,090
Other segment information:										
Depreciation and amortisation	422,019	39,790	32,446	28,393	24,447	22,441	12,024	35,056	–	616,616
Impairment of property, plant and equipment	15,847	–	–	469	–	–	4,393	1,011	–	21,720
Impairment of contract assets, net	2,337	–	–	–	–	–	–	–	–	2,337
Impairment of trade and bills receivables, net	70,540	5	291	(1,934)	(528)	(99)	(274)	16,371	–	84,372
Impairment of prepayments, net	71	25	1,090	15	236	11	–	–	–	1,448
Impairment of other receivables, net	1,366	–	–	–	–	–	–	–	–	1,366
Capital expenditure#	1,468,724	62,873	216,260	79,666	81,818	95,335	7,013	468,905	(42,351)	2,438,243
As at 30 June 2021										
Segment assets	22,298,690	1,738,974	2,027,832	2,083,593	1,117,730	896,440	579,905	7,986,750	–	38,729,914

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 RMB289,088,000.

3. REVENUE, OTHER REVENUE, INCOME AND GAINS

Revenue

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

By revenue nature:

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	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	**13,699,241**	**–**	**13,699,241**	13,816,689	–	13,816,689
Contract revenue from renovation and installation works	**–**	**584,620**	**584,620**	–	668,076	668,076
Income from environmental engineering and other related services	**–**	**143,908**	**143,908**	–	134,541	134,541
Logistics and other related services	**–**	**338,819**	**338,819**	–	–	–
Sub-total	**13,699,241**	**1,067,347**	**14,766,588**	13,816,689	802,617	14,619,306
Financial service income			**45,313**			49,551
Property rental and other related services			**77,712**			54,408
Total			**14,889,613**			14,723,265

By geographical locations:

	Six months ended 30 June 2022			Six months ended 30 June 2021		
	Goods transferred at a point in time	**Services transferred over time**	**Total**	Goods transferred at a point in time	Services transferred over time	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers:						
Mainland China	**13,079,848**	**976,589**	**14,056,437**	13,414,272	797,124	14,211,396
Outside China	**619,393**	**90,758**	**710,151**	402,417	5,493	407,910
Sub-total	**13,699,241**	**1,067,347**	**14,766,588**	13,816,689	802,617	14,619,306
Financial service income			**45,313**			49,551
Property rental and other related services			**77,712**			54,408
Total			**14,889,613**			14,723,265

Other Revenue, Income and Gains

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Bank interest income	**58,700**	52,927
Interest income from other loan receivables	**668**	–
Interest income from other financial assets	**1,107**	1,746
Total interest income	**60,475**	54,673
Government grants and subsidies	**39,667**	35,469
Gain on fair value changes of financial instruments at FVTPL	**–**	205,307
Gain on fair value changes of other financial liabilities	**41,672**	2,814
Gain on early repayment of convertible loans	**3,726**	–
Investment income	**14,277**	2,566
Gain on disposal of a subsidiary	**5,792**	–
Gain on disposal of an associate	**5,270**	–
Gain on disposal of items of other intangible assets and property, plant and equipment	**5,764**	–
Gain on sale of raw materials	**6,931**	36,439
Gain on termination of right-of-use assets	**2,127**	396
Gain from a bargain purchase	**30**	463
Rental income	**5,444**	9,177
Others	**37,190**	21,387
	228,365	368,691

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

4. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Interest expenses on bank and other loans	**266,240**	259,089
Interest expenses on lease liabilities	**11,939**	3,698
	278,179	262,787
Less: Interest capitalised	**(16,011)**	(6,742)
	262,168	256,045

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**10,012,100**	9,777,403
Direct cost of renovation and installation works	**542,693**	471,732
Direct cost of environmental engineering and other related services	**75,665**	77,973
Direct cost of logistics and other related services	**272,510**	–
Direct cost of financial services	**614**	5,360
Direct cost of property rental and other related services	**24,398**	16,996
Write-down of inventories to net realisable value, net	**18,938**	–
Depreciation of property, plant and equipment	**888,370**	549,596
Depreciation of right-of-use assets	**106,003**	52,345
Amortisation of other intangible assets	**32,881**	14,675
Total depreciation and amortisation	**1,027,254**	616,616
Research and development costs	**597,131**	603,281
(Gain)/loss on disposal of items of other intangible assets and property, plant and equipment	**(5,764)**	7,106
Impairment of property, plant and equipment	**–**	21,720
Loss on fair value changes of investment properties	**–**	85,768
(Gain)/loss on disposal/deemed disposal of associates	**(5,270)**	56,670
Loss/(gain) on fair value changes of financial instruments at FVTPL	**243,996**	(205,307)
Gain on fair value changes of other financial liabilities	**(41,672)**	(2,814)
Gain from a bargain purchase	**(30)**	(463)
Equity-settled share option expense	**–**	2,687
Impairment of loan receivables	**51,611**	–
(Reversal of impairment)/impairment of contract assets, net	**(7,412)**	2,337
Impairment of trade and bills receivables, net	**47,856**	84,372
Impairment of prepayments, net	**–**	1,448
Impairment of other receivables, net	**11,624**	1,366
Foreign exchanges differences, net	**45,030**	24,834

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Current tax		
PRC	**324,054**	459,402
Other jurisdictions	**6,411**	520
	330,465	459,922
Overprovision in prior years		
PRC	**(33,699)**	(81,902)
Deferred tax	**(40,238)**	102,861
Total tax charge for the period	**256,528**	480,881

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong Profits Tax

The statutory rate of Hong Kong profits tax was 16.50% (six months ended 30 June 2021: 16.50%) on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.50%.

No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong during both periods.

PRC Corporate Income Tax

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

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

Income Tax for Other Jurisdictions

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

7. DIVIDENDS

	Six months ended 30 June			
	2022		2021	
	HK$ per share	***HK$'000***	*HK$ per share*	*HK$'000*
2021 final dividend declared (2021: 2020 final dividend declared)	**0.26**	**806,629**	0.38	1,178,919
Less: Dividends for shares held for share award scheme	**0.26**	**(5,978)**	0.38	(8,737)
		800,651		1,170,182
Equivalent to		**RMB649,336,000**		RMB973,685,000

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: interim dividend of HK12 cents per ordinary share in aggregate of HK$369,531,000). The amount of interim dividend declared for the six months ended 30 June 2021 is calculated based on the number of issued shares, less dividends for shares held for share award scheme.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**1,295,174**	1,814,284

	Number of Shares Six months ended 30 June	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue	**3,102,418,400**	3,102,418,400
Weighted average number of shares held for the share award scheme	**(22,991,000)**	(22,991,000)
Adjusted weighted average number of ordinary shares of the Company in issue used in the basic and diluted earnings per share calculation	**3,079,427,400**	3,079,427,400

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021, respectively.

9. OTHER FINANCIAL ASSETS

	Note	**30 June 2022** *RMB'000*	31 December 2021 *RMB'000*
Non-current			
Debt instruments at FVTOCI:	*(i)*		
Debt securities listed in Hong Kong		**–**	31,073
Debt securities listed in PRC		**55,950**	142,500
		55,950	173,573
Debt instruments at FVTPL:			
Unlisted convertible loans	*(ii)*	**107,578**	64,530
Equity instruments at FVTOCI:			
Equity securities listed in PRC		**191,574**	226,616
Equity securities listed in Hong Kong		**414,160**	352,133
Unlisted equity securities		**1,032,088**	889,641
		1,637,822	1,468,390
Equity instruments at FVTPL:			
Equity securities listed in the United Kingdom	*(iii)*	**48,725**	157,763
Unlisted equity securities	*(iv)*	**176,739**	150,775
		225,464	308,538
Funds at FVTPL:			
Stock funds		**15,268**	16,480
		2,042,082	2,031,511
Current			
Debt instruments at FVTOCI:	*(i)*		
Debt securities listed in Hong Kong		**30,000**	–
Debt instruments at FVTPL:			
Structured deposit		**13,000**	30,000
Unlisted convertible loans	*(ii)*	**41,000**	40,000
		54,000	70,000
Equity instruments at FVTPL:			
Equity securities listed in PRC		**611,711**	752,027
Derivative financial instruments:			
Forward currency contracts	*(v)*	**–**	669
		695,711	822,696
		2,737,793	2,854,207

Note:

(i) The debt securities carry fixed interest at rates ranging from 5.65% to 6.90% (31 December 2021: 5.65% to 6.90%) per annum, payable semi-annually or annually in arrears and will mature from January 2023 to January 2026 (31 December 2021: January 2023 to January 2026).

(ii) The convertible loans carry fixed interest at rates ranging from 6.00% to 10.00% (31 December 2021: 6.00% to 10.00%) per annum, and contained a right to convert the loans into ordinary shares of the issuers at the maturity dates from December 2022 to October 2026 (31 December 2021: May 2022 to September 2024).

(iii) The rights of the equity securities are restricted by a loan agreement with a third party.

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

(v) The Group has entered into various forward currency contracts to manage its exchange rate exposures. The forward currency contracts are not designated for hedge purposes and are measured at FVTPL. Changes in the fair value of non-hedging forward currency contracts amounting to RMB679,000 (six months ended 30 June 2021: Nil) were recognised in profit or loss during the period.

10. LOAN RECEIVABLES

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Non-current		
Finance lease receivables	**40,100**	53,400
Factoring receivables	**27,000**	33,000
	67,100	86,400
Current		
Finance lease receivables	**149,932**	153,857
Factoring receivables	**1,446,610**	1,471,059
Receivables from supply-chain financing services	**86,000**	64,400
	1,682,542	1,689,316
Less: Provision for impairment	**(588,635)**	(537,024)
	1,093,907	1,152,292
	1,161,007	1,238,692

(A) Finance Lease Receivables

	Minimum lease receivables		Present value of minimum lease receivables	
	30 June 2022	31 December 2021	**30 June 2022**	31 December 2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Not more than 1 year	**153,239**	157,576	**149,932**	153,857
Over 1 year but within 5 years	**42,153**	56,913	**40,100**	53,400
	195,392	214,489	**190,032**	207,257
Less: Unearned finance income	**(5,360)**	(7,232)		
Present value of minimum lease receivables	**190,032**	207,257		

The Group's finance lease receivables are denominated in Renminbi. The effective interest rates of the receivables range from 5.61% to 14.37% (31 December 2021: 5.61% to 14.37%) per annum. There are no unguaranteed residual values of assets leased under finance leases and no contingent rent arrangements that needed to be recognised (31 December 2021: Nil).

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Not past due	**67,349**	84,574
Overdue	**122,683**	122,683
	190,032	207,257

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. There were no collected cash deposits at the end of the reporting period (31 December 2021: RMB1,310,000 have been included in "other payables and accruals" in the consolidated statement of financial position).

At the end of the reporting period, RMB90,342,000 (31 December 2021: RMB69,057,000) of the Group's finance lease receivables was impaired.

(B) Factoring Receivables

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

Factoring receivables are secured by receivables and/or commercial bills originally owned by the customers. These receivables carry interest at rates ranging from 4.32% to 14.00% (31 December 2021: 6.00% to 14.00%) per annum.

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
With a residual maturity of:		
Not more than 3 months	**419,887**	338,726
Over 3 months to 6 months	**374,916**	196,652
Over 6 months to 12 months	**95,244**	776,181
Over 12 months to 24 months	**27,000**	33,000
Overdue	**556,563**	159,500
	1,473,610	1,504,059

At the end of the reporting period, RMB496,293,000 (31 December 2021: RMB465,967,000) of the Group's factoring receivables was impaired.

(C) Receivables from Supply-Chain Financing Services

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

These receivables carry interest at rates ranging from 9.72% to 18.00% (31 December 2021: 9.60% to 14.40%) per annum.

Certain receivables from supply-chain financing services amounting to RMB84,000,000 (31 December 2021: RMB64,400,000) are secured by certain interests of companies and personal guarantees.

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

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
With a residual maturity of:		
Not more than 3 months	**42,500**	17,700
Over 3 months to 6 months	**41,500**	44,700
Overdue	**2,000**	2,000
	86,000	64,400

At the end of the reporting period, RMB2,000,000 (31 December 2021: RMB2,000,000) of the Group's receivables from supply-chain financing services was impaired.

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

11. INVENTORIES

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Manufacturing and trading	**5,894,867**	6,145,376
Property development	**766,589**	735,953
	6,661,456	6,881,329

(A) Manufacturing and Trading

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Raw materials	**2,121,664**	2,275,798
Work in progress	**635,577**	583,073
Finished goods	**3,137,626**	3,286,505
	5,894,867	6,145,376

(B) Property Development

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Property under development	**766,589**	735,953

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

12. TRADE AND BILLS RECEIVABLES

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade receivables	**5,380,203**	4,478,861
Bills receivable	**859,882**	997,629
Less: Provision for impairment	**(1,300,321)**	(1,264,048)
	4,939,764	4,212,442

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

Trade and bills receivables are unsecured and interest-free.

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

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Not more than 3 months	**1,781,306**	1,699,679
Over 3 months to 6 months	**483,826**	739,355
Over 6 months to 12 months	**1,198,984**	1,033,348
Over 1 year to 2 years	**1,249,867**	544,819
Over 2 years to 3 years	**146,486**	174,842
Over 3 years	**79,295**	20,399
	4,939,764	4,212,442

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

13. TRADE AND BILLS PAYABLES

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade payables	**2,071,157**	1,880,896
Bills payable	**5,935,095**	5,664,741
	8,006,252	7,545,637

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

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

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Not more than 3 months	**4,165,866**	4,465,850
Over 3 months to 6 months	**2,655,021**	2,558,088
Over 6 months to 12 months	**991,740**	356,633
Over 1 year to 2 years	**127,164**	96,590
Over 2 years to 3 years	**21,179**	24,736
Over 3 years	**45,282**	43,740
	8,006,252	7,545,637

14. BORROWINGS

	30 June 2022 *RMB'000*	31 December 2021 *RMB'000*
Current		
Unsecured bank loans	**4,464,193**	6,410,017
Current portion of long-term unsecured bank loans	**1,222,041**	699,774
Current portion of long-term unsecured other loans	**625**	601
Secured bank loans	**30,040**	100,496
Current portion of long-term secured bank loans	**8,871**	10,193
Other borrowings	**151,981**	58,733
	5,877,751	7,279,814
Non-current		
Unsecured bank loans	**1,422,001**	1,586,753
Unsecured syndicated bank loans	**9,469,142**	8,025,428
Secured bank loans	**248,213**	267,110
	11,139,356	9,879,291
	17,017,107	17,159,105
Analysed into borrowings repayable:		
Within one year or on demand	**5,877,751**	7,279,814
In the second year	**6,382,704**	794,426
In the third to fifth years, inclusive	**4,510,437**	8,907,353
More than five years	**246,215**	177,512
	17,017,107	17,159,105

Note:

(a) The effective interest rates of the Group's borrowings range from 1.10% to 5.50% (31 December 2021: 0.86% to 5.80%) per annum.

(b) The secured bank loans are secured by land and its concession rights of a subsidiary, machineries and equipment of a subsidiary, leasehold lands and buildings of subsidiaries, loan receivables of a subsidiary, the concession rights of a subsidiary and personal guarantee provided by a shareholder of that 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 Thai Baht which are equivalent to RMB8,357,505,000 (31 December 2021: RMB7,701,244,000), RMB3,510,216,000 (31 December 2021: RMB2,996,486,000), RMB4,898,449,000 (31 December 2021: RMB5,572,419,000), RMB207,653,000 (31 December 2021: RMB843,519,000), RMB1,135,000 (31 December 2021: RMB691,000) and RMB42,149,000 (31 December 2021: RMB44,746,000), respectively.

15. CONVERTIBLE LOANS

The convertible loans of US$60,000,000 (approximately equivalent to RMB410,415,000) drew down on 22 May 2019 and US$40,000,000 (approximately equivalent to RMB279,489,000) drew down on 29 November 2019 were repaid at maturity on 21 May 2022 and early repaid on 20 June 2022, respectively.

16. SHARE CAPITAL

	30 June 2022	31 December 2021
Authorised:		
20,000,000,000 (31 December 2021: 20,000,000,000) ordinary shares of HK$0.05 each	**HK$1,000,000,000**	HK$1,000,000,000
Issued and fully paid:		
3,102,418,400 (31 December 2021: 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

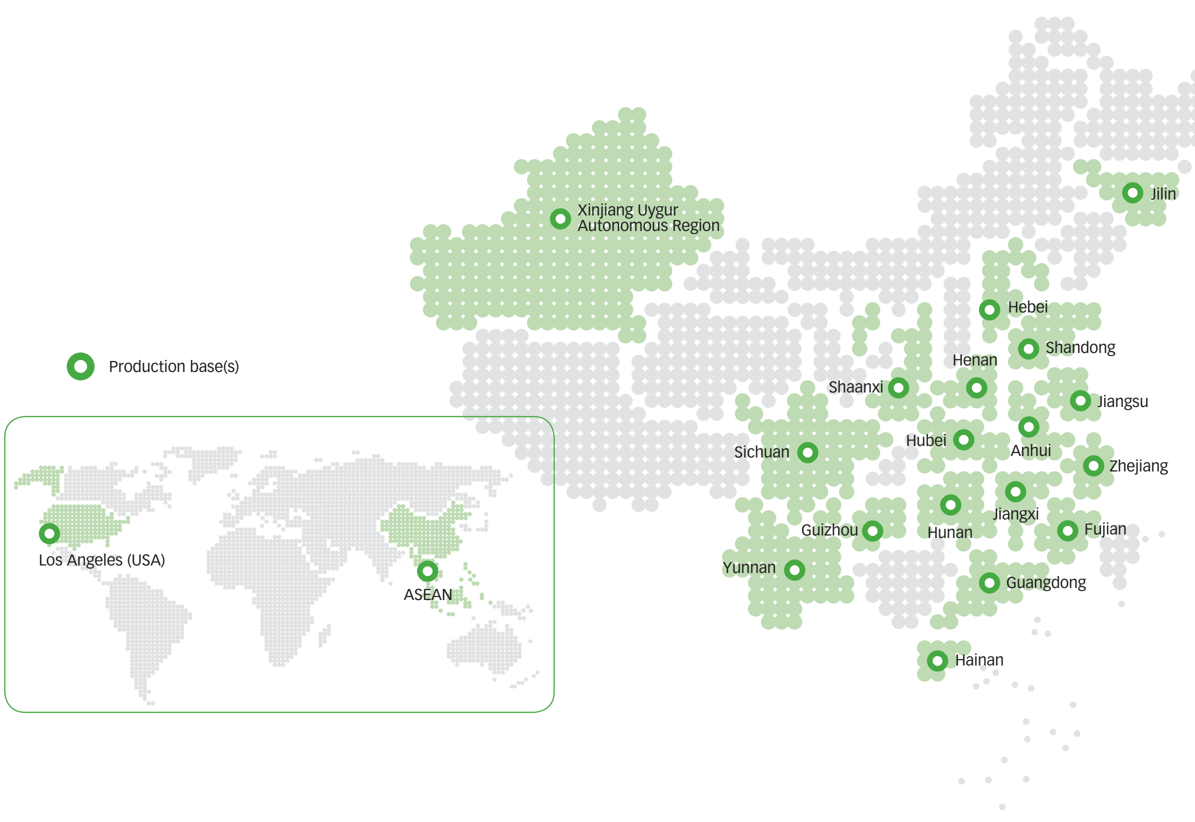
The Group had the following capital commitments at the end of the reporting period:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment and investment properties	**2,194,006**	2,544,225

CORPORATE PROFILE

China Lesso Group Holdings Limited (Stock Code of Hong Kong Stock Exchange: 2128) is a leading large-scale industrial group that manufactures piping and building materials in mainland China. China Lesso is one of the constituent stocks of the Hang Seng Composite MidCap Index and MSCI China index and is a stock eligible for trading through the Hong Kong Stock Exchange's Stock Connect. After more than 35 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, photovoltaic solution, environmental protection, and operates a supply chain service platform.

Currently, the Group has established over 30 advanced production bases in 18 provinces of China and in foreign countries. The Group has established a nationwide sales network and has also developed long-term strategic partnerships with 2,706 independent and exclusive first-tier distributors that enable timely and efficient supply of comprehensive, quality products and professional services to customers. As an integrated manufacturer of a comprehensive range of piping and building materials, China Lesso provides over 10,000 types of quality products, which are widely applied to such fields as home improvement, civil architecture, municipal water supply, drainage, energy management, electric power transmission, telecommunication, gas supply, fire services, environmental protection, agriculture and marine aquaculture.



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In the first half of 2022, due to the resurgent pandemic in various regions, the PRC economy was confronted by three types of mounting pressure, namely those from weak domestic demand, rising production costs and decelerating economic growth. The decline at both the supply and demand sides led to a noticeable slowdown in the country's economic growth. At the same time, the PRC economy continued to face severe and complicated external conditions which also exerted increasing downward pressure. According to the National Bureau of Statistics, China's gross domestic product (GDP) for the first half of 2022 amounted to approximately RMB56.3 trillion, representing a year-on-year increase of 2.5%. While the overall economy continued to recover steadily, the quarterly growth decelerated significantly to an actual year-on-year growth of only 0.4% for the second quarter. This reflected unprecedented challenges that the PRC economy is facing.

It was against the backdrop of the severe business environment that the government policy of ensuring steady economic growth has been gaining importance. To stimulate economic development, various provincial and municipal governments proposed accelerating the construction of a new type of infrastructure at the National People's Congress and the Chinese People's Political Consultative Conference in early 2022, and clarified the focus and direction of that endeavour for the year. In the meantime, the introduction of "economic stabilisation policies" is conducive to restoring confidence in social and economic development and bolstering the flagging consumer sentiment. As local governments increased investment in infrastructure projects across the country, infrastructure construction and renewal projects were gaining momentum. The government also aims to stabilise the economy by stimulating domestic demand. All these are favourable conditions for business planning for the future. In fact, following the proposal on "starting investment in certain infrastructure projects moderately ahead of schedule" at the Central Economic Work Conference at the end of last year, the Political Bureau of the Central Committee also proposed at its meeting held at the end of April this year that an all-out effort be taken to step up infrastructure construction. This series of government policies have represented a signal to boost investment in infrastructure. Total investment in major infrastructure projects in the PRC is predicted to exceed RMB25 trillion in 2022. At present, construction of various infrastructure projects is in full swing, including those in such key areas as 5G base stations, data centres, industrial Internet of Things, rail transportation and ultra-high voltage electricity transmission. Furthermore, it is expected that a large number of projects of construction of light rail, airports and bridges will be started next year. It is believed that these favourable market conditions will bring a huge and stable demand to the piping industry and will thus help to sustain the industry's growth.

The Chinese government has also regarded the policy of "stabilising the real estate sector" as key to "stabilising the economy". Taking their cue from the central government and various ministries and commissions which have frequently publicised their positive attitude towards the real state sector since the beginning of this year, local governments have fully implemented "city-specific policies" on the property sector, heralding an era of loose policies. As a result of the increasingly noticeable effect of the policies amid the waning pandemic, it is expected that the property market will gradually rebound from its nadir in the second half of the year on the back of the gradual release of the pent-up demand for housing. This will help restore stability to the development of the building materials and home improvement industry.

The goal of attaining "carbon emission peak" and "carbon neutrality" has presented a great opportunity to promote the comprehensive green transformation of China's economic and social development and thus to popularise extensively green production and green lifestyle. In pursuit of the dual goal of "carbon emission peak" and "carbon neutrality", the PRC government issued numerous favourable policies in the first half of 2022 to support the development of environmental and photovoltaic industries, laying a good foundation for the healthy and orderly development of such industries in the future.

BUSINESS OVERVIEW

In 2022, as a leading industrial conglomerate that supplies the global market with piping and building materials, China Lesso adhered to the principle of "following the trend and making progress with prudence and focusing on intelligent manufacturing and green business of photovoltaics". It placed emphasis on upgrading its businesses with smart technology and driving its own development with technology in response to changes with the aim of enhancing its competitiveness. By monitoring market conditions and following the trend, the Group pressed ahead with its high-quality, innovative business development. In the first half of the year, China Lesso received various honours and awards from the industry and community, including the "2021 Best Green Syndicated Loan Award", "2022 Preferred Suppliers for Top 500 Real Estate Developers by Overall Strength", "2022 Top Five Listed Companies of Supporting Supply Chain for China Real Estate by Investment Potential", "First Prize of Guangdong Science and Technology Award in the category of Technology Invention Award", and "2021 China Houses Champion Chart — Leading Brand in the Industry", which not only fully demonstrated the brand awareness and leading position of the Group in the industry, but also testified to its sustainability, strong overall corporate strength and capability for scientific research and innovation.

Revenue by Region#

Six months ended 30 June	Revenue			% of total revenue	
	2022	2021		**2022**	2021
	RMB million	*RMB million*	***Change***		
Southern China	**7,541**	7,964	*(5.3)%*	**50.7%**	54.1%
Southwestern China	**1,390**	1,411	*(1.5)%*	**9.3%**	9.6%
Central China	**1,565**	1,579	*(0.9)%*	**10.5%**	10.7%
Eastern China	**1,251**	1,010	*23.9%*	**8.4%**	6.9%
Northern China	**1,183**	1,195	*(1.0)%*	**7.9%**	8.1%
Northwestern China	**871**	714	*21.8%*	**5.9%**	4.8%
Northeastern China	**308**	394	*(21.7)%*	**2.1%**	2.7%
Outside China	**781**	456	*71.1%*	**5.2%**	3.1%
Total	**14,890**	14,723	*1.1%*	**100.0%**	100.0%

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

At the end of the reporting period, the number of the Group's independent and exclusive first-tier distributors nationwide increased to 2,706 (1H 2021: 2,512). Southern China remained the Group's major revenue-contributing market, and its revenue accounted for 50.7% of the Group's total revenue (1H 2021: 54.1%) while the revenue from other regions accounted for 49.3% (1H 2021: 45.9%).

Revenue by Business Unit

Six months ended 30 June	Revenue			% of total revenue	
	2022	2021		**2022**	2021
	RMB million	*RMB million*	***Change***		
Plastic piping systems	**12,763**	12,574	*1.5%*	**85.7%**	85.4%
Building materials and home improvement	**1,219**	1,258	*(3.1)%*	**8.2%**	8.5%
Others#	**908**	891	*1.9%*	**6.1%**	6.1%
Total	**14,890**	14,723	*1.1%*	**100.0%**	100.0%

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

Facing the complicated and ever-changing global economic situation and fierce market competition in the first half of 2022, China Lesso continued to adhere to the principle of developing business with prudence, seeking to reduce cost and raise efficiency, and furthering the reform and upgrade of its business by means of intelligent manufacturing. It also enhanced the synergy among its diverse businesses, optimised the transformation of its team and marketing model, and identified and seized opportunities to capture and increase its share of the vertical market with flexibility and efficiency. Besides steadily advancing the development of its core plastic piping system business during the reporting period, the Group proactively expanded its various businesses such as those of building materials and home improvement, environmental protection, agricultural application and supply chain services platforms. Furthermore, the Group succeeded in expanding into the photovoltaic industry to achieve mutual empowerment and synergistic growth among its various business segments. In order to further consolidate its market leadership, the Group aggressively conducted extensive strategic collaboration with different urban development departments, premium central government-owned enterprises and private enterprises to reinforce the interaction between its various businesses, and explore the opportunities for cooperation in various areas such as material procurement, construction and financial investments. Following the completion of the brand strategy upgrade at the beginning of this year, the Group also will strive to fulfil its brand commitments and actively contribute to the construction of a healthy urban environment and living space in the future, in order to sustain a healthy and scenic living space.

Despite the macroeconomic downturn, the resurgent pandemic conditions in the PRC and the continued volatility in the real estate sector, China Lesso's revenue increased slightly to RMB14,890 million (1H 2021: RMB14,723 million). Gross profit was RMB3,943 million (1H 2021: RMB4,374 million) and gross profit margin was 26.5% (1H 2021: 29.7%) mainly due to the Group's consumption of the high-priced raw materials which had been purchased in the fourth quarter of 2021 for the first half of the year. Even adjustments to the products' prices were not able to completely offset the effect of the high-priced raw materials.

The Group strived to maximise the benefits from economies of scale by forging ahead with production automation, actively upgrading production technology and equipment, and adopting an appropriate procurement strategy to control the costs of raw materials and production. In addition, the Group maintained its profit margins and all other key indicators of financial performance at reasonable levels by enhancing its operational efficiency, optimising its product portfolio and increasing its market share.

During the reporting period, the Group's EBITDA decreased by 9.1% year on year to RMB2,847 million (1H 2021: RMB3,133 million), and the EBITDA margin was 19.1% (1H 2021: 21.3%). Profit before tax decreased by 31.1% year on year to RMB1,558 million (1H 2021: RMB2,260 million). Net profit margin was 8.7% (1H 2021: 12.1%). Profit attributable to owners of the Company decreased by 28.6% year on year to RMB1,295 million (1H 2021: RMB1,814 million). The decrease in profit was mainly attributable to factors such as the impairment provision for the Group's receivables from customers in the real estate sector, the increase in the consolidated costs of products due to significant fluctuations in the prices of raw materials and energy, as well as the changes in the fair value of financial assets. Basic earnings per share were RMB0.42 (1H 2021: RMB0.59). The effective tax rate was 16.5% (1H 2021: 21.3%).

BUSINESS REVIEW AND OUTLOOK

Plastic Piping Systems

In the first half of 2022, the economic stabilisation policy sustained the prosperity of the infrastructure industry. Under the Chinese government's strategy of starting investment in certain infrastructure projects moderately ahead of schedule, the investment in and construction of the new type of infrastructure will accelerate again. In persistently aligning its own development with the national policies and market demand, China Lesso continued the strategic expansion of its piping business while proactively investing in national projects of strategic importance and urban redevelopment projects by doubling down on its collaboration with leading central government-owned enterprises and state-owned enterprises in the infrastructure sector.

Revenue by Region

	Revenue			**% of revenue**	
	2022	2021		**2022**	2021
Six months ended 30 June	***RMB million***	*RMB million*	***Change***		
Southern China	**6,312**	6,580	*(4.1)%*	**49.5%**	52.3%
Other than Southern China	**5,930**	5,670	*4.6%*	**46.4%**	45.1%
Outside China	**521**	324	*60.9%*	**4.1%**	2.6%
Total	**12,763**	12,574	*1.5%*	**100.0%**	100.0%

Revenue by Product Application

Six months ended 30 June	Revenue			% of revenue	
	2022	2021		**2022**	2021
	RMB million	*RMB million*	***Change***		
Water supply	**4,978**	4,866	*2.3%*	**39.0%**	38.7%
Drainage	**4,825**	4,681	*3.1%*	**37.8%**	37.2%
Power supply and telecommunications	**2,152**	2,188	*(1.6)%*	**16.9%**	17.4%
Gas transmission	**200**	200	*0.1%*	**1.6%**	1.6%
Others#	**608**	639	*(4.9)%*	**4.7%**	5.1%
Total	**12,763**	12,574	*1.5%*	**100.0%**	100.0%

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

During the reporting period, the plastic piping systems business had stable performance. Revenue from the plastic piping systems business increased slightly to RMB12,763 million (1H 2021: RMB12,574 million), accounting for 85.7% of the Group's total revenue (1H 2021: 85.4%).

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

Six months ended 30 June	Average selling price			Sales volume			Revenue		
	2022	2021		**2022**	2021		**2022**	2021	
	RMB	*RMB*	***Change***	***Tonne***	*Tonne*	***Change***	***RMB million***	*RMB million*	***Change***
PVC products	**9,561**	9,076	*5.3%*	**831,624**	861,083	*(3.4)%*	**7,951**	7,815	*1.7%*
Non-PVC products#	**16,758**	15,051	*11.3%*	**287,162**	316,219	*(9.2)%*	**4,812**	4,759	*1.1%*
Total	**11,408**	10,681	*6.8%*	**1,118,786**	1,177,302	*(5.0)%*	**12,763**	12,574	*1.5%*

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

During the reporting period, sales of the Group's plastic pipes and pipe fittings were affected to a certain extent by the increasingly intensified competition and a weak demand on the market as well as the upward adjustment to the prices of the Group's products and the Group's decision to exercise prudence in dealing with accounts receivable from customers in the domestic real estate sector. Sales volume of the plastic piping systems decreased by 5% year on year. In terms of product materials, sales volume of PVC products decreased by 3.4% year on year to 831,624 tonnes (1H 2021: 861,083 tonnes), while that of non-PVC products decreased by 9.2% year on year to 287,162 tonnes (1H 2021: 316,219 tonnes). Revenue from sales of PVC products increased by 1.7% year on year to RMB7,951 million (1H 2021: RMB7,815 million), while revenue from sales of non-PVC products increased by 1.1% year on year to RMB4,812 million (1H 2021: RMB4,759 million).

In the first half of the year, despite the significant increase in the cost of raw materials consumed by the Group, which was not fully offset by the increase in the selling price of the products, and the overall decline in sales volume, the Group continued to take advantage of its economies of scale to exercise active control over the costs of raw materials and manufacturing, with adjustments to the selling prices in a timely manner, so that its gross profit margin was kept at a reasonable and healthy level. The Group increased the average selling price of its plastic piping system by 6.8% year on year to RMB11,408 per tonne (1H 2021: RMB10,681 per tonne). The gross profit margin of its plastic piping system business was 26.4% (1H 2021: 29.7%).

As a leading enterprise in the industry, in addition to its ongoing efforts to strengthen smart manufacturing and actively integrate resources in the upstream and downstream of the entire value chain of the industry, China Lesso has comprehensively expanded its automated and smart production with a focus on investing in the construction of smart factories. In the first half of 2022, the Group achieved a further increase in its production capacity in line with its business development plan. The Group's annual designed capacity for manufacturing plastic piping systems expanded from 3.20 million tonnes at the end of 2021 to 3.22 million tonnes, and the capacity utilisation rate during the period reached 70.3%.

China Lesso always adheres to the green development philosophy so it promotes sustainable development through technological innovation. In response to the state's striving for the strategic dual goal of "carbon emission peak" and "carbon neutrality", the Group takes the initiative in building a comprehensive green manufacturing system focused on low energy consumption and high energy efficiency. Its subsidiary Guangdong Liansu Technology Industrial Co., Ltd. was successfully selected as the 2021 National Green Factory, fully demonstrating the government's recognition of China Lesso's effort to promote green development in the industry. Looking ahead, the Group will continue to invest in green practices and environmental protection, and adopt a series of measures, including green research designs and adoption of green production processes. In addition, the Group wishes to spearhead green development by setting an example for the whole industry. Furthermore, the Group's persistence in promoting sustainable development will add impetus to the country's green manufacturing and high-quality industrial development.

Armed with strong capabilities of indigenous innovation, research, and development, the Group continues to develop new products and technologies that accommodate market demands. Following the successful introduction of stainless steel pipe products in recent years, the Group has witnessed such products' growing utilisation rate in the market due to their high cost-effectiveness. The growing popularity of stainless steel pipe products will become a new trend in market. In view of this, the Group has actively developed its new business segment of stainless steel pipe products by continuing to double down on its promotion efforts to seize opportunities for development. At present, the Group's factory in Foshan carries out mass production of stainless steel pipe products, with an annual production capacity of 450 tonnes.

In the future, the Group will continue to explore the possibility of transforming its business with automation and intelligentisation by accelerating the implementation and replication of smart factories, and applying the concept of circular economy in product innovation. This will help boost the efficiency in all aspects of the Group's business operation and management and improve quality and efficiency at lower costs.

During the reporting period, the Group remained committed to broadening the scope of application of plastic pipes and pipe fittings, and actively extended it to the agriculture and marine aquaculture. The efforts not only enriched the Group's income sources, but also expanded its market share and boosted its sales growth. In the second half of 2022, the Group will fully grasp the development opportunities in the government's initiative in building the "new type of infrastructure" under its policy of stabilising economic growth. The Group will further develop the market for plastic piping systems and accelerate the development of the market for smart pipeline networks. In addition, the Group keeps on seeking strategic partners, including government agencies, central government-owned enterprises and private businesses. Such move will enable all parties to complement each other with their respective advantages, to share information and thus achieve synergies. This will further consolidate the Group's market leadership.

The Group continues to expand overseas markets with a focus on the Southeast Asia. It will tap into the huge domestic demand of such markets and capitalise on the infrastructure development there. In order to further enhance the competitiveness and influence of China Lesso in overseas markets, the Group is committed to scaling up its overseas production. The Phase 1 of the production base in Indonesia has been put into operation and additional production lines will be built to expand the production capacity in the second half of 2022. Meanwhile, the production base in Cambodia will also speed up its transformation and its operation is scheduled for commencement in 2023. Furthermore, the Group is steadily pushing forward with the construction of production bases in such countries as Thailand, Malaysia, Philippines and Bangladesh. Overall, the management is fully confident about the future development of the plastic piping system business segment and believe that it will continue to perform well.

Building Materials and Home Improvement

In the first half of 2022, increasing downward pressure on the economy, a bleak prospect of income and anticipation of an unstable market combined to send both the investment in and sales at China's real estate sector plunging. In addition, the tighter regulation of the real estate market and the COVID-19 pandemic also dealt a blow to the building materials and home improvement industry. During the reporting period, revenue from the Group's building materials and home improvement business decreased by 3.1% year on year to RMB1,219 million, representing 8.2% of the Group's total revenue. The building materials and home improvement business of the Group is faced with myriad challenges, including a substantial increase in costs of raw materials and the impact of the COVID-19 lockdown in the first half of the year which led to a recessionary real estate market and ultimately a decline in demand for building materials. As a result, the Group's building materials and home improvement business recorded a small loss.

Considering the higher capital risks associated with private real estate companies as its customers, the Group proactively diversified its customer portfolio by shifting the focus of its business to the infrastructure projects which were mainly undertaken by the government and funded by state-owned capital. Meanwhile, the Group further strengthened the relationship with premium real estate companies as its existing customers, in the hope of recording more stable growth in revenue from the building materials and home improvement business. In order to accelerate the development of this business segment, the Group vigorously explored the possibility of cross-sector collaboration with various industries. This will not only further broaden the customer base, but also provide the Group with a more stable source of income.

In addition, the Group signed a strategic cooperation agreement with a B2B building materials procurement and trading platform, aiming to provide customers with more comprehensive, better and more efficient services through its new model of synergistic development in combination with the social services enabled by the real estate sector's supply chain. The Group also wishes to build on this foundation by extending the scope of cooperation between the two parties, from the in-depth collaboration with its piping business to that with its business of other building materials so that procurement efficiency can be raised while the costs can be lowered. Moreover, the Group has concluded an agreement about strategic cooperation with a well-known supply chain enterprise on the product supply side, aiming to develop joint venture projects focused on the building materials supply chain based on the government platform, so as to share resources and conduct mutually beneficial cooperation.

During the reporting period, the Group proactively established a number of home improvement boutique stores of China Lesso, hoping to enable its building materials and home improvement business to scale new heights in its development through such boutique stores and its corresponding sales channels. China Lesso will continue to explore a wider home improvement market, enrich its business portfolio along the value chain of the industry, strengthen its technological innovation capability and provide high-quality products and services, with a view to becoming a pioneer in enabling quality living.

In the second half of the year, the real estate market is expected to gradually stabilise and recover due to the continued introduction of policies favourable for the stable and healthy development of the real estate sector. The Group will continue to provide more diverse products and one-stop integrated solution and services, and actively explore new sales channels. While maintaining a solid partnership with existing premium customers, the Group also secures new customers with strong financial strength to support sales. The Group is also confident in the business development of its new customers, which it believes will alleviate the pressure from the real estate sector. Furthermore, the Group will actively give full play to the synergy between the piping business and its building materials and home improvement business, increase investment in scientific research, and cultivate technical talents. On the other hand, it will establish product research and development centers that are technology-driven to innovate and upgrade eco-friendly products. All these initiatives will further advance the healthy development of the supply chain and restore growth in the business of building materials and home improvement.

Others

Environmental Protection Business

The Group always keeps abreast of environmental protection and actively responds to national environmental policies while diligently developing its environmental protection business. However, competition intensified in the market in the first half of 2022 as the number of new environmental and ecological projects decreased significantly on the back of weak investment in industries amid the resurgent pandemic conditions in various places and the economic downturn at home and abroad on the one hand and central government-owned and state-owned enterprises expanded their environmental and ecological businesses rapidly on the other hand. At the beginning of the year, the Group expeditiously clarified its business strategy, and adjusted its organisational structure. Driven by technologies, the Group further developed its technology, stepped up cost control, and took measures to consolidate its existing businesses and explore the possibility of developing new businesses in response to the changing market. Following adjustments and efforts made in the first half of the year, the Group's revenue from environmental protection business amounted to RMB144 million.

During the reporting period, the Group's environmental protection business developed the market of the traditional industries where it had comparative advantage by successfully securing leading enterprises as new customers, including one in the domestic beverage industry with whom the Group signed contracts to undertake several wastewater treatment projects. In the urban service sector, the Group developed the markets of key regions and continued to provide regional environmental consulting and design services, strengthening the traditional core business of the Group to lay a solid foundation for the sustainable development of its business in the future.

In terms of business development, the Group focused on the businesses of the treatment and operation of water environment, water ecology, and soil and mine remediation in combination with its regional operations, thus aligning its development with national policies. This creates better conditions for the future development of the Group. In the first half of the year, the Group secured projects in the areas of watershed water environment, ecology and water environment, and treatment of aquaculture sewage respectively through internal or external cooperation, proving that the strategy established at the beginning of the year started bearing fruits. In the second half of the year, the Group will continue to explore the opportunities of servicing government projects when developing the market, with a focus on such fields as the agricultural sectors, the treatment of soil, maintenance of water quality and provision of technical services.

In addition, the Group has completed construction of new facilities for the comprehensive utilisation of renewable resources in the processing industry in Foshan City, Guangdong Province and Yueyang City, Hunan Province, respectively. Specifically, the base for the comprehensive utilisation of renewable resources in Foshan obtained a business license in June this year to handle 50,000 tonnes of such hazardous waste as aluminum ash and plans to process 25,000 tonnes of hazardous waste this year. In the meantime, the base for the comprehensive utilisation of renewable resources in Yueyang is being constructed and is scheduled for completion by the end of this year.

Building on its progress in business expansion in the first half of the year, the Group will increase its efforts to develop the markets of Hunan, Jiangxi and Guangxi in the second half of the year, and use its resources to explore the markets of Xinjiang and Henan. As for the markets of Guangdong Province, the Group will focus on exploring the markets of such cities as Yunfu, Meizhou and Huizhou, with a view to gaining greater market shares there. Currently, the Group are undertaking more than ten environmental projects in the above-mentioned regions with a substantial contract value in aggregate, laying the foundation for the Company's development in the second half of the year and next year.

Supply Chain Service Platform Business

To capitalise on the Belt and Road Initiative of the PRC government, the Group has built a supply chain service platform, which is positioned as a "One-Stop Specialty Market for Home Improvement and Consumer Products", to enter overseas markets with the focus on the Southeast Asian market. With the supply chain service platform serving as a transnational platform, the Group is well-positioned to showcase in overseas markets the products of Chinese manufacturers engaged in the manufacturing of home improvement and consumer goods, and to provide supporting services such as marketing, brand promotion and development planning consultation to these manufacturers. During the reporting period, despite the resurgent pandemic conditions, the supply chain services platform business recorded revenue of RMB483 million due to the expansion of the supporting services.

To further enhance the operating capability of the supply chain service platform business, the Group has restructured Shenzhen EDA Cloud Technologies Co., Ltd. ("EDA") acquired in December 2021. Founded in 2014, EDA is an internet technology company focusing on cross-border e-commerce services, with a global business presence in 12 countries. Through its indigenous cross-border e-commerce cloud service platform and global business support system, EDA assists the Group in improving efficiency at lower costs, as well as flexibly tackling challenges in multi-platform operations, overseas warehousing, and logistics and supply chain overseas distribution. Benefiting from the acquisition of EDA in the first half of the year, the Group further broadened its supply chain service platform business and recorded an increase in revenue.

The Group's current malls in four Southeast Asian countries, including Bangkok in Thailand, Tangerang in Indonesia, Yangon in Myanmar, and Phnom Penh in Cambodia, successively opened at the end of 2021, with a total new leasable area of approximately 80,000 square meters, which can generate stable income from leasing and management fees to the Group. The Group is confident that the supply chain service platform business will be developing steadily as the pandemic gradually ease and consumer confidence recovers. Looking ahead, the Group plans to further expand the distribution network in Southeast Asia after taking into account the business development, and seize the business opportunities by driving the long-term development of such business segment.

Photovoltaic Business

As an emerging key industry of strategic importance in the energy revolution, the photovoltaic industry has become a priority for countries which are building an internal circulation system for their supply chains. In the first half of 2022, China's photovoltaic industry as a whole achieved rapid growth in the context of the state's pursuit of the dual goal of "carbon emission peak" and "carbon neutrality" and of the clean energy gaining traction worldwide at a faster pace. Capitalising on the national strategy of attaining "carbon emission peak and carbon neutrality" and leveraging its own advantage of resources, China Lesso seized the opportunity to achieve green transformation. In early January this year, it announced the establishment of Guangdong Lesso Banhao New Energy Technology Group Co., Ltd. ("Lesso Banhao"), aiming to enter the photovoltaic industry and develop a new growth engine for the Group.

Lesso Banhao is an innovative enterprise integrating research, production, sales and after-sales services, with a focus on such areas as solar power technologies. The company takes an active part in adopting domestically and internationally advanced equipment, while constantly developing new technologies to provide industrial and commercial enterprises and household customers with premium building-integrated photovoltaics ("BIPV") materials and solar modules, as well as professional services including contract energy management, and the development, design, installation and sales of solar system power stations.

China Lesso's extensive, nationwide network of distributors and its ample resources for research and development, production, assembly and construction will form a strong driving force behind the development of Lesso Banhao's photovoltaic business. Lesso Banhao intends to sell building-applied photovoltaics ("BAPV") solutions to existing customers, including industrial parks, hospitals and schools. In April this year, the first photovoltaic production line of Lesso Banhao started a trial run, marking a new stage of production on an industrial scale. In addition, the company has established a proven system and is signing contracts over orders for its products. Meanwhile, Lesso Banhao will invest in research and development with the aim of developing market-leading BIPV products and solutions, which are expected to be launched by the end of this year.

During the reporting period, Lesso Banhao fully capitalised on the market trend set by the state's strategy of attaining "carbon emission peak" and "carbon neutrality". It actively developed business partnerships, entering into strategic cooperation agreements with China Construction Fourth Engineering Division Corp. Ltd., China Construction Fifth Engineering Division Corp., Ltd., Power Construction Corporation of China, CLP Engineering Limited and HNAC Technology Co., Ltd. to jointly explore the photovoltaic market. The management expects the company and its strategic partners to fully utilise their respective strengths to work with each other for mutual support, synergistic development and mutual benefits, so as to provide strong impetus to the restructuring of energy source and the green, low-carbon development.

Although the newly developed photovoltaic business is still at an early stage of development and contributes an insignificant percentage of the Group's revenue, the management expects that the photovoltaic business will continue to be supported by national policies and will embrace a bright future. Working in combination with the Group's existing businesses and sales channels in synergy, the photovoltaic business will add new impetus to the growth in the Group's revenue in the future.

Summary

In 2022, facing the complicated and ever-changing global economic situation and fierce market competition, China Lesso will continue to adhere to the principle of developing business with prudence, seek to reduce cost and raise efficiency, and further deepen the reform and upgrade its business by means of intelligent manufacturing. Meanwhile, it will lead the industry's green and sustainable development through technological research and development and thus provide green products and services. It will also enhance the synergy among its diverse businesses, optimise both the team and marketing management, and follow the trend and pursue progress with prudence so as to generate long-term returns for Shareholders.

CAPITAL EXPENDITURE

During the reporting period, the Group's capital expenditure was approximately RMB2,241 million, which was primarily used for improvement of automated facilities in production bases, expansion of the existing production bases, construction of certain investment properties and the facilities acquired in business combination.

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, lease liabilities and debt component of convertible loans) of RMB17,508 million, of which 48.5% was denominated in US dollar, 20.0% was denominated in HK dollar, 29.7% was denominated in RMB, 1.2% was denominated in Australian dollar and 0.6% was denominated in other currencies. The Group's borrowings are subject to effective interest rates ranging from 1.1% to 5.5% 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 44.5%.

At the end of the reporting period, the Group's total equity increased to RMB21,795 million. The Group's current assets and current liabilities were RMB21,801 million and RMB18,260 million, respectively. The Group's Current Ratio increased to 1.19 from 1.17 as at 31 December 2021, while Quick Ratio decreased to 0.83 from 0.84 as at 31 December 2021.

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 RMB5,581 million as well as unutilised banking facilities, the Board considers that the Group has sufficient working capital for its operation and future development.

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

CHARGE ON ASSETS

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

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 19,947 employees including directors. Total staff costs were RMB1,060 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 INVESTMENTS

Investment in Associates

At the end of reporting period, the Group holds 26.2% equity interest in Xingfa Aluminium Holdings Limited ("Xingfa Aluminium") (Stock Code: 98). Xingfa Aluminium is one of the leading aluminium profile manufacturers in China. The Group considers 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. This 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. This can facilitate the Group's business diversification and reinforce its market leadership. During the reporting period, Xingfa Aluminium recorded a revenue of RMB7,855 million, and profit attributable to the shareholders of Xingfa Aluminium was RMB308 million.

Investment Properties

At the end of the reporting period, the Group's investment properties were RMB8,692 million. Increase in investment properties was mainly attributable to the construction on certain investment properties under development during the reporting period.

Among these investment properties, the properties in Toronto, Canada, Long Island, US and Auburn district of Sydney are existing properties; the construction of first-phase projects in Thailand, Myanmar, Cambodia and Indonesia have 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 RMB2,042 million (31 December 2021: RMB2,031 million) and RMB696 million (31 December 2021: RMB823 million), respectively. The investment portfolio comprised of 46.2% in listed equity securities (issued by (i) PRC-based companies of: home improvement and furnishings shopping malls operating, chemical raw materials processing and property management; and (ii) United Kingdom based company of automotive manufacturer), 3.1% in listed debt securities, 5.9% in unlisted debt securities, 0.6% in stock funds and 44.2% in unlisted equity securities. Each of these investments has a carrying amount accounting to less than 5% for the Group's total assets as at 30 June 2022.

During the reporting period, the Group recognised a realised disposal gain of approximately RMB0.3 million, unrealised mark-to-market valuation loss of approximately RMB530 million due to volatility of the global capital market and recognised approximately RMB24 million of exchange gain on translation. Income from the portfolio amounted to approximately RMB15 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.

Save as disclosed above, the Group did not have any significant investments at the end of the reporting period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022. Such condensed consolidated financial statements have not been audited but have been reviewed by the independent auditor of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CHANGE IN COMPOSITION OF BOARD COMMITTEE

Mr. Wong Luen Hei, the executive director of the Company, has ceased to be the chairman of the nomination committee of the Company ("Nomination Committee") but remains as a member of the Nomination Committee and Ms. Lu Jiandong, an Independent non-executive director of the Company, has replaced Mr. Wong Luen Hei as the chairlady of the Nomination Committee with effect from 30 August 2022.

Save for those disclosed above, there is no other information in respect of the directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (1H2021: HK12 cents per share). A final dividend of HK26 cents per share was paid on Friday, 22 July 2022 in respect of the year ended 31 December 2021 to Shareholders.

GLOSSARY

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

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

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

FORWARD-LOOKING STATEMENTS

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.lesso.com). The 2022 interim report will be despatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 29 August 2022

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