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 2024

The Board is pleased to announce the consolidated financial results of the Group for the six months ended 30 June 2024.

HIGHLIGHTS

Compared to the financial results for the six months ended 30 June 2023:

- Revenue decreased by 11.3% to RMB13,564 million
- Gross profit decreased by 12.5% to RMB3,728 million
- Profit for the period decreased by 29.2% to RMB1,017 million
- Basic earnings per share was RMB0.34, decreased by 30.6%
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**13,563,523**	15,296,931
Cost of sales		**(9,835,737)**	(11,037,793)
Gross profit		**3,727,786**	4,259,138
Other revenue, income and gains	*3*	**380,796**	354,415
Selling and distribution expenses		**(726,697)**	(730,599)
Administrative expenses		**(805,665)**	(801,367)
Impairment losses on financial and contract assets		**(141,431)**	(365,963)
Other expenses		**(685,607)**	(641,717)
Finance costs	*4*	**(484,031)**	(530,944)
Share of results of associates		**22,526**	139,975
Share of results of joint ventures		**(4,373)**	(2,432)
PROFIT BEFORE TAX	*5*	**1,283,304**	1,680,506
Income tax expense	*6*	**(266,708)**	(244,907)
PROFIT FOR THE PERIOD		**1,016,596**	1,435,599
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments at fair value through other comprehensive income, net of tax		**–**	(1,348)
Share of other comprehensive income of associates, net of tax		**(12,105)**	39
Exchange differences on translation of foreign operations		**(494,634)**	237,795
		(506,739)	236,486

	Note	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 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		**(169,755)**	(57,570)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**(676,494)**	178,916
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**340,102**	1,614,515
Profit for the period attributable to:			
Owners of the Company		**1,043,151**	1,493,672
Non-controlling interests		**(26,555)**	(58,073)
		1,016,596	1,435,599
Total comprehensive income for the period attributable to:			
Owners of the Company		**394,373**	1,650,364
Non-controlling interests		**(54,271)**	(35,849)
		340,102	1,614,515
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	*8*	**RMB0.34**	RMB0.49

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Note	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**15,214,465**	15,245,858
Right-of-use assets		**2,503,655**	3,226,472
Investment properties		**9,045,437**	9,188,888
Deposits paid for the purchase of land, property, plant and equipment		**1,026,332**	1,375,290
Goodwill		**519,137**	540,085
Other intangible assets		**355,944**	409,370
Interests in associates		**5,270,959**	4,864,524
Interests in joint ventures		**22,786**	26,658
Other financial assets	*9*	**1,783,128**	1,945,765
Loan receivables	*10*	**4,748**	12,392
Other non-current assets		**1,586,669**	1,679,063
Contract assets		**38,570**	41,735
Deferred tax assets		**655,672**	661,170
Total non-current assets		**38,027,502**	39,217,270
CURRENT ASSETS			
Inventories	*11*	**6,373,358**	6,187,275
Properties from receivables settlement		**473,434**	424,192
Contract assets		**383,401**	275,400
Other financial assets	*9*	**21,916**	16,491
Loan receivables	*10*	**313,761**	306,949
Trade and bills receivables	*12*	**4,666,172**	4,533,468
Prepayments, deposits and other receivables		**2,309,152**	2,186,240
Cash and bank deposits		**6,701,593**	6,552,984
		21,242,787	20,482,999
Asset held for sale		**322,535**	331,001
Total current assets		**21,565,322**	20,814,000

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
CURRENT LIABILITIES			
Contract liabilities		**1,856,318**	3,124,568
Trade and bills payables	*13*	**8,854,117**	8,369,185
Other payables and accruals		**2,069,237**	1,695,294
Tax payable		**552,006**	501,708
Borrowings	*14*	**7,626,410**	10,692,553
Lease liabilities		**65,359**	129,412
Total current liabilities		**21,023,447**	24,512,720
NET CURRENT ASSETS/(LIABILITIES)		**541,875**	(3,698,720)
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,569,377**	35,518,550
NON-CURRENT LIABILITIES			
Borrowings	*14*	**12,992,077**	8,652,033
Lease liabilities		**350,163**	1,221,639
Other long-term payables		**4,673**	5,472
Provision for long-term employee benefits		**6,372**	6,908
Deferred tax liabilities		**1,079,398**	1,086,143
Deferred income		**247,224**	235,277
Total non-current liabilities		**14,679,907**	11,207,472
Net assets		**23,889,470**	24,311,078
EQUITY			
Share capital	*15*	**135,344**	135,344
Reserves		**23,198,298**	23,368,139
Equity attributable to owners of the Company		**23,333,642**	23,503,483
Non-controlling interests		**555,828**	807,595
Total equity		**23,889,470**	24,311,078

Note:

1.1 BASIS OF PREPARATION

These condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Listing Rules and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. They have been prepared under the historical cost convention, except for investment properties, other financial assets and asset held for sale 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 2023, 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 2023.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

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. Prior period segment information is restated for comparative purpose. The Group has three reportable operating 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 resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, changes in fair value of investment properties, changes in fair value of financial instruments at FVTPL, changes in fair value of other financial liabilities, investment income, gain on disposal/loss of control of subsidiaries, gain from a bargain purchase, gain on termination of right-of-use assets, gain on disposal of right-of-use assets, (loss)/gain from debt restructuring with customers, 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 six months ended 30 June 2024 and 2023, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

	Southern China *RMB'000*	Other than Southern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Six months ended 30 June 2024					
Segment revenue:					
Sale of goods relating to building materials and home improvement business	5,679,775	5,783,993	677,809	–	12,141,577
Sale of goods and services income relating to new energy business	49,425	100,045	7,692	–	157,162
Contract revenue from renovation and installation works	245,740	141,731	28,520	–	415,991
Income from environmental engineering and other related services	55,990	62,676	12,238	–	130,904
Logistics and other related services	26,267	82,009	526,081	–	634,357
Financial service income	4,467	2,236	–	–	6,703
Property rental and other related services	6,569	–	70,260	–	76,829
Revenue from external customers	6,068,233	6,172,690	1,322,600	–	13,563,523
Intersegment revenue	640,342	503,489	290,900	(1,434,731)	–
	6,708,575	6,676,179	1,613,500	(1,434,731)	13,563,523
Segment results:	1,726,577	1,710,507	334,031	(43,329)	3,727,786
Reconciliations:					
Interest income					88,355
Loss on fair value changes of investment properties					(1,762)
Loss on fair value changes of financial instruments at FVTPL					(32,331)
Investment income					8,592
Gain on disposal/loss of control of subsidiaries					123,471
Gain from a bargain purchase					2,907
Gain on termination of right-of-use assets					23,532
Gain on disposal of right-of-use assets					773
Loss from debt restructuring with customers					(1,609)
Exchange loss					(99,833)
Finance costs (other than interest on lease liabilities)					(469,153)
Share of results of associates					22,526
Share of results of joint ventures					(4,373)
Unallocated income and expenses					(2,105,577)
Profit before tax					1,283,304
Other segment information:					
Write-down of inventories to net realisable value, net	(7,704)	141	7,797	–	234
Depreciation and amortisation	617,297	178,088	81,010	–	876,395
Impairment of loan receivables, net	1,520	–	–	–	1,520
Impairment of contract assets, net	195	–	222	–	417
Impairment of trade and bills receivables, net	65,733	2,613	22,806	–	91,152
Impairment of other receivables, net	47,708	–	634	–	48,342
Capital expenditure#	1,039,312	186,055	333,163	–	1,558,530
As at 30 June 2024					
Segment assets	27,039,998	8,056,655	9,717,582	–	44,814,235

\# 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 RMB10,409,000.

	Southern China RMB'000	Other than Southern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Six months ended 30 June 2023					
Segment revenue:					
Sale of goods relating to building materials and home improvement business	6,210,667	6,345,425	612,531	–	13,168,623
Sale of goods and services income relating to new energy business	131,584	583,217	24,022	–	738,823
Contract revenue from renovation and installation works	453,701	157,877	33,081	–	644,659
Income from environmental engineering and other related services	56,343	84,041	35,240	–	175,624
Logistics and other related services	66,913	22,490	378,156	–	467,559
Financial service income	24,498	1,146	–	–	25,644
Property rental and other related services	8,035	595	67,369	–	75,999
Revenue from external customers	6,951,741	7,194,791	1,150,399	–	15,296,931
Intersegment revenue	663,807	613,585	258,806	(1,536,198)	–
	7,615,548	7,808,376	1,409,205	(1,536,198)	15,296,931
Segment results:	2,092,322	1,833,423	338,146	(4,753)	4,259,138
Reconciliations:					
Interest income					104,449
Loss on fair value changes of investment properties					(7,904)
Gain on fair value changes of financial instruments at FVTPL					101,115
Loss on fair value changes of other financial liabilities					(1,490)
Investment income					7,654
Gain on disposal of a subsidiary					1,173
Gain on termination of right-of-use assets					131
Gain on disposal of right-of-use assets					10,852
Gain from debt restructuring with customers					19,443
Exchange gain					14,501
Finance costs (other than interest on lease liabilities)					(497,635)
Share of results of associates					139,975
Share of results of joint ventures					(2,432)
Unallocated income and expenses					(2,468,464)
Profit before tax					1,680,506
Other segment information:					
Write-down of inventories to net realisable value, net	41	(3,676)	4,641	–	1,006
Depreciation and amortisation	617,799	189,607	94,815	–	902,221
Impairment of loan receivables, net	331	–	–	–	331
Reversal of impairment of contract assets, net	(1,406)	–	(88)	–	(1,494)
Impairment of trade and bills receivables, net	182,281	6,394	3,092	–	191,767
Impairment of prepayment, net	1,502	12	393	–	1,907
Impairment of other receivables, net	174,629	–	730	–	175,359
Capital expenditure#	2,993,619	308,327	231,266	–	3,533,212
As at 30 June 2023					
Segment assets	28,780,623	8,415,939	10,172,823	–	47,369,385

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

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 2024			Six months ended 30 June 2023		
	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	**12,141,577**	**–**	**12,141,577**	13,168,623	–	13,168,623
Sale of goods and services income relating to new energy business	**157,162**	**–**	**157,162**	735,846	2,977	738,823
Contract revenue from renovation and installation works	**–**	**415,991**	**415,991**	–	644,659	644,659
Income from environmental engineering and other related services	**–**	**130,904**	**130,904**	–	175,624	175,624
Logistics and other related services	**–**	**634,357**	**634,357**	–	467,559	467,559
	12,298,739	**1,181,252**	**13,479,991**	13,904,469	1,290,819	15,195,288
Financial service income			**6,703**			25,644
Property rental and other related services			**76,829**			75,999
			13,563,523			15,296,931

By geographical locations:

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	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	**11,613,238**	**614,413**	**12,227,651**	13,267,916	844,342	14,112,258
Outside China	**685,501**	**566,839**	**1,252,340**	636,553	446,477	1,083,030
	12,298,739	**1,181,252**	**13,479,991**	13,904,469	1,290,819	15,195,288
Financial service income			**6,703**			25,644
Property rental and other related services			**76,829**			75,999
			13,563,523			15,296,931

OTHER REVENUE, INCOME AND GAINS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Bank interest income	**28,970**	46,008
Interest income from other receivables	**12,618**	15,577
Interest income from other financial assets	**5,366**	95
Interest income from long-term lease receivables	**41,401**	42,769
Total interest income	**88,355**	104,449
Government grants and subsidies	**79,266**	43,554
Gain on fair value changes of financial instruments at FVTPL	**–**	101,115
Investment income	**8,592**	7,654
Gain on disposal/loss of control of subsidiaries	**123,471**	1,173
Gain from a bargain purchase	**2,907**	–
Gain on sale of raw materials	**–**	11,267
Gain on termination of right-of-use assets	**23,532**	131
Gain on disposal of right-of-use assets	**773**	10,852
Gain from debt restructuring with customers	**–**	19,443
Rental income	**6,912**	7,699
Exchange gain	**–**	14,501
Others	**46,988**	32,577
	380,796	354,415

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	
	2024	2023
	RMB'000	*RMB'000*
Interest expenses on bank and other loans	**514,255**	552,787
Interest expenses on lease liabilities	**14,878**	33,309
	529,133	586,096
Less: Interest capitalised	**(45,102)**	(55,152)
	484,031	530,944

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Cost of inventories sold relating to building materials and home improvement business	**8,694,771**	9,291,231
Cost of goods and services relating to new energy business	**167,529**	715,035
Direct cost of renovation and installation works	**320,483**	494,673
Direct cost of environmental engineering and other related services	**90,257**	132,168
Direct cost of logistics and other related services	**533,759**	364,262
Direct cost of financial services	**805**	7,201
Direct cost of property rental and other related services	**27,899**	32,217
Write-down of inventories to net realisable value, net	**234**	1,006
Depreciation of property, plant and equipment	**761,562**	757,909
Depreciation of right-of-use assets	**85,829**	112,319
Amortisation of other intangible assets	**29,004**	31,993
Total depreciation and amortisation	**876,395**	902,221
Research and development costs	**534,541**	615,169
Loss on disposal of items of other intangible assets and property, plant and equipment	**9,276**	6,792
Loss on fair value changes of investment properties	**1,762**	7,904
Gain on disposal/loss of control of subsidiaries	**(123,471)**	(1,173)
Loss/(gain) from debt restructuring with customers	**1,609**	(19,443)
Gain on termination of right-of-use assets	**(23,532)**	(131)
Gain on disposal of right-of-use assets	**(773)**	(10,852)
Loss/(gain) on fair value changes of financial instruments at FVTPL	**32,331**	(101,115)
Loss on fair value changes of other financial liabilities	**–**	1,490
Gain from a bargain purchase	**(2,907)**	–
Impairment of loan receivables,net	**1,520**	331
Impairment/(reversal of impairment) of contract assets, net	**417**	(1,494)
Impairment of trade and bills receivables, net	**91,152**	191,767
Impairment of prepayments, net	**–**	1,907
Impairment of other receivables, net	**48,342**	175,359
Foreign exchanges differences, net	**99,833**	(14,501)

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax		
China	**289,777**	314,662
Hong Kong	**1,653**	1,293
Other jurisdictions	**21,928**	46,151
	313,358	362,106
(Over)/under provision in prior years		
China	**(46,314)**	(31,080)
Hong Kong	**–**	(2,759)
Other jurisdictions	**1,841**	(77)
	(44,473)	(33,916)
Deferred tax	**(2,177)**	(83,283)
Total tax charge for the period	**266,708**	244,907

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 2023: 16.50%) on the estimated assessable profits arising in Hong Kong, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (six months ended 30 June 2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.50% (six months ended 30 June 2023: 16.50%).

CHINA 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 periods, based on the existing legislation, interpretations and practices in respect thereof.

Certain of the Group's subsidiaries in China 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			
	2024		2023	
	HK\$ per share	***HK\$'000***	*HK\$ per share*	*HK\$'000*
2023 final dividend declared (2023: 2022 final dividend declared)	**0.20**	**620,483**	0.30	930,725
Less: Dividends for shares held for share award scheme	**0.20**	**(4,598)**	0.30	(6,897)
		615,885		923,828
Equivalent to		**RMB560,751,000**		RMB821,560,000

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**1,043,151**	1,493,672

	Number of Shares Six months ended 30 June	
	2024	2023
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 2024 and 2023, respectively.

9. OTHER FINANCIAL ASSETS

	Note	**30 June 2024** *RMB'000*	31 December 2023 *RMB'000*
Non-current			
Debt instruments at FVTOCI:			
Debt securities listed in Hong Kong	*(i)*	**123,029**	141,873
Debt instruments at FVTPL:			
Unlisted convertible loans	*(ii)*	**90,709**	90,357
Equity instruments at FVTOCI:			
Equity securities listed in China		**–**	148,362
Equity securities listed in Hong Kong		**194,452**	219,414
Unlisted equity securities		**1,109,941**	1,101,555
		1,304,393	1,469,331
Equity instruments at FVTPL:			
Equity securities listed in China		**30,000**	30,000
Unlisted equity securities	*(iii)*	**167,035**	200,876
		197,035	230,876
Funds at FVTPL:			
Stock funds		**67,962**	13,328
		1,783,128	1,945,765
Current			
Debt instruments at FVTPL:			
Unlisted convertible loans	*(ii)*	**19,620**	16,491
Derivative financial instruments:			
Forward commodity contracts	*(iv)*	**2,296**	–
		21,916	16,491
		1,805,044	1,962,256

Note:

(i) The debt securities carry fixed interest at rate of 7.50% (31 December 2023: 7.50%) per annum, payable semi-annually in arrears and will mature in May 2034 (31 December 2023: May 2034).

(ii) The convertible loans carry fixed interest at rates ranging from 6.00% to 10.00% (31 December 2023: 6.00% to 10.00%) per annum, and contained a right to convert the loans into ordinary shares of the issuers at the maturity dates from September 2024 to October 2026 (31 December 2023: September 2024 to October 2026).

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

(iv) 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 RMB62,000 (six months ended 30 June 2023: RMB3,798,000) were recognised in profit or loss during the period.

10. LOAN RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
Non-current		
Finance lease receivables	**2,742**	7,569
Factoring receivables	**2,006**	4,823
	4,748	12,392
Current		
Finance lease receivables	**139,843**	153,401
Factoring receivables	**448,437**	484,805
Receivables from supply-chain financing services	**109,437**	51,179
	697,717	689,385
Less: Provision for impairment	**(383,956)**	(382,436)
	313,761	306,949
	318,509	319,341

(A) FINANCE LEASE RECEIVABLES

	Minimum lease receivables		Present value of minimum lease receivables	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Not more than 1 year	**140,462**	155,146	**139,843**	153,401
Over 1 year but within 5 years	**3,021**	8,860	**2,742**	7,569
	143,483	164,006	**142,585**	160,970
Less: Unearned finance income	**(898)**	(3,036)		
Present value of minimum lease receivables	**142,585**	160,970		

The Group's finance lease receivables are denominated in Renminbi. The effective interest rates of the receivables range from 5.61% to 10.78% (31 December 2023: 5.61% to 10.78%) 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 2023: Nil).

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
Not past due	**19,902**	38,287
Overdue	**122,683**	122,683
	142,585	160,970

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

At the end of the reporting period, RMB71,547,000 (31 December 2023: RMB71,547,000) 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 China. 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 5.00% to 11.70% (31 December 2023: 4.00% to 15.00%) per annum.

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

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
With a residual maturity of:		
Not more than 3 months	**11,874**	11,521
Over 3 months to 6 months	**1,356**	26,691
Over 6 months to 12 months	**2,816**	12,280
Over 12 months to 24 months	**2,006**	4,471
Over 24 months to 36 months	**–**	352
Overdue	**432,391**	434,313
	450,443	489,628

At the end of the reporting period, RMB309,145,000 (31 December 2023: RMB309,145,000) of the Group's factoring receivables was impaired.

(C) RECEIVABLES FROM SUPPLY-CHAIN FINANCING SERVICES

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

These receivables carry interest at rates ranging from 8.52% to 18.00% (31 December 2023: 9.00% to 16.20%) per annum.

Certain receivables from supply-chain financing services amounting to RMB106,173,000 (31 December 2023: RMB49,435,000) 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 2024 *RMB'000*	31 December 2023 *RMB'000*
With a residual maturity of:		
Not more than 3 months	**35,750**	33,296
Over 3 months to 6 months	**14,500**	12,000
Over 6 months to 12 months	**55,923**	4,139
Overdue	**3,264**	1,744
	109,437	51,179

At the end of the reporting period, RMB3,264,000 (31 December 2023: RMB1,744,000) of the Group's receivables from supply-chain financing services was impaired.

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

11. INVENTORIES

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Manufacturing and trading	**5,436,194**	5,239,246
Property development	**937,164**	948,029
	6,373,358	6,187,275

(A) MANUFACTURING AND TRADING

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Raw materials	**1,828,178**	1,939,287
Work in progress	**622,472**	596,202
Finished goods	**2,985,544**	2,703,757
	5,436,194	5,239,246

(B) PROPERTY DEVELOPMENT

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Property under development	**937,164**	948,029

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 2024 *RMB'000*	31 December 2023 *RMB'000*
Trade receivables	**7,004,605**	6,759,727
Bills receivable	**100,914**	131,717
Less: Provision for impairment	**(2,439,347)**	(2,357,976)
	4,666,172	4,533,468

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:

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Not more than 3 months	**1,412,798**	1,562,030
Over 3 months to 6 months	**484,538**	663,173
Over 6 months to 12 months	**912,269**	884,132
Over 1 year to 2 years	**1,249,746**	897,964
Over 2 years to 3 years	**404,388**	352,300
Over 3 years	**202,433**	173,869
	4,666,172	4,533,468

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 2024 *RMB'000*	31 December 2023 *RMB'000*
Trade payables	**2,683,215**	3,280,076
Bills payable	**6,170,902**	5,089,109
	8,854,117	8,369,185

The trade payables are interest-free and are normally settled on terms of 30 to 180 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 2024 *RMB'000*	31 December 2023 *RMB'000*
Not more than 3 months	**5,777,751**	4,881,254
Over 3 months to 6 months	**2,773,502**	2,936,292
Over 6 months to 12 months	**193,508**	420,588
Over 1 year to 2 years	**31,829**	48,906
Over 2 years to 3 years	**15,495**	29,619
Over 3 years	**62,032**	52,526
	8,854,117	8,369,185

14. BORROWINGS

	30 June 2024 RMB'000	31 December 2023 RMB'000
Current		
Unsecured bank loans	**5,323,433**	6,549,400
Current portion of long term unsecured bank loans	**2,084,008**	1,631,858
Secured bank loans	**138,503**	141,355
Current portion of long-term secured bank loans	**80,466**	115,934
Current portion of unsecured syndicated loans	**–**	2,236,969
Other borrowings	**–**	17,037
	7,626,410	10,692,553
Non-current		
Unsecured bank loans	**5,360,276**	3,624,296
Unsecured syndicated bank loans	**7,572,201**	4,921,822
Secured bank loans	**59,600**	105,915
	12,992,077	8,652,033
	20,618,487	19,344,586
Analysed into borrowings repayable:		
Within one year or on demand	**7,626,410**	10,692,553
In the second year	**5,399,341**	1,909,172
In the third to fifth years, inclusive	**7,364,819**	6,528,650
More than five years	**227,917**	214,211
	20,618,487	19,344,586

Note:

(a) The effective interest rates of the Group's borrowings range from 1.70% to 6.94% (31 December 2023: 2.50% to 7.07%) per annum.

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

At 31 December 2023, 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.

(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 RMB3,999,209,000 (31 December 2023: RMB4,242,510,000), RMB4,229,643,000 (31 December 2023: RMB4,492,342,000), RMB12,094,212,000 (31 December 2023: RMB10,281,695,000), RMB257,310,000 (31 December 2023: RMB281,206,000), nil (31 December 2023: RMB622,000) and RMB38,113,000 (31 December 2023: RMB46,211,000), respectively.

15. SHARE CAPITAL

	30 June 2024	31 December 2023
Authorised:		
20,000,000,000 (31 December 2023: 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 2023: 3,102,418,400) ordinary shares of HK$0.05 each	**HK$155,120,920**	HK$155,120,920
Equivalent to	**RMB135,344,000**	RMB135,344,000

16. COMMITMENTS

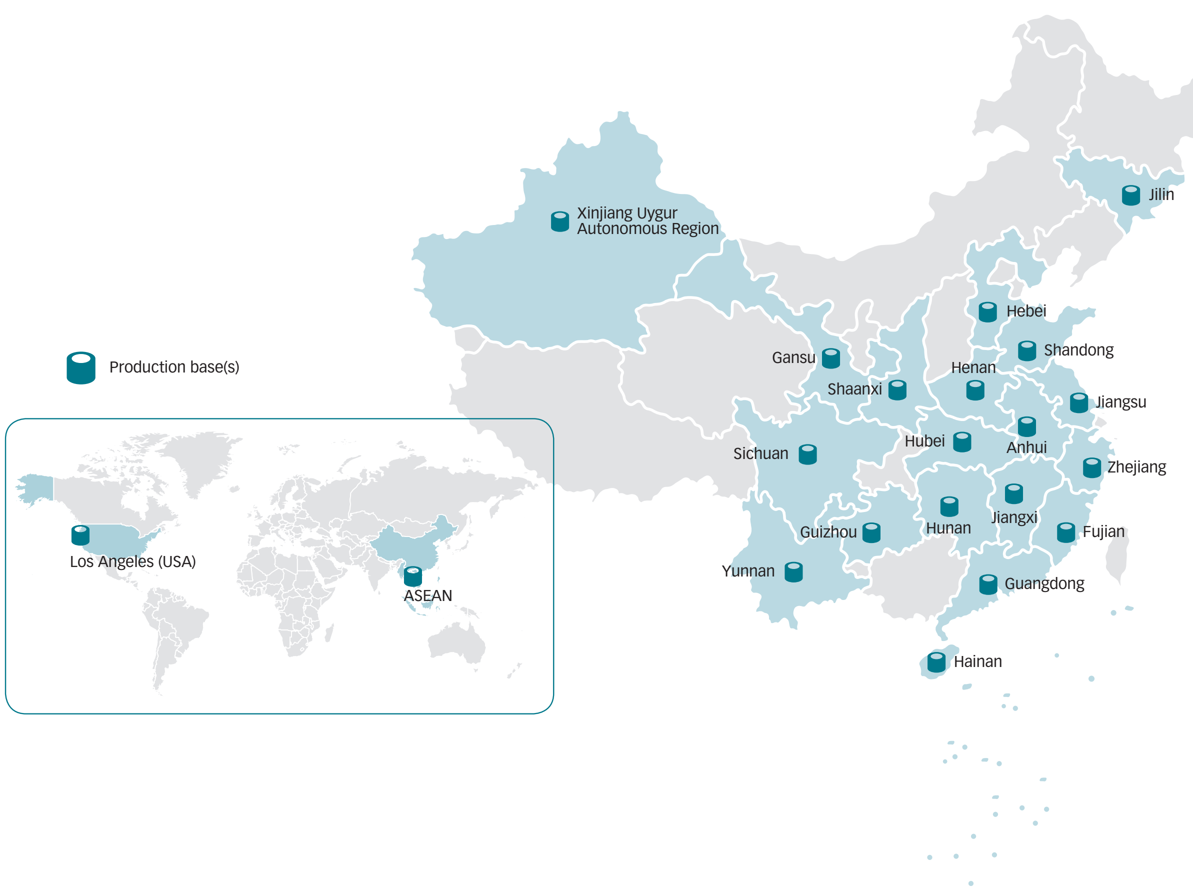
The Group had the following capital commitments at the end of the reporting period:

	30 June 2024 *RMB'000*	31 December 2023 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment and investment properties	**2,067,537**	2,072,082

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 2,891 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 2024, global economy was recovering slowly while geopolitical situation was tense; such external factors, coupled with China's troubled property sector, impeded a full recovery in the country's economy and caused its gross domestic product (GDP) growth to be slower than expected. As a result, businesses were very cautious about expansion and investment. According to the National Bureau of Statistics of China, the country recorded 5.0% GDP growth year on year in the first half of 2024, still ahead of most other countries and showing economic resilience with continuing momentum of recovery.

In addition to the various measures to stimulate the domestic demand such as stepping up investment in infrastructure construction, China's central government has extended its emphasis from growth to high-quality development in the economy. The improvement and upgrading of the infrastructure can enhance both the efficiency and quality of development. In the first half of 2024, total investment in the country's infrastructure increased by 5.4% year on year, faster than the year-on-year growth of 3.9% in its total fixed asset investment, thereby driving the steady development of both the infrastructure construction and piping industries.

Nevertheless, the country's economic recovery was not yet stable, and the property sector was still depressed. Provincial governments were cash-strapped, thus slowing investment in infrastructure. China's building material and piping industries saw sluggish demand, and the industry players, which were faced with overcapacity, engaged in price competition to vie for market share, thus exerting pressure on such industries to a certain extent.

In the first half of 2024, China's property market was exploring a new mode of development to attain a new equilibrium in the supply-demand relationship, but it was still experiencing a downtrend because property developers were still grappling with the debt and liquidity problems while home buyers' confidence had yet to recover. As a result, the building materials and home improvement industry was still affected.

China has been improving the environment and, accordingly, raising the environmental standards with the aim of saving energy and reducing emissions. The efforts include working towards the dual goals of carbon emissions peak by 2030 and carbon neutrality by 2060 ("the dual carbon goals") as well as encouraging and fostering the development of both the new energy and environmental protection industries. In May 2024, the State Council issued the "Action Plan for Energy Saving and Carbon Reduction in 2024 to 2025" to improve the regulation of both the total amount and intensity of energy consumption and to step up the management of the carbon emission intensity. The plan is aimed at raising the standard and enhancing the quality of the work on saving energy and decreasing carbon emissions for economic, social and ecological benefits, thus laying a solid foundation for the efforts to attain the dual carbon goals.

BUSINESS OVERVIEW

It was against the backdrop of the complicated and volatile business environment that China Lesso, as the world's leading piping and building materials conglomerate, steadily pressed on with its prudent development strategy. It adapted itself to the market changes by allocating more resources to develop its mainstay business of plastic piping systems; expanding into the overseas markets with an asset-light business model and through localising its production and sales in suitable locations in such markets; optimising its client mix by proactively engaging with new clients with strong financial position; further diversifying its products by developing and launching more high-quality products and services according to state policies and market trends; enhancing both the quality and efficiency of production with advanced technologies to become more competitive; continuing with prudent financial management by adjusting debt and controlling financing cost; and optimising the scale of and adjusting investment in the non-core businesses. All these measures enabled the Company to stabilise the prices and sales volume of its products as well as the gross profit margin despite the depressed market and intense competition, thereby minimising the impact of the economic doldrums on its business and manifesting its great resilience in development.

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". It also strives for customer satisfaction by putting quality first, driving its development with industry-leading technology, and creating high-value products and services for society. 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.

Revenue by Region#

	Revenue			% of total revenue	
Six months ended 30 June	**2024**	2023		**2024**	2023
	RMB million	*RMB million*	***Change***		
Southern China	**6,068**	6,952	(12.7%)	**44.7%**	45.5%
Other than Southern China	**6,173**	7,195	(14.2%)	**45.5%**	47.0%
Outside China	**1,323**	1,150	15.0%	**9.8%**	7.5%
	13,564	15,297	(11.3%)	**100.0%**	100.0%

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

For the reporting period of six months ended 30 June 2024, the number of the Group's independent and exclusive first-tier distributors across the country increased to 2,891 (1H 2023: 2,807). Southern China remained the Group's major revenue-contributing market, accounting for 44.7% of the Group's total revenue (1H 2023: 45.5%), while other regions accounted for 55.3% (1H 2023: 54.5%).

Revenue by Business Unit

Six months ended 30 June	Revenue			% of total revenue	
	2024	2023		**2024**	2023
	RMB million	*RMB million*	***Change***		
Plastic piping systems	**11,219**	12,233	(8.3%)	**82.7%**	80.0%
Building materials and home improvement	**1,080**	1,341	(19.4%)	**8.0%**	8.8%
Others	**1,265**	1,723	(26.6%)	**9.3%**	11.2%
	13,564	15,297	(11.3%)	**100.0%**	100.0%

In the first half of 2024, despite the pressure exerted by the domestic economic slowdown and subdued property sector on businesses' operation, China Lesso continued to forge ahead and adhered to a prudent approach to development. It allocated more resources to further develop its core business to consolidate its foothold in the market and enhance the quality of its products and services. It maintained steady development in its business with great resilience. During the reporting period, it recorded revenue of RMB13,564 million (1H 2023: RMB15,297 million). Gross profit was RMB3,728 million (1H 2023: RMB4,259 million) and gross profit margin was stabilised at 27.5% (1H 2023: 27.8%) mainly because decrease in sales volume of plastic piping systems business with costs of the raw materials stayed at a low level and the Group made timely adjustments to the products' average selling prices during the reporting period.

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

During the reporting period, the Group's EBITDA decreased by 15.1% year on year to RMB2,644 million (1H 2023: RMB3,114 million), and the EBITDA margin was 19.5% (1H 2023: 20.4%). Profit before tax decreased by 23.6% year on year to RMB1,283 million (1H 2023: RMB1,681 million). Net profit margin was 7.5% (1H 2023: 9.4%). Profit attributable to owners of the Company decreased by 30.2% year on year to RMB1,043 million (1H 2023: RMB1,494 million). The decrease in the profit was mainly due to gross profit decline of RMB531 million and decrease in share of results of associates of RMB117 million. Basic earnings per share were RMB0.34 (1H 2023: RMB0.49). The effective tax rate increased to 20.8% (1H 2023: 14.6%).

BUSINESS REVIEW AND OUTLOOK

PLASTIC PIPING SYSTEMS

In the first half of 2024, China's economy was affected by a slow economic recovery in the peripheral regions, geopolitical tensions and the depressed domestic property market. This led to a downtrend in the country's plastic piping systems industry. However, China's central government was set on improving the infrastructure and stabilising economic growth so it issued an additional RMB1 trillion worth of national treasury bonds in the fourth quarter of 2023, more than half of the fund raised would be used to finance the construction of water management projects for flood prevention and drainage, with the aim of restoring and improving the production, working and living conditions in the flooded areas. Such measure would also help maintain steady growth in infrastructure and thus enable steady development of the plastic piping systems industry.

As a leading piping enterprise, China Lesso adjusted its business strategy according to the economic and market conditions. It stepped up the efforts to develop its mainstay business of plastic piping systems by optimising and adjusting its operations that encompass such aspects as products, client mix, production, sales and market development. The Group achieved good progress in such initiatives and, as a result, outperformed the market, further consolidating its leadership in the market for piping systems.

Revenue by Region

	Revenue			% of revenue	
Six months ended 30 June	**2024**	2023		**2024**	2023
	RMB million	*RMB million*	***Change***		
Southern China	**5,191**	5,679	(8.6%)	**46.3%**	46.4%
Other than Southern China	**5,506**	6,051	(9.0%)	**49.1%**	49.5%
Outside China	**522**	503	3.8%	**4.6%**	4.1%
	11,219	12,233	(8.3%)	**100.0%**	100.0%

Revenue by Product Application

Six months ended 30 June	Revenue **2024** *RMB million*	2023 *RMB million*	***Change***	% of revenue **2024**	2023
Water supply	**4,411**	4,846	(9.0%)	**39.3%**	39.6%
Drainage	**4,131**	4,458	(7.3%)	**36.8%**	36.5%
Power supply and telecommunications	**1,641**	1,864	(12.0%)	**14.6%**	15.2%
Gas transmission	**207**	237	(12.6%)	**1.9%**	1.9%
Others#	**829**	828	0.1%	**7.4%**	6.8%
	11,219	12,233	(8.3%)	**100.0%**	100.0%

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

During the reporting period, the plastic piping systems business recorded revenue of RMB11,219 million (1H 2023: RMB12,233 million), accounting for 82.7% of the total revenue of the Group (1H 2023: 80.0%).

In the first half of 2024, the Group further developed its mainstay business of piping systems. It proactively innovated its products horizontally for various sectors and vertically along their value chains and diversified its piping by developing and launching more new products while gradually reducing its reliance on the market of the property sector. It developed new products such as piping for the transmission of hydrogen and oil to grasp opportunities in the markets for the application of piping in certain sectors with growth potential, and thus expand its market share.

Furthermore, the Group responded to the state's rural revitalisation policy by leveraging its piping business's advantages and research and development capabilities. It proactively and exhaustively extended the scope of the applications of its piping systems and provided products, facilities and solutions of high standards for large-scale planting, thus helping to speed up the construction of agricultural facilities. The Group has its piping and technologies applied to agriculture, animal husbandry and 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. During the reporting period, the Group recorded an uptrend in the sales volume of its piping to the agricultural sector and rural villages.

During the reporting period, the Group launched "Anjiabao (安家堡)", which is a new mode of on-stop solution for hidden installation of water, electricity and heating mains at homes. The service covers the delivery of "products + installation" of water, electricity and heating mains and the "supervision + acceptance testing" for the assurance on work quality as well as the provision of assurances on product quality, safety of installation works and property insurance for home in a closed loop for delivery and assurance. This new mode of delivery of the hidden installation of water, electricity and heating mains that covers everything from products to services from China Lesso will enhance both the user experience and delivery efficiency, thereby enabling such business partners as home improvement companies to enhance quality, reduce cost and raise efficiency as well as providing the users with assurance on the safety of hidden installation works.

In response to the market changes, the Group further optimised its client mix by continuing to strengthen its strategic partnerships with government departments, leading central government-owned and state-owned infrastructure construction enterprises with strong business fundamentals through proactive participation in projects of national development plans and urban redevelopment projects, with the aim to achieving synergies with its strategic business partners and consolidating its leading position in the piping system market.

As for production, the Group promotes intelligent manufacturing by embracing artificial intelligence and new-generation information technologies such as 5G telecommunication technology, Internet and Internet of Things ("IoT"), etc. It has also combined the above-mentioned information technologies with digitalised operation and management to establish smart factories which integrate such technologies as the IoT, intelligent manufacturing and automated production in order to enhance its production capability. During the reporting period, the Group's annual designed production capacity for plastic piping systems was 3.25 million tonnes, and the capacity utilisation rate was approximately 74.1%. Intelligent manufacturing not only improves efficiency but also effectively reduces carbon emissions and pollution in line with trend for high-quality development.

As for sales, raw material prices already hit bottom during the reporting period. The Group proactively optimised the cost, continued with its effective procurement strategies, and priced its products appropriately, thereby further enhancing its competitiveness. Despite intense competition and the industry downtrend, the Group succeeded in stabilising both the prices and sales volume of its piping systems and in maintaining the gross profit margin at a reasonable and stable level.

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

Six months ended	Average selling price			Sales volume			Revenue		
30 June	**2024**	2023		**2024**	2023		**2024**	2023	
	RMB	*RMB*	***Change***	***Tonne***	*Tonne*	***Change***	***RMB million***	*RMB million*	***Change***
PVC	**7,299**	7,536	(3.1%)	**887,769**	938,783	(5.4%)	**6,480**	7,075	(8.4%)
Non-PVC#	**15,058**	15,353	(1.9%)	**314,700**	335,961	(6.3%)	**4,739**	5,158	(8.1%)
	9,330	9,596	(2.8%)	**1,202,469**	1,274,744	(5.7%)	**11,219**	12,233	(8.3%)

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

In the first half of 2024, sales volume of the Group's products decreased by 5.7% year on year. Sales volume of PVC declined by 5.4% year on year to 887,769 tonnes (1H 2023: 938,783 tonnes), while that of non-PVC products fell by 6.3% year on year to 314,700 tonnes (1H 2023: 335,961 tonnes). Revenue from sales of PVC products decreased by 8.4% year on year to RMB6,480 million (1H 2023: RMB7,075 million), while revenue from sales of non-PVC products decreased by 8.1% year on year to RMB4,739 million (1H 2023: RMB5,158 million).

The average selling price of the Group's plastic piping products edged down by 2.8% year on year to RMB9,330 per tonne (1H 2023: RMB9,596 per tonne). The gross profit margin at this business was 29.5% (1H 2023: 30.0%).

The Group stepped up its pace of expansion into overseas markets by accelerating the localisation of its brand there with its strong technology capabilities and its advantageous piping product systems. In addition to its production bases in Indonesia, Cambodia, Thailand and Malaysia which have already been put into operation, the Group had also been preparing to develop the markets of Tanzania in Africa and Vietnam by localising its production and sales there. Presently, the Group is carrying out preliminary work for setting up factories in the two countries with good progress. Specifically, its production base in Vietnam is expected to start operation in the fourth quarter of 2024. Through its mainstay business, the Group will enhance the synergy between its diverse operations when developing the overseas markets so as to expand its share of the international market and increase its overall influence there.

In the future, investment in infrastructure and manufacturing is expected to keep growing at a relatively faster rate under the government's expansionary fiscal policy and measures to update facilities. The Group closely follows the state policies and market trends when diversifying its product portfolio to grasp business opportunities. In the domestic market, the Group will continue to strengthen its strategic partnerships with government departments, leading central government-owned and state-owned enterprises, with the aim of achieving synergies. Meanwhile, it will also proactively expand its overseas market coverage to further consolidate its leading position in the piping market. The Group will forge ahead with its development through unceasing innovation regarding such aspects as products, services and business model. For instance, it will press on with intelligent manufacturing to enhance its sustainable development capability. Overall, management is confident about the future development of the plastic piping systems business, and believes that the operation will be able to deliver steady business performance for the Group.

BUILDING MATERIALS AND HOME IMPROVEMENT

In the first half of 2024, China's property market continued to be depressed as property developers' financial positions deteriorated. In view of the sluggish property sales, China's central government stepped up its efforts to relax its regulatory policies and launched a series of measures supportive to the property sector. However, home buyers still lacked confidence and property developers were still mired in debt crises, leading to persistently weak property sales. As a result, the building materials and home improvement industry was still being dragged down. During the reporting period, the building materials and home improvement business recorded revenue of RMB1,080 million, accounting for 8.0% of the Group's total revenue.

Although the property sector's prospect remains bleak, leading central government-owned and state-owned enterprises still have stronger advantages than the civilian-owned property firms. They have strong financial positions and are more resilient in business operation so they serve as the pillars of the property sector. The Group proactively optimised the client mix by shifting the focus of its business development to the projects led by the government and central government-owned and state-owned enterprises, thus decreasing the proportion of civilian-owned enterprises in its clientele and reducing its business risk. The property sector's downtrend is expected to decelerate in the second half of the year but the pressure of market correction will persist. Nevertheless, as the regulatory policies begin yielding effect, the policies on the property sector will be focused on the stabilisation of the market and inventory clearance. 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 development 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.

The environmental protection industry is an emerging strategic sector that has already developed itself into an important driving force behind the growth in industries' economic efficiency. However, during the reporting period, both the economy and momentum of investment had yet to fully recover in mainland China, leading to decreases in the number of projects and the industrial output and, ultimately, a decline in the amount of hazardous wastes. As a result, the environmental protection industry was faced with overcapacity. In the first half of 2024, the Group's environmental protection business recorded revenue of RMB131 million. The Group has been optimising its client mix and consolidating its customer base. It will further explore the opportunities to undertake government projects, creating more room for its future development.

During the reporting period, a wait-and-see attitude prevailed in the global investment environment. The Group continued to adopt a prudent approach in developing its supply chain service platform business, with a focus on the Southeast Asian market. It slowed down investment in that business and planned to dispose of its overseas assets gradually or lease out such assets according to the market conditions with the aim to increasing both the Group's cash flow and the shareholder return. In addition, the Group succeeded in spinning off its subsidiary, EDA Group Holdings Limited (Stock Code: 2505), through a separate listing on the main board of the Stock Exchange on 28 May 2024. For the first half of 2024, supply chain service platform business recorded revenue of RMB769 million. Looking ahead, the Group will reformulate its business development strategy according to the market conditions. It will speed up the deployment of resources for its warehouse storage and logistics operations in Southeast Asia, and develop business prudently for steady growth.

The production capacity of China's photovoltaic industry has been growing too rapidly in recent years, leading to a huge over supply. In the first half of 2024, the photovoltaic manufacturing is faced with severe pressure to eliminate the glut. An oversupply of the products caused a persistent downtrend in their prices at various production processes while competition intensified. During the reporting period, the new energy business of the Group recorded revenue of RMB157 million. In the future, the photovoltaic industry will have to conduct technological iteration to reduce cost and raise efficiency amid the overcapacity and intense competition, ushering in a series of reshuffles in the competitive landscape. The Group's new energy business is still in the preliminary stage of its development. It will take a prudent approach and scale down its investment according to the market conditions so as to further decrease the costs of operation and products. The Group will also review and adjust both the direction of the development and operation strategy of its new energy business in a timely manner.

Summary

Looking ahead to the second half of 2024, the world's complicated political and economic environment will still pose challenges to China's economic growth, but the momentum of the country's development will continue. The Chinese government is expected to proactively push forward with its macroeconomic measures to revitalise the market, stimulate its organic growth, and foster the high-quality and healthy development of the economy. China Lesso will continue with its prudent strategy for development according to the market conditions, and try its best to minimise the impact of the business environment on its business development. It will also give full play to the core competency of its intelligent manufacturing and unceasingly conduct product innovation and upgrading, thereby adding impetus to the Group's high-quality development. Meanwhile, it will grasp opportunities for developing the overseas market through the localisation of its brand, production and sales, thus increasing its brand's influence and market penetration and broadening its income source. The Group will overcome the challenges in the market with its strengths and great resilience to create shareholder value consistently for the long term.

CAPITAL EXPENDITURE

During the reporting period, the Group's capital expenditure was approximately RMB1,559 million, which was primarily used for improvement of automated facilities, expansion of the existing production bases 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 RMB21,034 million, of which 19.4% was denominated in US dollar, 20.1% was denominated in HK dollar, 58.9% was denominated in RMB, 1.2% 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 1.7% to 6.94% 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 46.8%.

At the end of the reporting period, the Group's total equity reduced to RMB23,889 million. The Group's current assets and current liabilities were RMB21,565 million and RMB21,023 million, respectively. The Group's Current Ratio increased to 1.03 from 0.85 as at 31 December 2023, while Quick Ratio increased to 0.68 from 0.57 as at 31 December 2023.

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 RMB6,702 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, leasehold lands and buildings of subsidiaries, other intangible assets of a subsidiary, investment property of a subsidiary, personal guarantee provided by shareholders of subsidiaries and 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 RMB1,351 million during the reporting period. The Group ensures that the remuneration packages for employees are determined based on their work performance, professional experience and the prevailing industry practice. Discretionary year-end bonus and shares award may be distributed to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

SIGNIFICANT INVESTMENT

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

INVESTMENT IN ASSOCIATES

	30 June 2024 *RMB million*	31 December 2023 *RMB million*
Keda	**2,104**	1,950
Xingfa Aluminium	**1,747**	1,708
Others	**1,420**	1,207
	5,271	4,865

At the end of the reporting period, the Group held 26.11% and 8.01% 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. During the reporting period, the Group further acquired approximately 1% shares in Keda for a consideration of RMB172 million.

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 RMB8,350 million, and profit attributable to the shareholders of Xingfa Aluminium was RMB378 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 RMB5,494 million, and profit attributable to the shareholders of Keda was RMB454 million.

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

INVESTMENT PROPERTIES

At the end of the reporting period, the Group's investment properties were RMB9,045 million. Decrease of investment properties was mainly attributable to the construction on certain investment properties under development of RMB185 million, addition of a warehouse in Malaysia of RMB32 million and set-off with exchange loss on translation of RMB359 million, during the reporting period.

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

FINANCIAL INVESTMENTS

At the end of reporting period, the Group held long-term and short-term financial investments of approximately RMB1,783 million (31 December 2023: RMB1,946 million) and RMB22 million (31 December 2023: RMB16 million), respectively. The investment portfolio was comprised of 12.5% in listed equity securities (issued by PRC-based companies of: home improvement and furnishings shopping malls operating and property management), 6.8% in listed debt securities, 6.1% in unlisted debt securities, 70.7% in unlisted equity securities and 3.9% other financial investments.

During the reporting period, the Group recognised a fair value loss of approximately RMB32 million in profit or loss, recognised mark-to-market valuation net loss of approximately RMB169 million in other comprehensive income and approximately RMB3 million of exchange net gain on translation. Income from the portfolio amounted to approximately RMB14 million in the reporting period, representing dividend and interest incomes.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024. 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 that good corporate governance practices and business ethics 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

Mr. Huang Guirong retired from his office as an executive director of the Company with effect from 24 May 2024. Dr. Song Keming has been serving as an executive director of the Company with effect from 24 May 2024.

Save for those disclosed above, there is no other information in respect of the directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. For details, please refer to the Company's announcement dated 24 May 2024 in respect of the changes.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (1H2023: Nil). A final dividend of HK20 cents per Share was paid on Thursday, 18 July 2024 in respect of the year ended 31 December 2023 to Shareholders.

EVENT AFTER THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2024.

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 2024 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 2024

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. Luo Jianfeng and Dr. Song Keming; and the independent non-executive directors of the Company are Dr. Tao Zhigang, Mr. Cheng Dickson, Ms. Lu Jiandong, Dr. Hong Ruijiang and Ms. Lee Vanessa.

GLOSSARY

"Board"	the board of directors of the Company
"BVI"	the British Virgin Islands
"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
"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 C3 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.