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**LESSO 联塑**

**CHINA LESSO GROUP HOLDINGS LIMITED**

**中國聯塑集團控股有限公司**

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

**(Stock Code: 2128)**

**FINAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2021.

**HIGHLIGHTS**

Compared to the last year consolidated financial results:

- Revenue increased by 14.2% to RMB32,058 million
- Gross profit increased by 0.8% to RMB8,448 million
- Profit for the year decreased by 19.7% to RMB3,019 million
- Basic earnings per share was RMB0.99, decreased by 18.9%
- The payment of a final dividend of HK26 cents per share is recommended for the year ended 31 December 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*Year ended 31 December 2021*

	<i>Note</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>REVENUE</b>	3	<b>32,057,584</b>	28,073,065
Cost of sales		<u>(23,609,891)</u>	<u>(19,689,086)</u>
Gross profit		<b>8,447,693</b>	8,383,979
Other revenue, income and gains	3	<b>1,433,071</b>	509,187
Selling and distribution expenses		<b>(1,493,378)</b>	(1,264,143)
Administrative expenses		<b>(1,506,939)</b>	(1,332,183)
Impairment losses on financial and contract assets		<b>(1,329,541)</b>	(56,439)
Other expenses		<b>(1,441,493)</b>	(1,255,349)
Finance costs	4	<b>(546,149)</b>	(435,892)
Share of results of associates		<b>242,740</b>	203,233
Share of result of a joint venture		<b>1,278</b>	1,167
		<u>1,278</u>	<u>1,167</u>
<b>PROFIT BEFORE TAX</b>	5	<b>3,807,282</b>	4,753,560
Income tax expense	6	<b>(788,693)</b>	(996,171)
		<u>(788,693)</u>	<u>(996,171)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>3,018,589</u></b>	<b><u>3,757,389</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income:			
Changes in fair value, net of tax		<b>(315,985)</b>	(8,393)
Reclassification adjustments for loss on disposal included in the consolidated statement of profit or loss		<b>–</b>	8,191
		<u>–</u>	<u>8,191</u>
		<b>(315,985)</b>	(202)
Share of other comprehensive income of an associate, net of tax		<b>2,594</b>	(1,472)
Exchange differences on translation of foreign operations		<b>(327,957)</b>	407,430
		<u>(327,957)</u>	<u>407,430</u>
		<b>(641,348)</b>	405,756
		<u>(641,348)</u>	<u>405,756</u>

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments at fair value through other comprehensive income		(267,295)	214,505
Remeasurement gain on defined benefit plan, net of tax		<u>551</u>	<u>–</u>
		<u>(266,744)</u>	<u>214,505</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(908,092)</u>	<u>620,261</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>2,110,497</b></u>	<u><b>4,377,650</b></u>
Profit attributable to:			
Owners of the Company		3,044,159	3,750,829
Non-controlling interests		<u>(25,570)</u>	<u>6,560</u>
		<u><b>3,018,589</b></u>	<u><b>3,757,389</b></u>
Total comprehensive income attributable to:			
Owners of the Company		2,185,919	4,338,754
Non-controlling interests		<u>(75,422)</u>	<u>38,896</u>
		<u><b>2,110,497</b></u>	<u><b>4,377,650</b></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted	8	<u><b>RMB0.99</b></u>	<u>RMB1.22</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2021*

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		12,331,567	9,900,108
Right-of-use assets		2,378,954	2,036,052
Investment properties		7,809,639	6,973,570
Deposits paid for the purchase of land, property, plant and equipment		1,043,250	1,599,016
Goodwill		495,857	381,408
Other intangible assets		547,836	380,929
Interests in associates		2,618,990	2,395,177
Interest in a joint venture		12,801	11,523
Other financial assets	9	2,031,511	2,681,006
Loan receivables	10	86,400	139,584
Other non-current assets		385,376	122,299
Contract assets		39,980	78,411
Deferred tax assets		349,105	159,888
		<b>30,131,266</b>	<b>26,858,971</b>
<b>CURRENT ASSETS</b>			
Inventories	11	6,881,329	5,126,847
Contract assets		576,901	469,541
Other financial assets	9	822,696	24,915
Loan receivables	10	1,152,292	875,066
Trade and bills receivables	12	4,212,442	3,850,194
Prepayments, deposits and other receivables		2,130,992	1,874,592
Cash and bank deposits		7,646,249	7,447,436
		<b>23,422,901</b>	<b>19,668,591</b>
Asset held for sale		929,022	–
		<b>24,351,923</b>	<b>19,668,591</b>
<b>CURRENT LIABILITIES</b>			
Contract liabilities		3,249,079	1,528,934
Trade and bills payables	13	7,545,637	5,678,208
Other payables and accruals		1,697,228	1,100,218
Tax payable		360,574	322,283
Borrowings	14	7,279,814	7,364,331
Convertible loans	15	624,430	–
Lease liabilities		77,670	53,448
Other financial liabilities		29,171	10,960
		<b>20,863,603</b>	<b>16,058,382</b>

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>NET CURRENT ASSETS</b>		<b>3,488,320</b>	3,610,209
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>33,619,586</b>	30,469,180
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	<i>14</i>	<b>9,879,291</b>	8,082,154
Convertible loans	<i>15</i>	–	627,362
Lease liabilities		<b>414,698</b>	108,868
Other long-term payables		<b>10,385</b>	16,953
Provision for long-term employee benefits		<b>5,219</b>	–
Other financial liabilities		<b>42,188</b>	70,266
Deferred tax liabilities		<b>1,200,818</b>	991,518
Deferred income		<b>260,224</b>	217,937
Total non-current liabilities		<b>11,812,823</b>	10,115,058
Net assets		<b>21,806,763</b>	20,354,122
<b>EQUITY</b>			
Share capital	<i>16</i>	<b>135,344</b>	135,344
Reserves		<b>20,635,797</b>	19,705,783
Equity attributable to owners of the Company		<b>20,771,141</b>	19,841,127
Non-controlling interests		<b>1,035,622</b>	512,995
Total equity		<b>21,806,763</b>	20,354,122

## NOTE:

### 1.1 BASIS OF PREPARATION

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

### 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The adoption of the above revised HKFRSs has had no significant financial effect on these consolidated financial statements. The nature and the impact of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 are described below:

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, since the interest rates of these instruments were not replaced by risk-free rates (“RFRs”) during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the practical expedient upon the modification of these borrowings when the “economically equivalent” criterion is met.

## 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, financial services and property rental and other related services. For management purposes, the Group's businesses are organised by geographical areas based on the location of the customers and assets are attributable to the geographical unit based on the location of the assets. The Group has eight reportable operating segments as follows:

- (i) Southern China, including Guangdong Province, Guangxi Zhuang Autonomous Region, Hunan Province, Fujian Province and Hainan Province;
- (ii) Southwestern China, including Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province and Xizang (Tibet) Autonomous Region;
- (iii) Central China, including Hubei Province, Jiangxi Province and Henan Province;
- (iv) Eastern China, including Shanghai Municipality, Jiangsu Province, Zhejiang Province and Anhui Province;
- (v) Northern China, including Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province, Inner Mongolia Autonomous Region and Shanxi Province;
- (vi) Northwestern China, including Shaanxi Province, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province and Xinjiang Uygur Autonomous Region;
- (vii) Northeastern China, including Liaoning Province, Jilin Province and Heilongjiang Province;  
and
- (viii) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, changes in fair value of investment properties, changes in fair value of financial instruments at FVTPL, changes in fair value of other financial liabilities, investment income, gain on disposal of subsidiaries, gain on disposal of associates, gain from bargain purchase, loss on deemed disposal of associates, loss on disposal of debt instruments at FVTOCI, 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 years ended 31 December 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

## Operating segment information for the year ended 31 December 2021

	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
<b>Segment revenue:</b>										
Sale of goods	15,801,237	2,892,765	3,258,939	1,988,684	2,613,559	1,625,439	905,893	989,837	-	30,076,353
Contract revenue from renovation and installation works	1,005,358	58,903	103,290	202,750	47,362	9,208	6,324	15,358	-	1,448,553
Income from environmental engineering and other related services	142,100	5,769	16,667	121,171	3,819	41	95	11,267	-	300,929
Financial service income	74,833	10,514	1,416	25,148	2,083	31	93	-	-	114,118
Property rental and other related services	12,232	-	-	-	-	-	-	105,399	-	117,631
Revenue from external customers	17,035,760	2,967,951	3,380,312	2,337,753	2,666,823	1,634,719	912,405	1,121,861	-	32,057,584
Intersegment revenue	5,519,677	499,366	667,011	546,866	641,187	262,306	203,819	935,066	(9,275,298)	-
<b>Total</b>	<b>22,555,437</b>	<b>3,467,317</b>	<b>4,047,323</b>	<b>2,884,619</b>	<b>3,308,010</b>	<b>1,897,025</b>	<b>1,116,224</b>	<b>2,056,927</b>	<b>(9,275,298)</b>	<b>32,057,584</b>
<b>Segment results:</b>										
Reconciliations:	4,863,385	745,566	916,358	473,152	677,323	369,776	205,840	289,901	(93,608)	8,447,693
Interest income										101,341
Gain on fair value changes of investment properties										916,828
Gain on fair value changes of financial instruments at FVTPL										199,224
Gain on fair value changes of other financial liabilities										8,048
Investment income										5,508
Gain from bargain purchase										26,217
Loss on deemed disposal of associates										(56,491)
Exchange loss										(48,560)
Finance costs (other than interest on lease liabilities)										(536,236)
Share of results of associates										242,740
Share of result of a joint venture										1,278
Unallocated income and expenses										(5,500,308)
Profit before tax										3,807,282
<b>Segment assets:</b>										
Reconciliations:	23,144,419	1,694,292	2,071,075	2,298,299	1,128,725	950,928	568,995	8,216,082	-	40,072,815
Interests in associates										2,618,990
Interest in a joint venture										12,801
Other financial assets										2,854,207
Deferred tax assets										349,105
Cash and bank deposits										7,646,249
Asset held for sale										929,022
<b>Total assets</b>										<b>54,483,189</b>
<b>Other segment information:</b>										
Write-back of inventories to net realisable value, net	(39,055)	4,298	(200)	(2,272)	(372)	(138)	103	18,632	-	(19,004)
Depreciation and amortisation	956,482	78,872	74,893	60,609	49,893	40,980	23,565	80,829	-	1,366,123
Impairment of property, plant and equipment	22,088	-	-	469	-	-	4,393	(167)	-	26,783
Impairment of goodwill	24,869	-	-	-	-	-	-	-	-	24,869
Impairment of other intangible assets	1,320	-	-	-	-	-	-	-	-	1,320
Impairment of loan receivables	329,279	-	-	-	-	-	-	-	-	329,279
Impairment of contract assets, net	20,431	-	-	-	-	-	60	-	-	20,491
Impairment of trade and bills receivables, net	887,819	6,371	12,988	22,022	15,969	5,461	14,224	13,093	-	977,947
Impairment of prepayments, net	71	25	1,090	15	236	11	-	-	-	1,448
Impairment of other receivables, net	1,914	-	-	-	-	-	-	(90)	-	1,824
Capital expenditure <sup>#</sup>	3,485,780	148,279	620,006	211,507	143,299	123,540	23,349	1,873,239	(77,846)	6,551,153

<sup>#</sup> 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 amount to RMB1,141,624,000.

## Operating segment information for the year ended 31 December 2020

	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
<b>Segment revenue:</b>										
Sale of goods	14,296,424	2,793,802	2,873,149	1,545,613	2,097,594	1,422,689	737,700	703,236	-	26,470,207
Contract revenue from renovation and installation works	697,116	47,068	108,364	199,095	28,923	1,449	19,769	8,912	-	1,110,696
Income from environmental engineering and other related services	179,958	17,539	23,773	127,330	4,098	1,299	-	-	-	353,997
Financial service income	30,349	1,633	3,625	12,581	2,151	34	19	-	-	50,392
Property rental and other related services	11,370	-	-	24	-	-	-	76,379	-	87,773
Revenue from external customers	15,215,217	2,860,042	3,008,911	1,884,643	2,132,766	1,425,471	757,488	788,527	-	28,073,065
Intersegment revenue	4,354,850	450,144	532,163	437,339	557,703	238,605	185,929	771,577	(7,528,310)	-
<b>Total</b>	<b>19,570,067</b>	<b>3,310,186</b>	<b>3,541,074</b>	<b>2,321,982</b>	<b>2,690,469</b>	<b>1,664,076</b>	<b>943,417</b>	<b>1,560,104</b>	<b>(7,528,310)</b>	<b>28,073,065</b>
<b>Segment results:</b>										
Reconciliations:	4,801,638	884,882	952,938	526,249	620,639	346,109	185,439	224,671	(158,586)	8,383,979
Interest income										171,112
Gain on fair value changes of financial instruments at FVTPL										129,294
Gain on fair value changes of other financial liabilities										13,348
Investment income										17,550
Gain on disposal of subsidiaries										365
Gain on disposal of associates										1,438
Gain from a bargain purchase										5,579
Loss on fair value changes of investment properties										(157,263)
Loss on disposal of debt instruments at FVTOCI										(8,191)
Exchange loss										(2,328)
Finance costs (other than interest on lease liabilities)										(427,405)
Share of results of associates										203,233
Share of result of a joint venture										1,167
Unallocated income and expenses										(3,578,318)
Profit before tax										4,753,560
<b>Segment assets:</b>										
Reconciliations:	18,529,130	1,531,128	1,667,031	1,842,455	998,984	734,828	542,214	7,961,847	-	33,807,617
Interests in associates										2,395,177
Interest in a joint venture										11,523
Other financial assets										2,705,921
Deferred tax assets										159,888
Cash and bank deposits										7,447,436
<b>Total assets</b>										<b>46,527,562</b>
<b>Other segment information:</b>										
Write-down of inventories to net realisable value, net	18,367	-	-	-	-	-	-	(132)	-	18,235
Depreciation and amortisation	658,051	68,829	61,010	49,406	42,846	41,689	21,093	62,992	-	1,005,916
Impairment of property, plant and equipment	36,166	-	-	11,349	-	-	-	316	-	47,831
Impairment of goodwill	11,578	-	-	8,755	-	-	-	-	-	20,333
Impairment of loan receivables	17,068	-	-	-	-	-	-	-	-	17,068
Reversal of impairment of contract assets, net	(370)	-	-	-	-	-	-	-	-	(370)
Impairment of trade and bills receivables, net	25,522	351	1,441	4,578	5,897	661	(1,158)	1,218	-	38,510
Impairment of prepayments, net	6,774	6,402	-	-	-	-	253	6,645	-	20,074
Impairment of other receivables, net	(2,724)	-	-	-	-	-	-	3,955	-	1,231
Capital expenditure <sup>#</sup>	1,509,062	108,124	276,130	150,447	74,846	37,231	21,877	624,145	(59,774)	2,742,088

<sup>#</sup> 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 amount to RMB252,952,000.

### 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:

	2021			2020		
	Goods transferred at a point in time <i>RMB'000</i>	Services transferred over time <i>RMB'000</i>	Total <i>RMB'000</i>	Goods transferred at a point in time <i>RMB'000</i>	Services transferred over time <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue from contracts with customers:</b>						
Sale of goods	30,076,353	–	30,076,353	26,470,207	–	26,470,207
Contract revenue from renovation and installation works	–	1,448,553	1,448,553	–	1,110,696	1,110,696
Income from environmental engineering and other related services	–	300,929	300,929	–	353,997	353,997
Sub-total	<u>30,076,353</u>	<u>1,749,482</u>	<u>31,825,835</u>	<u>26,470,207</u>	<u>1,464,693</u>	<u>27,934,900</u>
Financial service income			114,118			50,392
Property rental and other related services			<u>117,631</u>			<u>87,773</u>
Total			<u>32,057,584</u>			<u>28,073,065</u>

By geographical locations:

	2021			2020		
	Goods transferred at a point in time <i>RMB'000</i>	Services transferred over time <i>RMB'000</i>	Total <i>RMB'000</i>	Goods transferred at a point in time <i>RMB'000</i>	Services transferred over time <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue from contracts with customers:</b>						
Mainland China	29,086,516	1,722,857	30,809,373	25,766,971	1,455,781	27,222,752
Outside China	989,837	26,625	1,016,462	703,236	8,912	712,148
Sub-total	<u>30,076,353</u>	<u>1,749,482</u>	<u>31,825,835</u>	<u>26,470,207</u>	<u>1,464,693</u>	<u>27,934,900</u>
Financial service income			114,118			50,392
Property rental and other related services			<u>117,631</u>			<u>87,773</u>
Total			<u>32,057,584</u>			<u>28,073,065</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	1,414,239	1,604,951
Contract revenue from renovation and installation works	24,204	1,750
Income from environmental engineering and other related services	<u>1,041</u>	<u>8</u>
	<u>1,439,484</u>	<u>1,606,709</u>

### ***Performance obligations***

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

#### *Sale of goods*

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

#### *Renovation, installation and engineering services*

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

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

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Not more than 1 year	<b>1,435,765</b>	954,379
Over 1 year	<b>588,242</b>	1,368,927
	<b><u>2,024,007</u></b>	<u>2,323,306</u>

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

## Other revenue, income and gains

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank interest income	93,200	123,520
Interest income from other loan receivables	4,644	–
Interest income from other financial assets	3,497	47,592
	<hr/>	<hr/>
Total interest income	101,341	171,112
Government grants and subsidies	72,271	69,375
Gain on fair value changes of investment properties	916,828	–
Gain on fair value changes of financial instruments at FVTPL	199,224	129,294
Gain on fair value changes of other financial liabilities	8,048	13,348
Investment income	5,508	17,550
Gain on disposal of subsidiaries	–	365
Gain on disposal of associates	–	1,438
Gain from bargain purchase	26,217	5,579
Gain on termination of right-of-use assets	396	17
Rental income	21,034	32,291
Others	82,204	68,818
	<hr/>	<hr/>
	<b>1,433,071</b>	<b>509,187</b>
	<hr/> <hr/>	<hr/> <hr/>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses on bank and other loans	565,142	458,039
Interest expenses on lease liabilities	9,913	8,487
	<hr/>	<hr/>
	575,055	466,526
Less: Interest capitalised	(28,906)	(30,634)
	<hr/>	<hr/>
	<b>546,149</b>	<b>435,892</b>
	<hr/> <hr/>	<hr/> <hr/>

## 5. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold	22,336,356	18,584,843
Direct cost of renovation and installation works	1,074,442	831,187
Direct cost of environmental engineering and other related services	179,458	217,596
Direct cost of financial services	4,965	7,387
Direct cost of property rental and other related services	33,674	29,838
(Write-back)/write-down of inventories to net realisable value, net	(19,004)	18,235
Depreciation of property, plant and equipment	1,220,264	884,927
Depreciation of right-of-use assets	108,338	96,382
Amortisation of other intangible assets	37,521	24,607
Total depreciation and amortisation	<b>1,366,123</b>	<b>1,005,916</b>
Research and development costs	1,215,499	946,843
Loss on disposal of items of other intangible assets and property, plant and equipment	51,789	8,257
Impairment of property, plant and equipment	26,783	47,831
Changes in fair value of investment properties	(916,828)	157,263
Gain on fair value changes of financial instruments at FVTPL	(199,224)	(129,294)
Gain on fair value changes of other financial liabilities	(8,048)	(13,348)
Loss on disposal of debt instruments at FVTOCI	–	8,191
Gain on disposal of subsidiaries	–	(365)
Gain from bargain purchase	(26,217)	(5,579)
Loss on deemed disposal of associates	56,491	–
Gain on termination of right-of-use assets	(396)	(17)
Impairment of goodwill	24,869	20,333
Impairment of other intangible assets	1,320	–
Impairment of loan receivables	329,279	17,068
Impairment/(reversal of impairment) of contract assets, net	20,491	(370)
Impairment of trade and bills receivables, net	977,947	38,510
Impairment of prepayments, net	1,448	20,074
Impairment of other receivables, net	1,824	1,231
Foreign exchange differences, net	48,560	2,328

## 6. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
PRC	602,213	938,283
Hong Kong	1,331	–
Other jurisdictions	221,692	443
	<u>825,236</u>	<u>938,726</u>
(Over)/under provision in prior years		
PRC	(82,311)	(82,716)
Hong Kong	43	–
Other jurisdictions	(54)	(35)
	<u>(82,322)</u>	<u>(82,751)</u>
Deferred tax	<u>45,779</u>	<u>140,196</u>
Total tax charge for the year	<u><u>788,693</u></u>	<u><u>996,171</u></u>

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

### **Hong Kong profits tax**

Hong Kong profits tax has been provided at the rate of 16.50% (2020: 16.50%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.50%.

During the year ended 31 December 2020, no provision for Hong Kong profits tax was made as the Group had no assessable profits arising in Hong Kong.

### **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 years, based on the existing legislation, interpretations and practices in respect thereof.

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

## Income tax for other jurisdictions

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

During the year ended 31 December 2021, income tax of other jurisdictions mainly arose from Australia and Canada for the Group's disposal of investment properties.

## 7. DIVIDENDS

	2021		2020	
	HK\$ per share	HK\$'000	HK\$ per share	HK\$'000
2021 interim dividend paid (2020: 2020 interim dividend paid)	0.12	372,290	0.12	372,290
Less: Dividends for shares held for share award scheme	0.12	<u>(2,759)</u>	0.12	<u>(2,759)</u>
		<u>369,531</u>		<u>369,531</u>
2020 final dividend paid (2020: 2019 final dividend paid)	0.38	1,178,919	0.28	868,677
Less: Dividends for shares held for share award scheme	0.38	<u>(8,737)</u>	0.28	<u>(6,437)</u>
		<u>1,170,182</u>		<u>862,240</u>
		<u>1,539,713</u>		<u>1,231,771</u>
Equivalent to		<u>RMB1,278,424,000</u>		<u>RMB1,095,414,000</u>

Subsequent to the end of the reporting period, final dividend of HK26 cents in respect of the year ended 31 December 2021 per ordinary share in aggregate of HK\$800,651,000 has been declared by the Board to the owners of the Company whose names appear on the Company's register of members on 8 July 2022 (2020: final dividend of HK38 cents per ordinary share in aggregate of HK\$1,170,182,000). The amount of final dividend declared for the year ended 31 December 2021 is calculated based on the number of issued shares, less dividends for shares held for the share award scheme, at the date of approval of these consolidated financial statements.

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	<u><b>3,044,159</b></u>	<u>3,750,829</u>
	<b>Number of Shares</b>	
	<b>2021</b>	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue	<b>3,102,418,400</b>	3,102,418,400
Weighted average number of shares held for the share award scheme	<u><b>(22,991,000)</b></u>	<u>(22,991,000)</u>
Adjusted weighted average number of ordinary shares of the Company in issue used in the basic and diluted earnings per share calculation	<u><b>3,079,427,400</b></u>	<u>3,079,427,400</u>

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020, respectively.

## 9. OTHER FINANCIAL ASSETS

	<i>Note</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Non-current</b>			
Debt instruments at FVTOCI:			
Debt securities listed in Hong Kong	(i)	<b>31,073</b>	29,724
Debt securities listed in PRC		<b>142,500</b>	–
		<u><b>173,573</b></u>	<u>29,724</u>
Debt instruments at FVTPL:			
Unlisted convertible loans	(ii)	<b>64,530</b>	–
Equity instruments at FVTOCI:			
Equity securities listed in PRC		<b>226,616</b>	853,576
Equity securities listed in Hong Kong		<b>352,133</b>	551,520
Unlisted equity securities		<b>889,641</b>	485,319
		<u><b>1,468,390</b></u>	<u>1,890,415</u>
Equity instruments at FVTPL:			
Unlisted equity securities	(iii)	<b>150,775</b>	53,958
Equity securities listed in PRC		–	446,196
Equity securities listed in United Kingdom	(iv)	<b>157,763</b>	241,983
		<u><b>308,538</b></u>	<u>742,137</u>
Funds at FVTPL:			
Stock funds		<b>16,480</b>	18,730
		<u><b>2,031,511</b></u>	<u>2,681,006</u>
<b>Current</b>			
Debt instruments at FVTOCI:			
Debt securities listed in Hong Kong	(i)	–	24,915
Debt instruments at FVTPL:			
Structured deposit		<b>30,000</b>	–
Unlisted convertible loans	(ii)	<b>40,000</b>	–
		<u><b>70,000</b></u>	–
Equity instruments at FVTPL:			
Equity securities listed in PRC		<b>752,027</b>	–
Derivative financial instruments:			
Forward currency contracts	(v)	<b>669</b>	–
		<u><b>822,696</b></u>	<u>24,915</u>
		<u><b>2,854,207</b></u>	<u>2,705,921</u>

*Note:*

- (i) The debt securities carry fixed interest at rates ranging from 5.65% to 6.90% (2020: 5.70% to 7.85%) per annum, payable semi-annually or annually in arrears and will mature from January 2023 to January 2026 (2020: February 2021 to January 2023).
- (ii) The convertible loans carry fixed interest at rates ranging from 6.00% to 10.00% (2020: Nil) per annum, and contained a right to convert the loans into ordinary shares of the issuers at the maturity date from May 2022 to September 2024 (2020: Nil).
- (iii) The equity securities contained a puttable option were classified as equity instruments at FVTPL.
- (iv) The rights of the equity securities are restricted by a loan agreement with a third party.
- (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 RMB669,000 (2020: Nil) were recognised in profit or loss.

## 10. LOAN RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Non-current</b>		
Finance lease receivables	53,400	3,584
Factoring receivables	33,000	136,000
	<u>86,400</u>	<u>139,584</u>
<b>Current</b>		
Finance lease receivables	153,857	140,219
Factoring receivables	1,471,059	816,932
Receivables from supply-chain financing services	64,400	125,660
	<u>1,689,316</u>	<u>1,082,811</u>
Less: Provision for impairment	<u>(537,024)</u>	<u>(207,745)</u>
	<u>1,152,292</u>	<u>875,066</u>
	<u><u>1,238,692</u></u>	<u><u>1,014,650</u></u>

(A) Finance lease receivables

	Minimum lease receivables		Present value of minimum lease receivables	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Not more than 1 year	<b>157,576</b>	141,557	<b>153,857</b>	140,219
Over 1 year but within 5 years	<b>56,913</b>	3,736	<b>53,400</b>	3,584
	<b>214,489</b>	145,293	<b>207,257</b>	143,803
Less: Unearned finance income	<b>(7,232)</b>	(1,490)		
Present value of minimum lease receivables	<b>207,257</b>	143,803		

The Group's finance lease receivables are denominated in Renminbi. The effective interest rates of the receivables range from 5.61% to 14.37% (2020: 11.42% to 11.77%) per annum. There are no unguaranteed residual values of assets leased under finance leases and no contingent rent arrangements that needed to be recognised (2020: Nil).

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Not past due	<b>84,574</b>	19,804
Overdue	<b>122,683</b>	123,999
	<b>207,257</b>	143,803

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. The collected cash deposits of RMB1,310,000 (2020: 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, RMB69,057,000 (2020: RMB48,245,000) 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 6.00% to 14.00% (2020: 8.04% to 12.00%) per annum.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
With a residual maturity of:		
Not more than 3 months	338,726	19,219
Over 3 months to 6 months	196,652	158,410
Over 6 months to 12 months	776,181	479,803
Over 12 months to 24 months	33,000	136,000
Overdue	<u>159,500</u>	<u>159,500</u>
	<u><u>1,504,059</u></u>	<u><u>952,932</u></u>

At the end of the reporting period, RMB465,967,000 (2020: RMB159,500,000) of the Group's factoring receivables was impaired, among which RMB306,467,000 (2020: Nil) was provided for an individual customer group.

**(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 9.60% to 14.40% (2020: 9.72% to 16.20%) per annum.

Certain receivables from supply-chain financing services amounting to RMB64,400,000 (2020: RMB125,660,000) 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:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
With a residual maturity of:		
Not more than 3 months	<b>17,700</b>	84,810
Over 3 months to 6 months	<b>44,700</b>	30,550
Over 6 months to 12 months	–	10,300
Overdue	<b>2,000</b>	–
	<b>64,400</b>	125,660

At the end of the reporting period, RMB2,000,000 (2020: Nil) of the Group's receivables from supply-chain financing services was impaired.

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

## 11. INVENTORIES

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Manufacturing and trading	<b>6,145,376</b>	4,577,047
Property development	<b>735,953</b>	549,800
	<b>6,881,329</b>	5,126,847

### (A) Manufacturing and trading

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Raw materials	<b>2,275,798</b>	1,700,817
Work in progress	<b>583,073</b>	476,854
Finished goods	<b>3,286,505</b>	2,399,376
	<b>6,145,376</b>	4,577,047

**(B) Property development**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Property under development	<u>735,953</u>	<u>549,800</u>

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**

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	4,478,861	2,815,700
Bills receivable	997,629	1,298,021
Less: Provision for impairment	<u>(1,264,048)</u>	<u>(263,527)</u>
	<u>4,212,442</u>	<u>3,850,194</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Not more than 3 months	1,699,679	1,690,927
Over 3 months to 6 months	739,355	741,507
Over 6 months to 12 months	1,033,348	939,601
Over 1 year to 2 years	544,819	392,035
Over 2 years to 3 years	174,842	74,378
Over 3 years	<u>20,399</u>	<u>11,746</u>
	<u>4,212,442</u>	<u>3,850,194</u>

### 13. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	<b>1,880,896</b>	1,657,654
Bills payable	<b>5,664,741</b>	4,020,554
	<u><b>7,545,637</b></u>	<u>5,678,208</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Not more than 3 months	<b>4,465,850</b>	3,752,988
Over 3 months to 6 months	<b>2,558,088</b>	1,725,541
Over 6 months to 12 months	<b>356,633</b>	103,177
Over 1 year to 2 years	<b>96,590</b>	45,885
Over 2 years to 3 years	<b>24,736</b>	16,130
Over 3 years	<b>43,740</b>	34,487
	<u><b>7,545,637</b></u>	<u>5,678,208</u>

## 14. BORROWINGS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Current</b>		
Unsecured bank loans	6,410,017	7,080,626
Current portion of long-term unsecured bank loans	699,774	185,634
Current portion of long-term unsecured other loans	601	28,330
Secured bank loans	100,496	61,750
Current portion of long-term secured bank loans	10,193	7,991
Other borrowings	58,733	–
	<u>7,279,814</u>	<u>7,364,331</u>
<b>Non-current</b>		
Unsecured bank loans	1,586,753	571,503
Unsecured syndicated bank loans	8,025,428	7,145,603
Unsecured other loans	–	614
Secured bank loans	267,110	364,434
	<u>9,879,291</u>	<u>8,082,154</u>
	<u><u>17,159,105</u></u>	<u><u>15,446,485</u></u>
Analysed into borrowings repayable:		
Within one year or on demand	7,279,814	7,364,331
In the second year	794,426	480,513
In the third to fifth years, inclusive	8,907,353	7,418,879
More than five years	177,512	182,762
	<u><u>17,159,105</u></u>	<u><u>15,446,485</u></u>

*Note:*

- (a) The effective interest rates of the Group's borrowings range from 0.86% to 5.80% (2020: 1.08% to 7.60%) per annum.
- (b) 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.

At 31 December 2020, the secured bank loans are secured by machineries and equipment of a subsidiary, leasehold lands and buildings of subsidiaries, investment property of a subsidiary, 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 RMB7,701,244,000 (2020: RMB6,979,300,000), RMB2,996,486,000 (2020: RMB4,074,077,000), RMB5,572,419,000 (2020: RMB3,507,450,000), RMB843,519,000 (2020: RMB754,987,000), RMB691,000 (2020: RMB130,671,000) and RMB44,746,000 (2020: Nil), respectively.

## 15. CONVERTIBLE LOANS

At the end of the reporting period, the convertible loans were recognised as a debt component and an equity component as follows:

	<b>Debt component</b> <i>RMB'000</i>	<b>Equity component</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2020	652,595	27,605	680,200
Interest expenses	41,692	–	41,692
Increase in interest payable	(16,346)	–	(16,346)
Interest paid	(10,333)	–	(10,333)
Exchange realignment	(40,246)	–	(40,246)
	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	627,362	27,605	654,967
Interest expenses	75,485	–	75,485
Increase in interest payable	(40,614)	–	(40,614)
Interest paid	(19,650)	–	(19,650)
Exchange realignment	(18,153)	–	(18,153)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	<b>624,430</b>	<b>27,605</b>	<b>652,035</b>
		<b>2021</b>	2020
		<b>RMB'000</b>	<b>RMB'000</b>
Debt component analysed into:			
Current portion		<b>624,430</b>	–
Non-current portion		–	627,362
		<hr/>	<hr/>
		<b>624,430</b>	<b>627,362</b>
		<hr/>	<hr/>

Note:

- (a) On 6 May 2019, the Group's wholly owned subsidiary entered into a convertible loan facilities agreement with ICBC International Investment Management Limited in the aggregate principal amount of US\$100,000,000 (approximately equivalent to RMB684,025,000) (the "Convertible Loans"). The Convertible Loans bear interest at the rate of 3.40% plus LIBOR per annum. The Group drew down US\$60,000,000 (approximately equivalent to RMB410,415,000) on 22 May 2019 and US\$40,000,000 (approximately equivalent to RMB279,489,000) on 29 November 2019. The maturity dates are 21 May 2022 and 28 November 2022, respectively.
- (b) The convertible loans contain two components, a debt component and an equity component. The initial fair values of the convertible loans were determined based on gross proceeds at drawdown. The initial fair values less allocated transaction costs of the debt component were estimated to be US\$55,799,000 (approximately equivalent to RMB381,681,000) and US\$36,982,000 (approximately equivalent to RMB258,432,000) as at the drawdown dates of using the Monte Carlo Model and Binomial Option Pricing Model, taking into account the terms and conditions of the convertible loans. In subsequent periods, the debt component is measured at amortised cost using effective interest rate method. The residual amount less allocated transaction costs representing the value of the equity component of US\$4,001,000 (approximately equivalent to RMB27,605,000) is included in convertible loans equity reserve.

## 16. SHARE CAPITAL

Shares	2021	2020
<b>Authorised:</b>		
20,000,000,000 (2020: 20,000,000,000) ordinary shares of HK\$0.05 each	<u><b>HK\$1,000,000,000</b></u>	<u>HK\$1,000,000,000</u>
<b>Issued and fully paid:</b>		
3,102,418,400 (2020: 3,102,418,400) ordinary shares of HK\$0.05 each	<u><b>HK\$155,120,920</b></u>	<u>HK\$155,120,920</u>
Equivalent to	<u><b>RMB135,344,000</b></u>	<u>RMB135,344,000</u>

## 17. COMMITMENTS

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:		
Property, plant and equipment and investment properties	<u><b>2,544,225</b></u>	<u>2,404,045</u>

# 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, 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 2,603 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, electric power transmission, telecommunication, gas supply, fire services, environmental protection, agriculture and marine aquaculture.



## CHAIRMAN’S STATEMENT

In 2021, global inflation persisted due to the impact of the protracted Covid-19 pandemic. To cope with the situation, the central banks across the world started to tighten their monetary policies, which may slow down economic growth in the future. China still led the world in economic development and the prevention and control of the pandemic. In 2021, the Chinese government started off the “14th Five-year Plan” by pressing ahead with the projects of the “New Infrastructure, New Urbanisation Initiatives and Major Projects” which include the major transportation and water conservancy construction projects. This can generate long-term, huge domestic demand, contributing to the economic growth. It is expected that such policies will continue to add new impetus to social and economic development, and will drive consistent, steady growth in the infrastructure construction and pipeline industries.

As a leading large-scale industrial conglomerate that manufactures piping and building materials in mainland China, China Lesso capitalises on the Chinese government’s favorable policies and the strong demand of the domestic market by fully developing all lines of its business. Although the real estate sector benefited from the support of various favourable policies, the sector was faced with unprecedented challenges in terms of the prospects for profitability and financial strength due to the deterioration of the external economic environment, significant fluctuations in raw material prices and continued uncertainty in the real estate sector in the second half of the year. This also had an impact on the overall business performance of the Group. The Group’s revenue amounted to RMB32,058 million in 2021, representing an increase of 14.2% compared with RMB28,073 million in 2020, while gross profit was RMB8,448 million, representing an increase of 0.8%. Profit attributable to owners of the Company decreased by 18.8% to RMB3,044 million due to various negative factors during the year. The Board proposed payment of a final dividend of HK26 cents per share for the year ended 31 December 2021.

The Group started the strategic upgrade for its brand in 2021 by revamping its brand positioning and image. It put forward a new slogan “Envisioning the Better, Building the Future”, while focusing on product quality, persisting in creativity, and creating high-value products and services for the society. The Group had been fulfilling its brand’s commitment to sustaining a healthy and scenic living space. It is committed to providing sustainable, green products and services to promote green construction which is conducive to health and cultural development.

In the past year, the Group achieved steady growth in plastic piping business and continued to enhance its competitiveness by extending the scope of the application of its plastic pipes and pipe fittings and actively developing and launching new products. Besides constantly promoting the development of its plastic piping system business, the Group actively advanced the development of its various business segments, including the businesses of building materials and home improvement, environmental protection, agricultural application and supply chain services platform to achieve synergistic growth in its various business segments.

In terms of production and business operation, the Group continued to actively raise the levels of automated production and smart manufacturing and upgraded both the technology and equipment for production; it also implemented an effective procurement strategy which is aimed at keeping the pressure of the rising costs of raw materials and production in check so as to maximise the Group's economies of scale. In order to satisfy the huge demand at home and abroad, the Group scaled up its production step by step.

In addition, the Chinese government has pursued a series of environmental policies to foster the development of the environmental protection industry. To capitalise on this trend, the Group further developed its environmental protection business and increased investment in technological innovation to enhance its research and development capability. By forming a value chain that covers both upstream and downstream businesses of the industry of the pipe and fittings products, and by focusing on building materials and home improvement, environmental protection and supply chain service platform businesses, the Group has endeavoured to attain synergies between its various operations in the long term.

In early 2022, the Group also announced the establishment of Guangdong Lesso Banhao Photovoltaic New Energy Technology Co., Ltd.\* (廣東聯塑班皓光伏新能源科技有限公司) as an extension of the Group's business to offer a wide range of photovoltaic systems and products as well as professional services which include integrated consultation, design, research and development, engineering, installation, maintenance and operation. The Group now provides integrated energy solutions for industrial and commercial enterprises and households worldwide.

Looking ahead to 2022, the Group expects that businesses worldwide will face even greater challenges and difficulties, and that the further divergence between the currency policies of the United States and China will pose risks to the functioning of economy and financial system. All these can result in a deteriorating investment environment. Since the end of February, the Russo-Ukrainian war has heightened geopolitical risks and led to turmoil in international markets and sharp rises in the prices of energy, resource and commodity. This has increased global inflationary pressures, made the outlook for profitability unpredictable and uncertain and rapidly increased businesses' financial risk.

However, the State Council has set China's gross domestic product growth target of around 5.5% for 2022 in its 2022 government work report to the fifth session of the 13th National People's Congress. It has also required a prudent approach to the pursuit of progress in work and called for innovation as a driving force of development with emphasis on high quality. It has also stipulated that the state will forge ahead with the supply-side reforms as its main task. The state will continue to stabilise employment, the financial system, foreign trade, foreign investment, domestic investment and manage expectations (“六穩”) while it assures employment, basic livelihood, market entities, food and energy security, stability of supply chains and normal functioning of public administration and public services (“六保”). All these are aimed at improving people's livelihood and stabilising the economy, thus ensuring its smooth operation.

I am of the view that the business fundamentals of China Lesso remain unchanged and the management remains cautiously optimistic about the long-term prospect. The Group will fully grasp the opportunities for development arising from the government policies. It will also press on with its prudent approach to development, and continue to further upgrade its operations with intelligent manufacturing and automated production. It will promote the environmental protection and sustainable development of the industry through scientific research by providing environment-friendly plants, environment-friendly production, and environment-friendly products and services. We will also enhance synergies among our various businesses and improve our management and team building while adhering to a prudent approach to the pursuit of progress. We aspire to become a global leader in the industry of piping and building materials. Meanwhile, the Group will continue to fulfil its social responsibility and maintain good corporate governance to contribute to the common prosperity, striving for long-term returns for Shareholders and sustaining a healthy, scenic living space.

On behalf of the Board, I would like to express my heartfelt gratitude to all employees for their diligence and contribution, especially for their dedication to providing quality products and services during the last challenging year. China Lesso will maintain piping manufacturing as its core business while expanding its businesses of building materials, home improvement and environmental protection. We will continue to strive for a better future through technological innovation. We will work tirelessly for better business performance and create greater value for our customers, employees, society and Shareholders while expanding and sustaining healthy, scenic living spaces in cities.

**Wong Luen Hei**

*Chairman of the Board*

Hong Kong, 28 March 2022

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

In 2021, the Covid-19 pandemic persisted. Although large-scale vaccination plans have helped to contain the outbreak, frequent mutations of the virus continued to affect the global economy, society, and livelihood. Nevertheless, China still led the rest of the world in economic development and the prevention and control of the pandemic, meeting the targets in major indicators, despite complicated domestic and international conditions amid the recurrent pandemic outbreaks. In 2021, the gross domestic product in China grew by 8.1% year on year. Although the overall economy continued to recover steadily, the growth slowed down quarter on quarter under the mounting downward pressure. In fact, the Chinese economy experienced two contrary situations during 2021 — progress towards recovery in the export-oriented economy in the first half of the year and the severe challenges posed by the soaring global commodity prices, disruption to the global supply chain, insufficient domestic power supply, recurrent outbreaks of the Covid-19 pandemic in many different places of the country, and the debt crisis of the domestic property sector in the second half of the year.

In 2021, the Chinese government started “14th Five-year Plan” by focusing on the development of the “New Infrastructure, New Urbanisation Initiatives and Major Projects”. For instance, it vigorously fostered the development of the digital economy by extending the scope of application of the 5G telecommunications technology, pressed on with urban renewal by redeveloping old urban communities, and forged ahead with major transportation and water conservancy projects such as railway and gorge dam projects. Such government initiatives added new impetus to social and economic development, and are also expected to drive the consistent, steady growth in the infrastructure construction and pipeline industries.

Previously, Economic Work Conference of the Central Committee of the Communist Party of China (the “Conference”) proposed that stability must be prioritised while progress is being pursued in the economic work in 2022. Therefore, at the beginning of 2022, the market continued to heighten its expectation of steady growth in infrastructure construction. The market generally anticipates that the implementation of infrastructure projects in 2022 will become significantly faster than in 2021 and that the “new infrastructure” will become a growth driver in the year. Furthermore, the Conference proposed that during the “14th Five-Year Plan”, pipeline reconstruction and construction must be regarded as an important infrastructure project. Subsequently, the government issued a number of policies on the construction of underground pipeline and water conservancy projects. The market expects that investment in the pipeline networks during the “14th Five-Year Plan” can exceed RMB1.4 trillion. Specifically, renovation of urban pipeline networks is expected to drive the demand for pipelines in municipal services such as the supply of water, electricity, gas and heat, thus expanding the water pipeline renovation market to RMB19.1 billion and the gas pipeline renovation (including construction) market to RMB60.6 billion. This development can generate huge and stable demand in the pipeline market.

In addition, in order to tackle climate change, the government has set targets for the “3060” initiative whereby it strives to achieve carbon emissions peak by 2030 and carbon neutrality by 2060. Now that the “green ecology” has been made one of the five major indicators of the national development in China’s “14th Five-Year Plan”, the environmental protection and photovoltaic sectors have a bright prospect.

Since the second half of 2020, the PRC government has introduced a series of macroeconomic control policies, such as Three Red Lines on the balance sheet of enterprises, commercial banks’ management of the degree of concentration of loans on certain industries or enterprises, and the centralised tender, auction and listing-for-sale of urban lands. The implementation of these new policies has made it difficult for real estate developers to raise funds. Some of them faced the risk of defaulting on their debts due to liquidity problems in the financing cycle. As a result, the real estate market came to a grinding halt. To cope with the situation, the PRC government will adjust its regulatory policies towards the real estate market. The Conference reiterated the adherence to the principle that “Houses are for living in, not for speculation” and also proposed “promoting a healthy cycle and healthy development of the real estate industry”. It is expected that under the guidance of these policies, the real estate market will gradually recover after the law of the-survival-of-the-fittest consolidation. This can bring a stable demand to the building materials and home improvement industry.

In addition, the Ministry of Housing and Urban-Rural Development issued the “14th Five-Year Plan for the Development of the Construction Industry” in early 2022, which requires that by 2025, prefabricated buildings shall account for more than 30% of new buildings. With the expansion of the industry, the cost of prefabricated buildings may gradually decrease with economies of scale. There will be great development opportunities for the green and prefabricated construction industry, and there will be an increasing demand for prefabricated construction products and construction equipment in the market, bringing growth potential for the building materials and home improvement industry.

## **BUSINESS OVERVIEW**

In 2021, the start of the “14th Five-Year Plan” coincided with the 35th anniversary of China Lesso. To take on challenges and grasp opportunities arising from the new prospect under the changing market conditions, the Group upholds the philosophy of “deepening industrial development, seizing opportunities with prudence, creating internal and external favourable conditions, and making steady progress”. Therefore, it continues to make great progress in industrial upgrade, digital upgrade, and brand upgrade. This not only enhances its advantages in the rapid development, but also bolsters its position as an industry leader. Over the past year, China Lesso has earned recognitions in the industry and community by receiving various annual honours and awards, including: “Best Green Syndicated Loan” Award in “The Asset Triple A Sustainable Capital Markets Awards 2021” from The Asset, a leading international finance journal, as well as the 32nd spot among the list of “2021 Hurun China’s Top 100 Sustainable Private Enterprises” for the first time. The accolades testify to China Lesso’s long-term fulfilment of social responsibility and its comprehensive contribution to green operation and sustainable development. For the year of 2021, the Group was on the list of “China’s Top 500 Brand Value” for the eight consecutive years. Meanwhile, the Group won various honours, including the “2021 Listed Company with the Highest Investment Value in the New Economy of the PRC”, “2021 Preferred Brands of Pipe and Fitting Suppliers for Top 500 China Real Estate Developers by Comprehensive Strength”, “2021 Top Ten Listed Companies of Supporting Supply Chain for China Real Estate by Comprehensive Strength”, “2021 Brand Value Communication Award”, “2021 Top 10 Home Furnishing Brands Trusted by Consumers”, and “2021 Outstanding Home Furnishing Brand Enterprise”. All the awards prove China Lesso’s brand value and its strong capabilities of digital and intelligent manufacturing, scientific research, and innovation.

In pursuing high-quality development, China Lesso has been extending the scope of its businesses along the value chain of the industry from the plastic piping systems to building materials and home improvement. Now it has covered many businesses such as piping systems, building materials and home improvement, environmental protection, agricultural application and supply chain service platforms. To give the increasingly enriched connotation of China Lesso’s brand full play in line with its increasingly optimised business mix, the Group started the strategic upgrade for its brand at the end of 2021 by revamping its brand positioning and image, and put forward a new slogan “Envisioning the Better, Building the Future”. These efforts indicated the core idea of the Group’s upgrade, which not only focuses on the brand itself, but also closely connects to social development. By adhering to the brand values of “Focusing on Product Quality, Persisting Insisting in Creativity, and Creating High-Value Products and Services for Society”, the Group fulfils its brand’s commitment to “Sustaining a Healthy, Scenic Living Space”. China Lesso has set a clear goal of becoming a global business group engaged in the businesses of piping and building materials in the future. It will transform itself into a platform for the ecosystem of the businesses of producing building materials and home improvement for the construction of facilities for cultural environment and living space. Such move will enable the Group to provide green products and services sustainably for the construction of green buildings that ensure health and serve as facilities for the cultural environment.

China Lesso's mission is to "Improve and Enhance the Living Quality". Therefore, it proactively fulfils its responsibility as a corporate citizen, continues to strengthen corporate governance and social responsibility management, makes innovative management a new engine for business development, and enhances the control of production process to reinforce its business foundation. All of these efforts will contribute to sustainable urban development.

Considering that environmental protection becomes a major issue facing the society in the midst of the rapid economic and social development, the Group has formulated a number of comprehensive environmental management systems, conducted the environmental management of the whole business process that encompasses research, development and production, and takes great effort to carry out environmental monitoring. The Group continues to improve environmental management, responds actively to climate change, builds green factories and creates green products, and improves the efficiency of resource utilisation. To build a green and natural ecosystem, the Group takes advantage of its professional strengths to develop the environmental protection industry and advocate the concept of environmental protection.

In the future, China Lesso will continue to actively fulfil its social responsibility. The Group will leverage both its scientific research team and advantages in manufacturing to innovate its product technology with the aim of championing the green and sustainable urban development and sustaining a healthy and scenic environment.

#### Revenue by Region<sup>#</sup>

	Revenue			% of total revenue	
	2021 <i>RMB million</i>	2020 <i>RMB million</i>	Change	2021	2020
Southern China	<b>17,036</b>	15,215	12.0%	<b>53.1%</b>	54.2%
Southwestern China	<b>2,968</b>	2,860	3.8%	<b>9.3%</b>	10.2%
Central China	<b>3,380</b>	3,009	12.3%	<b>10.5%</b>	10.7%
Eastern China	<b>2,338</b>	1,885	24.0%	<b>7.3%</b>	6.7%
Northern China	<b>2,667</b>	2,133	25.0%	<b>8.3%</b>	7.6%
Northwestern China	<b>1,635</b>	1,425	14.7%	<b>5.1%</b>	5.1%
Northeastern China	<b>912</b>	757	20.5%	<b>2.9%</b>	2.7%
Outside China	<b>1,122</b>	789	42.3%	<b>3.5%</b>	2.8%
Total	<b><u>32,058</u></b>	<u>28,073</u>	<u>14.2%</u>	<b><u>100.0%</u></b>	<u>100.0%</u>

<sup>#</sup> Details of the scope of coverage of each region are set out in note 2 to this announcement.

For the year ended 31 December 2021, the number of the Group's independent and exclusive first-tier distributors across the country increased to 2,603 (2020: 2,397). Southern China remained the Group's major revenue-contributing market, whose revenue accounted for 53.1% of the Group's total revenue (2020: 54.2%), while the revenue from other regions accounted for 46.9% (2020: 45.8%).

## Revenue by Business Unit

	Revenue		Change	% of total revenue	
	2021	2020		2021	2020
	<i>RMB million</i>	<i>RMB million</i>			
Plastic piping systems	<b>27,457</b>	24,512	12.0%	<b>85.6%</b>	87.3%
Building materials and home improvement	<b>2,751</b>	1,997	37.8%	<b>8.6%</b>	7.1%
Others <sup>#</sup>	<b>1,850</b>	1,564	18.3%	<b>5.8%</b>	5.6%
Total	<b>32,058</b>	28,073	14.2%	<b>100.0%</b>	100.0%

<sup>#</sup> “Others” include businesses of environmental engineering and other related services, financial services and others.

To capitalise on a continued recovery in China’s economy in 2021, China Lesso adhered to its initial aspiration to create a relaxing life for dwellers, seized opportunities with prudence and actively responded to the national policies, such as supply-side reform and dual circulation economic model in which the country focuses on the domestic market and, at the same time, remains open to international trade and investment. The Group adopted a prudent development strategy by steadily developing its core business of plastic piping systems and, at the same time, by actively expanding its other various businesses, including the businesses of building materials and home improvement, environmental protection, agricultural application and supply chain services platform. This can enable the Group to achieve robust development and synergistic growth in its various business segments.

The Group achieved growth in overall revenue despite a number of unfavourable happenings such as the recurring Covid-19 pandemic at home and abroad and the multiple outbreaks of the pandemic in the second half of the year, the state’s tightening regulation of the real estate industry, the collapse of some real estate enterprises in the fourth quarter, the debt crisis in the property sector, the environmental policy on attaining carbon emission peak and carbon neutrality, limitations on use of electricity and production, and rising prices of energy and raw materials. The Group’s revenue increased by 14.2% to RMB32,058 million (2020: RMB28,073 million). Gross profit increased by 0.8% to RMB8,448 million (2020: RMB8,384 million) and gross profit margin was 26.4% (2020: 29.9%) mainly due to the Group was not able to fully adjust the product selling prices at the same rate of the dramatically increase in raw material costs and fluctuations in production costs in the second half of 2021.

The Group strived to maximise the benefits from economies of scale by continuing to promote production automation and smart manufacturing, actively upgrading production technology and equipment and by controlling the cost of raw materials and production with an effective procurement strategy. In addition, the Group sustained growth in business and maintained its profitability at a healthy level by enhancing its operational efficiency, optimising its product portfolio and increasing its market share.

As at 31 December 2021, the total accounts receivables between the Group and certain customers in the property sector was RMB1,672 million, of which trade receivables and bills, and loans receivable amounted to RMB1,366 million and RMB306 million, respectively. The Group has reached agreements with one of the customers in relation to use of its properties as guarantees for partial settlement of its debt equivalent to RMB543 million. The management of the Company has performed recoverability assessment on accounts receivables on these customers as at 31 December 2021, and believed that an impairment on credit losses of RMB1,129 million shall be provided correspondingly.

During the reporting period, the Group's EBITDA decreased by 7.7% to RMB5,720 million (2020: RMB6,195 million), and the EBITDA margin was 17.8% (2020: 22.1%). Profit before tax decreased by 19.9% to RMB3,807 million (2020: RMB4,754 million). Net profit margin was 9.4% (2020: 13.4%). Profit attributable to owners of the Company decreased by 18.8% to RMB3,044 million (2020: RMB3,751 million). The decrease in profit was mainly attributable to factors such as the impairment provision for the Group's receivables from customers in the property sector and the increase in the consolidated cost of products due to significant price fluctuations of raw materials and energy. Basic earnings per share was RMB0.99 (2020: RMB1.22). The effective tax rate was 20.7% (2020: 21.0%).

To express gratitude to the Shareholders for their support and to share with them the fruits of the Group's endeavours, the Board recommended the payment of a final dividend of HK26 cents per share for the year ended 31 December 2021 (2020: HK38 cents per share). Together with the interim dividend, the dividend for the year in 2021 was HK38 cents per share.

## BUSINESS REVIEW AND OUTLOOK

### Plastic Piping Systems

In 2021, on the back of the recovery in the domestic economy, the production and operation of enterprises in the PRC were recovering steadily and the manufacturing industry showed resilience and strength. This indicated the growing momentum of the domestic economic recovery. Leveraging its industry-leading innovation capability and scale of operation, the Group has capitalised on the state’s dual circulation economic model and pressed ahead with technological innovation so as to actively develop new products and technologies to satisfy the market’s needs. By grasping the opportunities arising from the Chinese government’s initiatives in the “New Infrastructure, New Urbanisation Initiatives and Major Projects” and economic stimulus package, the Group further expanded the market share of its plastic piping system business and maintained its steady growth, so as to consolidate its leading position in the industry. During the year, the Group was committed to optimising its customer portfolio, and further shifted its focus from private engineering and construction projects to projects led by state-owned enterprises and municipal governments which had stronger demand.

### Revenue by Region

	Revenue		Change	% of revenue	
	2021 RMB million	2020 RMB million		2021	2020
Southern China	14,106	12,994	8.6%	51.4%	53.0%
Other than Southern China	12,590	11,084	13.6%	45.8%	45.2%
Outside China	761	434	75.6%	2.8%	1.8%
Total	<u>27,457</u>	<u>24,512</u>	<u>12.0%</u>	<u>100.0%</u>	<u>100.0%</u>

### Revenue by Product Application

	Revenue		Change	% of revenue	
	2021 RMB million	2020 RMB million		2021	2020
Water supply	10,358	9,458	9.5%	37.7%	38.6%
Drainage	10,386	9,322	11.4%	37.8%	38.0%
Power supply and telecommunications	4,801	4,207	14.1%	17.5%	17.2%
Gas transmission	473	418	13.1%	1.7%	1.7%
Others <sup>#</sup>	1,439	1,107	30.0%	5.3%	4.5%
Total	<u>27,457</u>	<u>24,512</u>	<u>12.0%</u>	<u>100.0%</u>	<u>100.0%</u>

<sup>#</sup> “Others” include agricultural applications, floor heating and fire services.

During the year, the plastic piping systems business continued to grow on the back of its stable performance, with revenue increased by 12.0% to RMB27,457 million (2020: RMB24,512 million), accounting for 85.6% of the total revenue of the Group (2020: 87.3%).

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

	Average selling price			Sales volume			Revenue		
	2021 RMB	2020 RMB	Change	2021 Tonne	2020 Tonne	Change	2021 RMB million	2020 RMB million	Change
PVC products	9,143	7,781	17.5%	1,853,687	1,957,868	(5.3)%	16,949	15,234	11.3%
Non-PVC products <sup>#</sup>	15,118	14,250	6.1%	695,068	651,090	6.8%	10,508	9,278	13.3%
<b>Total</b>	<b>10,773</b>	<b>9,395</b>	<b>14.7%</b>	<b>2,548,755</b>	<b>2,608,958</b>	<b>(2.3)%</b>	<b>27,457</b>	<b>24,512</b>	<b>12.0%</b>

<sup>#</sup> “Non-PVC” plastic pipes and pipe fittings mainly refer to those made of PE or PP-R.

The sales of the Group’s plastic pipes and pipe fittings were affected to a certain extent by the significant increase in raw material prices and price fluctuations, as well as the slowdown in the implementation of certain infrastructure projects in the second half of the year. During the year, sales volume of the plastic piping systems decreased by 2.3%. In terms of product materials, sales volume of PVC products decreased by 5.3% to 1,853,687 tonnes (2020: 1,957,868 tonnes), while that of non-PVC products increased by 6.8% to 695,068 tonnes (2020: 651,090 tonnes). Revenue from sales of PVC products and non-PVC products increased by 11.3% to RMB16,949 million (2020: RMB15,234 million) and 13.3% to RMB10,508 million (2020: RMB9,278 million) respectively.

During the reporting period, despite the huge fluctuations in raw material prices, the Group continued to take advantage of its economies of scale and implement effective procurement strategy to actively control the costs of raw materials and manufacturing, as well as made reasonable price adjustments in a timely manner in order to maintain its gross profit margin at a reasonable level. The Group increased the average selling price of its plastic piping system by 14.7% to RMB10,773 per tonne (2020: RMB9,395 per tonne). The gross profit margin of its plastic piping system business was 25.9% (2020: 30.2%).

Intelligent manufacturing is not only one of the driving forces for the high quality development of the manufacturing industry, but also a way forward for the pipeline industry. As a leader in the pipeline industry, China Lesso has actively responded to the requirements of the national strategy of “Made in China 2025”, and seized the development opportunities presented by the state’s “New Infrastructure” initiative. With the advantages of the immense capacity and wide geographical presence of its production capacity, excellent quality and strong supporting service capacity, the Group fully implemented automated and intelligent production by integrating resources from both the upstream and downstream of the value chain of the industry, and made use of the IoT to upgrade its production facilities to smart factories. In 2021, the Group expanded or constructed more production bases in Gansu, Sichuan, Jiangxi, Guangdong, Fujian, Xinjiang and Indonesia to further enhance its overall production capacity. During the reporting period, the Group’s annual designed capacity for manufacturing plastic piping systems expanded from 3.03 million tonnes at the end of 2020 to 3.20 million tonnes at the end of 2021, and the capacity utilisation rate during the year was maintained at 81.1%.

In 2021, the Group focused its investment on the construction of an intelligent high-tech and environmental-friendly production base in Gansu, which is not only an integral component in the Group’s nationwide strategic business planning, but also a fulcrum of its move to accelerate the development of the market of northwestern China. It is expected that the project will be able to generate annual sales of approximately 100,000 to 150,000 tonnes of plastic piping at full capacity. In addition, the digital intelligent factory in Guangdong, will be put into operation, adding strong impetus to the Group’s intelligent manufacturing and high-quality development. That factory also indicates China Lesso’s commitment to the plastic piping system business as its primary operation, pursuit of agricultural modernisation, and the expansion of its business of building materials and home improvement.

In 2022, the Group will continue to expand existing plants and increase production facilities, in addition to its plan to construct new production bases in Guangxi and Gansu. In the future, the Group will continue to increase investment in exploring and transforming automation and intelligence application, while accelerating the implementation and replication of smart factories, which will help the execution of the national “double carbon” strategy in enterprises, deepen the green development approach, and expand the array of green industries. Our product innovation follows the concept of circular economy so as to enhance the operation and management efficiency of the Group, as well as reduce costs and improve overall quality.

The Group firmly believes that innovation is the driving force for corporate development. The Group continues to innovate and develop its proprietary technology while keeping abreast of the global scientific research forces. In the future, the Group will continue to invest in research and development, steadily improve the capability of technological innovation, and actively transform its business with the help of intelligent manufacturing. The Group will drive its own development by enhancing the ecosystem of its businesses throughout the value chain of the industry and champion the green development of the industry. All this can further consolidate the Group's position as an industry leader in the world.

To keep abreast of market trends, the Group continues to develop new products and new technologies that satisfy market's demand. As the stainless-steel pipe products which had been introduced by the Group earlier have been advertised and have gone into mass production, an additional production line will be set up in a plant in Foshan in 2022 for mass production.

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 agricultural sector. The efforts not only enriched the Group's income sources, but also expanded its market share and boosted its sales growth. In 2022, it is expected that the government will introduce a series of policies to expedite infrastructure projects, including urban upgrading and redevelopment, the construction of municipal pipelines, and reform of the rural sewerage system. The Group also opportunely capitalised on the implementation of new national policies and infrastructure construction by consistently expanding the business of plastic piping systems and actively responding to the national development strategy, thereby giving strong support to the development of urban infrastructure and projects on improving people's livelihood.

As a market leader, the Group kept on seeking prospective business partners and formed strategic partnerships with a number of different private enterprises that enable all the parties to complement each other with their respective advantages and to share information through in-depth cooperation, and thus achieve synergies among them. This will enable them to raise the standard of quality of urban construction in different regions, and is conducive to enriching the scope of their collaboration. Such strategic partnerships will ultimately increase the Group's market share and enhance its competitive strength in regional markets, thus further consolidating its market leadership.

On top of continuous and steady expansion of the domestic market, the Group is actively seeking to develop overseas markets thus gradually promote the internationalisation of its brand and export high-quality China-made goods. In view of the characteristics of overseas markets, the Group has set up overseas sales centres and established sales sub-teams in 11 countries and regions to develop overseas markets, making China Lesso known to more overseas consumers and enhancing the brand awareness overseas. At the same time, the Group also continued to optimise the overseas supply chain and promote the localisation of its brands, striving to serve overseas customers with better and faster experience of procurement.

In order to gradually improve its global presence, the Group is actively scaling up its overseas production with a focus on the Southeast Asian market. It will tap into the huge domestic demand of the market and capitalise on the infrastructure development there. Phase I of the production base in Indonesia has been put into operation and Phase II will be built in 2022 to prepare for the Group's further expansion into overseas markets. The production base in Cambodia is also undergoing renovation and is expected to commence production in the first half of 2022. In addition, the Group has accelerated the construction of production bases in Thailand, Malaysia, the Philippines and Bangladesh to continue to enhance the competitiveness and influence of China Lesso in overseas markets. The Group will also remain open to potential acquisitions in the market to support further production capacity expansion overseas. Overall, the management is fully confident about the future development of the plastic piping system business and believe that it will continue to perform well.

### **Building Materials and Home Improvement**

In 2021, China's real estate market experienced a change from strong performance in the first half of the year to deep adjustment in the second half of the year, recording "a high first and then a low" in the transaction volume. In the first half of 2021, China's economy fully recovered when the pandemic was brought under control. This led to the release of the pent-up demand for housing, rendering the property market bullish. However, provincial and municipal governments stepped up regulatory policies towards the real estate sector in the second half of the year, triggering debt crises of some real estate developers. This weakened both the supply and demand, causing the property market to cool down abruptly. To cope with the situation, the Group has taken active measures to diversify its customer portfolio by shifting the focus of its business of building materials and home improvement to supplying its goods to infrastructure projects led by governments and state-owned enterprise. This move aimed at generating more stable growth in revenue at that business segment. During the reporting period, the Group's building materials and home improvement business recorded revenue of RMB2,751 million, representing an increase of 37.8% and accounting for 8.6% of the Group's total revenue. To accelerate the development of this business segment, the Group actively explored possibilities for collaboration with various industries. The move not only further broadened the customer base but also provided a more stable source of revenue for the Group.

China Lesso acted in line with the trend of the macroeconomy, the development of the home improvement market and the current conditions of the real estate industry. It seized and created new opportunities by giving full play to its advantages such as its well-developed businesses along the value chain of the industry, supply chain and scale of operation. The Group has created a new model of “BBC” home improvement and established a unique ecosystem of businesses in the value chain of industry, Specifically the Group has created a one-stop integrated solution for the supply of all categories of products for home improvement, with the aim of joining hands with its distributors and business partners in exploring new business opportunities in the home improvement sector. In addition, the Group has also actively set up home improvement boutique stores under Lesso brand and continues to accelerate its nationwide expansion through promotional meetings held in Wuhan, Hubei; Shunde, Guangdong; Changsha, Hunan; Nanchang, Jiangxi; Hefei, Anhui and Jinan, Shandong. At the same time, it will also provide “Good Housekeeping (好管家)” free value-added services to fully address the user’s concern for home improvement.

In the future, China Lesso will continue to further explore the home improvement market, improve the business mix along the value chain of the industry, maintaining its ability to keep abreast of the latest developments in the market and technological innovation, and enhance both quality and efficiency with a view to becoming a lifestyle pioneer who will build a better urban life by providing comfortable and high-quality products and services to more residents worldwide.

Looking ahead to 2022, China will continue to adhere to the principle that “houses are for living in, not for speculation” in its policy on the property sector and achieve the objectives of “stabilising the prices of lands and housing and managing the market expectations”, while continuing to improve the long-term mechanism of the real estate market, and adopting “City-specific Policies” to promote the healthy cycle and development of the real estate industry. To cope with the further adjustment of the real estate market, the Group will continue to provide more diverse products and one-stop integrated solution and services, strengthen its relationships with existing customers and business partners, and explore new channels for business development. Benefiting from the national policy of expediting the initiatives in the “New Infrastructure, New Urbanisation Initiatives and Major Projects”, the industry of building materials and home improvement has great potential for development. Therefore, the Group is confident about the prospect of its business. It will actively give full play to the synergy between the pipeline business and its building materials and home improvement business. Furthermore, the Group will increase investment in scientific research, step up the cultivation of technical talents, and innovate and upgrade eco-friendly products. All this will further advance the healthy development of the supply chain of the property sector and drive the steady growth in the business of building materials and home improvement.

## Others

### *Environmental Protection Business*

With the beginning of the rapid development stage, the global environmental protection industry has gradually become an important force to support the growth of the economic efficiency of the industry, and is becoming an important goal and key to the innovation and adjustment of the industrial structure in China. With the gradual increase in national awareness of environmental protection and the increasing importance attached to environmental protection by the state, a series of environmental protection laws and policies have been formulated and amended, which have played a vital role in the development of the environmental protection industry. Against the backdrop of China's strategic target of "double carbon", the Group has actively responded to the government's call for environmental protection, and vigorously developed the environmental protection business segment. During the reporting period, the Group's environmental protection business recorded a revenue of RMB301 million due to the impact of the repeated pandemic outbreak.

The Group is planning to further expand its environmental protection business by establishing hazardous solid waste treatment centres in Sanshui, Guangdong and Miluo, Hunan. In the future, by giving full play to its technological advantages in the environmental protection industry and making good use of new opportunities creating by "double carbon" policy, the Group will continue to integrate various resources as it aims for great achievements in various projects, including environmental protection investment, municipal sewage and industrial wastewater treatment, black odorous water treatment, comprehensive treatment for rural environmental improvement, solid waste treatment, testing, sponge city, urban underground integrated pipeline utility tunnels, soil restoration, urban water supply and drainage, and marine environmental protection. The Group strives to rank among China's top, large environmental companies.

### *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, the revenue from supply chain services platform business increased by 24.2% to RMB856 million despite the recurrent outbreaks of the global pandemic. In the future, the Group, taking into account the business development, plans to further expand the distribution network of the supply chain services platform business in Southeast Asia, and grasp the resulting business opportunities to promote the long-term development of such business segment.

### *Photovoltaic Business*

Backed by the strong policy support of the national “double carbon” target and for the purposes of its sustainable development and responding to climate change, the Group captured opportunities of green transformation and expanded into photovoltaic industry. The Group announced the establishment of Guangdong Lesso Banhao Photovoltaic New Energy Technology Co., Ltd.\* (廣東聯塑班皓光伏新能源科技有限公司) (“Lesso Banhao”) in early January 2022 with a view of providing an integrated energy solutions for global industrial and commercial enterprises and households with an array of more diverse green products and services, including sales and design of solar panels and after-sales services to meet the demand of a wide spectrum of its distributors and customers.

As an extension of the Group’s business, Lesso Banhao provides a wide range of photovoltaic systems and products and all-in-one professional services comprising consultation, design, research and development, engineering, installation, maintenance and operation. The Group believes that the new photovoltaic business will create strong synergies with its existing businesses and sales channels.

The Group will sell building applied photovoltaic (BAPV) solutions to existing customers, such as industrial parks, hospitals and schools, and will have three production lines to assemble and produce photovoltaic products. Meanwhile, the Group will actively invest resources in research and development with the aim to develop market-leading building integrated photovoltaic (BIPV) products and solutions, which are expected to be launched at the end of 2022.

The contribution of the photovoltaic business to the Group’s revenue and profit is limited at early stage. However, it is believed that the eventual scale of the photovoltaic business would become a major revenue driver of the Group’s revenue and help sustain its gross profit margins.

### *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 RMB6,551 million, which was primarily used for improvement of automated facilities in production bases, expansion of the existing production bases, acquisition of industrial lands and investment properties, 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 RMB18,276 million, of which 46.3% was denominated in US dollar, 16.4% was denominated in HK dollar, 32.0% was denominated in RMB, 4.6% was denominated in Australian dollar and 0.7% was denominated in other currencies. The Group's borrowings are subject to effective interest rates ranging from 0.86% to 5.8% 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 45.6%.

At the end of the reporting period, the Group's total equity increased to RMB21,807 million. The Group's current assets and current liabilities were RMB24,352 million and RMB20,864 million, respectively. The Group's Current Ratio and Quick Ratio decreased to 1.17 and 0.84 from 1.22 and 0.91 as at 31 December 2020, respectively.

The Board believes the Group will be able to continue to generate positive cash flows from its operations. With cash and bank deposits, including restricted cash, of RMB7,646 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 20,400 employees including directors. Total staff costs were RMB1,986 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 RMB15,433 million, and profit attributable to the shareholders of Xingfa Aluminium was RMB888 million.

## **Investment Properties**

At the end of the reporting period, the Group's investment properties were RMB7,810 million. Increase in investment properties was mainly attributable to the additions of properties in Asia and construction costs on certain investment properties under development of RMB1,997 million, fair value gain of RMB917 million, and set-off with the exchange loss on translation of RMB561 million, the disposal of a vacant land in Toronto and reclassification of a vacant land in Sydney to asset held for sale of RMB1,476 million during the reporting period. The disposal of this vacant land in Sydney was completed in January 2022.

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 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 RMB2,031 million (31 December 2020: RMB2,681 million) and RMB823 million (31 December 2020: RMB25 million), respectively. The investment portfolio comprised of 52.2% 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), 6.1% in listed debt securities, 4.7% in unlisted debt securities, 0.6% in stock funds and 36.4% in unlisted equity securities. Each of these investments has a carrying amount accounting for less than 5% of the Group's total assets as at 31 December 2021.

During the reporting period, the Group recognised a realised disposal gain of approximately RMB420 million, unrealised mark-to-market valuation loss of approximately RMB445 million due to volatility of the global capital market and recognised approximately RMB24 million of exchange loss on translation. Income from the portfolio amounted to approximately RMB9 million in the reporting period, representing dividend and interest incomes.

The Group will study the market and information of the prospective investees cautiously before it makes its investment decisions. 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 annual results of the Group for the year ended 31 December 2021.

### **REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year that will be contained in the annual report. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

### **CORPORATE GOVERNANCE PRACTICES**

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

In pursuit of good and high standards of corporate governance practices, the Board reviews the corporate governance practices of the Company from time to time so as to meet the expectations of the Shareholders for continual improvement, and fulfill its commitment of pursuing excellent corporate governance. In the opinion of the directors, the Company complied with all the applicable code provisions of the Code during the reporting period, except that an independent non-executive director was unable to attend the annual general meeting of the Company held on 15 June 2021 (as provided for under the Code C.1.6) due to other business engagements.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **PROPOSED FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK26 cents per share for the year ended 31 December 2021 (the "Proposed Final Dividend") to the Shareholders whose names appear on the register of members of the Company on Friday, 8 July 2022, subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 17 June 2022 (the "2022 AGM"). It is expected that the Proposed Final Dividend will be paid on Friday, 22 July 2022.

Including the interim dividend of HK12 cents per share (2020: HK12 cents per share) for the six months ended 30 June 2021 which was paid to the Shareholders on 18 November 2021, the total dividend for 2021 amounts to a total of HK38 cents per share (2020: HK50 cents per share), which represents a payout ratio of 31.7% (2020: 34.8%) of the profit attributable to the Shareholders for the year ended 31 December 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

### *(A) For Determining the Entitlement to Attend and Vote at the 2022 AGM*

The register of members of the Company will be closed from Wednesday, 15 June 2022 to Friday, 17 June 2022, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2022 AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 14 June 2022.

*(B) For Determining the Entitlement to the Proposed Final Dividend*

The register of members of the Company will be closed from Wednesday, 6 July 2022 to Friday, 8 July 2022, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 5 July 2022.

**PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.lesso.com](http://www.lesso.com)). The 2021 annual report will be despatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 28 March 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.*

## 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
“IoT”	Internet of things
“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.