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 2024

The Board is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2024.

HIGHLIGHTS

Compared to the last year consolidated financial results:

- Revenue decreased by 12.4% to RMB27,026 million
- Gross profit decreased by 10.2% to RMB7,293 million
- Profit for the year decreased by 29.4% to RMB1,638 million
- Basic earnings per share was RMB0.55, decreased by 28.6%
- The payment of a final dividend of HK20 cents per share is recommended for the year ended 31 December 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Note	**2024** **RMB'000**	2023 RMB'000
REVENUE	3	**27,026,490**	30,868,289
Cost of sales		**(19,733,192)**	(22,747,275)
Gross profit		**7,293,298**	8,121,014
Other revenue, income and gains	3	**736,707**	717,590
Selling and distribution expenses		**(1,600,688)**	(1,572,851)
Administrative expenses		**(1,624,526)**	(1,663,901)
Impairment losses on financial and contract assets		**(546,695)**	(857,546)
Other expenses		**(1,287,355)**	(1,294,948)
Finance costs	4	**(951,335)**	(1,112,761)
Share of results of associates		**103,550**	323,905
Share of results of joint ventures		**1,063**	3,667
PROFIT BEFORE TAX	5	**2,124,019**	2,664,169
Income tax expense	6	**(486,002)**	(343,823)
PROFIT FOR THE YEAR		**1,638,017**	2,320,346
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Debt instruments at fair value through other comprehensive income:			
Changes in fair value, net of tax		**–**	1,189
Share of other comprehensive income of an associate,net of tax		**(11,882)**	865
Exchange differences on translation of foreign operations		**(671,848)**	299,364
		(683,730)	301,418

	Note	2024 RMB'000	2023 RMB'000
Items that will not be reclassified to profit or loss:			
Re-measurement gain on defined benefit plan		**558**	–
Changes in fair value of equity instruments at fair value through other comprehensive income, net of tax		**(97,320)**	(143,805)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**(780,492)**	157,613
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**857,525**	2,477,959
Profit attributable to:			
Owners of the Company		**1,683,900**	2,368,062
Non-controlling interests		**(45,883)**	(47,716)
		1,638,017	2,320,346
Total comprehensive income attributable to:			
Owners of the Company		**899,629**	2,499,787
Non-controlling interests		**(42,104)**	(21,828)
		857,525	2,477,959
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	*8*	**RMB0.55**	RMB0.77

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**15,319,715**	15,245,858
Right-of-use assets		**2,578,186**	3,226,472
Investment properties		**9,335,283**	9,188,888
Deposits paid for the purchase of land, property, plant and equipment		**899,367**	1,375,290
Goodwill		**467,119**	540,085
Other intangible assets		**326,420**	409,370
Interests in associates		**5,309,098**	4,864,524
Interests in joint ventures		**28,222**	26,658
Other financial assets	9	**1,975,616**	1,945,765
Loan receivables	10	**1,851**	12,392
Other non-current assets		**1,659,729**	1,679,063
Contract assets		**40,928**	41,735
Deferred tax assets		**672,469**	661,170
Total non-current assets		**38,614,003**	39,217,270
CURRENT ASSETS			
Inventories	11	**5,815,011**	6,187,275
Properties from receivables settlement	12	**491,881**	424,192
Contract assets		**317,552**	275,400
Other financial assets	9	**5,181**	16,491
Loan receivables	10	**281,842**	306,949
Trade and bills receivables	13	**3,938,504**	4,533,468
Prepayments, deposits and other receivables		**2,222,534**	2,186,240
Cash and bank deposits		**6,642,551**	6,552,984
		19,715,056	20,482,999
Asset held for sale		**–**	331,001
Total current assets		**19,715,056**	20,814,000

	Note	2024 RMB'000	2023 RMB'000
CURRENT LIABILITIES			
Contract liabilities		**2,560,202**	3,124,568
Trade and bills payables	*14*	**8,685,107**	8,369,185
Other payables and accruals		**1,376,297**	1,695,294
Tax payable		**340,588**	501,708
Borrowings	*15*	**8,556,717**	10,692,553
Lease liabilities		**62,774**	129,412
Total current liabilities		**21,581,685**	24,512,720
NET CURRENT LIABILITIES		**(1,866,629)**	(3,698,720)
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,747,374**	35,518,550
NON-CURRENT LIABILITIES			
Borrowings	*15*	**10,672,102**	8,652,033
Lease liabilities		**354,112**	1,221,639
Other long-term payables		**4,184**	5,472
Provision for long-term employee benefits		**6,508**	6,908
Deferred tax liabilities		**1,037,425**	1,086,143
Deferred income		**257,668**	235,277
Total non-current liabilities		**12,331,999**	11,207,472
Net assets		**24,415,375**	24,311,078
EQUITY			
Share capital	*16*	**135,344**	135,344
Reserves		**23,708,980**	23,368,139
Equity attributable to owners of the Company		**23,844,324**	23,503,483
Non-controlling interests		**571,051**	807,595
Total equity		**24,415,375**	24,311,078

NOTE:

1.1 BASIS OF PREPARATION

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

As at 31 December 2024, the Group recorded net current liabilities of RMB1,866,629,000, which were mainly resulted from the reclassification of certain long-term interest-bearing bank loans and syndicated loans ("Borrowings") totaling RMB3,459,775,000, which will be due for repayment in the coming 12 months.

The Group is in the process of refinancing the above Borrowings and has obtained sufficient facilities from certain banks relating to the new bank loans. At the same time it will be able to continue to generate positive cash flows from its operations before the Borrowings falls due. On this basis, the directors of the Company consider that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months. Accordingly, the consolidated financial statements have been prepared by the directors of the Company on a going concern basis.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRS Accounting Standards for the first time for the current year's consolidated financial statements.

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

The application of these revised HKFRS Accounting Standards in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

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

(iii) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, changes in fair value of investment properties, changes in fair value of financial instruments at FVTPL, changes in fair value of other financial liabilities, investment income, gain on disposal/loss of control of subsidiaries, gain on termination of right-of-use assets, gain on disposal of right-of-use assets, (loss)/gain on debt restructuring with customers, gain from bargain purchases, exchange differences, non-lease-related finance costs, share of results of associates and joint ventures and other unallocated income and expenses are excluded from such measurement.

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

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

The Group's revenue from external customers is derived from its operations in China and outside China.

During the years ended 31 December 2024 and 2023, 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 2024

	Southern China *RMB'000*	Other than Southern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue					
Sale of goods relating to building materials and home improvement business	**11,671,557**	**11,595,827**	**1,497,896**	**–**	**24,765,280**
Sale of goods and services income relating to new energy business	**55,341**	**139,932**	**27,862**	**–**	**223,135**
Contract revenue from renovation and installation works	**502,313**	**370,823**	**49,641**	**–**	**922,777**
Income from environmental engineering and other related services	**118,996**	**131,674**	**26,553**	**–**	**277,223**
Logistics and other related services	**33,225**	**89,987**	**537,120**	**–**	**660,332**
Financial service income	**7,559**	**8,486**	**–**	**–**	**16,045**
Property rental and other related services	**14,810**	**–**	**146,888**	**–**	**161,698**
Revenue from external customers	**12,403,801**	**12,336,729**	**2,285,960**	**–**	**27,026,490**
Intersegment revenue	**946,895**	**1,100,961**	**676,703**	**(2,724,559)**	**–**
Total segment revenue	**13,350,696**	**13,437,690**	**2,962,663**	**(2,724,559)**	**27,026,490**
Segment results	**3,538,897**	**3,210,500**	**571,052**	**(27,151)**	**7,293,298**
Reconciliation:					
Interest income					**169,750**
Gain on fair value changes of investment properties					**24,616**
Gain on fair value changes of financial instruments at FVTPL					**65,807**
Investment income					**16,396**
Gain on disposal/loss of control of subsidiaries					**125,317**
Gain on termination of right-of-use assets					**25,524**
Gain on disposal of right-of-use assets					**773**
Loss on debt restructuring with customers					**(6,538)**
Gain from bargain purchases					**4,297**
Exchange gain					**63,115**
Finance costs (other than interest on lease liabilities)					**(924,911)**
Share of results of associates					**103,550**
Share of results of joint ventures					**1,063**
Unallocated income and expenses					**(4,838,038)**
Profit before tax					**2,124,019**

	Southern China RMB'000	Other than Southern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment assets	**25,707,638**	**7,713,717**	**10,274,567**	**–**	**43,695,922**
Reconciliation:					
Interests in associates					**5,309,098**
Interests in joint ventures					**28,222**
Other financial assets					**1,980,797**
Deferred tax assets					**672,469**
Cash and bank deposits					**6,642,551**
Total assets					**58,329,059**
Other segment information					
Write-down of inventories to net realisable value, net	**71,357**	**(8,092)**	**(74)**	**–**	**63,191**
Depreciation and amortisation	**1,091,400**	**434,386**	**130,413**	**–**	**1,656,199**
Impairment of property, plant, and equipment	**–**	**7,523**	**1,883**	**–**	**9,406**
Impairment of asset held for sale	**–**	**–**	**58,844**	**–**	**58,844**
Impairment of properties from receivables settlement, net	**42,042**	**7,322**	**–**	**–**	**49,364**
Impairment of goodwill	**52,113**	**–**	**–**	**–**	**52,113**
Impairment of loan receivables, net	**15,984**	**–**	**–**	**–**	**15,984**
Impairment of long-term lease receivables	**91,622**	**–**	**–**	**–**	**91,622**
Impairment of contract assets, net	**21,092**	**–**	**69**	**–**	**21,161**
Impairment of trade and bills receivables, net	**312,795**	**42,561**	**58,365**	**–**	**413,721**
Impairment of prepayments, net	**–**	**38**	**–**	**–**	**38**
Impairment of other receivables, net	**3,425**	**(5)**	**787**	**–**	**4,207**
Capital expenditure#	**1,661,664**	**524,161**	**745,897**	**–**	**2,931,722**

\# Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, investment properties and other intangible assets, among which the additions resulted from business combination amounted to RMB53,951,000.

OPERATING SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

	Southern China *RMB'000*	Other than Southern China *RMB'000*	Outside China *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Segment revenue					
Sale of goods relating to building materials and home improvement business	12,496,150	12,788,513	1,231,454	–	26,516,117
Sale of goods and services income relating to new energy business	200,146	805,683	51,492	–	1,057,321
Contract revenue from renovation and installation works	981,264	417,769	73,797	–	1,472,830
Income from environmental engineering and other related services	117,311	179,425	89,855	–	386,591
Logistics and other related services	230,328	41,773	968,888	–	1,240,989
Financial service income	37,473	2,393	–	–	39,866
Property rental and other related services	16,385	818	137,372	–	154,575
Revenue from external customers	14,079,057	14,236,374	2,552,858	–	30,868,289
Intersegment revenue	1,467,779	1,248,929	591,631	(3,308,339)	–
Total segment revenue	15,546,836	15,485,303	3,144,489	(3,308,339)	30,868,289
Segment results	3,819,959	3,600,939	689,192	10,924	8,121,014
Reconciliation:					
Interest income					208,746
Gain on fair value changes of investment properties					10,314
Gain on fair value changes of financial instruments at FVTPL					84,998
Gain on fair value changes of other financial liabilities					5,230
Investment income					19,179
Gain on disposal of subsidiaries					9,708
Gain on termination of right-of-use assets					1,953
Gain on disposal of right-of-use assets					10,944
Gain on debt restructuring with customers					33,487
Exchange loss					(1,770)
Finance costs (other than interest on lease liabilities)					(1,045,410)
Share of results of associates					323,905
Share of results of joint ventures					3,667
Unallocated income and expenses					(5,121,796)
Profit before tax					2,664,169

	Southern China RMB'000	Other than Southern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment assets	27,436,368	8,030,959	10,165,350	–	45,632,677
Reconciliation:					
Interests in associates					4,864,524
Interests in joint ventures					26,658
Other financial assets					1,962,256
Deferred tax assets					661,170
Cash and bank deposits					6,552,984
Asset held for sale					331,001
Total assets					60,031,270
Other segment information					
Write-down of inventories to net realisable value, net	27,535	6,422	(23,244)	–	10,713
Depreciation and amortisation	1,261,782	396,976	176,846	–	1,835,604
Impairment of loan receivables, net	1,516	–	–	–	1,516
Impairment of contract assets, net	96,707	–	(147)	–	96,560
Impairment of trade and bills receivables, net	550,946	23,021	5,708	–	579,675
Impairment of prepayments, net	2,514	–	(607)	–	1,907
Impairment of other receivables, net	177,300	4	2,491	–	179,795
Capital expenditure#	4,790,135	610,889	598,413	–	5,999,437

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

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:

	2024			2023		
	Goods transferred at a point in time *RMB'000*	**Services transferred over time** *RMB'000*	**Total** *RMB'000*	Goods transferred at a point in time *RMB'000*	Services transferred over time *RMB'000*	Total *RMB'000*
Revenue from contracts with customers						
Sale of goods relating to building materials and home improvement business	**24,765,280**	**-**	**24,765,280**	26,516,117	–	26,516,117
Sale of goods and services income relating to new energy business	**223,135**	**-**	**223,135**	1,041,413	15,908	1,057,321
Contract revenue from renovation and installation works	**-**	**922,777**	**922,777**	–	1,472,830	1,472,830
Income from environmental engineering and other related services	**-**	**277,223**	**277,223**	–	386,591	386,591
Logistics and other related services	**-**	**660,332**	**660,332**	–	1,240,989	1,240,989
	24,988,415	**1,860,332**	**26,848,747**	27,557,530	3,116,318	30,673,848
Financial service income			**16,045**			39,866
Property rental and other related services			**161,698**			154,575
			27,026,490			30,868,289

By geographical locations:

	2024			2023		
	Goods transferred at a point in time	**Services transferred over time**	**Total**	Goods transferred at a point in time	Services transferred over time	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers						
China	**23,462,657**	**1,247,018**	**24,709,675**	26,274,585	1,983,777	28,258,362
Outside China	**1,525,758**	**613,314**	**2,139,072**	1,282,945	1,132,541	2,415,486
	24,988,415	**1,860,332**	**26,848,747**	27,557,530	3,116,318	30,673,848
Financial service income			**16,045**			39,866
Property rental and other related services			**161,698**			154,575
			27,026,490			30,868,289

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:

	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**2,966,563**	3,337,562
Contract revenue from renovation and installation works	**37,495**	39,841
Logistics and other related services	**7,142**	10,478
	3,011,200	3,387,881

Performance obligations

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

Sale of goods

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

Renovation, installation and engineering services

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

Logistics and other related services

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

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

	2024	2023
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Not more than 1 year	**701,132**	545,706
Over 1 year	**290,968**	252,444
	992,100	798,150

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

	2024	2023
	RMB'000	*RMB'000*
Bank interest income	**54,705**	95,902
Interest income from other loan receivables	**21,972**	24,881
Interest income from other financial assets	**9,844**	1,787
Interest income from long-term lease receivables	**83,229**	86,176
Total interest income	**169,750**	208,746
Government grants and subsidies	**163,251**	209,978
Gain on fair value changes of investment properties	**24,616**	10,314
Gain on fair value changes of financial instruments at FVTPL	**65,807**	84,998
Gain on fair value changes of other financial liabilities	**–**	5,230
Investment income	**16,396**	19,179
Gain on disposal/loss of control of subsidiaries	**125,317**	9,708
Gain on termination of right-of-use assets	**25,524**	1,953
Gain on disposal of right-of-use assets	**773**	10,944
Gain on debt restructuring with customers	**–**	33,487
Gain from bargain purchases	**4,297**	–
Rental income	**11,239**	9,901
Exchange gain	**63,115**	–
Others	**66,622**	113,152
	736,707	717,590

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

	2024	2023
	RMB'000	*RMB'000*
Interest expenses on bank and other loans	**1,031,264**	1,159,132
Interest expenses on lease liabilities	**26,424**	67,351
	1,057,688	1,226,483
Less: Interest capitalised	**(106,353)**	(113,722)
	951,335	1,112,761

5. PROFIT BEFORE TAX

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

	2024 **_RMB'000_**	2023 _RMB'000_
Cost of inventories sold relating to building materials and home improvement business	**17,837,463**	19,156,399
Cost of goods and services relating to new energy business	**283,491**	967,265
Direct cost of renovation and installation works	**728,713**	1,260,023
Direct cost of environmental engineering and other related services	**200,101**	262,940
Direct cost of logistics and other related services	**557,964**	1,011,486
Direct cost of financial services	**4,833**	11,831
Direct cost of property rental and other related services	**57,436**	66,618
Write-down of inventories to net realisable value, net	**63,191**	10,713
Depreciation of property, plant and equipment	**1,446,391**	1,568,024
Depreciation of right-of-use assets	**154,351**	218,637
Amortisation of other intangible assets	**55,457**	48,943
Total depreciation and amortisation	**1,656,199**	1,835,604
Research and development costs	**1,043,594**	1,237,708
Loss on disposal of items of other intangible assets and property, plant and equipment	**42,753**	17,981
Changes in fair value of investment properties	**(24,616)**	(10,314)
Gain on fair value changes of financial instruments at FVTPL	**(65,807)**	(84,998)
Gain on fair value changes of other financial liabilities	**–**	(5,230)
Gain on disposal/loss of control of subsidiaries	**(125,317)**	(9,708)
Gain from bargain purchases	**(4,297)**	–
Gain on termination of right-of-use assets	**(25,524)**	(1,953)
Gain on disposal of right-of-use assets	**(773)**	(10,944)
Loss/(gain) on debt restructuring with customers	**6,538**	(33,487)
Impairment of interests in associates	**8,537**	8,850
Impairment of property, plant and equipment	**9,406**	–
Impairment of properties from receivables settlement, net	**49,364**	–
Impairment of asset held for sale	**58,844**	–
Impairment of goodwill	**52,113**	–
Impairment of loan receivables, net	**15,984**	1,516
Impairment of long-term lease receivables	**91,622**	–
Impairment of contract assets, net	**21,161**	96,560
Impairment of trade and bills receivables, net	**413,721**	579,675
Impairment of prepayments, net	**38**	1,907
Impairment of other receivables, net	**4,207**	179,795
Foreign exchange differences, net	**(63,115)**	1,770

6. INCOME TAX EXPENSE

	2024	2023
	RMB'000	*RMB'000*
Current tax		
PRC	**567,567**	747,002
Hong Kong	**1,897**	4,151
Other jurisdictions	**45,144**	62,279
	614,608	813,432
(Over)/under provision in prior years		
PRC	**(46,369)**	(41,252)
Hong Kong	**(175)**	(2,347)
Other jurisdictions	**1,698**	64
	(44,846)	(43,535)
Deferred tax	**(83,760)**	(426,074)
Total tax charge for the year	**486,002**	343,823

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% (2023: 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 (2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.50% (2023: 16.50%).

PRC CORPORATE INCOME TAX

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

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

INCOME TAX FOR OTHER JURISDICTIONS

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

During the year ended 31 December 2024, income tax of other jurisdictions mainly arose from United States for the Group's operation.

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

7. DIVIDENDS

	2024		2023	
	HK$ per share	***HK$'000***	*HK$ per share*	*HK$'000*
2023 final dividend paid (2023: 2022 final dividend paid)	**0.20**	**620,483**	0.30	930,725
Less: Dividends for shares held for share award scheme	**0.20**	**(4,598)**	0.30	(6,897)
		615,885		923,828
Equivalent to		**RMB560,751,000**		RMB831,903,000

Subsequent to the end of the reporting period, a final dividend of HK20 cents in respect of the year ended 31 December 2024 per ordinary share in aggregate of HK$615,885,000 has been declared by the Board to the owners of the Company whose names appear on the Company's register of members on 20 June 2025 (2023: final dividend of HK20 cents per ordinary share in aggregate of HK$615,885,000). The amount of the final dividend declared for the year ended 31 December 2024 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:

	2024	2023
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**1,683,900**	2,368,062

	Number of Shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue	**3,102,418,400**	3,102,418,400
Weighted average number of shares held for the share award scheme	**(22,991,000)**	(22,991,000)
Adjusted weighted average number of ordinary shares of the Company in issue used in the basic and diluted earnings per share calculation	**3,079,427,400**	3,079,427,400

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023, respectively.

9. OTHER FINANCIAL ASSETS

	Note	**2024** *RMB'000*	2023 *RMB'000*
Non-current			
Debt instruments at FVTOCI:			
Debt securities listed in Hong Kong	*(i)*	**115,403**	141,873
Debt instruments at FVTPL:			
Unlisted convertible loans	*(ii)*	**71,228**	90,357
Equity instruments at FVTOCI:			
Equity securities listed in the PRC		**–**	148,362
Equity securities listed in Hong Kong		**216,240**	219,414
Unlisted equity securities		**1,183,303**	1,101,555
		1,399,543	1,469,331
Equity instruments at FVTPL:			
Equity securities listed in PRC		**30,000**	30,000
Unlisted equity securities	*(iii)*	**288,676**	200,876
		318,676	230,876
Funds at FVTPL:			
Stock funds		**70,766**	13,328
		1,975,616	1,945,765
Current			
Debt instruments at FVTPL:			
Unlisted convertible loans	*(ii)*	**–**	16,491
Derivative financial instruments:			
Forward commodity contracts	*(iv)*	**5,181**	–
		5,181	16,491
		1,980,797	1,962,256

Note:

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

(ii) Among the convertible loans, one convertible loan carries fixed interest at a rate of 6.00% (2023: 6.00%) per annum and contains a right to convert the loan into ordinary shares of the issuers after June 2023 (2023: June 2023), while the other convertible loan is interest-free (2023: two convertible loans, interest-free and 10.00%) and contains a right to convert the loan into ordinary shares of the issuers with a maturity date of October 2026 (2023: September 2024 and October 2026).

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

(iv) The Group has entered into various forward commodity contracts in order to protect itself from adverse movements in raw material prices. The forward commodity contracts are not designated for hedge purposes and are measured at FVTPL. Changes in the fair value of non-hedging forward commodity contracts amounting to RMB5,194,000 (2023: RMB5,655,000) were recognised in profit or loss during the year.

(v) During the year ended 31 December 2024, the Group received dividends in the amounts of RMB16,396,000 (2023: RMB19,068,000) from the equity instruments at FVTOCI.

10. LOAN RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Non-current		
Finance lease receivables	**1,500**	7,569
Factoring receivables	**351**	4,823
	1,851	12,392
Current		
Finance lease receivables	**126,787**	153,401
Factoring receivables	**304,649**	484,805
Receivables from supply-chain financing services	**99,139**	51,179
	530,575	689,385
Less: Provision for impairment	**(248,733)**	(382,436)
	281,842	306,949
	283,693	319,341

(A) FINANCE LEASE RECEIVABLES

	Minimum lease receivables		Present value of minimum lease receivables	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Not more than 1 year	**127,070**	155,146	**126,787**	153,401
Over 1 year but within 5 years	**1,660**	8,860	**1,500**	7,569
	128,730	164,006	**128,287**	160,970
Less: Unearned finance income	**(443)**	(3,036)		
Present value of minimum lease receivables	**128,287**	160,970		

The Group's finance lease receivables are denominated in Renminbi. The effective interest rates of the receivables range from 5.89% to 10.78% (2023: 5.61% to 10.78%) per annum. There are no unguaranteed residual values of assets leased under finance leases and no contingent rent arrangements that needed to be recognised (2023: Nil).

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

	2024	2023
	RMB'000	*RMB'000*
Not past due	**5,604**	38,287
Overdue	**122,683**	122,683
	128,287	160,970

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

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

At the end of the reporting period, RMB73,299,000 (2023: RMB71,547,000) of the Group's finance lease receivables was impaired.

(B) FACTORING RECEIVABLES

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

Factoring receivables are secured by receivables and/or commercial bills originally owned by the customers. These receivables carry interest at rates ranging from 5.00% to 11.04% (2023: 4.00% to 15.00%) per annum.

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

	2024	2023
	RMB'000	*RMB'000*
With a residual maturity of:		
Not more than 3 months	**2,900**	11,521
Over 3 months to 6 months	**3,119**	26,691
Over 6 months to 12 months	**1,656**	12,280
Over 12 months to 24 months	**351**	4,471
Over 24 months to 36 months	**–**	352
Overdue	**296,974**	434,313
	305,000	489,628

At the end of the reporting period, RMB173,914,000 (2023: RMB309,145,000) of the Group's factoring receivables was impaired, among which RMB149,488,000 (2023: RMB135,256,000) was provided for certain individual customer groups.

(C) RECEIVABLES FROM SUPPLY-CHAIN FINANCING SERVICES

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

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

Certain receivables from supply-chain financing services amounting to RMB97,619,000 (2023: RMB49,435,000) are secured by certain interests of companies and personal guarantees.

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

	2024	2023
	RMB'000	*RMB'000*
With a residual maturity of:		
Not more than 3 months	**30,850**	33,296
Over 3 months to 6 months	**14,600**	12,000
Over 6 months to 12 months	**52,169**	4,139
Overdue	**1,520**	1,744
	99,139	51,179

At the end of the reporting period, RMB1,520,000 (2023: RMB1,744,000) of the Group's receivables from supply-chain financing services was impaired.

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

11. INVENTORIES

	2024	2023
	RMB'000	*RMB'000*
Manufacturing and trading	**4,911,827**	5,239,246
Property development	**903,184**	948,029
	5,815,011	6,187,275

(A) MANUFACTURING AND TRADING

	2024	2023
	RMB'000	*RMB'000*
Raw materials	**1,497,179**	1,939,287
Work in progress	**665,619**	596,202
Finished goods	**2,749,029**	2,703,757
	4,911,827	5,239,246

(B) PROPERTY DEVELOPMENT

	2024	2023
	RMB'000	*RMB'000*
Property under development	**903,184**	948,029

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

12. PROPERTIES FROM RECEIVABLES SETTLEMENT

	2024	2023
	RMB'000	*RMB'000*
Completed property held for sale	**491,881**	424,192

As at 31 December 2024, properties from receivables settlement represented the completed properties held for sale of RMB491,881,000 (2023: RMB424,192,000) obtained by the Group from receivables settlement arrangement. The Group has obtained ownership certificates of the properties and they are held for resale.

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

13. TRADE AND BILLS RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**6,617,006**	6,759,727
Bills receivable	**81,873**	131,717
Less: Provision for impairment	**(2,760,375)**	(2,357,976)
	3,938,504	4,533,468

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

Trade and bills receivables are unsecured and interest-free.

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

	2024	2023
	RMB'000	*RMB'000*
Not more than 3 months	**1,463,516**	1,562,030
Over 3 months to 6 months	**458,116**	663,173
Over 6 months to 12 months	**529,070**	884,132
Over 1 year to 2 years	**894,988**	897,964
Over 2 years to 3 years	**414,878**	352,300
Over 3 years	**177,936**	173,869
	3,938,504	4,533,468

14. TRADE AND BILLS PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables	**3,491,040**	3,280,076
Bills payable	**5,194,067**	5,089,109
	8,685,107	8,369,185

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:

	2024	2023
	RMB'000	*RMB'000*
Not more than 3 months	**5,761,266**	4,881,254
Over 3 months to 6 months	**2,617,806**	2,936,292
Over 6 months to 12 months	**182,882**	420,588
Over 1 year to 2 years	**73,573**	48,906
Over 2 years to 3 years	**15,502**	29,619
Over 3 years	**34,078**	52,526
	8,685,107	8,369,185

15. BORROWINGS

	2024	2023
	RMB'000	*RMB'000*
Current		
Unsecured bank loans	**4,968,294**	6,549,400
Current portion of long-term unsecured bank loans	**1,643,405**	1,631,858
Secured bank loans	**115,884**	141,355
Current portion of long-term secured bank loans	**8,127**	115,934
Current portion of unsecured syndicated loans	**1,808,243**	2,236,969
Other borrowings	**12,764**	17,037
	8,556,717	10,692,553
Non-current		
Unsecured bank loans	**6,485,478**	3,624,296
Unsecured syndicated bank loans	**4,137,607**	4,921,822
Secured bank loans	**49,017**	105,915
	10,672,102	8,652,033
	19,228,819	19,344,586
Analysed into borrowings repayable:		
Within one year or on demand	**8,556,717**	10,692,553
In the second year	**2,808,881**	1,909,172
In the third to fifth years, inclusive	**7,613,800**	6,528,650
More than five years	**249,421**	214,211
	19,228,819	19,344,586

Note:

(a) The effective interest rates of the Group's borrowings range from 1.70% to 8.00% (2023: 2.50% to 7.07%) per annum.

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

At 31 December 2023, the secured bank loans are secured by land and its concession rights of subsidiaries, investment property of a subsidiary, personal guarantees provided by shareholders of subsidiaries and the guarantees provided by shareholders of subsidiaries.

(c) At the end of the reporting period, the Group's borrowings are denominated in US dollar, HK dollar, Renminbi, Australian dollar, Tanzanian shillings, Malaysian ringgit, Philippine peso, Canadian dollar and Baht which are equivalent to RMB3,390,927,000 (2023: RMB4,242,510,000), RMB3,654,818,000 (2023: RMB4,492,342,000), RMB11,850,772,000 (2023: RMB10,281,695,000), RMB261,407,000 (2023: RMB281,206,000), RMB11,760,000 (2023: Nil), RMB2,916,000 (2023: Nil), RMB1,004,000 (2023: Nil), Nil (2023: RMB622,000) and RMB55,215,000 (2023: RMB46,211,000), respectively.

16. SHARE CAPITAL

Shares	**2024**	2023
Authorised:		
20,000,000,000 (2023: 20,000,000,000) ordinary shares of HK$0.05 each	**HK$1,000,000,000**	HK$1,000,000,000
Issued and fully paid:		
3,102,418,400 (2023: 3,102,418,400) ordinary shares of HK$0.05 each	**HK$155,120,920**	HK$155,120,920
Equivalent to	**RMB135,344,000**	RMB135,344,000

17. COMMITMENTS

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

	2024	2023
	RMB'000	*RMB'000*
Property, plant and equipment and investment properties	**1,735,048**	2,072,082

CORPORATE PROFILE

China Lesso Group Holdings Limited (Stock Code of Hong Kong Stock Exchange: 2128) is a leading large-scale industrial group that manufactures piping and building materials in China. After more than 38 years of rapid development, the Group has evolved into a leader in the industry of building materials and home improvement. It provides high-quality products and services such as plastic piping, building materials and home improvement, new energy, environmental protection, and operates a supply chain service platform.

Currently, the Group has established over 30 advanced production bases in 19 provinces of China and in foreign countries. The Group has established a nationwide sales network and has also developed long-term strategic partnerships with 2,978 independent and exclusive first-tier distributors that enable timely and efficient supply of comprehensive, quality products and professional services to customers. As an integrated manufacturer of a comprehensive range of piping and building materials, China Lesso provides over 10,000 types of quality products, which are widely applied to such fields as home improvement, civil architecture, municipal water supply, drainage, energy management, electric power transmission, telecommunication, gas supply, fire services, environmental protection, agriculture and marine aquaculture.

CHAIRMAN'S STATEMENT

Dear Shareholders,

As China Lesso marked its 38th anniversary, I am honoured to present, on behalf of the Board, a report on the Group's performance in 2024 and our strategic plans for future development.

In 2024, the global economic recovery lost momentum, geopolitical risks escalated, and trade protectionism gained traction. Mainland China faced its challenges, including revitalise the real estate market, sluggish domestic demand, and structural economic imbalances. Nevertheless, the Chinese government actively pursued macroeconomic policies to restore market confidence and sustain steady growth. As a result, the country's gross domestic product (GDP) expanded by 5.0% year-on-year, underscoring the resilience of the Chinese economy.

China Lesso has consistently adhered to its development strategy of "further developing the piping business and capitalising on the emergence of green energy for mutual benefit". Guided by the principles of "striving for customer satisfaction by prioritising quality and driving its development with industry-leading technology", China Lesso remains committed to delivering high-value products and services to society. Through years of dedication, the Group has evolved into a conglomerate with business operations spanning piping systems, building materials and home improvement, environmental protection, new energy, and supply chain service platforms.

During the year, the Group has remained steadfast in executing a prudent growth strategy, focusing on five key pillars: "Concentration", "Cultivation", "Smart Manufacturing", "Innovation", and "Global Expansion". By developing its piping systems business alongside diversified operations, the Group continues to expand its revenue base, unlock long-term value, and progress towards even higher-quality growth. The Group has remained committed to its core brand strategy of "quality, platform development, and global expansion", consistently advancing through innovation and craftsmanship. By integrating technological progress with superior quality, the Group has elevated a hallmark of Chinese manufacturing in the modern era, empowering Chinese brands to reach the global stage through the strength of its piping solutions.

In 2024, China Lesso remained steadfast in adhering to the principles of prudent business development. The Group has adjusted its internal resources, investing more in its core piping business, focusing on market cultivation, and continually strengthening its market foundation while enhancing product quality. Riding on its strong resilience, the Group has maintained stable business operations. Amid a fluctuating environment, the Group has sustained steady development and consistently delivered reliable returns for the Shareholders and investors. The Group recorded revenue of RMB27,026 million, with profit attributable to owners of the Company amounting to RMB1,684 million. The Board recommended the payment of a final dividend of HK20 cents per share for the year ended 31 December 2024 to express gratitude to the Shareholders for their support and to share with them the fruits of the Group's endeavours.

Looking towards 2025, despite the uncertainties of the external environment, the fundamentals of China's economy remain robust, with confidence in achieving steady and sustainable growth. Building on its solid 38-year foundation, China Lesso will harness its powerful piping expertise, with a focus on quality and innovation as its key drivers. It will seize the opportunities of the times, extend its reach internationally, and strive to create new possibilities, continuously advancing towards a brighter future and delivering long-term value for the Shareholders.

I am confident that China Lesso is poised to seize new development opportunities. We will continue to align closely with national policy direction and the infrastructure demands arising from economic recovery. While maintaining a strong focus on the piping sector, we will actively expand our industrial footprint, striving to strengthen and refine our core products, continually optimise our product portfolio, and increase both market share.

To achieve this goal, we will accelerate the advancement of smart manufacturing upgrades. By fully leveraging advanced technologies such as AI, the Internet, and the IoT, alongside digital intelligent operations management, we aim to establish smart factories that seamlessly combine intelligent manufacturing with automated production, thereby significantly boosting the Group's core competitiveness.

Although the challenges and uncertainties remain ahead of us, I am confident in the future of China Lesso. I will continue to lead the entire management team with a united vision, staying closely aligned with market trends, continuously upgrading and innovating, seizing overseas opportunities, and persistently enhancing and optimising management standards, all while striving for progress within a framework of stability. We will continue to uphold the corporate spirit of "pioneering, pragmatic Innovation, scientific management, and pursuit of excellence", guided by the principles of sustainable development. This will drive the industry's sustainable transformation and contribute the strong and unwavering force of China Lesso towards building a brighter future.

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

Wong Luen Hei
Chairman of the Board
Hong Kong, 28 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2024, escalating geopolitical turbulence and a rise in trade protectionism have led to a sluggish global economic recovery. Mainland China continues to face significant challenges, with the property market in urgent need of revitalisation, domestic demand yet to be fully unleashed, and economic structural imbalances becoming increasingly evident. These factors have posed considerable challenges to various industries. Amidst these economic headwinds, the Chinese government has adopted timely macroeconomic measures to stabilise the market, boost confidence, and support steady economic growth. According to data from the National Bureau of Statistics of China, the country's gross domestic product (GDP) grew by 5.0% year on year in 2024, reaching approximately RMB134.9 trillion. This performance places China among the world's leading economies, demonstrating the resilience of its economy and maintaining a steady trajectory of progress.

In 2024, the National Development and Reform Commission, along with relevant departments, coordinated efforts in both "hard investment" and "soft infrastructure", achieving a strong start for the "twofold" development strategy. The central government made solid progress in advancing this initiative, delivering notable results by stabilising infrastructure investment and driving investment in emerging productive forces. These efforts provided robust support for economic growth throughout the year and further promoted high-quality development. Nationwide infrastructure investment grew by 4.4% over the year, accelerating by 0.3 percentage points compared to the first three quarters. Notably, investments in railway transport and water conservancy, both led by central government funding,rose by 13.5% and 41.7% year-on-year, respectively, contributing to the steady and sustained development of the infrastructure and piping sectors.

However, the foundation of China's economic recovery remains unstable. The sluggish property market has further strained the finances of local governments and businesses, leading to a more cautious market environment and hindering infrastructure investment. As a result, the building materials and piping industries are facing a dual challenge of weakening demand and excess capacity. Intense price competition has also added pressure to the sector.

Over the past year, amid the deep adjustment in China's property market and strong policy support, stabilisation after the downturn has become a key focus both now and in the foreseeable future. The government's efforts to support the real estate sector have been unprecedented in both scale and frequency, creating the most accommodative policy environment in history. However, the hardships facing real estate developers remain severe, with addressing debt and enhancing cash flow being top priorities. Meanwhile, buyer confidence has yet to recover, which continues to affect the building materials and home improvement industries.

Energy saving and carbon reduction are key drivers in the steady and proactive pursuit of carbon peaking and carbon neutrality, as well as in advancing national development and facilitating the green transition of the economy and society. Since the implementation of the "Action Plan for Energy Saving and Carbon Reduction in 2024 to 2025", the Chinese government has demonstrated unprecedented determination and commitment to enhancing energy efficiency, cutting emissions, accelerating the transition to green development and steadily progressing toward the ambitious goals of carbon peaking and carbon neutrality.

BUSINESS OVERVIEW

In 2024, China Lesso, as the world's leading piping and building materials conglomerate, proudly celebrates its 38th anniversary. It has consistently adhered to its development strategy of "further developing the piping business and capitalising on the emergence of green energy for mutual benefit". Guided by the principles of "striving for customer satisfaction by prioritising quality and driving its development with industry-leading technology", the Group remains committed to delivering high-value products and services to society. Through years of dedication and innovation across multiple sectors, the Group has achieved high-quality growth, evolving into a conglomerate with business operations spanning piping systems, building materials and home improvement, environmental protection, new energy, and supply chain service platform. During the year, the Group has remained steadfast in executing a prudent business strategy, focusing on five key pillars: "Concentration", "Cultivation", "Smart Manufacturing", "Innovation", and "Global Expansion". By advancing its piping systems business alongside diversified business operations, the Group continues to broaden its revenue base, unlock long-term corporate value, and progress towards even higher-quality development.

Over 38 years of dedicated growth in the piping industry, the Group has remained committed to its core brand strategy of "quality, platform development, and global expansion", along with stability and precision, continuously advancing through innovation and craftsmanship. By integrating technological progress with superior quality, the Group has elevated a hallmark of Chinese manufacturing in the modern era, empowering Chinese brands to reach the global stage through the strength of its piping solutions. During the year, the Group has received numerous accolades and recognition from various sectors, including "The Most Popular Enterprise in the Stock Connect in 2024", "China's Leading Home Improvement Brand in 2024", "Top 100 Most Valuable Companies in China's Home Improvement Industry 2024", and the "2024 Emerging Enterprise Award in China's Energy Storage Industry". Additionally, the Group ranked 19th among the "Top 500 Manufacturing Enterprises in Guangdong Province" and was named one of the "Top 100 Innovative Large Enterprises in China 2024". These achievements not only reaffirm the Group's diversified strength but also highlight its strong innovation capabilities, setting a new benchmark for industry development.

Meanwhile, as a major player in the "dual carbon" strategy, the Group has consistently adhered to the concept of sustainable development. Driven by emerging productive forces, it has continually enhanced resource utilisation efficiency, reduced energy consumption and emissions, built green factories, and created green value, positioning itself at the forefront of low-carbon development. Currently, the Group's piping products have received multiple green building material certifications, and some of its building materials and home improvement products have also received China Environmental Labeling Program certification. The Group continues to break through technological barriers, achieving product iterations and upgrades, further building an efficient, green, and intelligent new industrial chain, and steering its overall business towards a more environmentally friendly and sustainable development direction.

Revenue by Region#

	Revenue			**% of total revenue**	
	2024	2023		**2024**	2023
	RMB million	*RMB million*	Change		
Southern China	**12,404**	14,079	*(11.9%)*	**45.9%**	45.6%
Other than Southern China	**12,336**	14,236	*(13.3%)*	**45.6%**	46.1%
Outside China	**2,286**	2,553	*(10.5%)*	**8.5%**	8.3%
	27,026	30,868	*(12.4%)*	**100.0%**	100.0%

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

For the year ended 31 December 2024, the number of the Group's independent and exclusive first-tier distributors across the country increased to 2,978 (2023: 2,853). Southern China remained the Group's major revenue-contributing market, accounting for 45.9% of the Group's total revenue (2023: 45.6%), while the revenue from other regions accounted for 54.1% (2023: 54.4%).

Revenue by Business Unit

	Revenue			% of total revenue	
	2024	2023		**2024**	2023
	RMB million	*RMB million*	Change		
Plastic piping systems	**22,819**	24,585	*(7.2%)*	**84.4%**	79.6%
Building materials and home improvement	**2,271**	2,839	*(20.0%)*	**8.4%**	9.2%
Others	**1,936**	3,444	*(43.8%)*	**7.2%**	11.2%
	27,026	30,868	*(12.4%)*	**100.0%**	100.0%

In 2024, domestic economic growth was slow, and the real estate industry remained bottoming out, with companies facing operational pressures and adopting a cautious approach to business expansion and investment. Nevertheless, China Lesso has consistently remained proactive, adhering to the principles of prudent business development. The Group has adjusted its internal resources, investing more in its core piping business, focusing on market penetration, continuously solidifying its market foundation, and enhancing product quality. Through its strong resilience, the Group has maintained stable business operations by continuously improving its operational efficiency, optimising its product portfolio, and actively expanding its market presence, so as to further strengthen its business foundation and maintain a stable and reasonable level of profitability.

During the year, the Group recorded revenue of RMB27,026 million (2023: RMB30,868 million). Gross profit was RMB7,293 million (2023: RMB8,121 million) and gross profit margin was 27.0% (2023: 26.3%) mainly because the costs of the raw materials stayed low throughout the year. Due to a decline in sales, the Group's EBITDA decreased by 15.7% to RMB4,732 million (2023: RMB5,613 million), and the EBITDA margin was 17.5% (2023: 18.2%). Profit before tax decreased by 20.3% to RMB2,124 million (2023: RMB2,664 million). Net profit margin was 6.1% (2023: 7.5%). Profit attributable to owners of the Company decreased by 28.9% to RMB1,684 million (2023: RMB2,368 million). The main reasons for the profit decline were a decrease in gross profit by RMB828 million and a reduction in the share of profits of associates by RMB220 million. Basic earnings per share were RMB0.55 (2023: RMB0.77). The effective tax rate was 22.9% (2023: 12.9%).

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 HK20 cents per share for the year ended 31 December 2024 (2023: HK20 cents per share).

BUSINESS REVIEW AND OUTLOOK

Plastic Piping Systems

In 2024, under the financial pressures faced by local governments and the tight capital situation of businesses, coupled with the continued instability in the real estate market, the domestic plastic piping systems industry showed an overall downward trend. However, in order to boost the economy and mitigate the impact of declining real estate investment, the government accelerated the issuance of special government bonds to support local infrastructure projects. These projects covered a wide range of areas, including transportation infrastructure, energy, agriculture, forestry and water conservancy, modern industrial systems, new infrastructure, energy saving, emissions and carbon reduction, post-disaster recovery and reconstruction, enhancement of disaster prevention, mitigation, and relief capabilities, and the construction of security infrastructure. These strongly supported steady economic growth and offered stable demand for the plastic piping systems industry, contributing to its stable development.

The Group has kept up with the times, flexibly adjusting its resource allocation and focusing on developing its core plastic piping systems business, continuously strengthening the competitiveness of its piping business. At the same time, the Group has actively expanded both domestic and international markets and implemented its product diversification strategy. In overseas markets, the Group has been adopting a light-asset operating model, exploring localisation strategies for production and sales to quickly respond to local demands. In the domestic market, the Group is committed to optimising its customer base structure and exploring new customers with stronger financial capabilities. Additionally, in response to national policies and market development trends, the Group continually develops and introduces more high-quality products and services. Furthermore, through technological innovation, the Group has improved production efficiency and quality while prudently controlling financing costs. These measures have enabled the Group to maintain stable product prices and sales volumes, preserve a reasonable gross margin, and demonstrate its ability to withstand economic risks, further consolidating its leading position in the piping systems market despite the challenging market environment.

Revenue by Region

	Revenue			**% of revenue**	
	2024	2023		**2024**	2023
	RMB million	*RMB million*	Change		
Southern China	**10,605**	11,445	*(7.3%)*	**46.5%**	46.5%
Other than Southern China	**11,039**	12,184	*(9.4%)*	**48.4%**	49.6%
Outside China	**1,175**	956	*22.9%*	**5.1%**	3.9%
Total	**22,819**	24,585	*(7.2%)*	**100.0%**	100.0%

Revenue by Product Application

	Revenue			% of revenue	
	2024	2023		**2024**	2023
	RMB million	*RMB million*	Change		
Water supply	**9,129**	9,422	*(3.1%)*	**40.0%**	38.3%
Drainage	**8,299**	9,175	*(9.5%)*	**36.4%**	37.3%
Power supply and telecommunications	**3,215**	3,733	*(13.9%)*	**14.1%**	15.2%
Gas transmission	**459**	509	*(9.9%)*	**2.0%**	2.1%
Others#	**1,717**	1,746	*(1.6%)*	**7.5%**	7.1%
Total	**22,819**	24,585	*(7.2%)*	**100.0%**	100.0%

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

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

	Average selling price			Sales volume			Revenue		
	2024	2023		**2024**	2023		**2024**	2023	
	RMB	*RMB*	Change	***Tonne***	*Tonne*	Change	***RMB million***	*RMB million*	Change
PVC products	**7,183**	7,209	*(0.4%)*	**1,799,177**	1,941,263	*(7.3%)*	**12,923**	13,996	*(7.7%)*
Non-PVC products#	**14,473**	15,010	*(3.6%)*	**683,723**	705,461	*(3.1%)*	**9,896**	10,589	*(6.5%)*
Total	**9,191**	9,289	*(1.1%)*	**2,482,900**	2,646,724	*(6.2%)*	**22,819**	24,585	*(7.2%)*

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

During the year, the plastic piping systems business recorded revenue of RMB22,819 million (2023: RMB24,585 million), accounting for 84.4% of the total revenue of the Group (2023: 79.6%).

In 2024, sales volume of the Group's products decreased by 6.2% year on year. Sales volume of PVC products declined by 7.3% year on year to 1,799,177 tonnes (2023: 1,941,263 tonnes), while that of non-PVC products fell by 3.1% year on year to 683,723 tonnes (2023: 705,461 tonnes). Revenue from sales of PVC products decreased by 7.7% year on year to RMB12,923 million (2023: RMB13,996 million), while revenue from sales of non-PVC products decreased by 6.5% year on year to RMB9,896 million (2023: RMB10,589 million).

During the year, the Group took advantage of low raw material prices, combining with effective procurement strategies to optimise the cost. At the same time, through precise pricing strategies, the Group enhanced the market competitiveness of its products. Despite the challenging market environment, the Group successfully stabilised the overall selling prices of its piping systems products and maintained a steady sales volume, while keeping the gross margin at a reasonable level. This fully demonstrated the Group's high-quality operational management capabilities. The average selling price of the Group's plastic piping products was RMB9,191 per tonne (2023: RMB9,289 per tonne). The gross profit margin at this business was 28.7% (2023: 28.5%).

The Group has always adhered to high-quality development and actively implemented the concept of green manufacturing in production. By enhancing "traditional manufacturing" with "smart intelligent manufacturing", the Group has leveraged new-generation information technologies such as artificial intelligence (AI), 5G telecommunication technology, Internet, and the IoT, combined with digital operations management, to upgrade and establish smart factories integrating IoT, smart manufacturing, and automated production. During the year, the Group's annual designed production capacity for plastic piping systems was 3.29 million tonnes, with a capacity utilisation rate of approximately 76.4%. While improving manufacturing capabilities and business efficiency, smart intelligent manufacturing has also effectively reduced carbon emissions and pollution. Notably, the Group's factory was successfully included in the "2024 Guangdong Province Green Factory List", which fully recognises the Group's long-term commitment to high-quality development and its efforts and achievements in actively implementing the concept of green manufacturing.

In 2024, the Group continued to cultivate its core plastic piping system business while actively expanding product development in multiple sectors, achieving innovative breakthroughs both horizontally and vertically. With the ongoing increase in national investments in infrastructure construction and the heightened emphasis on new industrialisation, the demand for high-performance plastic pipes in the industrial sector has been growing steadily. Driven by innovation as its core engine for growth, the Group has continuously enhanced its technological research and development capabilities to break industry barriers. By diversifying its piping products, the Group has launched more new products to meet market demand and lead industry innovation. Among these, the Group has identified key industry pain points and made special breakthroughs by introducing polyethylene (PE) pipes and fittings for nuclear power plants, which hold significant value in nuclear power applications and promotion. At the same time, the Group has focused on developing piping applications with growth potential, such as pipping for transmission of hydrogen and oil, to seize market opportunities and expand its market share.

As a key player in the modernisation of agriculture and rural construction, the Group has significantly expanded the value of its core plastic piping system business by exploring the growing market opportunities in county and township areas. The Group actively involved in the development of rural pipeline infrastructure projects, offering a wide variety of piping products that are extensively used in rural water supply and sewage systems. Moreover, the Group has introduced an innovative "Comprehensive Rural Sewage Solution", contributing to the enhancement of living conditions and raising the standard of living in rural areas. With robust technical support and strong innovative capabilities, the Group actively promoted the application of green agricultural production models. It has refined its product strategies to drive product transformation, launching a range of high-quality agricultural piping products, such as PVC pipes for agricultural use, PVC orchard irrigation pipes, and PE water transmission pipes, thus providing a powerful impetus for the green transformation of agriculture. Furthermore, the Group also dedicated to developing piping applications in the aquaculture sector, pioneering more intelligent and diverse specialised fishery equipment and facilities, complemented by enhanced technical support, to expedite the establishment of "ocean ranches", driving the high-quality growth of modern fisheries infrastructure, empowering the continued upgrading of the aquaculture industry.

During the year, in response to the challenges presented by market saturation and intensifying industry competition, as well as the rapid rise of the internet, the Group capitalised on the opportunity to launch "Lesso Direct". This initiative focuses on developing an online operational platform and creating a service ecosystem, enabling resource sharing and market integration. This has optimised services, expanded sales volumes, and significantly strengthened market competitiveness and business growth. As the official service ordering platform of the Group, "Lesso Direct" has not only established a strong presence in the Guangdong-Foshan region of South China but has also been successfully launched in the Beijing-Tianjin-Hebei and Southwest regions. The platform now boasts over 10,000 members, and its network of service providers is rapidly expanding across the entire country, with its influence and business coverage continuing to grow.

In response to the ever-evolving market environment, the Group has proactively adjusted its customer structure and strengthened its relationships with strategic partners, including government departments and leading central government-owned and state-owned enterprises in the infrastructure sector. Through active involvement in national projects and municipal reconstruction efforts, the Group has leveraged synergies to further reinforce its dominant position in the plastic piping systems market. During the year, China Lesso collaborated with the Third Bureau of China State Construction Engineering Corporation (CSCEC) and the major listed company JD.com. In the future, the Group's products will be distributed through the JD Industrial Platform to CSCEC's Third Bureau. The Group's successful exploration of innovative procurement models will pave the way for expanding the Group's big customers base online, unlocking new growth opportunities.

The Group has capitalised on its local strengths for global expansion. With its robust technological capabilities and comprehensive product portfolio of plastic piping system, the Group was accelerating its brand's global expansion and localisation strategy by employing a light-asset and trade-oriented model, proactively developing overseas markets with a focus on Southeast Asia, Africa and North America . The Group deeply engaged in the local domestic market and infrastructure development. Currently, the Group has established production bases in the Indonesia, Thailand, Malaysia, Cambodia, Vietnam, Africa and United States, while those in the Philippines and Bangladesh under preparation for construction. Over 10 countries and regions now host overseas sales centres. During the year, the Group's overseas business performed well. Within its mainstay business of plastic piping system, the Group has reinforced collaboration across its diversified business units, stepped up efforts, and made significant strides in expanding into international markets, thereby boosting its global market share and overall influence.

As a key pillar of national economic growth, future infrastructure investments will be primarily driven by government funding, complemented by market-based financing. The backbone of government infrastructure investment consists of local special-purpose bonds, ultra-long-term special government bonds, central budgetary allocations, and local fiscal funds. With the latest policy direction from the 2025 National People's Congress, infrastructure development is poised to gain further momentum. Backed by an additional fiscal injection exceeding one trillion yuan, infrastructure investment is expected to remain strong, serving as a powerful engine for sustained economic expansion.

Looking to the future, the Group will stay attuned to national policy directions and market dynamics, capitalising on emerging opportunities with a market-driven approach and a strong focus on brand development. Harnessing its advanced smart intelligent manufacturing capabilities, it will drive continuous product innovation and enhancement, delivering more efficient and environmentally friendly piping solutions. Within China, the Group will further strengthen its strategic partnerships with government departments, leading central government-owned and state-owned enterprises, maximising synergies to expand its market presence. Concurrently, the Group will accelerate its overseas expansion and localisation strategy, diversifying revenue streams and fostering sustainable business growth. Armed with robust capabilities and strong resilience, the Group is well-equipped to navigate market challenges and fortify its leadership in the piping industry. Technological advancement remains at the heart of the Group's development strategy. By continuously automating and digitalising its production processes and integrating cutting-edge technologies, the Group is enhancing efficiency and productivity. Moreover, its strategic procurement approach effectively controls raw material and production costs, driving economies of scale. In summary, the management remains optimistic about the future prospects of the plastic piping system business and is confident in delivering consistent, solid business performance.

BUILDING MATERIALS AND HOME IMPROVEMENT

In 2024, the real estate market was still undergoing a profound correction, encountering substantial market headwinds. Despite ongoing policy support, property prices continued to decline. Some developers experienced high liquidity risks and struggled with debt repayment pressures, while buyer confidence had yet to fully recover. As a result, the downturn in real estate sales weighed on the building materials and home improvement industries. During the year, revenue from the Group's building materials and home improvement business was RMB2,271 million, accounting for 8.4% of the Group's total revenue.

Amid the challenge in real estate sector, the Group fully acknowledges the advantages of central and state-owned enterprises in terms of financial strength and operational resilience, and the critical role they play in the industry. The Group has strategically realigned its focus and actively optimized its customer base. By shifting resources towards government, central government-owned and state-owned projects, the Group aimed to foster long-term, stable partnerships while mitigating risks linked to private real estate enterprises. Furthermore, the Group was capitalising on opportunities arising from the policy of "ensuring timely deliveries of pre-sold homes" to reinforce business stability and ensure sustainable growth.

Looking ahead to 2025, the real estate sector is expected to benefit from a continued accommodative policy stance, with upcoming measures likely to focus on "boosting demand" and optimising supply. The housing support policies introduced in 2024 will further demonstrate their effectiveness, gradually reducing risk exposure for developers and recovery in market confidence. The Group remains dedicated to delivering high-quality products while refining its one-stop integrated solutions. By offering a diversified portfolio of building materials and home improvement products, it actively promotes the advancement of sustainable and green architecture. Additionally, the Group will strategically optimise its customer base, targeting financially robust customers to drive business growth. Capitalising on the synergies between its plastic piping system and building materials and home improvement businesses, the Group will also expand its sales channels to better meet evolving market needs.

Others

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

Energy saving and environmental protection have become indispensable in modern society. As a vital component of the nation's strategic emerging industries, they are instrumental in driving economic transformation, upgrading industries, and tackling climate change and environmental pollution. In 2024, the slow domestic economic recovery, constrained local government finances, and weakened industrial investment momentum resulted in fewer construction projects or scaled-down developments. Consequently, the reduction in hazardous waste prevented the environmental protection sector from reaching full capacity, leading to overcapacity. During the year, the Group's revenue from its environmental protection business was RMB277 million. In response to these challenges, the Group was strategically refining its customer portfolio and exploring government projects, ensuring a more solid foundation for sustainable future development.

In 2024, the Group remained committed to enhancing capital efficiency by adopting a prudent approach to developing its supply chain service platform business and managing related investments. It actively evaluated overseas assets, strategically divesting or repurposing them for leasing based on market conditions to optimise its financial structure, improve cash flow, and maximise shareholder value. With a strong focus on the high-growth Southeast Asian market, the Group implemented proactive measures to refine its supply chain service platform. Furthermore, the Group successfully completed the spin-off of its subsidiary, EDA Group Holdings Limited ("EDA", stock code: 2505), which was subsequently listed on the main board of the Stock Exchange on 28 May 2024. Following this, EDA's revenue was no longer consolidated within the Group. In 2024, the supply chain service platform business contributed RMB930 million in revenue. Looking ahead, the Group will proactively address market shifts, recalibrate its development strategy, and ambitiously target an accelerated expansion of its warehousing and logistics network in Southeast Asia while maintaining a sustainable and stable business growth.

The photovoltaic industry's role in the global energy structure has been further elevated, positioning itself as a key force in driving green and low-carbon development. However, in recent years the entire industry chain of the photovoltaic market experienced a downturn and challenges such as overcapacity, frequent price wars, and international trade barriers that have placed considerable pressure on the sector. During the year, the Group's new energy business recorded a revenue of RMB223 million. Looking ahead, while the photovoltaic industry is currently grappling with overcapacity and a supply-demand imbalance, the ongoing deep adjustments in the sector will swiftly phase out non-competitive capacities. Amid this industry-driven self-adjustment, supply chain prices are stable and the supply-demand relationship is expected to rebalance more rapidly. The Group will continue to adopt a cautious and pragmatic approach, keeping a close eye on market trends, further streamlining investments in the new energy business, and adjusting its development and operational strategies in order to weather the industry's downturn.

SUMMARY

Looking towards 2025, despite the uncertainties of the external environment, the fundamentals of China's economy remain robust, with confidence in achieving steady and sustainable growth. Building on its solid 38-year foundation, the Group will harness its powerful piping expertise, with a focus on quality and innovation as its key drivers. It will seize the opportunities of this era, extend its reach internationally, and dedicate full resources to create further possibilities, continuously advancing towards a brighter future and delivering long-term value for the Shareholders.

CAPITAL EXPENDITURE

During the reporting period, the Group's capital expenditure was approximately RMB2,932 million, which was primarily used for improvement of automated facilities, expansion of the existing production bases and construction of certain investment properties.

FINANCIAL POSITION

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

At the end of the reporting period, the Group had total debts (i.e. borrowings and lease liabilities) of RMB19,646 million, of which 17.7% was denominated in US dollar, 18.6% was denominated in HK dollar, 61.7% was denominated in RMB, 1.3% was denominated in Australian dollar and 0.3% was denominated in other currencies. The Group's borrowings are subject to effective interest rates ranging from 1.7% to 8.0% per annum with maturity periods ranging from within one year to more than five years. The Group's Gearing Ratio stood at a healthy level of 44.6%.

At the end of the reporting period, the Group's total equity reduced to RMB24,415 million. The Group's current assets and current liabilities were RMB19,715 million and RMB21,582 million, respectively. The Group's Current Ratio increased to 0.91 from 0.85 as at 31 December 2023, while Quick Ratio increased to 0.62 from 0.57 as at 31 December 2023.

The Board believes the Group will be able to continue to generate positive cash flows from its operations. With cash and bank deposits, including restricted cash, of RMB6,643 million as well as unutilised banking facilities, the Board considers that the Group has sufficient working capital for its operation and future development.

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

CHARGE ON ASSETS

At the end of the reporting period, the secured bank loans are secured by land and its concession rights of a subsidiary, leasehold lands and buildings of subsidiaries, other intangible assets of a subsidiary, investment property of a subsidiary and a personal guarantee provided by a shareholder of a 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 RMB2,349 million during the reporting period. The Group ensures that the remuneration packages for employees are determined based on their work performance, professional experience and the prevailing industry practice. Discretionary year-end bonus and shares award may be distributed to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

SIGNIFICANT INVESTMENT

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

Investment in Associates

	2024	2023
	RMB million	*RMB million*
Keda	**2,038**	1,950
Xingfa Aluminium	**1,872**	1,708
Others	**1,399**	1,207
	5,309	4,865

At the end of the reporting period, the Group held 26.11% and 8.01% equity interests in Xingfa Aluminium Holdings Limited ("Xingfa Aluminium") (Stock Code: 98) and Keda Industrial Group Co., Ltd. ("Keda") (listed on the Shanghai Stock Exchange, stock code: 600499), respectively. During the reporting period, the Group further acquired approximately 1% shares in Keda for a consideration of RMB172 million.

Xingfa Aluminium is one of the leading aluminium profile manufacturers in China, the core businesses of which include the manufacture and sale of construction aluminium profiles and industrial aluminium profiles. The Group considers that Xingfa Aluminium not only serves as a valuable investment with sustainable returns, but also as a good strategic investment. With extensive experience in the business of construction materials and industrial materials, Xingfa Aluminium has established various kinds of sales channels and a diverse customer base. During the reporting period, Xingfa Aluminium recorded a revenue of RMB18,855 million, and profit attributable to the shareholders of Xingfa Aluminium was RMB826 million.

Keda's businesses cover, among others, ceramic machinery, brick machinery, stone machinery and other building materials machinery manufacturing and sale, clean energy environmental protection equipment, lithium battery materials and smart energy. Keda's enterprise mission of "green solution, greener life" is consistent with the Group's strategy to promote green development. The Group will strengthen its connection with Keda by actively seeking business cooperation in overseas markets such as Africa and exploring new business development. During the reporting period, Keda recorded a revenue of RMB12,600 million, and profit attributable to the shareholders of Keda was RMB1,006 million.

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

Investment Properties

At the end of the reporting period, the Group's investment properties were RMB9,335 million. Increase of investment properties was mainly attributable to the construction on certain investment properties under development of RMB355 million, addition of a warehouse in Malaysia of RMB35 million and set-off with exchange loss on translation of RMB268 million, during the reporting period.

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

FINANCIAL INVESTMENTS

At the end of reporting period, the Group held long-term and short-term financial investments of approximately RMB1,976 million (31 December 2023: RMB1,946 million) and RMB5 million (31 December 2023: RMB16 million), respectively. The investment portfolio was comprised of 12.4% in listed equity securities (issued by PRC-based companies of: home improvement and furnishings shopping malls operating and property management), 5.8% in listed debt securities, 3.6% in unlisted debt securities, 74.3% in unlisted equity securities and 3.9% other financial investments.

During the reporting period, the Group recognised a fair value gain of approximately RMB65 million in profit or loss, recognised mark-to-market valuation net loss of approximately RMB97 million in other comprehensive income and approximately RMB13 million of exchange net gain on translation. Income from the portfolio amounted to approximately RMB26 million in the reporting period, representing dividend and interest incomes.

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

EVENT AFTER THE REPORTING PERIOD

There have been no significant events concerning the business or financial performance of the Group since 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 2024.

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 2024 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 that good corporate governance practices and business ethics are essential for achieving sustainable development, establishing investors' confidence in the Company and safeguarding and enhancing the interests of the Shareholders.

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

RESTRUCTURING OF SUSTAINABILITY COMMITTEE

The Board is pleased to announce that the Board has resolved to restructure the sustainability committee of the Company (the "Sustainability Committee") for the purposes of, among others, enhancing and assisting the Board in supervising, implementing and developing the Company's environmental, social and governance related work to ensure that the Company's operations comply with national policies, regulatory requirements and stakeholder expectations, and achieve long-term value creation, with effect from 28 March 2025.

Mr. Zuo Manlun, an executive Director and the chief executive, has been appointed as a member and the chairperson of the Sustainability Committee; Mr. Luo Jianfeng (an executive Director), Dr. Tao Zhigang (an independent non-executive Director), Mr. Cheng Dickson (an independent non-executive Director) and other senior management, have been appointed as members of the Sustainability Committee, with effect from 28 March 2025.

The terms of reference of the Sustainability Committee will be published on the websites of the Company (www.lesso.com) and the Stock Exchange (www.hkexnews.hk).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK20 cents per share for the year ended 31 December 2024 (the "Proposed Final Dividend") to the Shareholders whose names appear on the register of members of the Company on Friday, 20 June 2025, subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on Tuesday, 20 May 2025 (the "2025 AGM"). It is expected that the Proposed Final Dividend will be paid on Wednesday, 9 July 2025.

The total dividend for 2024 amounts to a total of HK20 cents per share (2023: HK20 cents per share), which represents a payout ratio of 34.1% (2023: 23.7%) of the profit attributable to the Shareholders for the year ended 31 December 2024.

CLOSURE OF REGISTER OF MEMBERS

(A) For Determining the Entitlement to Attend, Speak and Vote at the 2025 AGM

The record date for determining the entitlement to attend, speak and vote at the 2025 AGM will be Tuesday, 20 May 2025. The register of members of the Company will be closed from Friday, 16 May 2025 to Tuesday, 20 May 2025, both dates inclusive, during that period no transfer of shares of the Company will be registered. In order to be eligible to attend, speak and vote at the 2025 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 Thursday, 15 May 2025.

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

The record date for the Proposed Final Dividend will be Friday, 20 June 2025. The register of members of the Company will be closed from Wednesday, 18 June 2025 to Friday, 20 June 2025, both dates inclusive, during that 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, 17 June 2025.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.lesso.com). The 2024 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 2025

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

GLOSSARY

"Board"	the board of directors of the Company
"China" or "PRC"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
"Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Company" or "China Lesso"	China Lesso Group Holdings Limited
"Current Ratio"	the ratio of current assets to current liabilities
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"FVTOCI"	fair value through other comprehensive income
"FVTPL"	fair value through profit or loss
"Gearing Ratio"	the total debts divided by the sum of total debts and total equity
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the PRC
"Indonesia"	Republic of Indonesia
"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 C3 to the Listing Rules
"PE"	polyethylene

"PP-R"	polypropylene random
"PVC"	polyvinyl chloride
"Quick Ratio"	the ratio of current assets less inventories, properties from receivables settlement and asset held for sale, 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.