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LESSO 联塑
CHINA LESSO GROUP HOLDINGS LIMITED
中國聯塑集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2128)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2025**

The Board is pleased to announce the consolidated financial results of the Group for the year ended 31 December 2025.

HIGHLIGHTS

Compared to the last year consolidated financial results:

- Revenue decreased by 10.0% to RMB24,315 million
- Gross profit decreased by 8.4% to RMB6,683 million
- Profit for the year decreased by 26.5% to RMB1,204 million
- Basic earnings per share was RMB0.41, decreased by 25.5%
- The payment of a final dividend of HK20 cents per share is recommended for the year ended 31 December 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
REVENUE	3	24,314,932	27,026,490
Cost of sales		<u>(17,631,698)</u>	<u>(19,733,192)</u>
Gross profit		6,683,234	7,293,298
Other revenue, income and gains	3	572,908	736,707
Selling and distribution expenses		(1,561,218)	(1,600,688)
Administrative expenses		(1,578,847)	(1,624,526)
Impairment losses on financial and contract assets		(260,511)	(546,695)
Other expenses		(1,575,967)	(1,287,355)
Finance costs	4	(685,773)	(951,335)
Share of results of associates		94,936	103,550
Share of results of joint ventures		(4,241)	1,063
PROFIT BEFORE TAX	5	1,684,521	2,124,019
Income tax expense	6	(480,427)	(486,002)
PROFIT FOR THE YEAR		<u>1,204,094</u>	<u>1,638,017</u>
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		<u>(2,416)</u>	—
Share of other comprehensive income of associates		(128)	(11,882)
Exchange differences on translation of foreign operations		247,676	(723,597)
		<u>245,132</u>	<u>(735,479)</u>

	<i>Note</i>	2025 RMB'000	2024 <i>RMB'000</i>
Items that will not be reclassified to profit or loss:			
Defined benefit plan:			
Remeasurement gain		—	707
Income tax effect		—	(149)
Exchange differences on translation from functional currency to presentation currency		(86,449)	51,749
Equity instruments at fair value through other comprehensive income:			
Changes in fair value		(13,145)	(75,566)
Income tax effect		(6,552)	(21,754)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>138,986</u>	<u>(780,492)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,343,080</u></u>	<u><u>857,525</u></u>
Profit attributable to:			
Owners of the Company		1,261,640	1,683,900
Non-controlling interests		(57,546)	(45,883)
		<u><u>1,204,094</u></u>	<u><u>1,638,017</u></u>
Total comprehensive income attributable to:			
Owners of the Company		1,391,069	899,629
Non-controlling interests		(47,989)	(42,104)
		<u><u>1,343,080</u></u>	<u><u>857,525</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	8	<u><u>RMB0.41</u></u>	<u><u>RMB0.55</u></u>
Diluted		<u><u>RMB0.41</u></u>	<u><u>RMB0.55</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Note</i>	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		15,194,164	15,319,715
Right-of-use assets		2,699,002	2,578,186
Investment properties		9,216,239	9,335,283
Deposits paid for the purchase of land, property, plant and equipment		919,400	899,367
Goodwill		351,878	467,119
Other intangible assets		309,319	326,420
Interests in associates		5,395,748	5,309,098
Interests in joint ventures		14,915	28,222
Other financial assets	<i>9</i>	1,702,364	1,975,616
Loan receivables	<i>10</i>	167	1,851
Other non-current assets		1,702,208	1,659,729
Contract assets		39,929	40,928
Deferred tax assets		594,786	672,469
		<hr/>	<hr/>
Total non-current assets		38,140,119	38,614,003
CURRENT ASSETS			
Inventories	<i>11</i>	5,905,292	5,815,011
Properties from receivables settlement	<i>12</i>	613,342	491,881
Contract assets		290,344	317,552
Other financial assets	<i>9</i>	53,884	5,181
Loan receivables	<i>10</i>	176,729	281,842
Trade and bills receivables	<i>13</i>	3,326,590	3,938,504
Prepayments, deposits and other receivables		2,247,121	2,222,534
Cash and bank deposits		6,516,467	6,642,551
		<hr/>	<hr/>
		19,129,769	19,715,056
Asset held for sale		76,813	—
		<hr/>	<hr/>
Total current assets		19,206,582	19,715,056

		2025	2024
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Contract liabilities		2,459,957	2,560,202
Trade and bills payables	14	8,338,125	8,685,107
Other payables and accruals		1,692,937	1,376,297
Tax payable		420,191	340,588
Borrowings	15	6,268,140	8,556,717
Lease liabilities		77,834	62,774
Other financial liabilities		109	—
		<u>19,257,293</u>	<u>21,581,685</u>
Total current liabilities			
		<u>(50,711)</u>	<u>(1,866,629)</u>
NET CURRENT LIABILITIES			
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>38,089,408</u>	<u>36,747,374</u>
NON-CURRENT LIABILITIES			
Borrowings	15	11,272,515	10,672,102
Lease liabilities		469,532	354,112
Other long-term payables		4,919	4,184
Provision for long-term employee benefits		7,141	6,508
Other financial liabilities		3,915	—
Deferred tax liabilities		939,423	1,037,425
Deferred income		231,650	257,668
		<u>12,929,095</u>	<u>12,331,999</u>
Total non-current liabilities			
		<u>25,160,313</u>	<u>24,415,375</u>
Net assets			
EQUITY			
Share capital	16	135,344	135,344
Reserves		24,502,163	23,708,980
		<u>24,637,507</u>	<u>23,844,324</u>
Equity attributable to owners of the Company			
Non-controlling interests		522,806	571,051
		<u>25,160,313</u>	<u>24,415,375</u>
Total equity			

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 other financial liabilities which have been measured at fair value. These consolidated financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2025, the Group recorded net current liabilities of RMB50,711,000. The Group 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 in the foreseeable future. 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 amendments to HKAS 21 Lack of Exchangeability for the first time for the current year’s financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, joint ventures and associates for translation into the Group’s presentation currency were exchangeable, the amendments did not have any impact on the Group’s 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, investment income, loss on disposal of associates, (loss)/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 on debt restructuring with customers, gain from a bargain purchase, 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 2025 and 2024, 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 2025

	Southern China <i>RMB'000</i>	Other than Southern China <i>RMB'000</i>	Outside China <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment revenue					
Sale of goods relating to building materials and home improvement business	10,376,152	10,410,634	1,797,490	—	22,584,276
Sale of goods and services income relating to new energy business	136,693	94,476	229,929	—	461,098
Contract revenue from renovation and installation works	383,165	283,230	30,841	—	697,236
Income from environmental engineering and other related services	106,623	126,882	93,997	—	327,502
Logistics and other related services	31,888	6,183	7,395	—	45,466
Financial service income	4,042	2,929	—	—	6,971
Property rental and other related services	14,975	1,450	175,958	—	192,383
Revenue from external customers	11,053,538	10,925,784	2,335,610	—	24,314,932
Intersegment revenue	520,251	1,161,435	806,179	(2,487,865)	—
Total segment revenue	<u>11,573,789</u>	<u>12,087,219</u>	<u>3,141,789</u>	<u>(2,487,865)</u>	<u>24,314,932</u>
Segment results	3,339,961	2,750,516	588,359	4,398	6,683,234
Reconciliation:					
Interest income					150,904
Loss on fair value changes of investment properties					(97,560)
Gain on fair value changes of financial instruments at FVTPL					196,938
Investment income					16,029
Loss on disposal of associates					(5,929)
Loss on disposal of subsidiaries					(12,874)
Loss on debt restructuring with customers					(4,632)
Gain on termination of right-of-use assets					519
Gain from a bargain purchase					2,250
Exchange loss					(93,345)
Finance costs (other than interest on lease liabilities)					(659,975)
Share of results of associates					94,936
Share of results of joint ventures					(4,241)
Unallocated income and expenses					(4,581,733)
Profit before tax					<u>1,684,521</u>

	Southern China RMB'000	Other than Southern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment assets	24,015,570	7,615,218	11,360,936	—	42,991,724
Reconciliation:					
Interests in associates					5,395,748
Interests in joint ventures					14,915
Other financial assets					1,756,248
Deferred tax assets					594,786
Cash and bank deposits					6,516,467
Asset held for sale					76,813
Total assets					<u>57,346,701</u>
Other segment information					
Write-back of inventories to net realisable value, net	(39,483)	(9,366)	(15,781)	—	(64,630)
Depreciation and amortisation	1,003,252	434,159	140,651	—	1,578,062
Impairment of asset held for sale	—	—	48,019	—	48,019
Impairment of properties from receivables settlement, net	35,018	228	—	—	35,246
Impairment of goodwill	96,013	29,277	—	—	125,290
Impairment of loan receivables, net	43,100	—	—	—	43,100
Loss on modification of long-term lease receivables	36,945	—	—	—	36,945
Reversal of impairment of contract assets, net	(15,553)	—	77	—	(15,476)
Impairment of trade and bills receivables, net	197,014	16,391	24,187	—	237,592
Reversal of impairment of prepayments, net	(2,373)	(253)	—	—	(2,626)
Reversal of impairment of other receivables, net	(8,883)	2,481	1,697	—	(4,705)
Capital expenditure [#]	<u>1,321,637</u>	<u>642,763</u>	<u>496,402</u>	<u>—</u>	<u>2,460,802</u>

[#] 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 RMB42,373,000.

OPERATING SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2024

	Southern China <i>RMB'000</i>	Other than Southern China <i>RMB'000</i>	Outside China <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
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	<u>13,350,696</u>	<u>13,437,690</u>	<u>2,962,663</u>	<u>(2,724,559)</u>	<u>27,026,490</u>
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 a bargain purchase					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					<u>2,124,019</u>

	Southern China	Other than Southern China	Outside China	Eliminations	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
					<u>58,329,059</u>
Total assets					<u>58,329,059</u>
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 [#]	<u>1,661,664</u>	<u>524,161</u>	<u>745,897</u>	<u>—</u>	<u>2,931,722</u>

[#] 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.

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:

	2025			2024		
	Goods transferred at a point in time	Services transferred over time	Total	Goods transferred at a point in time	Services transferred over time	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers						
Sale of goods relating to building materials and home improvement business	22,584,276	—	22,584,276	24,765,280	—	24,765,280
Sale of goods and services income relating to new energy business	461,098	—	461,098	223,135	—	223,135
Contract revenue from renovation and installation works	—	697,236	697,236	—	922,777	922,777
Income from environmental engineering and other related services	—	327,502	327,502	—	277,223	277,223
Logistics and other related services	—	45,466	45,466	—	660,332	660,332
	<u>23,045,374</u>	<u>1,070,204</u>	24,115,578	<u>24,988,415</u>	<u>1,860,332</u>	26,848,747
Financial service income			6,971			16,045
Property rental and other related services			192,383			161,698
			<u>24,314,932</u>			<u>27,026,490</u>

By geographical locations:

	2025			2024		
	Goods transferred at a point in time <i>RMB'000</i>	Services transferred over time <i>RMB'000</i>	Total <i>RMB'000</i>	Goods transferred at a point in time <i>RMB'000</i>	Services transferred over time <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers						
Southern China	10,512,845	521,676	11,034,521	11,726,898	654,534	12,381,432
Other than Southern China	10,505,110	416,295	10,921,405	11,735,759	592,484	12,328,243
Outside China	2,027,419	132,233	2,159,652	1,525,758	613,314	2,139,072
	<u>23,045,374</u>	<u>1,070,204</u>	24,115,578	<u>24,988,415</u>	<u>1,860,332</u>	26,848,747
Financial service income			6,971			16,045
Property rental and other related services			192,383			161,698
			<u>24,314,932</u>			<u>27,026,490</u>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods:		
Building materials and home improvement business	2,288,054	2,897,210
New energy business	31,429	12,192
Contract revenue from renovation and installation works	126,033	37,495
Income from environmental engineering and other related services	26,912	57,161
Logistics and other related services	1,352	7,142
	<u>2,473,780</u>	<u>3,011,200</u>

Performance obligations

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

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 180 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:

	2025	2024
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Not more than 1 year	2,567,000	3,135,937
Over 1 year	446,102	290,968
	<u>3,013,102</u>	<u>3,426,905</u>

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

Other revenue, income and gains

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Bank interest income	35,712	54,705
Interest income from other loan receivables	25,837	21,972
Interest income from other financial assets	8,159	9,844
Interest income from long-term lease receivables	81,196	83,229
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Total interest income	150,904	169,750
	<hr/>	<hr/>
Government grants and subsidies	90,453	163,251
Gain on fair value changes of investment properties	—	24,616
Gain on fair value changes of financial instruments at FVTPL	196,938	65,807
Investment income	16,029	16,396
Gain on disposal/loss of control of subsidiaries	—	125,317
Gain on termination of right-of-use assets	519	25,524
Gain on disposal of right-of-use assets	—	773
Gain from a bargain purchase	2,250	4,297
Reversal of impairment of prepayment, net	2,626	—
Rental income	15,153	11,239
Exchange gain	—	63,115
Others	98,036	66,622
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	572,908	736,707
	<hr/> <hr/>	<hr/> <hr/>

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

4. FINANCE COSTS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Interest expenses on bank and other loans	741,298	1,031,264
Interest expenses on lease liabilities	25,798	26,424
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	767,096	1,057,688
Less: Interest capitalised	(81,323)	(106,353)
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	685,773	951,335
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5. PROFIT BEFORE TAX

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cost of inventories sold relating to building materials and home improvement business	16,306,573	17,837,463
Cost of goods and services relating to new energy business	487,735	283,491
Direct cost of renovation and installation works	555,959	728,713
Direct cost of environmental engineering and other related services	248,274	200,101
Direct cost of logistics and other related services	39,595	557,964
Direct cost of financial services	360	4,833
Direct cost of property rental and other related services	57,832	57,436
(Write-back)/write-down of inventories to net realisable value, net ^(a)	(64,630)	63,191
Depreciation of property, plant and equipment	1,404,827	1,446,391
Depreciation of right-of-use assets	139,214	154,351
Amortisation of other intangible assets ^(b)	34,021	55,457
Total depreciation and amortisation	1,578,062	1,656,199
Research and development costs	959,169	1,043,594
Loss on disposal of items of other intangible assets and property, plant and equipment	84,205	42,753
Loss/(gain) on fair value changes of investment properties	97,560	(24,616)
Loss on disposal of associates	5,929	—
Gain on fair value changes of financial instruments at FVTPL	(196,938)	(65,807)
Loss/(gain) on disposal/loss of control of subsidiaries	12,874	(125,317)
Gain from a bargain purchase	(2,250)	(4,297)
Gain on termination of right-of-use assets	(519)	(25,524)
Gain on disposal of right-of-use assets	—	(773)
Loss on debt restructuring with customers	4,632	6,538
Loss on modification of long-term lease receivables	36,945	—
Impairment of interest in associates ^(c)	25,562	8,537
Impairment of property, plant and equipment ^(c)	—	9,406
Impairment of other intangible assets ^(c)	574	—
Impairment of properties from receivables settlement, net ^(c)	35,246	49,364
Impairment of asset held for sale ^(c)	48,019	58,844
Impairment of goodwill ^(c)	125,290	52,113
Impairment of loan receivables, net	43,100	15,984
Impairment of long-term lease receivables	—	91,622
(Reversal of impairment)/impairment of contract assets, net	(15,476)	21,161
Impairment of trade and bills receivables, net	237,592	413,721
(Reversal of impairment)/impairment of prepayments, net ^(c)	(2,626)	38
(Reversal of impairment)/impairment of other receivables, net	(4,705)	4,207
Foreign exchange differences, net	93,345	(63,115)

Note:

- (a) The write-back/write-down of inventories to the net realisable value for the year are included in “cost of sales” in the consolidated statement of profit or loss.
- (b) The amortisation of other intangible assets for the year are included in “cost of sales”, “selling and distribution expenses”, “administrative expenses” and “other expenses” in the consolidated statement of profit or loss.
- (c) These impairment losses for the year are included in “other expenses” in the consolidated statement of profit or loss.

6. INCOME TAX EXPENSE

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current tax		
PRC	516,656	567,567
Hong Kong	89	1,897
Other jurisdictions	25,025	45,144
	<u>541,770</u>	<u>614,608</u>
(Over)/under provision in prior years		
PRC	(26,625)	(46,369)
Hong Kong	(3)	(175)
Other jurisdictions	(7,262)	1,698
	<u>(33,890)</u>	<u>(44,846)</u>
Deferred tax	<u>(27,453)</u>	<u>(83,760)</u>
Total tax charge for the year	<u><u>480,427</u></u>	<u><u>486,002</u></u>

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

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.50% (2024: 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 (2024: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.50% (2024: 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.

In accordance with the PRC tax laws, standard corporate income tax rate is 25%. 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% 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.

Income tax of other jurisdictions mainly arose from United States for the Group's operation, which has been provided at the federal rate of 21% and the state rates ranging from 6% to 10% on its estimated assessable profits during both years.

7. DIVIDENDS

	2025		2024	
	<i>HK\$</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$'000</i>
2024 final dividend paid (2024: 2023 final dividend paid)	0.20	620,483	0.20	620,483
Less: Dividends for shares held for share award scheme	0.20	(4,598)	0.20	(4,598)
		<u>615,885</u>		<u>615,885</u>
Equivalent to		RMB		RMB
		<u>566,251,000</u>		<u>560,751,000</u>

Subsequent to the end of the reporting period, a final dividend of HK\$20 cents in respect of the year ended 31 December 2025 per ordinary share in aggregate of HK\$616,253,000 has been declared by the Board to the owners of the Company whose names appear on the Company's register of members on 12 June 2026 (2024: final dividend of HK\$20 cents per ordinary share in aggregate of HK\$615,885,000). The amount of the final dividend declared for the year ended 31 December 2025 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 calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 3,079,886,400 (2024: 3,079,427,400) outstanding during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the impact of share option scheme and restricted share unit on share of results of associates. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2025	2024
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	1,261,640	1,683,900
Impact of share option scheme and restricted share unit on share of results of associates	126	—
Profit attributable to owners of the Company used in the diluted earnings per share calculation	<u>1,261,766</u>	<u>1,683,900</u>
	Number of shares	
	2025	2024
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	<u>(22,532,000)</u>	<u>(22,991,000)</u>
Adjusted weighted average number of ordinary shares of the Company in issue used in the basic and diluted earnings per share calculation	<u>3,079,886,400</u>	<u>3,079,427,400</u>

9. OTHER FINANCIAL ASSETS

	<i>Note</i>	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-current			
Debt instruments at FVTOCI:			
Debt securities listed in Hong Kong	<i>(i)</i>	58,001	115,403
US treasury bond	<i>(ii)</i>	77,738	—
		<u>135,739</u>	<u>115,403</u>
Debt instruments at FVTPL:			
Unlisted convertible loans	<i>(iii)</i>	24,033	71,228
Equity instruments at FVTOCI:			
Equity securities listed in the PRC		6,371	—
Equity securities listed in Hong Kong		36,544	216,240
Unlisted equity securities		1,055,187	1,183,303
		<u>1,098,102</u>	<u>1,399,543</u>
Equity instruments at FVTPL:			
Equity securities listed in PRC		86,705	30,000
Equity securities listed in Hong Kong		119,129	—
Unlisted equity securities	<i>(iv)</i>	140,860	288,676
		<u>346,694</u>	<u>318,676</u>
Funds at FVTPL:			
Stock funds		73,263	70,766
Derivative financial instruments:			
Put option		24,533	—
		<u>1,702,364</u>	<u>1,975,616</u>
Current			
Debt instruments at FVTPL:			
Unlisted convertible loans	<i>(iii)</i>	41,000	—
Derivative financial instruments:			
Forward commodity contracts	<i>(v)</i>	12,884	5,181
		<u>53,884</u>	<u>5,181</u>
		<u>1,756,248</u>	<u>1,980,797</u>

Note:

- (i) The debt securities carries fixed interest at rates of 7.50% (2024: 7.50%) per annum, payable semi-annually in arrears and will mature in May 2034 (2024: May 2034).
- (ii) The US treasury bond carries fixed interest at rates of 2.25% per annum, payable semi-annually in arrears and will mature in February 2052.
- (iii) Among the convertible loans, one convertible loan carries fixed interest at a rate of 6.00% (2024: 6.00%) per annum and contains a right to convert the loan into ordinary shares of the issuers after June 2023, while the other convertible loan is interest-free (2024: two convertible loans, interest-free and 6.00%, respectively) and contains a right to convert the loan into ordinary shares of the issuers with a maturity date of October 2026.
- (iv) The equity securities contained a puttable option were classified as equity instruments FVTPL.
- (v) The Group has entered into various forward commodity contracts in order to protect itself from adverse movements in raw material prices. The forward commodity contracts are not designated for hedge purposes and are measured at FVTPL. Changes in the fair value of non-hedging forward commodity contracts amounting to RMB9,064,000 (2024: RMB5,194,000) were recognised in profit or loss during the year.
- (vi) During the year ended 31 December 2025, the Group received dividends in the amounts of RMB16,029,000 (2024: RMB16,396,000) from the equity instruments at FVTOCI.

10. LOAN RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Non-current		
Finance lease receivables	167	1,500
Factoring receivables	—	351
	<u>167</u>	<u>1,851</u>
Current		
Finance lease receivables	124,827	126,787
Factoring receivables	312,783	304,649
Receivables from supply-chain financing services	29,920	99,139
	<u>467,530</u>	<u>530,575</u>
Less: Provision for impairment	<u>(290,801)</u>	<u>(248,733)</u>
	<u>176,729</u>	<u>281,842</u>
	<u>176,896</u>	<u>283,693</u>

The movements in the loss allowance for impairment of the Group's loan receivables are as follows:

	2025	2024
	Lifetime	Lifetime
	ECLs Stage 3	ECLs Stage 3
	RMB'000	RMB'000
At beginning of the year	248,733	382,436
Impairment losses for the year	43,100	15,984
Write-off	(1,032)	(149,687)
	<u> </u>	<u> </u>
At end of the year	<u>290,801</u>	<u>248,733</u>

(A) Finance lease receivables

	Minimum		Present value of minimum	
	lease receivables		lease receivables	
	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Not more than 1 year	124,860	127,070	124,827	126,787
Over 1 year but within 5 years	175	1,660	167	1,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	125,035	128,730	<u>124,994</u>	<u>128,287</u>
Less: Unearned finance income	<u> (41)</u>	<u> (443)</u>		
Present value of minimum lease receivables	<u>124,994</u>	<u>128,287</u>		

The Group's finance lease receivables are denominated in Renminbi. The effective interest rates of the receivables range from 5.89% to 10.23% (2024: 5.89% 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 (2024: Nil).

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

	2025	2024
	RMB'000	RMB'000
Not past due	370	5,604
Overdue	124,624	122,683
	<u> </u>	<u> </u>
	<u>124,994</u>	<u>128,287</u>

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, RMB115,230,000 (2024: RMB73,299,000) 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 3.50% to 11.04% (2024: 5.00% to 11.04%) per annum.

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
With a residual maturity of:		
Not more than 3 months	2,309	2,900
Over 3 months to 6 months	13,500	3,119
Over 6 months to 12 months	—	1,656
Over 12 months to 24 months	—	351
Overdue	296,974	296,974
	<hr/> 312,783 <hr/>	<hr/> 305,000 <hr/>

At the end of the reporting period, RMB174,051,000 (2024: RMB173,914,000) of the Group's factoring receivables was impaired.

(C) Receivables from supply-chain financing services

The Group's receivables from supply-chain financing services arise from the provision of supply-chain financing services to companies located in 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% (2024: 9.00% to 16.20%) per annum.

Certain receivables from supply-chain financing services amounting to RMB28,400,000 (2024: RMB97,619,000) 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:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
With a residual maturity of:		
Not more than 3 months	16,900	30,850
Over 3 months to 6 months	11,500	14,600
Over 6 months to 12 months	—	52,169
Overdue	1,520	1,520
	29,920	99,139

At the end of the reporting period, RMB1,520,000 (2024: RMB1,520,000) 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 reference 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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Manufacturing and trading	4,719,030	4,911,827
Property development	1,186,262	903,184
	5,905,292	5,815,011

(A) Manufacturing and trading

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Raw materials	1,559,479	1,497,179
Work in progress	611,684	665,619
Finished goods	2,547,867	2,749,029
	4,719,030	4,911,827

(B) Property development

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Property under development	<u>1,186,262</u>	<u>903,184</u>

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Completed property held for sale	<u>613,342</u>	<u>491,881</u>

As at 31 December 2025, properties from receivables settlement represented the completed properties held for sale of RMB613,342,000 (2024: RMB491,881,000) 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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables	6,277,019	6,617,006
Bills receivable	27,519	81,873
Less: Provision for impairment	<u>(2,977,948)</u>	<u>(2,760,375)</u>
	<u>3,326,590</u>	<u>3,938,504</u>

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:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Not more than 3 months	1,289,549	1,463,516
Over 3 months to 6 months	382,844	458,116
Over 6 months to 12 months	503,095	529,070
Over 1 year to 2 years	559,542	894,988
Over 2 years to 3 years	352,777	414,878
Over 3 years	238,783	177,936
	<u>3,326,590</u>	<u>3,938,504</u>

14. TRADE AND BILLS PAYABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade payables	3,505,297	3,491,040
Bills payable	4,832,828	5,194,067
	<u>8,338,125</u>	<u>8,685,107</u>

The trade payables are interest-free and are normally settled on terms of 30 to 180 days.

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Not more than 3 months	5,477,989	5,761,266
Over 3 months to 6 months	2,634,337	2,617,806
Over 6 months to 12 months	71,446	182,882
Over 1 year to 2 years	75,917	73,573
Over 2 years to 3 years	43,925	15,502
Over 3 years	34,511	34,078
	<u>8,338,125</u>	<u>8,685,107</u>

15. BORROWINGS

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Current		
Unsecured bank loans	3,328,715	4,968,294
Current portion of long-term unsecured bank loans	2,755,722	1,643,405
Secured bank loans	113,745	115,884
Current portion of long-term secured bank loans	52,159	8,127
Current portion of unsecured syndicated loans	17,000	1,808,243
Other borrowings	799	12,764
	<u>6,268,140</u>	<u>8,556,717</u>
Non-current		
Unsecured bank loans	6,535,083	6,485,478
Unsecured syndicated bank loans	4,352,774	4,137,607
Secured bank loans	384,658	49,017
	<u>11,272,515</u>	<u>10,672,102</u>
	<u>17,540,655</u>	<u>19,228,819</u>
Analysed into borrowings repayable:		
Within one year or on demand	6,268,140	8,556,717
In the second year	4,516,219	2,808,881
In the third to fifth years, inclusive	6,542,711	7,613,800
More than five years	213,585	249,421
	<u>17,540,655</u>	<u>19,228,819</u>

The carrying amounts of borrowings are denominated in the following currencies:

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
RMB	11,762,421	11,850,772
HK\$	3,250,298	3,654,818
US\$	2,082,341	3,390,927
Australian dollar	407,262	261,407
Thai baht	38,333	55,215
Tanzanian shilling	—	11,760
Malaysian ringgit	—	2,916
Philippine peso	—	1,004
	<u>17,540,655</u>	<u>19,228,819</u>

Note:

- (a) The effective interest rates of the Group's borrowings range from 1.60% to 5.45% (2024: 1.70% to 8.00%) per annum.
- (b) Certain of the Group's bank loans are secured by:
- (i) the Group's investment property situated in Australia, which had a carrying value at the end of the reporting period of RMB351,690,000 (2024: RMB338,025,000);
 - (ii) the Group's land and construction thereon and machinery with a net carrying value at the end of the reporting period of RMB98,940,000 (2024: RMB95,688,000);
 - (iii) the Group's other intangible assets with a net carrying value at the end of the reporting period of RMB21,310,000 (2024: RMB30,047,000);
 - (iv) personal guarantee provided by shareholders of subsidiaries; and
 - (v) guarantee provided by shareholders of subsidiaries.

16. SHARE CAPITAL

Shares

	2025	2024
Authorised:		
20,000,000,000 (2024: 20,000,000,000) ordinary shares of HK\$0.05 each	<u>HK\$1,000,000,000</u>	<u>HK\$1,000,000,000</u>
Issued and fully paid:		
3,102,418,400 (2024: 3,102,418,400) ordinary shares of HK\$0.05 each	<u>HK\$155,120,920</u>	<u>HK\$155,120,920</u>
Equivalent to	<u>RMB135,344,000</u>	<u>RMB135,344,000</u>

17. COMMITMENTS

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

	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment and investment properties	<u>1,738,628</u>	<u>1,735,048</u>

CORPORATE PROFILE

China Lesso Group Holdings Limited (Stock Code of Hong Kong Stock Exchange: 2128) is a leading large-scale industrial group that manufactures piping and building materials. After more than 39 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, and new energy.

The Group has established over 50 factories worldwide. The Group is expanding the global sales network that enables 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 hundreds of thousands 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,

In 2025, the global economic recovery was constrained by multiple factors, while China's economy maintained steady growth. The country's gross domestic product (GDP) expanded by 5.0% year-on-year, with the total GDP exceeding RMB140 trillion for the first time. The structure of infrastructure investment was optimised, with investment in the pipeline transportation sector bucking the trend and increasing by 36.0%, generating stable demand for the plastic piping industry. However, the industry still faced challenges such as market fluctuations, overcapacity and intense competition, while the real estate, new energy, and environmental protection sectors were also undergoing periods of adjustment.

In response to the complex market environment, the Group has steadfastly maintained a strong focus on the plastic piping systems and implemented a prudent development strategy, achieving stable performance in its core business. In terms of municipal affairs, the Group was deeply involved in key projects such as urban renewal, pipeline upgrading and sewage treatment across China. In terms of agriculture, the Group also deepened its operations in several major agricultural provinces across the country, further increasing the market share for agricultural specialised piping, while successfully expanding into overseas agricultural markets in Africa and Southeast Asia.

The Group continued to expand its overseas market presence, with operations spanning multiple countries and regions in Southeast Asia, Central Asia and Africa. The Group has also established production bases in Indonesia, Thailand, Malaysia, Cambodia, Vietnam and the Philippines in Southeast Asia, Tanzania and Angola in Africa, Uzbekistan in Central Asia and other places. The Group accelerated the localisation of its overseas operations, with coordinated development across three key regional markets in Southeast Asia, Africa and North America.

In terms of technological innovation, the Group achieved international leading breakthroughs in the research and development of specialised industrial piping, with the application scope for various high value-added products expanded, driving the construction of smart factories to achieve digitalised production. Production volume and capacity utilisation rate remained at high levels throughout the year. The Group's core competitive advantages continued to be strengthened, earning multiple industry honors, including being named one of the Top 100 Light Industry Enterprises in China.

The year 2026 marks an important milestone for the Group as it enters its 40th anniversary, with the establishment of its overall strategic vision of “maintaining a strong focus on the piping business while steadily expanding its international footprint”. The Group will adhere to the direction of focusing on core business, optimising structure, expanding domestically and internationally, and pursuing innovation-driven development, propelling its high-quality development. The Group will allocate its capital expenditure to its piping business, continuing to increase investment in research and development to make great efforts to develop high value-added products such as specialised industrial pipes and high-end environmental protection pipes. In addition, it will strategically explore the domestic municipal, agricultural, and commercial and industrial sectors to further strengthen its market share in core markets.

At the same time, the Group is accelerating the commencement of operations at ten overseas production bases, including those in Nigeria, Bangladesh and Texas in the United States, to enhance its global production and market presence in Southeast Asia, Africa, South America, and North America. The Group will continue to advance the establishment of localised production, sales, and service systems in overseas markets, positioning foreign operations as a core growth driver.

The Group will uphold prudent strategies and enhance financial management, continuously optimise its debt structure to strengthen cash flow management. The Group will also refine its Shareholder dividend distribution policy, establish and improve a comprehensive risk management system and strengthen its capabilities to anticipate and respond to operational risks, ensuring its sound and sustainable development.

The steady development of the Group would not be possible without the trust and support of our Shareholders, the dedication and contributions of all our employees, and the collaboration and partnership of our business partners. Hereby, I would like to express our most sincere gratitude on behalf of the Board of the Group. Standing at this new starting point marking our 40th anniversary, powered by technological innovation, guided by market demand, and grounded in Shareholder interests, China Lesso will continue to further consolidate its leading position in the piping industry, accelerate its global expansion to continuously advance towards its goal of becoming a world-leading piping and building materials enterprise, thereby delivering greater value for the Shareholders, customers, and society.

Wong Luen Hei

Chairman of the Board

Hong Kong, 30 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2025, the global economic recovery remained constrained by factors such as geopolitical uncertainties and rising trade protectionism, with regionalisation trends becoming more pronounced. In 2025, China's economy maintained steady growth, and its gross domestic product (GDP) increased by 5% year on year, with total economic output surpassing RMB140 trillion for the first time. Targeted macro-control policies were effectively implemented, the economic structure continued to improve and the potential of domestic demand was gradually unleashed, providing solid support for the development of the real economy.

At the policy level, China continued to advance the “implementation of major national strategies” and the “development of security capabilities in key areas”. Investment efforts remained focused on infrastructure development, with municipal engineering, agricultural and rural infrastructure, and supporting facilities for new industrialisation emerging as core areas of investment. In particular, the modernisation of agriculture and rural regions accelerated, with numerous projects related to farmland water conservancy and rural pipeline network renovations being launched across the country. In the municipal sector, urban renewal initiatives, sewage treatment projects, and pipeline network upgrades continued to progress, creating stable demand for the plastic pipe industry. Although overall infrastructure investment growth moderated in 2025, structural optimisation became more evident. Investments in key areas increased against the trend, with investment in the pipeline transportation industry surging by 36.0%.

Meanwhile, with the in-depth implementation of the “dual carbon” strategy, green manufacturing as well as energy conservation and carbon reduction have become the dominant themes of industry development. Demands for high-performance and environment-friendly piping products continued to grow rapidly, along with increasing demand for specialised pipeline solutions in emerging sectors such as nuclear power, hydrogen energy and oil and gas transportation, driving further upgrade to the industry's product structure.

The real estate market showed signs of improvement amid sustained policy support. A series of supportive measures were introduced in core cities, leading to a gradual recovery in market sentiment. Steady progress was made in “ensuring timely deliveries of pre-sold homes”. However, the industry as a whole remained in an adjustment phase. Financial pressures on private real estate companies have yet to be fully alleviated, constraining the recovery of the building materials and home improvement industries.

From a competitive landscape perspective, the plastic pipe industry continued to face challenges such as overcapacity and intense internal competition, with fierce price competition in the market and unresolved cash-flow constraints among customers. The new energy sector remained in a phase of in-depth adjustment, characterised by issues including overcapacity and international trade barriers. In addition, affected by the fiscal pressures on local governments, the environmental protection industry experienced a slowdown in project implementation, placing pressures on operational efficiency and profitability.

BUSINESS OVERVIEW

In 2025, China Lesso adhered to its development philosophy of “further developing the piping business and capitalising on the emergence of green energy for mutual benefit”, together with its operating principle of “striving for customer satisfaction by prioritising quality and driving its development with industry-leading technology”. The Group steadfastly implemented a prudent development strategy, anchored by its core piping business. Leveraging a light-asset operating model, the Group actively expanded its overseas presence while deepening its core brand strategy centred on “quality, platform development, and global expansion”. Through continuous technological upgrades and service enhancements, the Group steadily unlocked long-term value and achieved sustainable development, demonstrating strong operational resilience and core competitiveness amid a complex market environment.

During the year, the Group received numerous accolades and recognition from various sectors, including ranking 338th on the “2025 Top 500 Chinese Listed Companies Brands” list, 8th among China’s Top100 Light Industry Enterprises, and being named one of the 2025 Top 10 Plastic Pipe Brands in China as well as the 2025 Top 10 Green Brands in China’s Piping and Pipe Materials Industry. These achievements not only represent authoritative recognition of China Lesso’s overall strength, but also reaffirm the growing influence and innovation capabilities of the Lesso brand, further highlighting the Group’s leading role and strong growth vitality in economic development.

Revenue by Region[#]

	Revenue		Change	% of total revenue	
	2025	2024		2025	2024
	<i>RMB million</i>	<i>RMB million</i>			
Southern China	11,053	12,404	(10.9%)	45.5%	45.9%
Other than Southern China	10,926	12,336	(11.4%)	44.9%	45.6%
Outside China	2,336	2,286	2.2%	9.6%	8.5%
	<u>24,315</u>	<u>27,026</u>	<u>(10.0%)</u>	<u>100.0%</u>	<u>100.0%</u>

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

For the year ended 31 December 2025, the number of the Group's independent and exclusive first-tier distributors across the country increased to 3,107 (2024: 2,978). Southern China remained the Group's major revenue-contributing market, accounting for 45.5% of the Group's total revenue (2024: 45.9%), while the revenue from other regions accounted for 54.5% (2024: 54.1%).

Revenue by Business Unit

	Revenue		Change	% of total revenue	
	2025	2024		2025	2024
	<i>RMB million</i>	<i>RMB million</i>			
Plastic piping systems	20,784	22,819	(8.9%)	85.5%	84.4%
Building materials and home improvement	1,842	2,271	(18.9%)	7.6%	8.4%
Others	1,689	1,936	(12.8%)	6.9%	7.2%
	<u>24,315</u>	<u>27,026</u>	<u>(10.0%)</u>	<u>100.0%</u>	<u>100.0%</u>

In terms of performance, affected by declining raw material prices and subdued overall market sentiment, coupled with the completion of the spin-off and separate listing of EDA Group Holdings Limited ("EDA", Stock Code: 2505), the revenue from which was no longer consolidated into the results of the Group, the revenue of the Group decreased. Nevertheless, the core piping business delivered sound performance, with its revenue remaining resilient and sales volume in 2025 remaining broadly flat compared with 2024. The Group recorded revenue of RMB24,315 million (2024: RMB27,026 million).

Gross profit amounted to RMB6,683 million (2024: RMB7,293 million), with a gross profit margin of 27.5% (2024: 27.0%). The slight improvement in gross profit margin was mainly due to the Group's proactive streamlining of certain businesses with low gross profit margin and operating efficiency. Due to a decline in sales, the Group's EBITDA decreased by 16.6% to RMB3,948 million (2024: RMB4,732 million), while the EBITDA margin was 16.2% (2024: 17.5%). Profit before tax decreased by 20.7% to RMB1,685 million (2024: RMB2,124 million).

Net profit margin was 5.0% (2024: 6.1%). Profit attributable to owners of the Company decreased by 25.1% to RMB1,262 million (2024: RMB1,684 million). Save as above factors, the decline in profit during the reporting period, also due to increase in an initial operating and development expenses related to overseas markets, and set-off with reduced financing costs resulting from optimized debt structure and partial debt repayment. Basic earnings per share were RMB0.41 (2024: RMB0.55). The effective tax rate was 28.5% (2024: 22.9%).

To express gratitude to the Shareholders' support and to share the results of the Group's efforts, the Board recommended the payment of a final dividend of HK20 cents per share for the year ended 31 December 2025 (2024: HK20 cents per share).

BUSINESS REVIEW AND OUTLOOK

Plastic Piping Systems

In 2025, the plastic piping system industry maintained a stable development, supported by the government's continued investment in infrastructure. Guided by the national policy directions, the Group flexibly adjusted its resource allocation in response to market changes and continued to deepen its core plastic piping systems business, further consolidating and strengthening its competitive advantages. At the same time, the Group actively advanced the synergistic expansion of both domestic and overseas markets and systematically implemented its diversified product strategy, thereby reinforcing its market layout and long-term growth momentum.

Revenue by Region

	Revenue			% of revenue	
	2025	2024	Change	2025	2024
	<i>RMB million</i>	<i>RMB million</i>			
Southern China	9,470	10,605	(10.7%)	45.5%	46.5%
Other than Southern China	9,924	11,039	(10.1%)	47.8%	48.4%
Outside China	1,390	1,175	18.3%	6.7%	5.1%
Total	20,784	22,819	(8.9%)	100.0%	100.0%

Revenue by Product Application

	Revenue			% of revenue	
	2025	2024	Change	2025	2024
	<i>RMB million</i>	<i>RMB million</i>			
Water supply	8,630	9,129	(5.5%)	41.5%	40.0%
Drainage	7,244	8,299	(12.7%)	34.9%	36.4%
Power supply and telecommunications	2,816	3,215	(12.4%)	13.5%	14.1%
Gas transmission	475	459	3.6%	2.3%	2.0%
Others	1,619	1,717	(5.8%)	7.8%	7.5%
Total	20,784	22,819	(8.9%)	100.0%	100.0%

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

	Average selling price			Sales volume			Revenue		
	2025	2024	Change	2025	2024	Change	2025	2024	Change
	<i>RMB</i>	<i>RMB</i>		<i>Tonne</i>	<i>Tonne</i>		<i>RMB million</i>	<i>RMB million</i>	
PVC products	6,400	7,183	(10.9%)	1,769,970	1,799,177	(1.6%)	11,327	12,923	(12.4%)
Non-PVC products	13,058	14,473	(9.8%)	724,227	683,723	5.9%	9,457	9,896	(4.4%)
Total	8,333	9,191	(9.3%)	2,494,197	2,482,900	0.5%	20,784	22,819	(8.9%)

As the Group's core business, the plastic piping systems business maintained stable revenue in 2025, supported by a solid technological foundation, a comprehensive product portfolio and an extensive market presence. In 2025, the plastic piping systems business recorded revenue of RMB20,784 million (2024: RMB22,819 million), accounting for 85.5% of the total revenue of the Group (2024: 84.4%).

In 2025, the Group's overall sales volume increased by 0.5% year on year. Sales volume of PVC products declined by 1.6% year on year to 1,769,970 tonnes (2024: 1,799,177 tonnes), while that of non-PVC products increased by 5.9% year on year to 724,227 tonnes (2024: 683,723 tonnes). Revenue from sales of PVC products decreased by 12.4% year on year to RMB11,327 million (2024: RMB12,923 million), while revenue from sales of non-PVC products decreased by 4.4% year on year to RMB9,457 million (2024: RMB9,896 million).

Both PVC and non-PVC products prices recorded a decline. The average selling price of the plastic piping products was RMB8,333 per tonne (2024: RMB9,191 per tonne), representing an overall decrease of 9.3%. Although the gross profit margin of the plastic piping systems business declined as a result of lower selling prices, it remained at a reasonable level of 28.2% (2024: 28.7%). Net profit and net profit margin decreased due to the combined impact of lower selling price and reduced gross profit margin.

Business operations benefited significantly from the two core sectors of municipal infrastructure and agriculture. In terms of municipal affairs, the Group was deeply involved in key projects such as urban renewal, pipeline upgrading and sewage treatment across China, with its high-quality products and comprehensive solution capabilities being widely recognised by the market. In the agriculture sector, the Group seized opportunities arising from the modernisation of agriculture and rural development, and continued to deepen its operations in major agricultural provinces such as Yunnan, Sichuan, Gansu, Changchun, Hebei and Hainan, while actively expanding into overseas agricultural markets in Africa and Southeast Asia, thereby further increasing the market share for agricultural-specific piping products.

In terms of product and technological innovation, the Group continued to advance its product diversification strategy, driving development through technological innovation and consistently promoting technological upgrades across the industry, achieving significant breakthroughs in the research and development of specialised industrial piping, all of which have reached internationally leading standards. In particular, the market application scope of large-diameter polyethylene electrofusion fittings, high-performance chlorinated polyvinyl chloride (PVC-C) piping systems for fire services, polyethylene (PE) pipes and fittings for nuclear power plants, HDPE clamp pipes, internationally leading composite pipes for coal mining, multi-layer PP-R pipes and high-transparency electrical conduits continued to expand. In terms of production, the Group remained committed to leveraging new-generation information technologies including AI, 5G, the Internet and the IoT to upgrade and establish smart factories, thereby enhancing automation in production process and advancing digital operational management.

In terms of production and channel layout, in addition to operating several large-scale production bases in China, the Group has established production facilities in Indonesia, Thailand, Malaysia, Cambodia, Vietnam, the Philippines, Tanzania and Angola in Africa, as well as Uzbekistan in Central Asia and other places. In 2025, the annual designed production capacity of plastic piping systems reached 3.4 million tonnes, and the capacity utilisation rate was maintained at a reasonable level of above 70%, with both production efficiency and product quality improving simultaneously. Revenue from the Chinese market accounted for 93.3% (2024: 94.9%), with the remaining portion derived from overseas markets.

In terms of market expansion, the Group continued to optimise its customer structure in the domestic market, strengthened strategic cooperation with government departments and leading central and state-owned enterprises in the infrastructure sector, and actively participated in major national engineering projects. Through the “Lesso Direct” online platform, the Group further expanded its service coverage, with the platform’s membership base and service-provider network continuing to grow. The Group continued to expand its overseas market presence, with operations spanning multiple countries and regions across Southeast Asia, Central Asia and Africa, and its localised production and sales systems gradually improving. The Group accelerated the localisation of its overseas operations, achieving coordinated development across three key regional markets, namely Southeast Asia, Africa and North America. Following the commencement of operations at the production base in Ethiopia in May 2025, the production bases in the Philippines and Uzbekistan also commenced operations smoothly in September and November, respectively, further accelerating the Group’s high-quality overseas expansion and supporting the continued growth of its business scale.

Looking ahead to 2026, the plastic piping systems business will remain the Group's strategic core. Ten overseas production bases, including those in Nigeria, Bangladesh, Laos, South America and Texas in the United States, are planned to commence operations successively, further enhancing the Group's global production capacity and market presence. In terms of market development, the Group will continue to deepen its presence in the municipal and agricultural sectors while actively expanding into the industrial and commercial markets. In terms of products, the Group will focus on high value-added products offerings, such as specialised industrial piping and high-end environmental piping to drive the ongoing upgrading of its product structure. In terms of technology, the Group will continue to increase its investment in research and development, enhancing the technological capabilities and market competitiveness of its products, thereby further consolidating its leading position in the industry.

Building Materials and Home Improvement

In 2025, amidst the profound adjustments in the real estate sector, the Group strategically reviewed and suspended certain real estate-related projects and operations, which consequently weighed on the performance of this segment. The business recorded full-year revenue of approximately RMB1,842 million, with its contribution to the Group's total revenue decreasing to 7.6%, representing a further decline compared with 2024. Although supportive real estate policies introduced in major core cities across China helped stimulate some market sentiment to some extent, the overall industry recovery remained sluggish. Procurement demand from property developers stayed cautious, homebuyers' confidence has yet to fully recover, and market demand remained subdued. In response to market challenges, the Group proactively adjusted its development strategy, optimised its customer structure, significantly reduced reliance on private real estate enterprises, and reallocated resources towards central state-owned enterprises, local state-owned enterprises and government clients, thereby enhancing overall business stability.

Looking ahead to 2026, the Group will continue to optimise its customer structure and maintain long-term cooperation with central government-owned enterprises, state-owned enterprises and government clients. At the same time, leveraging the nationwide distribution network of its plastic piping business, the Group aims to further enhance market coverage and strive for stable, sustainable business development.

Others

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

Affected by the broader industry environment, operational pressure on the environmental protection business intensified during the year. The segment recorded full-year revenue of approximately RMB328 million, falling short of the targeted expectations. The primary challenges stemmed from tight fiscal conditions among local governments, a slowdown in project implementation, and pronounced industry overcapacity, which together led to weaker operating performance in non-core environmental protection operations. In response to industry adjustments, the Group actively optimised the structure of its environmental protection business. It continuously reviewed its business portfolio, focused on core environmental protection operations, and conducted comprehensive assessments of non-core and low-efficiency businesses to explore the direction of adjustment. Meanwhile, the Group closely followed national environmental protection policy directions to expand into projects with growth potential and deepened collaboration with government departments. These efforts aim to enhance operational efficiency and achieve light-asset and high-quality development in this segment.

The new energy industry remained in a phase of profound adjustment, with persistent challenges such as overcapacity, frequent price competition and international trade barriers continuing to constrain industry development. The Group's new energy business recorded full-year revenue of approximately RMB461 million. Against the backdrop of these industry headwinds, the Group proactively adjusted its development strategy and gradually shifted its business focus towards overseas markets to mitigate intense competition in the domestic market. At the same time, the Group adhered to a prudent investment approach by streamlining non-core investments, maintaining the stability of its core technical team, and preserving existing production capacity and operational efficiency. The Group will continue to adjust its development direction and operating strategies in a timely manner in response to market changes.

The supply chain service platform business achieved full-year revenue of RMB320 million. The Group will keep developing the business prudently while actively evaluating overseas assets, gradually divesting or converting them to rental use based on prevailing market conditions, with a view to optimising its financial position, improving cash flow, and maximising shareholder value.

FUTURE STRATEGIES

The year 2026 marks an important milestone for China Lesso as it enters its 40th anniversary. In response to a complex market environment and ongoing industry challenges, the Group will steadfastly uphold its overarching strategic vision of maintaining a strong focus on the piping business while steadily expanding its international footprint. The Group will resolutely strengthen the competitiveness and advantages of its core business, timely adjust its business strategies and priorities, and proactively address market risks, thereby driving high-quality development over the long term and striving for sustained growth in the decade ahead.

As the opening year of China’s “15th Five-Year Plan,” the State will prioritise the advancement of “Six Networks”, namely water networks, power grids, computing power networks, next-generation communications networks, urban underground pipeline networks, and logistics networks, along with infrastructure development in key sectors. Preliminary estimates indicate that related investment will exceed RMB7 trillion. It is expected that the substantial investment in underground pipeline networks alone will generate market opportunities of approximately RMB1.5 trillion to RMB2 trillion for the piping industry, supporting a sustained upward industry cycle. As a leading plastic piping enterprise in China, the Group, leveraging its accumulated core strengths, is well positioned to be one of the most competitive beneficiaries of this new round of “Six Networks” infrastructure investment.

Focusing on Core Business and Strengthening Resource Allocation

With the plastic piping and fitting business as its core development focus, the Group plans to accelerate the commencement of operations at overseas production bases and further streamline its global production layout, with a view to enhancing production capacity and expanding market coverage for its core business. The Group will also continue to increase investment in technological research and development to drive product portfolio upgrades. In addition, it will strategically strengthen its foothold in core domestic markets by capturing infrastructure investment opportunities across municipal, agricultural, and commercial and industrial sectors.

Accelerating Overseas Expansion and Deepening Localisation Development

Positioning overseas operations as a core growth driver for future growth, the Group will continue to advance the establishment of localised production, sales, and service systems across international markets. The Group will focus on further development in Southeast Asia, Africa, South America, and North America markets, while optimising its overseas sales network and production base layout to enhance overall operational efficiency. The Group will also provide tailored products and solutions to meet the specific needs of different regions, bolstering product competitiveness and ensuring the steady and sustainable development of its overseas operations.

Optimising Business Structure to Enhance Operational Efficiency

The Group remains committed to continuous optimisation of its business structure. For the building materials and home improvement business, the Group will focus on enhancing its customer base and deepening cooperation with central enterprises, state-owned enterprises and government entities. For the environmental protection and new energy businesses, the Group will concentrate on core areas, implement restructuring or adjustments for low-efficiency and non-core operations, and allocate resources towards high-potential segments, with an aim of improving overall operational efficiency and capital effectiveness.

Improving Product and Customer Structure to Expand Growth Opportunities

On the product front, the Group will intensify efforts to develop high value-added products, including specialised industrial pipes and high-end environmental protection piping, while further consolidating its position in traditional plastic piping markets. These initiatives are aimed at driving product upgrades towards higher quality and greater technological sophistication. On the customer front, the Group will further integrate resources from central enterprises, state-owned enterprises and government entities, while deepening strategic partnerships with leading infrastructure enterprises. By reducing reliance on higher-risk customers, the Group seeks to enhance overall business stability and strengthen risk resilience.

Optimising Financial Structure to Increase Shareholder Returns

The Group will continue its prudent financial strategies and proactively optimise its debt structure to further reduce gearing level, lower financing costs, and enhance financial stability. The Group will also strengthen cash flow management and improve capital utilisation efficiency to ensure the smooth operation of its business and investment activities. In addition, the Group will further refine its shareholder return mechanism by continuously optimising its dividend distribution policy, sharing the fruits of its development with shareholders and enhancing long-term shareholder confidence.

Strengthening Risk Control and Safeguarding Operational Risks

The Group will continue to establish and enhance a comprehensive risk management system, strengthening its capabilities to anticipate, identify, and respond to a wide range of risks, including geopolitical developments, adjustments in the real estate sector, industry overcapacity, intensified competition, and customer liquidity constraints. The Group will closely monitor policy changes in overseas markets and optimise its risk response strategies for its international operations. At the same time, the Group will closely track the pace of recovery in the real estate sector to enable timely adjustments to related business strategies. To address challenges arising from overcapacity and heightened competition, the Group will focus on product upgrades, cost control, and differentiated competitive strategies. Furthermore, the Group will continue to optimise its customer credit management system to improve capital recovery efficiency and effectively mitigate customer credit risks.

SUMMARY

Looking ahead to 2026, China Lesso will celebrate its 40th anniversary, marking a new starting point for the Group's continuous expansion of its business footprint. With plastic pipes and pipe fittings as its core business and overseas operations as a key growth driver, the Group will adhere to its strategic direction of "focusing on core business, optimising structure, expanding domestically and internationally, and pursuing innovation-driven development". The Group will allocate greater resources to its core business, accelerate its overseas expansion and localisation initiatives, continuously optimise its business and customer structure, and actively explore new markets and application fields. Meanwhile, the Group will strengthen risk management and financial structure optimisation to enhance overall core competitiveness and operational efficiency. Going forward, the Group will continue to uphold its commitment to high-quality development. Powered by technological innovation, guided by market demand, and grounded in shareholder interests, China Lesso will navigate market challenges, seize development opportunities, and advance steadily towards its vision of becoming a world-leading piping and building materials enterprise, thereby creating greater value for shareholders, customers, and the society.

CAPITAL EXPENDITURE

During the reporting period, the Group's capital expenditure was approximately RMB2,461 million, which was primarily used for construction of overseas production bases, procurement of equipment, and development 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 RMB18,088 million, of which 12.7% was denominated in US dollar, 18.0% was denominated in HK dollar, 66.6% was denominated in RMB, 2.3% was denominated in Australian dollar and 0.4% was denominated in other currencies. The Group's borrowings are subject to effective interest rates ranging from 1.60% to 5.45% per annum with maturity periods ranging from within one year to more than five years. The Group's Gearing Ratio fell to 41.8% on lower debt.

At the end of the reporting period, the Group's total equity increased to RMB25,160 million. The Group's current assets and current liabilities were RMB19,207 million and RMB19,257 million, respectively. The Group's Current Ratio increased to 1.00 from 0.91 as at 31 December 2024, while Quick Ratio increased to 0.65 from 0.62 as at 31 December 2024.

The Board believes the Group will be able to generate positive cash flows from its operations. With cash and bank deposits, including restricted cash, of RMB6,516 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

Save as disclosed in the note 15 to this announcement, at the end of the reporting period, the Group had no other assets pledged.

CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

At the end of the reporting period, the Group employed a total of approximately 21,400 employees including directors. Total staff costs were RMB2,286 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

	2025 <i>RMB million</i>	2024 <i>RMB million</i>
Keda	2,133	2,038
Xingfa Aluminium	1,958	1,872
Others	1,305	1,399
	<u>5,396</u>	<u>5,309</u>

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.

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 RMB20,700 million, and profit attributable to the shareholders of Xingfa Aluminium was RMB632 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 RMB17,389 million, and profit attributable to the shareholders of Keda was RMB1,309 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 RMB9,216 million. Increase of investment properties was mainly attributable to the construction on certain investment properties under development of RMB208 million, changes in fair value and exchange loss on translation of RMB141 million, and reduction of RMB186 million of investment properties resulted from disposals and transfer to asset held for sale, during the reporting period.

Among these investment properties, the properties in Toronto, Canada, Long Island in the 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.

EVENT AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the annual results of the Group for the year ended 31 December 2025.

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 2025 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.

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 2025 (the "**Proposed Final Dividend**") to the Shareholders whose names appear on the register of members of the Company on Friday, 12 June 2026, subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on Thursday, 28 May 2026 (the "**2026 AGM**"). It is expected that the Proposed Final Dividend will be paid on or about Friday, 10 July 2026.

The total dividend for 2025 amounts to a total of HK20 cents per share (2024: HK20 cents per share), which represents a payout ratio of 44.4% (2024: 34.1%) of the profit attributable to the Shareholders for the year ended 31 December 2025.

CLOSURE OF REGISTER OF MEMBERS

(A) For Determining the Entitlement to Attend, Speak and Vote at the 2026 AGM

The record date for determining the entitlement to attend, speak and vote at the 2026 AGM will be Thursday, 28 May 2026. The register of members of the Company will be closed from Tuesday, 26 May 2026 to Thursday, 28 May 2026, 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 2026 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 Friday, 22 May 2026.

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

The record date for the Proposed Final Dividend will be Friday, 12 June 2026. The register of members of the Company will be closed from Wednesday, 10 June 2026 to Friday, 12 June 2026, 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, 9 June 2026.

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 2025 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, 30 March 2026

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, Mr. Luo Jianfeng, Dr. Song Keming and Mr. Huang Zhanxiong; 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
“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.