

2020 Interim Results Corporate Presentation August 2020

ANNIVERSARY OF LISTING

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Agenda



Results highlights

- Against the backdrop of the COVID-19 outbreak, the Group was steadily resuming production and proactively captured opportunities that arose from a recovery in the market recovery in Q2 when the situation of the pandemic stabilized, achieving growth in its overall business in the 1H2020 despite the unfavorable situation
 - Revenue: RMB11,492 million, +3.2%
 - Gross profit: RMB3,380 million, +5.6%
 - Profit attributable to the owners of the Company: RMB1,388 million, +9.8%
 - The Board of Directors announced payment of an interim dividend of HK12 cents per share (1H2019: HK12 cents per share)
- Took prompt measures to cope with the situation and overcame the difficulties, the Group did not have any significant impact on its sales of plastic pipes and pipe fittings
 - Sales volume of plastic piping systems: 1.08 million tonnes, +7.1%



- Revenue: RMB10,141 million, +0.7%
- Gave support to the construction of hospitals nationwide in the fight against the pandemic and provided construction materials needed for further renovation and expansion of existing hospitals
- In May this year, began the construction of a production base in Nanchang, Jiangxi to improve the nationwide disposition of its production bases



Results highlights

- Focus on establishing strategic partnerships with central government-owned enterprises and state-owned construction companies to seize opportunities arising in the industry's development
- Actively expand foreign markets with a focus on the Southeast Asian market, existing production base in Indonesia has been put into operation and another one is planned to be built in the future; production base in Cambodia is under planning
- Made great efforts to expand the agricultural sector by providing customers with high-quality, professional integrated solutions for modernized agriculture in order to further diversify its source of income
- Continued to expand its environmental protection business, accelerated project implementation and put into production, actively explored M&A opportunities to fully tap its potential for business growth
- Maintained stable and healthy financial position with cash and bank deposits of approx. RMB7,152 million



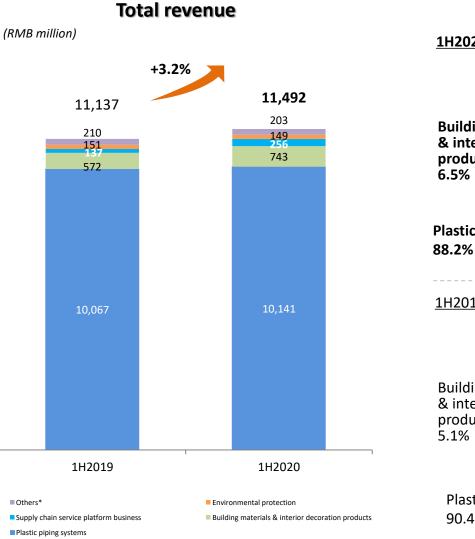




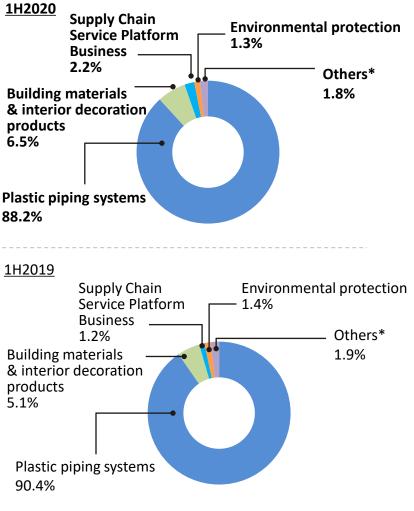
Agenda



Steady revenue growth



Total revenue (by business segment)





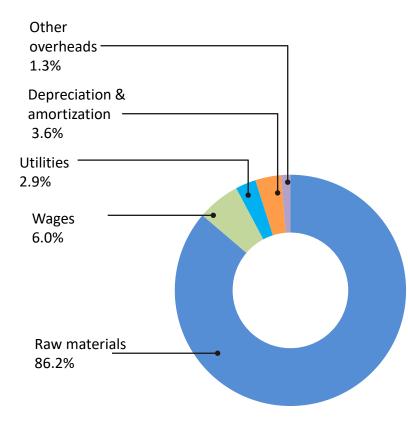
Remark: Others* including finance, plastic film, connection materials and other businesses

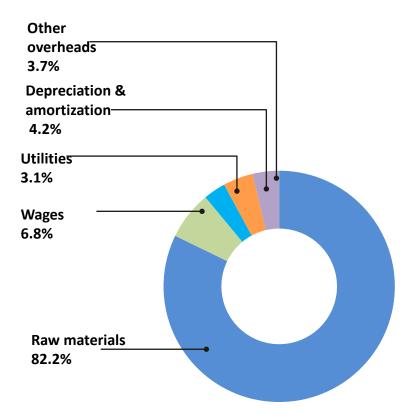
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Overall cost structure

1H2019

1H2020





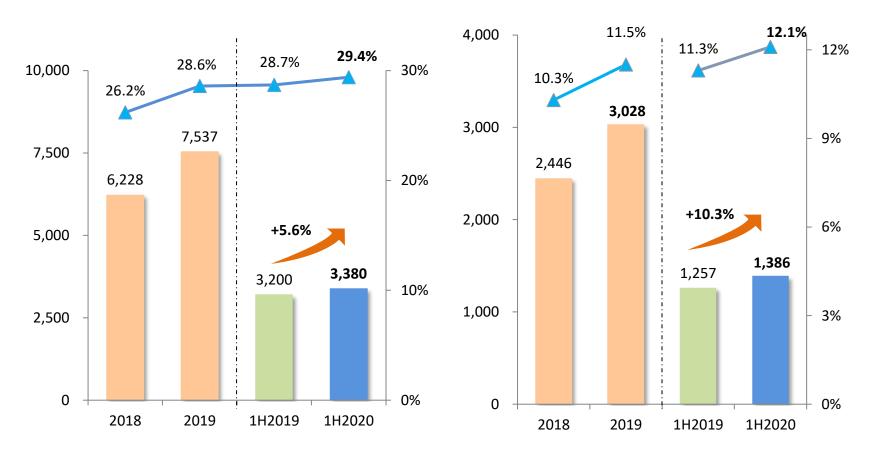


GP & NP continued to increase

GP and GP margin

NP & NP margin

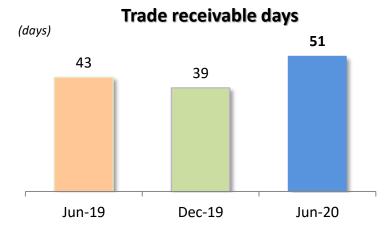
(RMB million)



(RMB million)



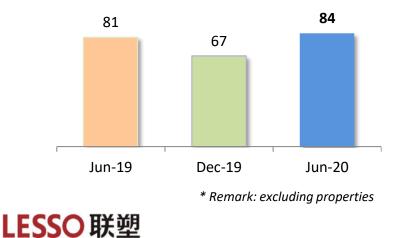
Healthy & stable key financial indicators



(days) 102 98 102 98 Jun-19 Dec-19 Jun-20

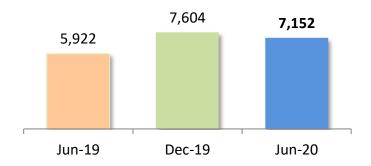
Inventory turnover days*

(days)

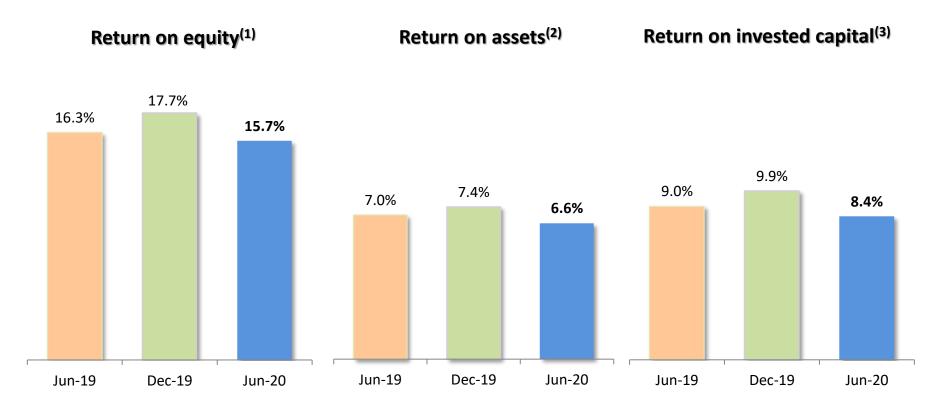


Cash & bank deposits

(RMB million)



Remained stable in return ratios



(1) Net profit divided by total equity at the end of the period(2) Net profit divided by total asset at the end of the period

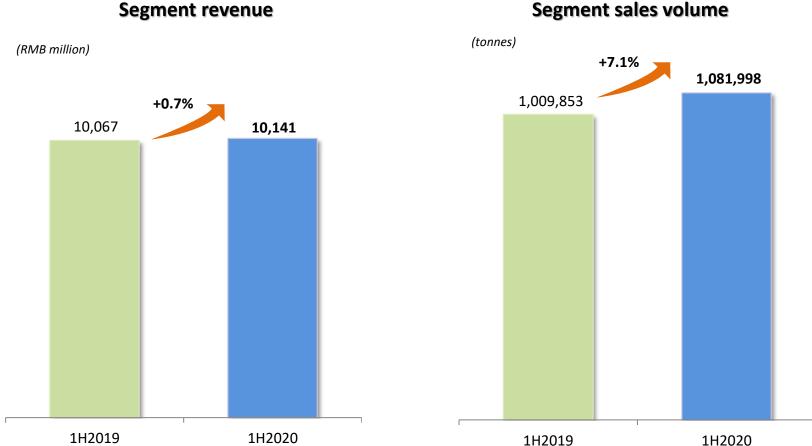
(3) Net profit divided by (total debt + total equity)







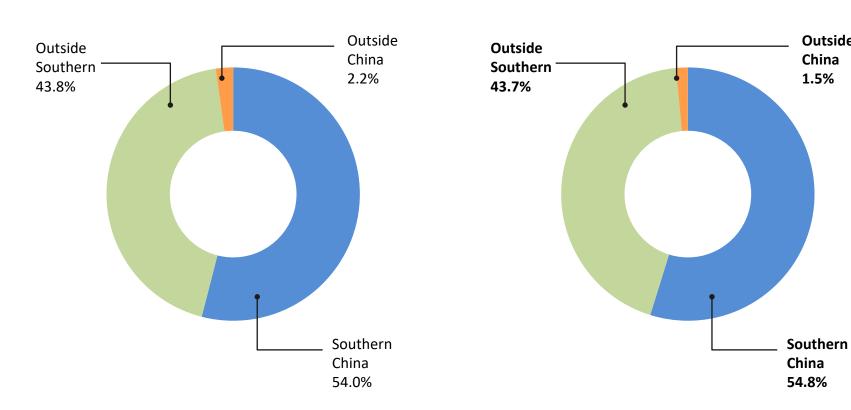
Plastic piping systems business: revenue & sales volume



Segment sales volume



Plastic piping systems business: revenue breakdown by region



1H2019

1H2020



Outside

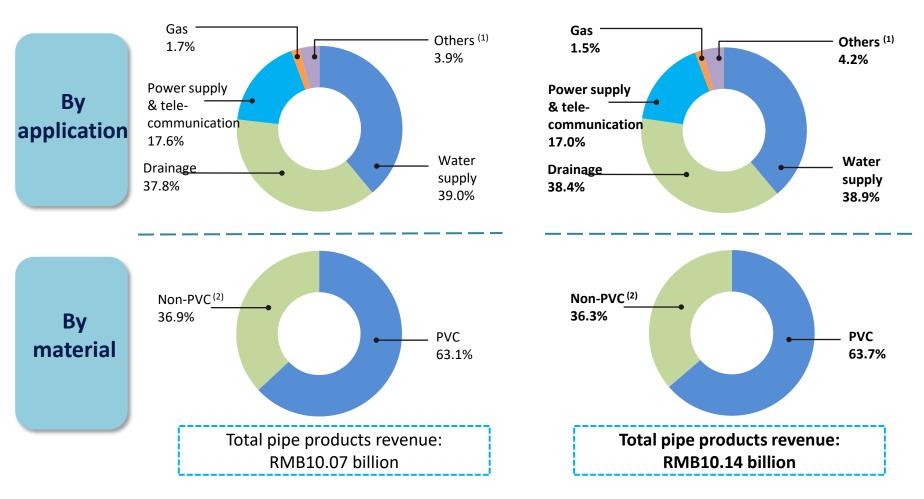
China

1.5%

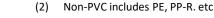
Plastic piping systems business: revenue analysis

1H2019



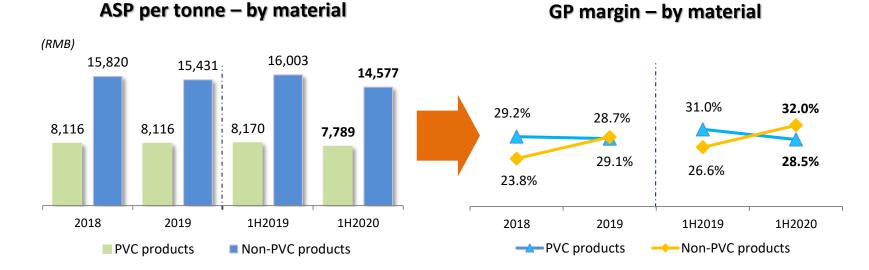


(1) Others include agricultural applications, floor heating and fire services



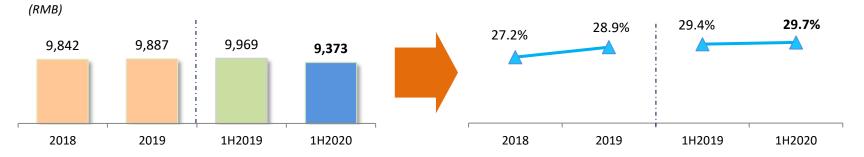


Plastic piping systems business: ASP & GP margin analysis



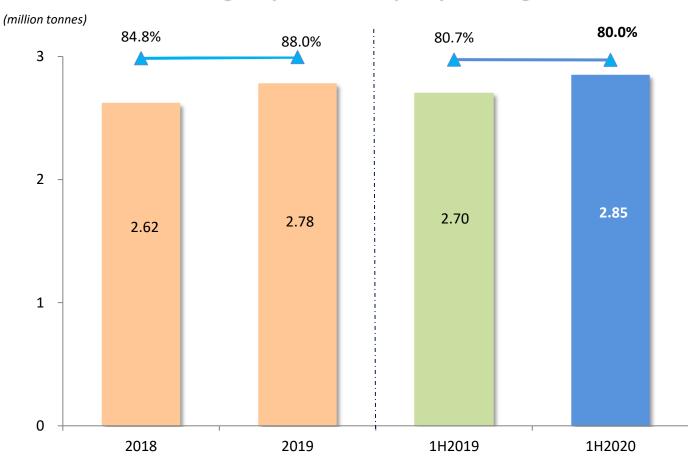
ASP per tonne - overall

GP margin - overall



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Plastic piping systems business: production capacity & utilization rate



Annual designed production capacity & average utilization rate



Building materials & interior decoration products

Strengthen promotion to existing customers, actively engage new customers and increase sales by provision of diversified product portfolio

To cope with the impact from pandemic, local governments implemented more city-specific policies on the regulation of property markets according to local conditions. As a result, the flexibility of the policies contributed to a gradual recovery in the real estate market when the pent-up demand of homebuyers during the early stage of the pandemic was released after the pandemic showed signs of abating. During the reporting period, revenue from business of building materials and interior decoration products amounted to RMB743 million



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- Actively seizes the opportunities in the new type of urbanization and the redevelopment of old towns to boost the growth of its business
- continue to strengthen its partnerships with PRC large real estate developers, so as to actively capture the opportunities arising from the real estate sector's shift towards the bulk purchasing model
- Achieve synergy between its business of building materials and interior decoration products and its other business segments, which in turn to drive the steady development of its business



Environmental protection business One-stop environmental protection service provider to contribute to the

green life of residents



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- Actively fosters its environmental protection business by capitalizing on municipal projects in various fields and to create synergy between its environmental protection business and plastic piping systems business for the long term
- Continue to enhance its R&D capability so as to expand its hazardous solid wastes treatment business and plan to establish a waste treatment center with annual capacity of 450,000 tonnes in Yunfu, Guangdong Province in order to further consolidate and expand the Group's market share
- Explore opportunities for M&A and strive to become as a one-stop integrated environmental service provider with comprehensive services for customers
- Stable business growth with the revenue amounted to RMB149 million



Water Treatment

Solid Waste Disposal

Waste Gas Treatment



Soil Remediation





Technical Consultancy & Environmental Monitoring Service

Scientific Research Service



O

Supply chain service platform business

Build a multinational platform for China manufacturers of home furnishings, building materials and consumer products

- Recorded revenue of RMB256 million in 1H2020
- Focus on the development in Southeast Asian market, the Group has projects in Thailand, Myanmar, Indonesia and other countries
- Further boost the distribution network of its supply chain service platform business in Southeast Asia and capture the opportunities for development









Agenda



Future prospect

Achieve centralized automated & intelligent production to enhance efficiency

- Build its own system for industrial internet
- Press ahead with the automation of its production bases by adopting smart technology and intelligent equipment for manufacturing, aim at expanding production capacity and raising production efficiency
- Production bases under construction in Fujian, Jiangxi and Zhejiang are scheduled to be completed and put into trial production in 2020, which will help to ramp up the production

Grasp opportunities to develop environmental protection business

- Actively grasp opportunities to develop environmental protection business and form public-private partnerships
- Dedicate to expand its hazardous solid wastes treatment business to foster new growth drivers
- Actively explore M&A opportunities to pursue cross-segment synergies and income diversification

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Focus on R&D to improve product quality

- Strive to enhance its competitiveness in the R&D of products and technologies, accelerate the transformation to actively expand market network, and proactively expand its distribution network and market penetration
- Continue to increase investment in R&D innovation to secure its technological leadership among peers with the aim of offering a diverse range of quality products to the customers

Expand market network for building materials & interior decoration

 Enhance promotion effort to existing customers, while actively expand sales network by engaging new customers

 Continue to strengthen its partnerships with PRC large real estate developers Q&A





Appendix: Financial summary

Statement of profit or loss (RMB million)

2018 2019 1H2019 1H2020 2018 2019 1H2019 1H2020 Revenue 23,734 26.345 11,137 11,492 Cash & bank 6,452 7,604 5.922 7,152 deposits Gross profit 3,200 3,380 6,228 7,537 Total assets 40,785 36,135 41,834 34,636 EBITDA 4,409 2,446 5,556 2,282 Total debts 11,731 13,537 12,530 15,440 EBIT 3,651 4,559 1,852 1,966 15,598 17,672 Total equity 15,073 17,094 1,386 Net profit 2,446 3,028 1,257 Ratio analysis 2018 2019 1H2019 1H2020 Profit ratio (%) 26.2% Gross profit margin 28.6% 28.7% 29.4% EBITDA margin 18.6% 21.1% 20.5% 21.3% EBIT margin 15.4% 17.3% 16.6% 17.1% 12.1% Net profit margin 10.3% 11.5% 11.3% Growth rate (%) 16.6% 11.0% 6.6% 3.2% Revenue Gross profit 17.1% 21.0% 17.6% 5.6% EBITDA 15.1% 26.0% 23.2% 7.2% 6.1% EBIT 14.7% 24.9% 25.2% Net profit 8.0% 23.8% 25.1% 10.3% Liability ratio (times) EBITDA/ financing costs 10.6x 9.6x 8.4x 9.9x 46.6% Total debts/ (total debts + total equity) 43.8% 44.2% 44.5%

Statement of financial position (*RMB million*)



Appendix: 25 Advanced production bases

