



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

於開曼群島註冊成立的有限公司

Stock Code 股份代號：2128

2018 Annual Results Corporate Presentation

Disclaimer

The slides/materials used in this presentation are strictly confidential. The information contained in this presentation is being furnished to you solely for your information and may not be taken away, reproduced, redistributed, or passed on, directly or indirectly to any other person (whether within or outside your organization/ firm), or published, in whole or in part, for any purpose. The slides/ materials do not constitute an offer of securities in the United Kingdom, Australia, the PRC, United States, Canada or Japan. In particular, neither the information contained in this presentation nor any copy hereof may be transmitted, reproduced, taken or transmitted into the United Kingdom, Australia, the PRC, United States, Canada or Japan or redistributed, in whole or in part, directly or indirectly, within the United States or to any U.S. person. By attending this presentation, you are agreeing to be bound by the foregoing restrictions and to maintain absolute confidentiality regarding the information disclosed in these materials. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

These slides/ materials do not constitute an offer or invitation to purchase or subscribe for any securities and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto. The shares of China Lesso Group Holdings Limited (the “Company”) have not been, and will not be, registered under the U.S Securities Act of 1933, as amended (the “U.S Securities Act”) or the securities laws of any state of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable state or local securities laws. There will be no public offering of the Company’s shares in the United States. This document shall not constitute an offer to sell or a solicitation of an offer to buy the Company’s securities nor shall there be any sale of such securities in any state or country in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or country. In Hong Kong, no shares of the Company may be offered to the public unless it is conducted in compliance with the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and a prospectus in connection with the offering for subscription of such shares has been formally approved by the Stock Exchange of Hong Kong Limited and duly registered by the Registrar of Companies of Hong Kong which contains all the information as required under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of the laws of Hong Kong and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Any decision to purchase securities in any offering should be made solely on the basis of the information contained such prospectus or international offering circular to be published in relation to such offering.

This presentation may contain forward-looking statements. Any such forward-looking statements are based on a number of assumptions about the operations of the Company and factors beyond the Company’s control and are subject to significant risks and uncertainties, and accordingly, actual results may differ materially from these forward-looking statements. The Company undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such dates.

The information in this presentation should be considered in the context of the circumstances prevailing at the time of its presentation and has not been, and will not be, updated to reflect material developments which may occur after the date of this presentation. The information is not intended to provide, and you may not rely on these materials as providing a complete or comprehensive analysis of the Company’s financial or trading position or prospects. Some of the information is still in draft form. This presentation also contains information and statistics relating to the plastic pipes industry. The Company has derived such information and data from unofficial sources, without independent verification. The Company cannot ensure that these sources have compiled such data and information on the same basis or with the same degree of accuracy or completeness as are found in other industries. You should not place undue reliance on statements in this presentation regarding the plastic pipes industries. The information contained in this presentation does not constitute a due diligence review and should not be construed as such. The information contained in these materials has not been independently verified. No representation or warranty, express or implied, is made as to, and no reliance should be place on, the fairness, accuracy, completeness or correctness of any information or opinion contained herein. None of the Company, or any of their respective directors, officers, employees, agents or advisers shall be in any way responsible for the contents hereof, or shall be liable whatsoever (in negligence or otherwise) for any loss or damage whatsoever arising from use of the information contained in this presentation or otherwise arising in connection therewith and none of them shall owe you any fiduciary duty in relation to this presentation.

Agenda



01 Results Highlights



02 Financial Review



03 Business Review



04 Outlook

Results highlights

- ❖ Achieved steady growth in FY2018 (for the year ended 31 Dec 2018)
 - ❖ Revenue: **RMB23,734 million, +16.6%**
 - ❖ Gross profit: **RMB6,228 million, +17.1%**
 - ❖ Profit attributable to the owners of the Company: **RMB2,492 million, +8.7%**
 - ❖ Final dividend: **HK20 cents per share** (2017: HK18 cents per share)
- ❖ Dedicated to develop **automated and intelligent** production bases and accelerate to promote **large-scale** production
- ❖ Actively capitalized on the various infrastructure and domestic projects of Chinese government which boosted the demand of plastic pipes and pipe fittings
 - ❖ Sales volume of plastic piping systems: **2.17 million tonnes, +8.2%**
 - ❖ Revenue: **RMB21,343 million, +17.9%**
- ❖ Continued to **expand its environmental protection business** and acquired Jiangsu Yongbao Environmental Technology Co., Ltd., which mainly engages in the provision of hazardous waste treatment service, in October 2018
- ❖ **Maintained stable and healthy financial position** with cash and bank deposits of approx. **RMB6,452 million**. The Group has sufficient working capital for its operation and future development

Agenda



01 Results Highlights



02 Financial Review



03 Business Review

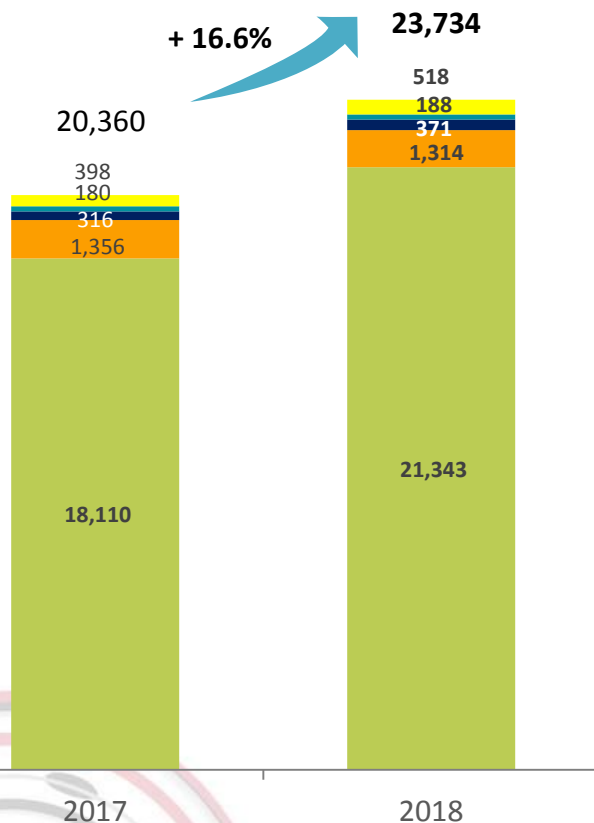


04 Outlook

Steady revenue growth

Total revenue

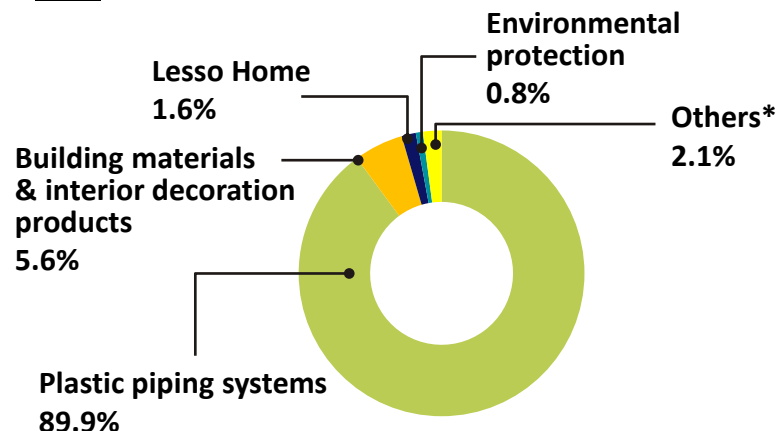
(RMB million)



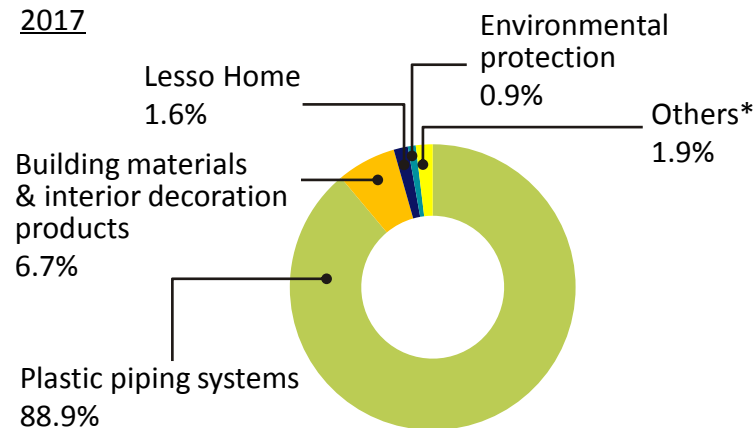
+ 16.6%

Total revenue (by business segment)

2018



2017



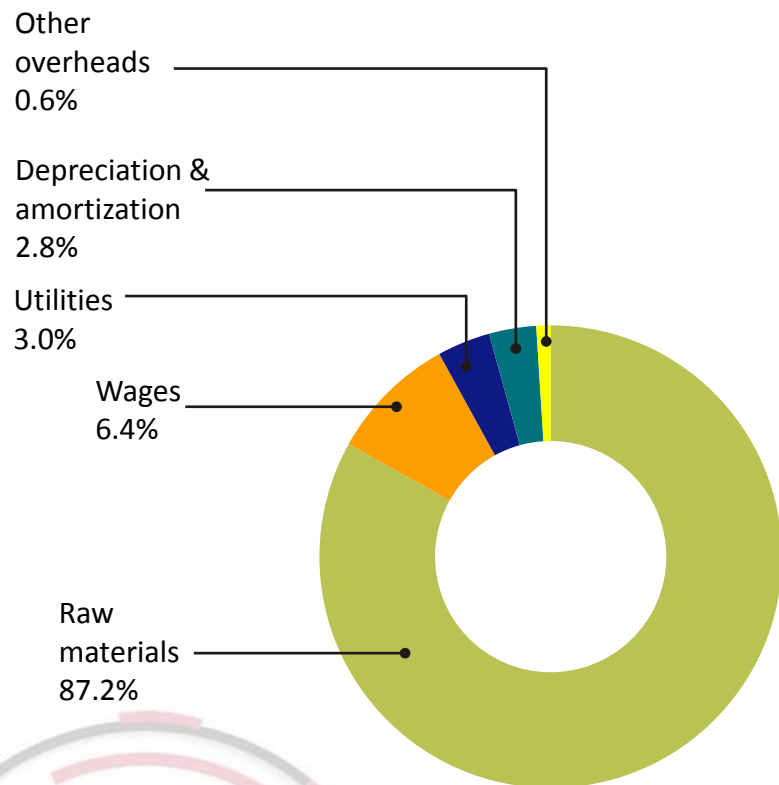
LESSO 联塑

■ Plastic piping systems
■ Building materials & interior products
■ Lesso Home
■ Environmental protection
■ Others*

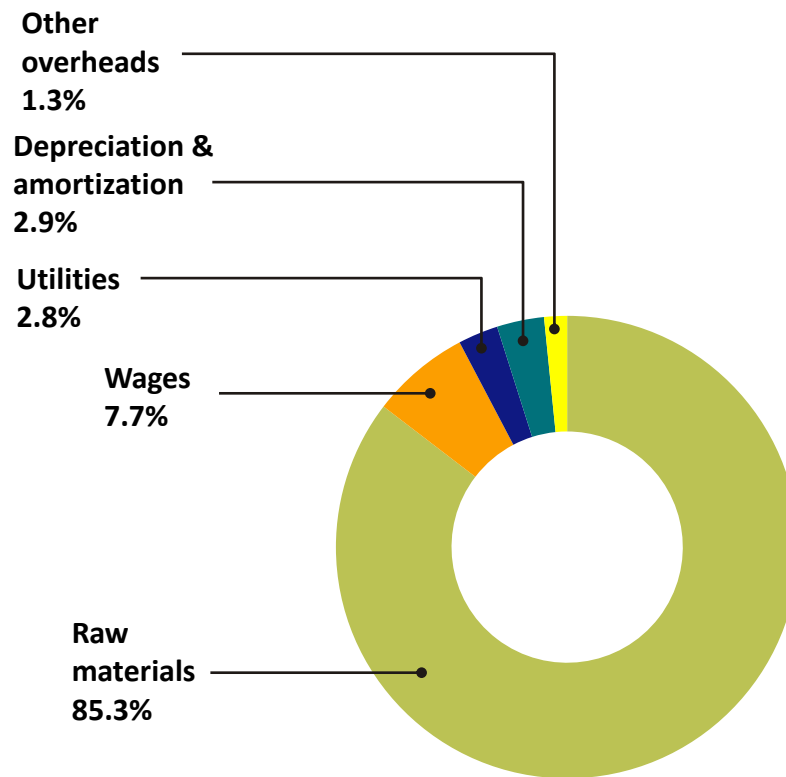
Remark: Others* including finance, plastic film, connection materials and other businesses

Overall cost structure

2017



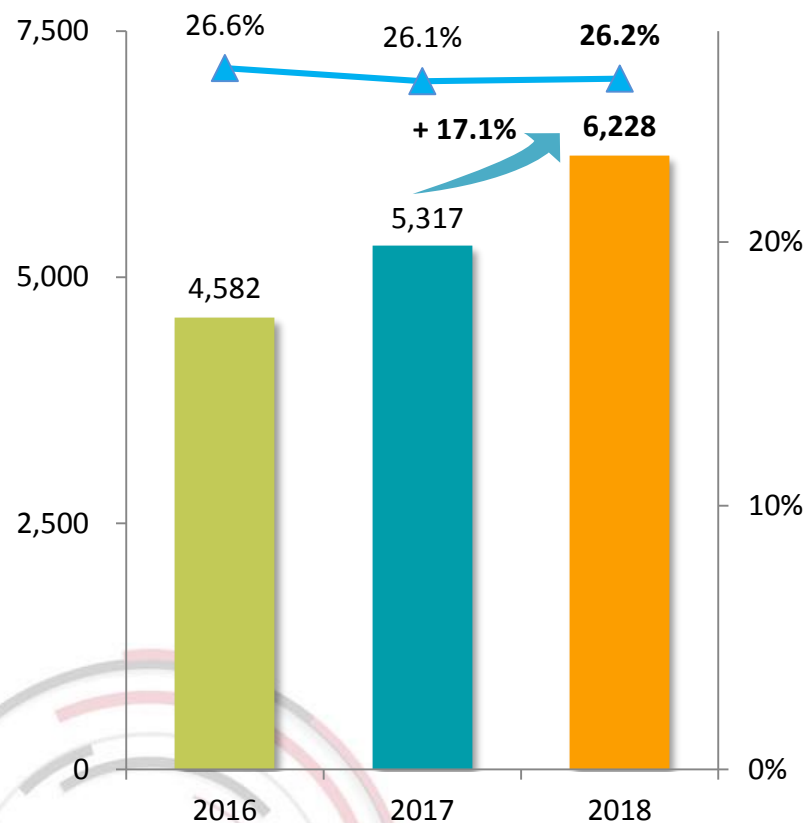
2018



GP & NP continued to increase

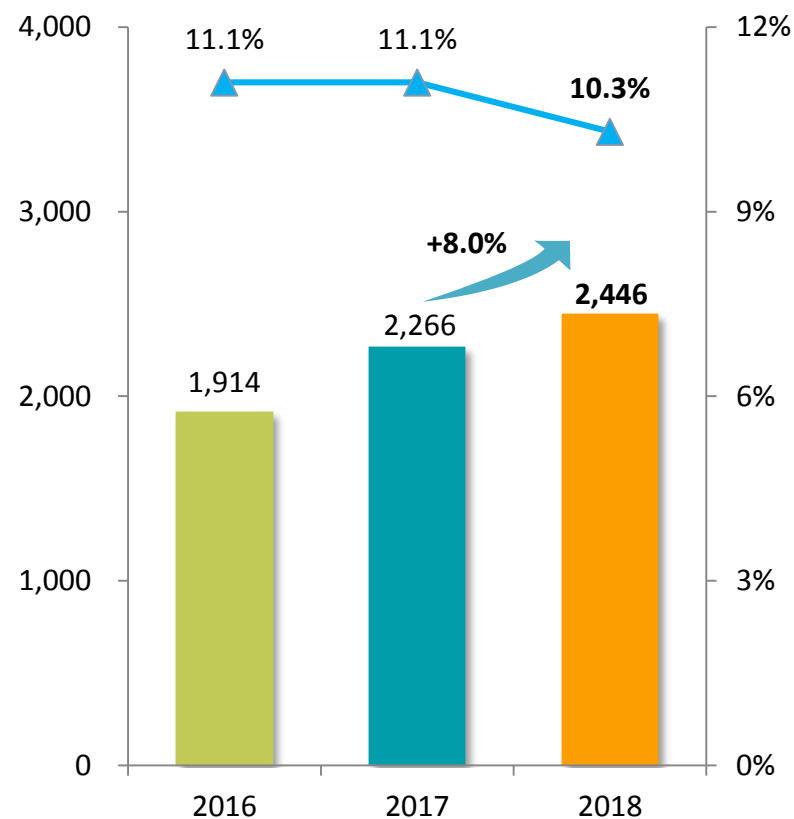
GP & GP margin

(RMB million)



NP & NP margin

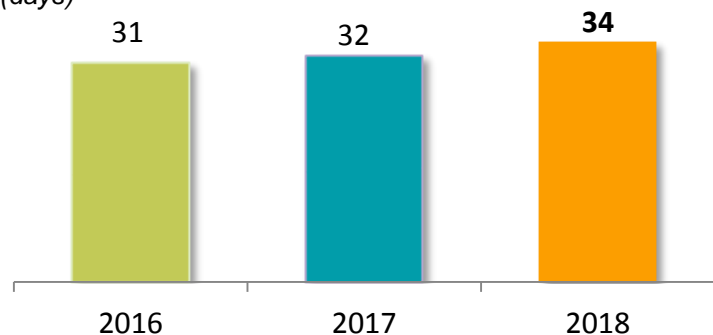
(RMB million)



Healthy & stable key financial indicators

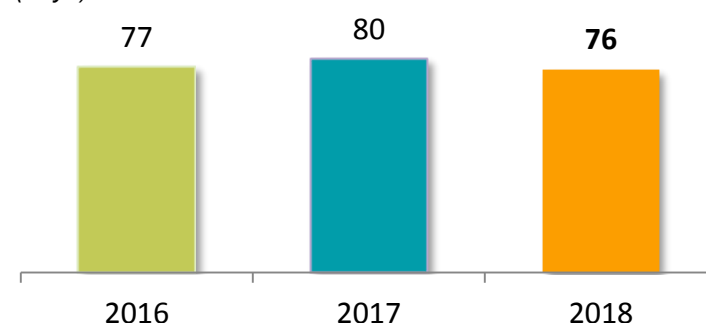
Trade receivable days

(days)



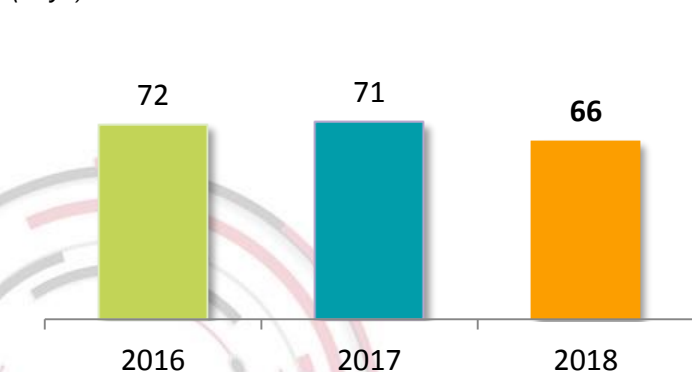
Trade payable days

(days)



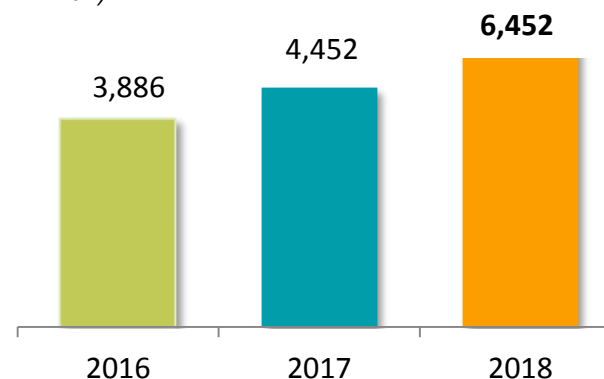
Inventory turnover days ⁽¹⁾

(days)



Cash & bank deposits

(RMB million)

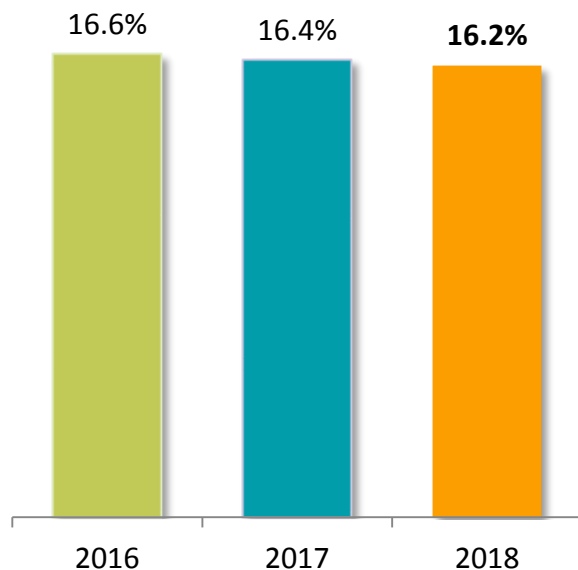


LESSO 联塑

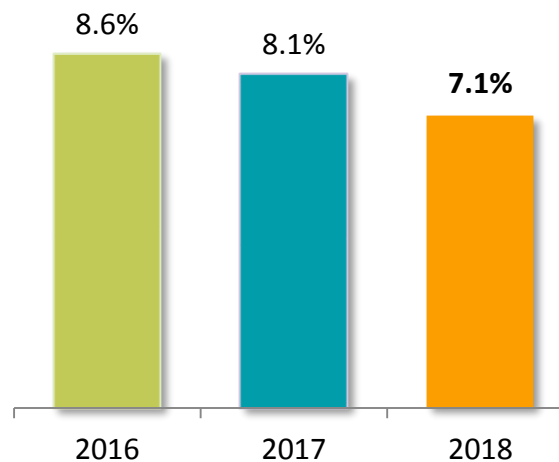
(1) Including manufacturing and trading only

Remained stable in return ratios

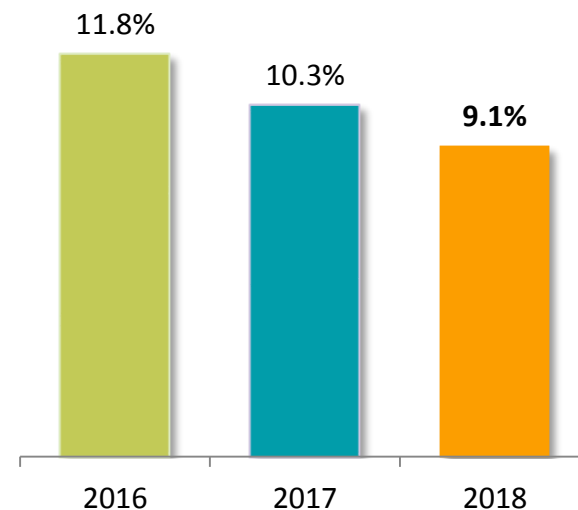
Return on equity⁽¹⁾



Return on assets⁽²⁾



Return on invested capital⁽³⁾



(1) Net profit divided by total equity at the end of the year

(2) Net profit divided by total asset at the end of the year

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

Agenda



01 Results Highlights



02 Financial Review



03 Business Review

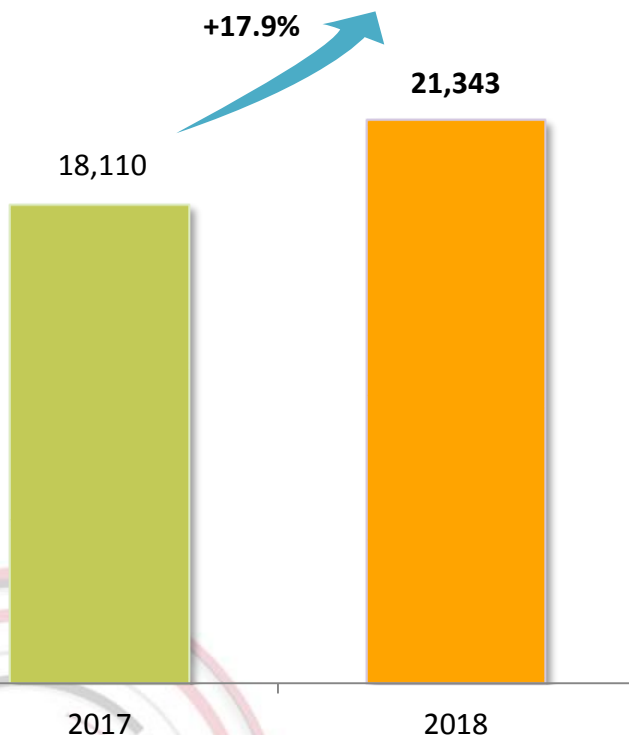


04 Outlook

Plastic piping systems business: Revenue & sales volume achieved sustainable growth

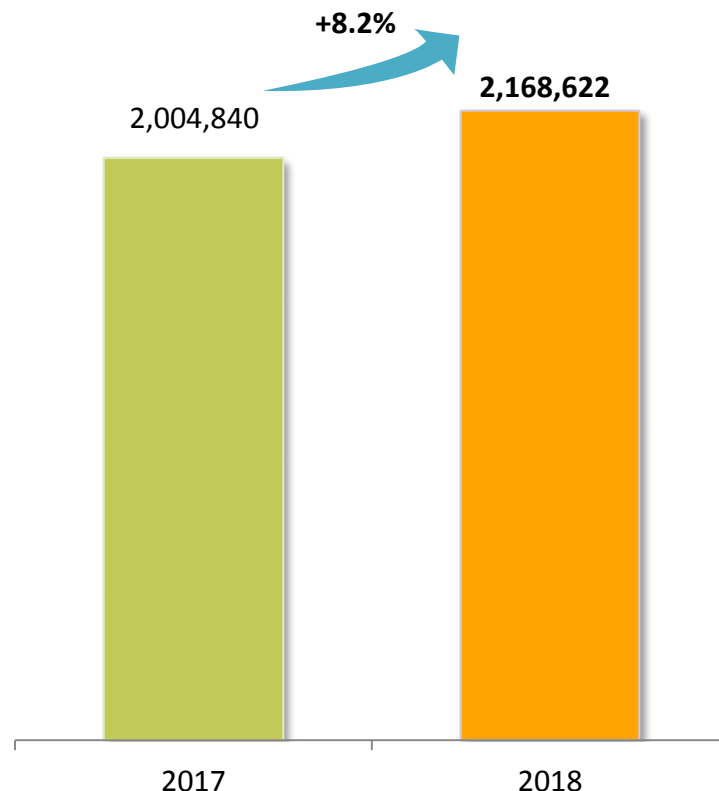
Segment revenue

(RMB million)



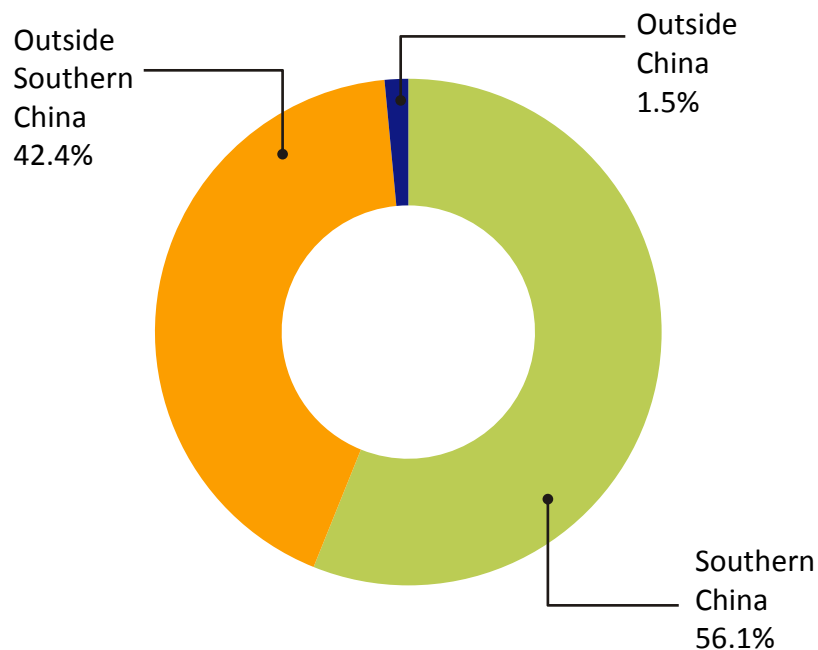
Segment sales volume

(tonnes)

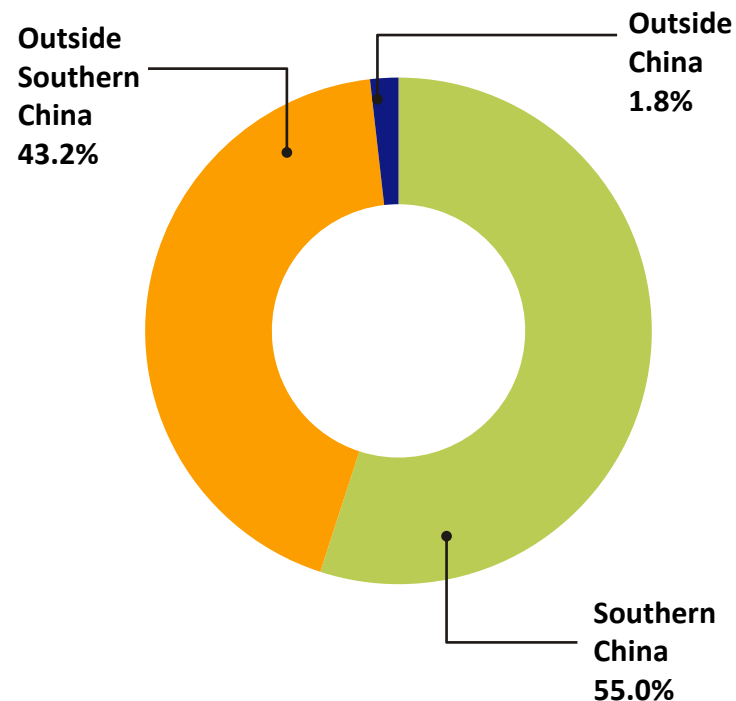


Plastic piping systems business: Revenue breakdown by region

2017



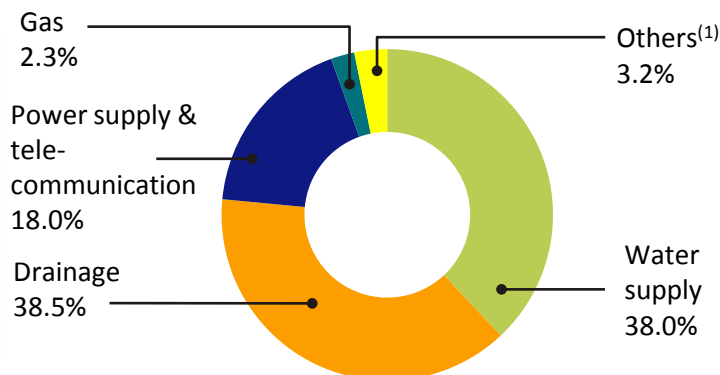
2018



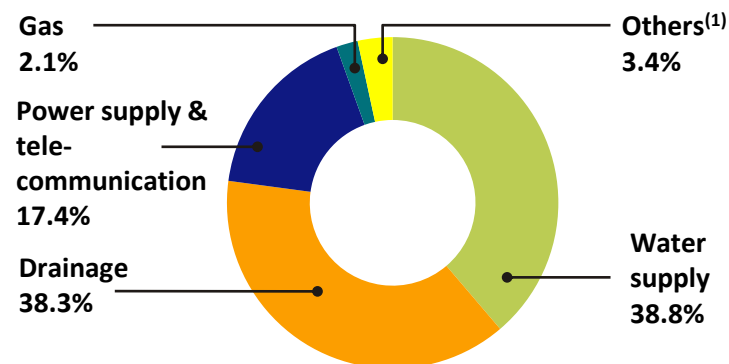
Plastic piping systems business: Revenue analysis

By application

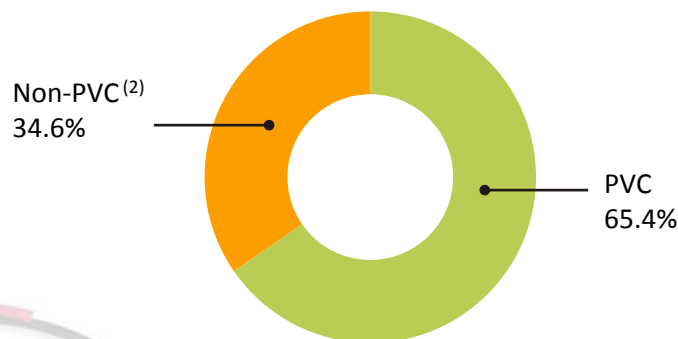
2017



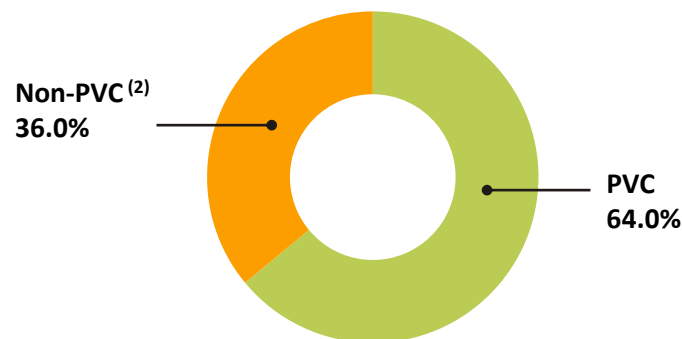
2018



By material



Total pipe products revenue:
RMB18.11 billion



Total pipe products revenue:
RMB21.343 billion

LESSO 联塑

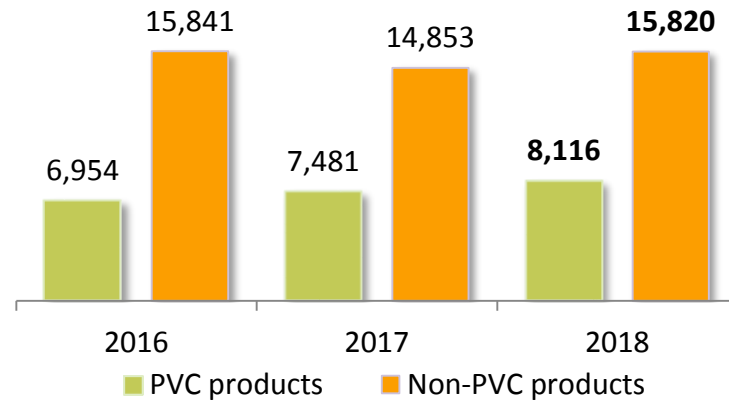
(1) Others include agricultural applications, floor heating and fire services

(2) Non-PVC includes PE, PP-R, etc

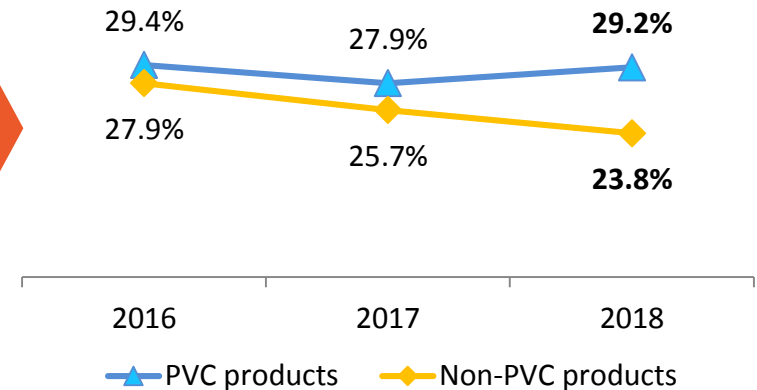
Plastic piping systems business: ASP & GP margin analysis

ASP per tonne – by material

(RMB)

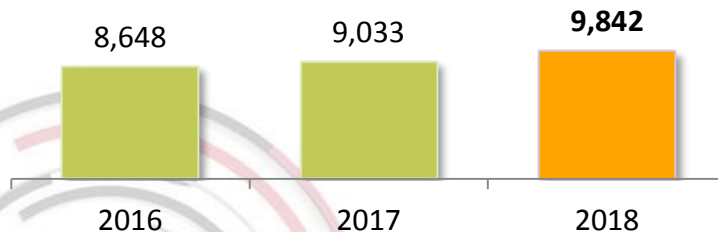


GP margin – by material

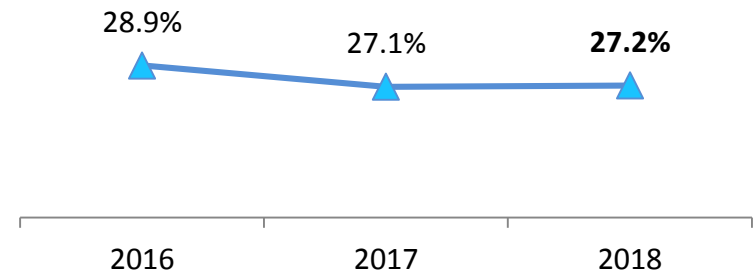


ASP per tonne - overall

(RMB)



GP margin - overall

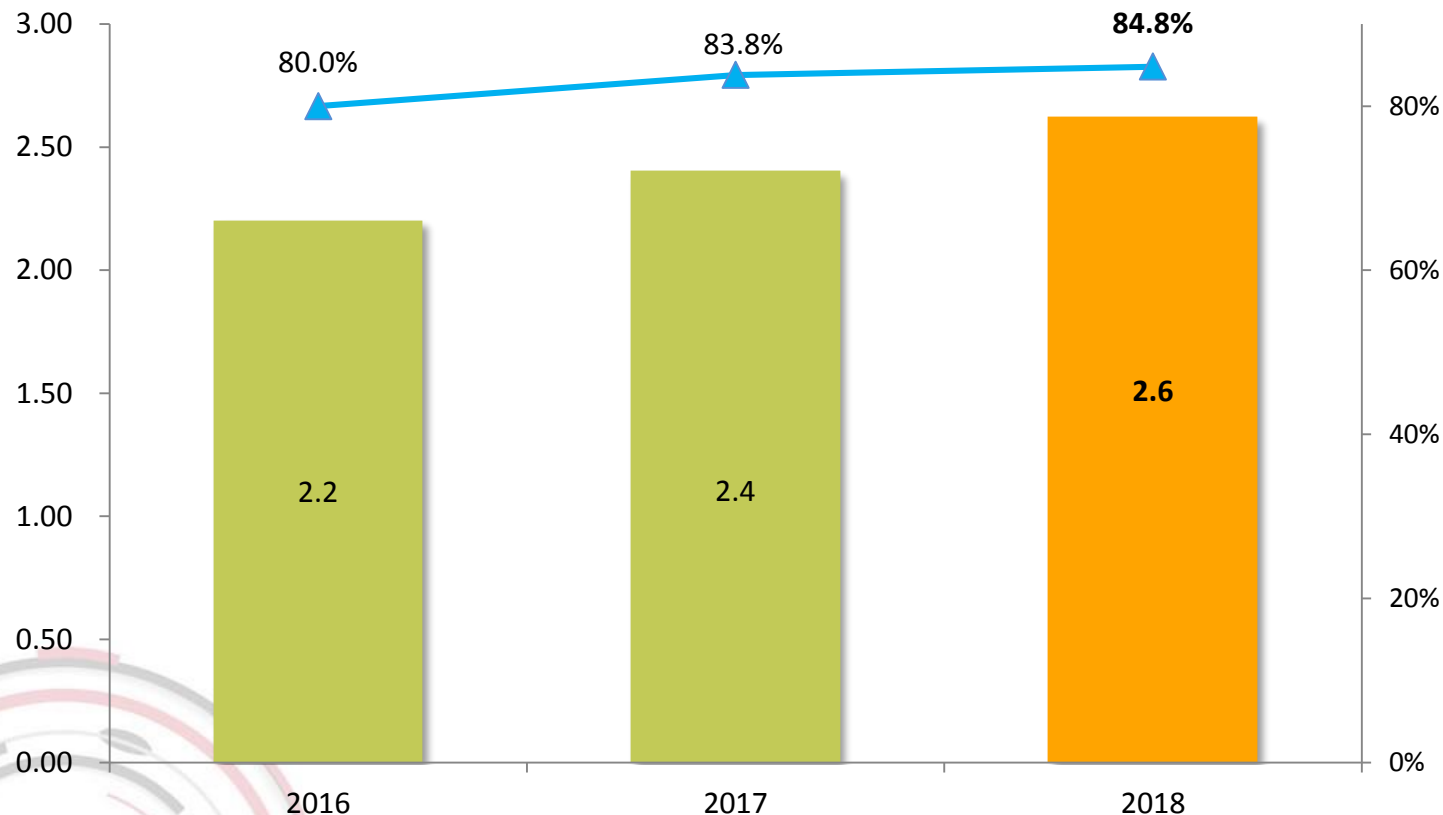


LESSO 联塑

Plastic piping systems business: Steady increase in production capacity & utilization rate

Annual designed production capacity & average utilization rate

(million tonnes)



Building materials & interior decoration products

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

- ❖ Real estate regulations continuously exerted downward pressure on the market and slow-downed the investment in the real estate market, business continued to be under pressure due to external unfavourable factors
- ❖ Successfully acquired several large-scale new property corporate customers and received more new orders from existing customers
- ❖ Business grew steadily and generated income of RMB1,314 million
- ❖ Diversified product lines including sanitary ware products, integrated kitchens, systems of doors and windows, and decorative boards, etc., enable to provide comprehensive and supplementary services including design, decoration and construction services
- ❖ Captured the opportunities of new urbanization and dedicated to expand product range, achieving synergies with the existing piping systems product lines



LESSO 联塑

Environmental protection business

One-stop environmental protection service provider to contribute to the green life of residents



Water Environment Treatment



Solid Waste Disposal



Waste Gas Treatment



Soil Remediation



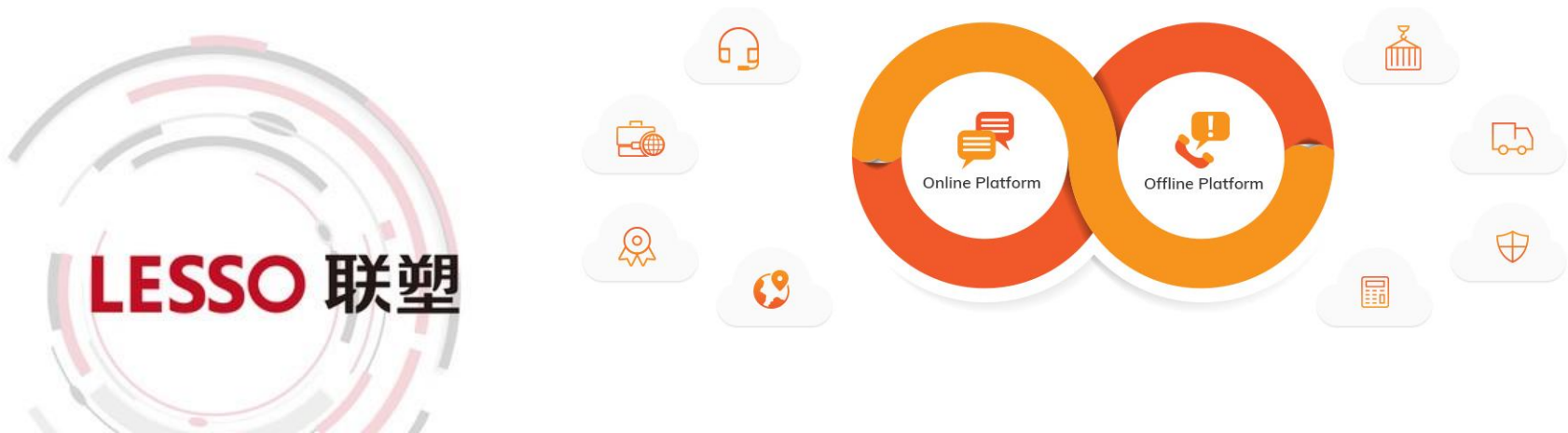
- ❖ Continued to expand environmental protection business and actively capitalized on municipal projects in various fields, including municipal sewerage system, river treatment, soil restoration, underground pipeline gallery, sponge city, installation of integrated water purifiers and other fields
- ❖ Maintained a steady business growth and recognized a revenue of RMB188 million
- ❖ Acquired 70% equity interest in Jiangsu Yongbao, which mainly engaged in the provision of hazardous waste treatment services, in October 2018 at a consideration of RMB392 million
- ❖ Continue to enhance its own technology, operation and quality, and fostering new growth drivers so as to achieve synergy between its environmental protection business and other businesses, and diversify its source of income



Lesso Home

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

- ❖ To capitalize on the “Belt and Road Initiative”, promoted Lesso Home with the aim of bringing “One-Stop Specialized Market for Home Furnishing Products” to the overseas markets
- ❖ Helps Chinese building material, home furnishing and other consumer products makers in building a multinational platform and exhibiting, selling and delivering their products to target customers around the world
- ❖ Reserved properties in the United States, Canada, Australia, Thailand and United Arab Emirates etc
- ❖ Most of the projects are under planning and development, of which one to two projects are expected to be completed development in 2019



Agenda



01 Results Highlights



02 Financial Review



03 Business Review



04 Outlook

Future prospects

Achieve centralized automated and intelligent production to enhance efficiency

- ❖ Actively develop **intelligent factories** and **upgrade production facilities**
- ❖ Further improve mechanical equipment and auxiliary facilities in existing production bases so as to raise the level of **automation** and accelerate production



Expand distribution network for building materials & interior decoration products

- ❖ **Enhance promotion effort to existing customers** and **actively engage new customers** to expand its distribution network and market coverage



Focus on R&D to improve product quality

- ❖ Strive to enhance its **competitiveness** in the **R&D of products and technologies**, accelerate the **transformation**
- ❖ Continue to increase **investment in R&D innovation**, so as to secure its technological **leadership** among peers with the aim of offering **a diverse range of quality products** to the customers



Develop environmental protection business

- ❖ **Actively grasp opportunities** to develop environmental protection business
- ❖ Maintain steady growth for existing business and **develop hazardous and solid waste treatment services**
- ❖ Exert itself to foster new growth drivers to pursue **synergies** and **income diversification**



LESSO 联塑

Q&A



Appendix: Financial summary

Statement of profit and loss

| (RMB million) | 2016 | 2017 | 2018 |
|---------------|--------|--------|---------------|
| Revenue | 17,221 | 20,360 | 23,734 |
| Gross profit | 4,582 | 5,317 | 6,228 |
| EBITDA | 3,125 | 3,831 | 4,409 |
| EBIT | 2,532 | 3,184 | 3,651 |
| Net profit | 1,914 | 2,266 | 2,446 |

Statement of financial position



| (RMB million) | 2016 | 2017 | 2018 |
|----------------------|--------|--------|---------------|
| Cash & bank deposits | 3,886 | 4,452 | 6,452 |
| Total assets | 22,195 | 27,974 | 34,636 |
| Total debts | 4,695 | 8,319 | 11,731 |
| Total equity | 11,538 | 13,783 | 15,073 |

Ratio analysis

| Profit ratio (%) | 2016 | 2017 | 2018 |
|---|--------|--------|---------------|
| Gross profit margin | 26.6% | 26.1% | 26.2% |
| EBITDA margin | 18.1% | 18.8% | 18.6% |
| EBIT margin | 14.7% | 15.6% | 15.4% |
| Net profit margin | 11.1% | 11.1% | 10.3% |
| Growth rate (%) | | | |
| Revenue | 12.8% | 18.2% | 16.6% |
| Gross profit | 16.4% | 16.0% | 17.1% |
| EBITDA | 17.8% | 22.6% | 15.1% |
| EBIT | 17.7% | 25.8% | 14.7% |
| Net profit | 18.2% | 18.4% | 8.0% |
| Liability ratio (times) | | | |
| EBITDA/ financing costs | 29.19x | 16.71x | 10.61x |
| Total debts/ (total debts + total equity) | 28.9% | 37.6% | 43.8% |

Appendix: Production bases in China



-  Production base
生產基地
-  New base under construction
在建新基地

LESSO 联塑