

# LESSO 联塑

CHINA LESSO GROUP HOLDINGS LIMITED  
中国联塑集团控股有限公司

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

*Stock Code: 2128. HK*

## 2016 Annual Results

### Corporate Presentation

IMPROVE URBAN QUALITY OF LIFE

為城市提高品質生活



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## 01 Results Highlights



## 02 Financial Review



## 03 Business Review



## 04 Outlook

- Encouraging and steady growth in 2016
  - Revenue: **RMB17,221 million, +12.8%**
  - Gross profit: **RMB4,582 million, +16.4%**
  - Profit attributable to the owners of the Company: **RMB1,922 million, +18.6%**
  - A final dividend of **HK15 cents per share** for the year ended 31 December 2016, **+15%** (2015: HK13 cents per share)
- Automated and scaled up the Group's production at its production bases
- Driven by increasing demand brought by Chinese government's efforts to accelerate construction and renovation in civil infrastructure projects
  - Sales volume of plastic pipes and pipe fittings: **1,704,912 tonnes, +10.6%**
- Refined strategy of operating **"Lesso Mall"** business mode and formed strategic business partnerships with local distributors and business partners to expand domestic sales network
- Entering into environmental protection sector through investment in **Guangzhou EP Environmental Engineering Ltd** and **Shanghai Safbon Water Service Co., Ltd**, aiming to create synergy with existing business



## 01 Results Highlights



## 02 Financial Review



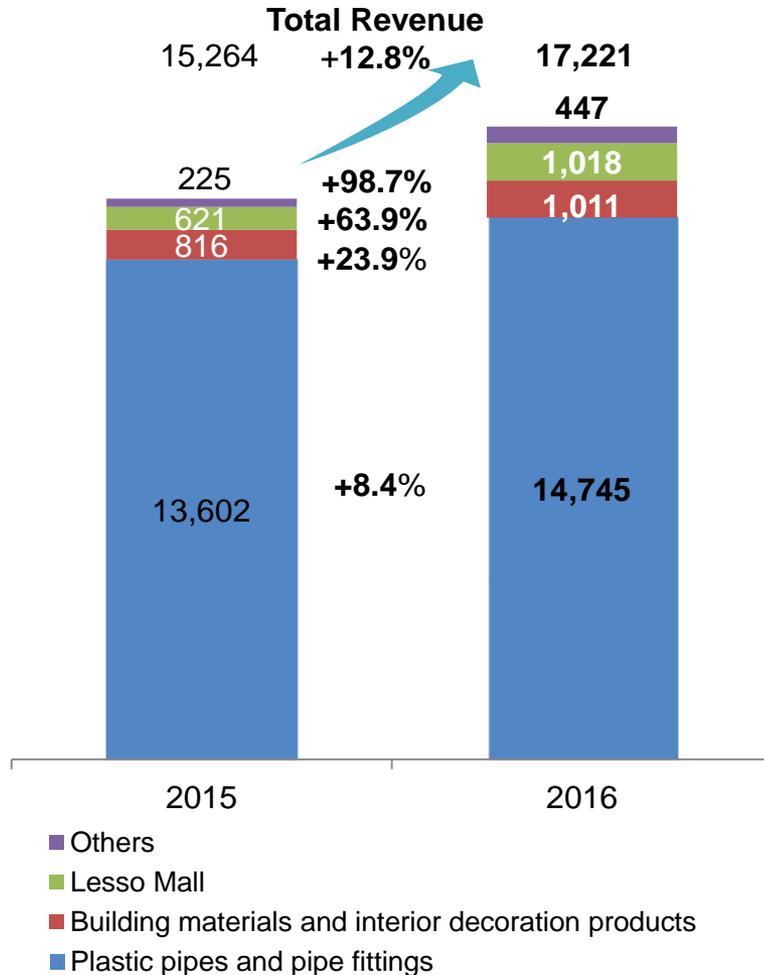
## 03 Business Review



## 04 Outlook

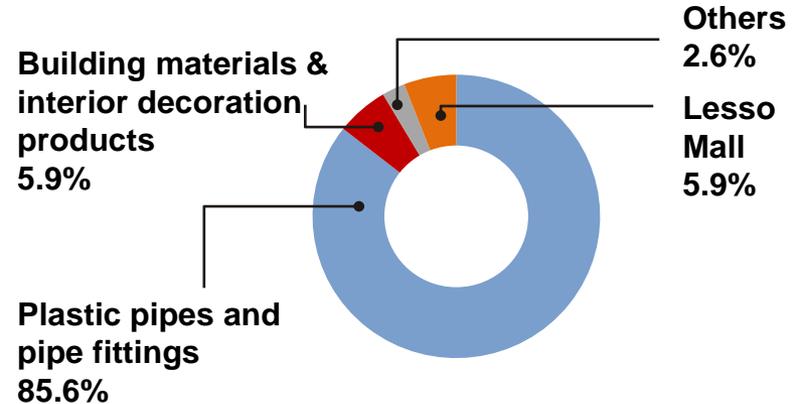
## Total revenue

(RMB mn)

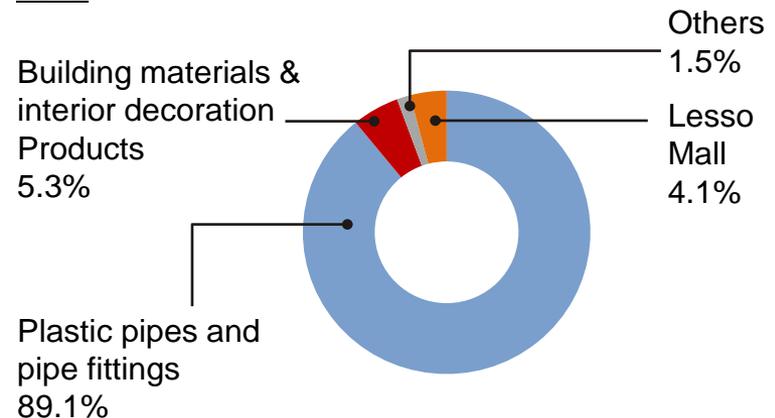


## Total revenue (by business segment)

2016

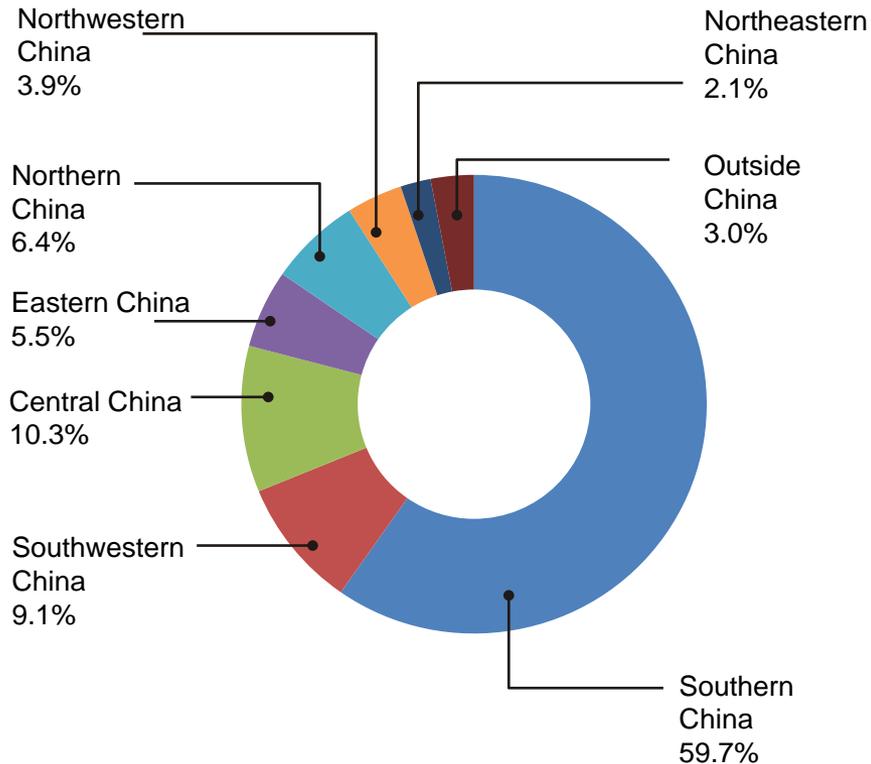


2015

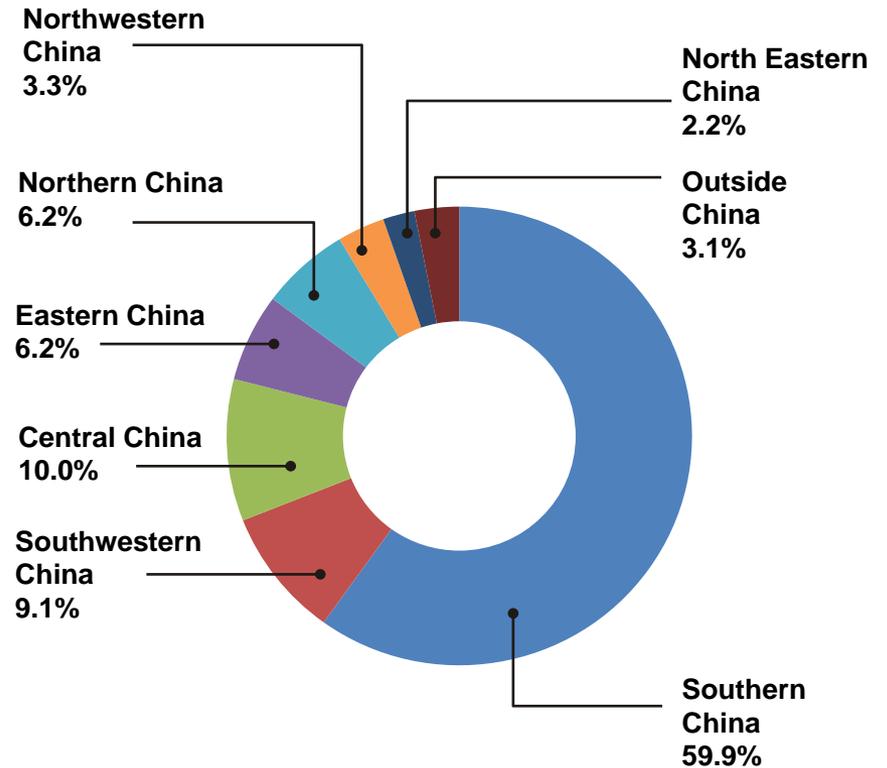


# Total revenue breakdown by region

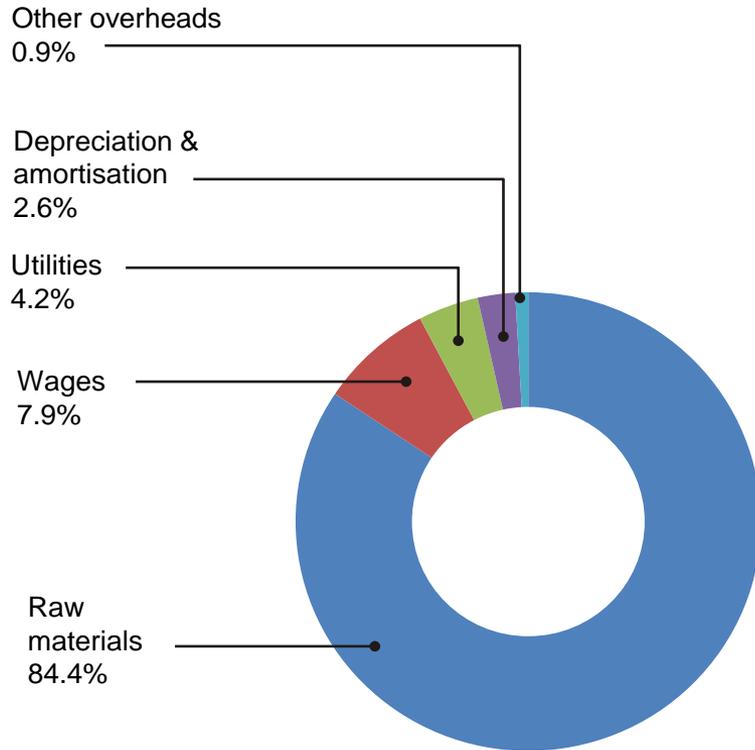
**2015**



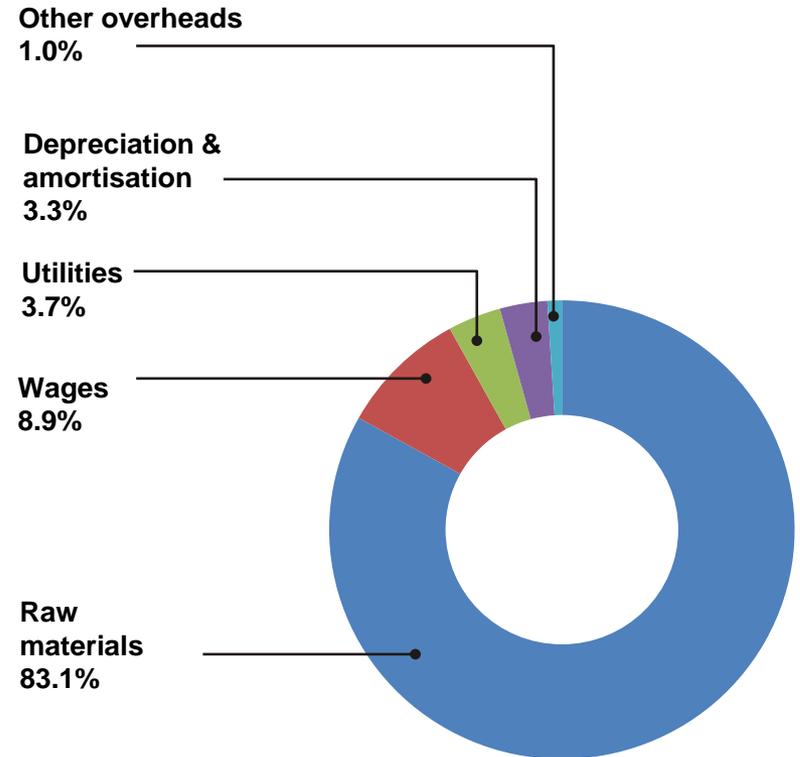
**2016**



**2015**

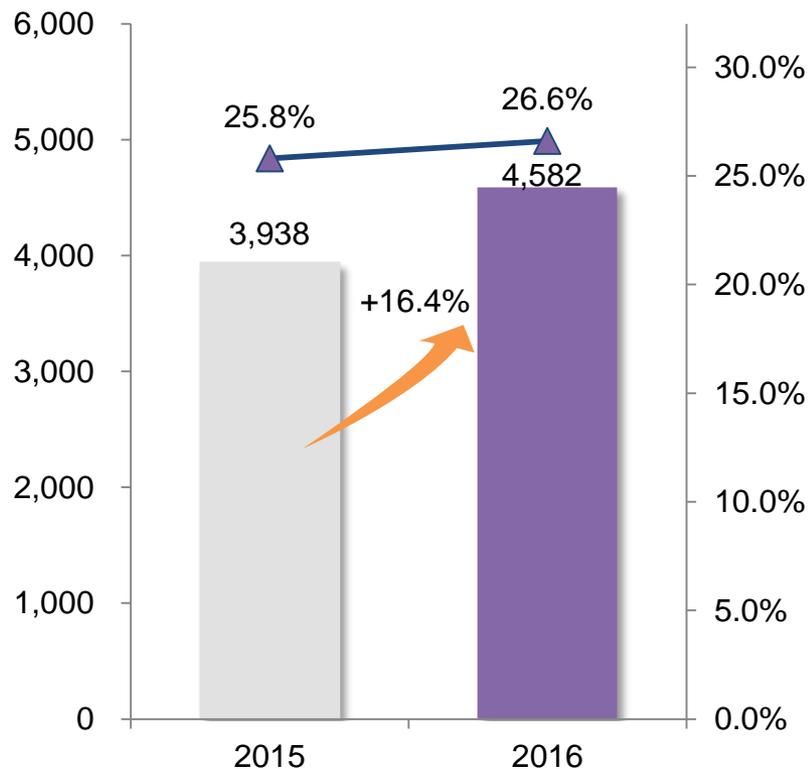


**2016**



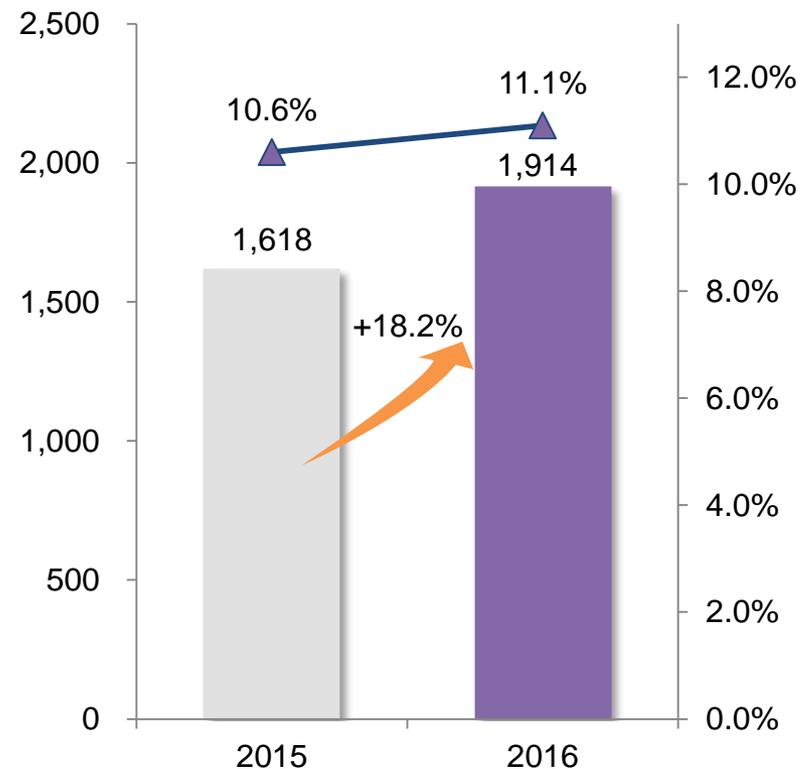
## GP & GP margin

(RMB mn)



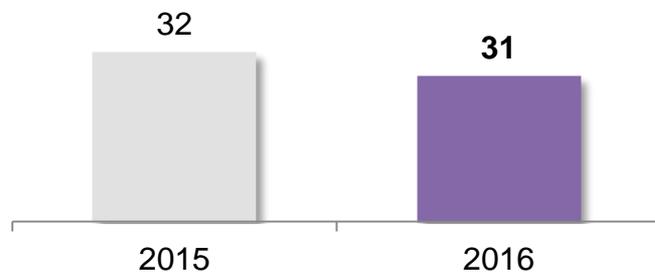
## NP & NP margin

(RMB mn)



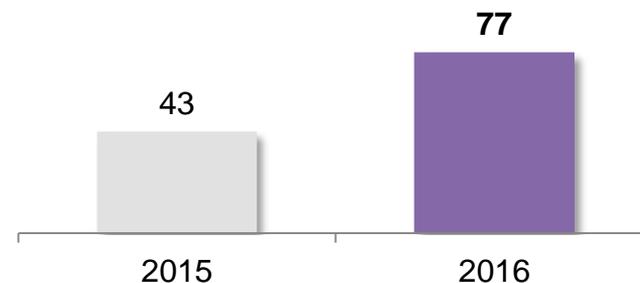
## Trade receivable days

(days)



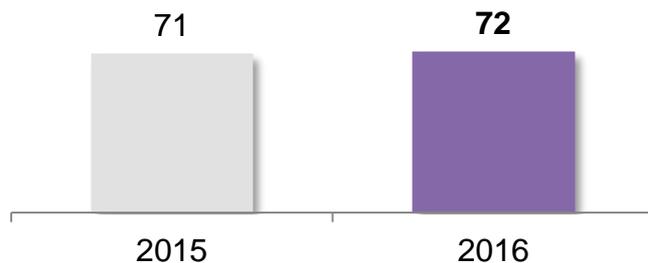
## Trade payable days

(days)



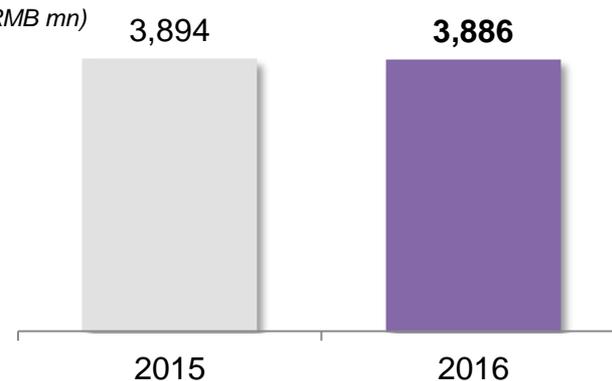
## Inventory turnover days

(days)

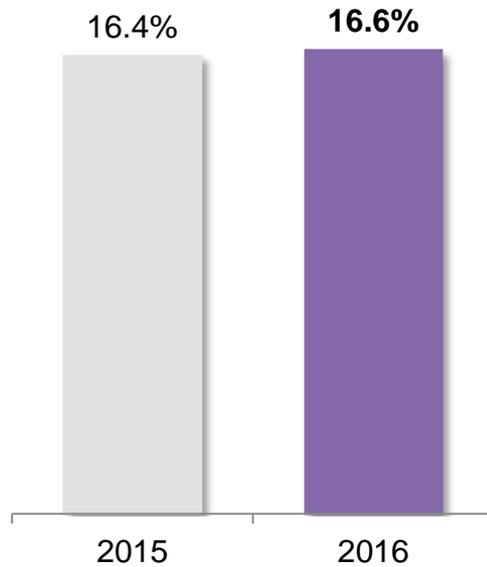


## Cash & bank deposits

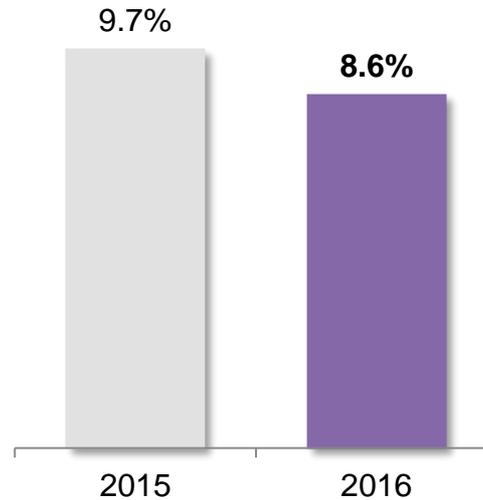
(RMB mn)



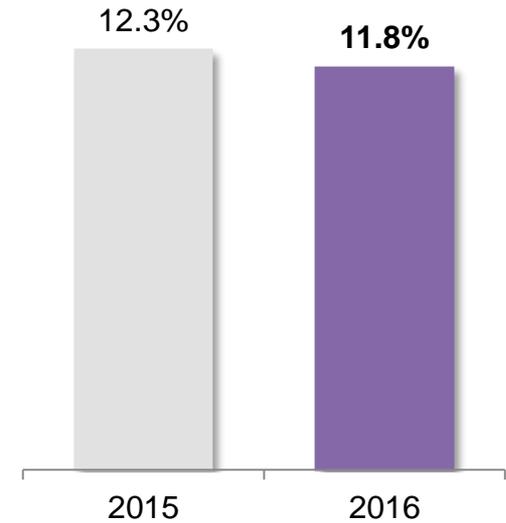
## Return on equity<sup>(1)</sup>



## Return on assets<sup>(2)</sup>



## Return on invested capital<sup>(3)</sup>



- (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)



## 01 Results Highlights



## 02 Financial Review



## 03 Business Review

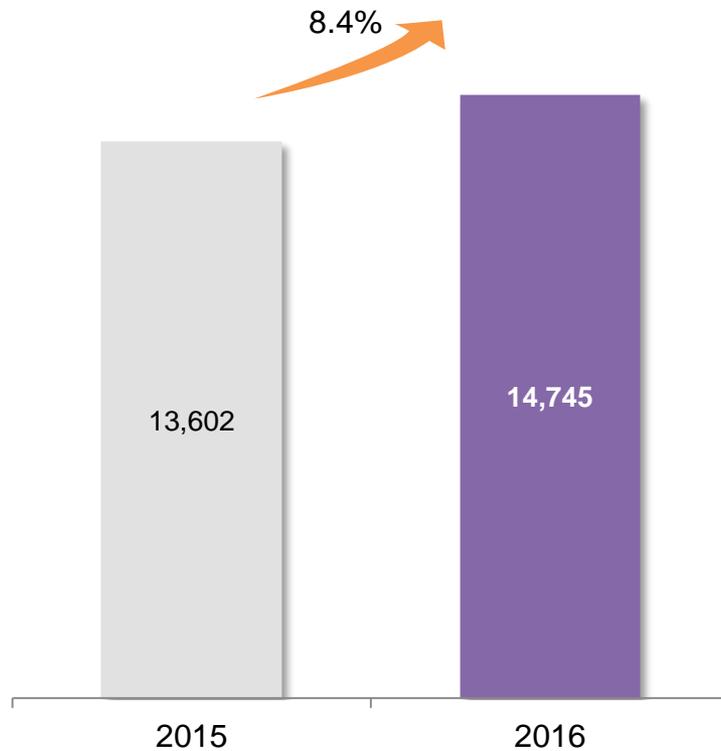


## 04 Outlook

# Pipe business: Revenue & sales volume achieved sustainable growth

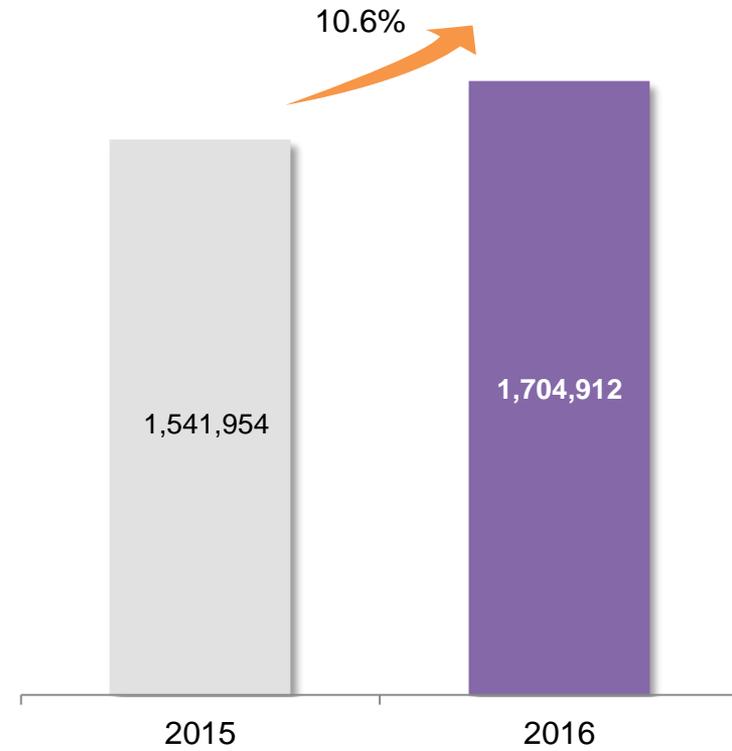
## Revenue

(RMB mn)



## Sales volume

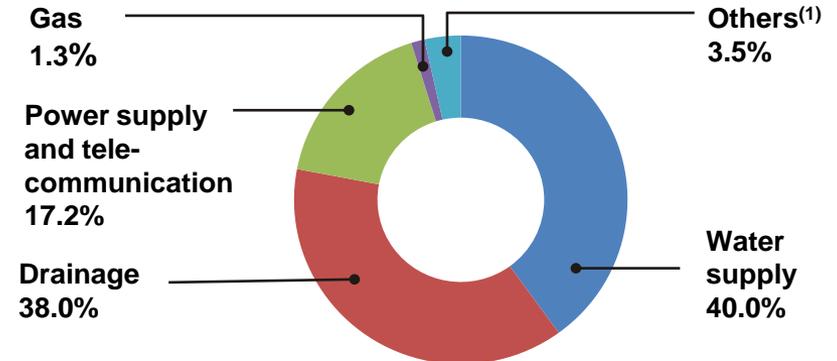
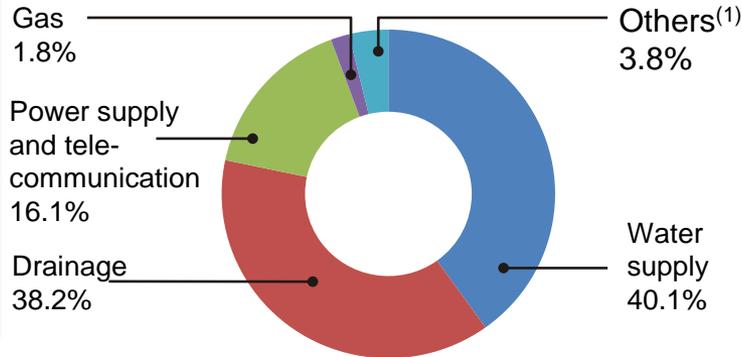
(tonnes)



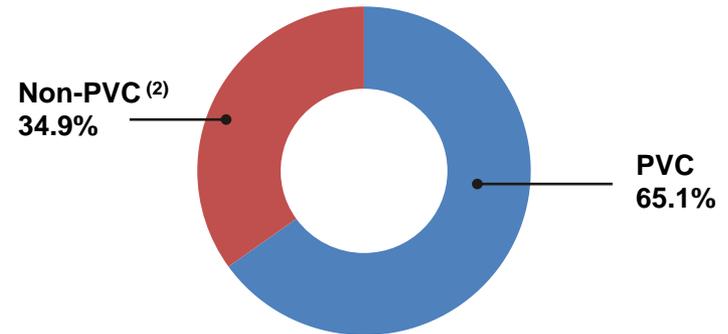
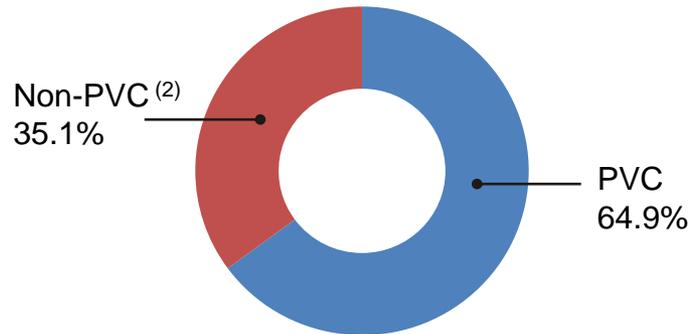
2015

2016

**By application**



**By material**



Total pipe products revenue: RMB13.60 billion

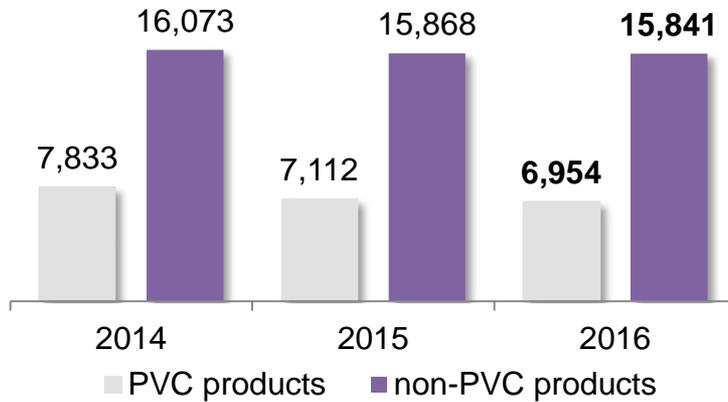
Total pipe products revenue: RMB14.75 billion

(1) Others include agricultural applications, floor heating and fire services  
 (2) Non-PVC includes PE, PP-R. etc

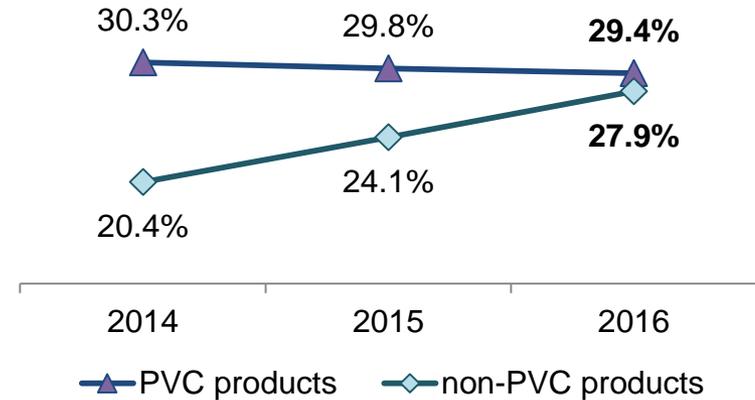
# Pipe business: ASP & GP margin analysis

## ASP per tonne (by material)

(RMB)

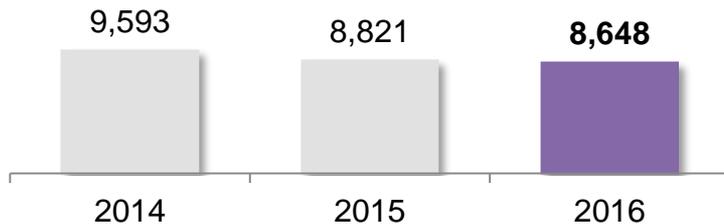


## GP margin (by material)

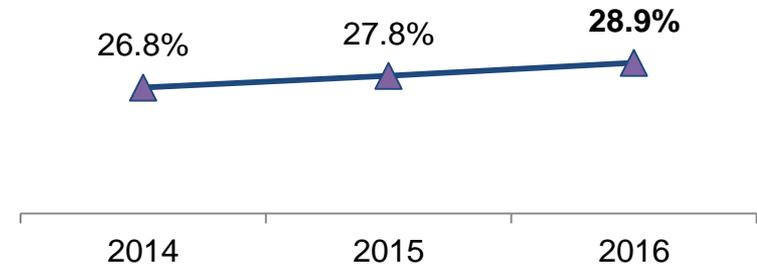


## ASP per tonne — overall

(RMB)



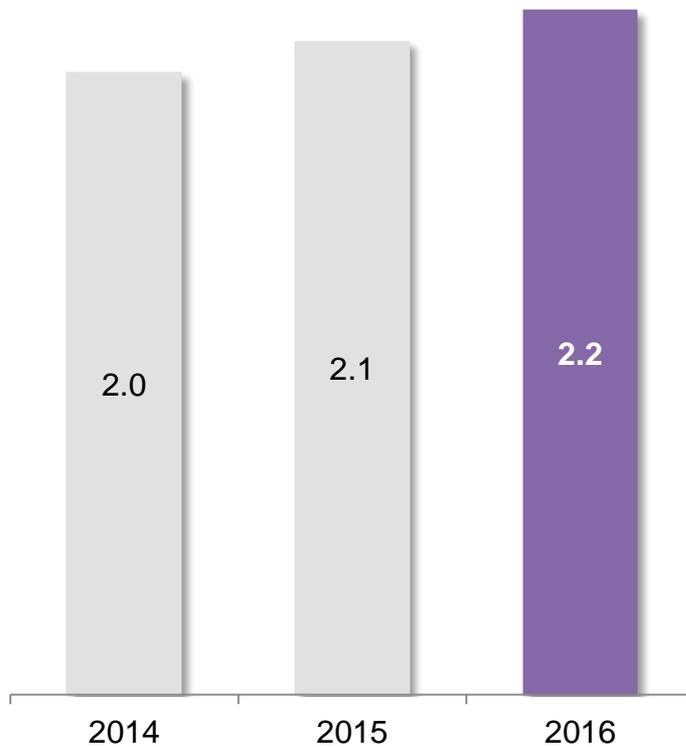
## GP margin — overall



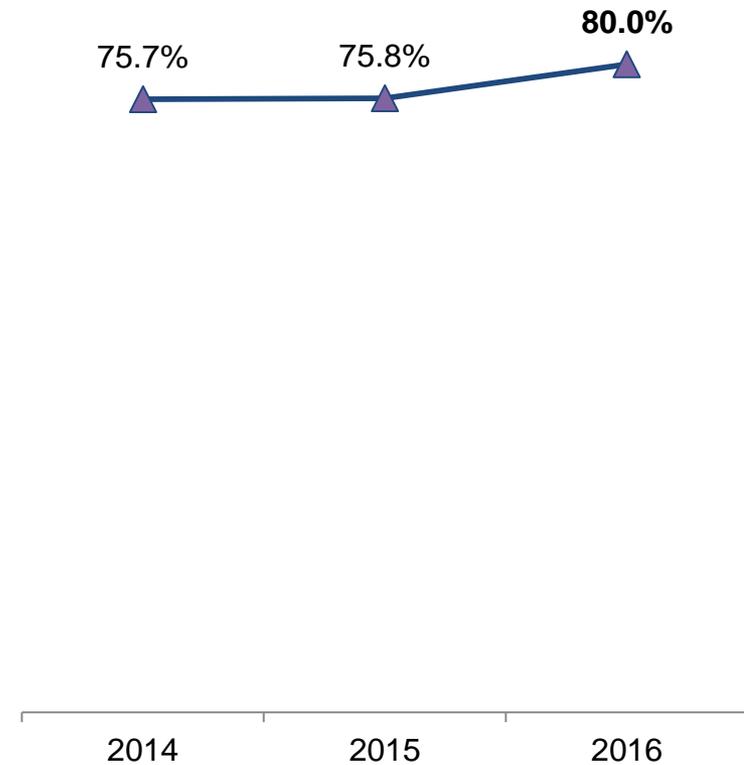
# Pipe business: steady increase in production capacity and utilisation rate

## Annual designed production capacity

(mn tonnes)

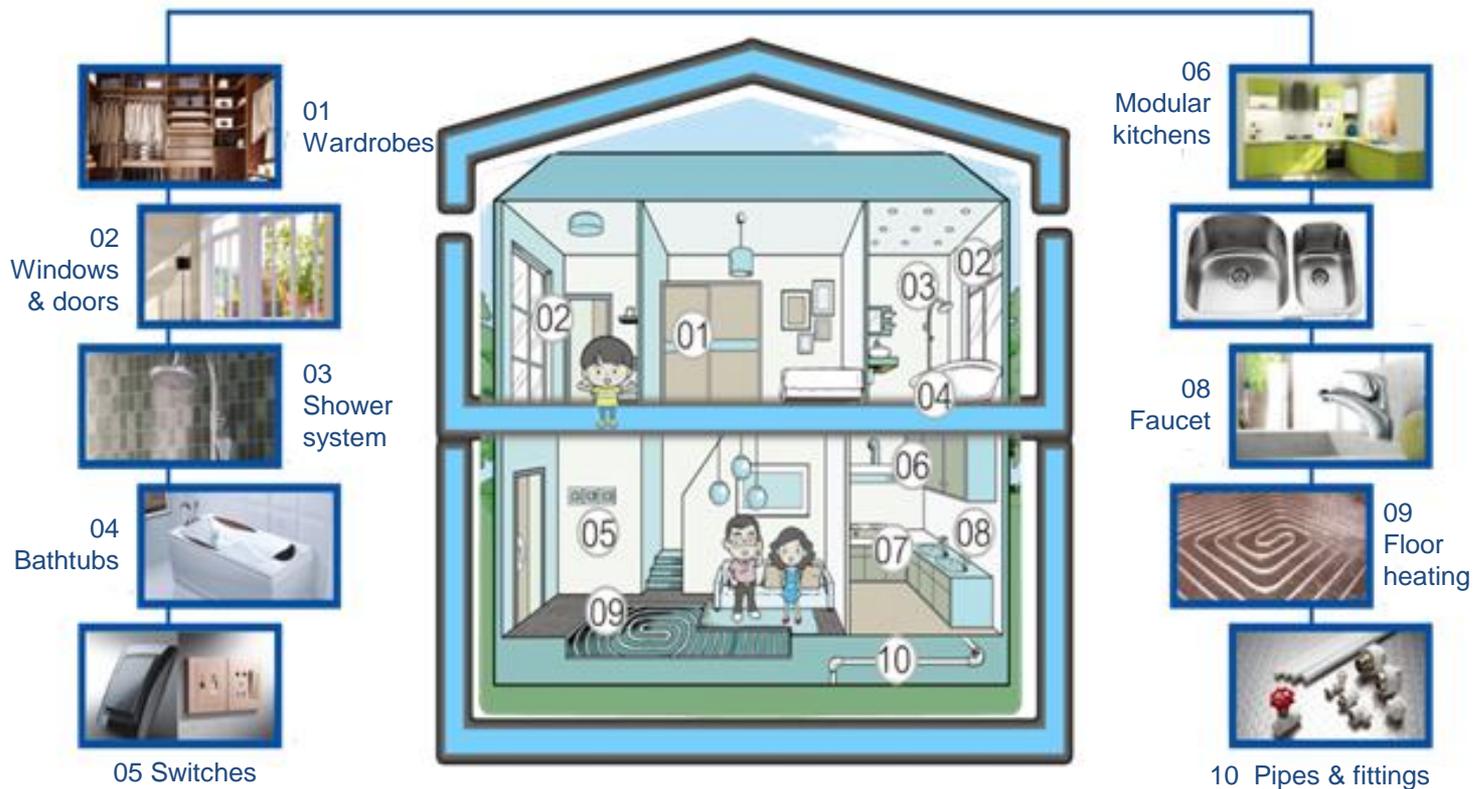


## Average utilisation rate



## Progress

- ▶ Revenue increased by 23.9% year-on-year to RMB1,011 million, accounting for 5.9% of the Group's total revenue
- ▶ Diversified into new product lines which create synergy with existing business

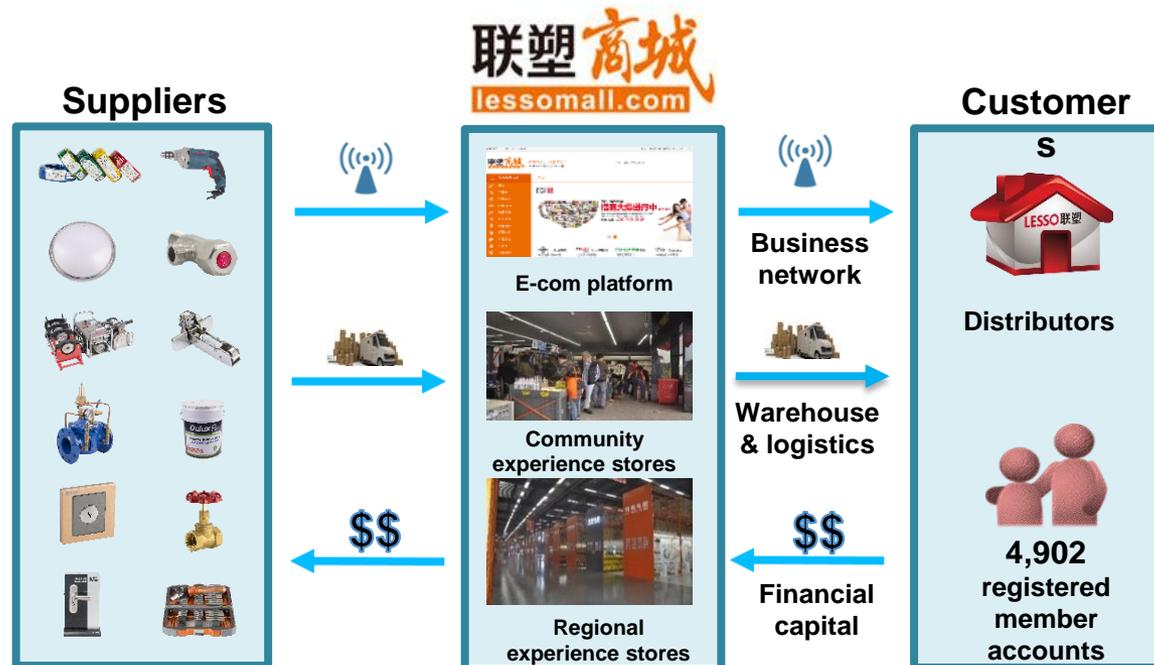


## Features

- ▶ Dedicated e-commerce platform offering hardware, electrical equipment and building materials
- ▶ Online e-commerce platform combined with offline community and regional experience stores

## Progress

- ▶ Refined Lesso Mall's operating strategy and formed strategic business partnerships with its local distributors and business partners to expand the sales channels and increase market penetration
- ▶ Launched Lesso chain stores and provided product supply chain services
- ▶ Acquired land in Thailand, the Australia, the United States and Canada for gradual expansion to overseas markets





## 01 Results Highlights



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## 04 Outlook

## Favourable policies from the Chinese Government



### Sponge City

- ▶ More than **20** provinces in China had participated in the “Sponge City” scheme
- ▶ Size of market for construction is expected to reach **RMB2 trillion** by **2020**



### Underground Pipeline Utility Tunnel

- ▶ As at 20 December 2016, a total of **2,005 km** of pipeline has been constructed in **147 cities of 28 provinces**



### National Urban Wastewater Treatment and Recycling Facilities Construction

- ▶ Construction work to add , repair and rebuild **215,700 km** of new pipelines to the drainage network under the scheme
- ▶ Huge investment of **RMB582.9 billion** is expected to input



### Action Plan for Prevention and Control of Water Pollution

- ▶ Call for a total investment of more than **RMB2 trillion** by 2020 to solve water pollution problem and improve water usage



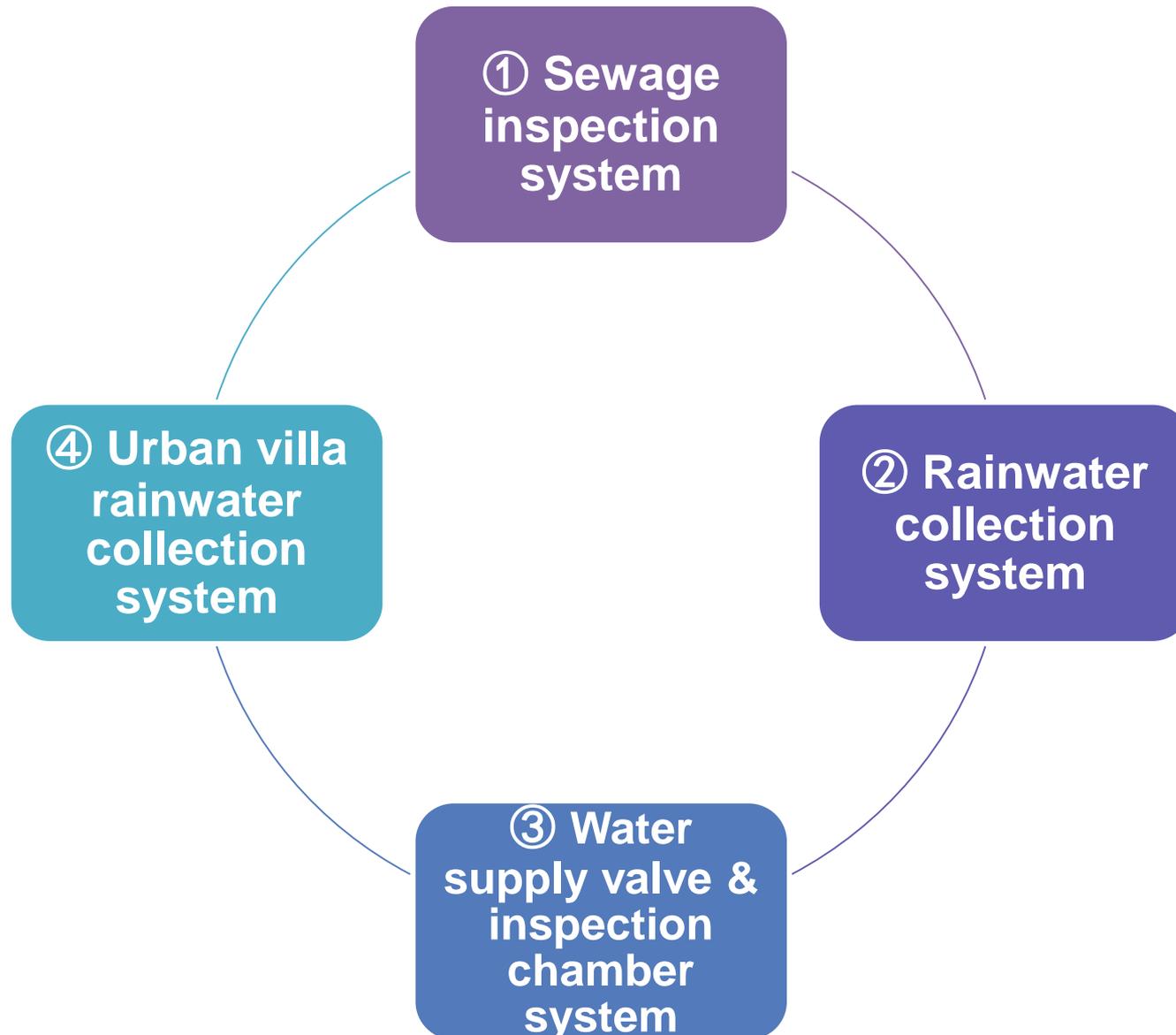
### New mode of urbanisation

- ▶ China's property development in 2016 increased by **6.9%** to RMB10,258.1 billion
- ▶ On-going progress of urbanisation and shanty town renovation work

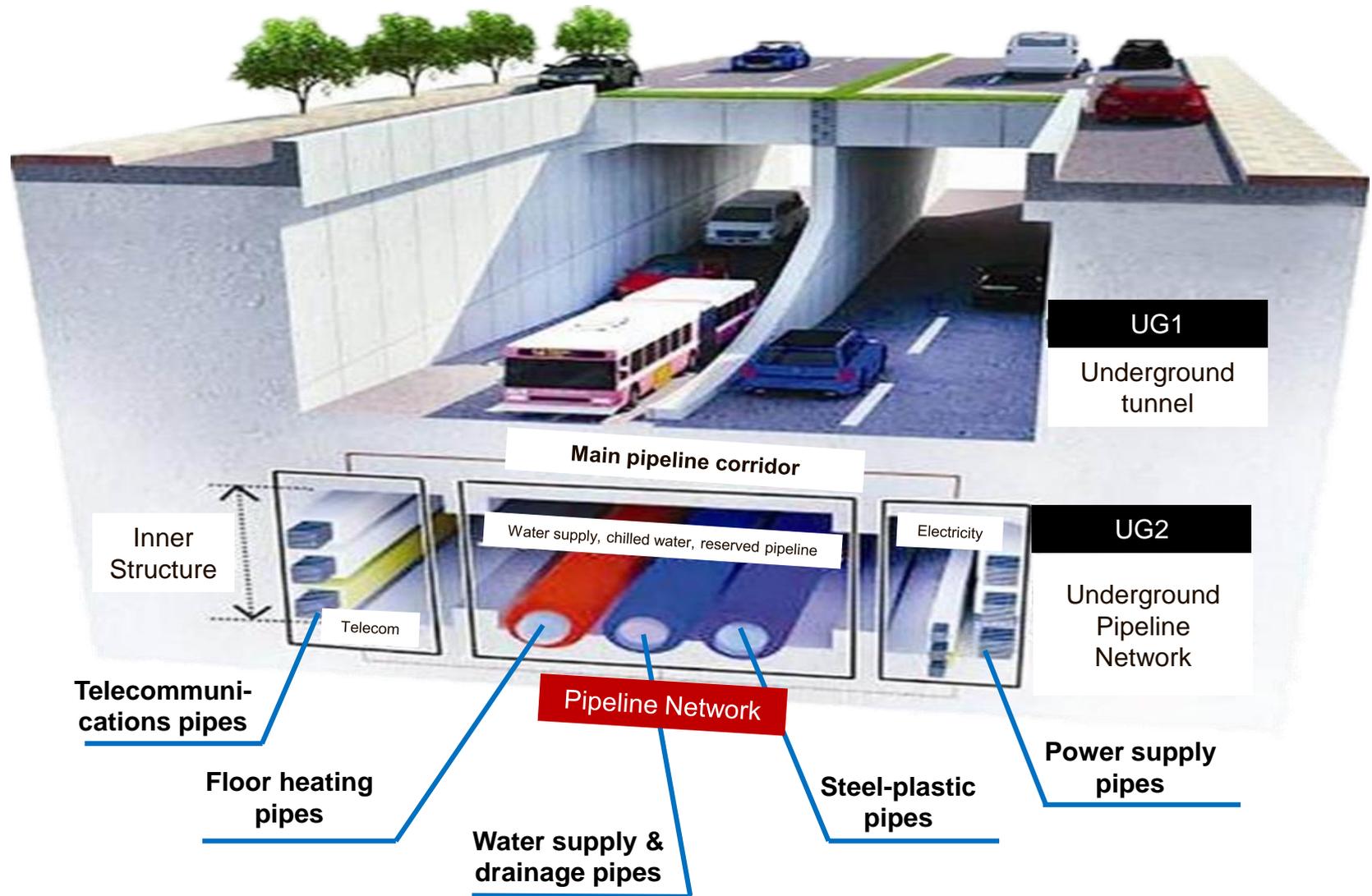


### “Belt and Road Initiative”

- ▶ Major **infrastructure projects** were launched with huge financial support and investment from the Chinese government



# Application of pipe products (Urban Underground Pipeline Network)



## Optimise production capacity

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- ▶ Accelerate **automation** and speed up production process to expand production capacity and raising efficiency



- ▶ **Hunan plant** in preliminary stage and to be constructed in phases

## Consolidate market leadership

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- ▶ Maintain high penetration rate in **Southern China** and further expand its business in other parts of China

## Expand business of Lesso Mall

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- ▶ Strengthen the business model and **strategic partnership**, expand the scale of Lesso Chain stores and optimize its O2O sales service platform in domestic market
- ▶ Establish **Lesso Home**, a global O2O sales service platform for interior decoration products, construction materials and hardware in **overseas markets**
- ▶ A trial sales mall of “Lesso Home” in **Sydney** is planned to operate in 2H2017

## Develop environmental protection business

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- ▶ Develop GZEP into a **one-stop** environmental protection service provider
- ▶ Maximize synergy effect through acquisitions and cooperation with sizable environmental protection companies

Q & A

## Statement of profit and loss (RMB mn)

	2014	2015	2016
Revenue	14,823	15,264	<b>17,221</b>
Gross profit	3,801	3,938	<b>4,582</b>
EBITDA	2,520	2,653	<b>3,125</b>
EBIT	2,080	2,152	<b>2,532</b>
Net profit	1,540	1,618	<b>1,914</b>

## Statement of financial position (RMB mn)

	2014	2015	2016
Cash & bank deposits	3,199	3,894	<b>3,886</b>
Total assets	14,520	16,649	<b>22,195</b>
Total debts	3,180	3,241	<b>4,695</b>
Total equity	8,550	9,865	<b>11,538</b>

## Ratio analysis

	2014	2015	2016
<b>Profit ratio (%)</b>			
Gross profit margin	25.6%	25.8%	<b>26.6%</b>
EBITDA margin	17.0%	17.4%	<b>18.1%</b>
EBIT margin	14.0%	14.1%	<b>14.7%</b>
Net profit margin	10.4%	10.6%	<b>11.1%</b>
<b>Growth rate (%)</b>			
Revenue	13.4%	3.0%	<b>12.8%</b>
Gross profit	16.4%	3.6%	<b>16.4%</b>
EBITDA	10.6%	5.3%	<b>17.8%</b>
EBIT	8.4%	3.5%	<b>17.7%</b>
Net profit	7.1%	5.1%	<b>18.2%</b>
<b>Liability ratio (times)</b>			
EBITDA/ finance costs	10.81x	30.38x	<b>29.19x</b>
Total debts/ (total debts + total equity)	0.27x	24.7%	<b>28.9%</b>