

LESSO 联塑

CHINA LESSO GROUP HOLDINGS LIMITED

中國聯塑集團控股有限公司

2019 Annual Results
Corporate Presentation

March 2020



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 for the year ended 31 Dec 2019
 - ❖ Revenue: **RMB26,345 million, +11.0%**
 - ❖ Gross profit: **RMB7,537 million, +21.0%**
 - ❖ Profit attributable to the owners of the Company : **RMB3,025 million, +21.4%**
 - ❖ Final dividend: **HK28 cents per share** (2018: HK20 cents per share)
- ❖ Benefited from the energy conservation and environmental protection policies, the Chinese government actively implemented the plan for constructing pipeline networks, as well as a gradual rebound in infrastructure investment, driving the increase in number of orders for plastic piping systems
 - ❖ Sales volume of plastic piping systems: **2.4 million tonnes, +10.6%**
 - ❖ Revenue: **RMB23,709 million, +11.1%**
- ❖ Actively explored potential partners and successfully signed a strategic partnership agreement with Xinjiang partner in May 2019, to jointly develop the markets of Central Asia and Xinjiang to **increase the market penetration of “Lesso” products**



Results highlights

- ❖ Dedicated to **establish a global business presence** and announced to invest approximately US\$60 million to **set up a large-scale pipeline production base in Indonesia** in September 2019 which expected to be completed and commenced trial production in the second half of 2020. In the future, the Group will continue to actively seek opportunities for business development in other Asian countries, such as India, Malaysia and Thailand, adding impetus to its overseas business development



- ❖ In January 2020, signed a strategic cooperation agreement with Guangdong Academy of Agricultural Sciences to **actively explore business opportunities in the agricultural sector** and to further diversify its source of income
- ❖ **Continued to expand its environmental protection business**, actively explored M&A opportunities to form new growth drivers
- ❖ **Maintained stable and healthy financial position** with cash and bank deposits of approx. **RMB7,604 million**

Agenda



01 Results Highlights



02 Financial Review



03 Business Review

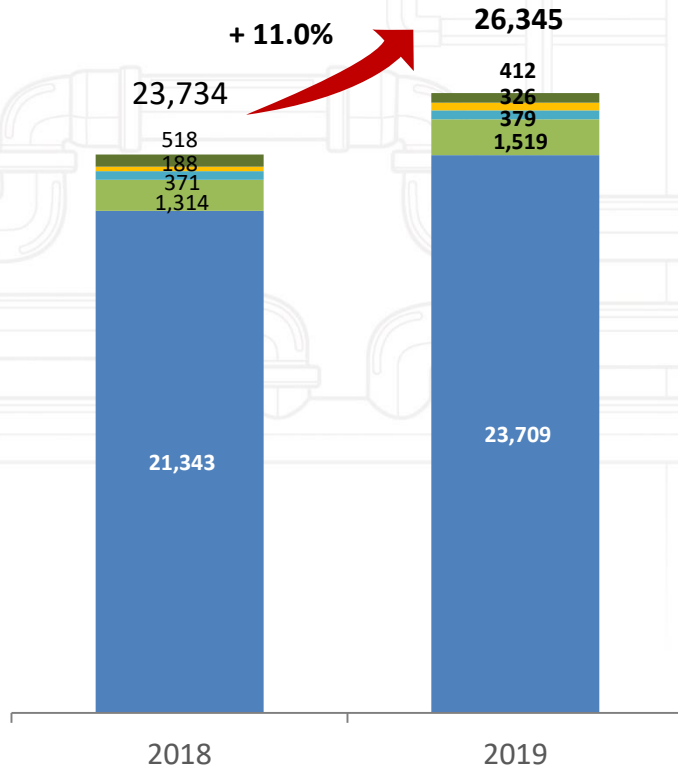


04 Outlook

Steady revenue growth

Total revenue

(RMB million)



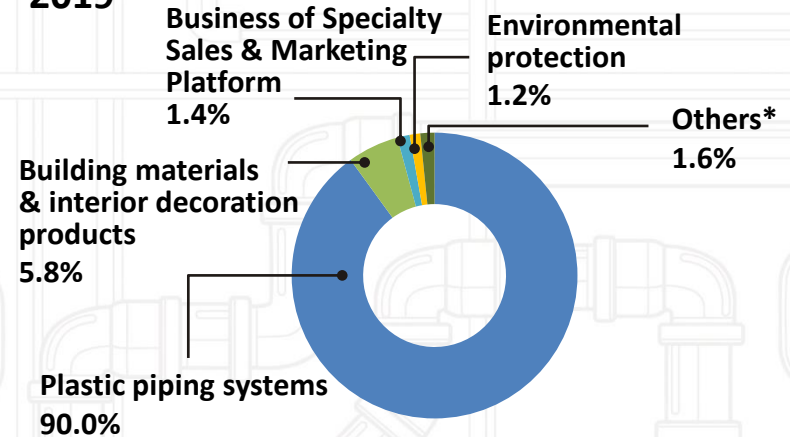
+ 11.0%



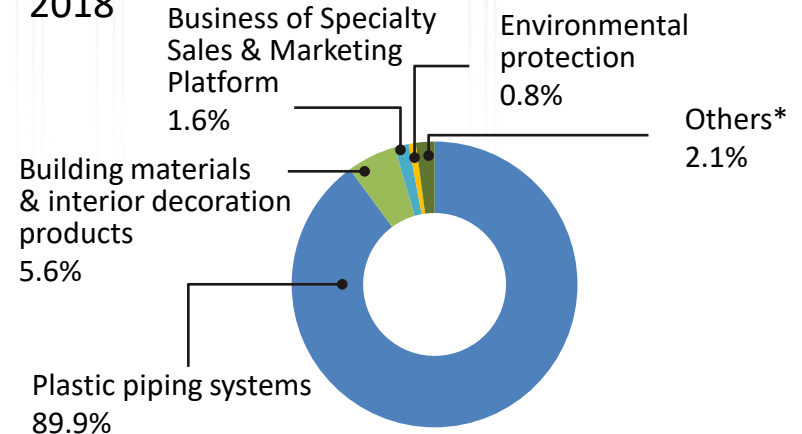
- Others*
- Environmental protection
- Business of Specialty Sales & Marketing Platform
- Building materials & Interior products
- Plastic piping systems

Total revenue (by business segment)

2019

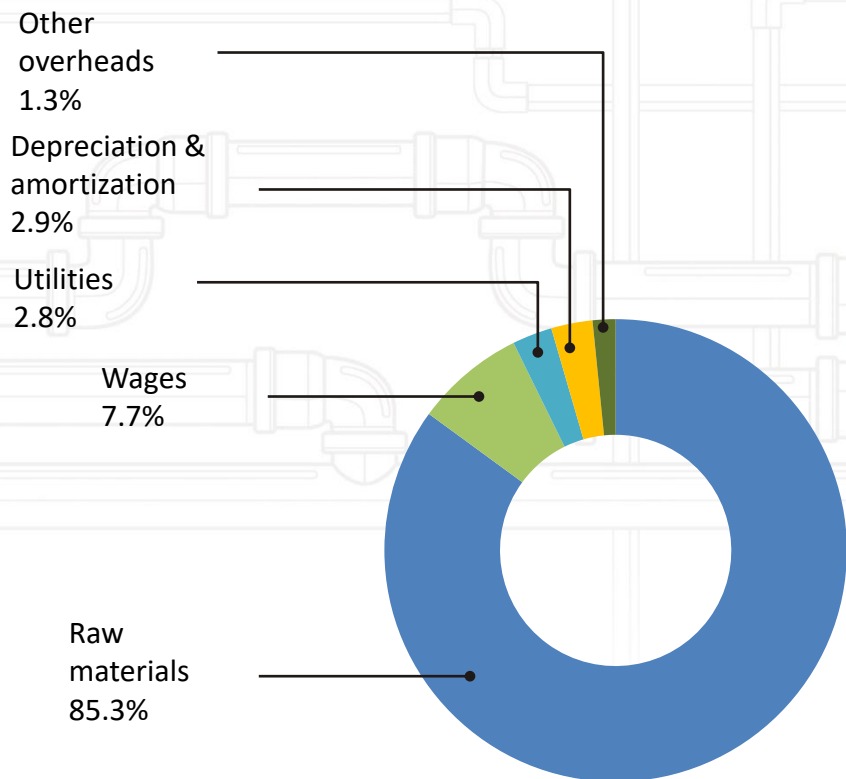


2018

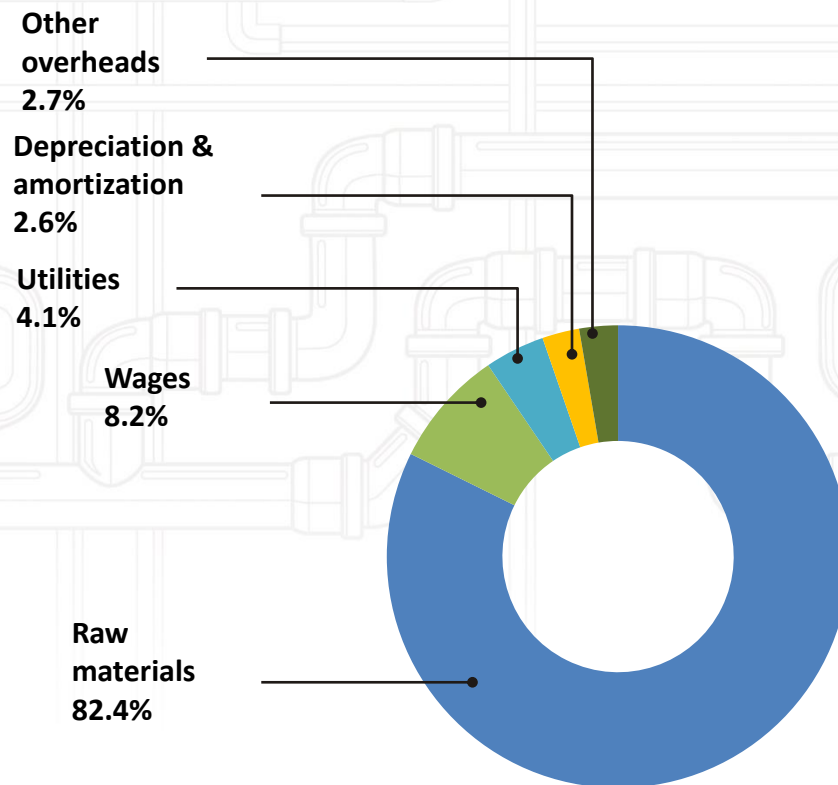


Overall cost structure

2018



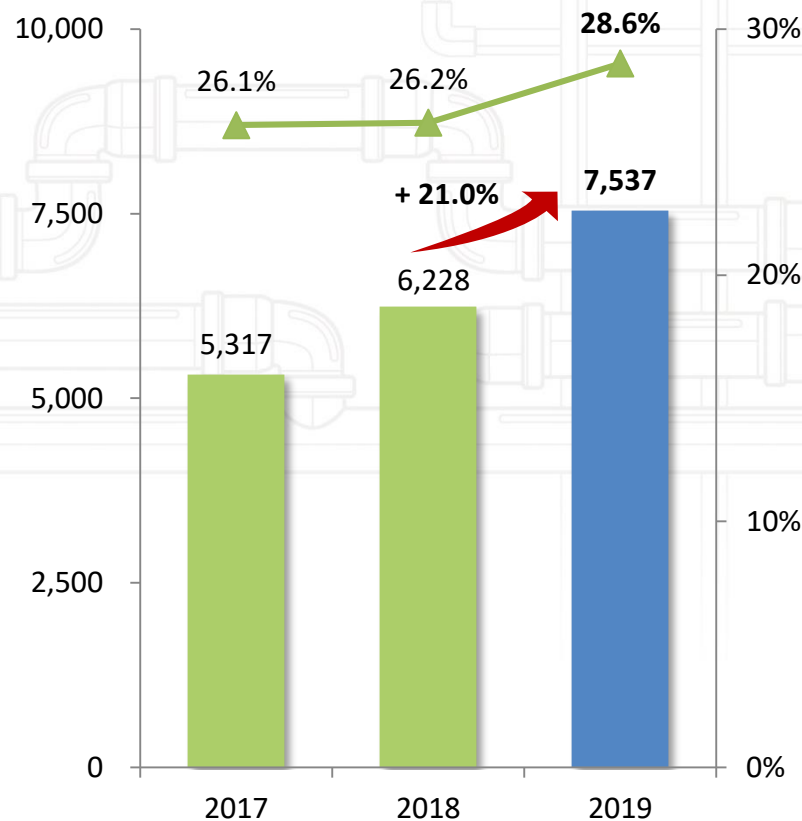
2019



GP & NP continued to increase

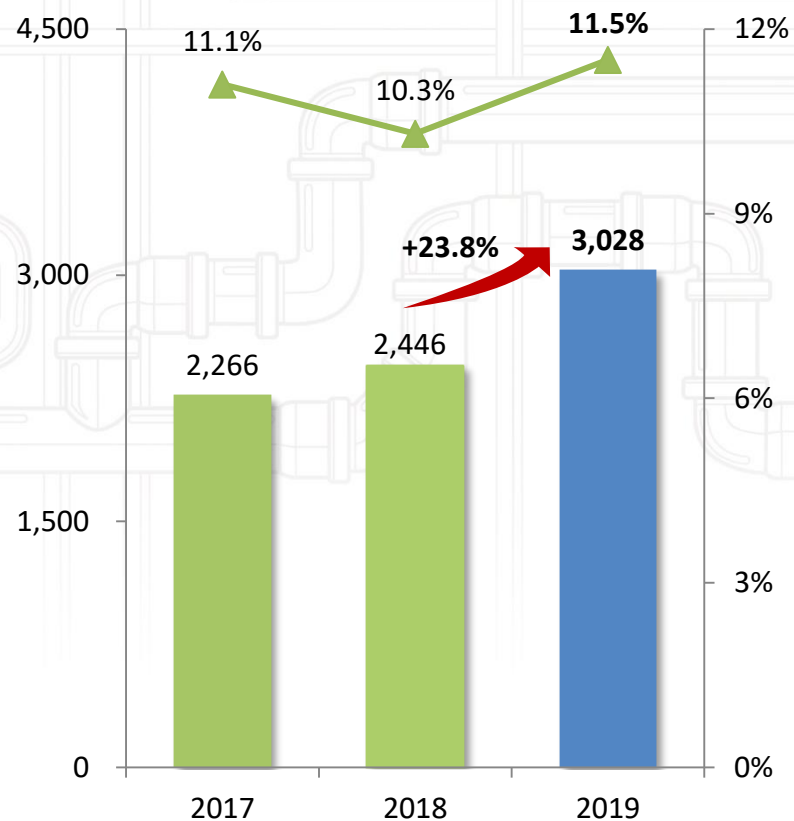
GP & GP margin

(RMB million)



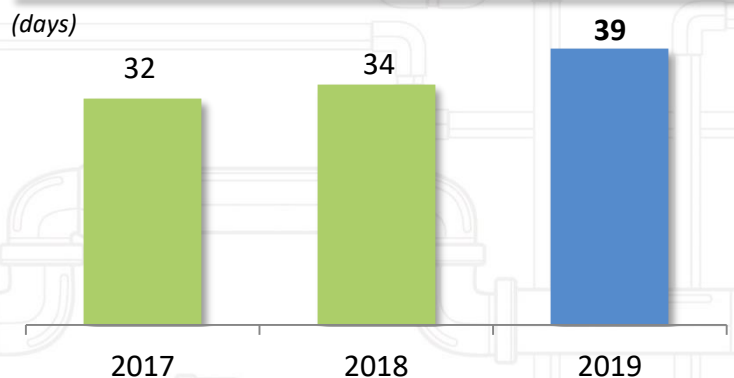
NP & NP margin

(RMB million)

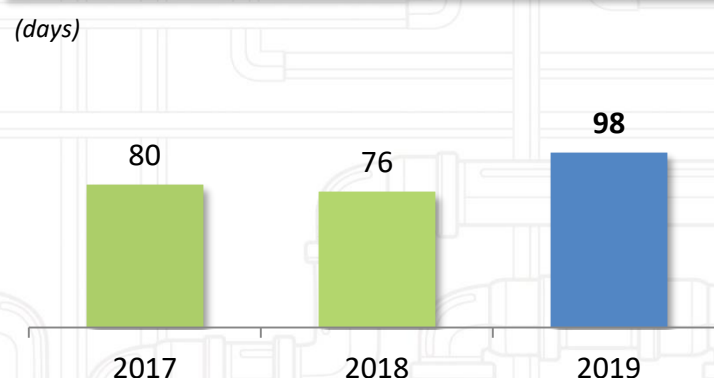


Healthy & stable key financial indicators

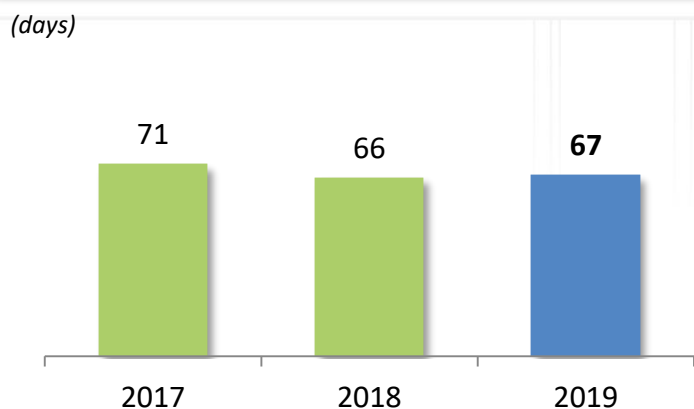
Trade receivable days



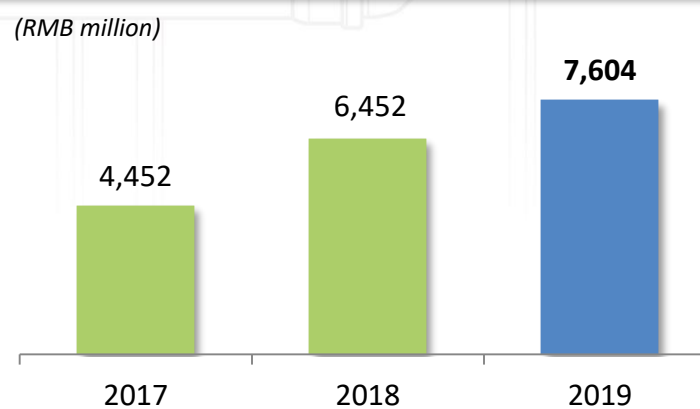
Trade payable days



Inventory turnover days ⁽¹⁾



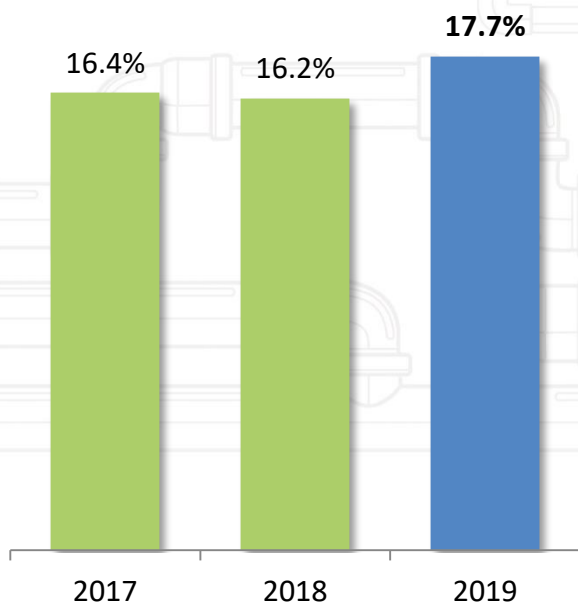
Cash & bank deposits



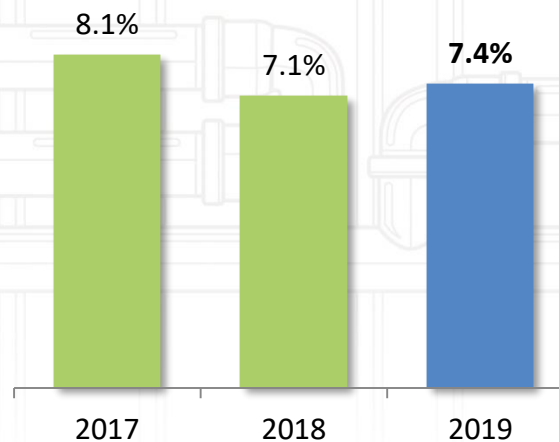
(1) Including manufacturing and trading only

Remained stable in return ratios

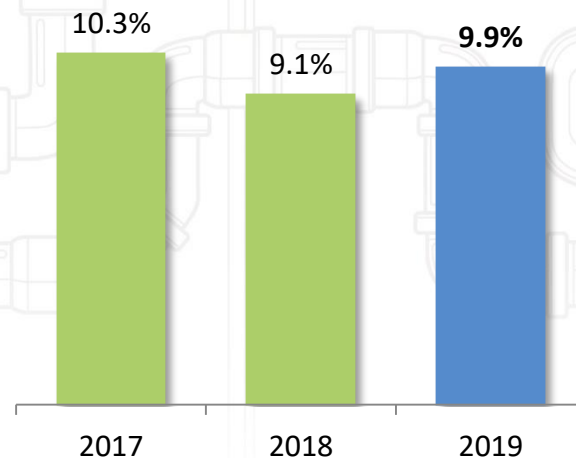
Return on equity⁽¹⁾



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

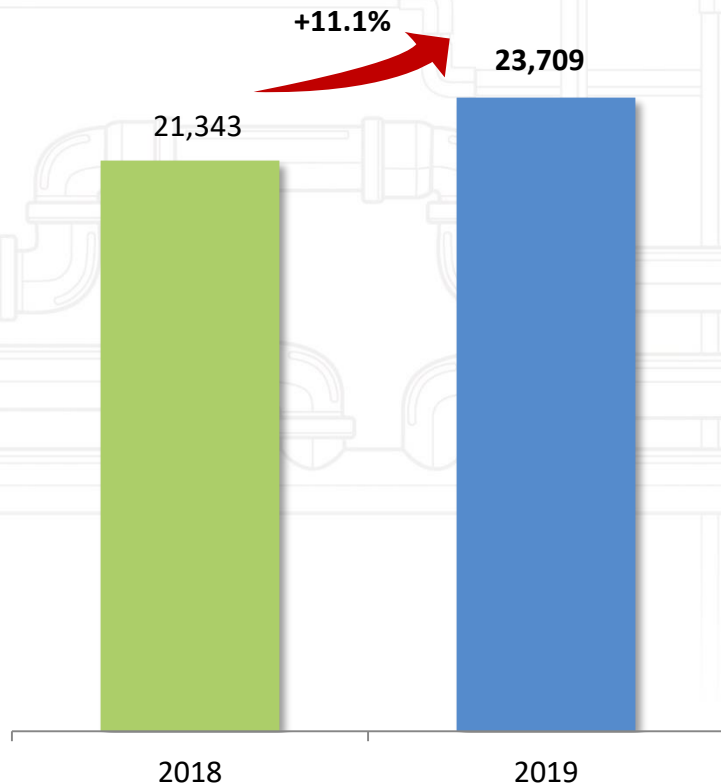


04 Outlook

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

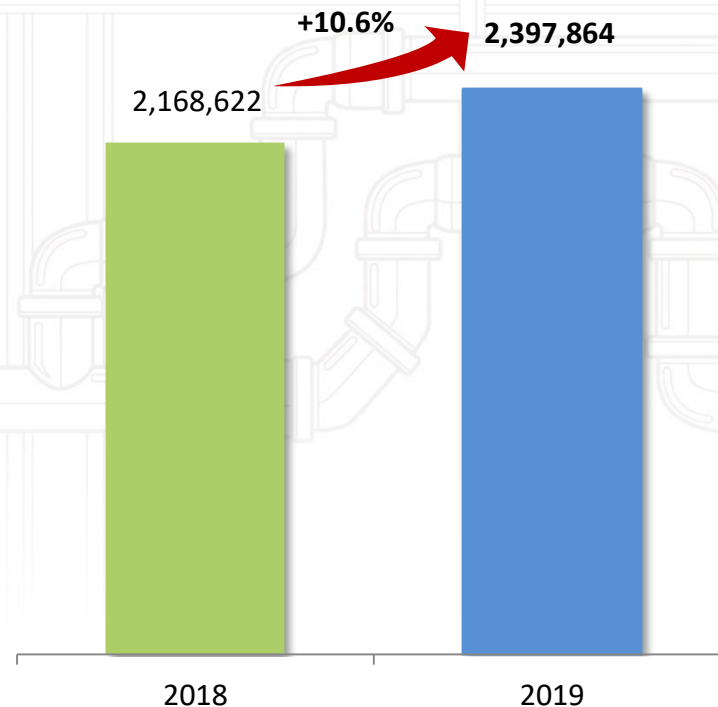
Segment revenue

(RMB million)



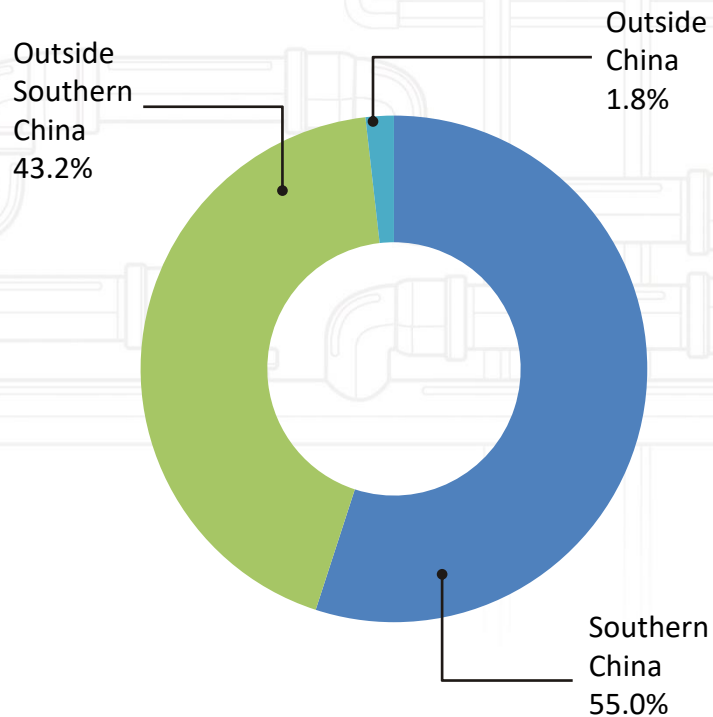
Segment sales volume

(tonnes)

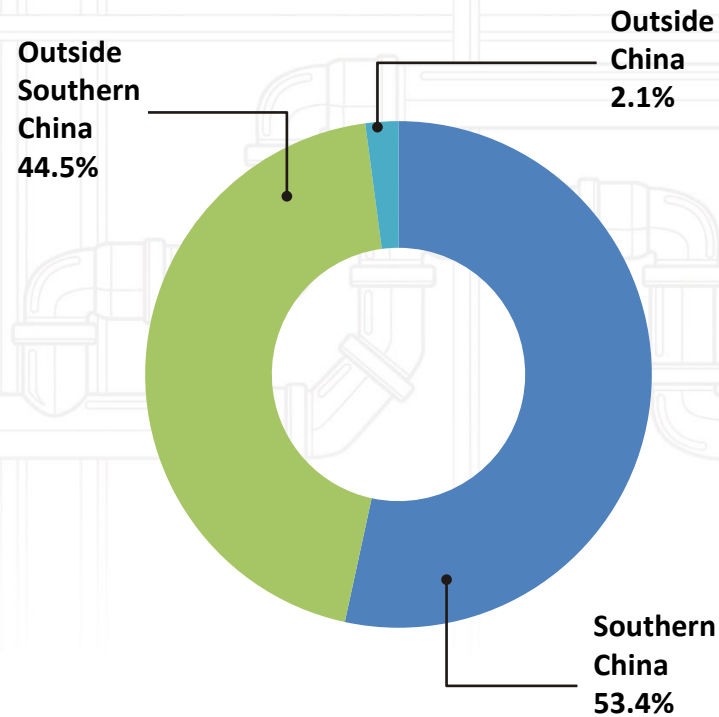


Plastic piping systems business: Revenue breakdown by region

2018



2019

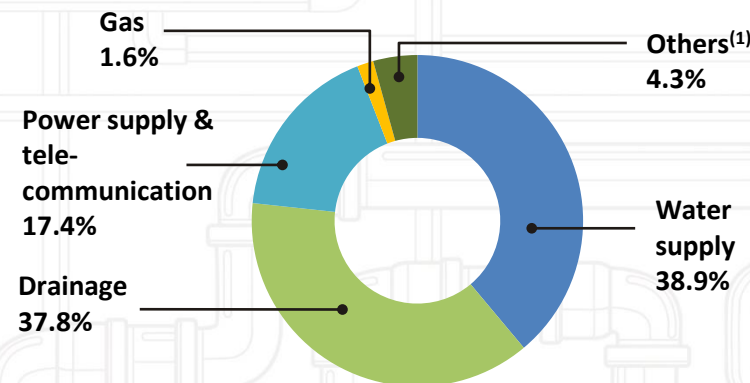
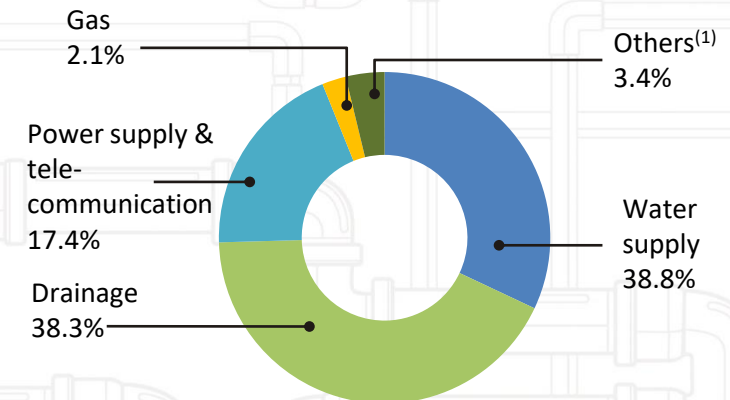


Plastic piping systems business: Revenue analysis

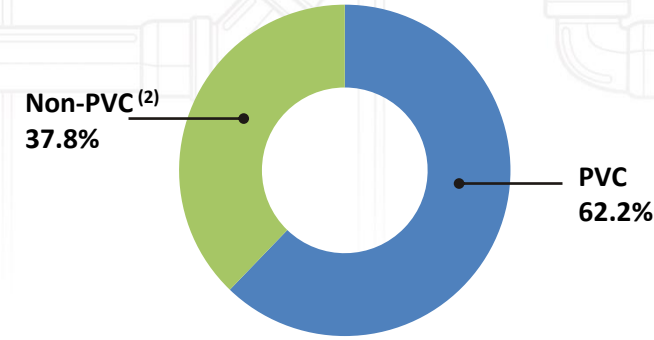
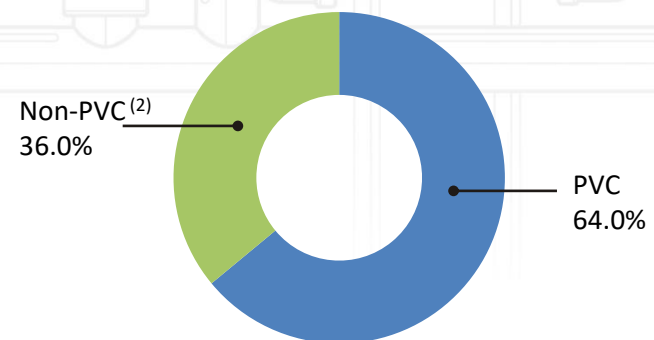
2018

2019

By application



By material



Total pipe products revenue: RMB21.34 billion

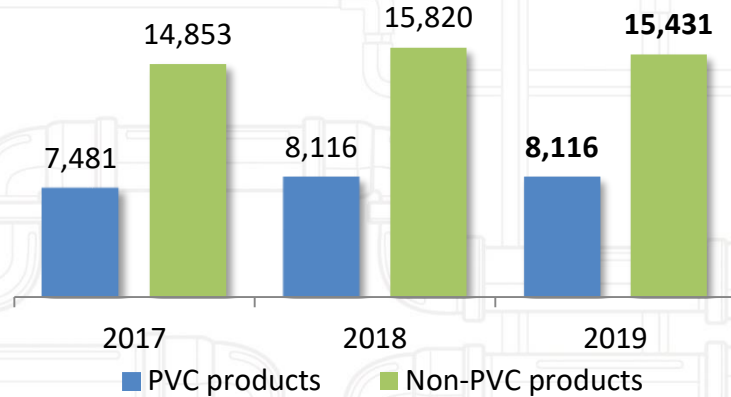
Total pipe products revenue: RMB23.71 billion

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

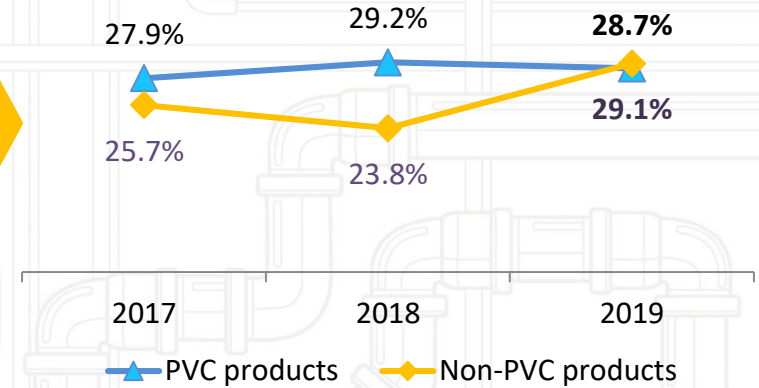
Plastic piping systems business: ASP & GP margin analysis

ASP per tonne – by material

(RMB)

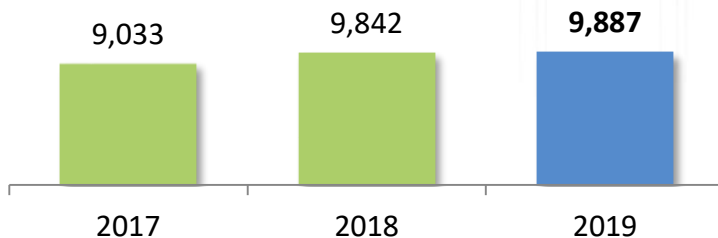


GP margin – by material

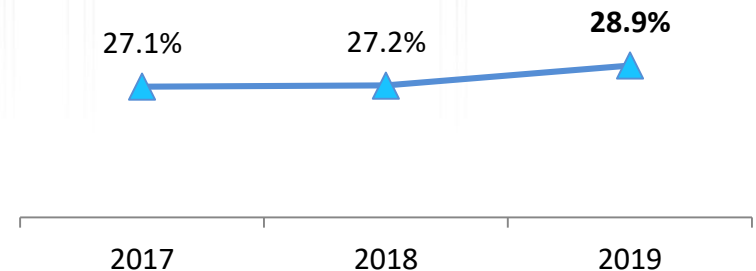


ASP per tonne - overall

(RMB)



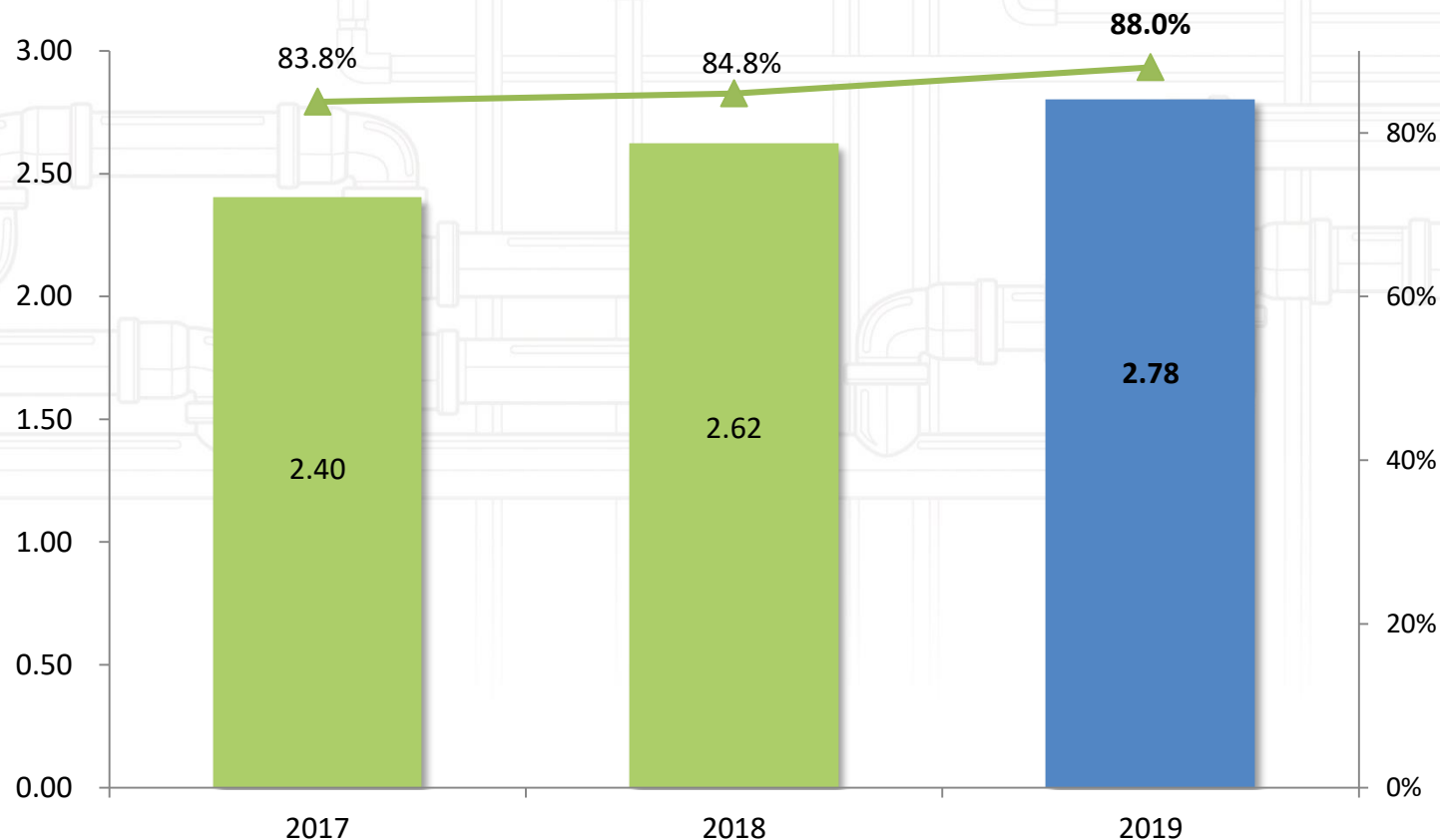
GP margin - overall



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

- ❖ The change in the bulk purchasing model in real estate industry and the gradual rebound in the rate of completion of property projects in the 2H of 2019 helped boost the sales of building materials and interior decoration products. This resulted in an increase in the number of new orders and an improvement in overall business performance with the revenue of **RMB1,519million**



- ❖ 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
- ❖ Actively seizes the opportunities in the new mode of urbanization and the redevelopment of old towns to achieve synergy with its businesses of other product lines



LESSO 联塑

Environmental protection business

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



Water Treatment



Solid Waste Disposal



Waste Gas Treatment



Soil Remediation



Technical Consultancy & Environmental Monitoring Service



Scientific Research Service



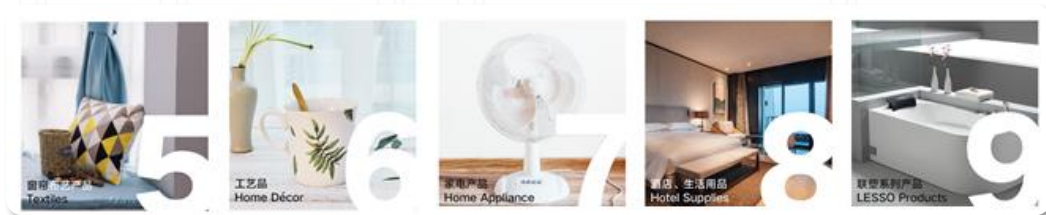
LESSO 联塑

- ❖ Continues to expand environmental protection business and actively capitalized on municipal projects in various fields, striving to create synergy between its environmental protection business and plastic piping systems business for the long term
- ❖ Through successful M&A, the Group strives to become as a one-stop integrated environmental service provider and provide customers with comprehensive services
- ❖ Stable business growth with the revenue amounted to **RMB326 million** in 2019
- ❖ Dedicates to develop the business of treating hazardous and solid wastes and actively explores opportunities for M&A to form new growth drivers

Business of specialty sales & marketing platform

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

- ❖ Satisfactory business growth with the revenue amounted to **RMB379 million** in 2019
- ❖ Entered into a joint venture agreement with a **Myanmar** company to further expand local market in 2019
- ❖ The group has projects in **Thailand, Myanmar, Indonesia** and other countries, mainly focusing on the Southeast Asian market



Agenda



01 Results Highlights



02 Financial Review



03 Business Review



04 Outlook

Future prospect

Achieve centralized automated & intelligent production to enhance efficiency

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

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

Grasp opportunities to develop environmental protection business

- ❖ Actively grasp opportunities to develop environmental protection business and form **public-private partnerships**
- ❖ Exert itself to foster new growth drivers to pursue **cross-segment synergies** and **income diversification**

Expand market network for building materials & interior decoration

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



Q&A



Appendix: Financial summary

Statement of profit or loss (RMB million)

	2017	2018	2019
Revenue	20,360	23,734	26,345
Gross profit	5,317	6,228	7,537
EBITDA	3,831	4,409	5,556
EBIT	3,184	3,651	4,559
Net profit	2,266	2,446	3,028

Statement of financial position (RMB million)

	2017	2018	2019
Cash & bank deposits	4,452	6,452	7,604
Total assets	27,974	34,636	40,785
Total debts	8,319	11,731	13,537
Total equity	13,783	15,073	17,094

Ratio analysis

	2017	2018	2019
Profit ratio (%)			
Gross profit margin	26.1%	26.2%	28.6%
EBITDA margin	18.8%	18.6%	21.1%
EBIT margin	15.6%	15.4%	17.3%
Net profit margin	11.1%	10.3%	11.5%
Growth rate (%)			
Revenue	18.2%	16.6%	11.0%
Gross profit	16.0%	17.1%	21.0%
EBITDA	22.6%	15.1%	26.0%
EBIT	25.8%	14.7%	24.9%
Net profit	18.4%	8.0%	23.8%
Liability ratio (times)			
EBITDA/ financing costs	16.71x	10.61x	9.63x
Total debts/ (total debts + total equity)	37.6%	43.8%	44.2%

Appendix: Production bases in China

