

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. HK

Improve Urban Quality of Life
為城市提高品質生活

2017 Interim Results
Corporate Presentation

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Agenda



01 Results Highlights



02 Financial Review



03 Business Review



04 Outlook

Results Highlights

▶▶ Stable Growth in Revenue and Sales

Revenue : **RMB8,977 million, +22.6%**

Gross profit: **RMB2,461 million, +12.7%**

Profit attributable to the owners of the Company: **RMB971 million, +6.4%**

▶▶ **Automated** and **scaled up** the Group's production at its production bases

▶▶ Actively seized the opportunity driven by buoyant demand brought by Chinese government's efforts to stimulate investment and construction in civil infrastructure projects,

Sales volume of plastic pipes and pipe fittings increased by **13.2%** to **869,881 tonnes.**

Revenue of plastic pipes and pipe fittings business increased **21.7%** to **RMB8.03 billion**

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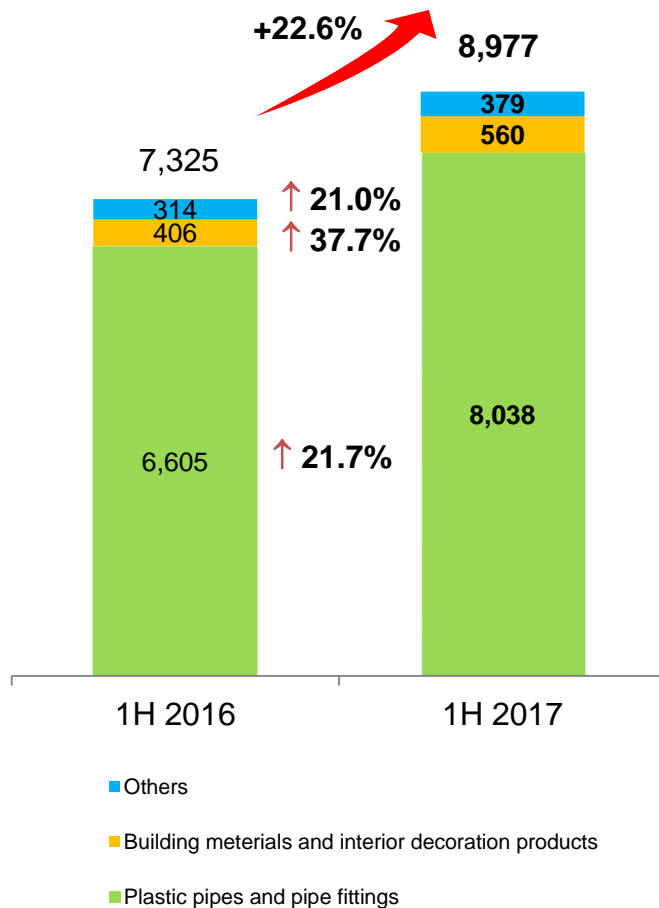


04 Outlook

Growth in total revenue

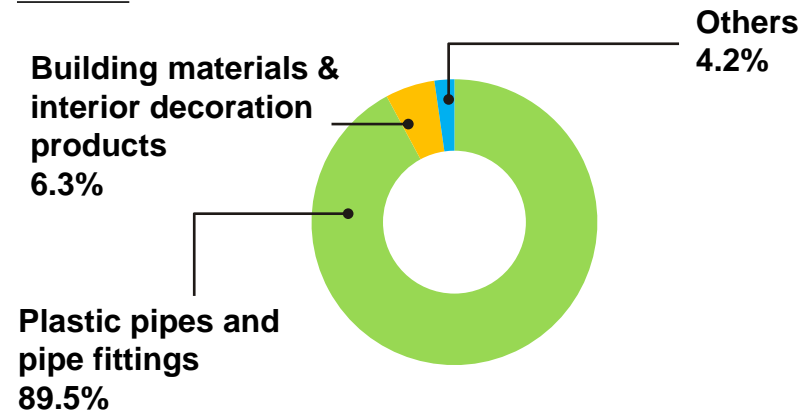
Total revenue

(RMB mn)

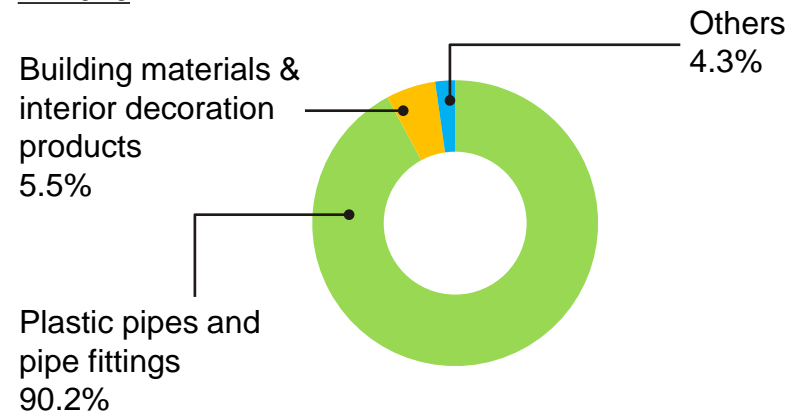


Total revenue (by business segment)

1H2017

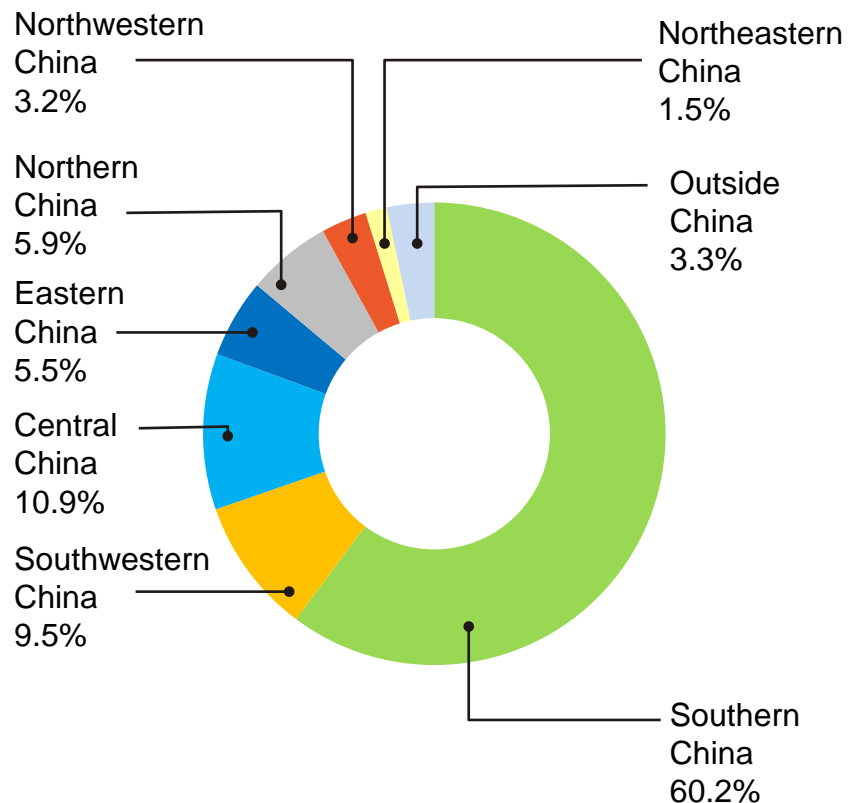


1H2016

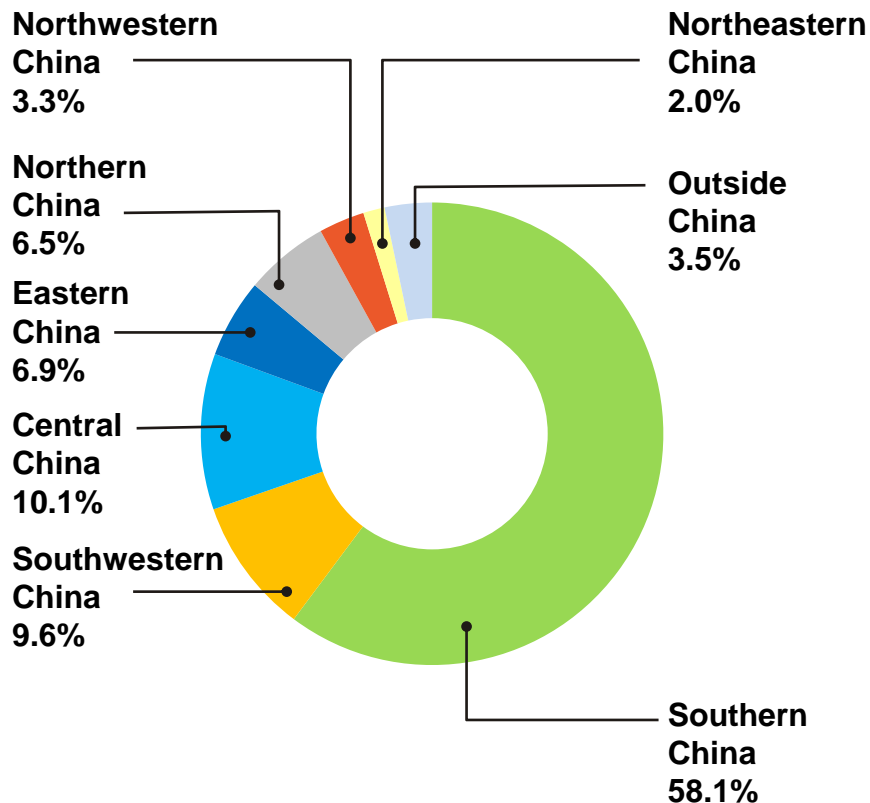


Total revenue breakdown by region

1H 2016



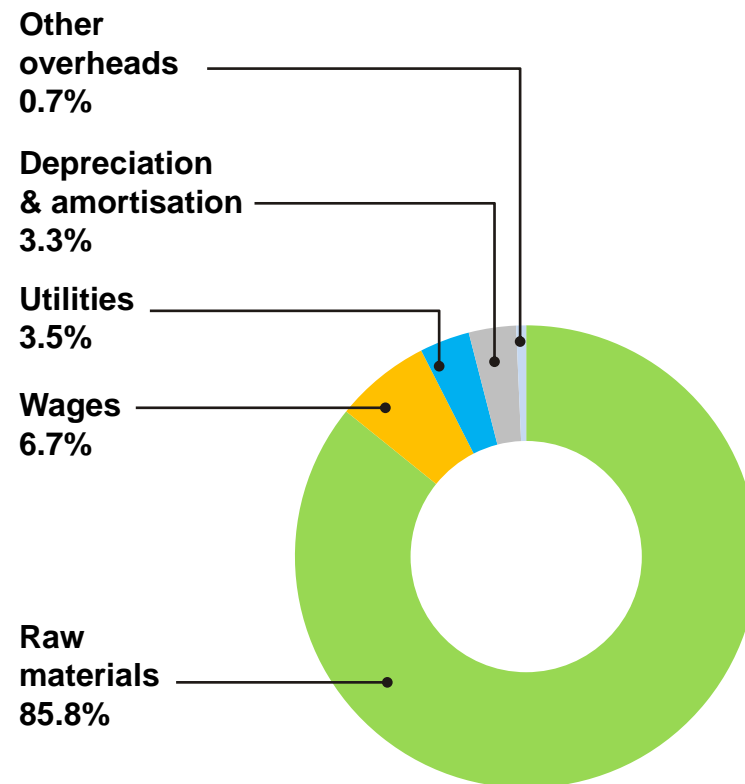
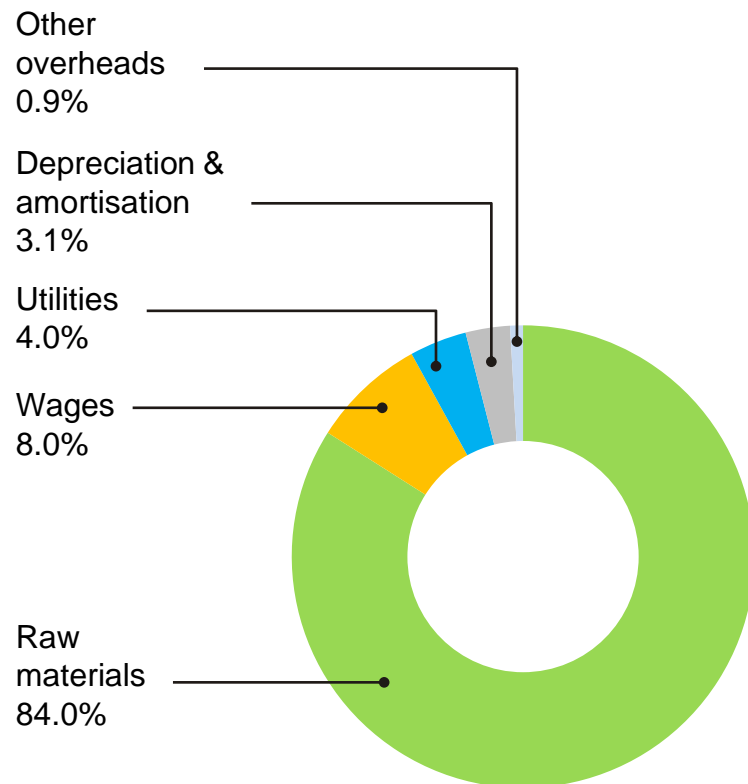
1H 2017



Overall cost structure

1H 2016

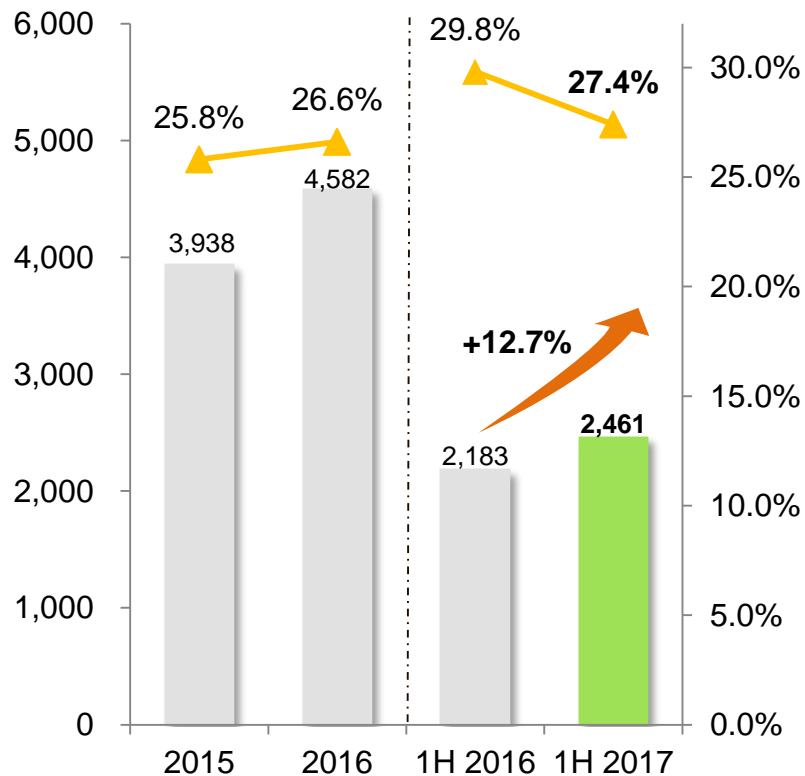
1H 2017



GP & NP maintained stable

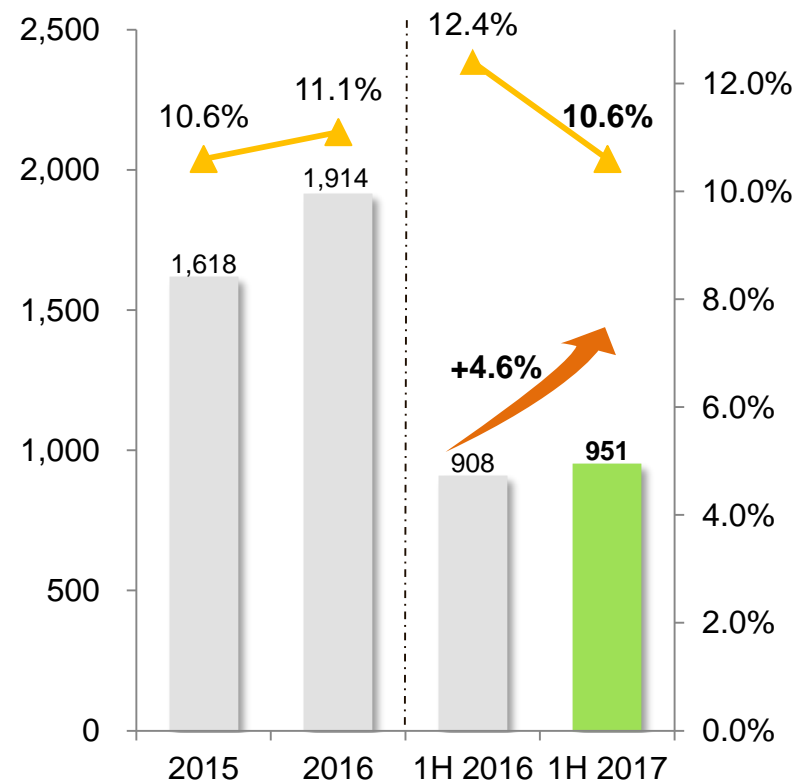
GP & GP margin

(RMB mn)



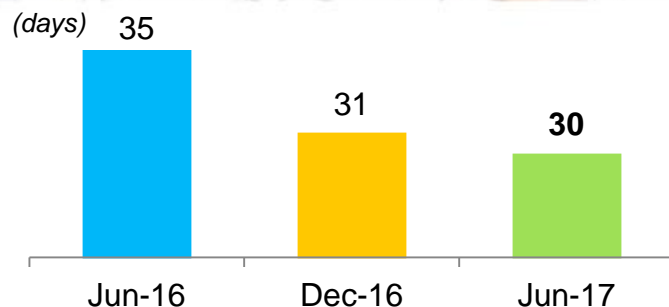
NP and NP margin

(RMB mn)

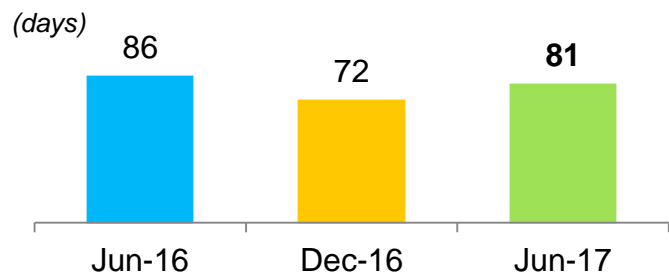


Healthy and stable key financial indicators

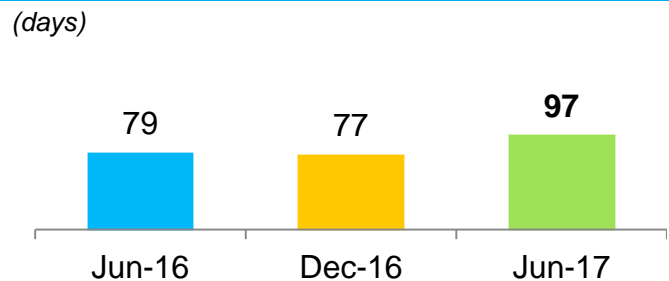
Trade receivable days



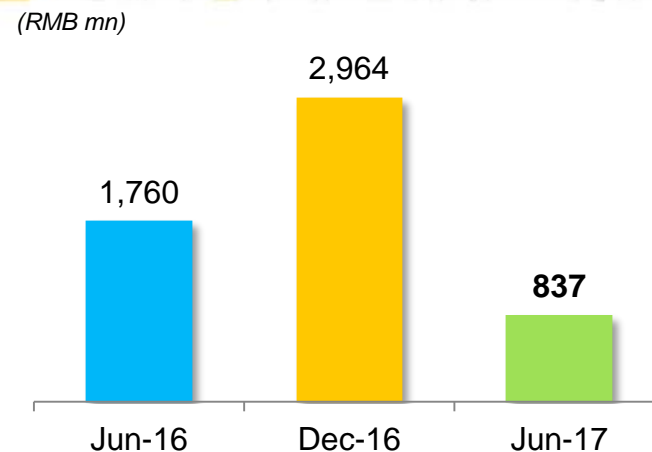
Inventory turnover days



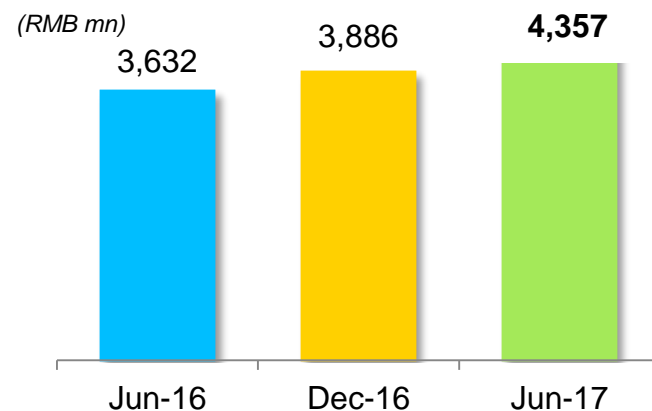
Trade payable days



Operating cash flow



Cash & bank deposits

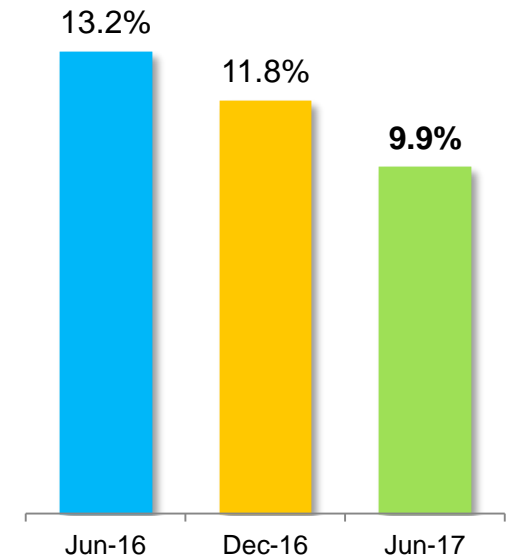
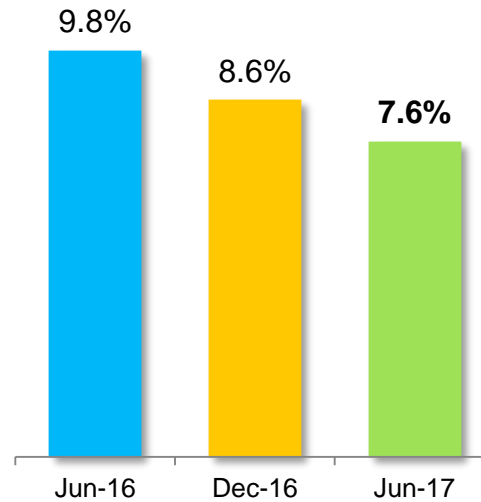
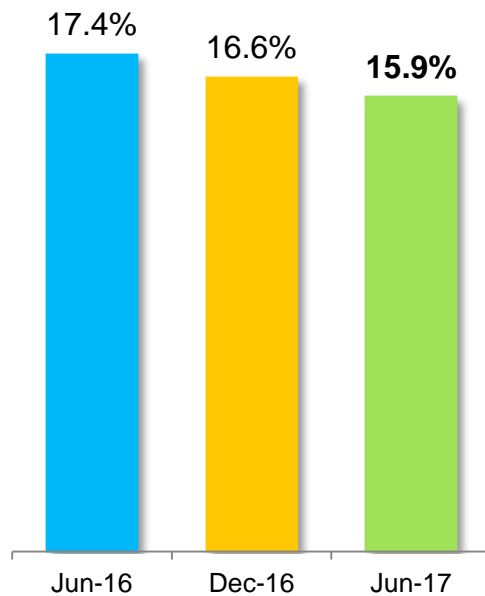


Return Rates

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 period
- (2) Net profit divided by total asset at the end of the period
- (3) Net profit divided by (total debt + total equity)

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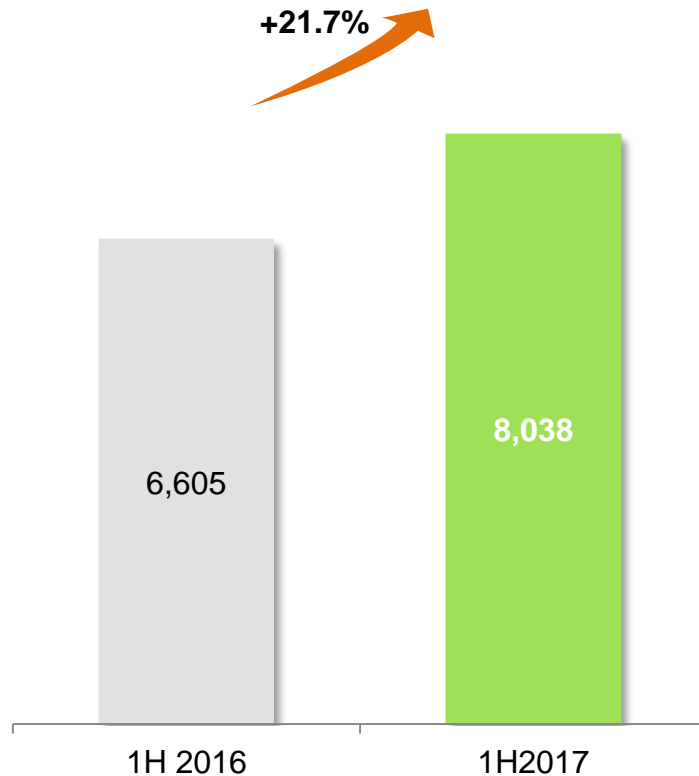


04 Outlook

Pipe business: Revenue & sales volume achieved sustainable growth

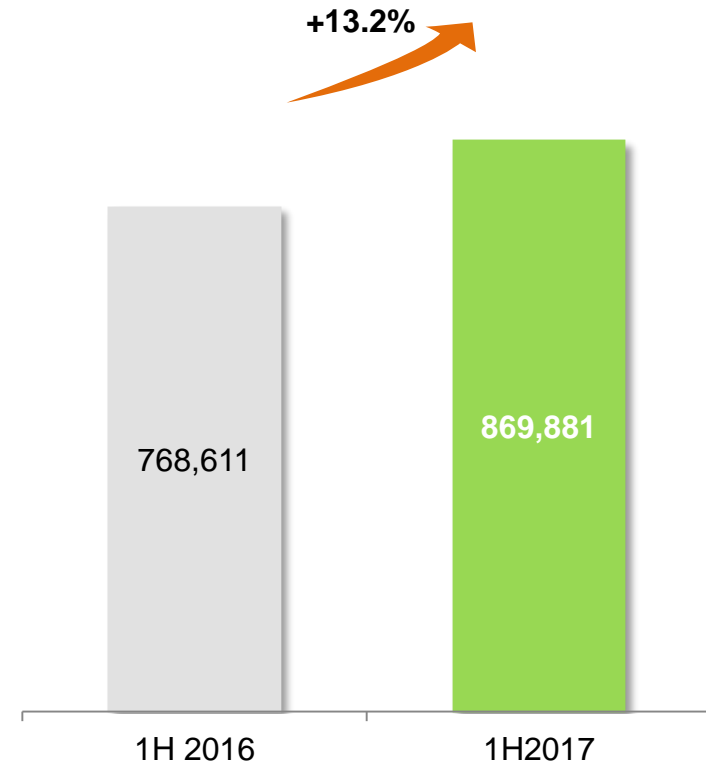
Segment revenue

(RMB mn)



Segment sales volume

(tonnes)

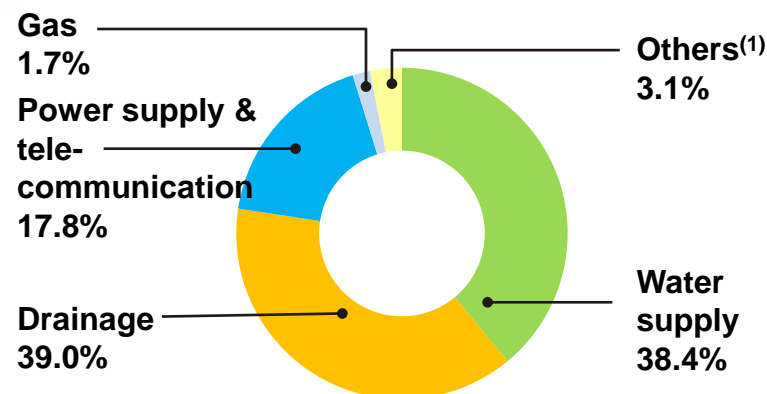
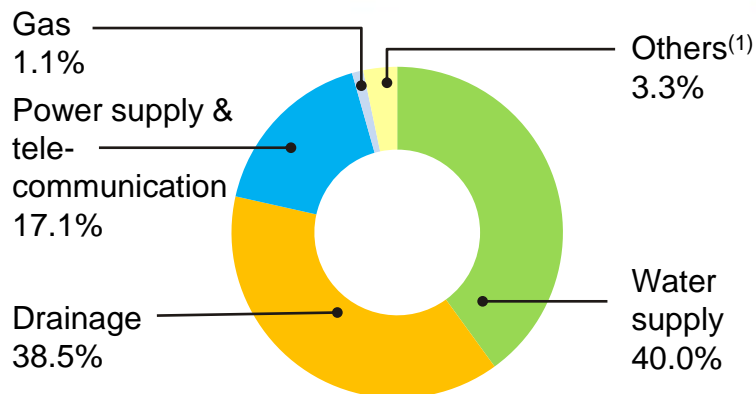


Pipe business: revenue analysis

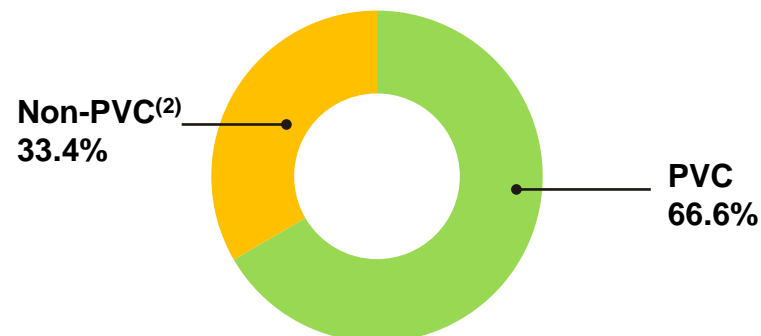
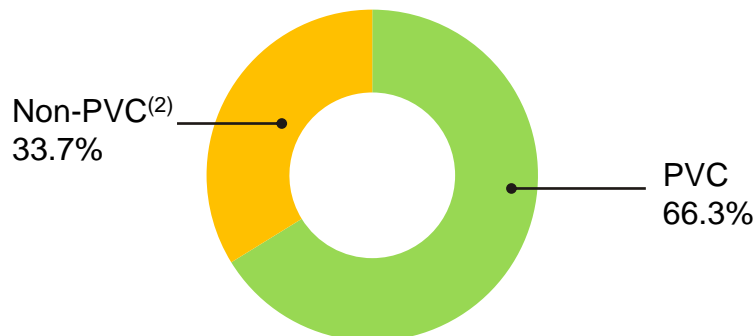
1H 2016

1H 2017

**By
application**



**By
material**



Total pipe products revenue:
RMB6,605 million

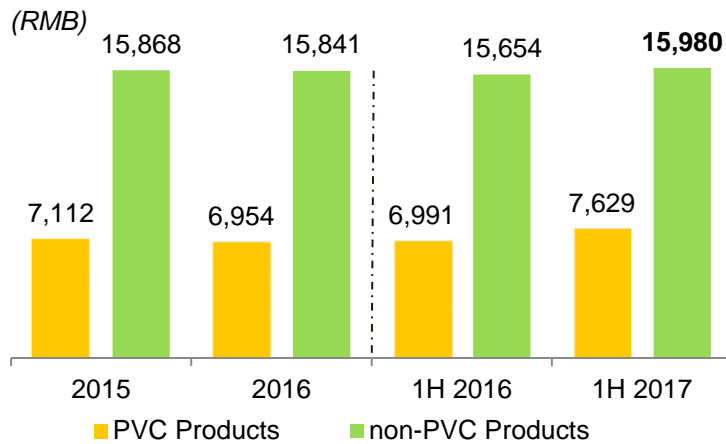
Total pipe products revenue:
RMB8,038 million

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

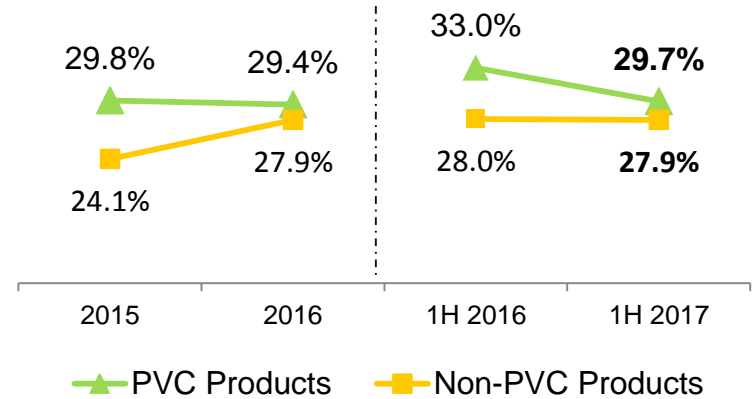
(2) Non-PVC includes PE, PP-R, etc

Pipe business: ASP & GP margin analysis

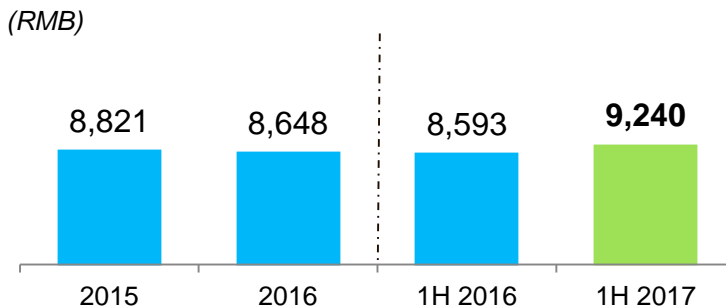
ASP per tonne – by material



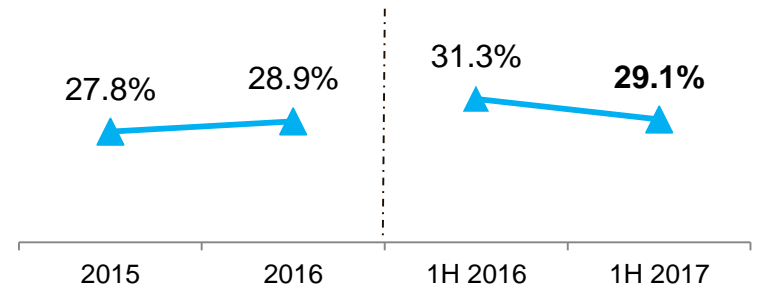
GP margin – by material



ASP per tonne – overall

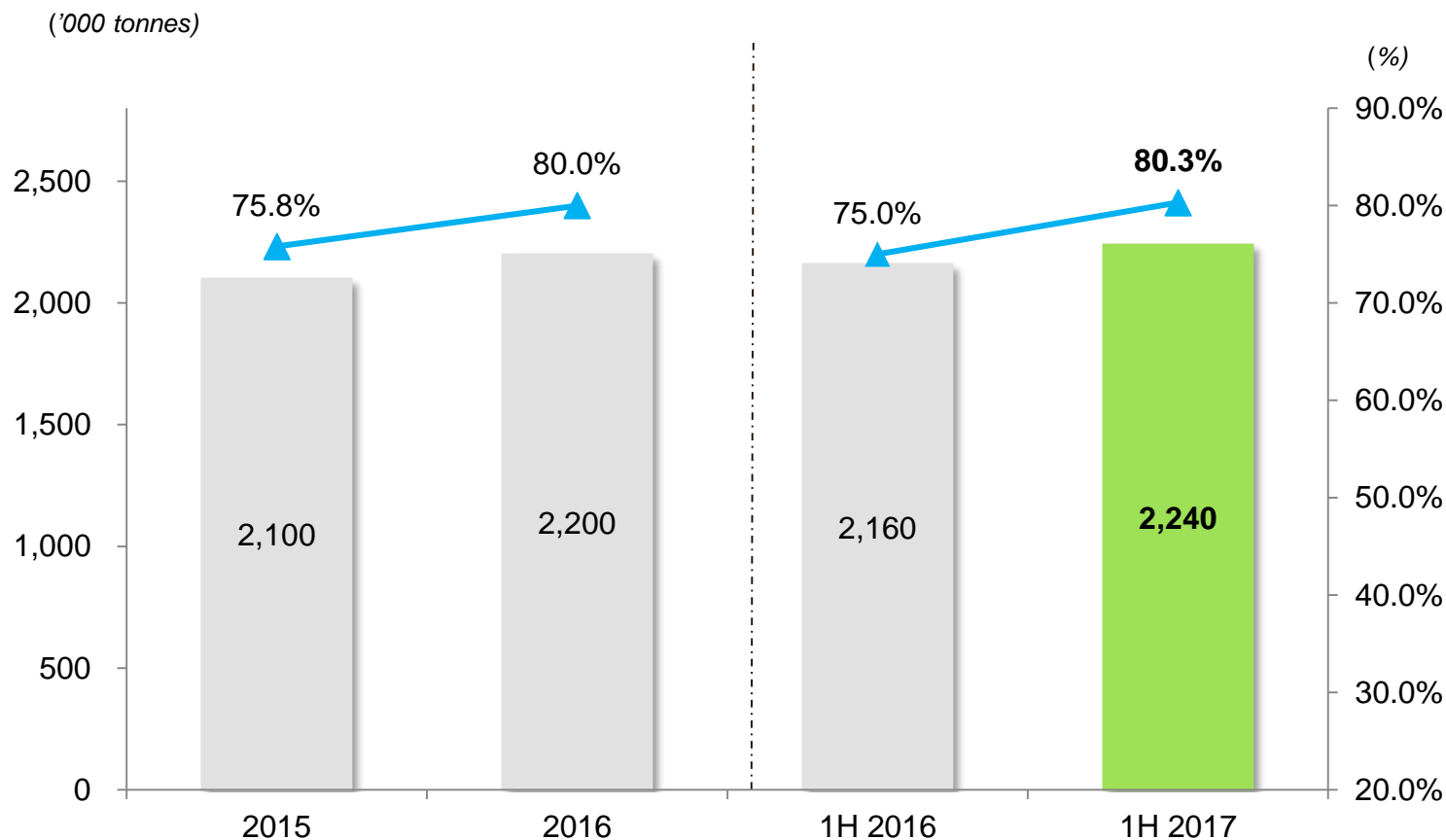


GP margin – overall



Pipe business: steady increase in production capacity & utilisation rate

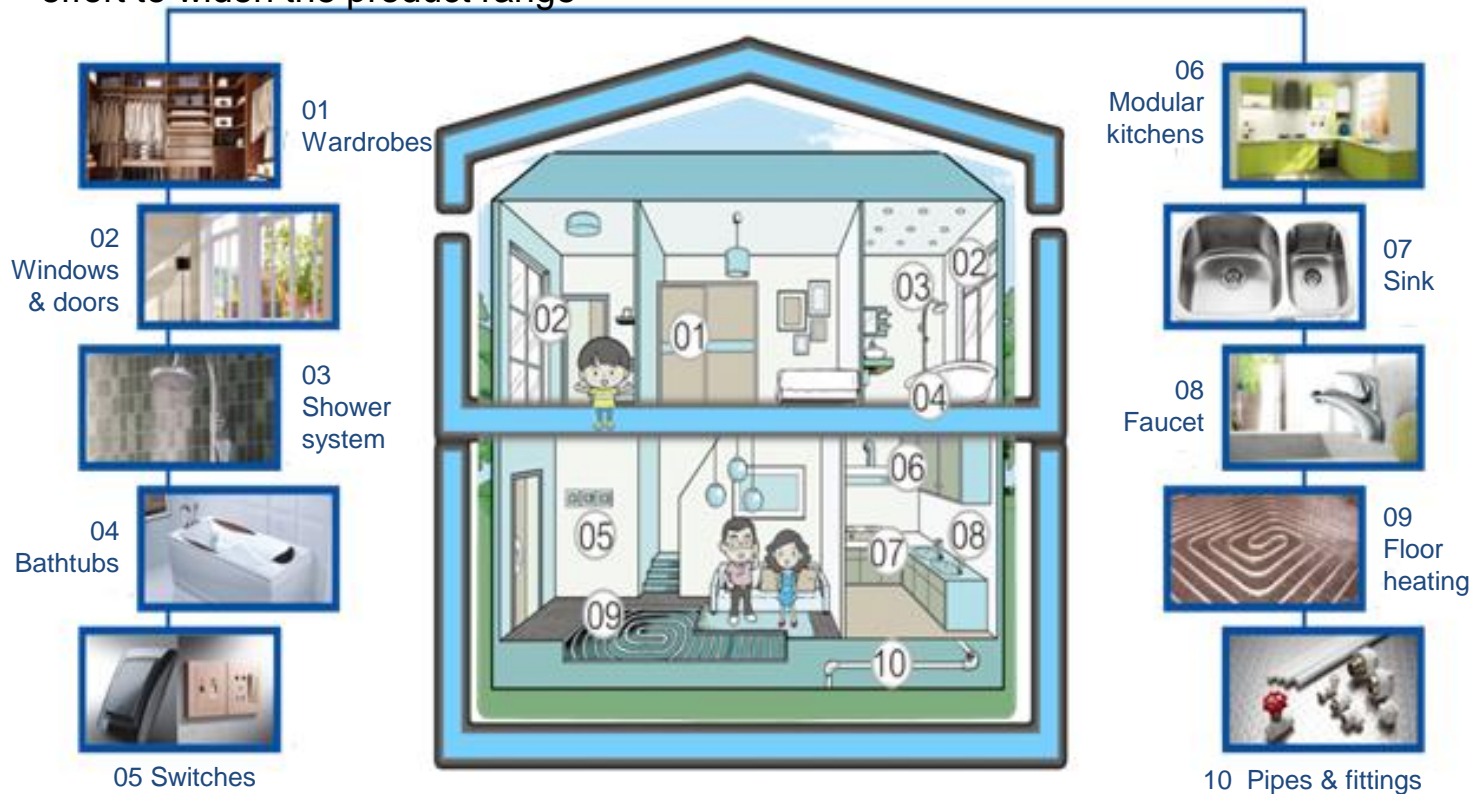
Annual designed production capacity & Average utilisation rate



Building materials & interior decoration products

Progress

- ▶ Revenue increased by 37.7% year-on-year to RMB560 million, accounting for 6.3% of the Group's total revenue
- ▶ Captured the opportunities in the country's new type of urbanisation. The group will take effort to widen the product range



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Industry Outlook

Favourable policies from the Chinese Government



Sponge City

- ▶ **370 cities** have put forward special plans for the construction
- ▶ Having **20%** of the area of the cities constructed to meet the requirements of Sponge City by the year 2020



Underground Pipeline Utility Tunnel

- ▶ Construction of **687 kilometers** of the tunnels having started, with **260 kilometers** of tunnels constructed and more than **RMB40 billion** being invested as of April 2017
- ▶ Aimed at having **2%** of the total lengths of urban streets and roads built with underground pipeline utility tunnels by the year 2020



The Plan for “Beautiful Village”

- ▶ Strengthening rural infrastructure construction was also prioritized among the tasks of the year **in the 2017 Report on the Work of the Government by the State Council**
- ▶ Advance the **integration of urban and rural communities**



Action Plan for Prevention and Control of Water Pollution

- ▶ the List of Pipeline Projects of the Central Government's Water Pollution Prevention and Control Projects for 2017 calls for a total investment of approximately **RMB300 billion**
- ▶ Requires a total investment of approximately **RMB4.6 trillion** reach completion



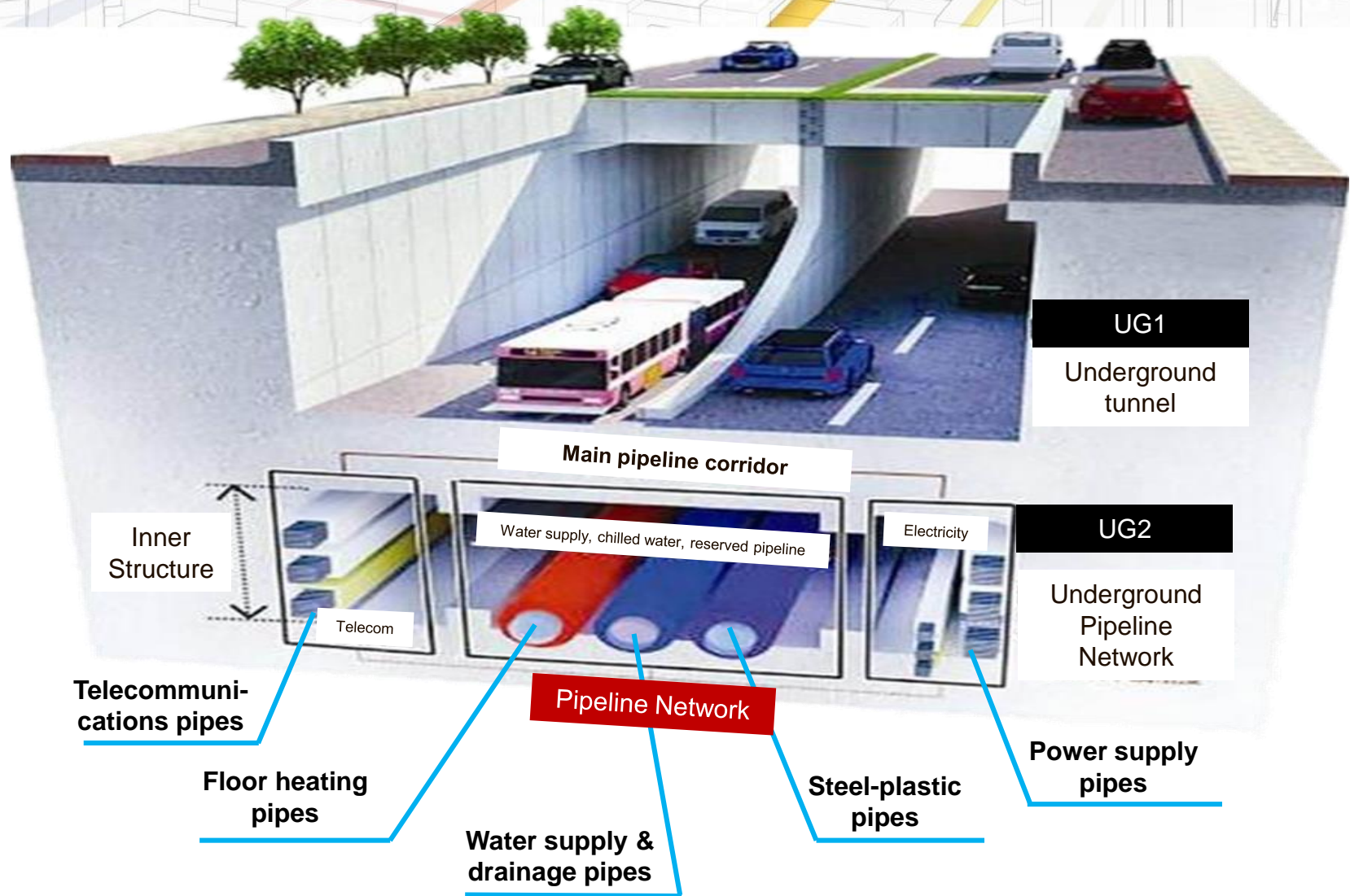
“Belt and Road” Initiative

- ▶ The Chinese government stepped up its efforts to increase investment in industries so as to facilitate trade for **“Belt and Road” Initiative**
- ▶ Huge potential for **infrastructure construction** among many countries and regions covered by the Belt and Road Initiative

Application for pipe products (Sponge City)



Application of pipe products (Urban Underground Pipeline Network)



Outlook

Expand Production Capacity and Improve Productivity



- ▶▶ Further improve machinery and ancillary equipment, promote **automation and accelerate the production process**
- ▶▶ The production base in **Hunan** which has come close to completion and will commence operation in the **2H 2017**

Press Ahead with R&D to Improve Product Quality



- ▶▶ Strive to enhance its competitiveness in the **research and development of products and technologies**, accelerate the transformation and the upgrading of its businesses, and proactively expand its distribution network and market coverage
- ▶▶ A leading R&D team focuses on **cutting-edge technologies**, 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 to Achieve Synergies



- ▶▶ Aggressively develop environmental business while continuously improving its operation, technology, qualification and project management practices
- ▶▶ Exert itself to foster new growth drivers to pursue **cross-segment synergies and income diversification**.

Develop “Lesso Home” Business



- ▶▶ The Group has purchased or leased properties in major cities for developing **“Lesso Home”** business in future.

Q&A

Q&A

Appendix: financial summary

Statement of profit and loss

(RMB mn)	2015	2016	1H 2016	1H 2017
Revenue	15,264	17,221	7,325	8,977
Gross profit	3,938	4,582	2,183	2,461
EBITDA	2,653	3,125	1,511	1,638
EBIT	2,152	2,532	1,225	1,324
Net profit	1,618	1,914	908	951

Statement of financial position

(RMB mn)	2015	2016	1H 2016	1H 2017
Cash & bank deposits	3,894	3,886	3,632	4,357
Total assets	16,649	22,195	18,646	25,189
Total debts	3,241	4,695	3,298	7,305
Total equity	9,865	11,538	10,499	12,085

Ratio analysis

Profit ratio (%)	2015	2016	1H 2016	1H 2017
Gross profit margin	25.8%	26.6%	29.8%	27.4%
EBITDA margin	17.4%	18.1%	20.6%	18.2%
EBIT margin	14.1%	14.7%	16.7%	14.7%
Net profit margin	10.6%	11.1%	12.4%	10.6%
Growth rate (%)	2015	2016	1H 2016	1H 2017
Revenue	3.0%	12.8%	4.0%	22.6%
Gross profit	3.6%	16.4%	14.5%	12.7%
EBITDA	5.3%	17.8%	14.6%	8.4%
EBIT	3.5%	17.7%	13.8%	8.0%
Net profit	5.1%	18.2%	13.2%	4.6%
Liability ratio (times)	2015	2016	1H 2016	1H 2017
EBITDA/ financing costs	30.38x	29.19x	36.41x	16.55x
Total debts/ (total debts + total equity)	0.25x	0.29x	0.24x	0.38x