

# 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

## 2019 Interim Results Corporate Presentation



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# Agenda

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## 01 Results Highlights



## 02 Financial Review



## 03 Business Review



## 04 Outlook

# Results highlights

- ❖ Achieved steady growth in 1H2019
  - ❖ Revenue: **RMB11,137 million, + 6.6%**
  - ❖ Gross profit: **RMB3,200 million, + 17.6%**
  - ❖ Profit attributable to the owners of the Company: **RMB1,264 million, + 21.4%**
  - ❖ The Board of Directors announced payment of an interim dividend of **HK 12 cents** per share (1H2018: HK 10 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: **1.01 million tonnes, + 2.5%**
  - ❖ Revenue: **RMB10,067 million, + 7.1%**
- ❖ Continued to expand its environmental protection business and won many large-scale contracts from different sectors
- ❖ **Financial position remained strong** with cash and bank deposits of approx. **RMB5,922 million**. Has sufficient working capital for its operation and future development

# Agenda

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## 01 Results Highlights



## 02 Financial Review



## 03 Business Review



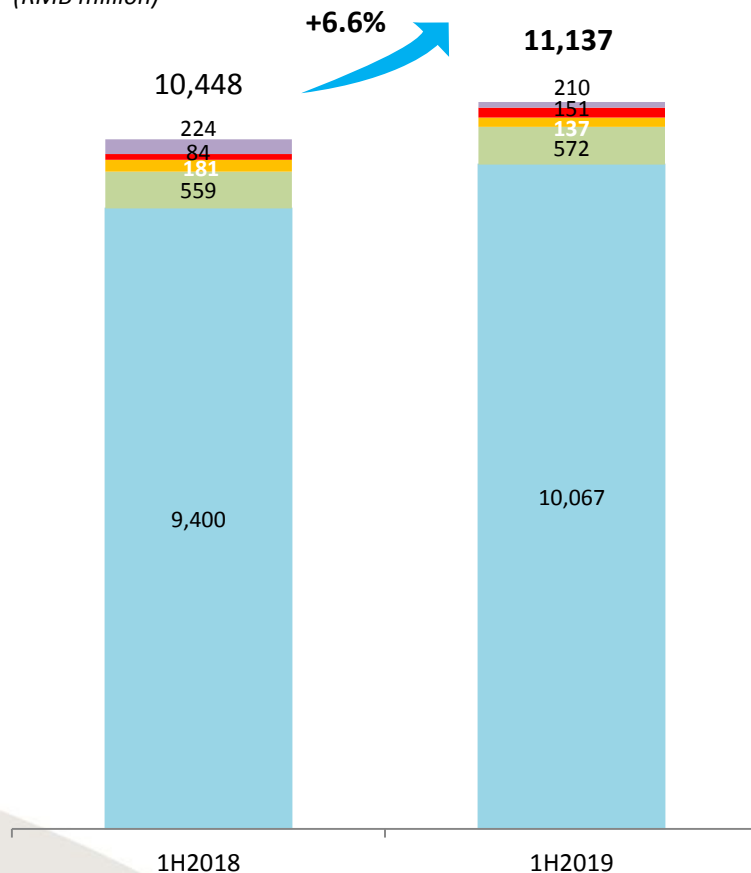
## 04 Outlook



# Steady revenue growth

## Total revenue

(RMB million)



+6.6%

Others\*

Lesso Home

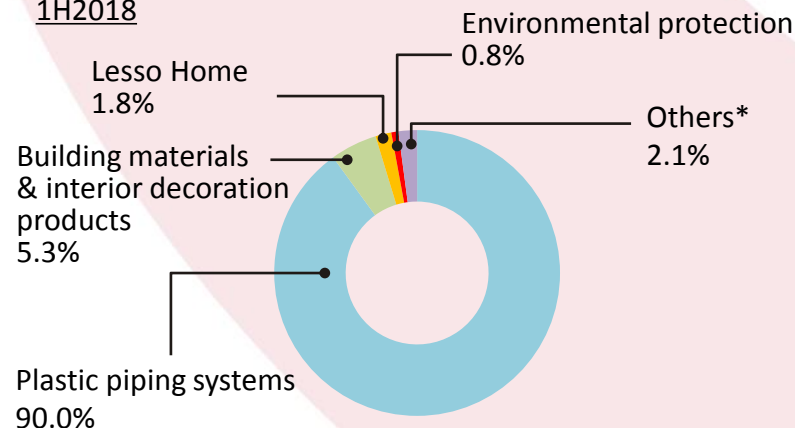
Plastic piping systems

Environmental protection

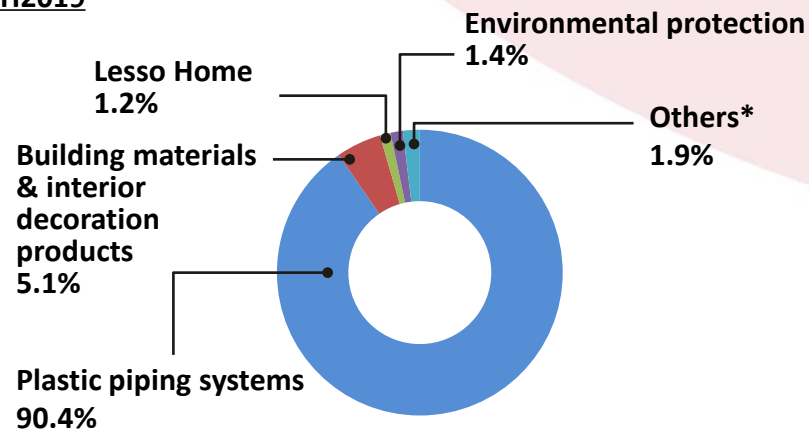
Building materials & interior decoration products

## Total revenue (by business segment)

1H2018



1H2019

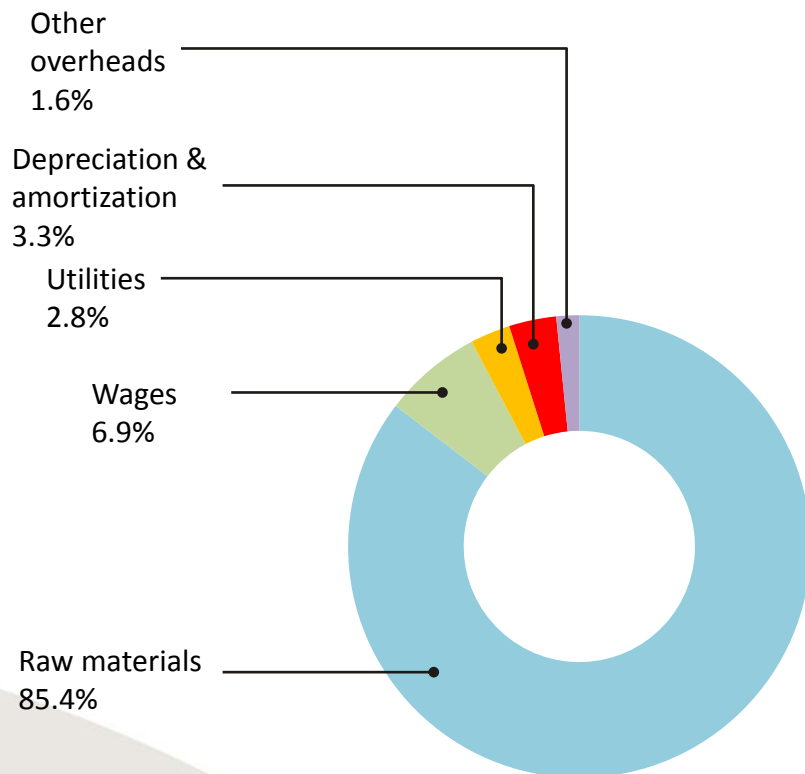


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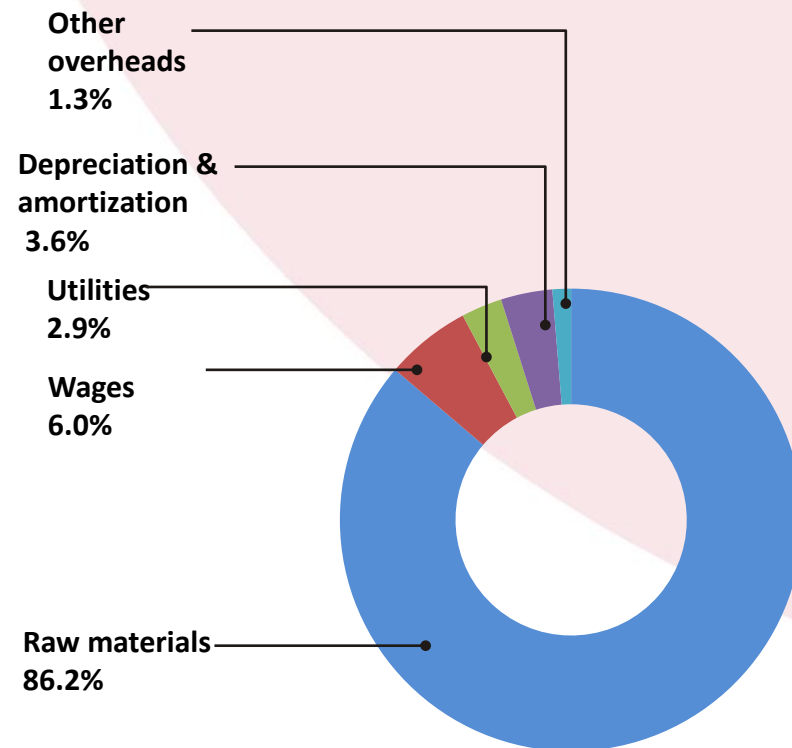
Remark: Others\* including finance, plastic film, connection materials and other businesses

# Overall cost structure

1H2018



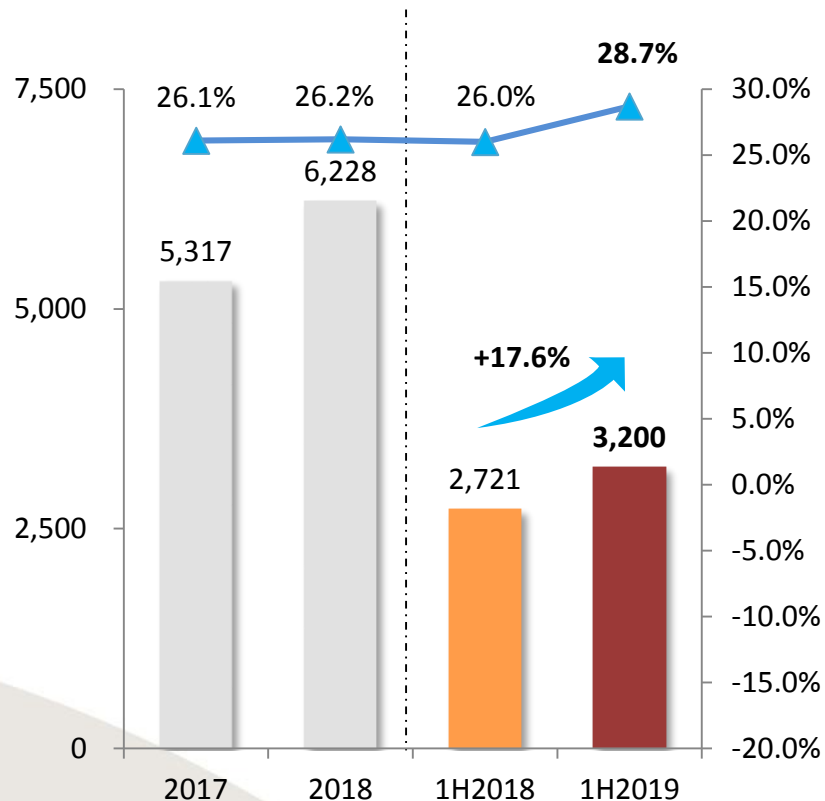
1H2019



# GP & NP continued to increase

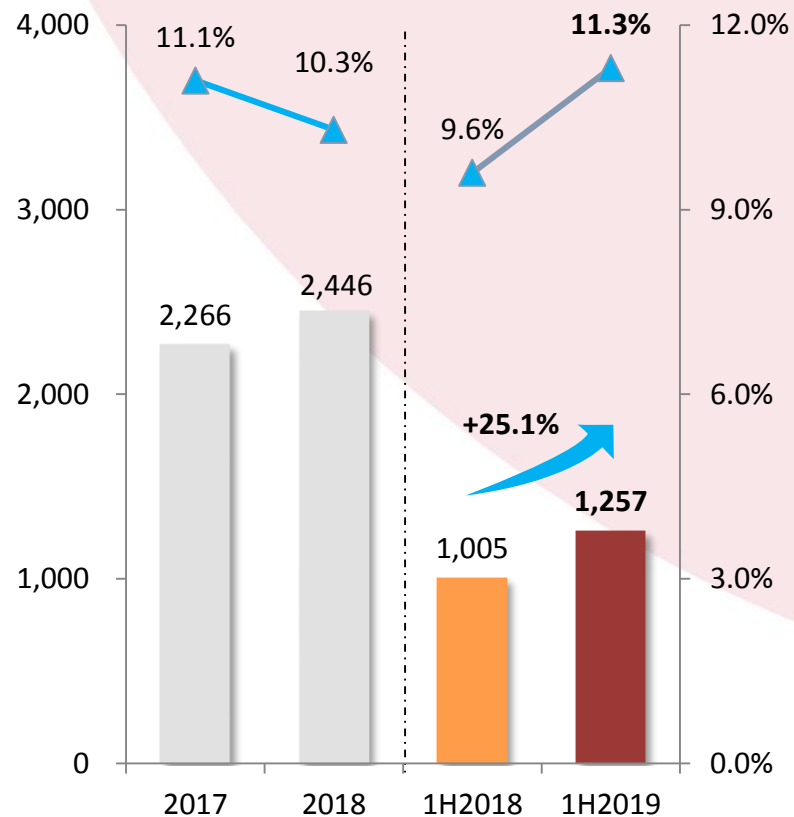
## GP & GP margin

(RMB million)



## NP & NP margin

(RMB million)

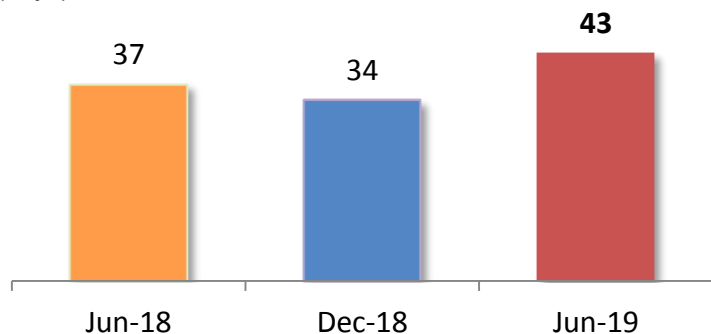




# Healthy & stable key financial indicators

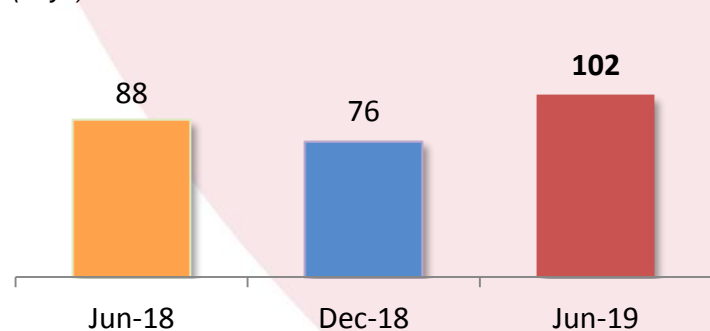
## Trade receivable days

(days)



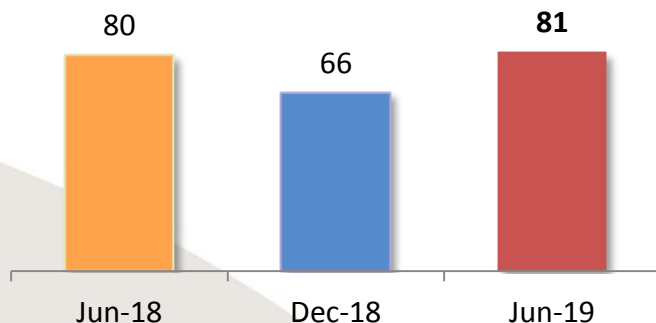
## Trade payable days

(days)



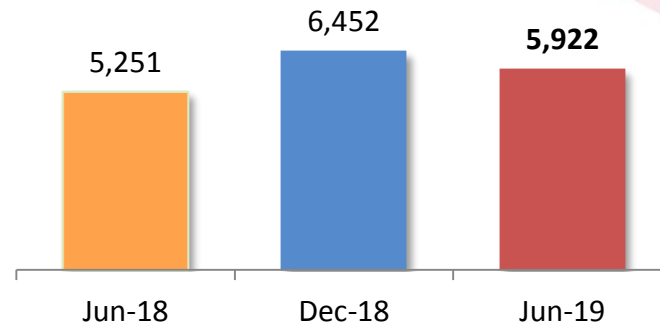
## Inventory turnover days\*

(days)

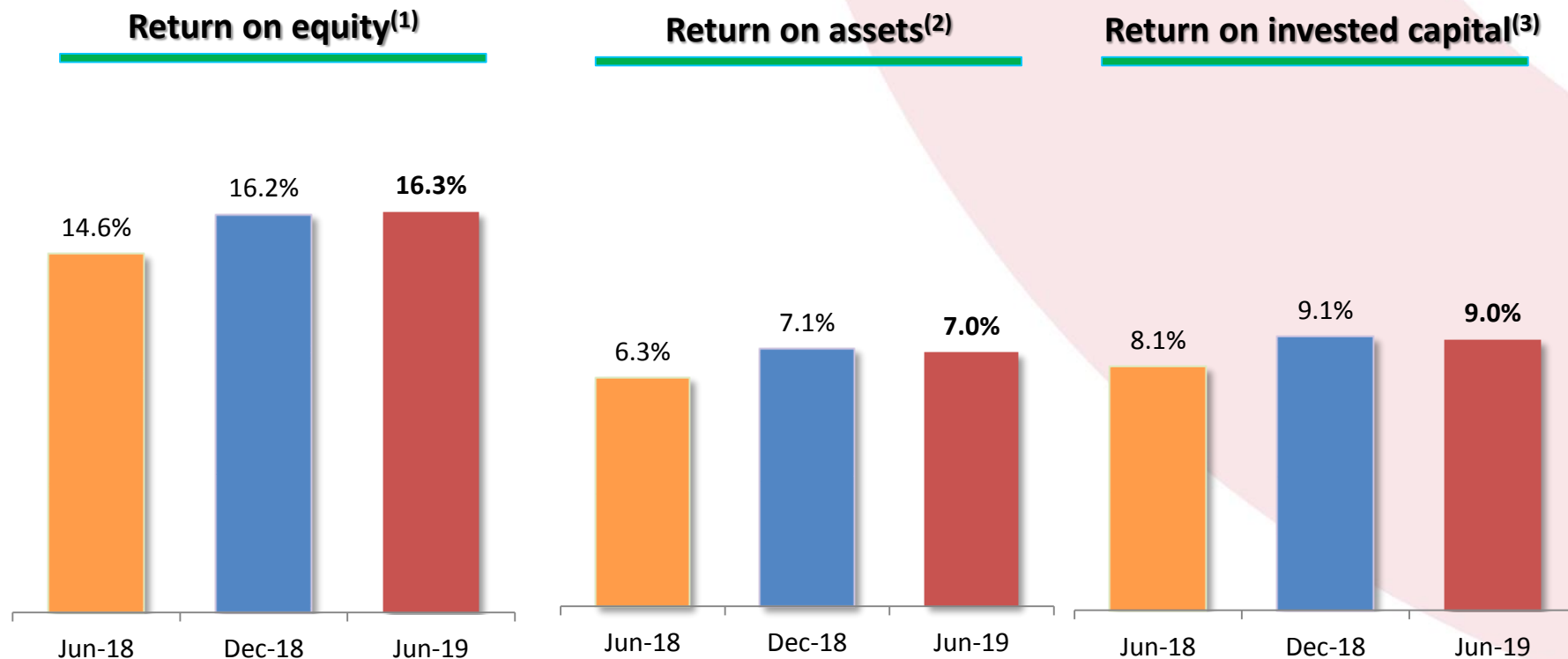


## Cash & bank deposits

(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)

# Agenda

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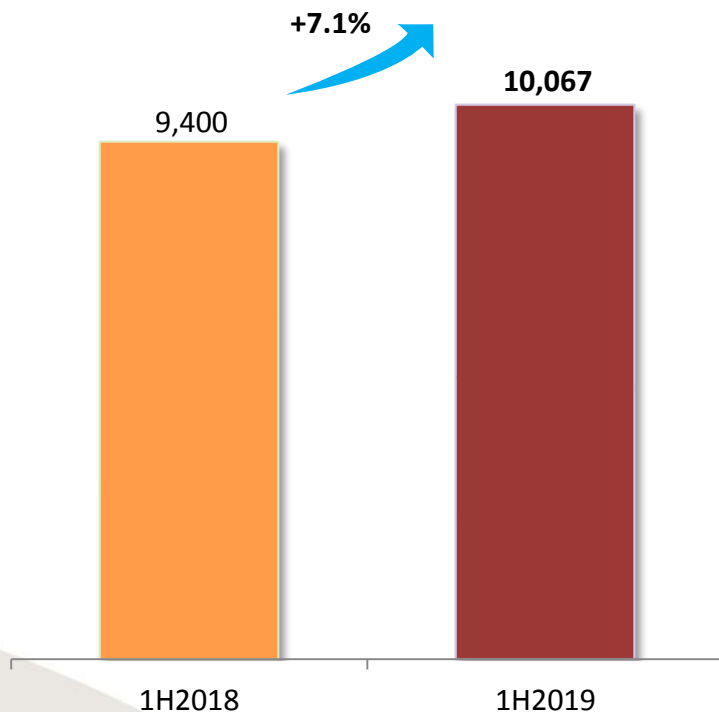


## 04 Outlook

# Plastic piping systems business: revenue & sales volume

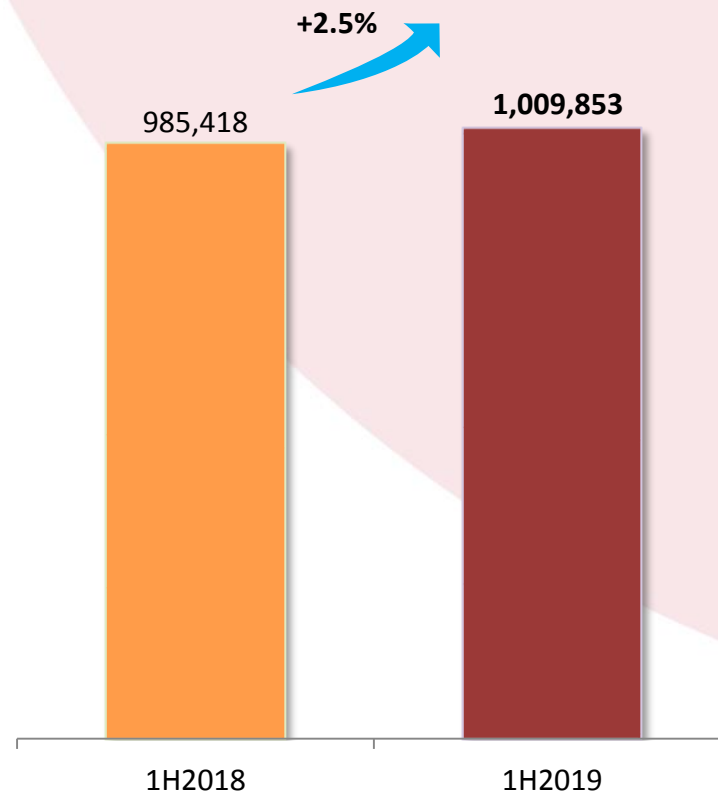
## Segment revenue

(RMB million)



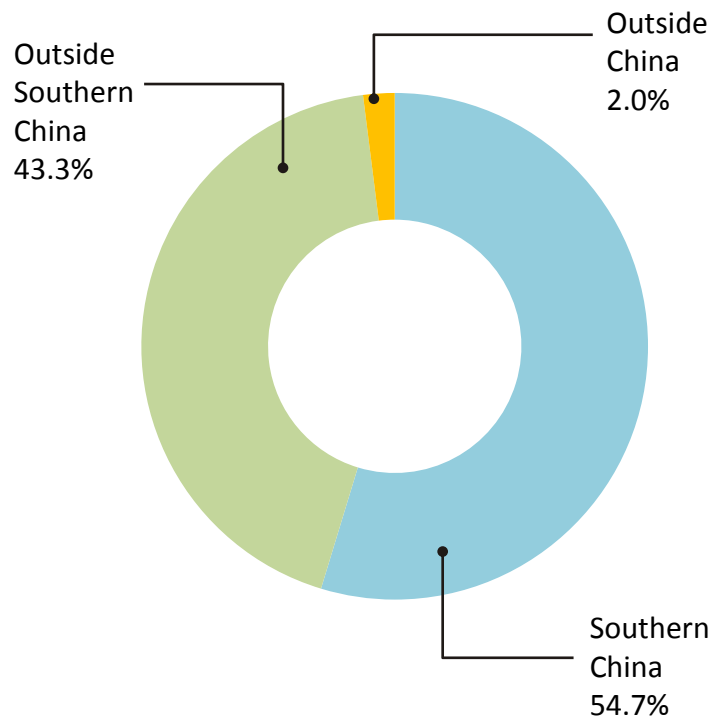
## Segment sales volume

(tonnes)

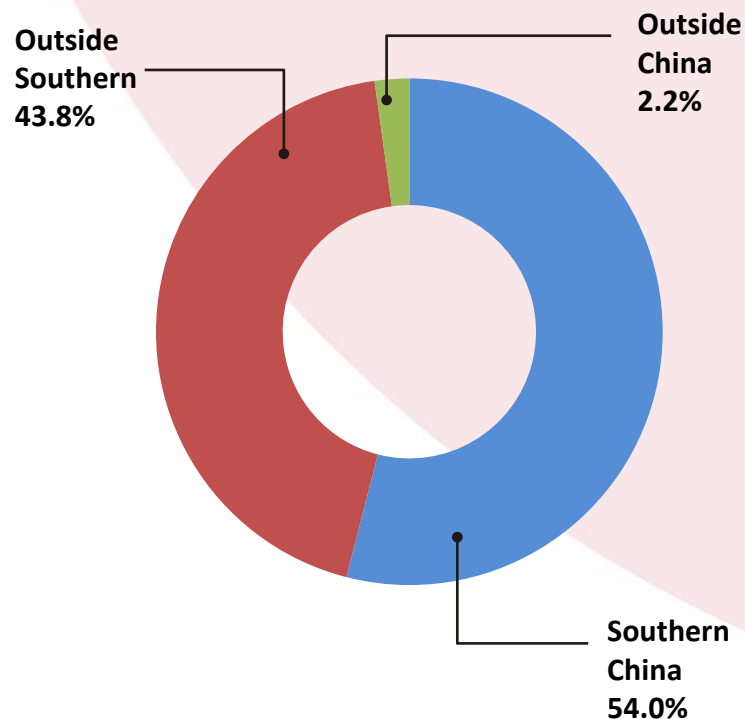


# Plastic piping systems business: revenue breakdown by region

1H2018



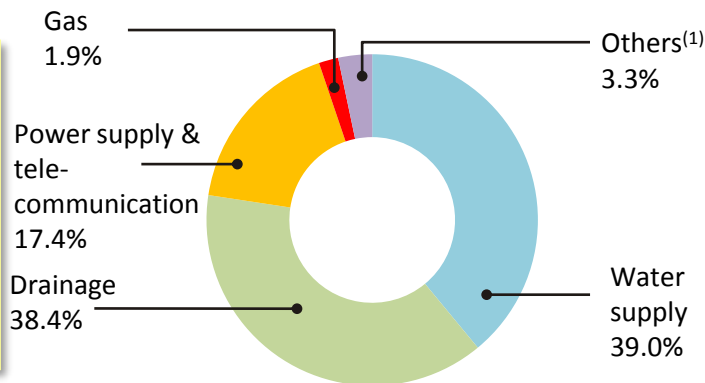
1H2019



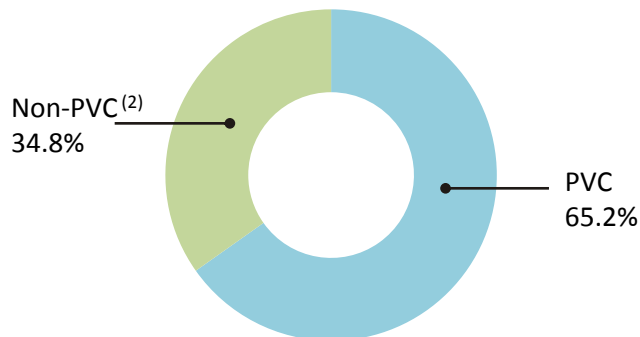
# Plastic piping systems business: revenue analysis

1H2018

**By application**



**By material**

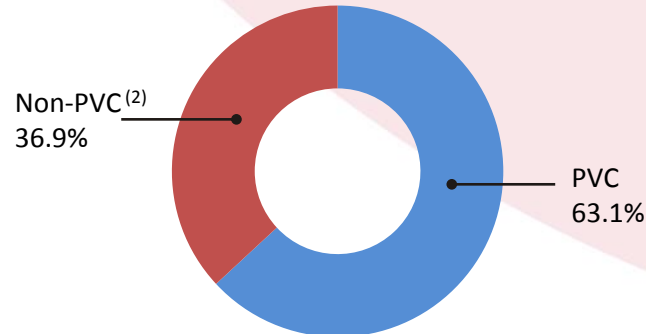
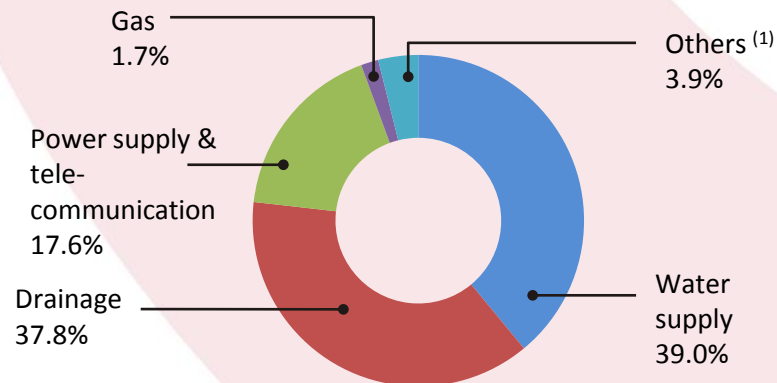


Total pipe products revenue:  
RMB 9.4 billion

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

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

1H2019

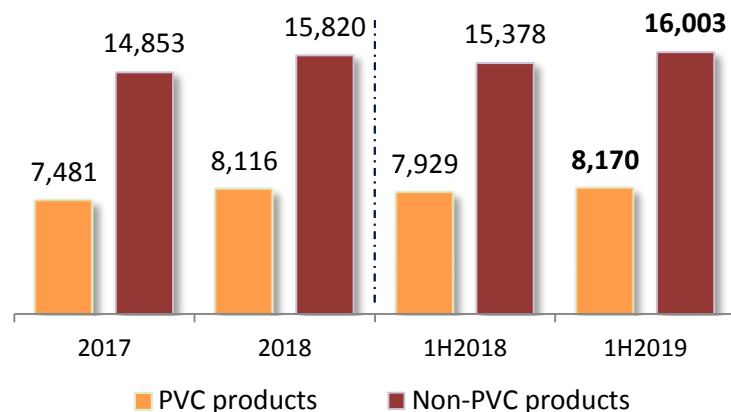


Total pipe products revenue:  
RMB 10.1billion

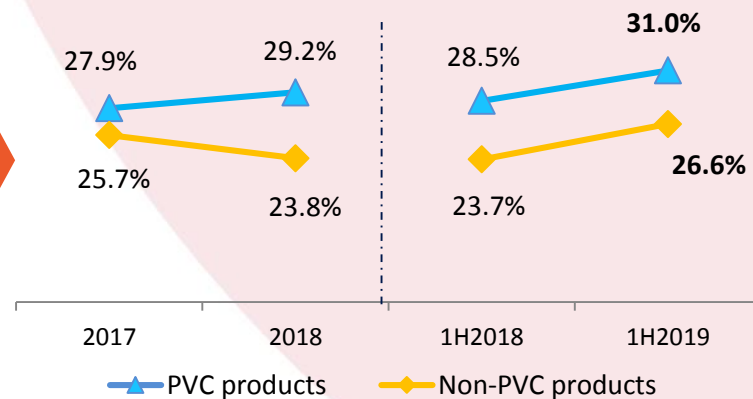
# Plastic piping systems business: ASP & GP margin analysis

## ASP per tonne – by material

(RMB)

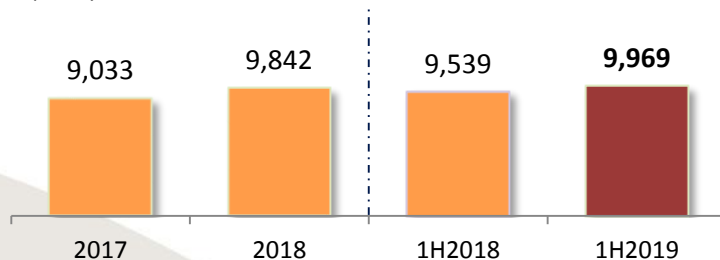


## GP margin – by material

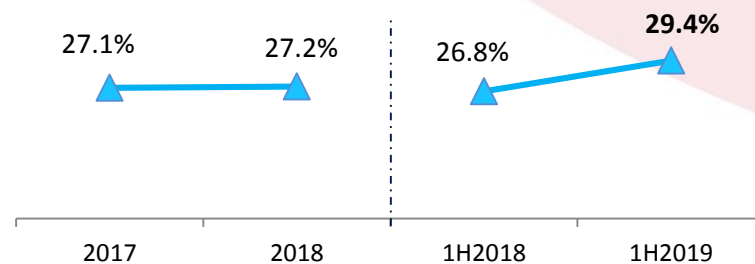


## ASP per tonne - overall

(RMB)



## GP margin - overall

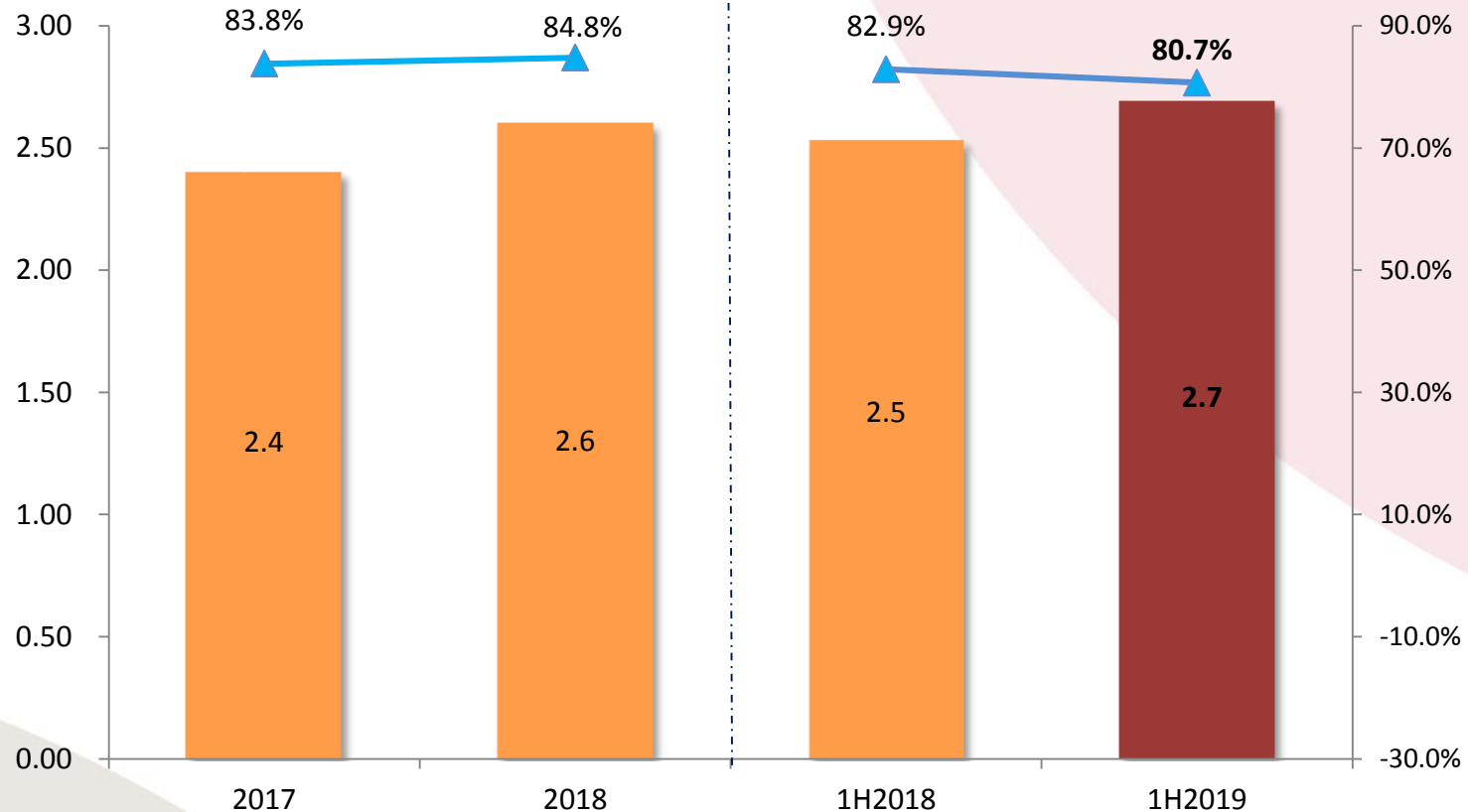




# Plastic piping systems business: Increased in production capacity with stable utilization rate

Annual designed production capacity & average utilization rate

(million tonnes)



# Building materials & interior decoration products



- ❖ Though real estate regulations continuously exerted downward pressure on the market and slow-downed the investment in the real estate market, revenue was able to keep at a similar level of last year of **RMB572 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, achieving synergies with the existing piping systems product lines
- ❖ Captured the opportunities of new urbanization and dedicated to expand product range
- ❖ Home redecoration will give impetus to business growth

# Environmental protection business

- ❖ 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 utility tunnel, sponge city, installation of integrated water purifiers and other fields
- ❖ Diversified environmental protection business creates long term commercial synergies with plastic piping systems business
- ❖ Strives to become a one-stop environmental protection service provider, so as to contribute to the green life of residents
- ❖ Stable business growth and the realized revenue was **RMB151 million**



Water treatment



Solid waste disposal



Waste gas treatment



Soil remediation

# Lesso Home

- ❖ Following the government's "Belt and Road Initiative", promoted Lesso Home with the mode of the "One-Stop Specialized Market for Home Furnishing Products" in the overseas markets
- ❖ Helps Chinese building material and home furnishing makers in building a cross-border platform and exhibiting, selling and delivering their products to target customers around the world
- ❖ Lesso Home has already reserved properties in the United States, Canada, Australia, Thailand and United Arab Emirates



***Building a cross-border platform for Chinese building material and consumer good***

# Agenda

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## 04 Outlook

# Future prospects

## Achieve centralized automated and intelligent production to enhance efficiency



- ❖ Actively develop **intelligent factories** and **upgrade facilities**
- ❖ Further improve the mechanical equipment and auxiliary facilities in existing production bases so as 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** and the **upgrading** of its businesses, and proactively expand its **distribution network** and **market penetration**
- ❖ 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 and form **public-private partnerships**
- ❖ Exert itself to foster new growth drivers to pursue **cross-segment synergies** and **income diversification**

## Expand network of building materials & interior decoration market



- ❖ **Step up its effort to market its products to existing customers**, while actively expand sales network by **engaging new customers**



## Q&A

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# Appendix: financial summary

## Statement of profit and loss

(RMB million)	2017	2018	1H2018	1H2019
Revenue	20,360	23,734	10,448	11,137
Gross profit	5,317	6,228	2,721	3,200
EBITDA	3,831	4,409	1,852	2,282
EBIT	3,184	3,651	1,479	1,852
Net profit	2,266	2,446	1,005	1,257

## Statement of financial position

(RMB million)	2017	2018	1H2018	1H2019
Cash & bank deposits	4,452	6,452	5,251	5,922
Total assets	27,974	34,636	32,268	36,135
Total debts	8,319	11,731	11,010	12,530
Total equity	13,783	15,073	13,903	15,598

## Ratio analysis

Profit ratio	2017	2018	1H2018	1H2019
Gross profit margin	26.1%	26.2%	26.0%	28.7%
EBITDA margin	18.8%	18.6%	17.7%	20.5%
EBIT margin	15.6%	15.4%	14.2%	16.6%
Net profit margin	11.1%	10.3%	9.6%	11.3%
Growth rate				
Revenue	18.2%	16.6%	16.4%	6.6%
Gross profit	16.0%	17.1%	10.6%	17.6%
EBITDA	22.6%	15.1%	13.1%	23.2%
EBIT	25.8%	14.7%	11.7%	25.2%
Net profit	18.4%	8.0%	5.7%	25.1%
Liability ratio				
EBITDA/ financing costs	16.7x	10.6x	10.3x	8.4x
Total debts/ (total debts + total equity)	37.6%	43.8%	44.2%	44.5%

## 23 advanced production bases in 16 provinces

