

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



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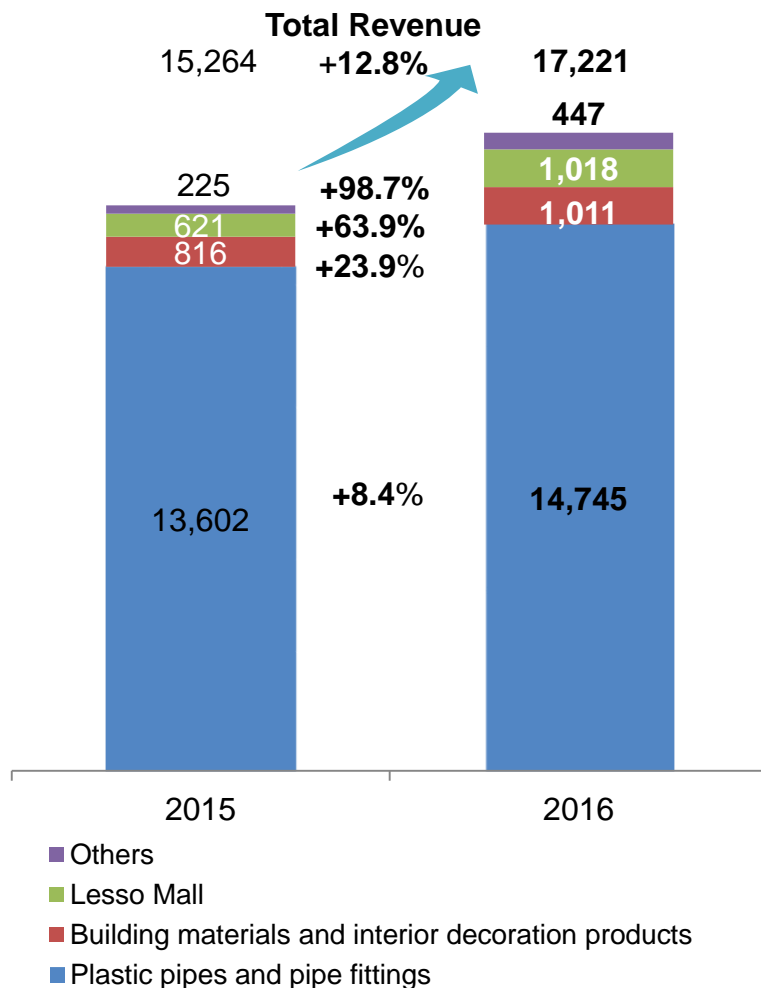
03 Business Review



04 Outlook

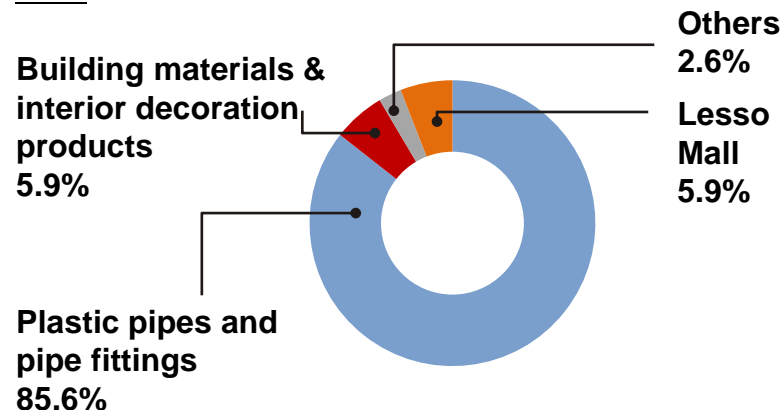
Total revenue

(RMB mn)

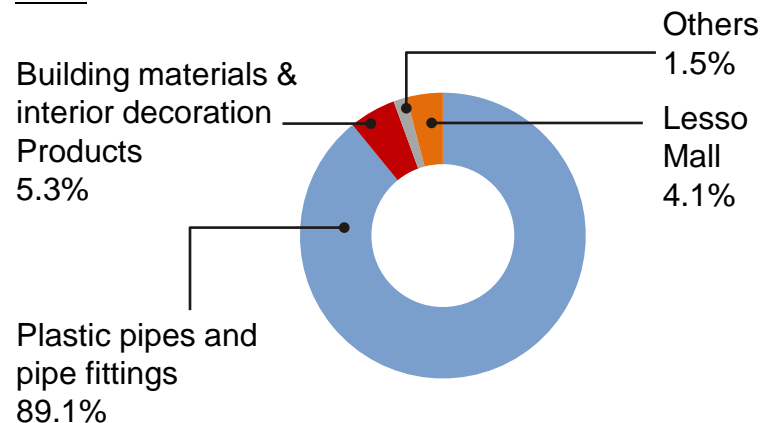


Total revenue (by business segment)

2016

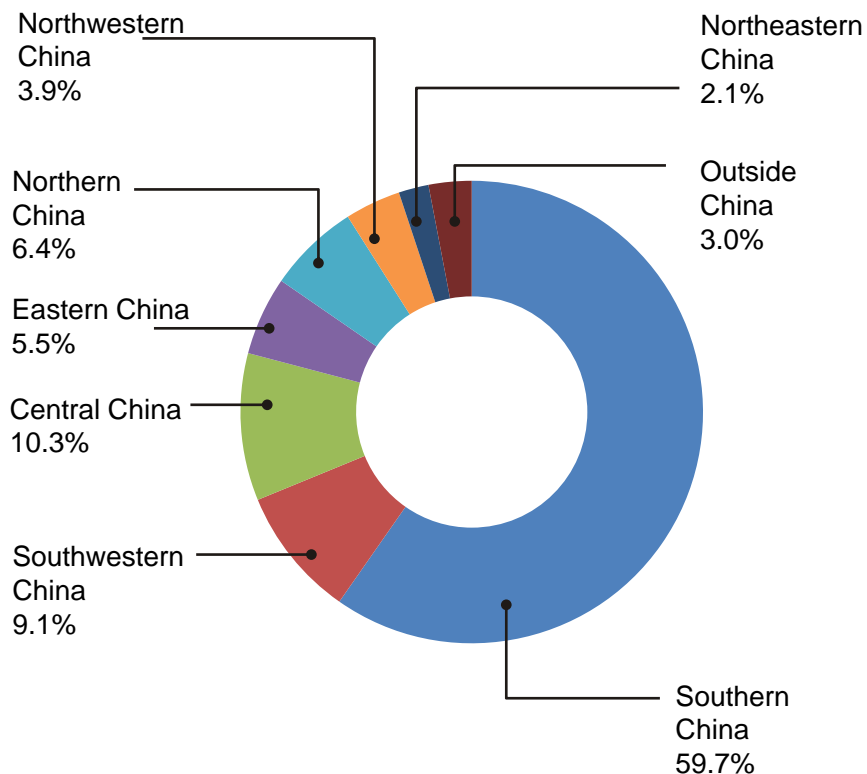


2015

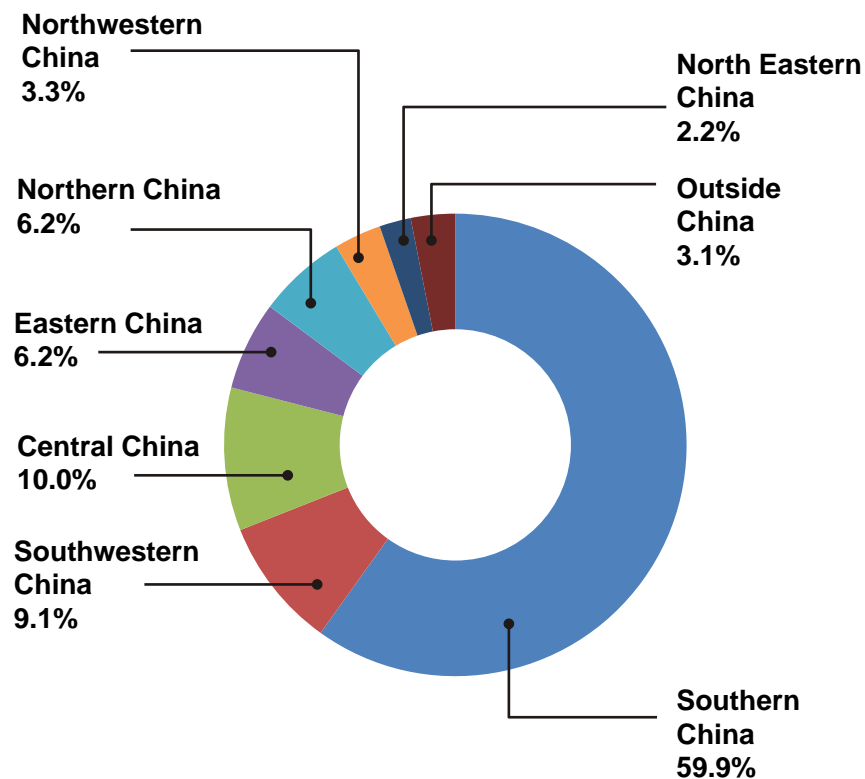


Total revenue breakdown by region

2015

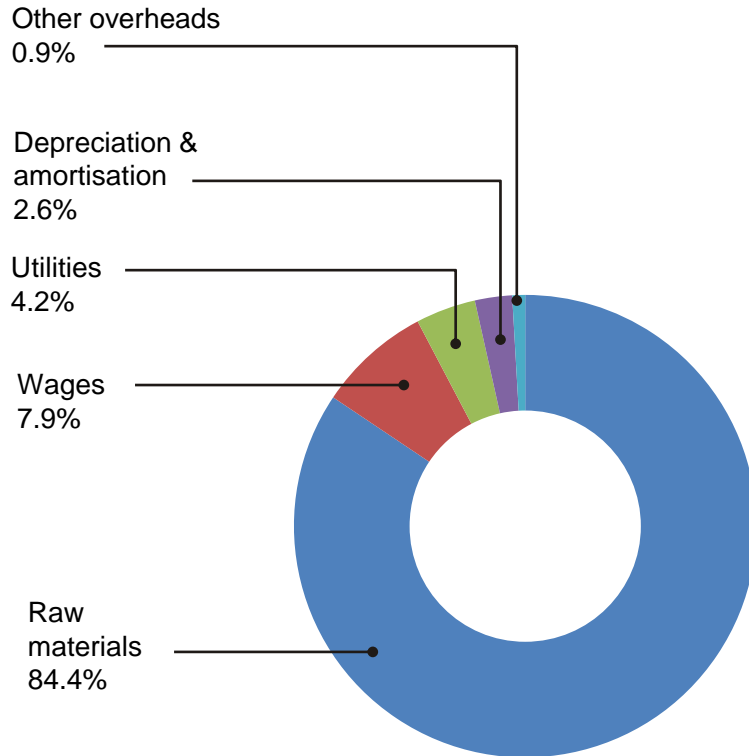


2016

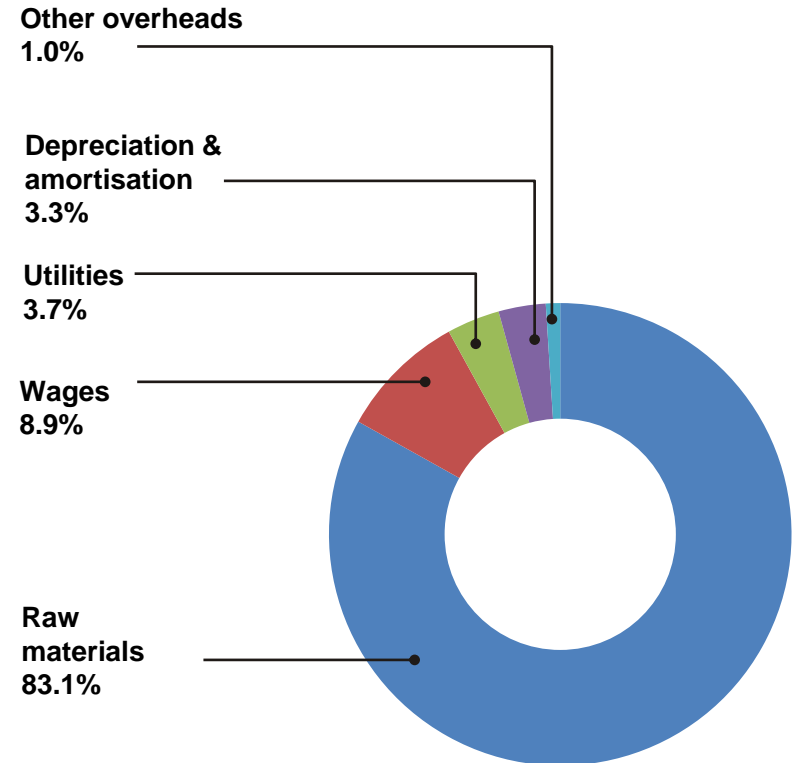


Overall cost structure

2015



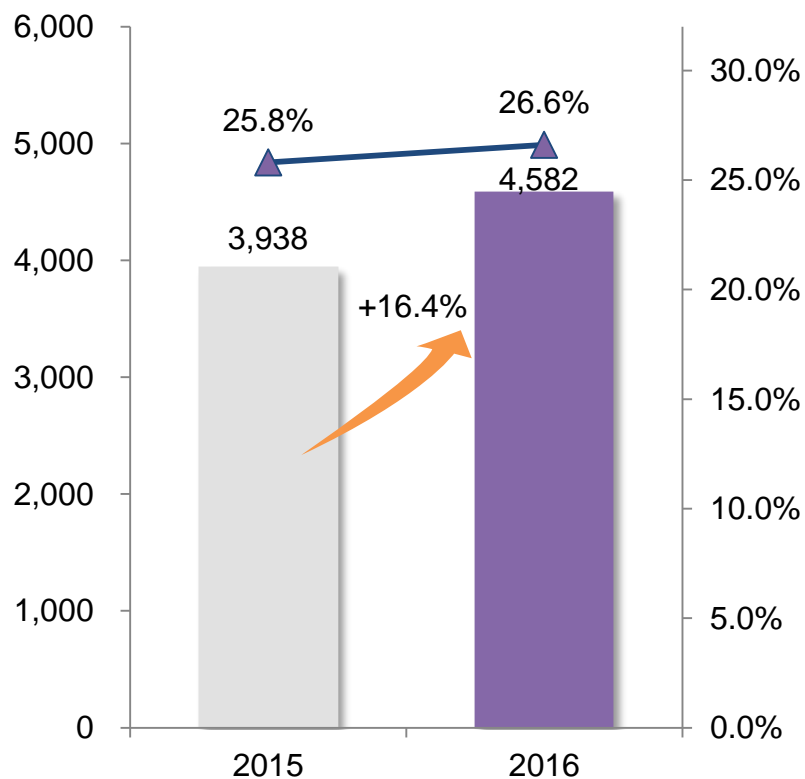
2016



GP & NP continued to increase

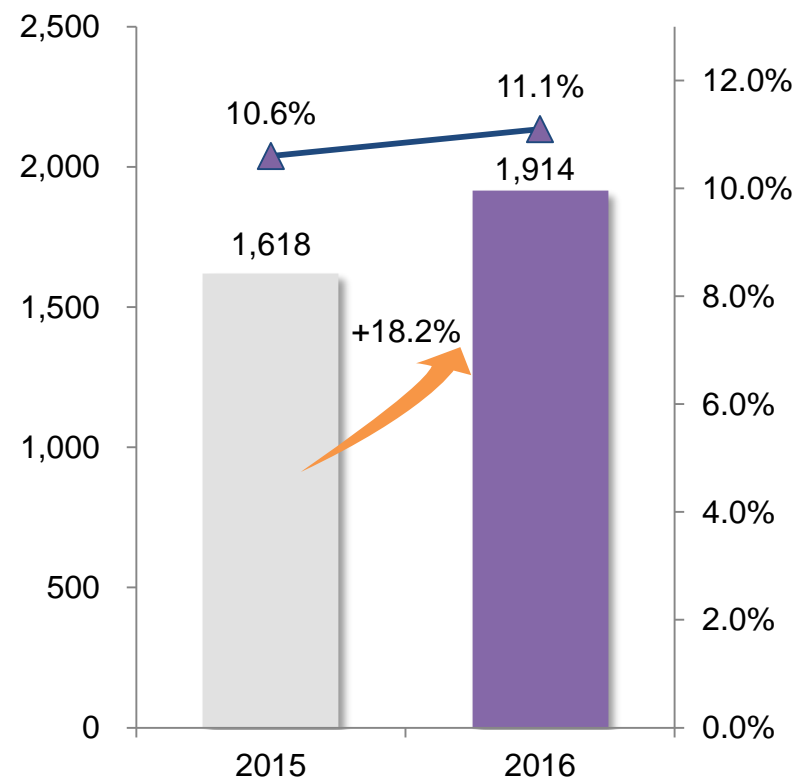
GP & GP margin

(RMB mn)



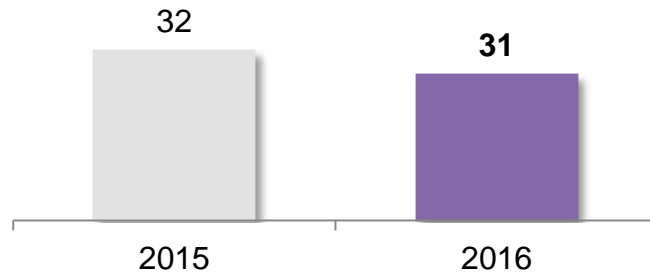
NP & NP margin

(RMB mn)



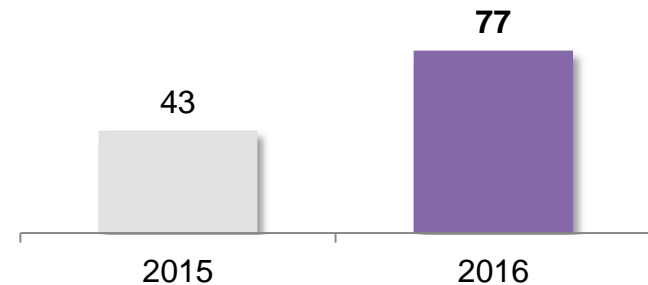
Trade receivable days

(days)



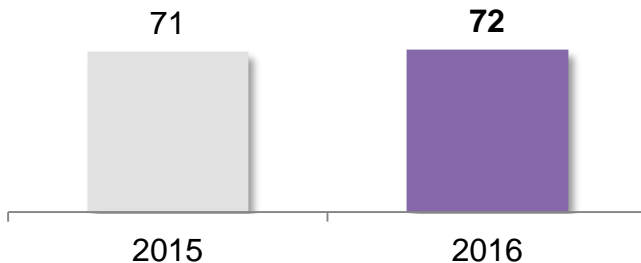
Trade payable days

(days)



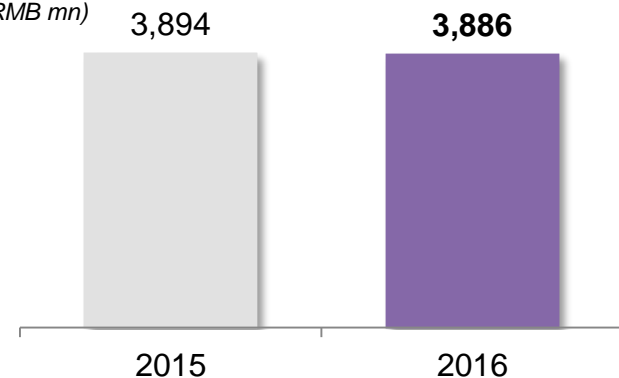
Inventory turnover days

(days)



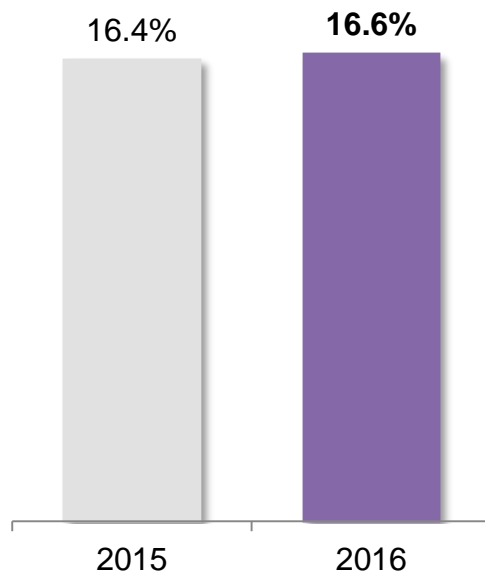
Cash & bank deposits

(RMB mn)

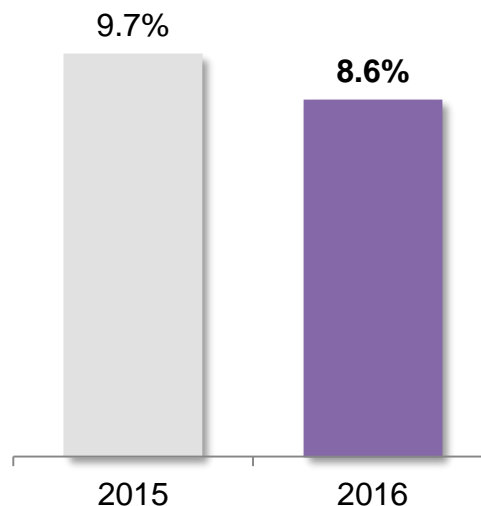


Remain stable in return rates

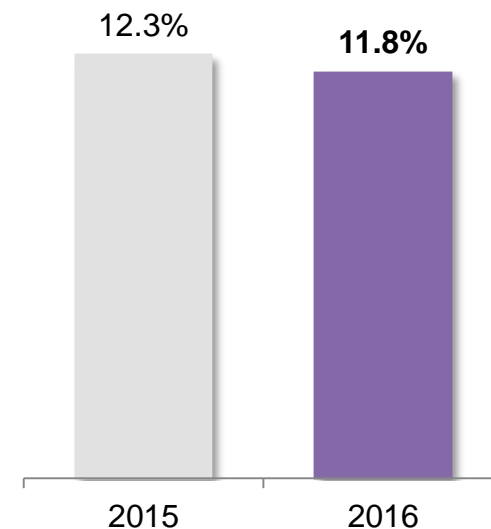
Return on equity⁽¹⁾



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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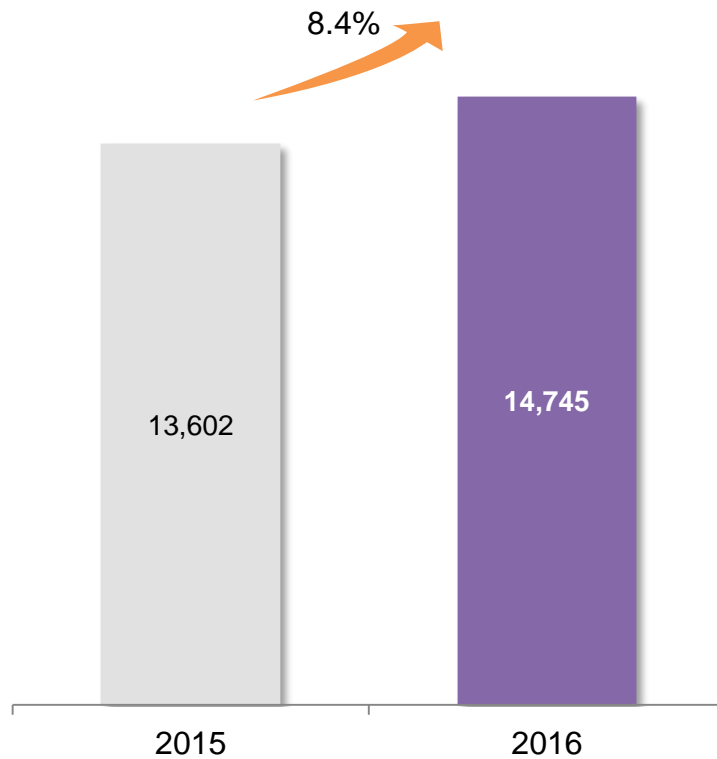


04 Outlook

Pipe business: Revenue & sales volume achieved sustainable growth

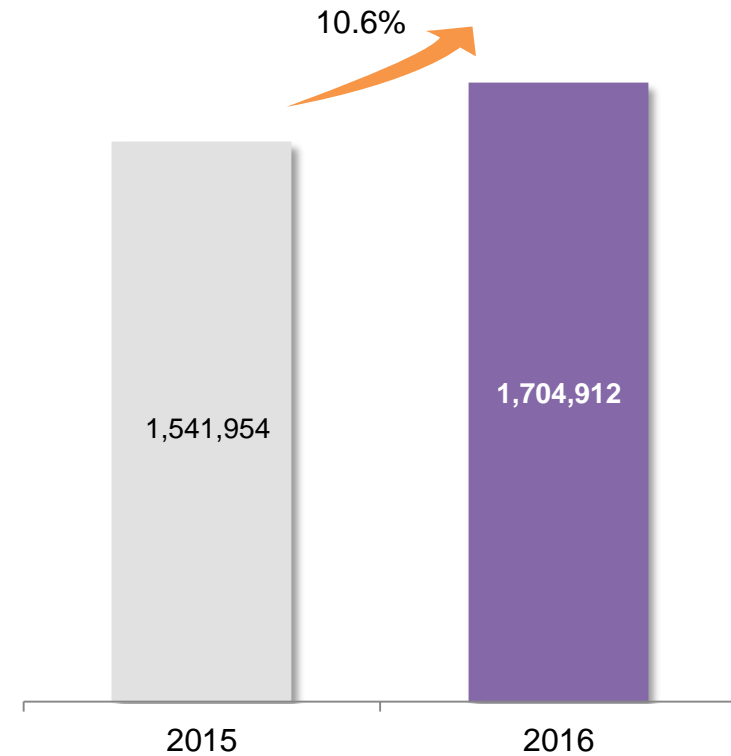
Revenue

(RMB mn)



Sales volume

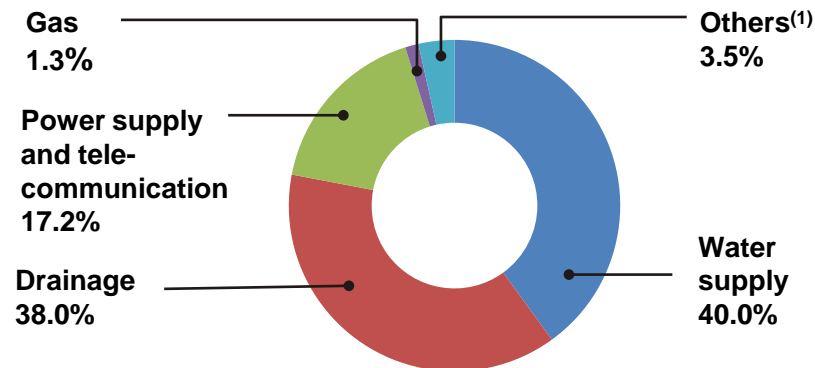
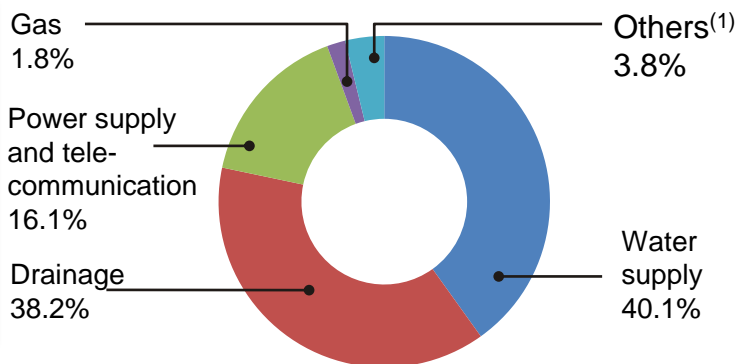
(tonnes)



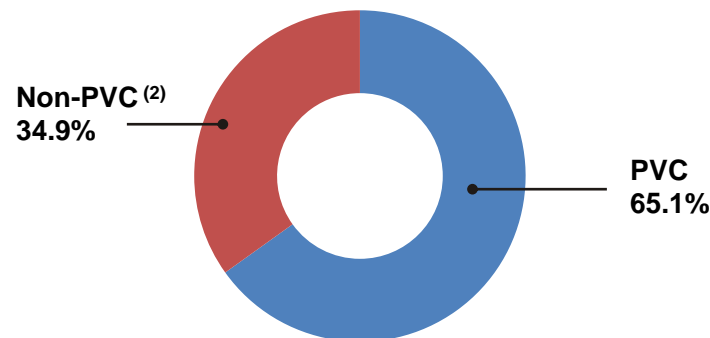
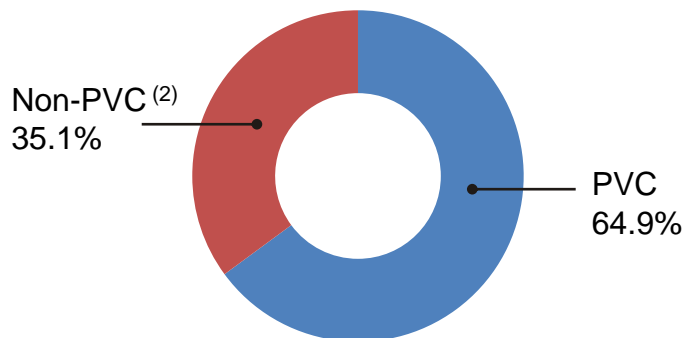
2015

2016

**By
application**



**By
material**



Total pipe products revenue:
RMB13.60 billion

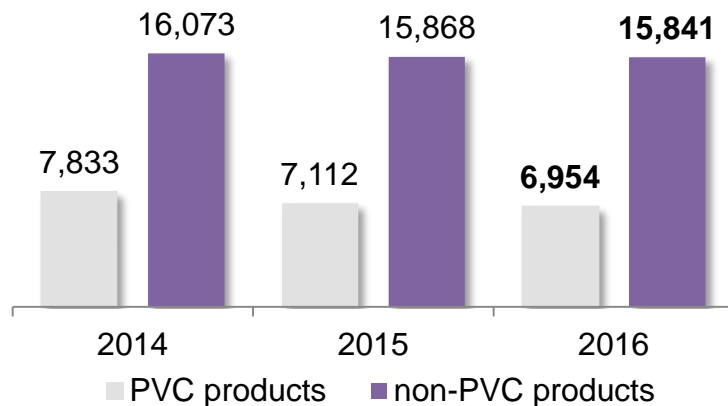
Total pipe products revenue:
RMB14.75 billion

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

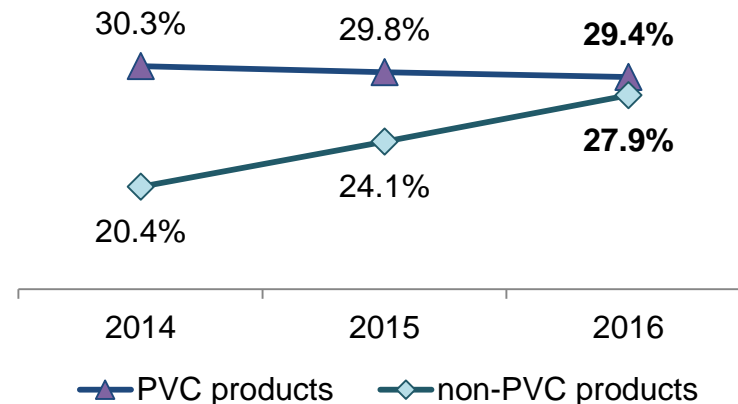
Pipe business: ASP & GP margin analysis

ASP per tonne (by material)

(RMB)

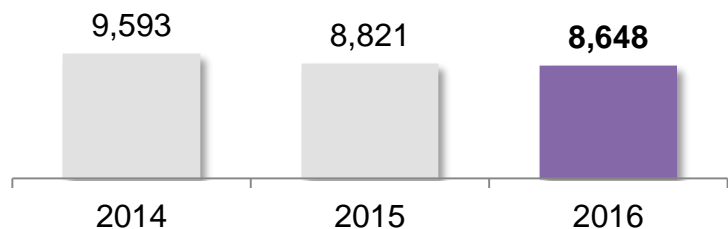


GP margin (by material)

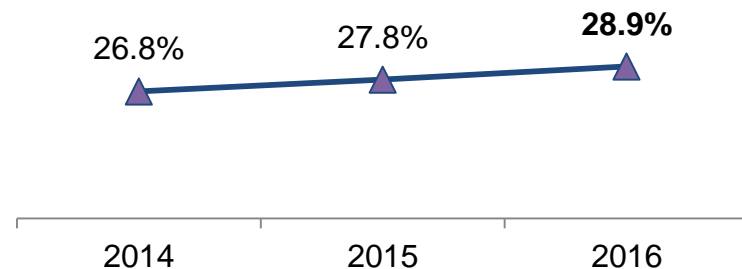


ASP per tonne — overall

(RMB)



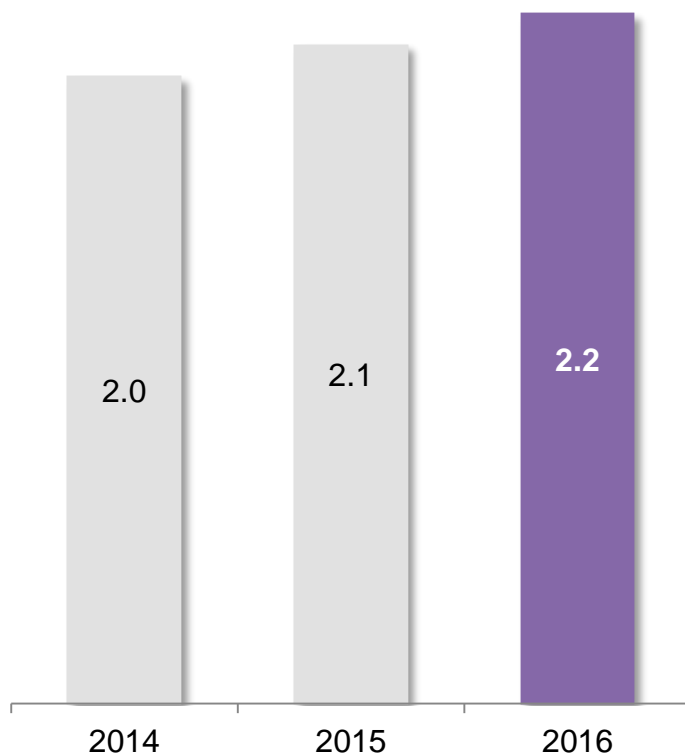
GP margin — overall



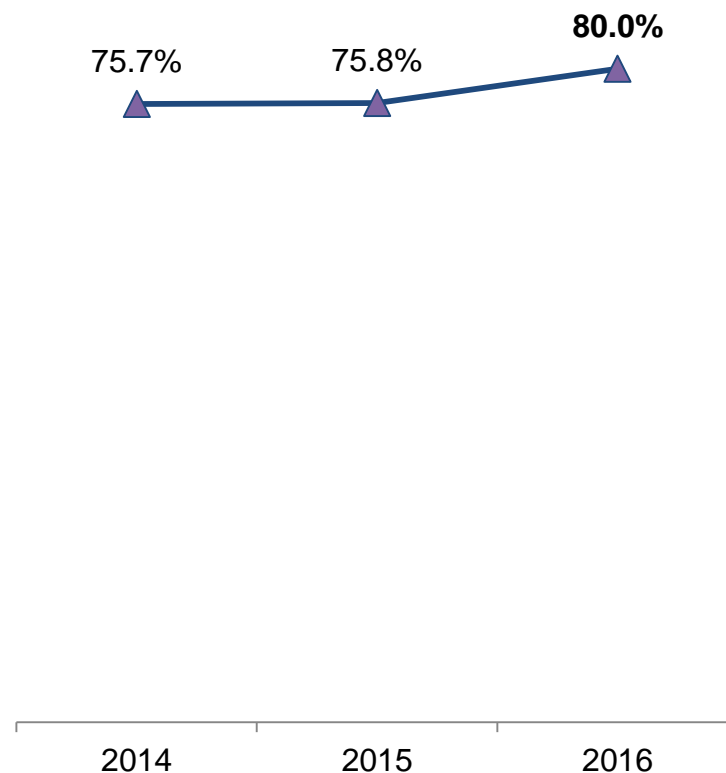
Pipe business: steady increase in production capacity and utilisation rate

Annual designed production capacity

(mn tonnes)

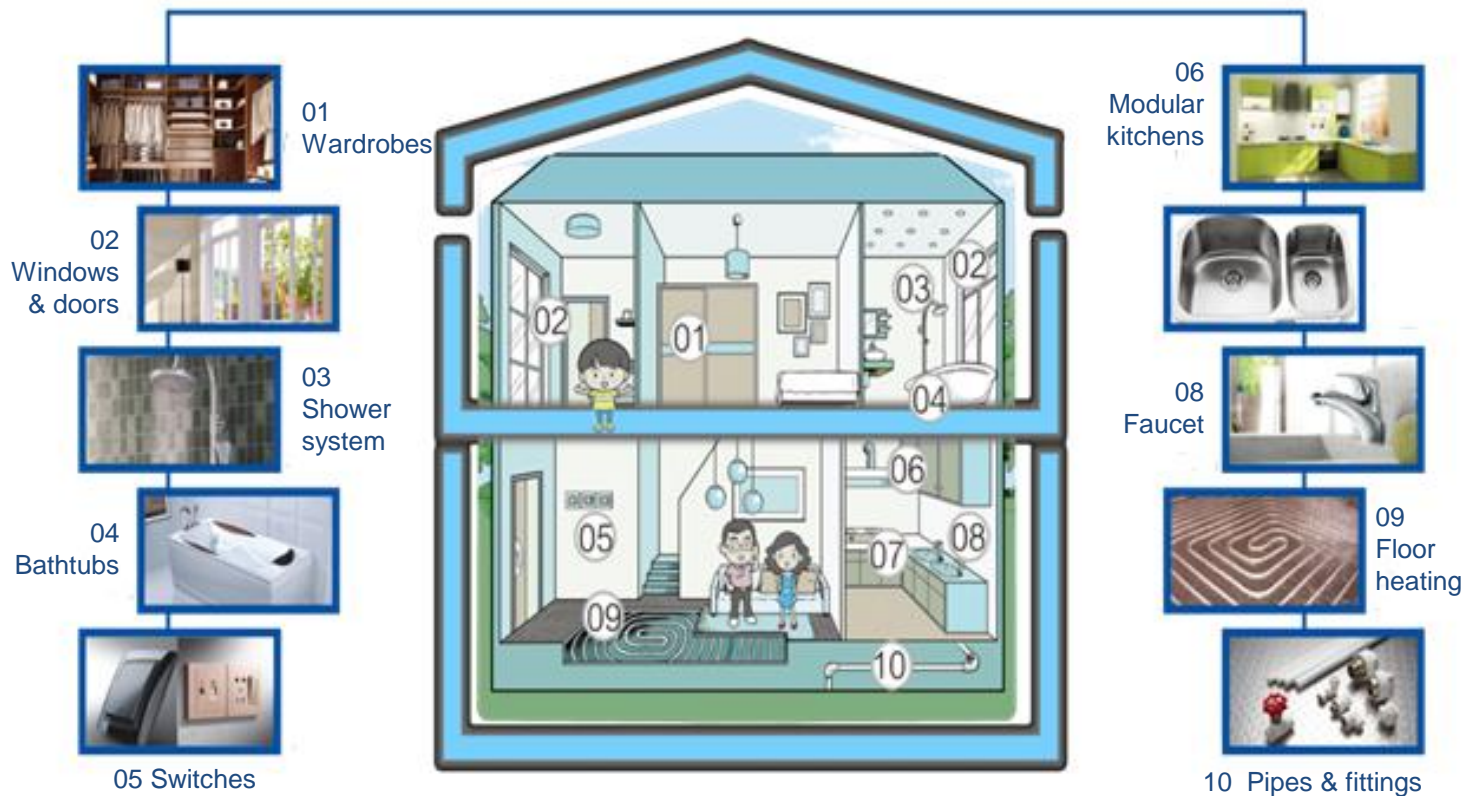


Average utilisation rate



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





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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



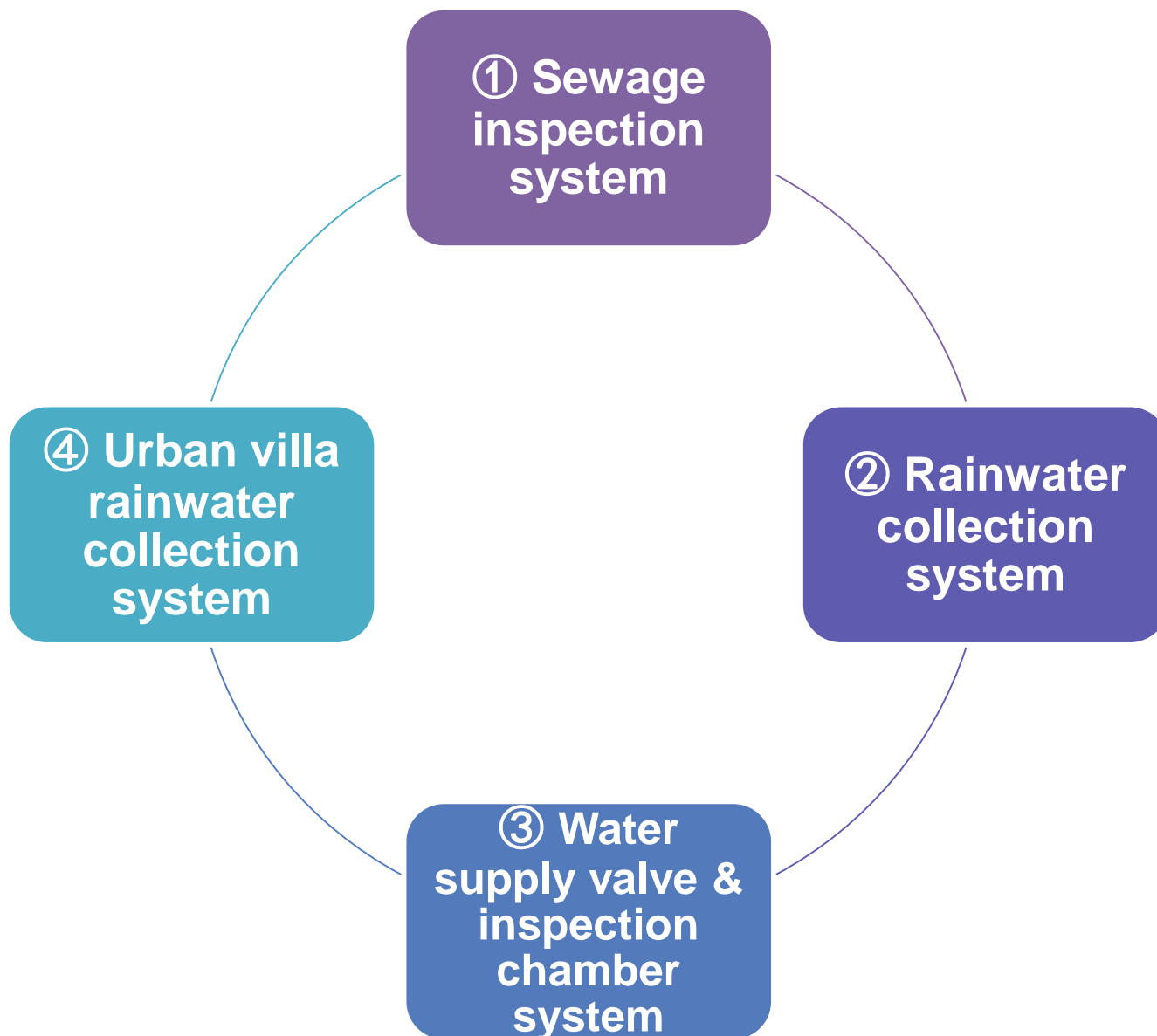
New mode of urbanisation

- ▶ 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



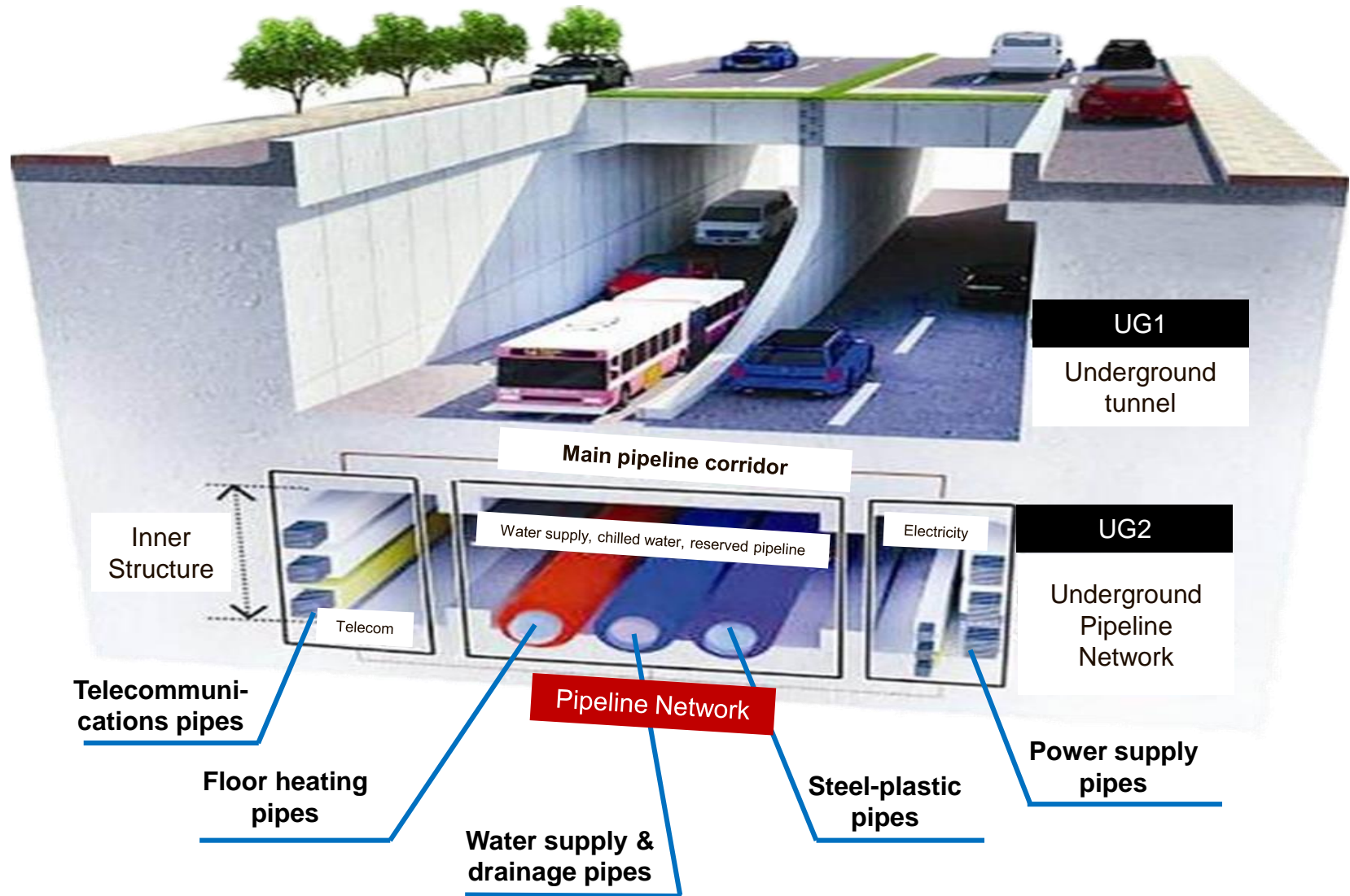
“Belt and Road Initiative”

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



Application of pipe products (Urban Underground Pipeline Network)

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Optimise production capacity



- ▶ 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



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

Expand business of Lesso Mall



- ▶ 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



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



Appendix: financial summary

Statement of profit and loss (RMB mn)

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

Statement of financial position (RMB mn)

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

Ratio analysis

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