

[For Immediate Release]

LESSO 联塑

中國聯塑集團控股有限公司
(Stock code : 2128. HK)

China Lesso Announces 2018 Annual Results

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Revenue rose by 16.6% to RMB23.734 billion

Profit attributable to the owners of the Company increased by 8.7% to RMB2.492 billion

Final dividend of HK20 cents per share

Results highlights:

- The Group's revenue rose steadily by 16.6% to RMB23,734 million
- **Gross profit rose by 17.1% to RMB6,228 million**, which was attributable to economies of scale, increased production capacity and sound cost control
- **Profit attributable to the owners of the Company increased by 8.7% to RMB2,492 million**. Basic earnings per share was RMB0.80, increased by 8.1%
- Benefited from the stable increase in demand of the Chinese construction industry, coupled with municipal projects and infrastructure construction, as well as a smooth development of the overall performance of the real estate market, **sales volume of plastic piping systems increased by 8.2% to 2,168,622 tonnes and the revenue of plastic piping systems increased by 17.9% to RMB21,343 million**
- The building materials and interior decoration products business, environmental business and Lesso Home business all **maintained stable development**
- The Board recommended the payment of a **final dividend of HK20 cents per share** for the year ended 31 December 2018 (2017: HK18 cents per share)

(26 March 2019, Hong Kong) – **China Lesso Group Holdings Limited** (“China Lesso” or the “Group”, HKEx stock code: 2128), a leading large-scale industrial group making building materials and interior decoration products in mainland China, today announced its annual results for the year ended 31 December 2018 (the “Year”).

In 2018, China Lesso continued its strict adherence to the national policy to continuously stabilize its plastic piping systems business, and actively develop its building materials and interior decoration business as well as environmental protection business at the same time, in order to broaden the revenue base for the Group. During the Year, the Group successfully achieved a steady growth in terms of business sales, market expansion and key performance indicators. The Group's revenue increased by 16.6% to RMB23,734 million, gross profit rose by 17.1% to RMB6,228 million, and gross profit margin stood at a healthy level of 26.2%. Profit attributable to the owners of the Company increased by 8.7% to RMB2,492 million. Basic earnings per share increased by 8.1% year on year to RMB0.80. The Board proposed payment of final dividend of HK20 cents per share for the year ended 31 December 2018 (2017: HK18 cents per share).

The **plastic piping systems business** is the mainstay operation of the Group. The revenue from the plastic piping systems business increased by 17.9% to RMB21,343 million, accounted for 89.9% of the Group's total revenue and the total sales volume at this business unit rose by 8.2% to 2,168,622 tonnes. Although the average costs of raw materials posed an increasing upward pressure on prices, the Group strived to has maintain its gross profit margin at a reasonable and stable level by effectively controlling the costs of raw materials and production through economies of scale, massive procurement from raw materials suppliers and other measures. During the Year, the gross profit margin reached 27.2%.

The Group has been expanding its production capacity according to its development and actual needs in order to meet market demand. During the Year, the Group actively enhanced its standards in automatic production and smart production, and strived for full mechanization in the production of pipe products, so as to improve the overall production capacity, quality and efficiency in fulfilling the market demand. The Group's annual designed capacity of plastic pipes and pipe fittings expanded from 2.40 million tonnes in 2017 to 2.62 million tonnes in 2018, with the capacity utilization rate reached 84.8%.

Looking forward, as a market leader, China Lesso will continue to put in effort for innovation and research and development to ensure its technology claims an industry leading position. The Group will also actively expand the scope of applications of plastic pipes and pipe fittings to increase product sales, thereby maintaining its market leadership.

Regarding the **business of building materials and interior decoration products**, this business steadily developed, and generated income of RMB1,314 million, accounting for 5.6% of the Group's total revenue. The Group's management anticipated that the regulatory policies for China real estate industry in 2019 will turn more accommodative than last year and believed that the business of building materials and interior decoration products will benefit from the positive effects driven by the less stringent policy implementation. In 2019, the Group will dedicate to deliver continuous growth in revenue of the business of building materials and interior decoration products and increase the revenue proportion of this business to the Group's total revenue. In the meantime, the Group will strengthen its promotion to existing customers, actively engage new customers and increase sales by provision of diverse products.

To cope with the Chinese government's environmental protection initiatives, the Group is actively expanding its **environmental protection business**. However, owing to the modification to the regulations governing the finance of public-private partnerships projects by the Chinese government, the business development of environmental protection was slightly slower than expected but still maintained a steady growth with a revenue of RMB188 million. In addition, the Group entered into a sale and purchase agreement to acquire 70% equity interest in Jiangsu Yongbao Environmental Technology Co., Ltd. ("Jiangsu Yongbao") in October 2018 at a consideration of RMB392 million. Jiangsu Yongbao has been engaging in the provision of hazardous waste, wastewater and exhaust fumes treatment services in China. The Group will continue to enhance its own technology, operation and quality, and fostering new growth drivers so as to achieve synergy between its environmental protection business and other businesses, and diversify its source of income.

Following the Belt and Road Initiatives, the Group promoted “**Lesso Home**” business with the concept of bringing “One-Stop Specialized Market for Home Furnishing Products” to the overseas markets. Lesso Home aims to build a multinational platform for Chinese manufacturers of home furnishings, building materials and other consumer products to showcase their products and facilitate the distribution and retailing of such products. Lesso Home will also provide ancillary services, including marketing and branding. During the year, “Lesso Home” business recorded a revenue of RMB371 million.

The Group has 12 site reserves in the United States, Canada, Australia, Thailand and United Arab Emirates etc.. All of the sites are located within close proximity to major metropolitan areas. Most of the projects are under planning and development, of which one to two projects are expected to be completed in 2019. The Group aims to develop these sites into the largest one-stop showroom markets specialized for home furnishing products in its respective local market. Tenants will independently operate their own showrooms, and sell their products directly to local traders, retailers and consumers. The Group’s management is confident that the “Lesso Home” business will become another growth driver for the Group in the long run.

Mr. Wong Luen Hei, Chairman and Executive Director of the Group, said, “Looking ahead to 2019, we expect that the Chinese economy will maintain steady growth, while it would be clouded by uncertainties over the global economy. In order to adapt to the ever-changing market demand, China Lesso will fully grasp the opportunities arising from the Chinese government’s initiatives that are beneficial to the industry to develop its business of building materials and interior decoration products as well as the business of environmental protection, seeking to achieve synergies between such businesses and aim for sustainable growth. The Group will strive to upgrade its existing production bases so as to make them automated and intelligent, thereby enhancing the Group’s production capacity and efficiency. In addition, the Group will continue to adopt a blue ocean strategy by expanding the scope of applications of piping systems to solidify its leading position.

The Group will continue to fulfill its mission of “improving the quality of urban life” by providing the market with innovative and high-quality building materials and interior decoration products. At the same time, we will actively capitalize on the opportunities arising from the state’s policies and infrastructure to drive the Group’s business development in the long term. This will enable us to achieve better results and create greater value for customers, investors and shareholders.”

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About China Lesso Group Holdings Limited

China Lesso Group Holdings Limited is a leading large-scale industrial group, making building materials and interior decoration products in mainland China. It is listed on the main board of The Stock Exchange of Hong Kong Limited (stock name: China Lesso, stock code: 2128). China Lesso is one of the constituent stocks of the Hang Seng Composite Index – MidCap and has been included in the scheme of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and is tradable under Hong Kong Stock Link.

The Group provides over 10,000 kinds of quality products, including plastic piping systems, sanitary ware products, integrated kitchens, systems of doors and windows, decorative plates, fire-fighting equipment, and sanitary materials, etc. They are widely applied to such fields as interior decoration, water supply, drainage, power supply and telecommunications, gas transmission, agriculture, floor heating and fire services. The Group is positioned as one of the manufacturers who offer the most comprehensive range of building materials and interior decoration products.

The Group has 23 advanced production bases in 16 regions, namely Guangdong, Guizhou, Sichuan, Hubei, Jiangsu, Anhui, Zhejiang, Henan, Hebei, Jilin, Shaanxi, Xinjiang, Hainan, Yunnan, Shandong and Hunan. The Group has established a nationwide sales network and has also developed long-term strategic partnerships with 2,193 independent and exclusive first-tier distributors to provide quality and comprehensive products as well as professional services for customers.

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