

LESSO 联塑

CHINA LESSO GROUP HOLDINGS LIMITED

中國聯塑集團控股有限公司

2020 Interim Results **Corporate Presentation**

August 2020

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01 Results Highlights



02 Financial Review



03 Business Review



04 Outlook

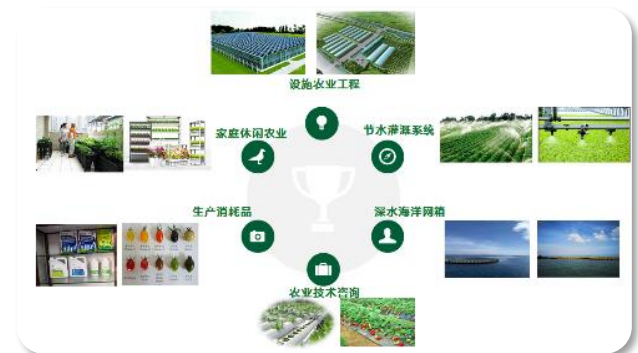
Results highlights

- ❖ Against the backdrop of the COVID-19 outbreak, the Group was steadily resuming production and proactively captured opportunities that arose from a recovery in the market recovery in Q2 when the situation of the pandemic stabilized, **achieving growth** in its overall business in the 1H2020 **despite the unfavorable situation**
 - ❖ Revenue: **RMB11,492 million, +3.2%**
 - ❖ Gross profit: **RMB3,380 million, +5.6%**
 - ❖ Profit attributable to the owners of the Company: **RMB1,388 million, +9.8%**
 - ❖ The Board of Directors announced payment of an interim dividend of **HK12 cents** per share (1H2019: HK12 cents per share)
- ❖ Took prompt measures to cope with the situation and overcame the difficulties, the Group did not have any significant impact on its sales of plastic pipes and pipe fittings
 - ❖ Sales volume of plastic piping systems: **1.08 million tonnes, +7.1%**
 - ❖ Revenue: **RMB10,141 million, +0.7%**
- ❖ Gave support to the construction of hospitals nationwide in the fight against the pandemic and provided construction materials needed for further renovation and expansion of existing hospitals
- ❖ In May this year, began the construction of a production base in Nanchang, Jiangxi to **improve the nationwide disposition of its production bases**



Results highlights

- ❖ Focus on **establishing strategic partnerships** with central government-owned enterprises and state-owned construction companies to seize opportunities arising in the industry's development
- ❖ Actively expand foreign markets **with a focus on the Southeast Asian market**, existing production base in Indonesia has been put into operation and another one is planned to be built in the future; production base in Cambodia is under planning
- ❖ Made great efforts to **expand the agricultural sector** by providing customers with high-quality, professional integrated solutions for modernized agriculture in order to further diversify its source of income
- ❖ **Continued to expand its environmental protection business**, accelerated project implementation and put into production, actively explored M&A opportunities to fully tap its potential for business growth
- ❖ **Maintained stable and healthy financial position** with cash and bank deposits of approx. **RMB7,152 million**



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01 Results Highlights



02 Financial Review

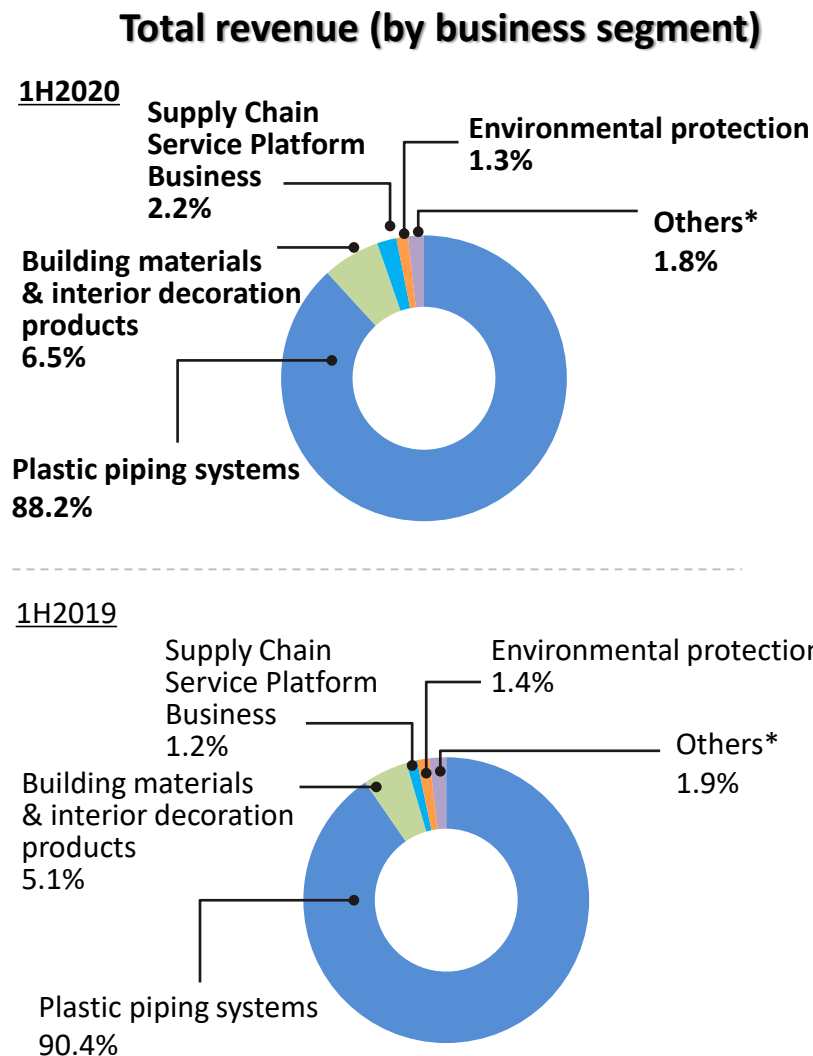
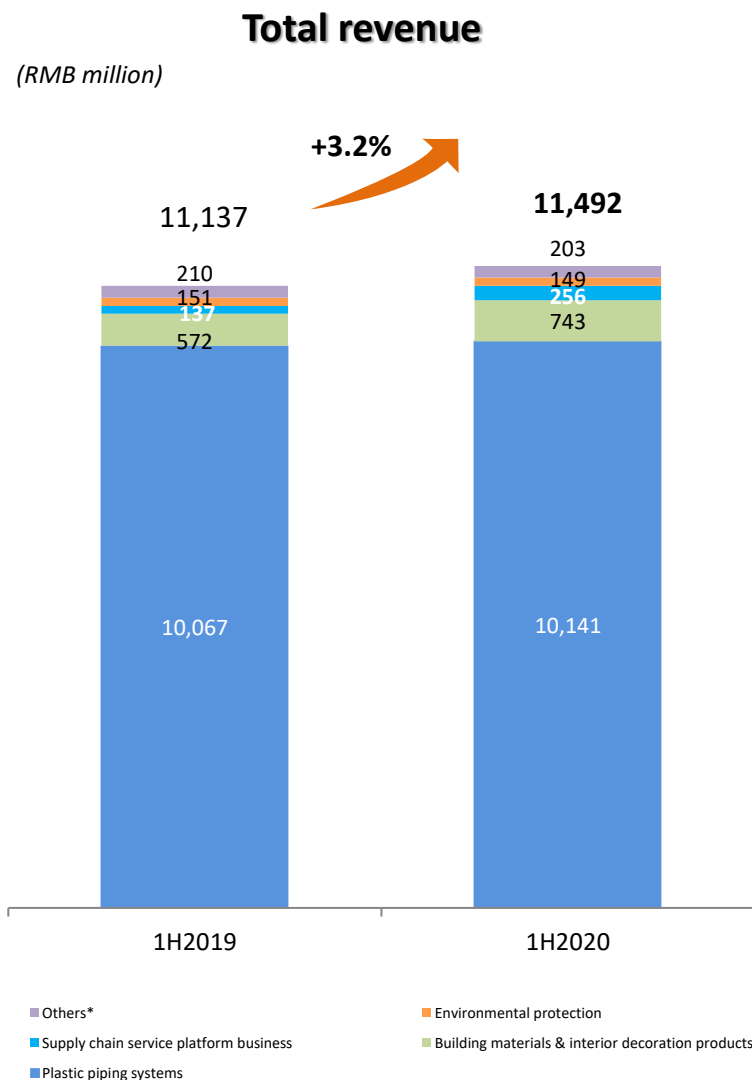


03 Business Review



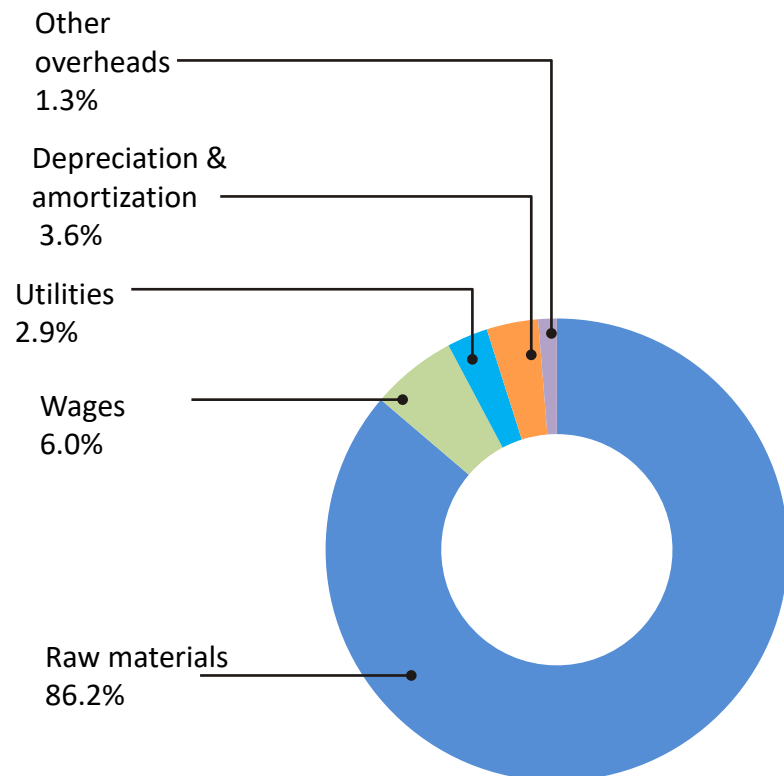
04 Outlook

Steady revenue growth

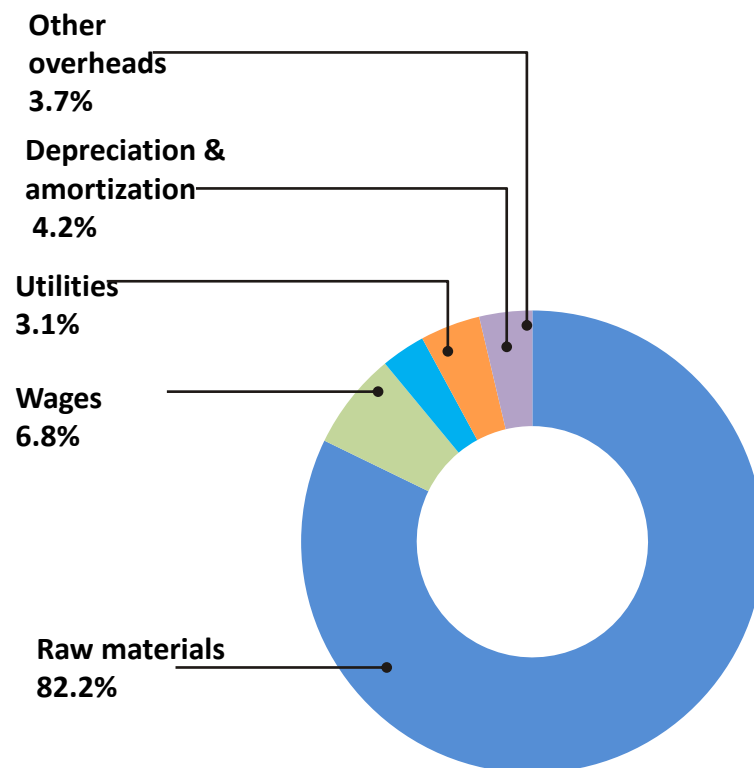


Overall cost structure

1H2019



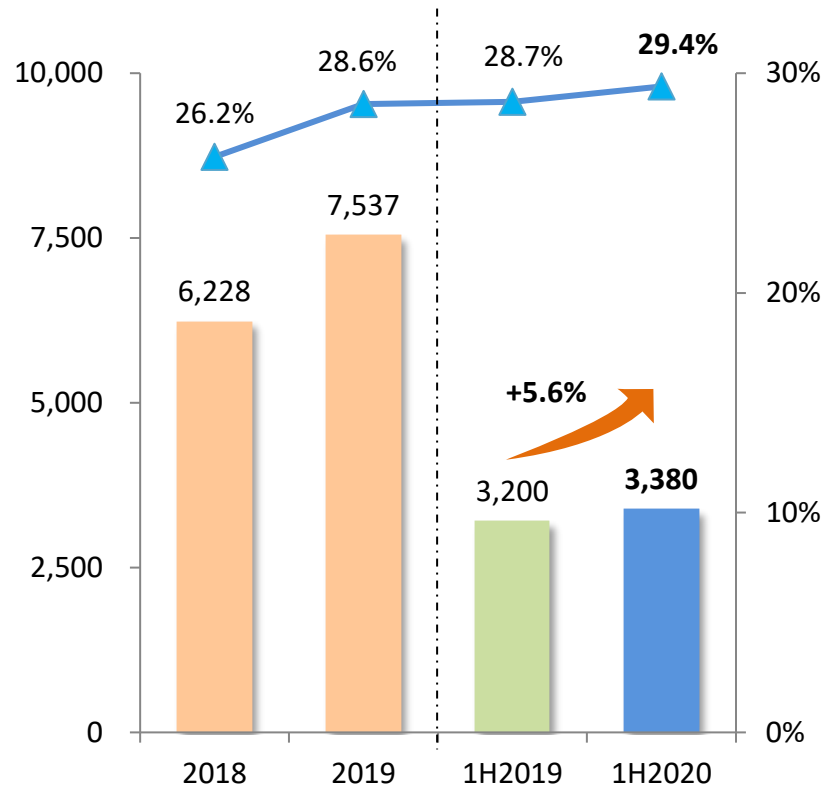
1H2020



GP & NP continued to increase

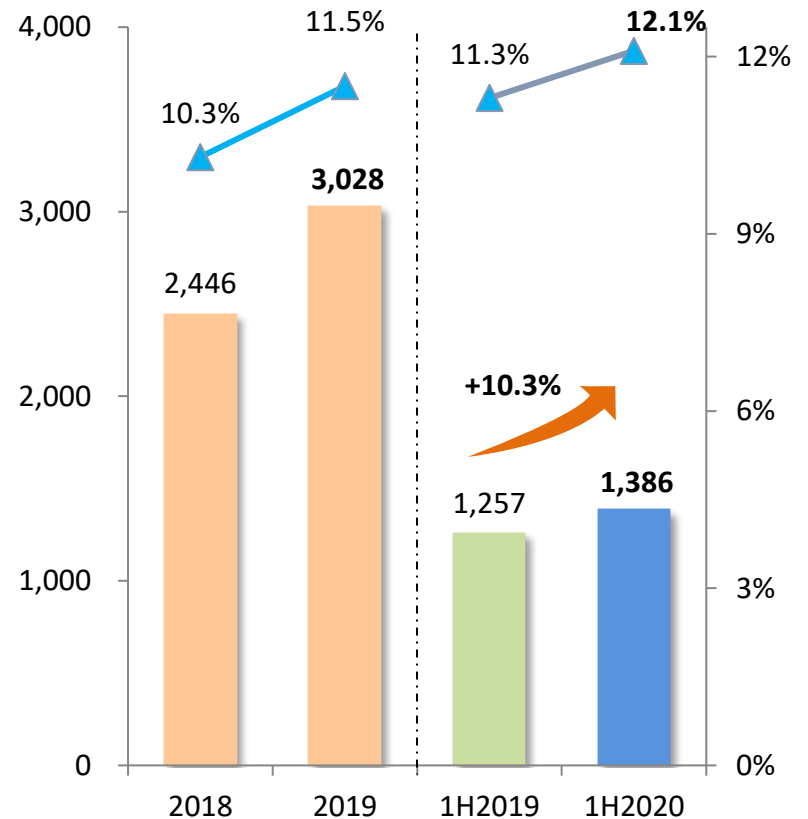
GP and GP margin

(RMB million)

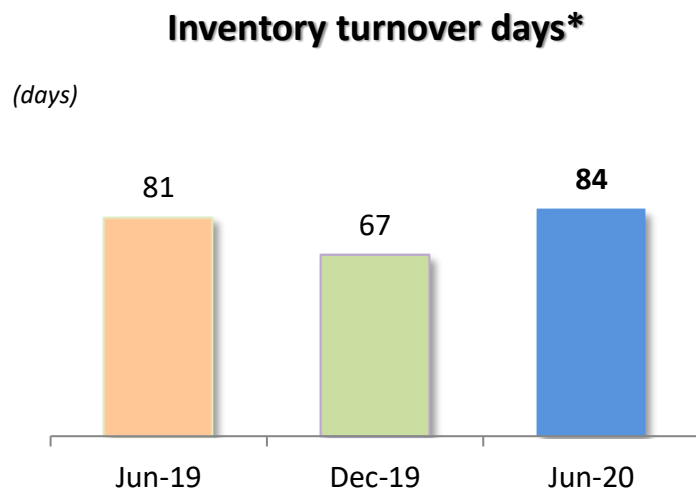
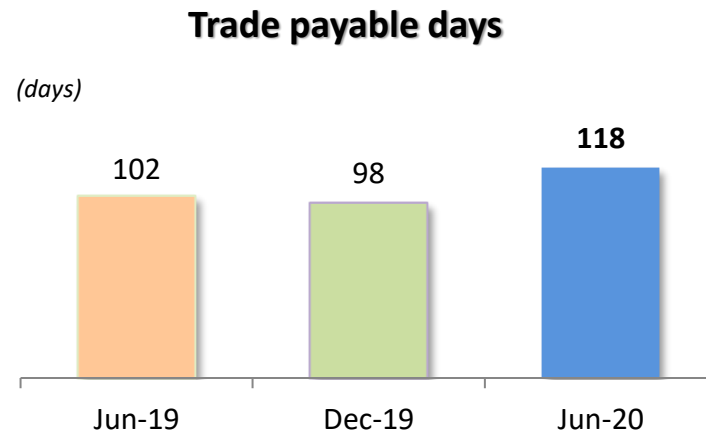
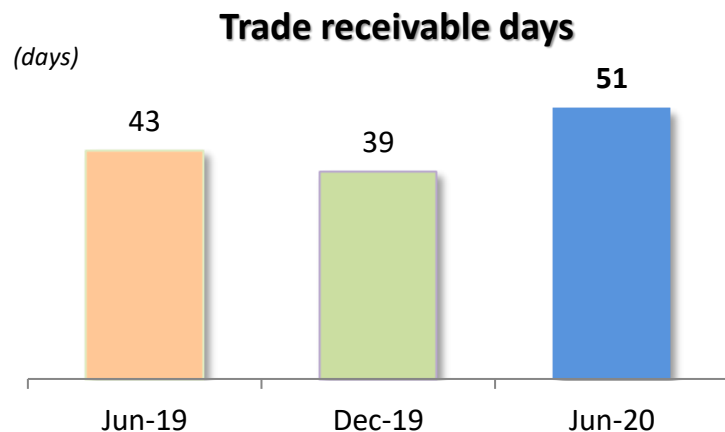


NP & NP margin

(RMB million)



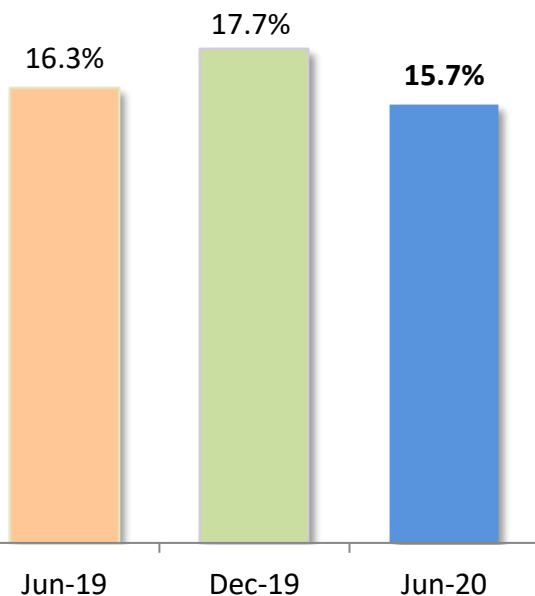
Healthy & stable key financial indicators



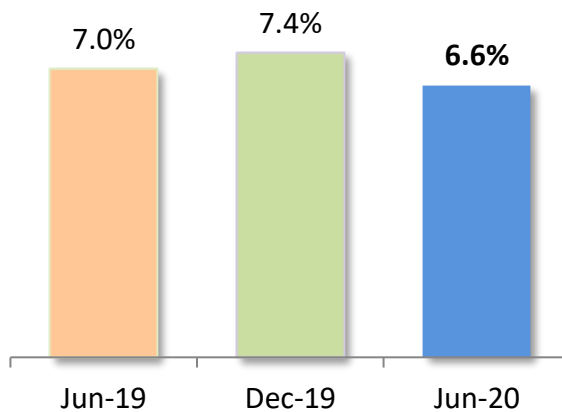
* Remark: excluding properties

Remained stable in return ratios

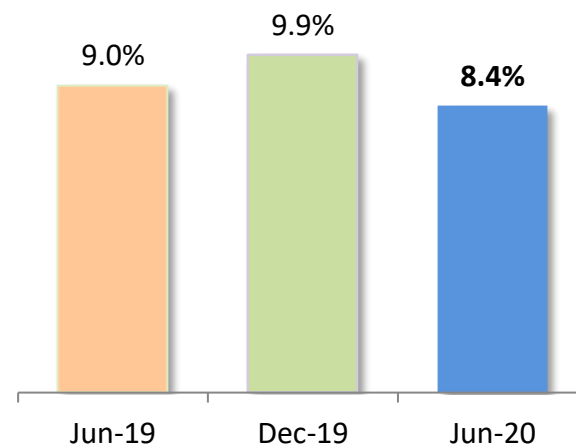
Return on equity⁽¹⁾



Return on assets⁽²⁾



Return on invested capital⁽³⁾



(1) Net profit divided by total equity at the end of the 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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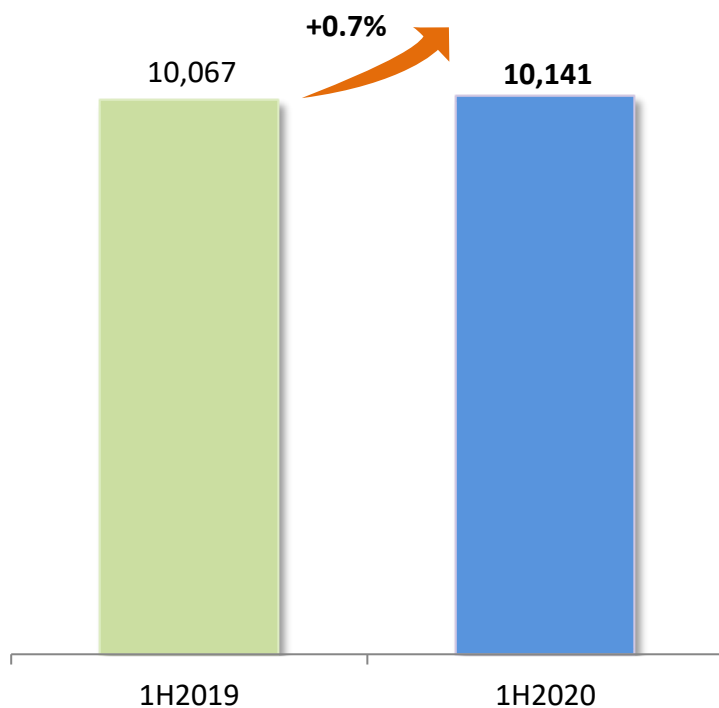


04 Outlook

Plastic piping systems business: revenue & sales volume

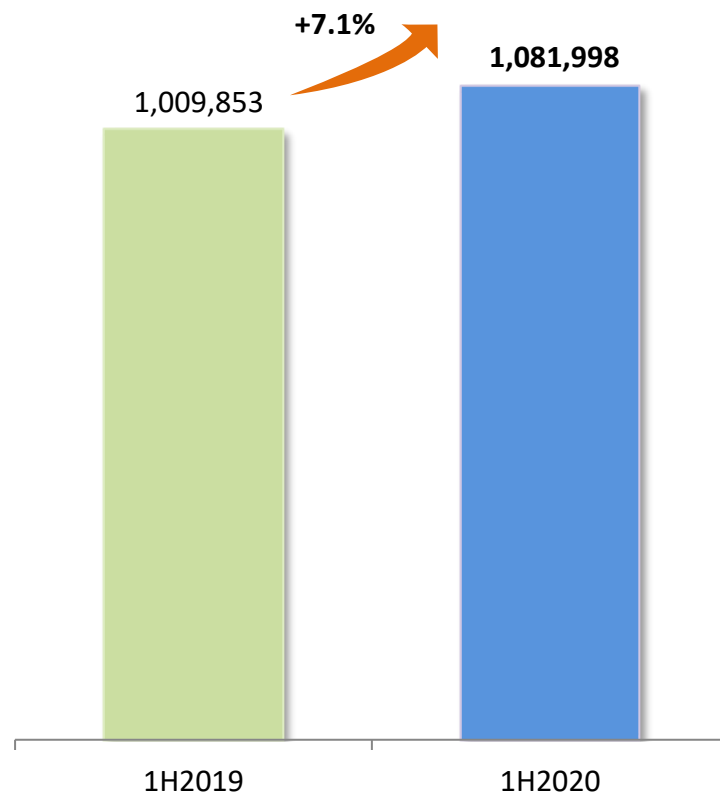
Segment revenue

(RMB million)



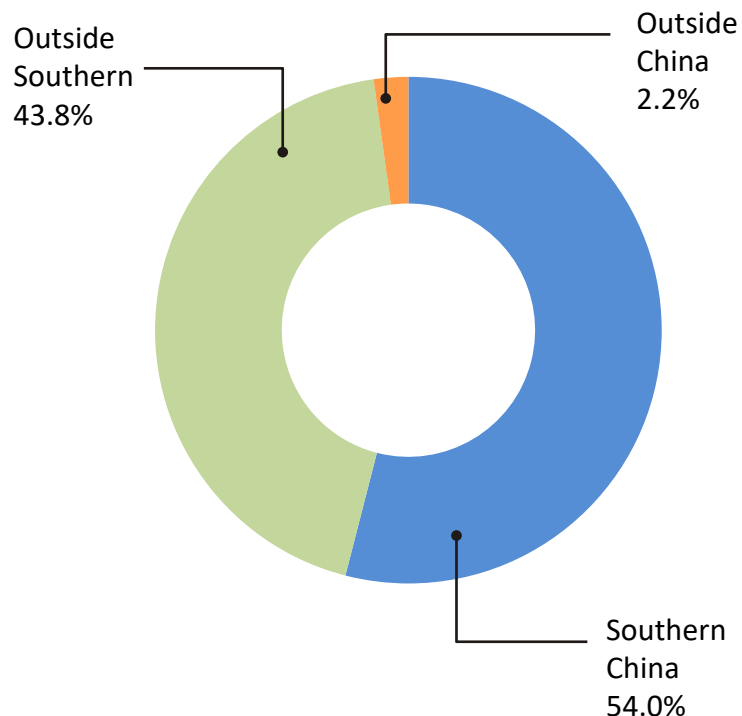
Segment sales volume

(tonnes)

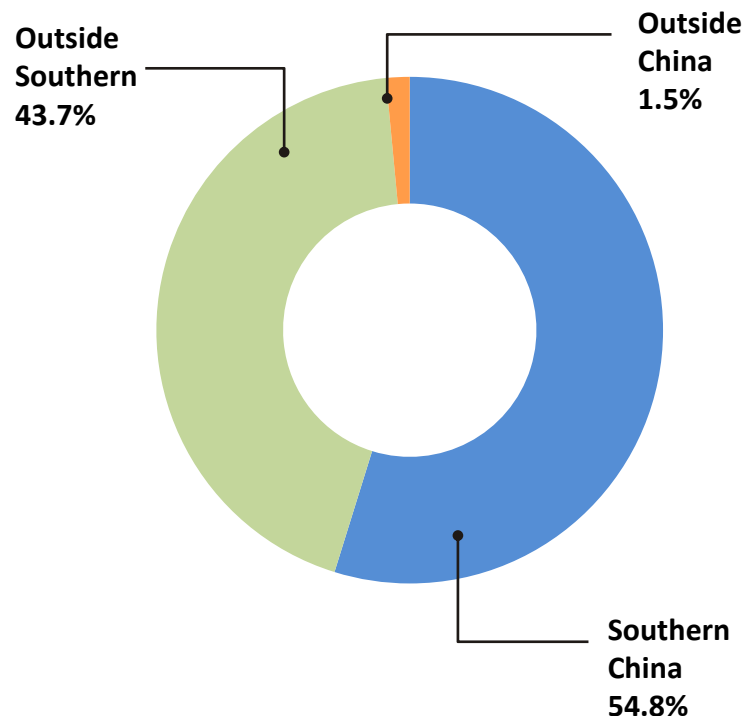


Plastic piping systems business: revenue breakdown by region

1H2019



1H2020

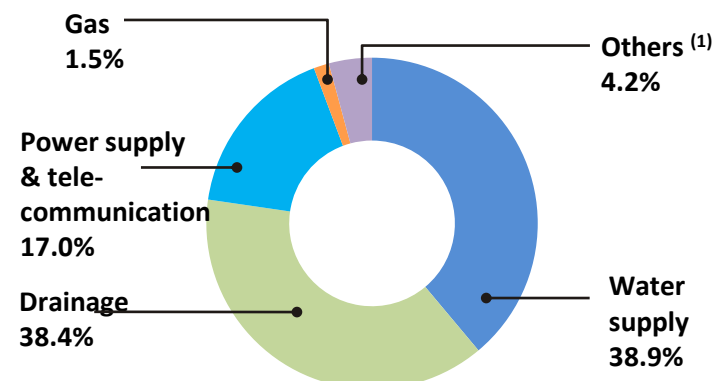
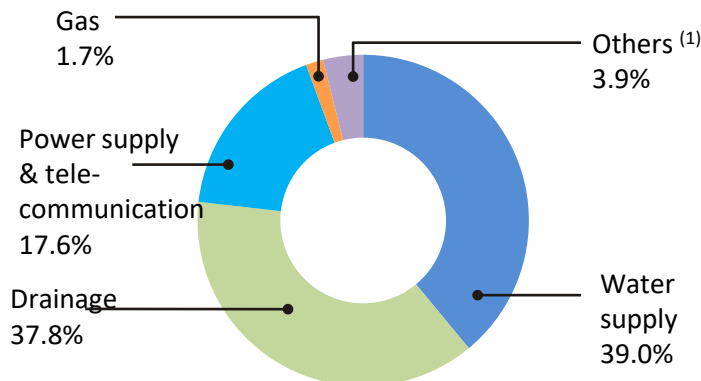


Plastic piping systems business: revenue analysis

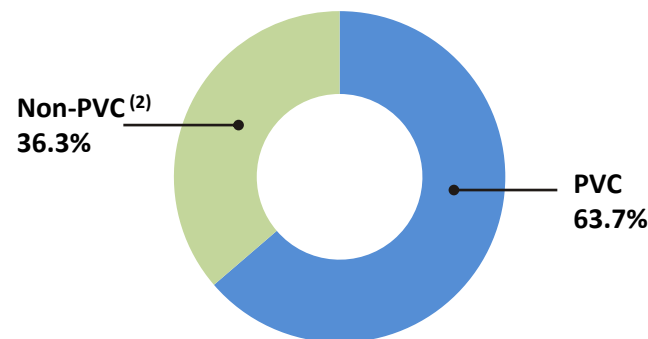
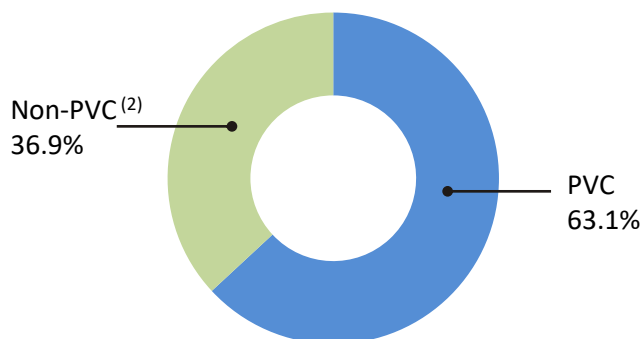
1H2019

1H2020

By
application



By
material



Total pipe products revenue:
RMB10.07 billion

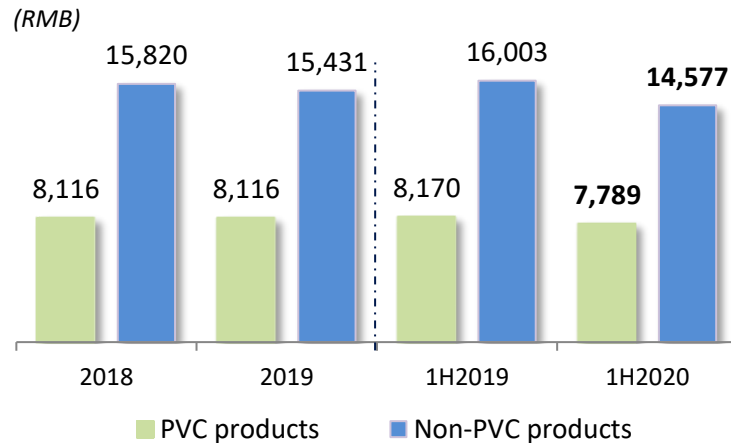
Total pipe products revenue:
RMB10.14 billion

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

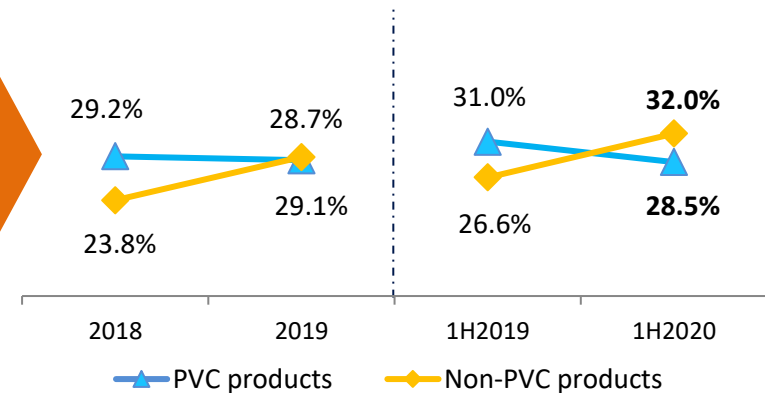
(2) Non-PVC includes PE, PP-R, etc

Plastic piping systems business: ASP & GP margin analysis

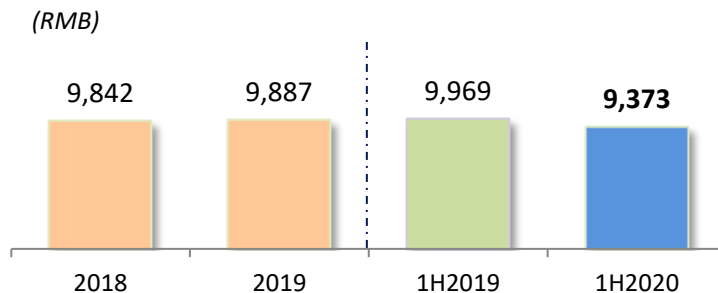
ASP per tonne – by material



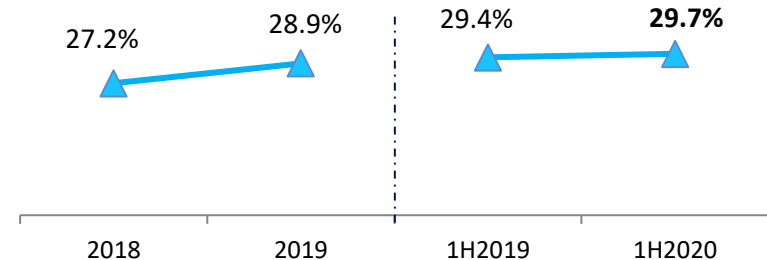
GP margin – by material



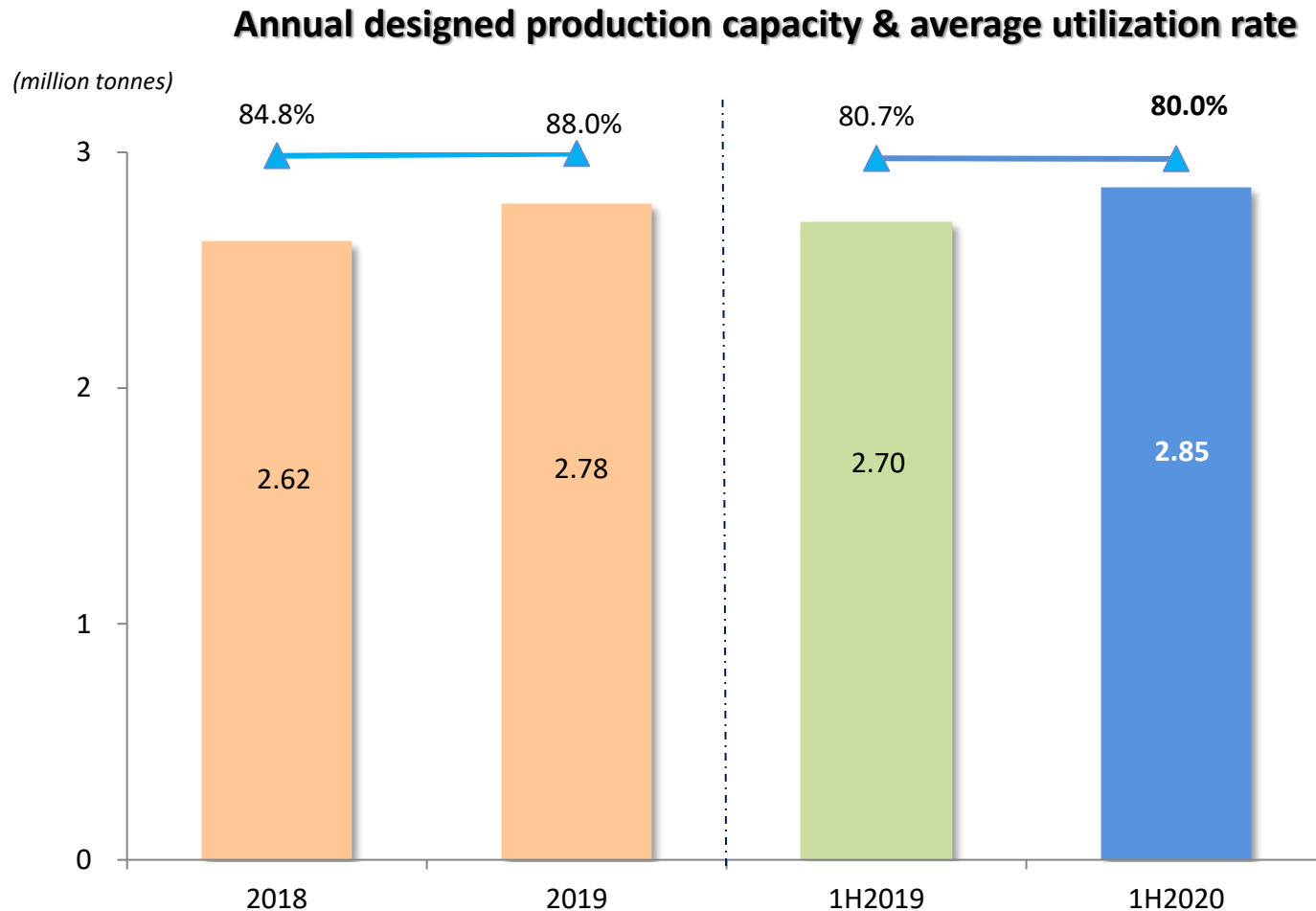
ASP per tonne - overall



GP margin - overall



Plastic piping systems business: production capacity & utilization rate



Building materials & interior decoration products

Strengthen promotion to existing customers, actively engage new customers and increase sales by provision of diversified product portfolio

- ❖ To cope with the impact from pandemic, local governments implemented more city-specific policies on the regulation of property markets according to local conditions. As a result, the flexibility of the policies contributed to a gradual recovery in the real estate market when the pent-up demand of homebuyers during the early stage of the pandemic was released after the pandemic showed signs of abating. During the reporting period, **revenue** from business of building materials and interior decoration products amounted to **RMB743 million**



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- ❖ Actively seizes the opportunities in the new type of urbanization and the redevelopment of old towns to boost the growth of its business
- ❖ continue to strengthen its partnerships with PRC large real estate developers, so as to actively capture the opportunities arising from the real estate sector's shift towards the bulk purchasing model
- ❖ Achieve synergy between its business of building materials and interior decoration products and its other business segments, which in turn to drive the steady development of its business



Environmental protection business

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



- ❖ Actively fosters its environmental protection business by capitalizing on municipal projects in various fields and to create synergy between its environmental protection business and plastic piping systems business for the long term
- ❖ Continue to enhance its R&D capability so as to **expand its hazardous solid wastes treatment business** and plan to establish a waste treatment center with annual capacity of 450,000 tonnes in Yunfu, Guangdong Province in order to further consolidate and expand the Group's market share
- ❖ Explore opportunities for M&A and strive to become as a one-stop integrated environmental service provider with comprehensive services for customers
- ❖ Stable business growth with the **revenue** amounted to **RMB149 million**



Water Treatment



Solid Waste Disposal



Waste Gas Treatment



Soil Remediation



Technical Consultancy &
Environmental Monitoring Service



Scientific Research Service

Supply chain service platform business

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

- ❖ Recorded **revenue** of **RMB256 million** in 1H2020
- ❖ Focus on the development in Southeast Asian market, the Group has projects in **Thailand, Myanmar, Indonesia** and other countries
- ❖ Further boost the distribution network of its supply chain service platform business in Southeast Asia and capture the opportunities for development



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Future prospect

Achieve centralized automated & intelligent production to enhance efficiency

- ❖ Build its own system for **industrial internet**
- ❖ Press ahead with the **automation of its production bases** by adopting smart technology and intelligent equipment for manufacturing, aim at expanding production capacity and raising production efficiency
- ❖ **Production bases under construction** in Fujian, Jiangxi and Zhejiang are scheduled **to be completed and put into trial production** in 2020, which will help to ramp up the production

Grasp opportunities to develop environmental protection business

- ❖ Actively grasp opportunities to develop environmental protection business and form **public-private partnerships**
- ❖ Dedicate to expand its **hazardous solid wastes treatment business** to foster new growth drivers
- ❖ Actively explore M&A opportunities to pursue **cross-segment synergies** and **income diversification**

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

Expand market network for building materials & interior decoration

- ❖ Enhance promotion effort to **existing customers**, while actively expand sales network by **engaging new customers**
- ❖ Continue to strengthen its partnerships with **PRC large real estate developers**

Q&A



Appendix: Financial summary

Statement of profit or loss (RMB million)

	2018	2019	1H2019	1H2020
Revenue	23,734	26,345	11,137	11,492
Gross profit	6,228	7,537	3,200	3,380
EBITDA	4,409	5,556	2,282	2,446
EBIT	3,651	4,559	1,852	1,966
Net profit	2,446	3,028	1,257	1,386

Statement of financial position (RMB million)

	2018	2019	1H2019	1H2020
Cash & bank deposits	6,452	7,604	5,922	7,152
Total assets	34,636	40,785	36,135	41,834
Total debts	11,731	13,537	12,530	15,440
Total equity	15,073	17,094	15,598	17,672

Ratio analysis

Profit ratio (%)	2018	2019	1H2019	1H2020
Gross profit margin	26.2%	28.6%	28.7%	29.4%
EBITDA margin	18.6%	21.1%	20.5%	21.3%
EBIT margin	15.4%	17.3%	16.6%	17.1%
Net profit margin	10.3%	11.5%	11.3%	12.1%
Growth rate (%)				
Revenue	16.6%	11.0%	6.6%	3.2%
Gross profit	17.1%	21.0%	17.6%	5.6%
EBITDA	15.1%	26.0%	23.2%	7.2%
EBIT	14.7%	24.9%	25.2%	6.1%
Net profit	8.0%	23.8%	25.1%	10.3%
Liability ratio (times)				
EBITDA/ financing costs	10.6x	9.6x	8.4x	9.9x
Total debts/ (total debts + total equity)	43.8%	44.2%	44.5%	46.6%

Appendix: 25 Advanced production bases

