



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
於開曼群島註冊成立的有限公司

Stock Code 股份代號：2128

2020 Annual Results Corporate Presentation

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ANNIVERSARY OF LISTING

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01 Results Highlights



02 Financial Review



03 Business Review

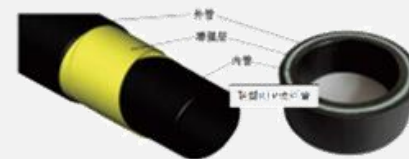


04 Outlook



Results highlights

- ❖ Despite the outbreak of COVID-19 pandemic, the Group has steadily promoted the resumption of work and production since March and captured market opportunities after the pandemic in Q2, achieving overall business growth against the adversity in 2020
 - ❖ Revenue: **RMB28.073 billion, +6.6 %**
 - ❖ Gross profit: **RMB8.384 billion, +11.2 %**
 - ❖ Profit attributable to the owners of the Company : **RMB3.751 billion, +24.0 %**
 - ❖ Final dividend: **HK 38 cents per share** (2019: HK28 cents per share)
- ❖ Took prompt measures to overcome the difficulties caused by the pandemic, the Group did not have any significant impact on its sales of plastic pipes and pipe fittings
 - ❖ Sales volume of plastic piping systems: **2.61 million tonnes, + 8.8 %**
 - ❖ Revenue: **RMB24.512 billion, +3.4 %**
- ❖ 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
- ❖ Successfully achieved mass production of **RTP fiberglass pipes** and officially released the products in October, together with the launch of **fresh air duct and stainless steel pipe** products



Results highlights

- ❖ In August, launched the Shandong smart home production project, injecting new impetus into in-depth development in smart home market
- ❖ In December, production bases in Fujian and Jiangxi officially commenced operation, **accelerating the production output**
- ❖ **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
- ❖ **Signed strategic cooperation framework agreement** with branches of national bureaus and **established strategic partnership** with numerous private enterprises to promote diversified cooperation



- ❖ Actively expand foreign markets **with a focus on the Southeast Asian market**, existing production base in Indonesia has been put into operation
- ❖ **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. **RMB7.447 billion**

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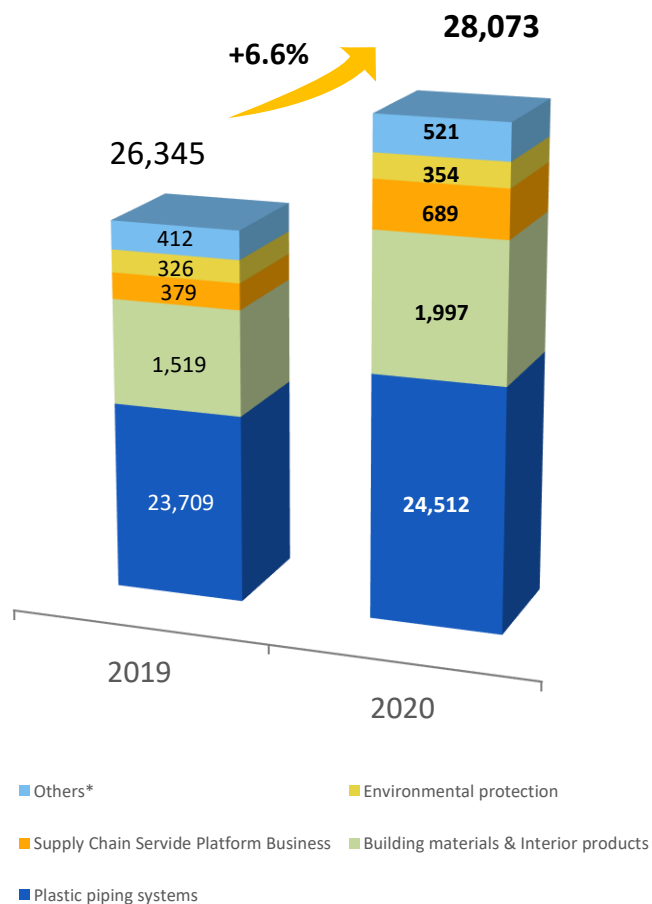
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Steady revenue growth

Total revenue

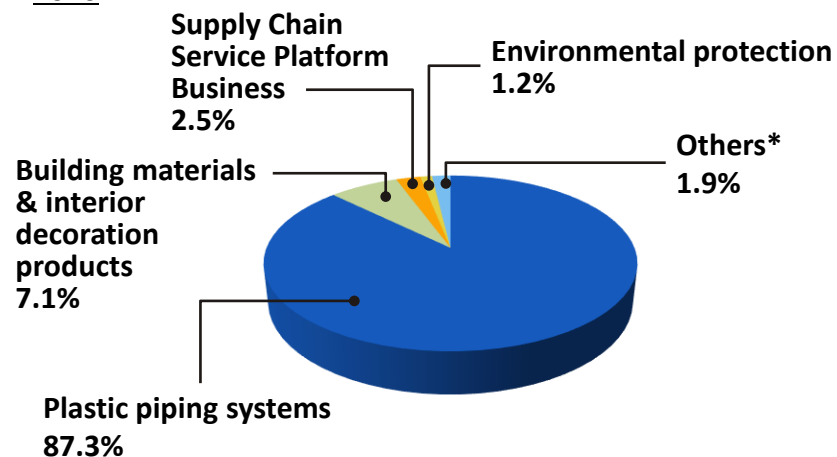
(RMB million)



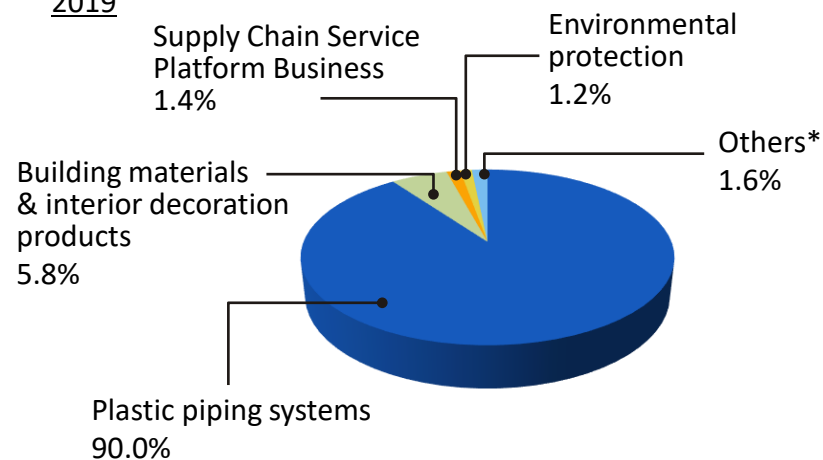
Remark: Others* including finance, plastic film, connection materials and other businesses

Total revenue (by business segment)

2020

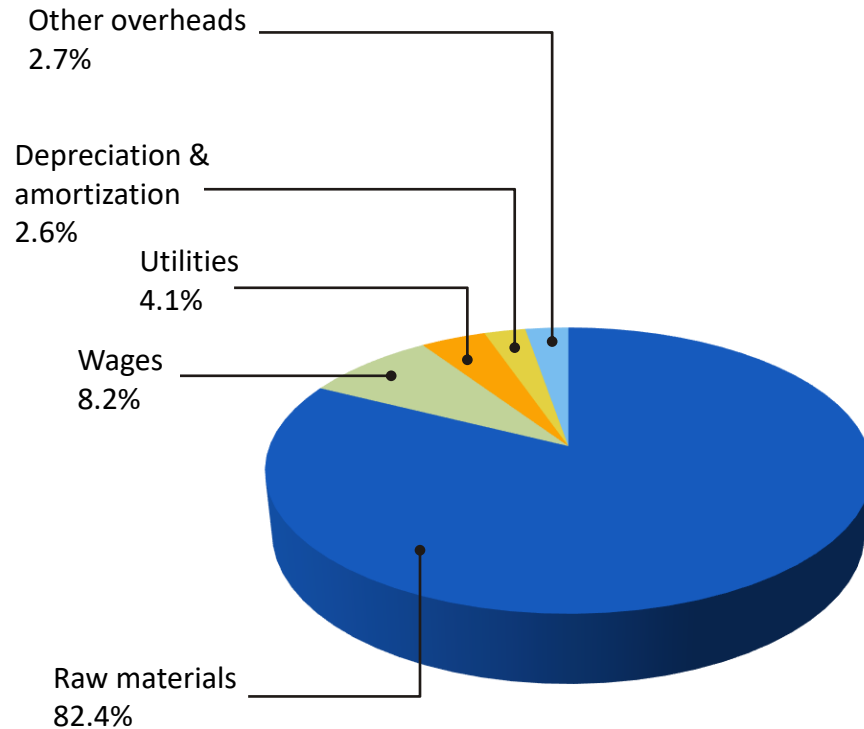


2019

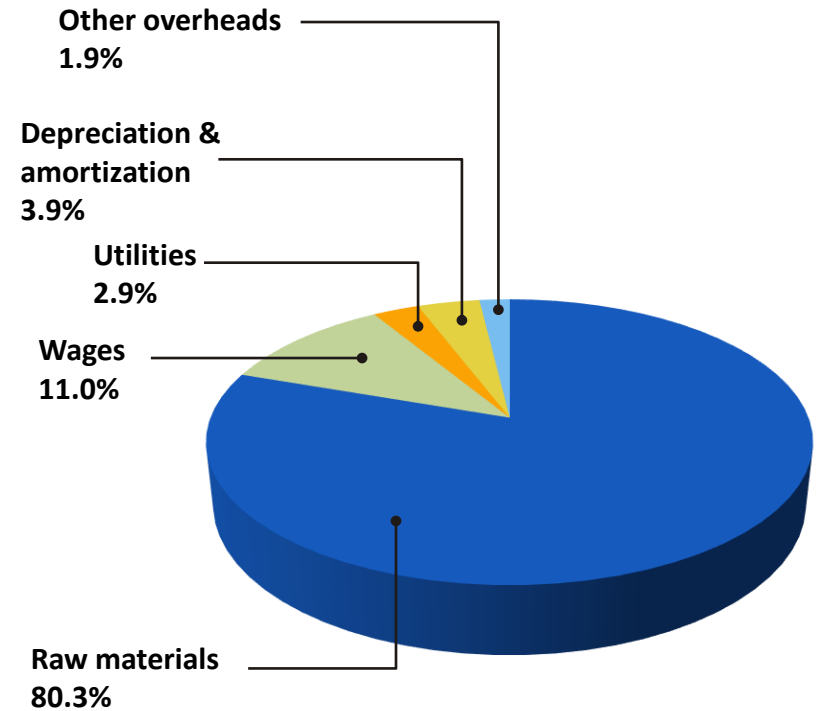


Overall cost structure

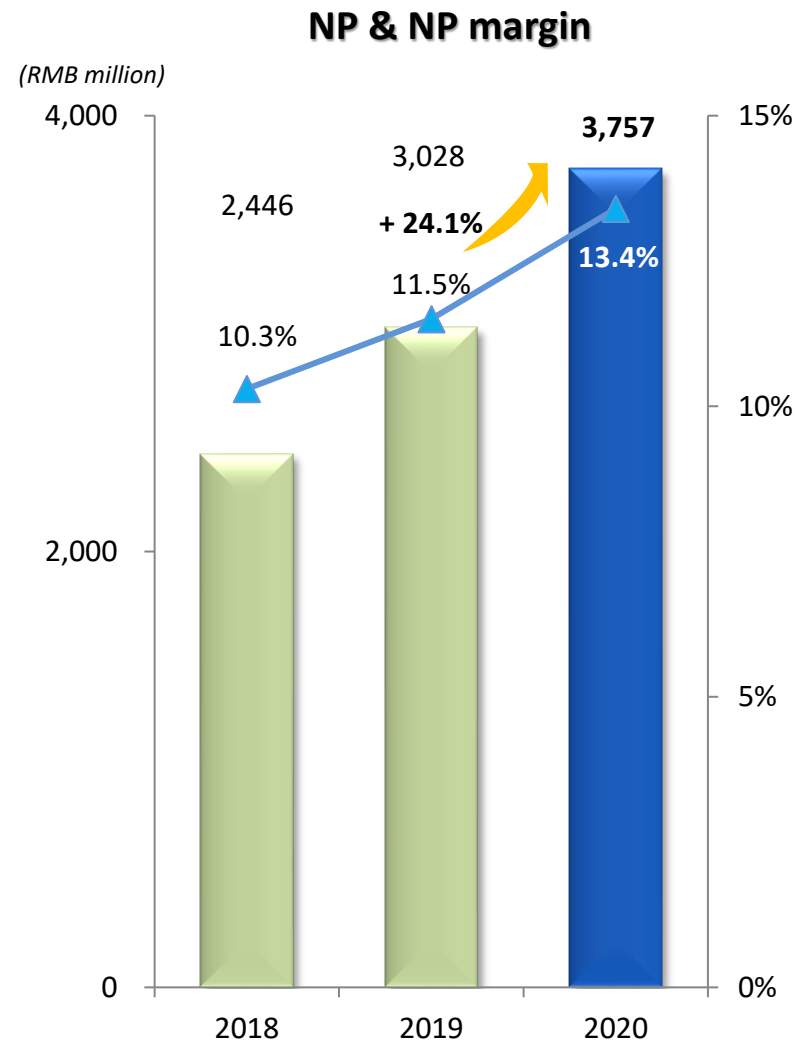
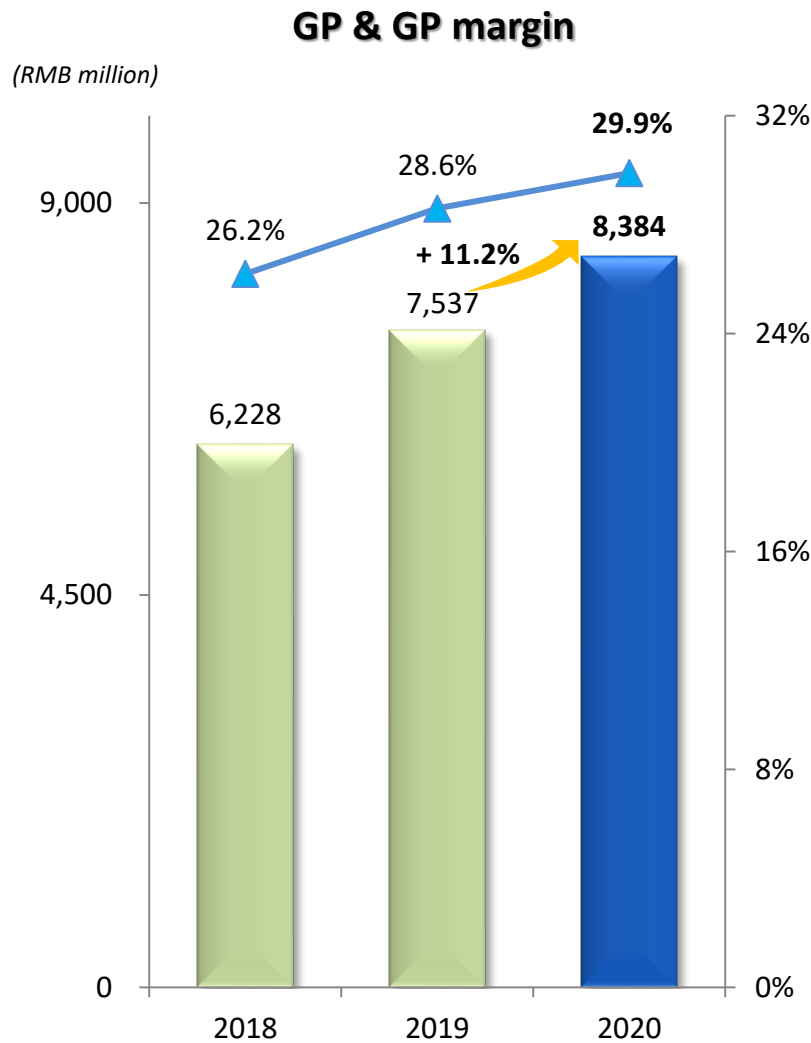
2019



2020



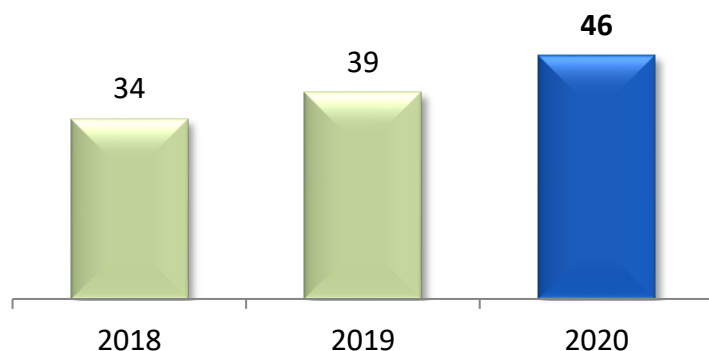
GP & NP continued to increase



Healthy & stable key financial indicators

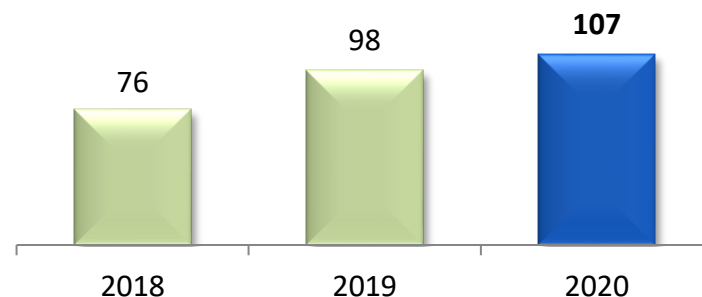
Trade receivable days

(days)



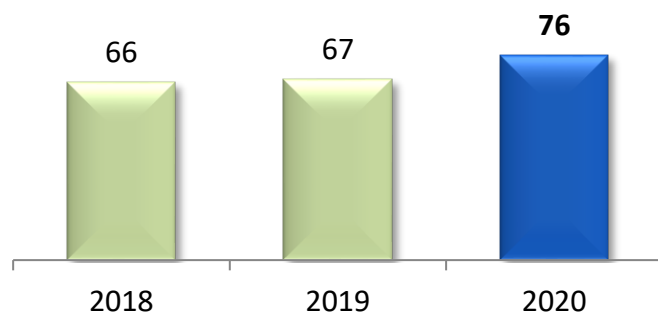
Trade payable days

(days)



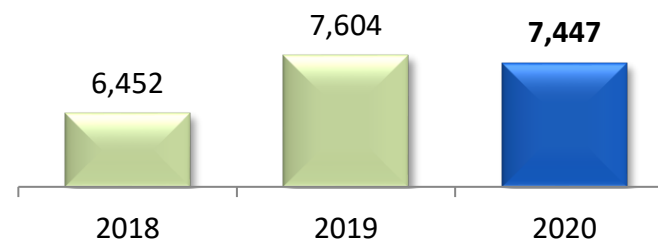
Inventory turnover days*

(days)



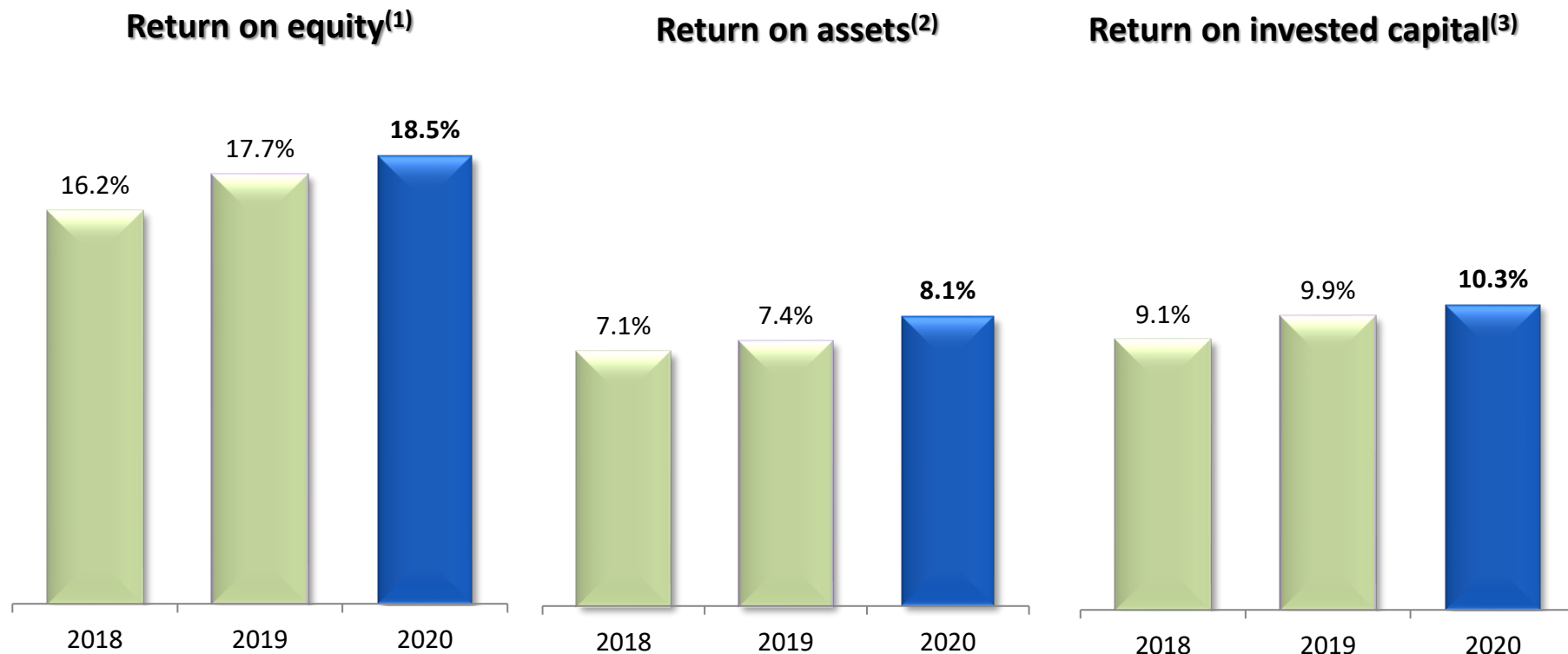
Cash & bank deposits

(RMB million)



* Remark: excluding properties

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)

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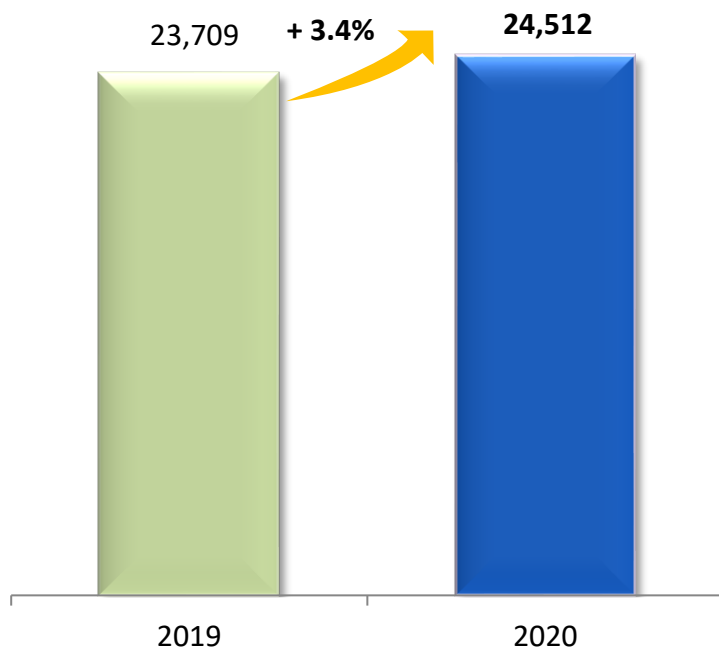
04 Outlook



Plastic piping systems business: revenue & sales volume

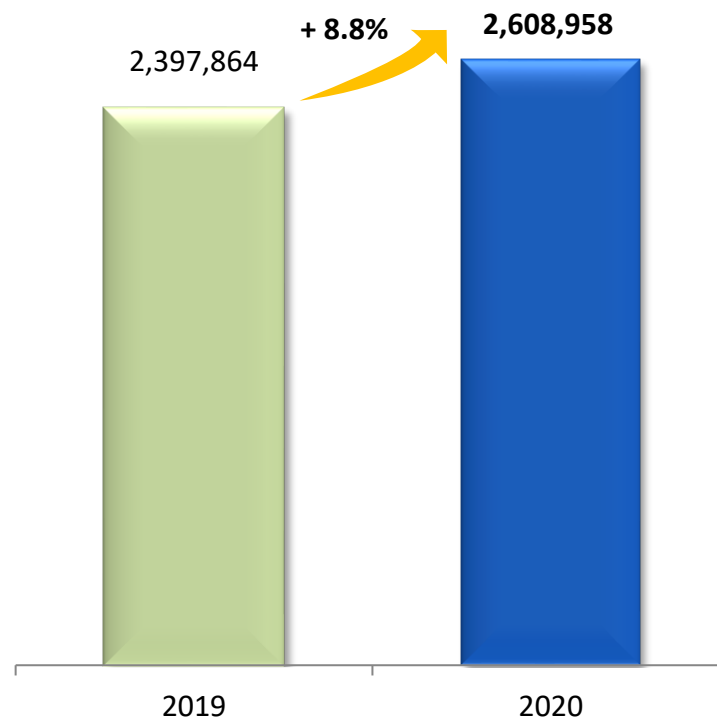
Segment revenue

(RMB million)

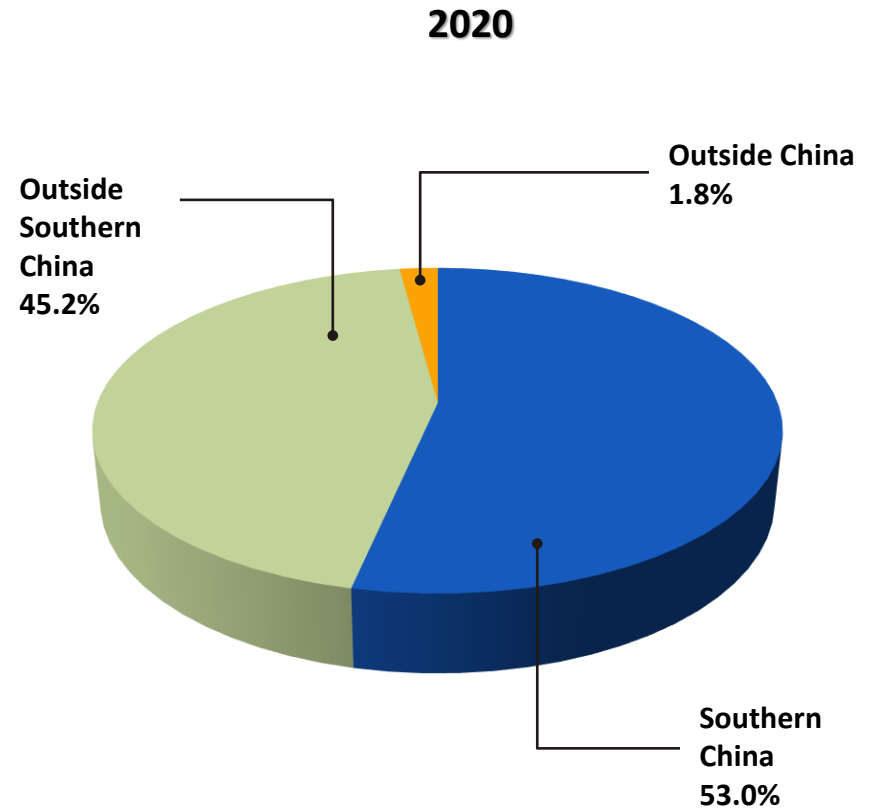
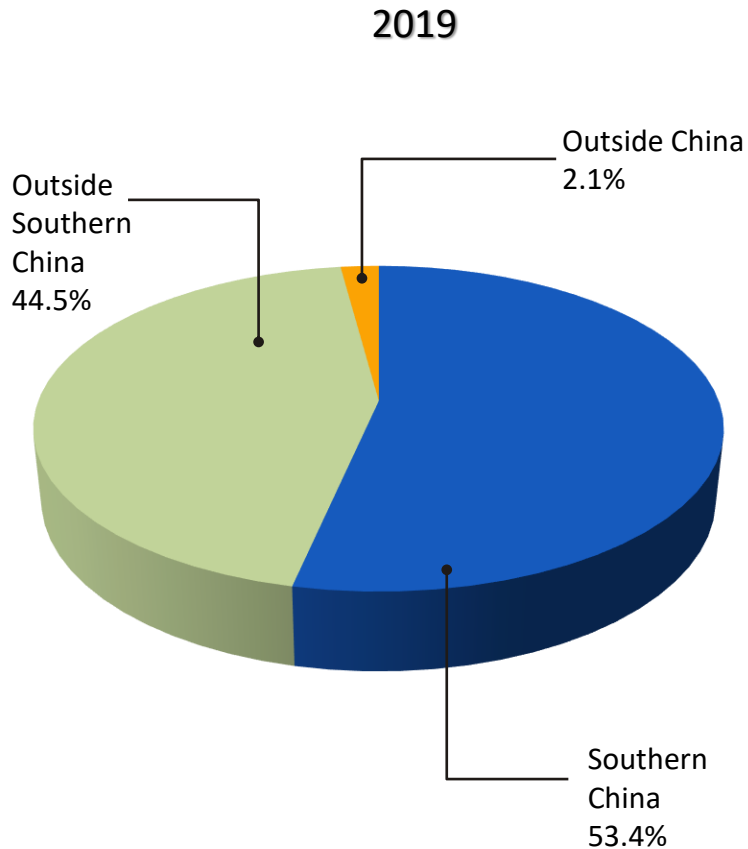


Segment sales volume

(tonnes)



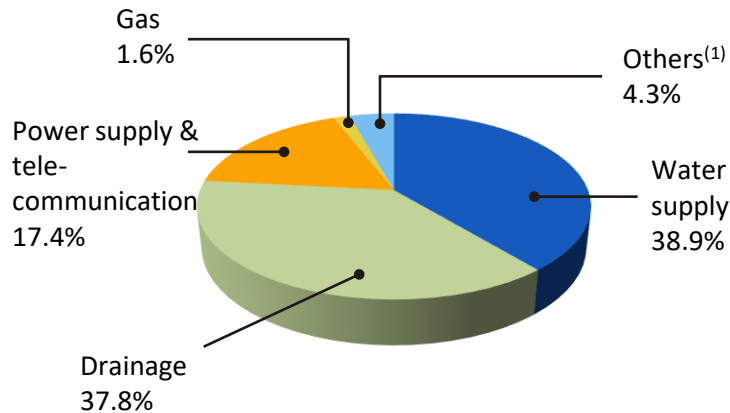
Plastic piping systems business: revenue breakdown by region



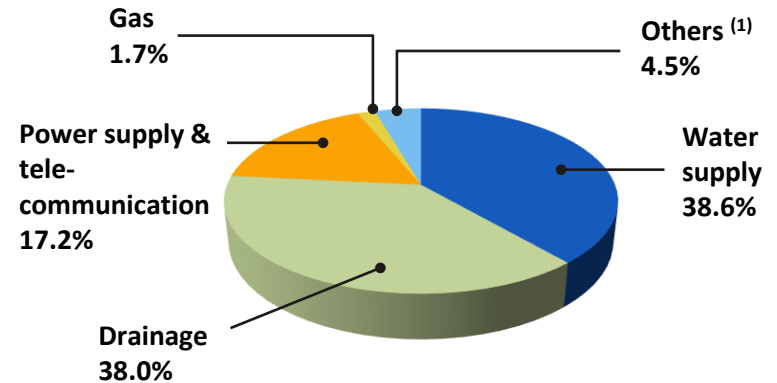
Plastic piping systems business: revenue analysis

By application

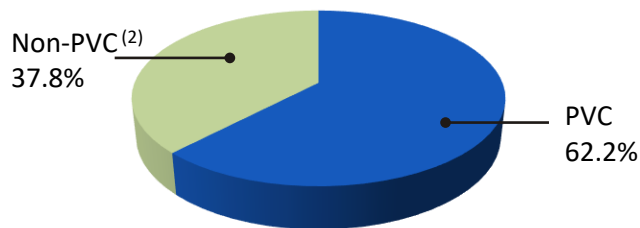
2019



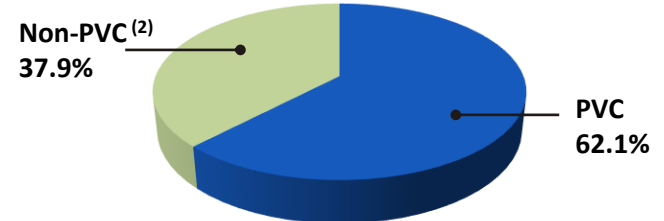
2020



By material



Total pipe products revenue:
RMB 23.71 billion



Total pipe products revenue:
RMB 24.51 billion

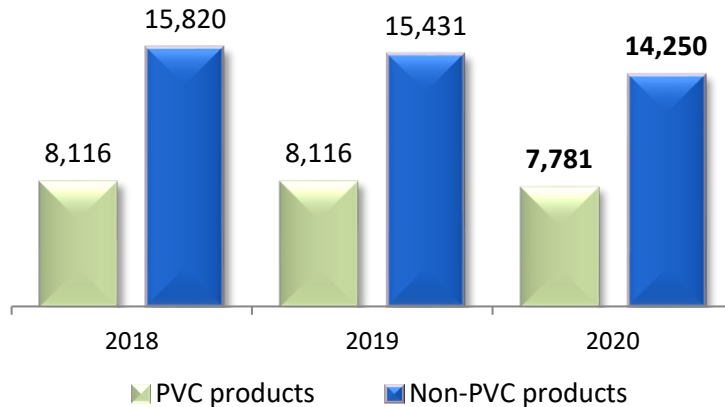
(1) Others include agricultural applications, floor heating and fire services

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

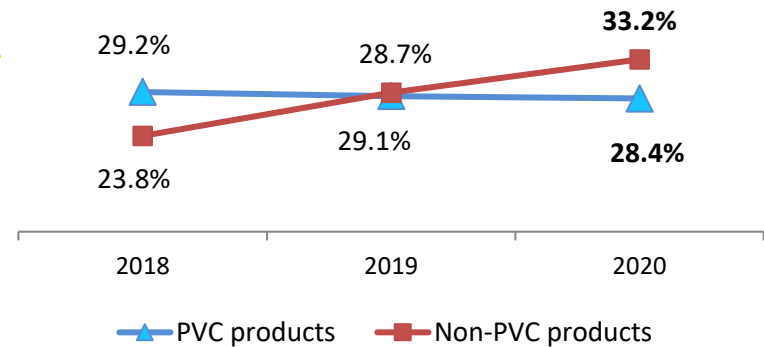
Plastic piping systems business: ASP & GP margin analysis

ASP per tonne – by material

(RMB)

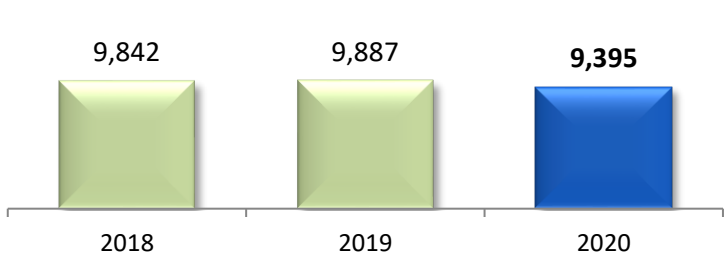


GP margin – by material

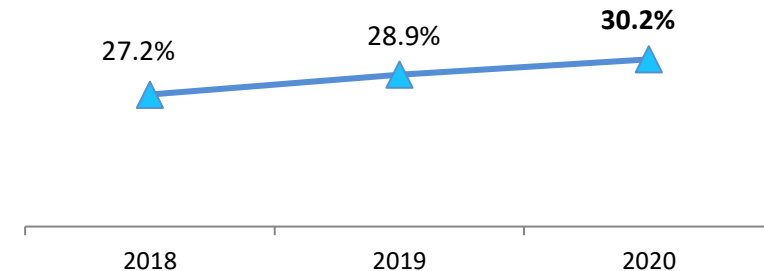


ASP per tonne - overall

(RMB)

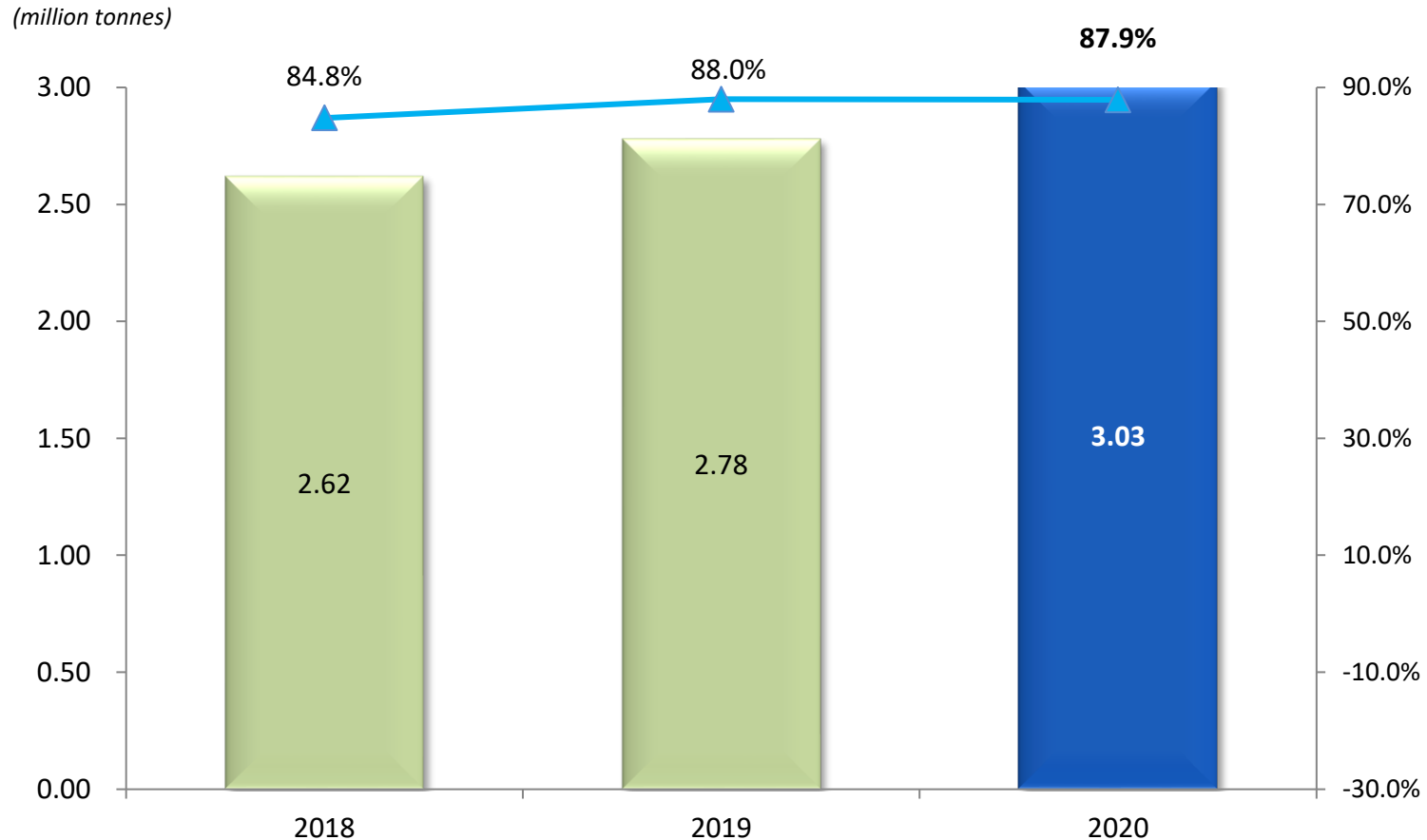


GP margin - overall



Plastic piping systems business: production capacity & utilization rate

Annual designed production capacity & average utilization rate



Plastic piping systems business: agricultural sector expansion

Actively expanded the agricultural sector

- ❖ Covering a board range of segments
- ❖ Through in-depth R&D, successfully launching products for emerging market such as agriculture and deep-water aquaculture, further enriching income sources
- ❖ In January, signed a strategic cooperation agreement with the Guangdong Academy of Agricultural Sciences to jointly establish Lesso Modern Agriculture Research Institute to carry out technological innovation and end-to-end technical services
- ❖ Strive to create an integrated industrial value chain of modern agriculture that encompasses modern agricultural facility engineering, water-saving irrigation systems, cage farming, family leisure agriculture and the planting of flower and fruits

Type of Business



Building materials & interior decoration products

Boosted business growth of building materials and interior decoration business

- ❖ With the gradual easing of the domestic pandemic and more flexible implementation of “City-specific Policies” by local governments, contributing to a gradual recovery in the real estate market when the pent-up demand of homebuyers was released
- ❖ **Revenue** from building materials and interior decoration products business amounted to **RMB 1,997 million**
- ❖ Strived to optimize sales channels and actively seizing opportunities arising from the real estate sector’s shift towards the bulk purchasing model
- ❖ In August, launched a smart home production project in Shandong, injecting new impetus into in-depth development in smart home market
 - ❖ Aim at building an industry-leading high-end home furnishing and wood industry factory
 - ❖ Expect an annual productivity of 600,000 sets of high-end smart home furnishing products upon the completion



Taking over market share as the primary goal

- ❖ Launched environmentally friendly stainless-steel products to pursue green development and fulfil its CSR obligation
- ❖ Will timely adjust the price of its product to keep in pace with the market
- ❖ Continue to strengthen its partnerships with PRC large real estate developers and actively consolidate its existing customer relationship

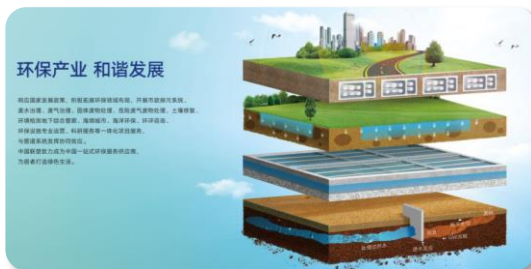


- ❖ Benefiting from “New Infrastructure, New Urbanization Initiatives and Major Projects” and the new model of urbanization, further enhance synergies between its business of building materials and interior decoration products and other business segments, and drive the steady development of this business

Environmental protection business

Vigorously developed the environmental protection business segment

- ❖ Capitalized on municipal projects in various fields to create synergy between its environmental protection business and plastic piping systems business for the long term
- ❖ Stable business growth with the revenue amounted to **RMB354 million**
- ❖ Actively expanded its hazardous solid wastes treatment business and made preparation to establish hazardous solid waste treatment centres in Heshan and Yunfu, Guangdong Province to further consolidate and expand its market share
- ❖ Continued to invest in R&D and explore opportunities for M&A to provide new impetus to business growth drivers



Scope of Business



Water Treatment



Solid Waste Disposal



Waste Gas Treatment



Soil Remediation



Technical Consultancy &
Environmental Monitoring Service



Scientific Research Service

Supply chain service platform business

Still in early stage of business development

- ❖ Recorded revenue of **RMB689 million** in 2020
- ❖ With its focus on the development in Southeast Asian market, the Group has projects in Thailand and Indonesia
- ❖ Further boost the distribution network for its supply chain service platform business in Southeast Asia and capture the opportunities for development



Product Category



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Future prospect

Achieve centralized automated & intelligent production to enhance efficiency

- ❖ Introduce high-precision equipment to enhance production automation, intelligent operation and product optimization
- ❖ Accelerate the construction of 2nd phase projects of production bases in **Hunan, Henan** and **Yunnan**, etc.
- ❖ Plan to build new production bases in **Guangxi** and **Gansu**

Production & Operations

Focus on R&D to improve product quality

- ❖ Strive to enhance its **competitiveness** in the **R&D of products and technologies**, and actively expand its **market network**
- ❖ Continue to increase **investment in R&D innovation** to secure its technological **leadership** among peers and offering **a diverse range of quality products** to the customers
- ❖ **Enhance** the **development** of stainless steel pipe fittings, fresh air ducts, agricultural pipes, and RTP fiberglass pipes

Product Development

Tap huge local demand of the region's market and capitalize on the local infrastructure development

- ❖ Focus on the **Southeast Asian region**
- ❖ Dedicate to **scale up its production**
- ❖ Constructing a new production base in **Indonesia**
- ❖ Speed up the construction of **manufacturing and R&D bases** in **Thailand** and **Cambodia**

Overseas Expansion

Actively expand business scope

- ❖ **Broaden** the scope of **applications** of plastic pipes and pipe fittings in all aspects
- ❖ Ramp up investment in **agricultural facilities**
- ❖ Proactively seek **potential** partners

Business Expansion

Q&A



Appendix: financial summary

Statement of profit and loss (RMB million)

	2018	2019	2020
Revenue	23,734	26,345	28,073
Gross profit	6,228	7,537	8,384
EBITDA	4,409	5,556	6,195
EBIT	3,651	4,559	5,189
Net profit	2,446	3,028	3,757

Statement of financial position (RMB million)

	2018	2019	2020
Cash & bank deposits	6,452	7,604	7,447
Total assets	34,636	40,785	46,528
Total debts	11,731	13,537	16,236
Total equity	15,073	17,094	20,354

Ratio analysis

Profit ratio (%)	2018	2019	2020
Gross profit margin	26.2%	28.6%	29.9%
EBITDA margin	18.6%	21.1%	22.1%
EBIT margin	15.4%	17.3%	18.5%
Net profit margin	10.3%	11.5%	13.4%
Growth rate (%)			
Revenue	16.6%	11.0%	6.6%
Gross profit	17.1%	21.0%	11.2%
EBITDA	15.1%	26.0%	11.5%
EBIT	14.7%	24.9%	13.8%
Net profit	8.0%	23.8%	24.1%
Liability ratio (times)			
EBITDA/ financing costs	10.61x	9.63x	14.21x
Total debts/ (total debts + total equity)	43.8%	44.2%	44.4%

Appendix: Layout of production bases

With over 30 advanced production bases in 18 provinces of China and in foreign countries

