



# **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

## **2021 Interim Results**

## **Corporate Presentation**

**August 2021**



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# Agenda

## 01 Results Highlights



## 02 Financial Review



## 03 Business Review



## 04 Outlook





# Results highlights

- Taking advantage of the domestic economic recovery in the post-pandemic era, the Group actively advanced the development of its various business segments and successfully broadened its revenue base, **achieving steady business growth** in 1H2021

- Revenue: **RMB14.723 billion, + 28.1%**
- Gross profit: **RMB4.374 billion, + 29.4%**
- Profit attributable to the owners of the Company: **RMB1.814 billion, + 30.7%**
- Interim dividend: **HK12 cents** per share (1H2021: HK12 cents per share)



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- Actively grasped opportunities arising from the “New Infrastructure, New Urbanisation Initiatives and Major Projects” and economic stimulus package, helped boosting its sales volume of plastic pipes and pipe fittings
  - Sales volume of plastic piping systems : **1.1773 million tonnes, +8.8%**
  - Revenue: **RMB12.574 billion, +24.0%**
- Gradually upgraded and built smart factories integrating with **the Internet of things, intelligent control and automated production** across the country to realize the smart manufacturing of products with both quality and efficiency improved



# Results highlights

- Planned to expand or construct production bases in Gansu, Sichuan, Guangxi and Guangdong in order to **increase production capacity**, thereby adding impetus to its high-quality development
- Committed to broadening the scope of application of plastic pipes and pipe fittings and **actively extended it to the agricultural sector**, driving its sales growth
- **Formed strategic partnerships** with a number of private enterprises and achieved synergies through complementing each other with their respective advantages and sharing information



- **Actively explored possibilities for collaboration with various industries** to accelerate the business development of building materials and interior decoration products
- Continued to expand overseas markets with **a focus on the Southeast Asian market**
  - **Indonesia and Cambodia:** Production bases are under planning
- **Expedited the development of its environmental protection business**, further expanded its layout to fully tap its potential for business growth
- **Maintained stable and healthy financial position** with cash and bank deposits of approx. **RMB8.286 billion**

# Agenda

**01 Results Highlights**



**02 Financial Review**



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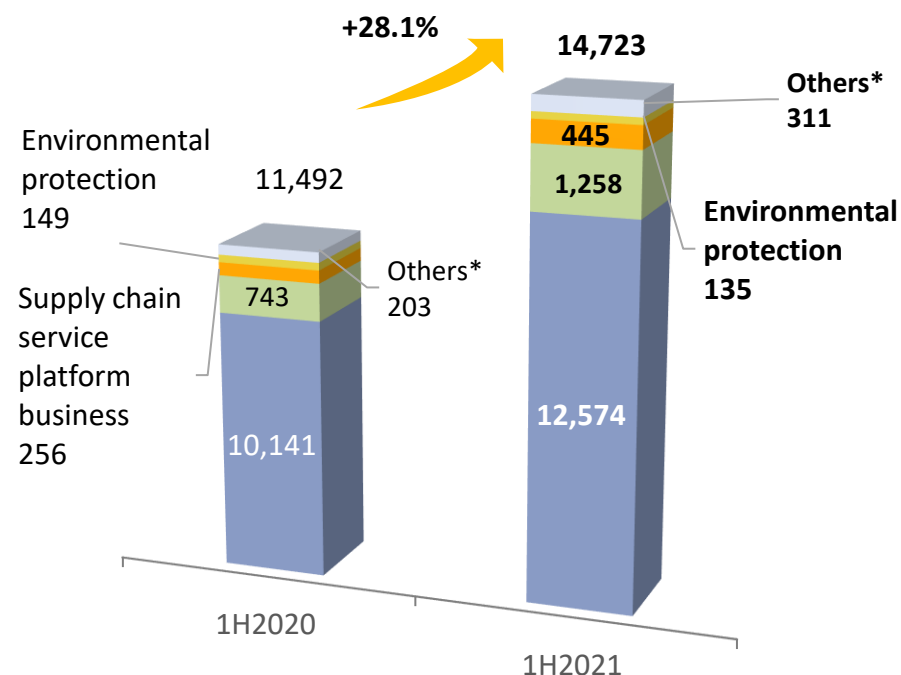
**04 Outlook**



# Steady revenue growth

## Total revenue

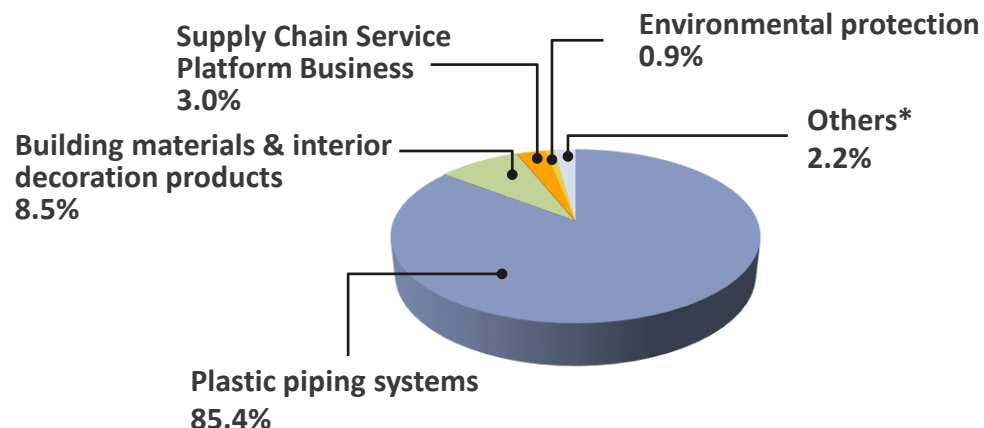
(RMB million)



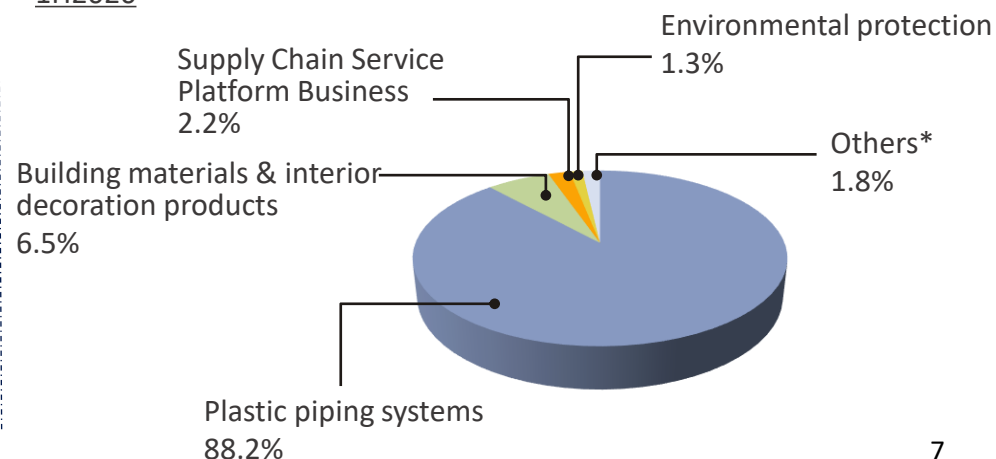
- Others\*
- Environmental protection
- Supply chain service platform business
- Building materials & interior decoration products
- Plastic piping systems

## Total revenue (by business segment)

1H2021



1H2020

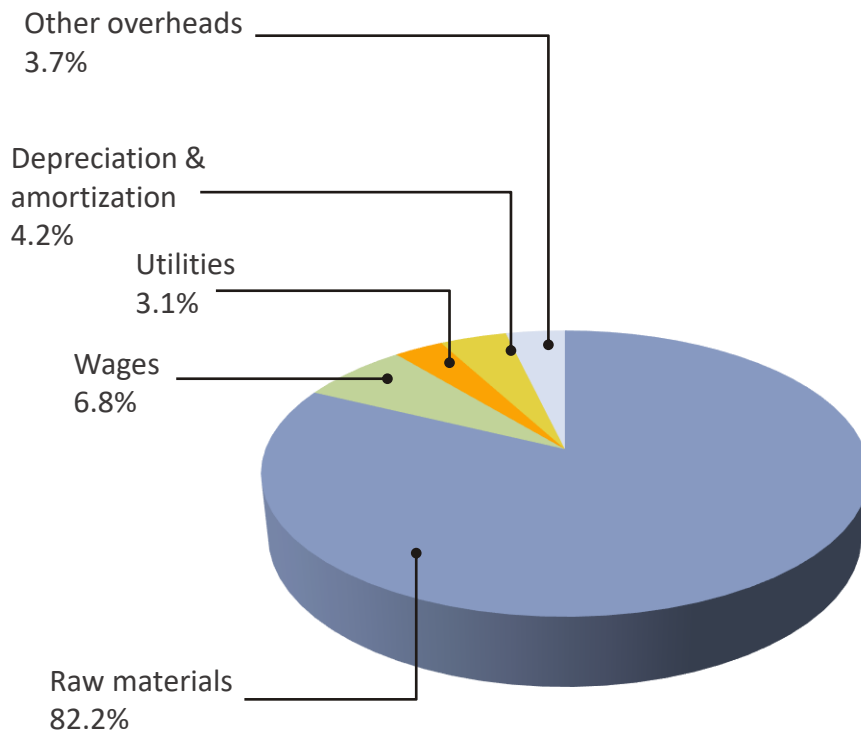


Remark: Others\* including finance, connection materials and other businesses

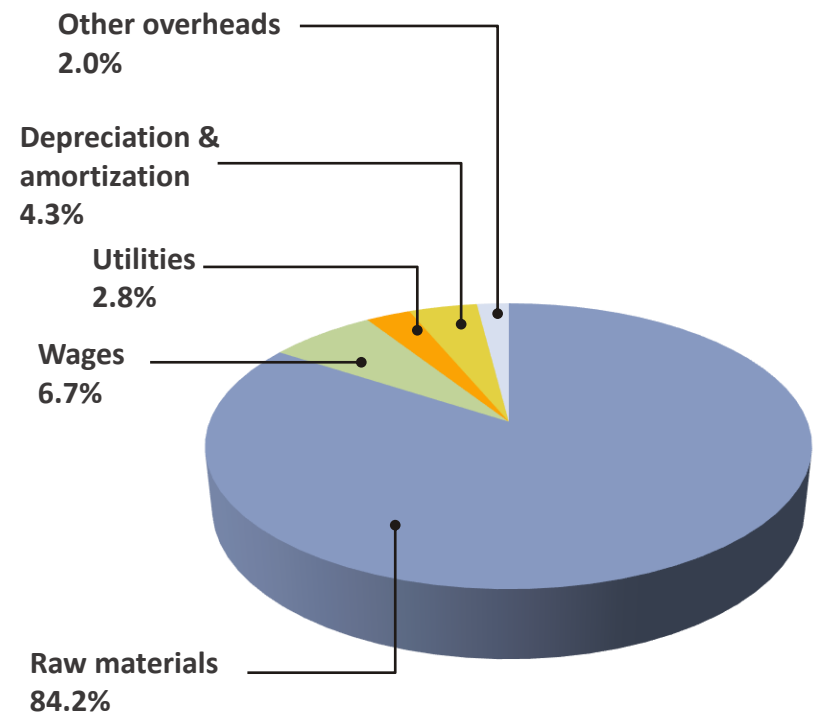


# Overall cost structure

1H2020

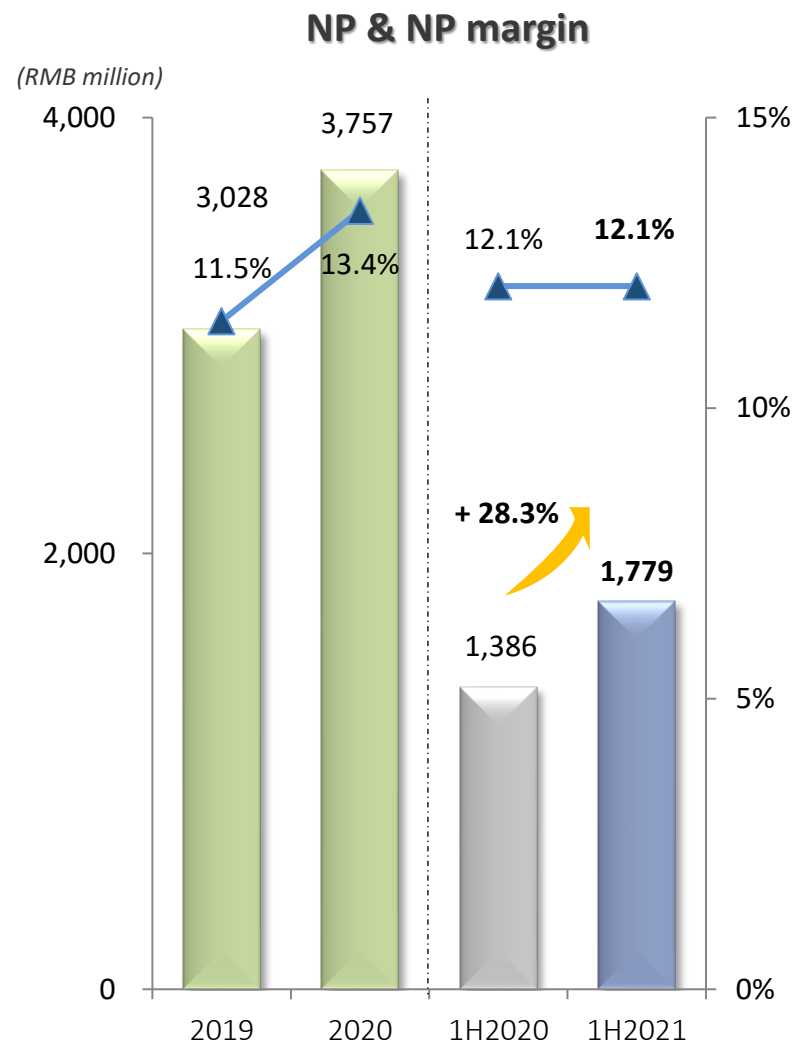
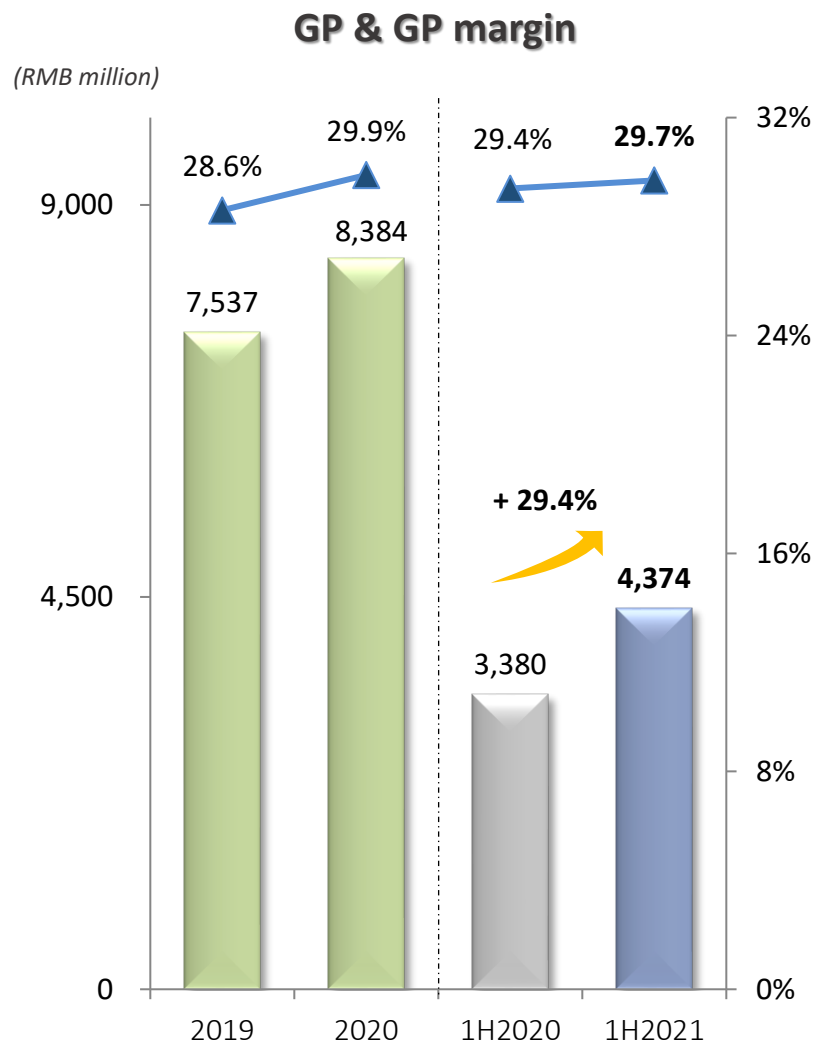


1H2021



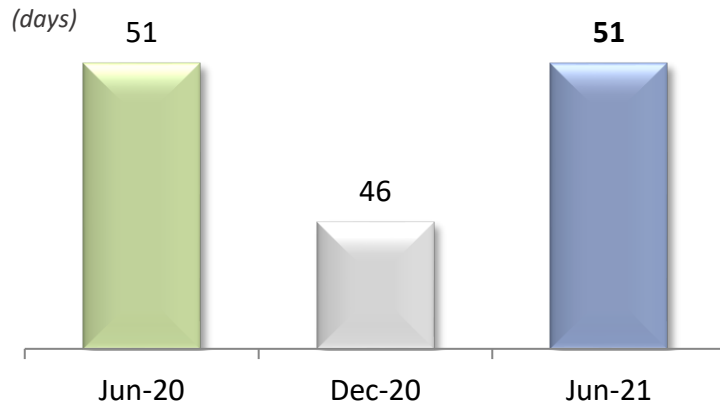


# GP & NP continued to grow

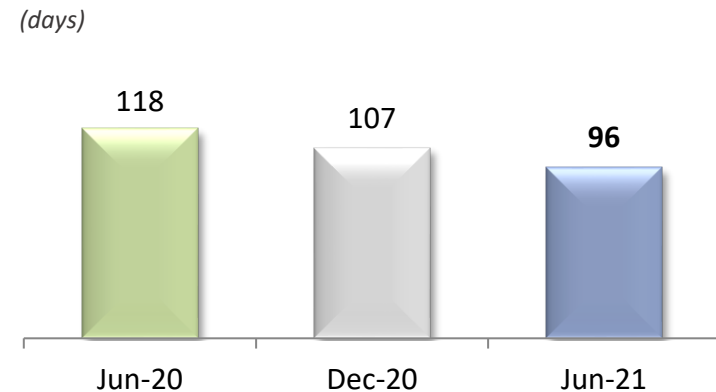


# Healthy & stable key financial indicators

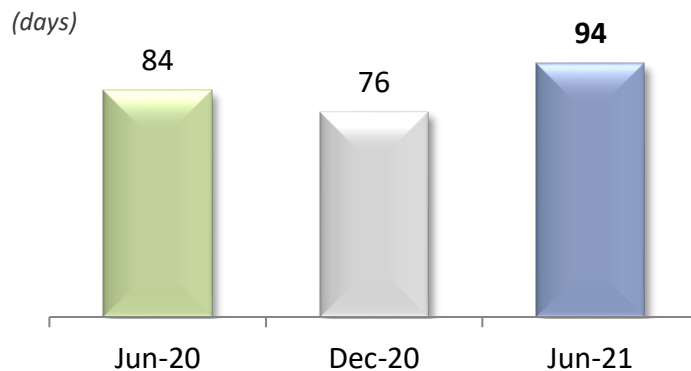
## Trade receivable days



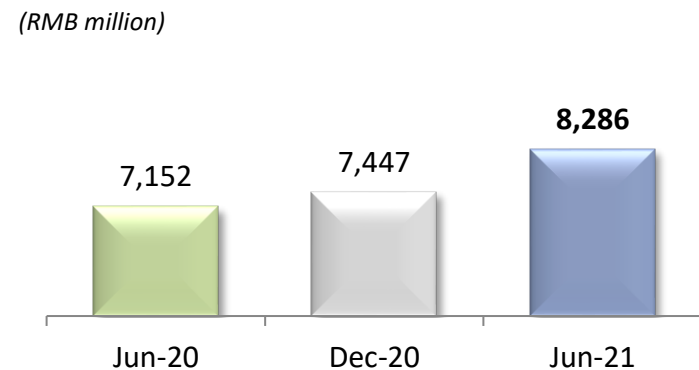
## Trade payable days



## Inventory turnover days\*

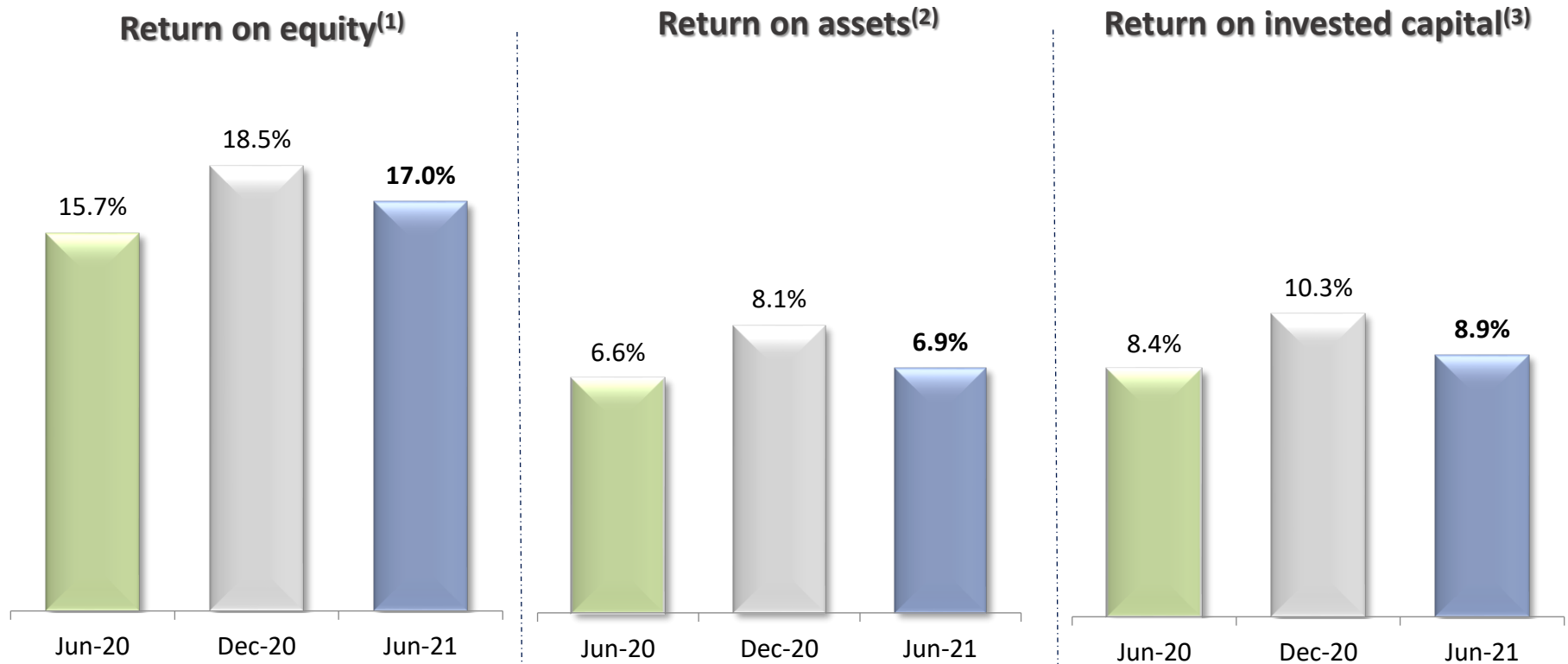


## Cash & bank deposits



\* 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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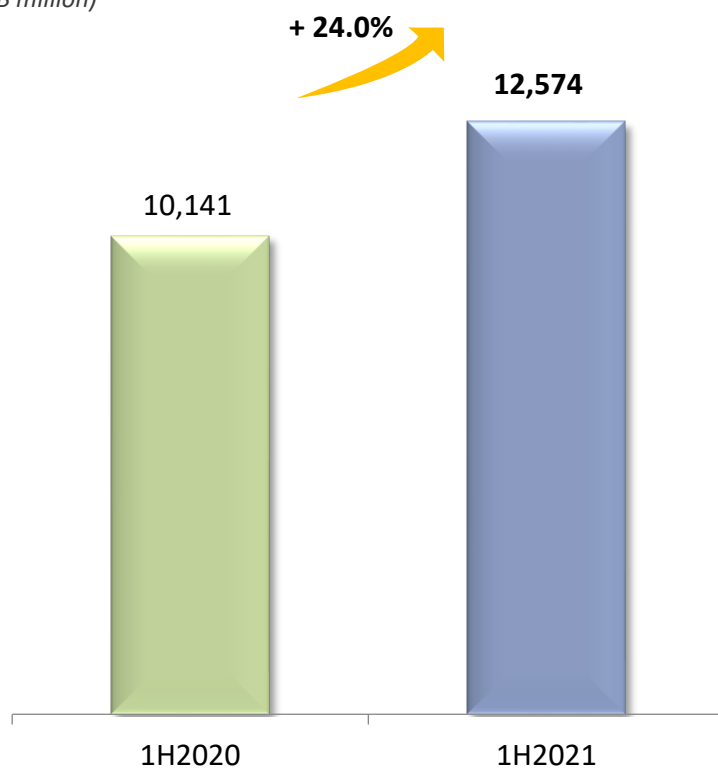




# Plastic piping systems business: revenue & sales volume

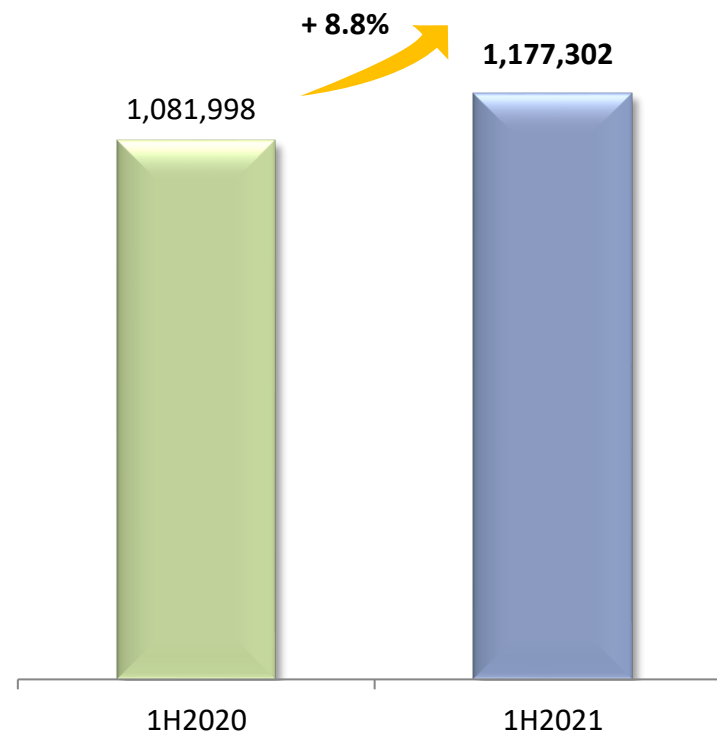
Segment revenue

(RMB million)



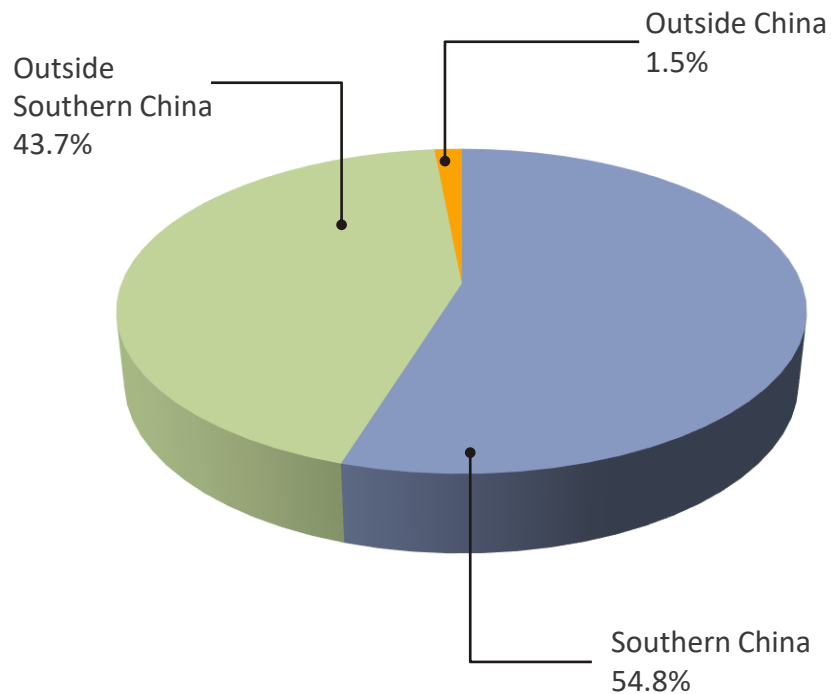
Segment sales volume

(tonnes)

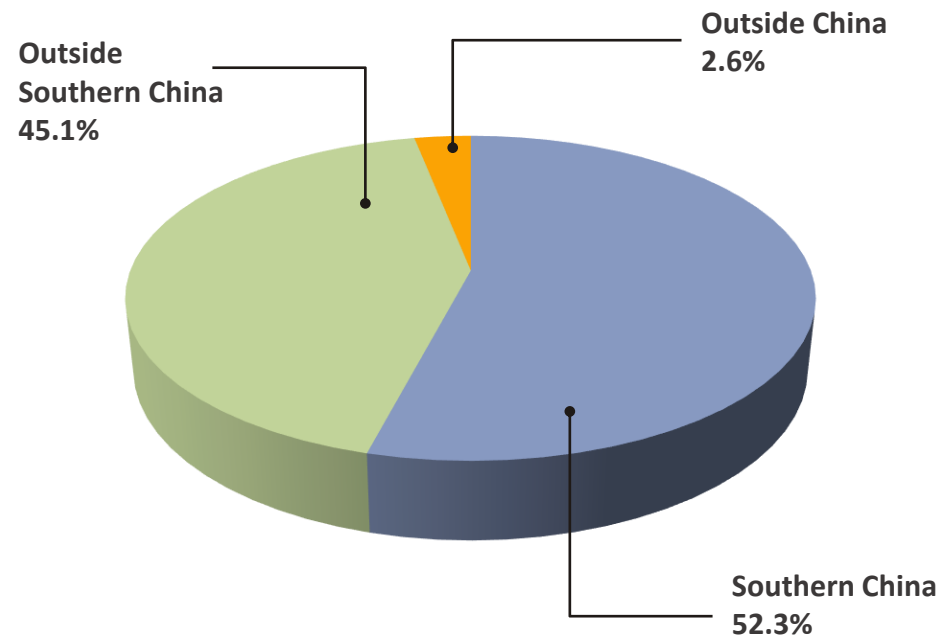


# Plastic piping systems business: revenue breakdown by region

1H2020



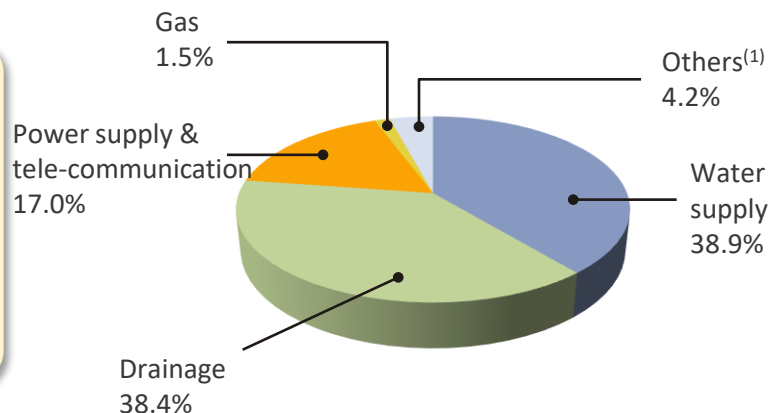
1H2021



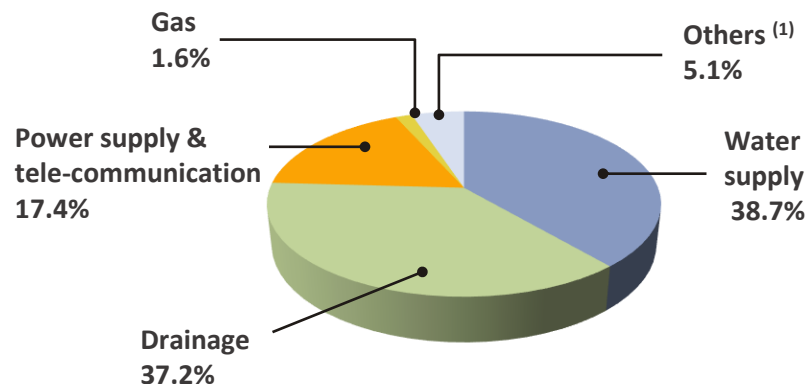
# Plastic piping systems business: revenue analysis

**By application**

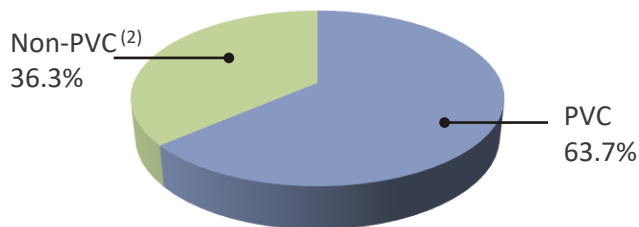
1H2020



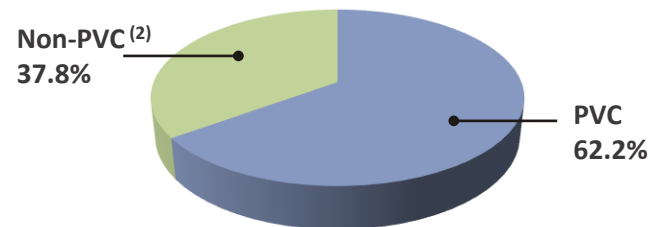
1H2021



**By material**



Total pipe products revenue:  
RMB 10.14 billion



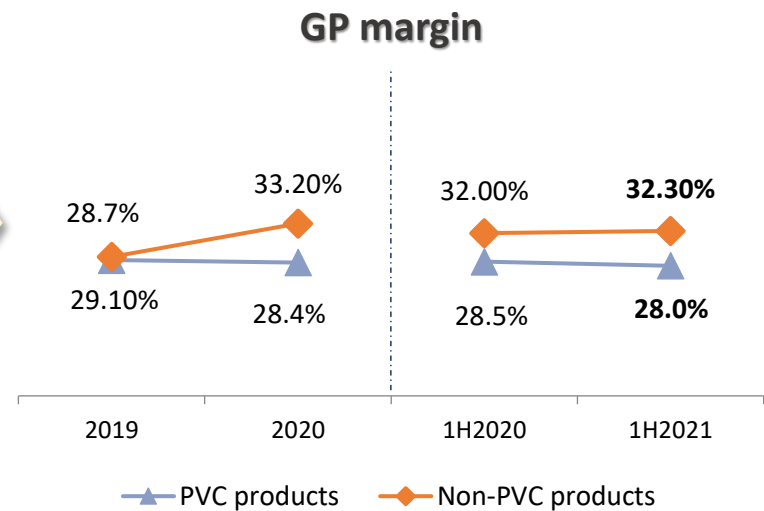
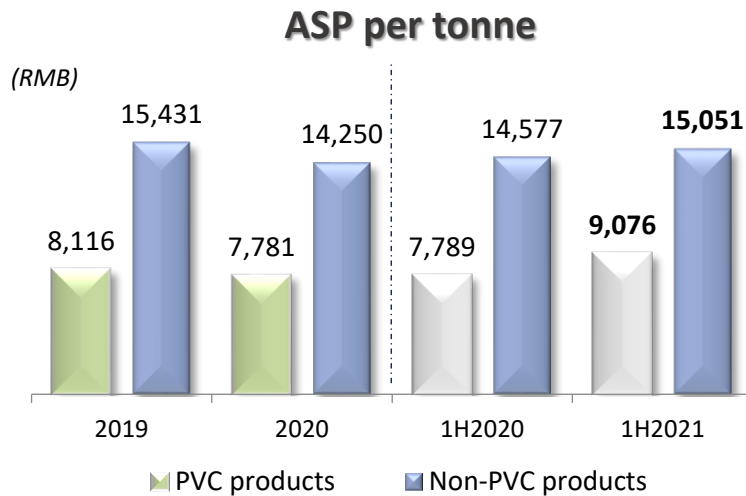
Total pipe products revenue:  
RMB 12.57 billion

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

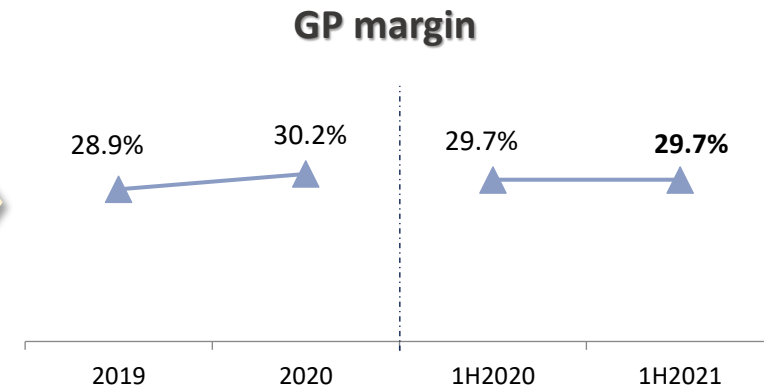
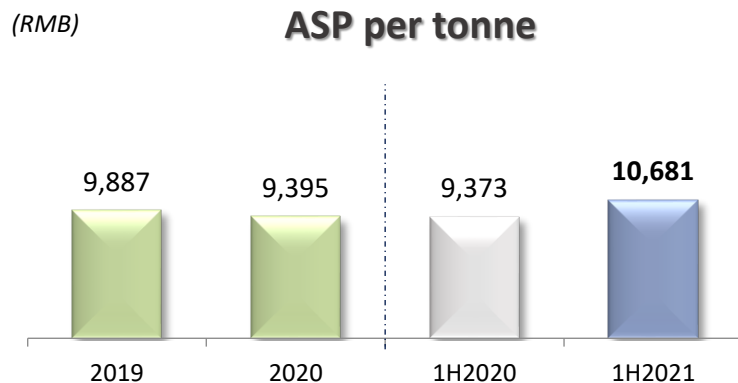
(2) Non-PVC includes PE, PP-R, etc

# Plastic piping systems business: ASP & GP margin analysis

## By Material



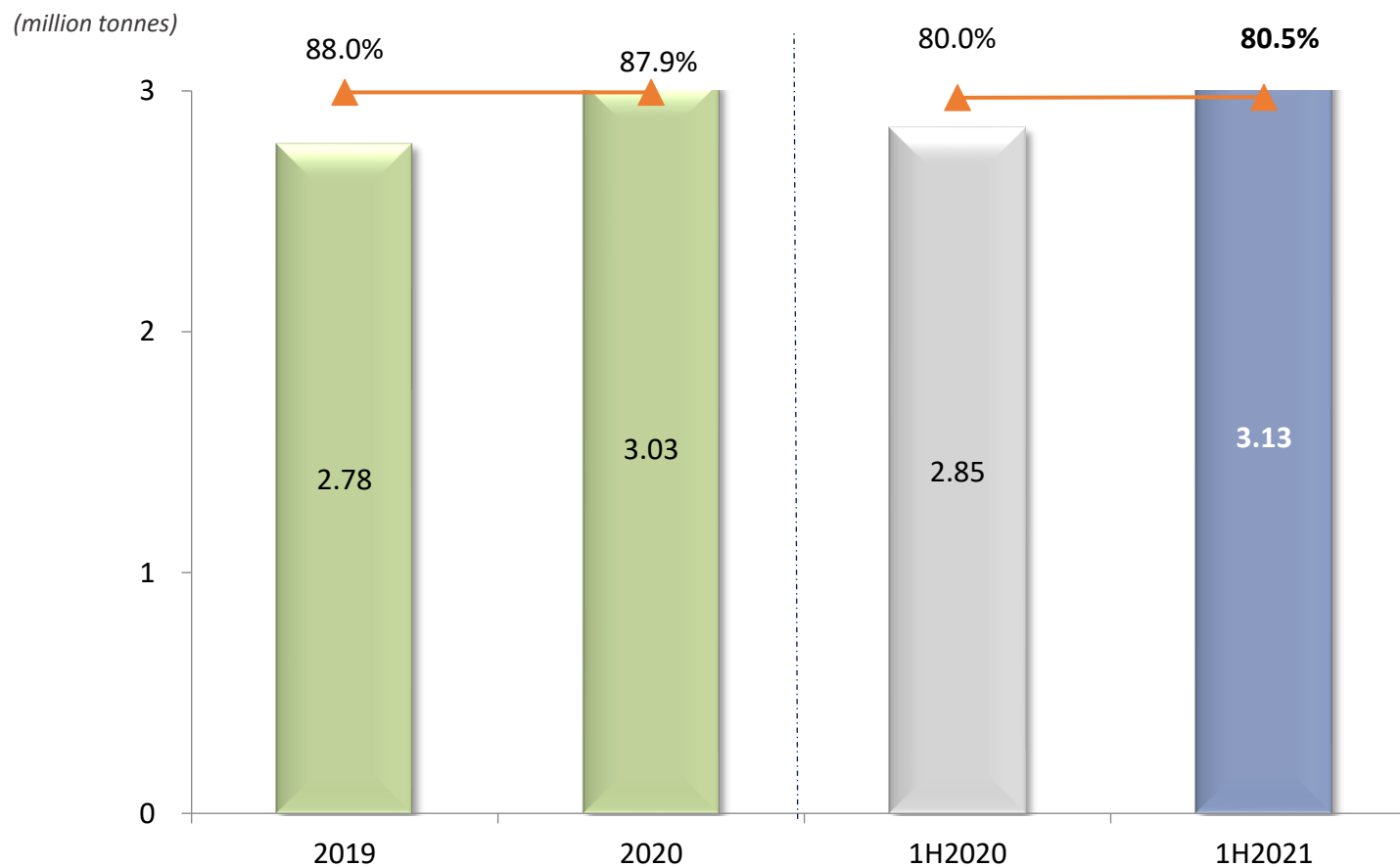
## Overall





# Plastic piping systems business: production capacity & utilization rate

Annual designed production capacity & average utilization rate



# Plastic piping systems business

- **Actively expanded the agricultural sector**
  - Enriched income sources and increased market share
- **Strengthened innovation and research capabilities**
  - Set up a R&D centre that measures up to the international standard with an R&D team of over 1,000 professionals
  - Providing a strong talent pool of support which built up its core competitiveness



## ➤ **Expedited the transformation and upgrading of the industry through automation, digitalization and intelligent production**

- Guangdong: The digital intelligent factory will put into operation which enable the Group to deepen its plastic piping system business, develop modern agriculture sector and expand building materials and interior decoration products business
- Gansu: Will invest in an intelligent production base for high-tech and environmental product to accelerate the market development of northwestern China. Expect an annual sales of approx. 100,000 to 150,000 tons of plastic piping at full capacity



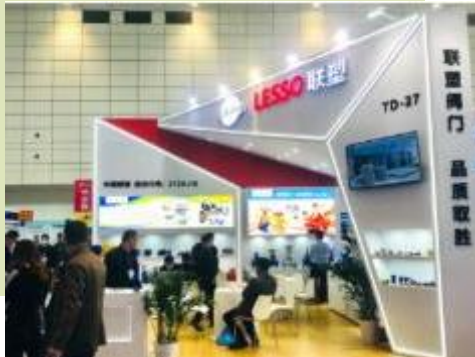
# Building materials & interior decoration products

- China's real estate sector has fully recovered, and the property market turned bullish with a high volume of transactions due to benefiting from the Chinese government's economic stimulus policies
- Revenue from building materials and interior decoration products business amounted to **RMB 1.258 billion** in 1H2021
- Actively explored possibilities for **collaboration with various industries** and established a strategic partnership
  - **Established a partnership with a biopharmaceutical company:** To explore the potential of interdisciplinary integration in which biopharmaceutical technology can be integrated into building materials and interior decoration for their mutual benefit
  - **Entered into a strategic cooperation agreement with a Chinese real estate developer:** To jointly extend the scope of their collaboration and explore the new business model of "finance + industry"
- Strengthen relationships with its existing customers and business partners
- Actively give full play to the synergies between the pipeline business and its building materials and interior decoration business
- Establish a product research centre, innovate and upgrade eco-friendly products which will further advance the healthy development of the supply chain of the property sector and drive the steady business growth



# Environmental protection business

- Actively responded to the Chinese government's environmental policies and capitalized on municipal projects in various field
- Stable business with the revenue amounted to **RMB135 million** in 1H2021
- Planning to **establish hazardous solid waste treatment centres in Guangdong and Hunan** in order to keep expanding its environmental protection business
- Give full play to its technological advantages in the environmental protection industry, continue to integrate various resources to provide new impetus to business growth drivers, **aiming to become one of the China's top, large environmental companies**



## 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 **RMB445 million** in 1H2021
- With its focus on the development in Southeast Asian market, the Group has projects in Thailand and Indonesia
- Further expand the distribution network for its supply chain services platform business in Southeast Asia and capture opportunities to drive its long-term business development according to the Group's business plan



## Product Category



# Agenda

**01 Results Highlights**



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# Future prospect

Continuously promote automation and intelligent production to reduce cost and improve quality

- Introduce **high-precision equipment** to enhance production automation, intelligent operation and product optimization
- Accelerate the construction of production bases in **Gansu, Sichuan, Guangxi and Guangdong**, etc.

Production & Operations

Focus on R&D to improve product quality

- Increase **investment in scientific research**, emphasize the **cultivation of technical talents** and establish a product research centre to innovate and upgrade **eco-friendly products**
- Expedite the industry transformation and upgrading to offer a **diverse range** of **high-quality** products to the customers and actively expand its **market network**

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**
- New production bases in **Indonesia** and **Cambodia** are under planning

Overseas Expansion

Actively expand the business scope

- **Broaden** the scope of **applications** of plastic pipes and pipe fittings in all aspects
- Proactively seek **potential partners** with various industries

Business Expansion

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# Q&A





# Appendix: financial summary

Statement of profit and loss (RMB million)

	2019	2020	1H2020	1H2021
Revenue	26,345	28,073	11,492	<b>14,723</b>
Gross profit	7,537	8,384	3,380	<b>4,374</b>
EBITDA	5,556	6,195	2,446	<b>3,133</b>
EBIT	4,559	5,189	1,966	<b>2,516</b>
Net profit	3,028	3,757	1,386	<b>1,779</b>

Statement of financial position (RMB million)

	2019	2020	1H2020	1H2021
Cash & bank deposits	7,604	7,447	7,152	<b>8,286</b>
Total assets	40,785	46,528	41,834	<b>52,216</b>
Total debts	13,537	16,236	15,440	<b>18,977</b>
Total equity	17,094	20,354	17,672	<b>21,143</b>

## Ratio analysis

Profit ratio (%)	2019	2020	1H2020	1H2021
Gross profit margin	28.6%	29.9%	29.4%	<b>29.7%</b>
EBITDA margin	21.1%	22.1%	21.3%	<b>21.3%</b>
EBIT margin	17.3%	18.5%	17.1%	<b>17.1%</b>
Net profit margin	11.5%	13.4%	12.1%	<b>12.1%</b>
Growth rate (%)				
Revenue	11.0%	6.6%	3.2%	<b>28.1%</b>
Gross profit	21.0%	11.2%	5.6%	<b>29.4%</b>
EBITDA	26.0%	11.5%	7.2%	<b>28.1%</b>
EBIT	24.9%	13.8%	6.1%	<b>28.0%</b>
Net profit	23.8%	24.1%	10.3%	<b>28.3%</b>
Liability ratio (times)				
EBITDA/ financing costs	9.63x	14.21x	9.94x	<b>12.24x</b>
Total debts/ (total debts + total equity)	44.2%	44.4%	46.6%	<b>47.3%</b>

# Appendix: Layout of production bases

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

