

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

2023 Interim Results Corporate Presentation

August 2023



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Outlook

Results highlights

1 Demonstrated strong resilience by maintaining steady development in its business

- Though China's economic recovery was sluggish while its property sector was in the doldrums, thus still exerting intense pressure on businesses, the Group recorded revenue : **RMB15.297 billion**
- Gross profit : **RMB4,259 million**
- Profit attributable to the owners of the Company: **RMB1,494 million**
- Revenue of plastic piping systems: **RMB12.233 billion**; Sales volume: **1,274,744 tonnes**

2 Developed a new business growth engine

- In 1H2023, Lesso New Energy extensively built up its new energy business and achieved a revenue of **RMB739 million**

3 Established a diversified customer portfolio to minimise business risk

4 Further broaden the scope of product application, successfully expanded market share of agricultural sector and industrial sector

5 Actively expanded overseas markets

6 Maintained stable financial position with cash & bank deposits of approx. RMB 7.11 billion



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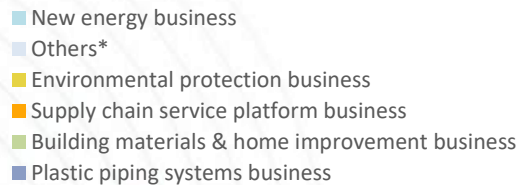
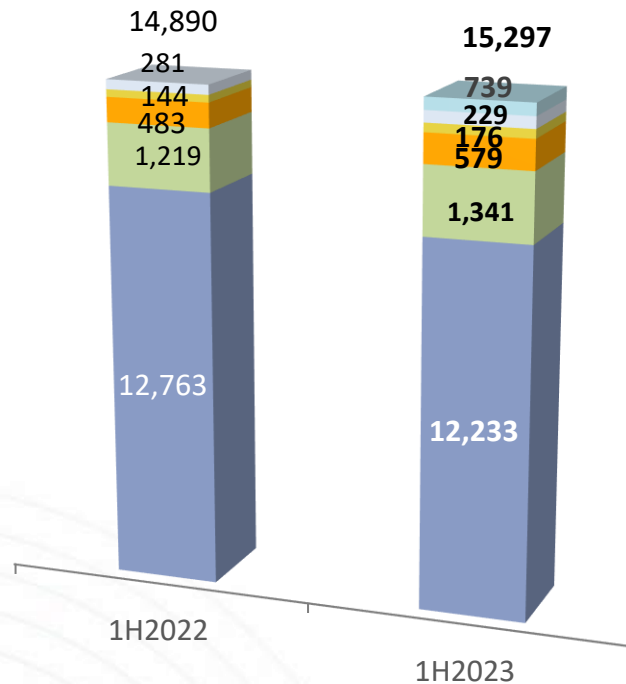
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Outlook

Total revenue analysis

Total revenue

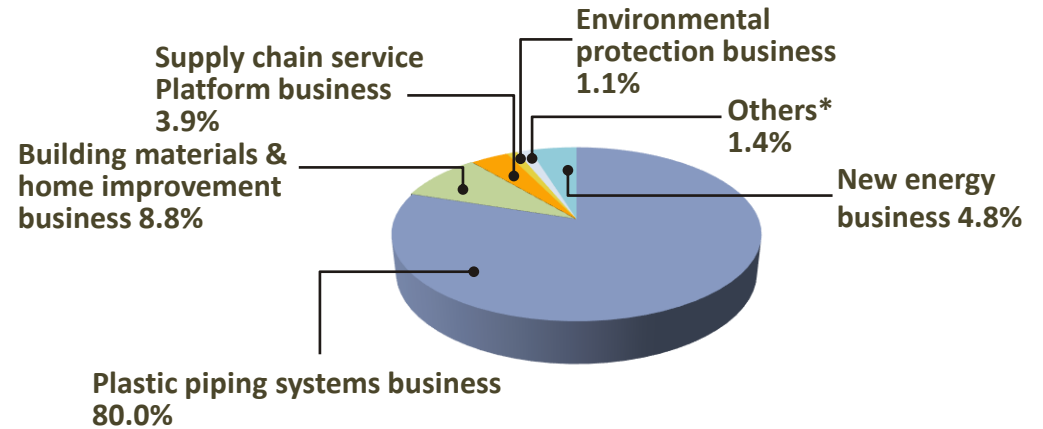
(RMB million)



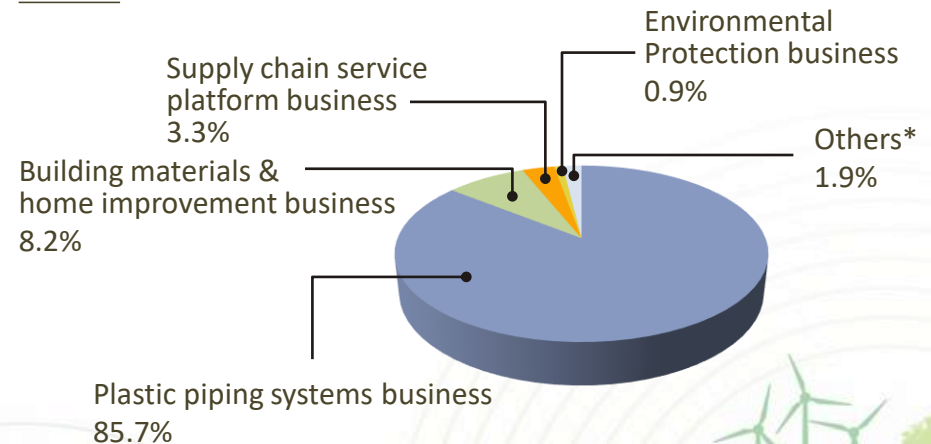
Remark: Others* including finance, connection materials and other businesses

Total revenue (by business segment)

1H2023

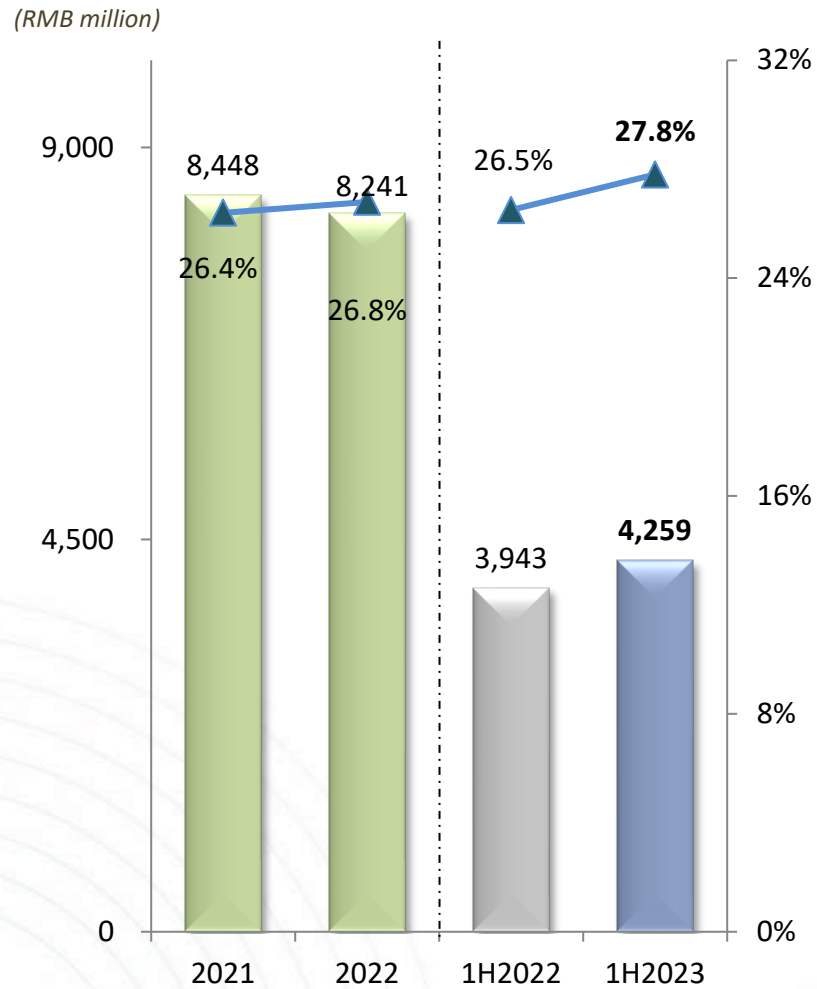


1H2022

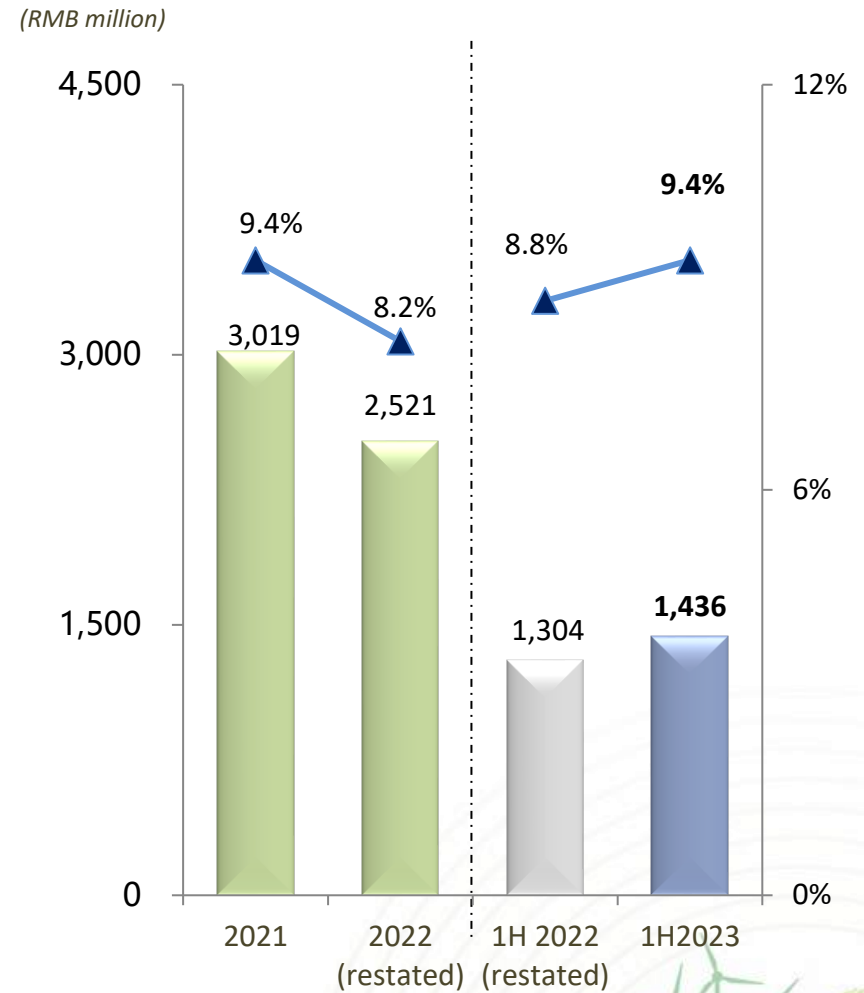


GP & NP analysis

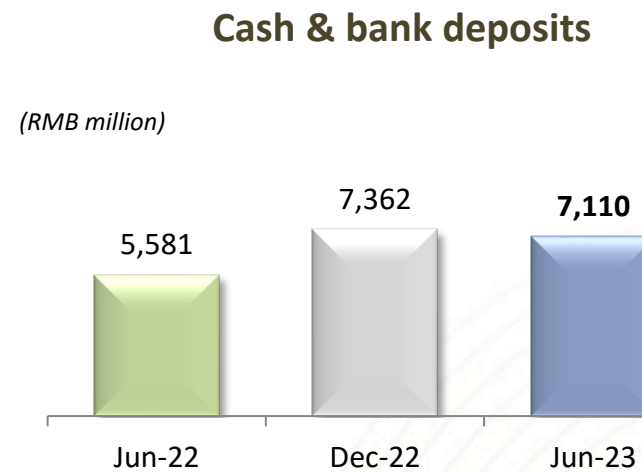
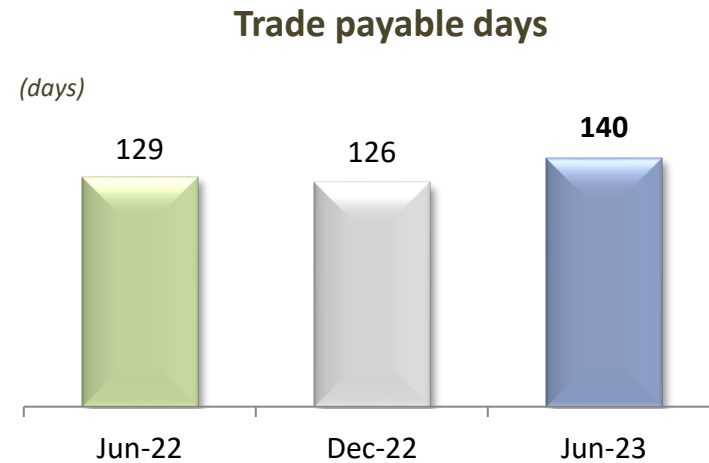
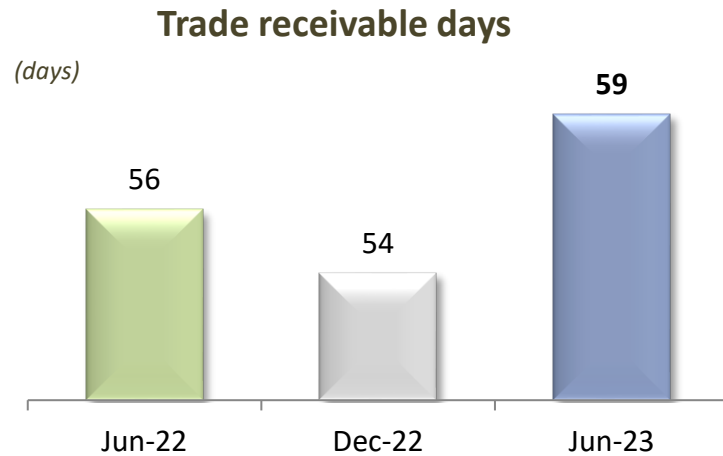
GP & GP margin



NP & NP margin



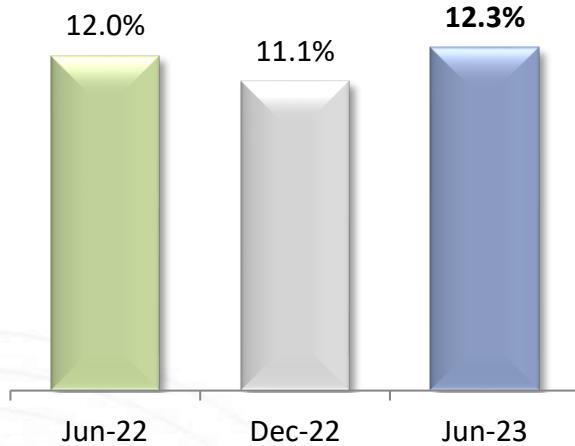
Key financial performance indicators analysis



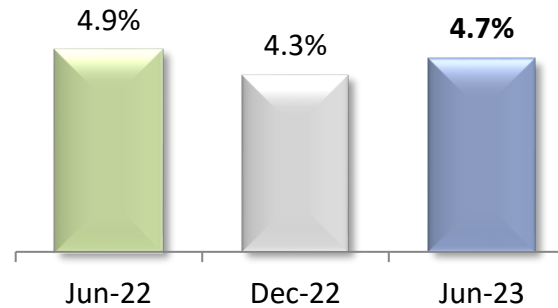
* Remark: excluding properties

Return ratios analysis

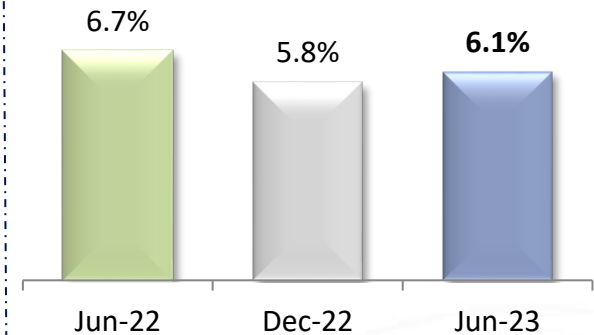
Return on equity⁽¹⁾



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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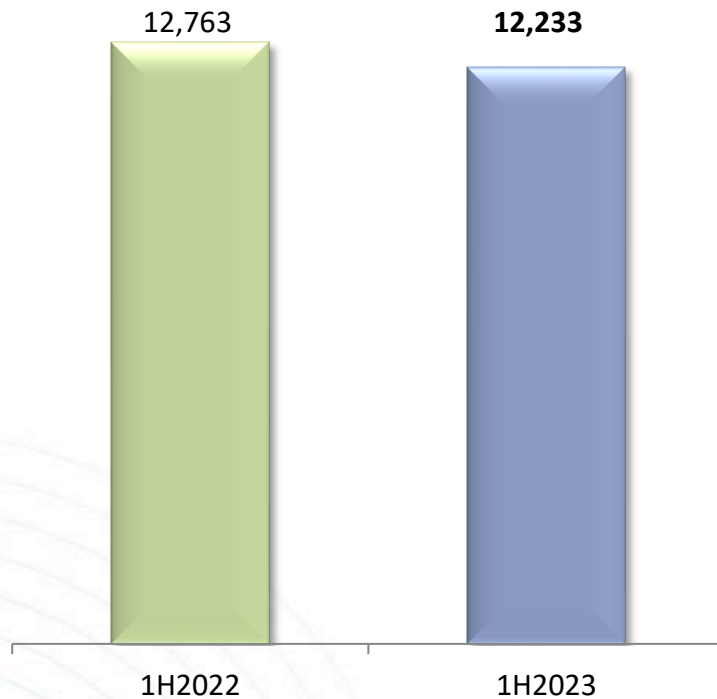
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Outlook

Plastic piping systems business: revenue & sales volume

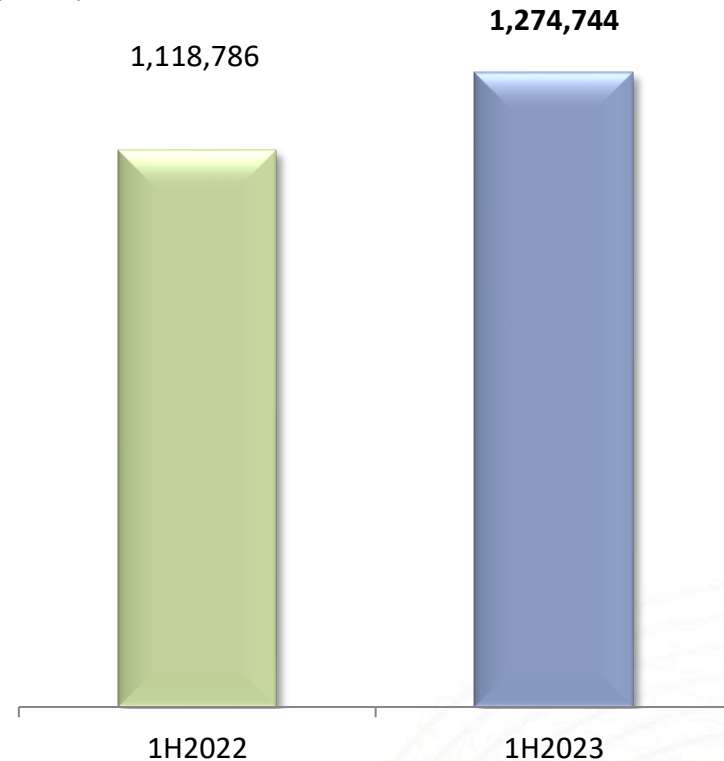
Segment revenue

(RMB million)



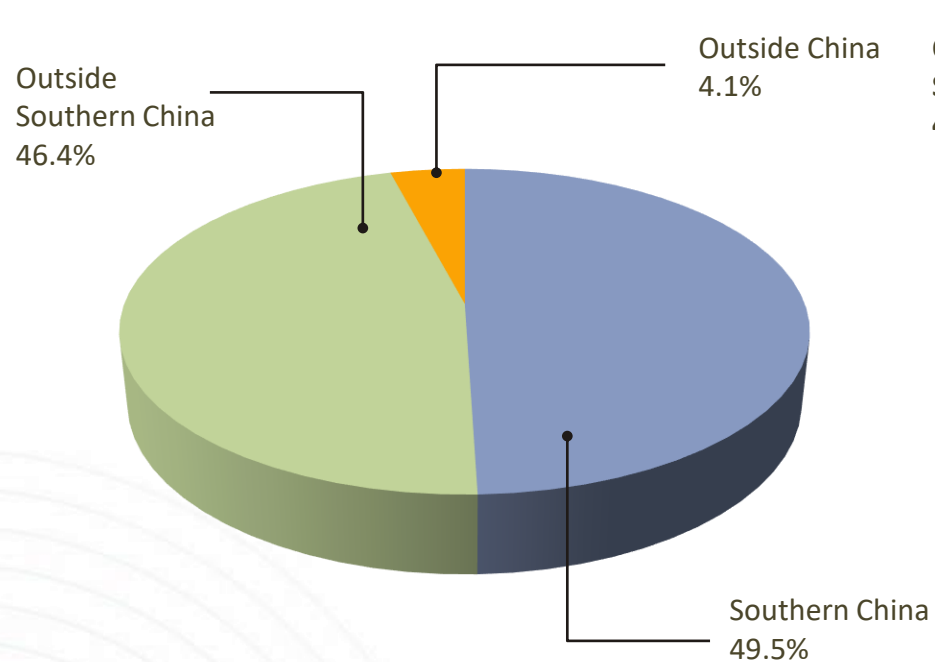
Segment sales volume

(tonnes)

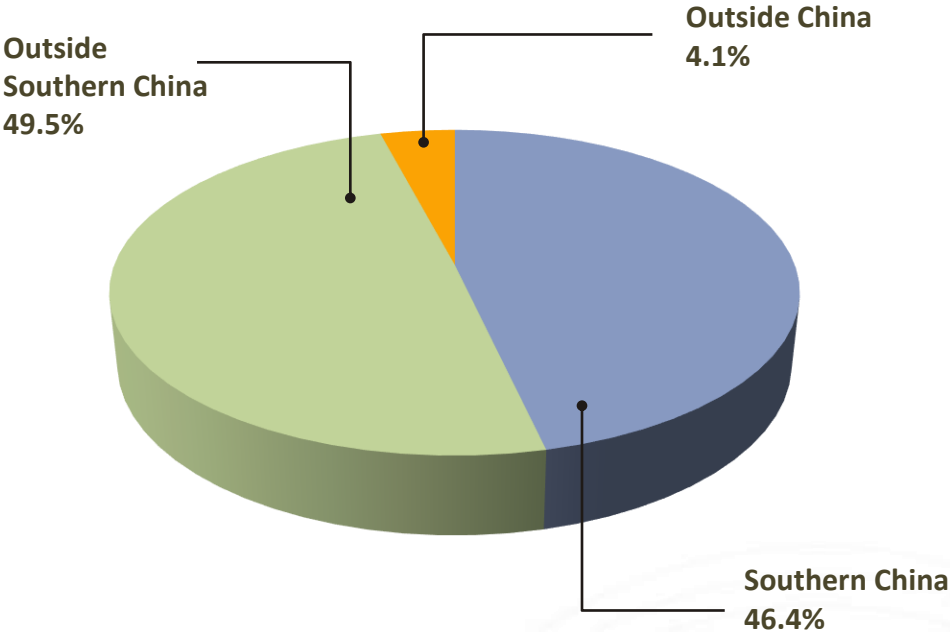


Plastic piping systems business: revenue breakdown by region

1H2022

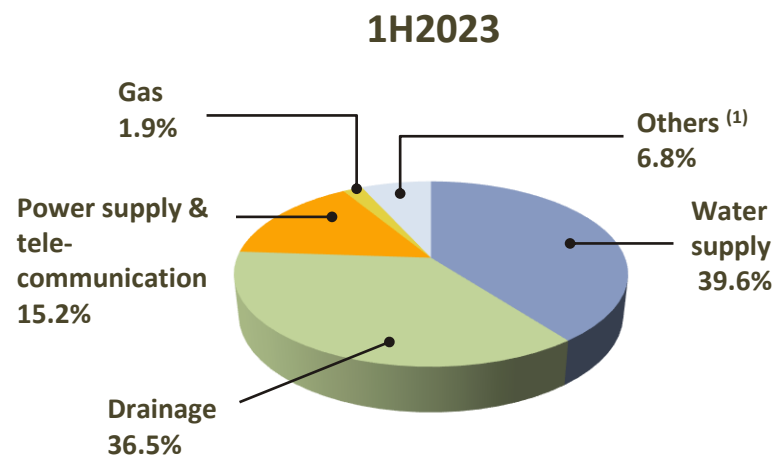
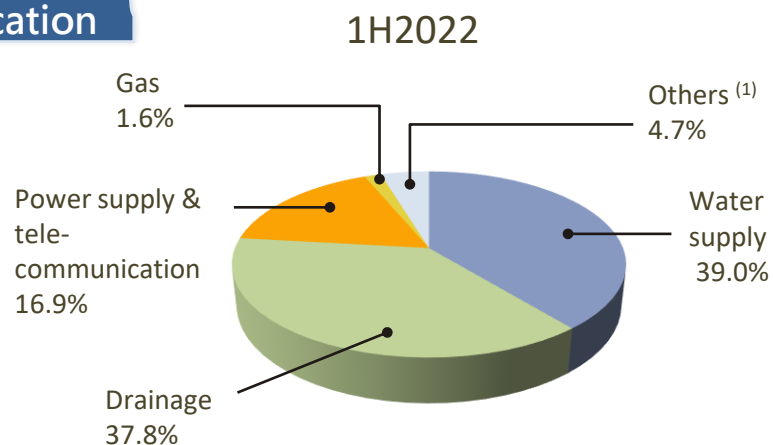


1H2023

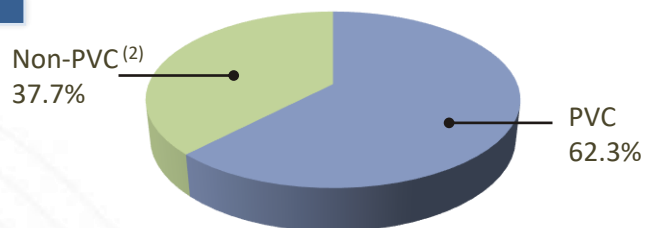


Plastic piping systems business: revenue analysis

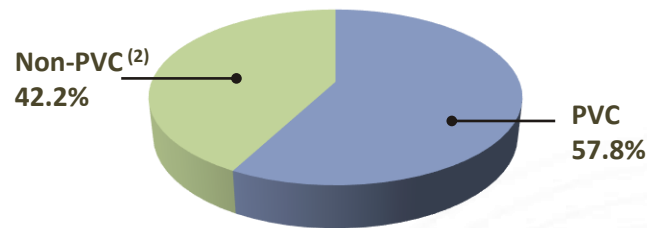
By application



By material



Total pipe products revenue:
RMB 12.76 billion

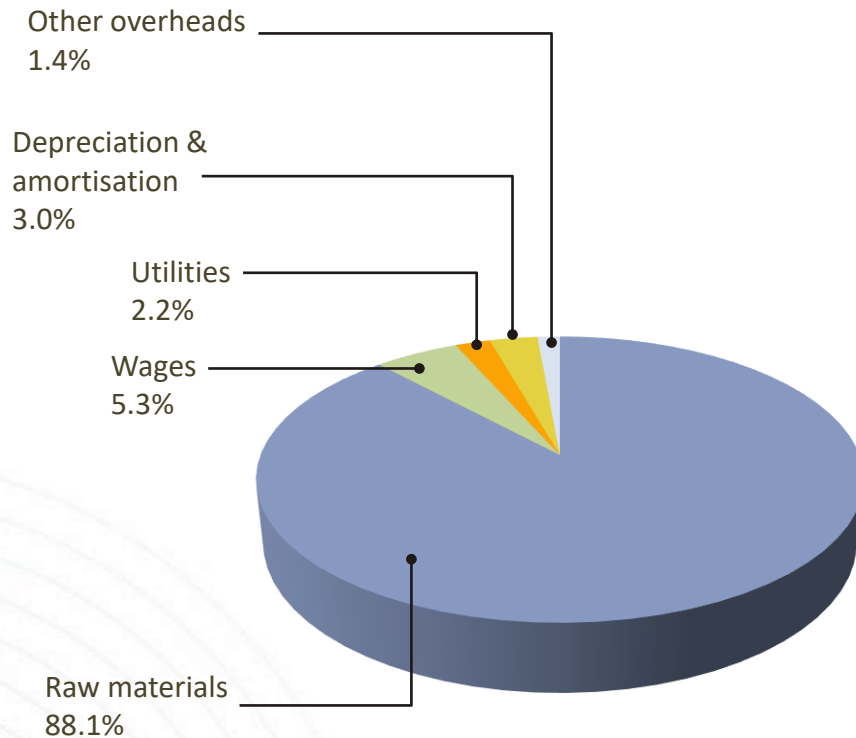


Total pipe products revenue:
RMB 12.23 billion

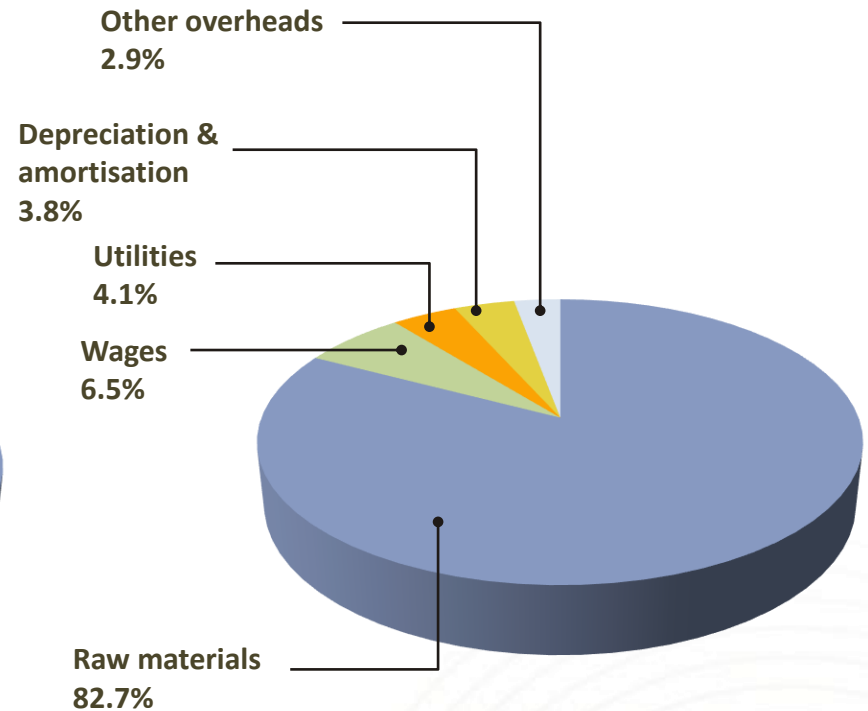
- (1) Others include agricultural applications, floor heating and fire services
(2) Non-PVC includes PE, PP-R, etc

Plastic piping systems business: overall cost structure

1H2022



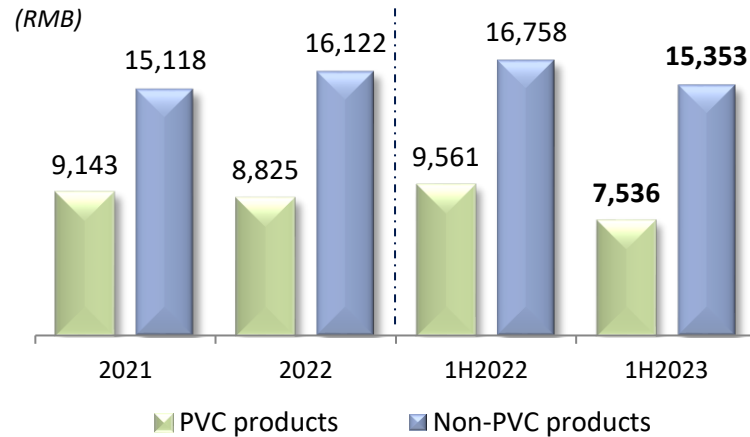
1H2023



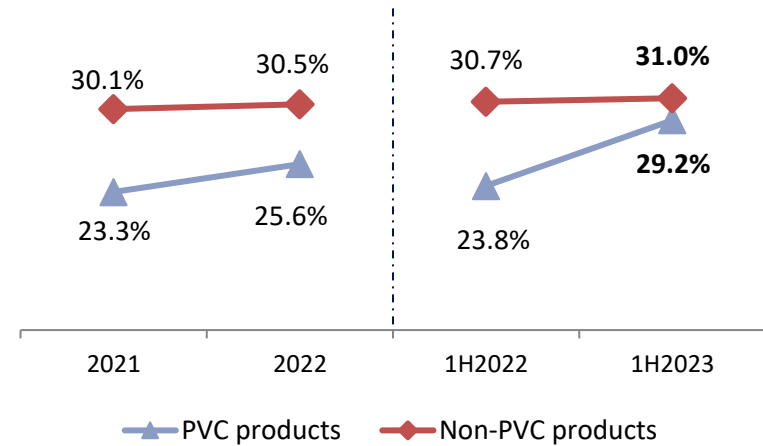
Plastic piping systems business: ASP & GP margin analysis

By material

ASP per tonne

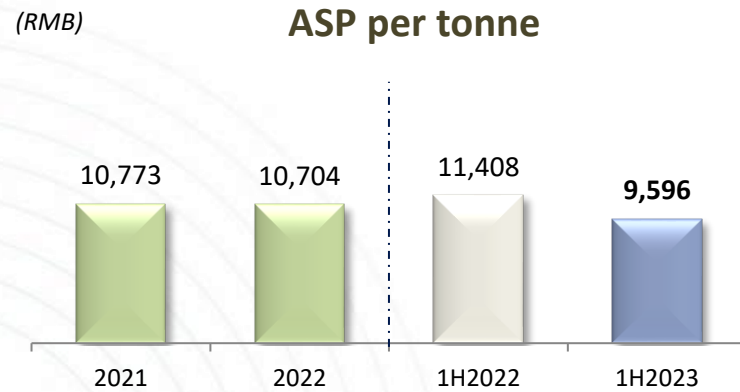


GP margin

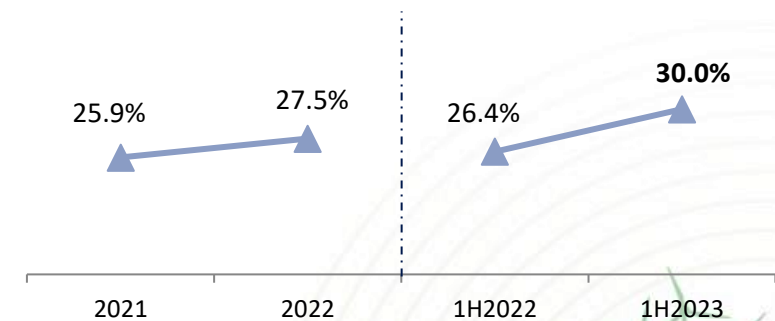


Overall

ASP per tonne



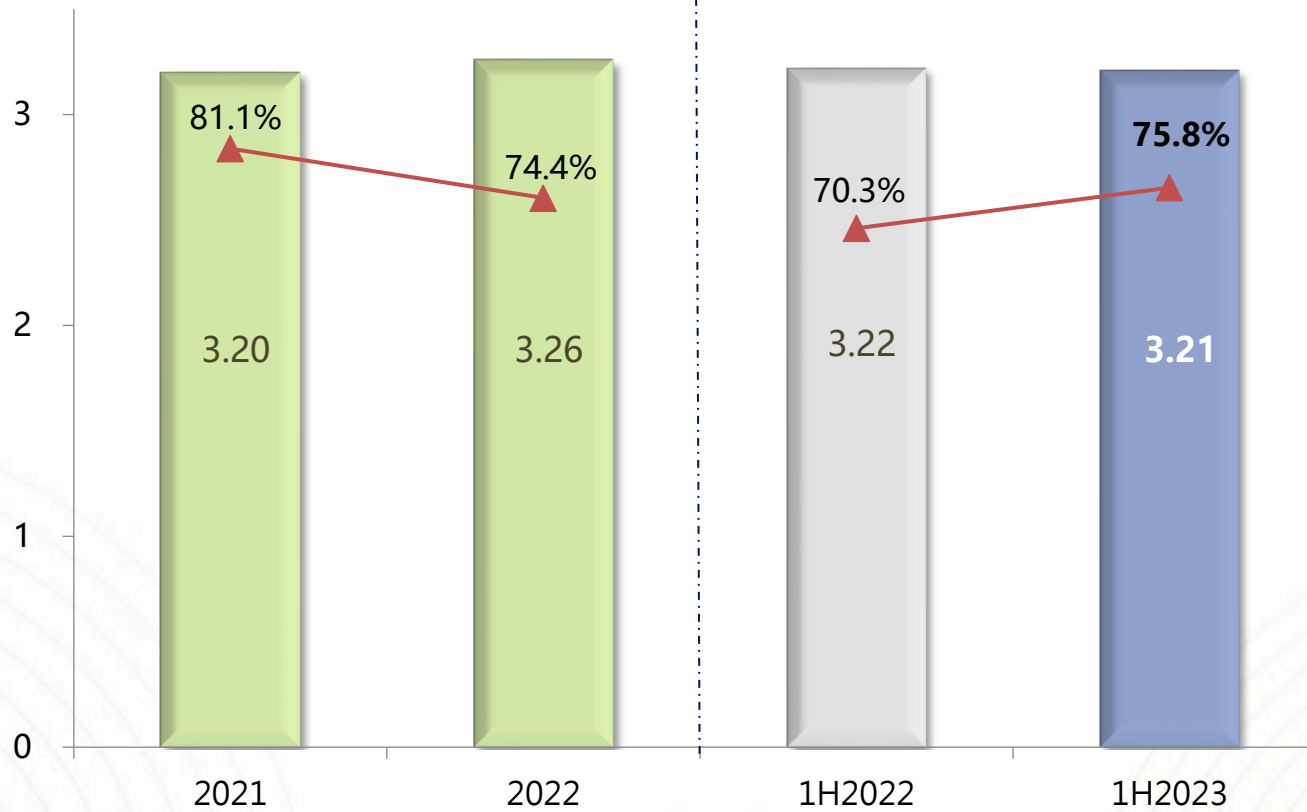
GP margin



Plastic piping systems business: production capacity & utilisation rate

Annual designed production capacity & average utilisation rate

(million tonnes)



Plastic piping systems business

Keep expanding the piping business

- Captured opportunities brought by new infrastructure
- Continued to strengthen strategic partnerships with government departments, leading central government-owned enterprises and state-owned enterprises
- Proactively participating in projects of national development plan and urban redevelopment projects

Adhering to the green development philosophy, expediting the adoption of smart manufacturing

- Fully embarked on upgrading and transformation of its business, sped up the profound integration of new-generation information technology with manufacturing
- Established smart factories in its production bases in China by adopting such technologies as the Internet of things, smart control and automated production
- Advocated low energy consumption and high energy efficiency production by developing a comprehensive green manufacturing system

Broaden the scope of application of plastic pipes and pipe fittings

- Explored the possibilities of product diversification and innovation in multiple areas both horizontally and vertically
- Kept launching new products
- Aspired to develop a comprehensive range of specialised products
- Further broadened customer base, enriched income sources and expanded market share



联塑管道 品质之道



联塑给水管
一路领先 · 给力前行



Plastic piping systems business

Further expand overseas markets

- Continued to improve its business presence and market coverage overseas, speed up the localisation of its brand in overseas, and improve its overseas supply chain
- 2nd phase of the construction of its production base in Indonesia was progressing steadily



Fully grasp opportunities from new infrastructure

- Explore various strategic partners and create mutual benefit and a win-win situation
- Continue to drive all-round development with innovation and breakthroughs
- Develop intelligent products and build the “benchmark factory”
- Promote its upgrade towards intelligentisation and greening
- Strengthen its sustainable development capabilities



Building materials and home improvement business

Diversified customer portfolio

- Proactively seeking to undertake more projects led by the government and state-owned enterprises
- Further strengthened client base
- Vigorously sought cross-industry cooperation with companies in various industries



- Recorded a revenue of RMB 1,341 million in 1H2023

Explored new business growth driver

- Accurately grasped the new trend in the home decoration industry
- Created a solution that encompassed a comprehensive range of high-quality products for home decoration
- Steadily building up its network of Lesso home decoration product shops in many cities across the country

Continue to promote business development

- Focus on the product quality and improve its one-stop total solution and services
- Optimise client mix by proactively developing business with new clients who have a strong financial position
- Diversify sales channels, increase investment in product research and development, cultivate technology talent, and innovate and upgrade green products



Environmental protection business

- Slowdown in both the economic recovery and industrial investment in China, coupled with the decreases in the number of started projects and production, led to a decline in hazardous waste in the first half of 2023, resulting revenue of environmental protection business amounted to RMB176 million
- Focused on expanding the environmental protection business by securing new business with leading enterprises in the traditional industries and with some key customers
- For urban service sector, mainly developed the markets of key regions and actively provided regional environmental consulting and design services
- Extended the business scope in alignment with the state policies and developed its environmental business extensively
- Continue to explore the possibilities of servicing government projects when developing the market, with a focus on such fields as the agriculture, the treatment of soil, maintenance of water quality and provision of technical services



Supply chain service platform business

- International business has resumed after the Covid-19 pandemic has shown signs of abating. During the reporting period, the supply chain service platform recorded revenue of RMB579 million
- Consider disposing of some overseas assets according to the market conditions, such move not only will increase the cash flow, but also increase the shareholder return



- Announced the proposal to spin off its subsidiary EDA Cloud Technology Holdings Limited in June and applied to Stock Exchange for the listing of that subsidiary



New energy business

Recorded a revenue of RMB739 million in 1H2023

Rapidly built up business portfolio

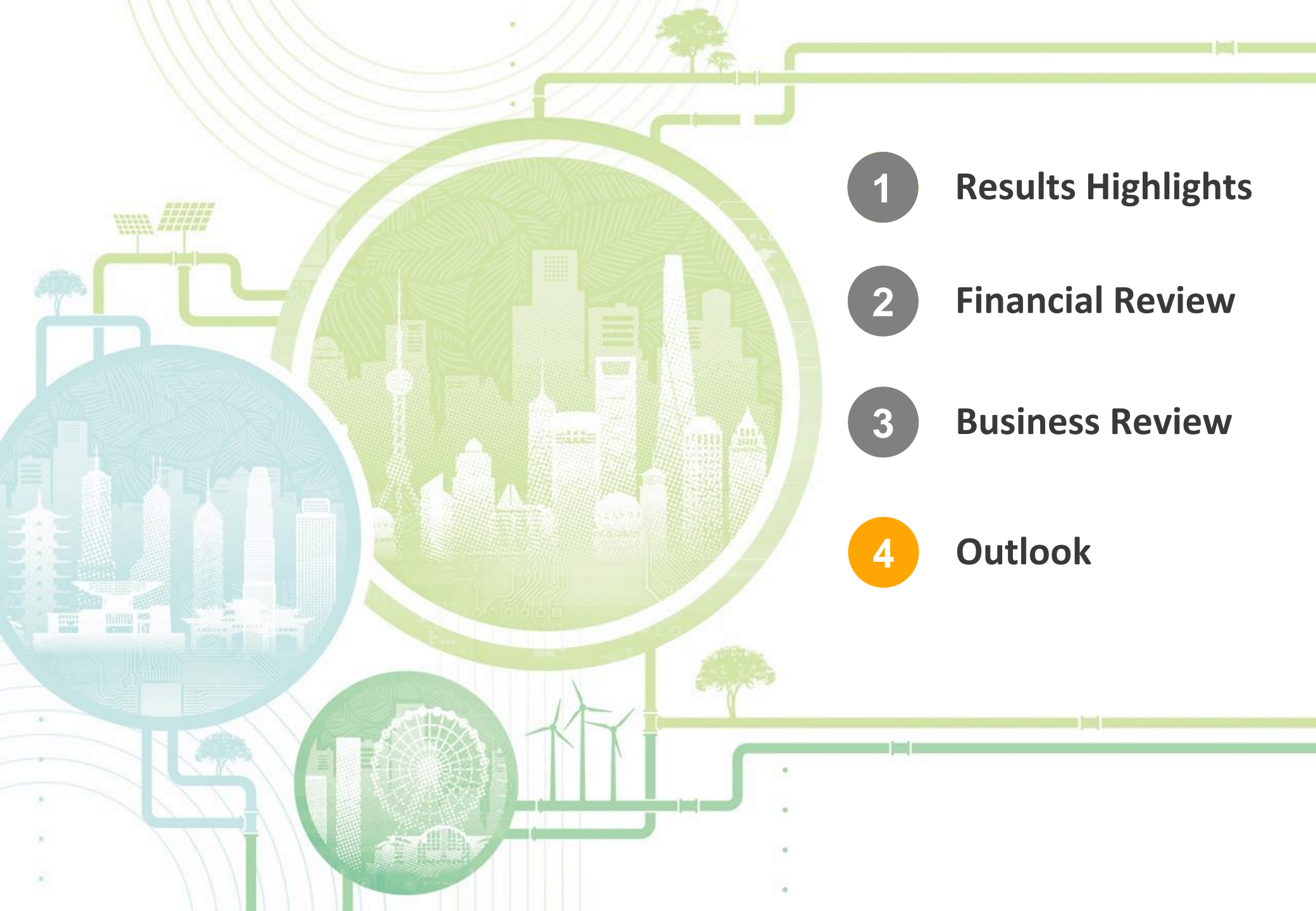
- Production base in Wusha Industrial Park, Shunde was put into operation
- Established eastern China operation centre in Suzhou in February
- First overseas production base will be established in Indonesia soon

Strategic cooperation

- Signed an agreement with TÜV SÜD about strategic cooperation in the business of photovoltaic products
- Marked the two companies' further cooperation in the development of the one-stop technology and service of photovoltaic products in the field of new energy

In line with prudent strategy for running business

- Continue to enhance technology development capability
- Explore the possibilities of new modes of cooperation with various types of companies
- Closely monitor the changes in the market conditions
- Develop the business to become a major driving force for the Group's future revenue growth



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Future prospect

Production & Operation

- Continuously promote automation and intelligent production to reduce cost, improve quality and increase efficiency
- Maximise the benefits from economies of scale
- Enhance operational efficiency
- Optimise product portfolio and increase market share

Product Development

- Focus on R&D to improve product quality
- Innovate and upgrade eco-friendly products
- Expedite industry transformation and actively expand market network

Business Expansion

- Actively expand the business scope
- Conduct extensive strategic collaboration with national departments, premium central government-owned enterprises and private enterprises
- Reinforce the interaction among businesses

Overseas Expansion

- Tap huge local demand and capitalise on the local infrastructure development in SE Asian region
- Committed to scaling up its production and building new production bases



Q&A



Appendix: financial summary

Statement of profit and loss (RMB million)

	2021	2022 (restated)	1H2022 (restated)	1H2023
Revenue	32,058	30,767	14,890	15,297
Gross profit	8,448	8,241	3,943	4,259
EBITDA	5,720	5,786	2,847	3,114
EBIT	4,353	3,872	1,820	2,211
Net profit	3,019	2,521	1,304	1,436

Statement of financial position (RMB million)

	2021	2022 (restated)	1H2022 (restated)	1H2023
Cash & bank deposits	7,646	7,362	5,581	7,110
Total assets	54,483	59,004	53,212	61,828
Total debts	18,276	20,614	17,508	24,130
Total equity	21,807	22,641	21,843	23,452

Ratio analysis

Profit ratio (%)	2021	2022 (restated)	1H2022 (restated)	1H2023
Gross profit margin	26.4%	26.8%	26.5%	27.8%
EBITDA margin	17.8%	18.8%	19.1%	20.4%
EBIT margin	13.6%	12.6%	12.2%	14.5%
Net profit margin	9.4%	8.2%	8.8%	9.4%
Growth rate (%)				
Revenue	14.2%	-4%	1.1%	2.7%
Gross profit	0.8%	-2.4%	-9.9%	8.0%
EBITDA	-7.7%	1.2%	-9.1%	9.3%
EBIT	-16.1%	-11.1%	-27.7%	21.5%
Net profit	-19.7%	-16.5%	-26.7%	10.3%
Liability ratio (times)				
EBITDA/ financing costs	10.47x	8.49x	10.86x	5.86x
Total debts/ (total debts + total equity)	45.6%	47.7%	44.5%	50.7%

Appendix: layout of production bases

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

