



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 Annual Results Corporate Presentation

Envisioning the better,
Building the Future
美好 洞見未來

March 2022



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Agenda

01 Results Highlights



02 Financial Review



03 Business Review



04 Outlook



Results highlights

- ❖ Though benefited from the support of various favorable policies, the Group's overall business performance was still affected by the waxing and waning of Covid-19 at home and abroad, deterioration of external economic environment, significant fluctuations in raw material prices and continued uncertainty in real estate sector in 2nd half of the year

- ❖ Revenue: **RMB 32.058 billion**
- ❖ Gross profit: **RMB 8.448 billion**
- ❖ Profit attributable to the owners of the Company : **RMB 3.044 billion**
- ❖ Final dividend: **HK 26 cents per share** (2020: HK38 cents per share)



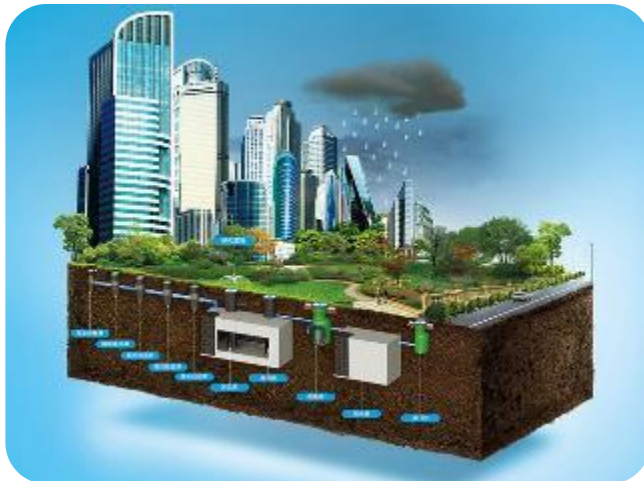
- ❖ Revenue: **RMB 27.457 billion, +12.0 %**
- ❖ Sales volume of plastic piping systems: **2.55 million tonnes**

- ❖ Started strategic brand upgrade and committed to provide sustainable green products and services
- ❖ Fully implemented automated and intelligent production and made use of the internet to upgrade production facilities to smart factories, to achieve intelligent manufacturing and improve quality



Results highlights

- ❖ Shifted focus to projects led by **state-owned enterprises and municipal governments** which had with stronger demand
- ❖ Announced the establishment of “**Lesso Banhao**” in early January 2022 to expand into photovoltaic industry
- ❖ Created a new model of “**BBC**” **home improvement** and worked with distributors and business partners to explore new business opportunities



- ❖ Actively expanded overseas markets with a focus on the **Southeast Asian market**
- ❖ Expedited the development of its environmental protection business to further expand its layout
- ❖ **Maintained stable and healthy financial position** with cash and bank deposits of approx. **RMB 7.646 billion**

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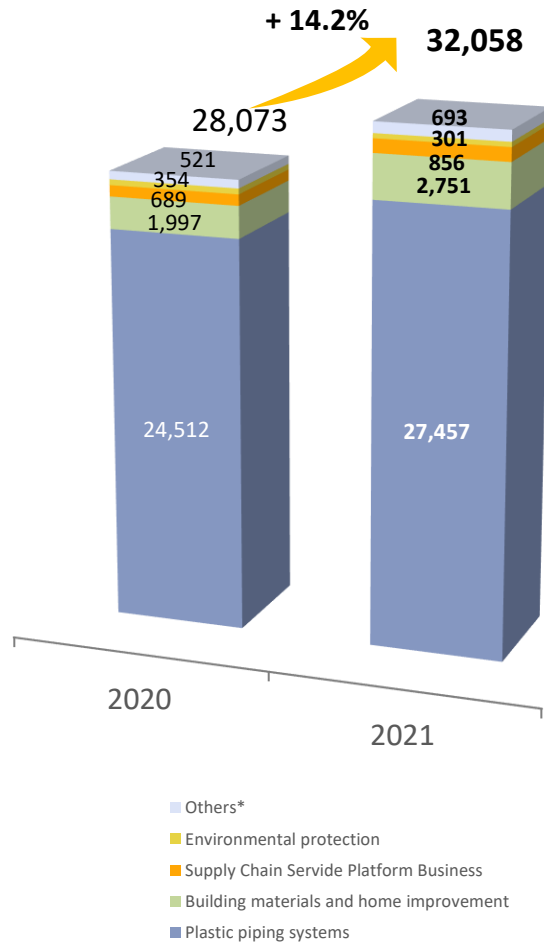
04 Outlook



Steady revenue growth

Total revenue

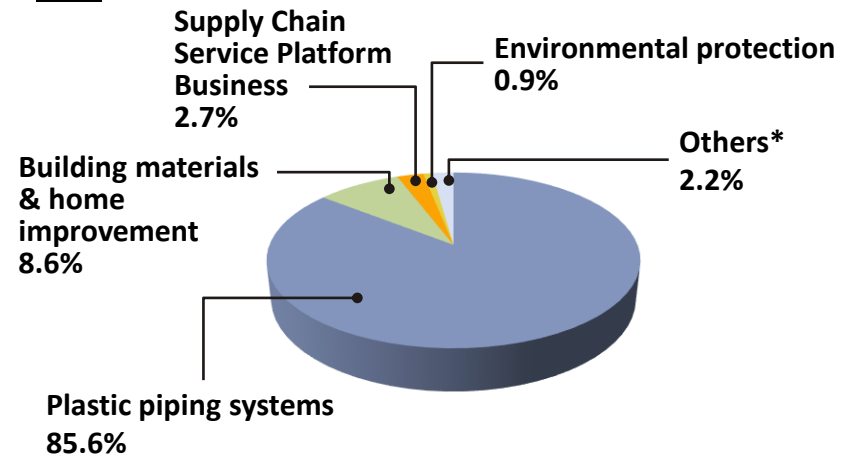
(RMB million)



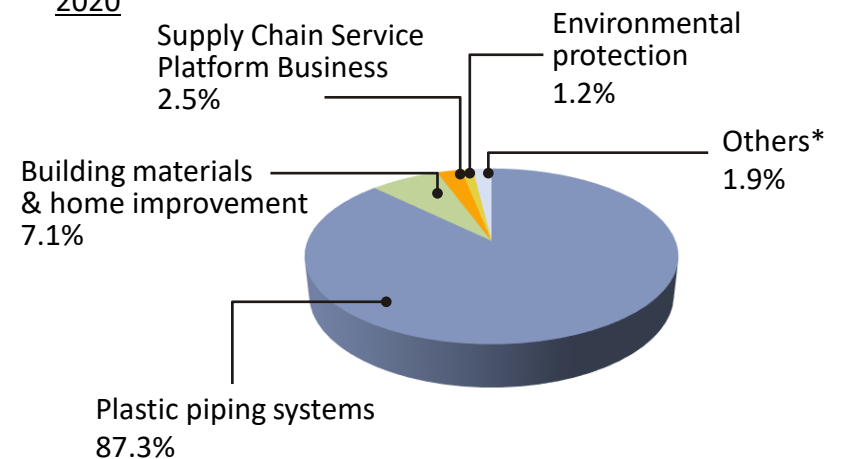
Remark: Others* including finance, plastic film, connection materials and other businesses

Total revenue (by business segment)

2021

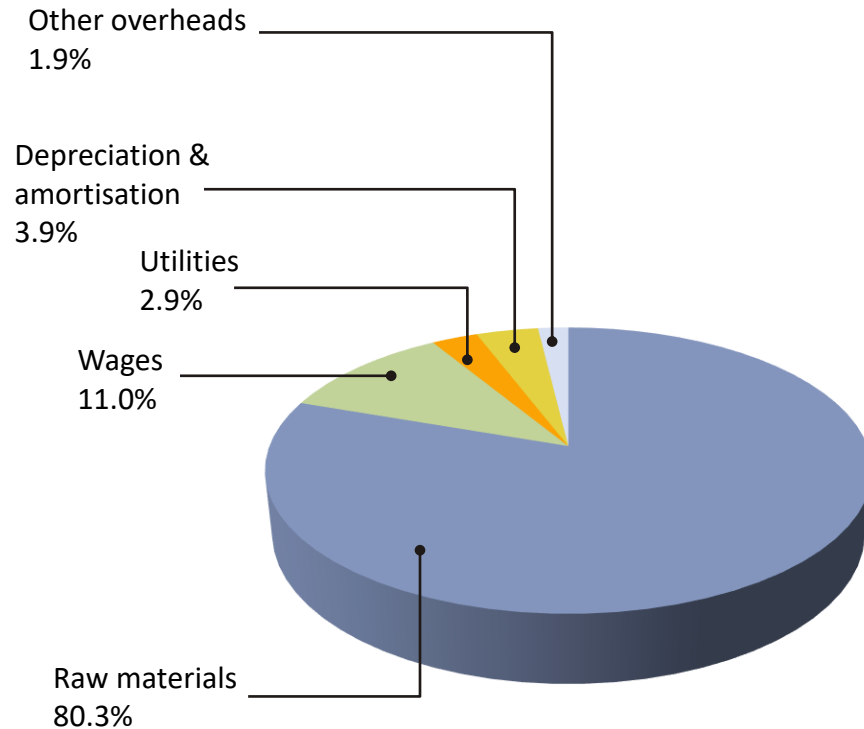


2020

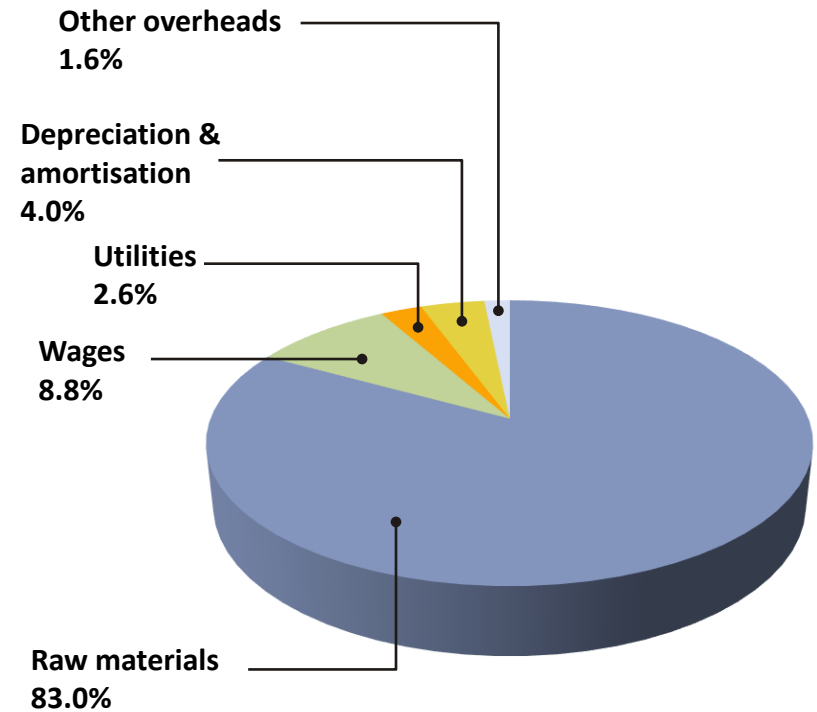


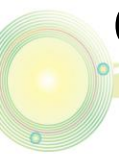
Overall cost structure

2020



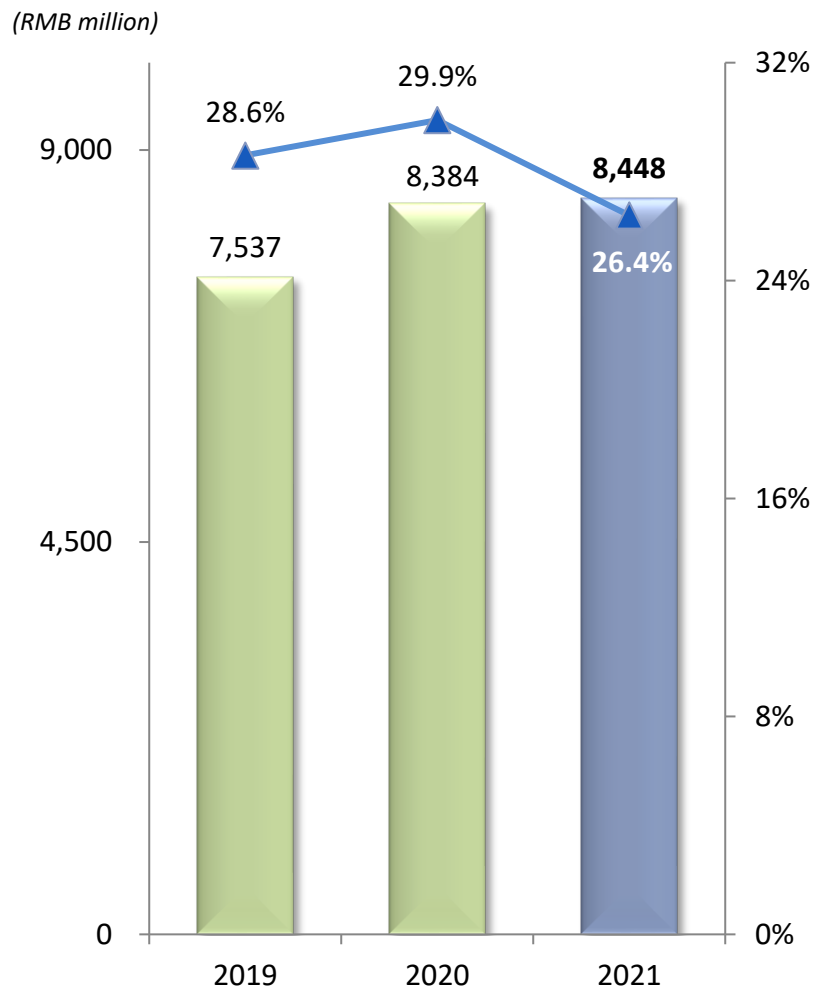
2021



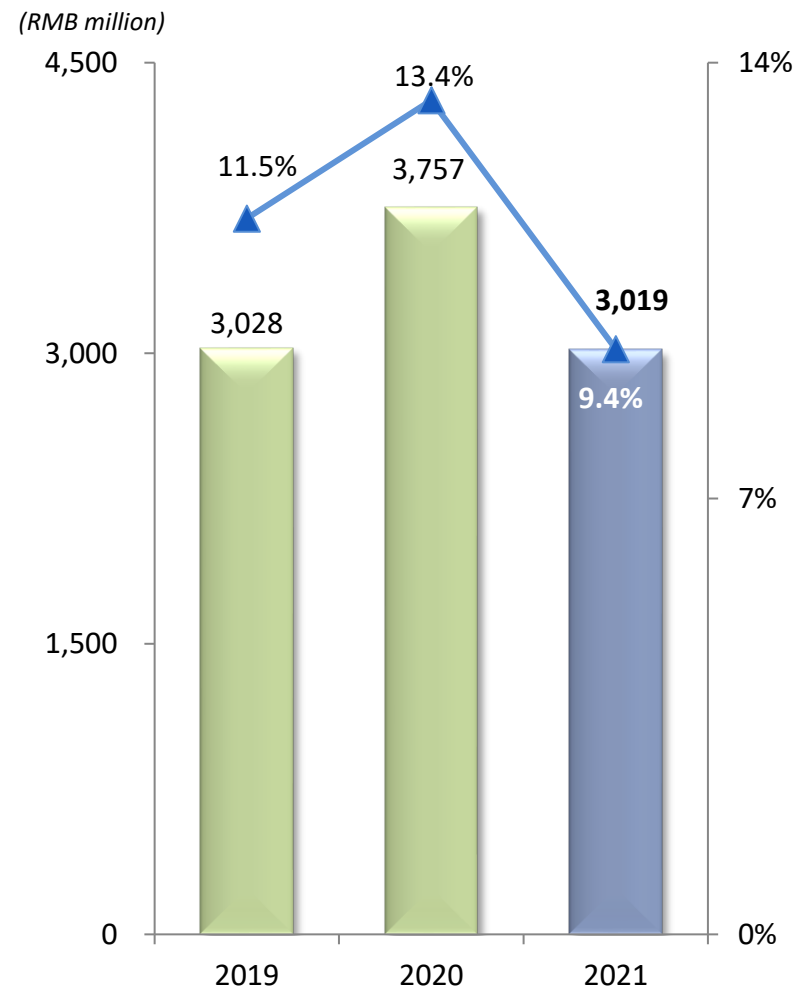


GP & NP

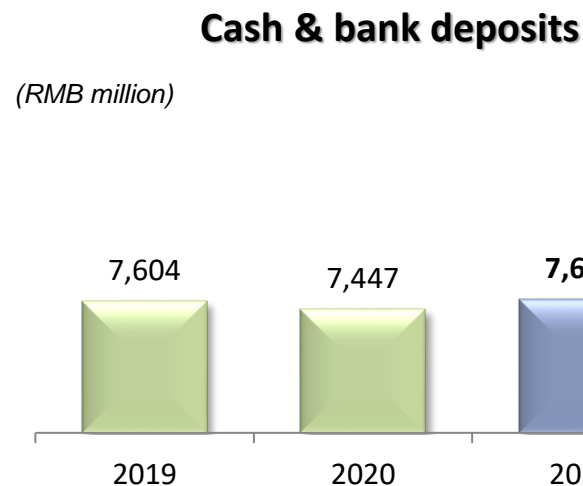
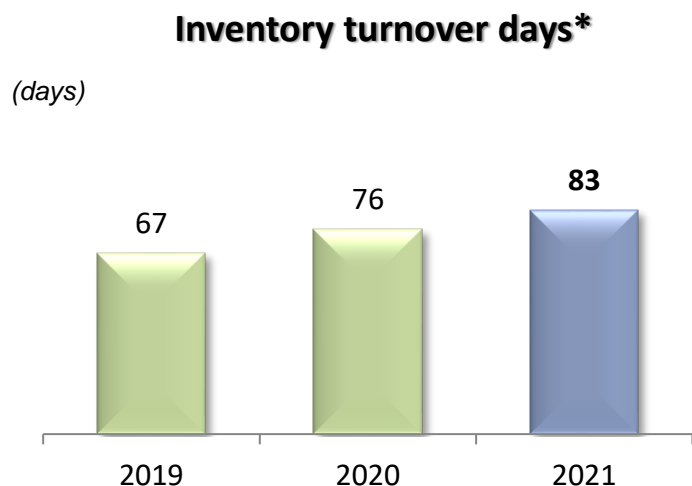
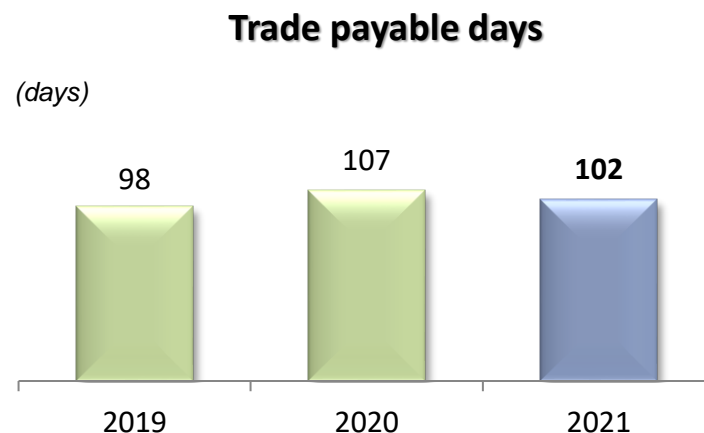
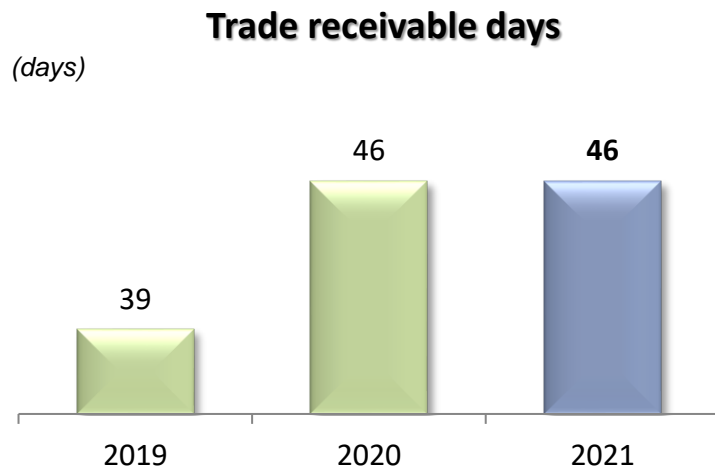
GP & GP margin



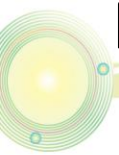
NP & NP margin



Healthy & stable key financial indicators

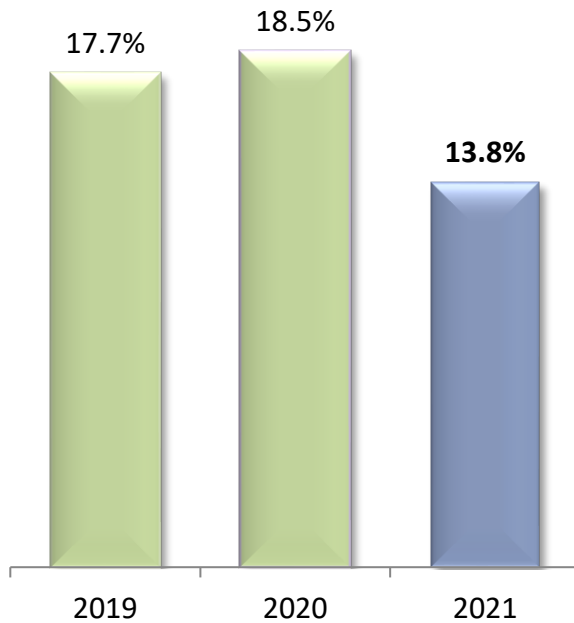


* Remark: excluding properties

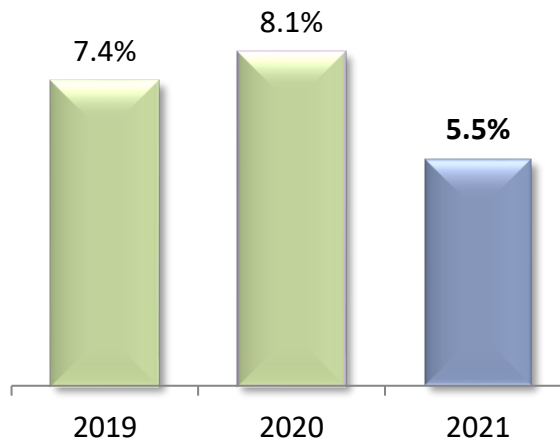


Return ratios performance

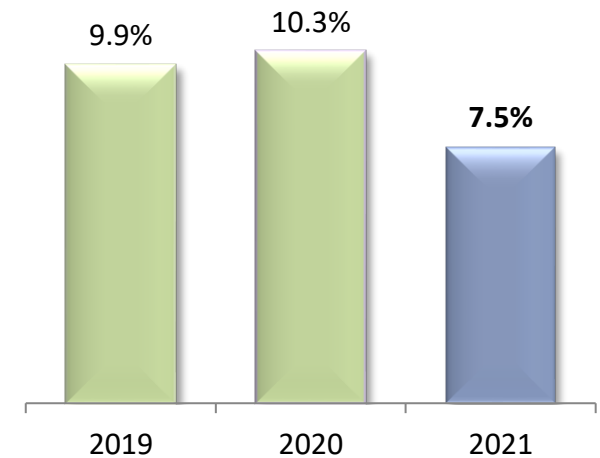
Return on equity⁽¹⁾



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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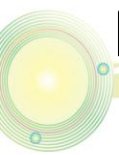


03 Business Review



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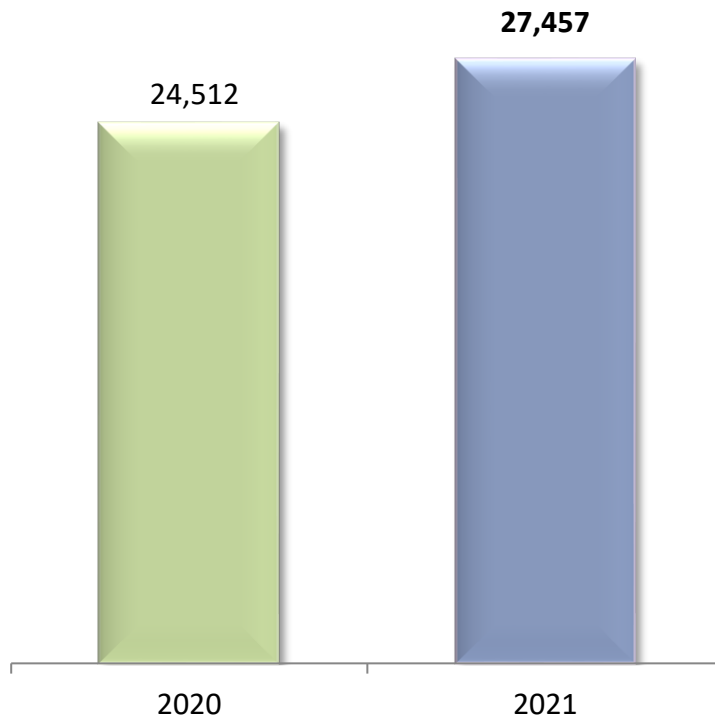




Plastic piping systems business: revenue & sales volume

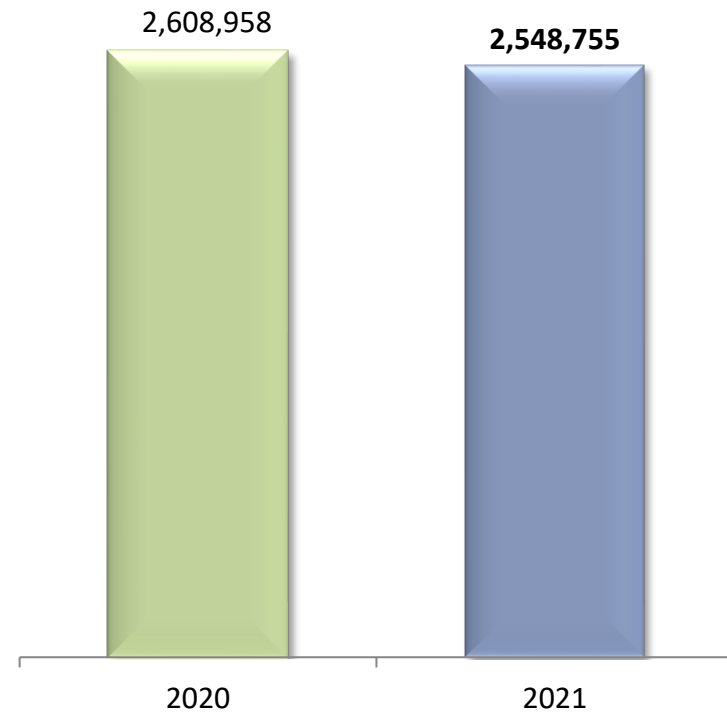
Segment revenue

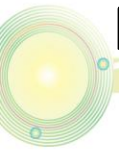
(RMB million)



Segment sales volume

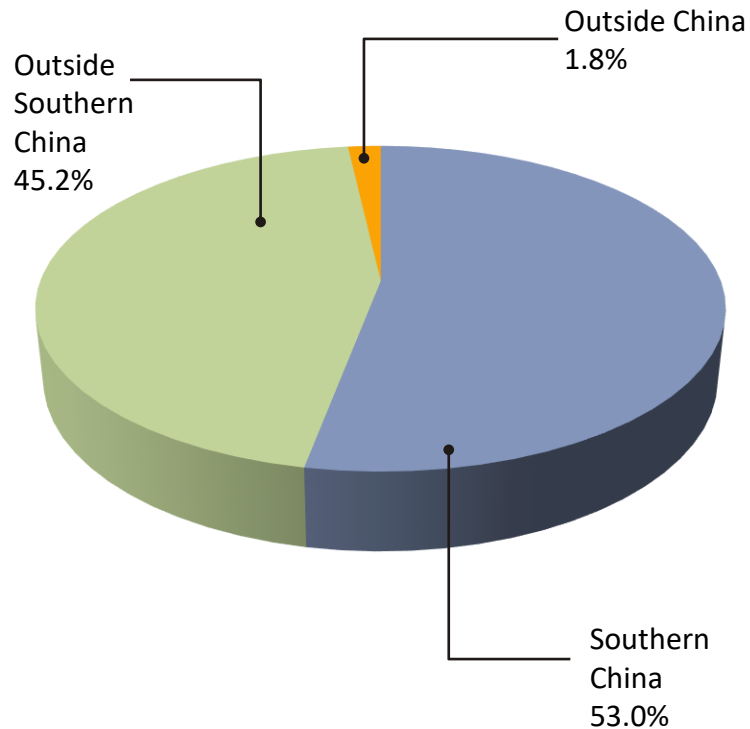
(tonnes)



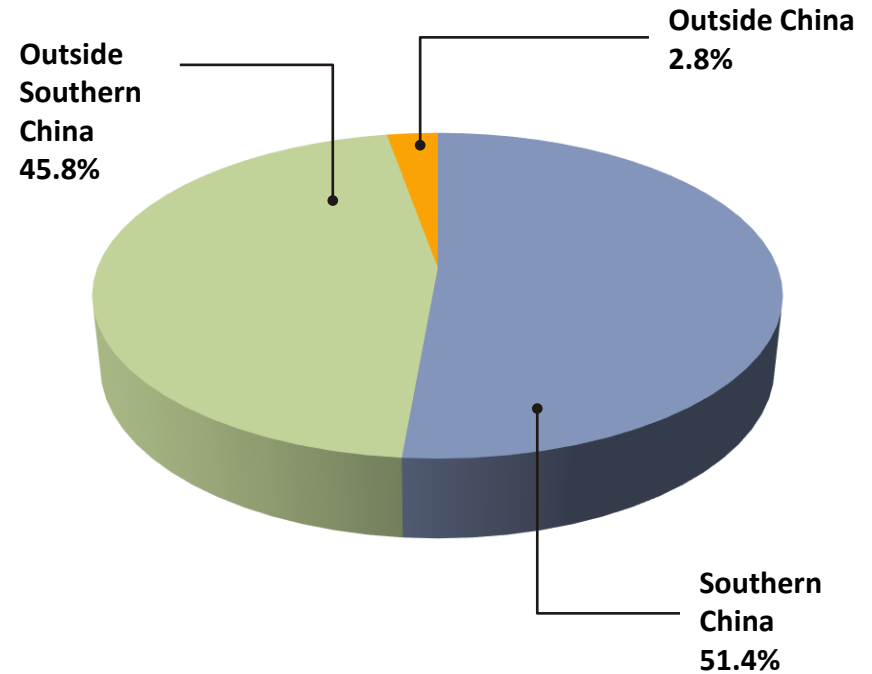


Plastic piping systems business: revenue breakdown by region

2020

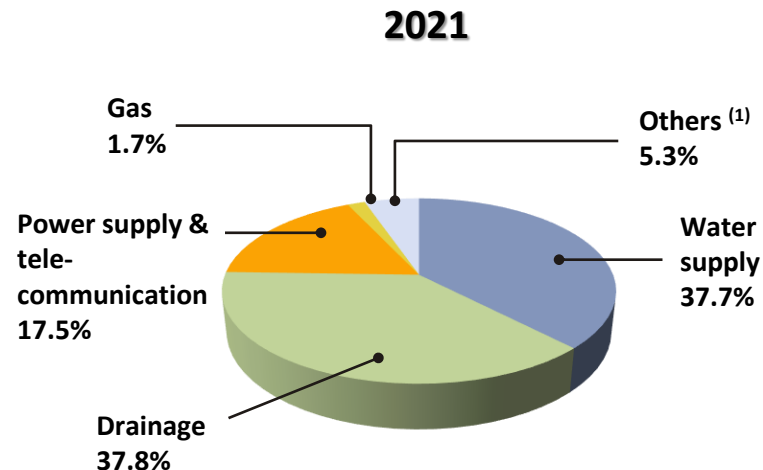
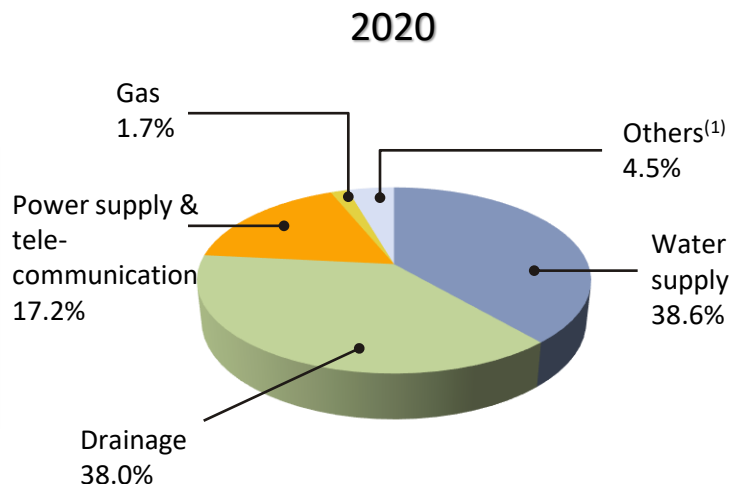


2021

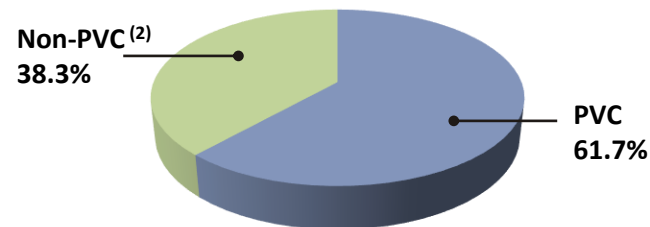
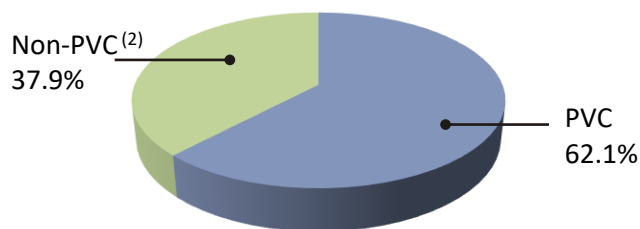


Plastic piping systems business: revenue analysis

By application



By material



Total pipe products revenue:
RMB 24.512 billion

Total pipe products revenue:
RMB 27.457 billion

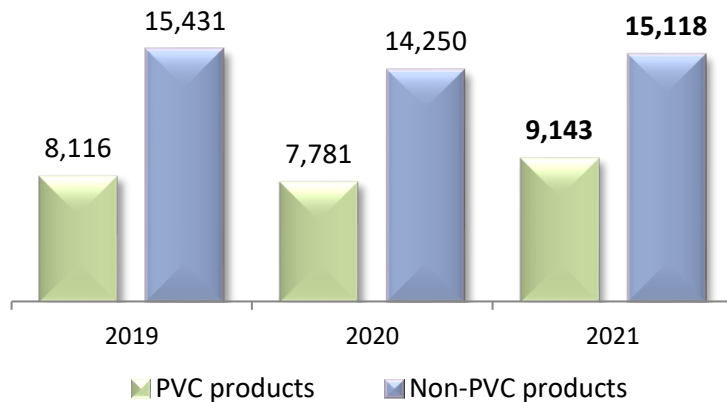
(1) Others include agricultural applications, floor heating and fire services

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

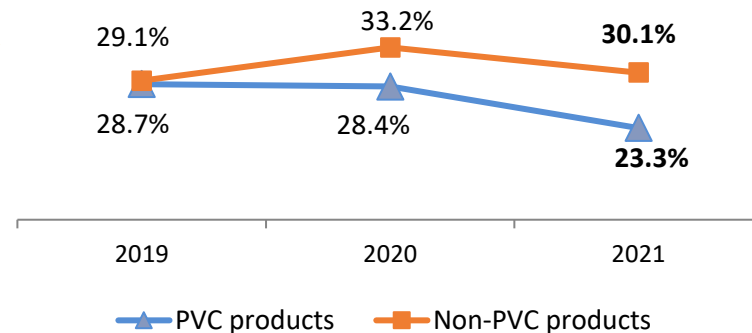
Plastic piping systems business: ASP & GP margin analysis

ASP per tonne – by material

(RMB)

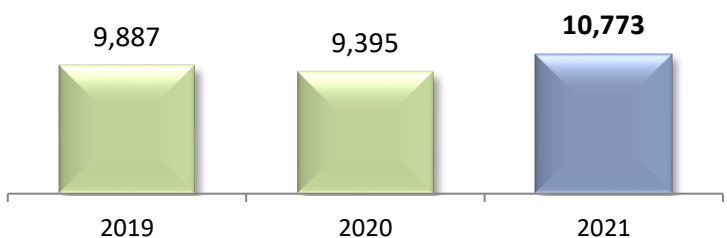


GP margin – by material

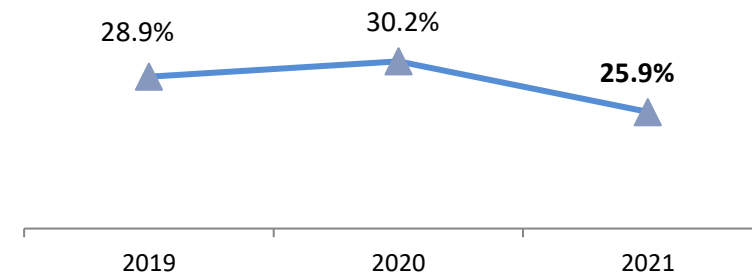


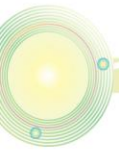
ASP per tonne - overall

(RMB)



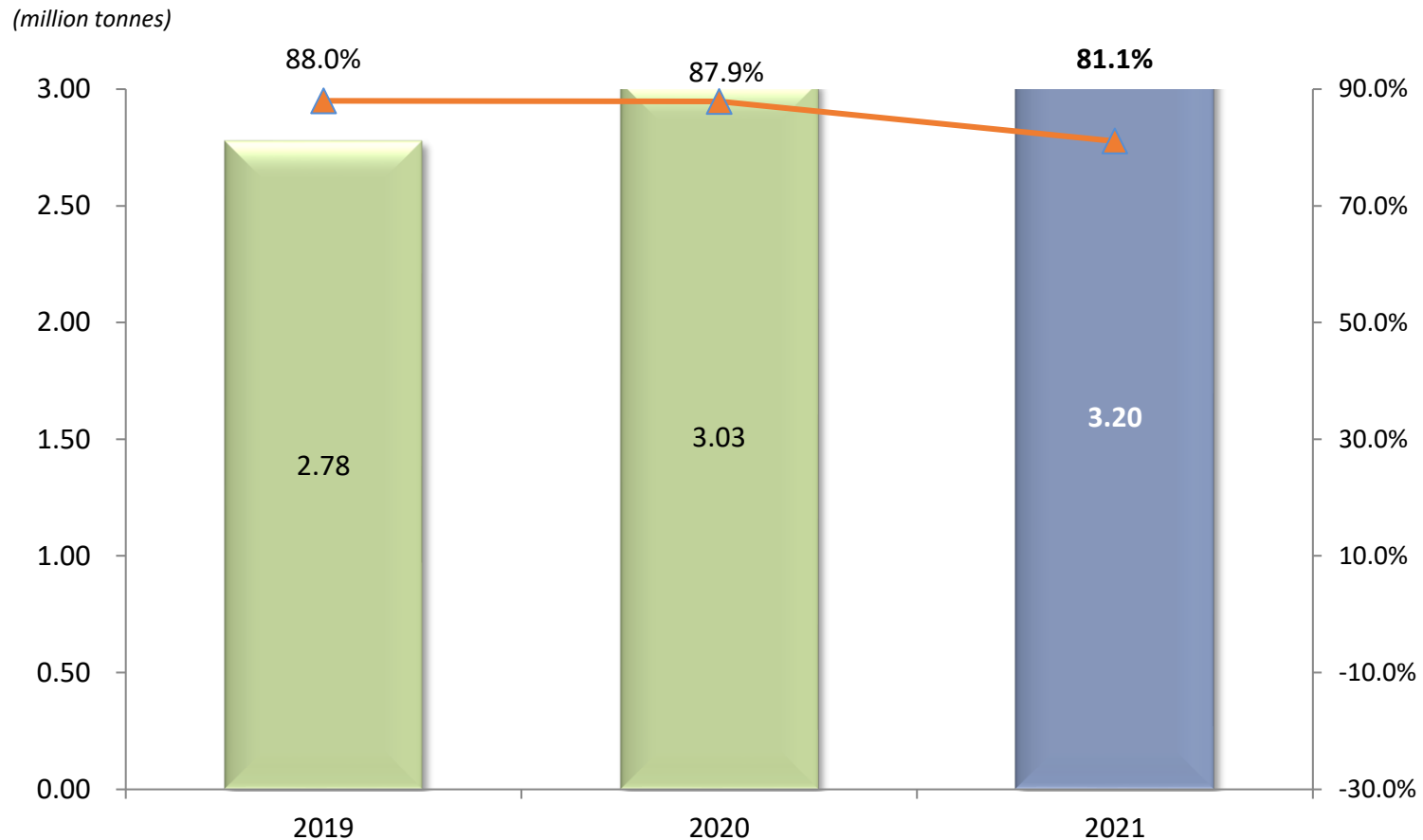
GP margin - overall





Plastic piping systems business: production capacity & utilisation rate

Annual designed production capacity & average utilisation rate



Plastic piping systems business

Actively expanded market share

- ❖ **Optimised customer portfolio**
 - ❖ Shifted its focus to projects led by **state-owned enterprises and municipal governments** which had with stronger demand
 - ❖ Kept on seeking **prospective business partners** to achieve synergies among them
- ❖ **Actively expanded the agricultural business**
 - ❖ Enriched income sources and expanded market share
- ❖ **Innovated new products and new technologies**
 - ❖ For stainless-steel pipeline product, **an additional production line** will be set up in **Foshan** plant in 2022 for mass production
- ❖ **Opportunely capitalising on the implementation of new national policies**
 - ❖ Expected the government will introduce a series of policies to expedite infrastructure projects



Xiong'an New Area Pipeline project



Beijing Daxing International Airport



Hong Kong-Zhuhai-Macao Bridge



Nanchang-Ganzhou High-speed Railway



Stainless-Steel Pipe Product



Plastic piping systems business



Expanded overseas market and scaled up production

- ❖ Set up sales centers and sales sub-teams in **11 countries** to promote the internationalisation of the brand
- ❖ Expect production base in **Cambodia** to commence production in 1st half of 2022. **Phase II** of the production base in **Indonesia** will be built in 2022
- ❖ Accelerated the construction of production bases in **Thailand, Malaysia, Philippines and Bangladesh**

Made use of internet to upgrade and build smart factories

- ❖ Fully implemented automated and intelligent production
- ❖ Established more production bases in **Gansu, Sichuan, Jiangxi, Guangdong, Fujian, Xinjiang and Indonesia** etc.
- ❖ Gansu: Built an intelligent high-tech and **environmental-friendly production base**. Expected an annual sales of approx. 100k-150k tonnes of plastic pipe at full capacity
- ❖ Guangdong: **Digital intelligent factory** put into operation, gave a strong impetus to intelligent manufacturing and high-quality development



Building materials & home improvement

- ❖ In 2021, China's real estate market experienced a change from strong performance in 1H2021 to **deep adjustment** in 2H2021
- ❖ Revenue from building materials and home improvement business : **RMB 2,751 million , +37.8%**

Diversified customer portfolio

- ❖ Shifted focus to projects led by **government and state-owned enterprise**
- ❖ Actively explored possibilities for **collaboration with various industries**
- ❖ Bring **more stable growth in revenue**



Established a unique ecological chain

- ❖ Created a new model of **"BBC" interior decoration** by taking advantages of well-developed businesses along the value chain, supply chain and scale of operation
- ❖ Developed a **one-stop integrated solution for the supply of all categories of products for home improvement**
- ❖ Actively set up home improvement boutique stores and held promotion meetings in **Hubei, Guangdong; Hunan, Jiangxi, Anhui and Shandong**
- ❖ Provide **"Good Housekeeping " free value-added services** to fully address the user's concern for home improvement
- ❖ Increase investment in scientific research to **innovate and upgrade eco-friendly products**, to further advance the healthy development of the supply chain of the property sector

Environmental protection business

Steady business development

- ❖ Actively responded to the government's call for environmental protection and **vigorously developed environmental protection business**
- ❖ In 2021, revenue amounted to **RMB 301 million** due to the impact of the repeated pandemic outbreak
- ❖ Planning to establish **hazardous solid waste treatment centres in Guangdong and Hunan** to further expand environmental protection business
- ❖ Seize new opportunities brought by “double carbon” policy , continue to integrate various resources for winning more projects, **striving to rank among China's top, large environmental companies**



Scope of Business

01 Water Treatment



02 Solid Waste Disposal



03 Waste Gas Treatment



04 Soil Remediation



05 Technical Consultancy & Environmental Monitoring Service



06 Scientific Research Service



Supply chain service platform business

Achieved steady growth in business

- ❖ Recorded revenue of **RMB 856 million, +24.2%**
- ❖ 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 service platform business in Southeast Asia and capture the opportunities to drive its **long-term development** accordingly to the Group's business plan



Photovoltaic Business

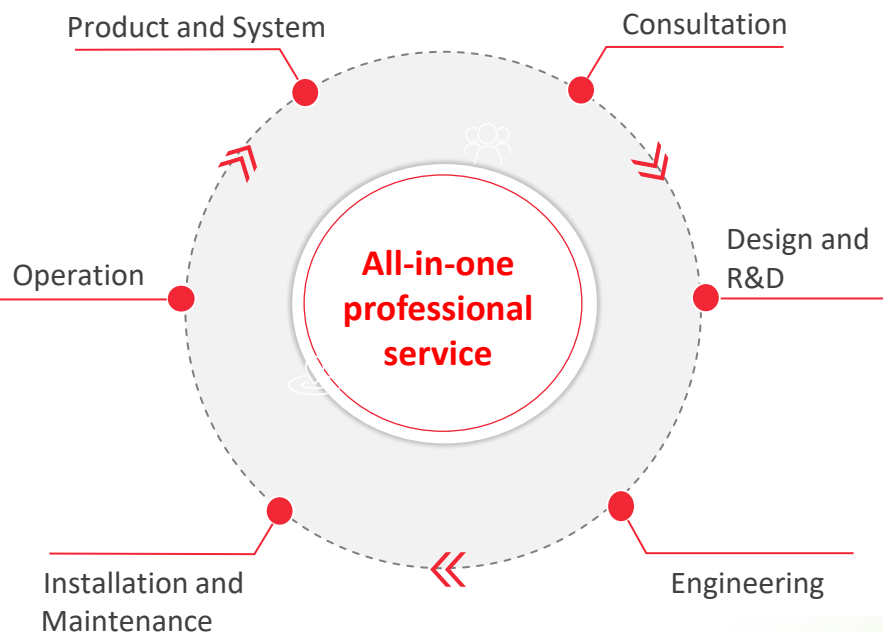
Achieved green transformation and expanded into new industry

- ❖ Announced the establishment of **“Lesso Banhao”** in early January 2022 to expanded into photovoltaic industry
- ❖ Provide **an integrated energy solution** for global industrial and commercial enterprises and households
- ❖ Create **strong synergies** with existing businesses and sales channels



Provide an array of more diverse green products and services

- ❖ Include **sales and design of solar panels and after-sales services**
- ❖ Sell building applied photovoltaic (BAPV) solutions to existing customers and will have **three production lines** to assemble and produce photovoltaic products
- ❖ Actively invest resources in R&D with the aim to develop market-leading building **integrated photovoltaic (BIPV) products and solutions**, expecting to be launched at the end of 2022



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Future prospect

01 Production & Operation

Deepen intelligent manufacturing & automated production

- ❖ Introduce **high-precision equipment** to enhance production automation and intelligent operation, build smart factories and optimise products
- ❖ Continue to expand existing plants and increase **production equipment**
- ❖ Build new production bases in **Guangxi** and **Gansu**

- ❖ Develop products and technologies and increase **investment in R&D innovation**

- ❖ Emphasise the **cultivation of technical talents** and establish a product research centre to innovate and upgrade **green products**

- ❖ Expedite industry transformation and upgrading to offer **sustainable green products and services** and actively expand market network

Lead the industry's green and sustainable development through technological R&D

02 Product Development

03 Business Expansion

Grasp green opportunity and actively expand into new business

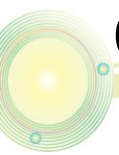
- ❖ Broaden the scope of **applications** of plastic pipes fittings in all aspects
- ❖ Proactively seek **potential** partners with various industries
- ❖ Grasp opportunities **arising from the government's initiatives** and infrastructure construction
- ❖ Actively expand into **photovoltaic industry** and broaden the array of green industries

- ❖ Focus on **Southeast Asia Region**
- ❖ Dedicated to **scale up its production**
- ❖ New production bases Indonesia and Cambodia are under planning
- ❖ Accelerate the construction of production bases in **Thailand, Malaysia, Philippines and Bangladesh**
- ❖ Optimise **overseas supply chain** and promote the internationalisation of its brand

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

04 Overseas Expansion

Become a global business group in pipelines and building materials
Provide sustainable green products and services



Q&A



Appendix: financial summary

Statement of profit and loss (RMB million)

	2019	2020	2021
Revenue	26,345	28,073	32,058
Gross profit	7,537	8,384	8,448
EBITDA	5,556	6,195	5,720
EBIT	4,559	5,189	4,353
Net profit	3,028	3,757	3,019

Statement of financial position (RMB million)

	2019	2020	2021
Cash & bank deposits	7,604	7,447	7,646
Total assets	40,785	46,528	54,483
Total debts	13,537	16,236	18,276
Total equity	17,094	20,354	21,807

Ratio analysis

Profit ratio (%)	2019	2020	2021
Gross profit margin	28.6%	29.9%	26.4%
EBITDA margin	21.1%	22.1%	17.8%
EBIT margin	17.3%	18.5%	13.6%
Net profit margin	11.5%	13.4%	9.4%
Growth rate (%)			
Revenue	11.0%	6.6%	14.2%
Gross profit	21.0%	11.2%	0.8%
EBITDA	26.0%	11.5%	-7.7%
EBIT	24.9%	13.8%	-16.1%
Net profit	23.8%	24.1%	-19.7%
Liability ratio (times)			
EBITDA/ financing costs	9.63x	14.21x	10.47x
Total debts/ (total debts + total equity)	44.2%	44.4%	45.6%

Appendix: Layout of production bases

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

