

2022 Interim Results Corporate Presentation

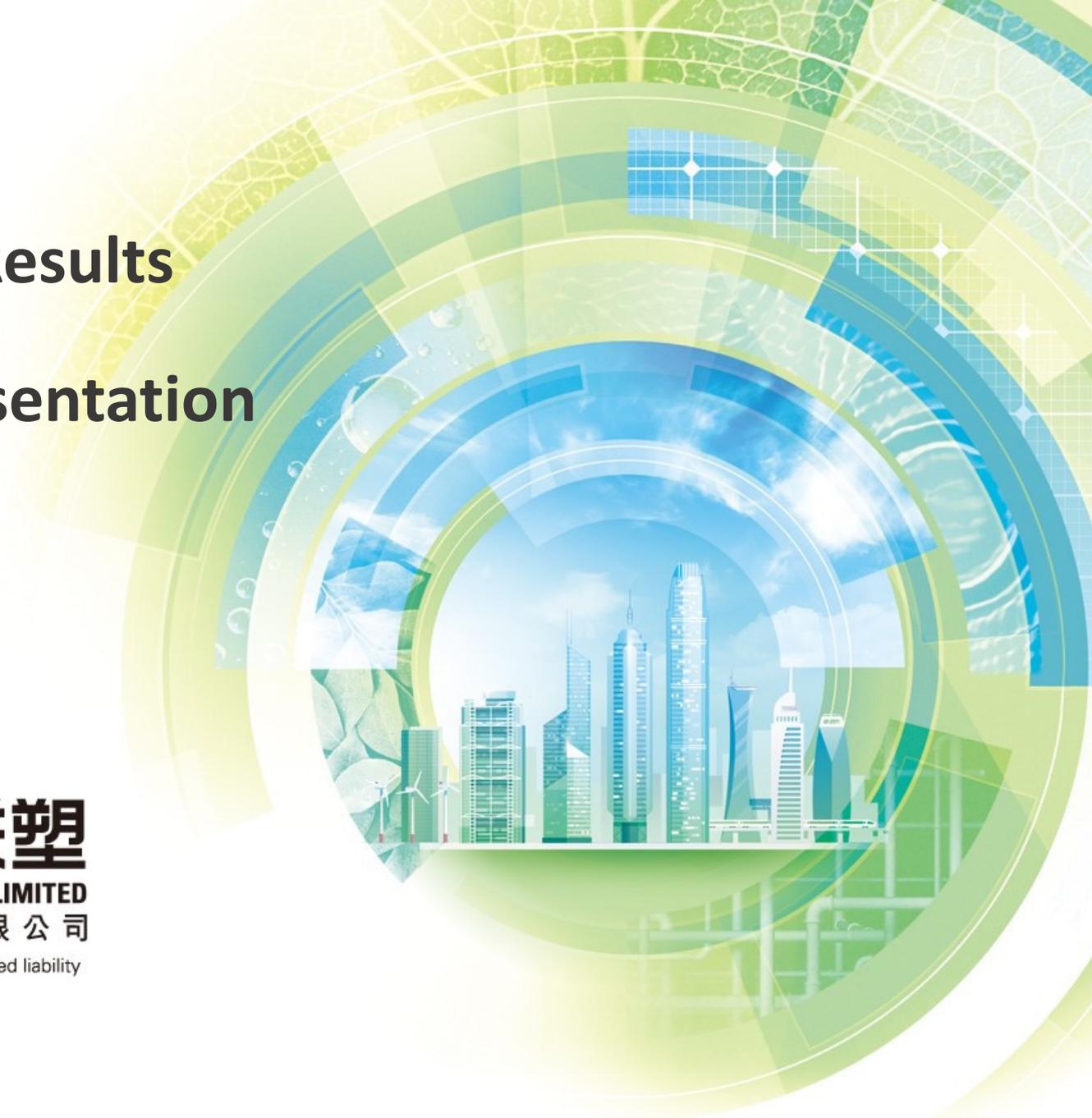
August 2022

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



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Agenda

01 Results Highlights



02 Financial Review



03 Business Review



04 Outlook



Results highlights

- ❖ The global economic situation is complex and volatile. Against the background of macroeconomic downturn, repeated domestic epidemics, and continuous fluctuations in housing companies, the Group continued to maintain a healthy and solid fundamental
 - ❖ Revenue: **RMB14.890 billion**
 - ❖ Gross profit: **RMB3.943 billion**
 - ❖ Profit attributable to the owners of the Company: **RMB1.295 billion**



- ❖ Revenue: **RMB12.763 billion, +1.5%**
- ❖ Sales volume of plastic piping systems: **1.12 million tonnes**

- ❖ Announced the establishment of Guangdong Lesso Banhao in January, successfully in expanding into the photovoltaic industry and developed a new growth engine for the Group



- ❖ Carried out brand strategy upgrade and committed to provide sustainable green products and services



Results highlights

- ❖ Aggressively conducted extensive strategic collaboration with different urban development departments, premium central government-owned enterprises and private enterprises

- ❖ Shifted focus to projects led by state-owned enterprises and municipalities which had with stronger demand



- ❖ Proactively established a number of home improvement boutique stores



- ❖ Successfully securing leading enterprises as new customers, including one in the domestic beverage industry with whom the Group signed contracts to undertake several wastewater treatment projects



- ❖ Actively expanded overseas markets with a focus on the Southeast Asian market
- ❖ Maintained stable and healthy financial position with cash and bank deposits of approx. RMB 5.581 billion

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01 Results Highlights



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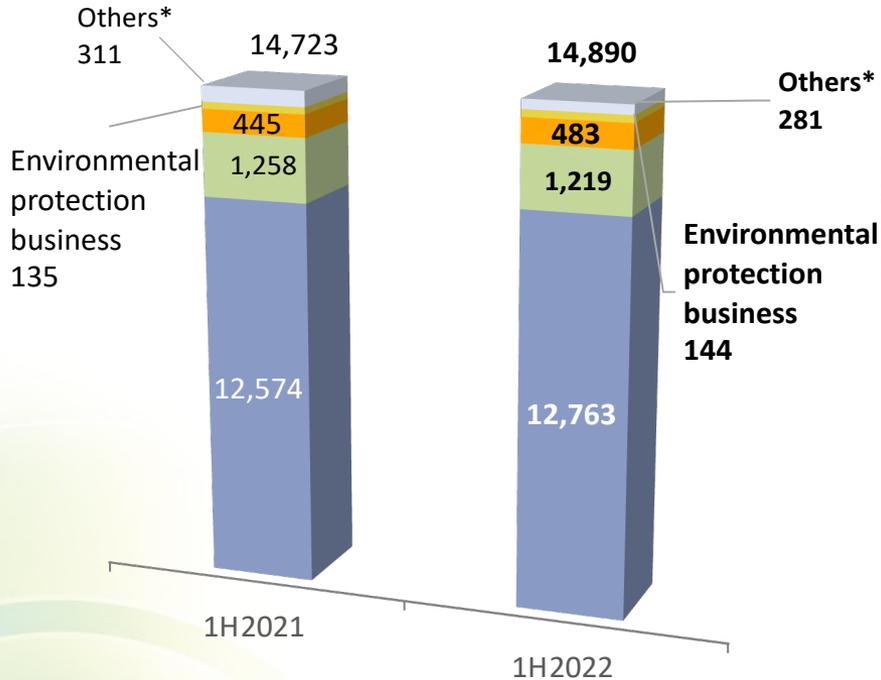
04 Outlook



Revenue maintained at healthy & stable level

Total revenue

(RMB million)

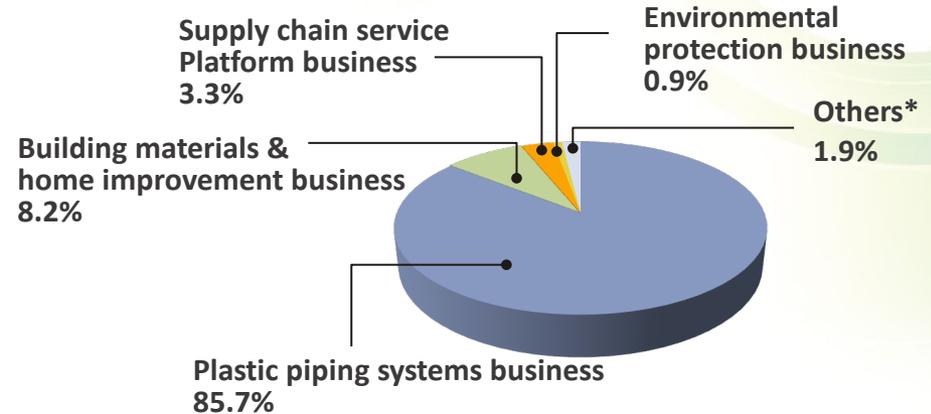


- Others*
- Environmental protection business
- Supply chain service platform business
- Building materials & home improvement business
- Plastic piping systems business

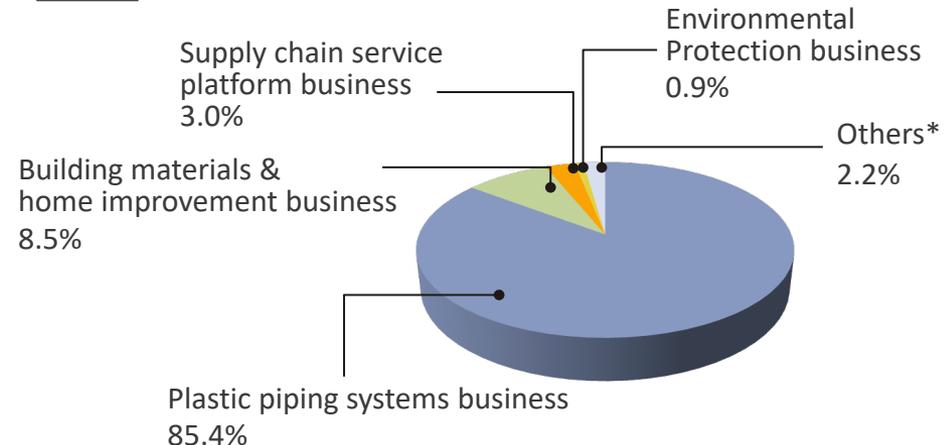
Remark: Others* including finance, connection materials and other businesses

Total revenue (by business segment)

1H2022

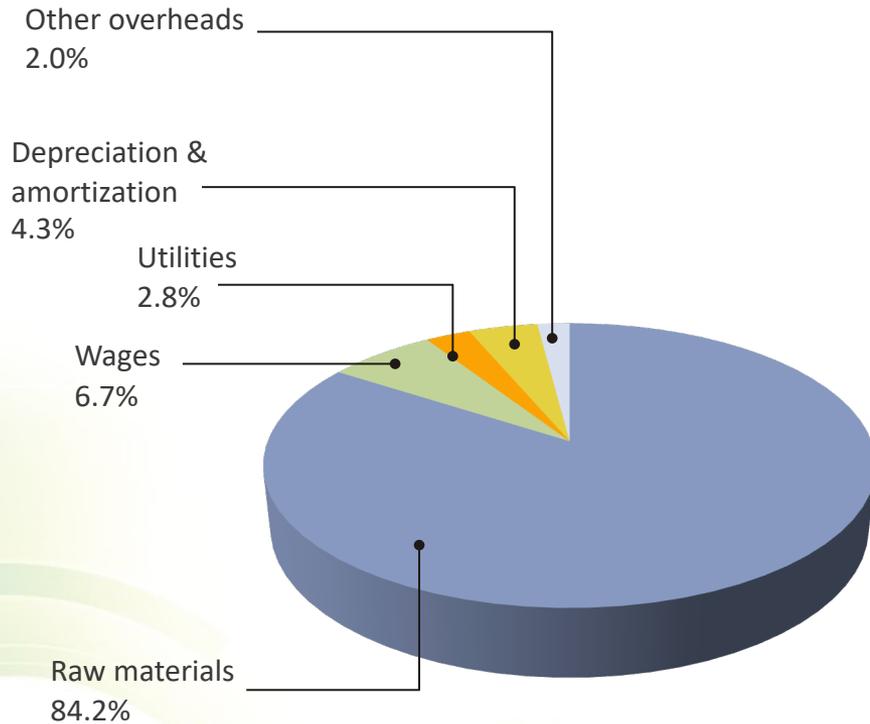


1H2021

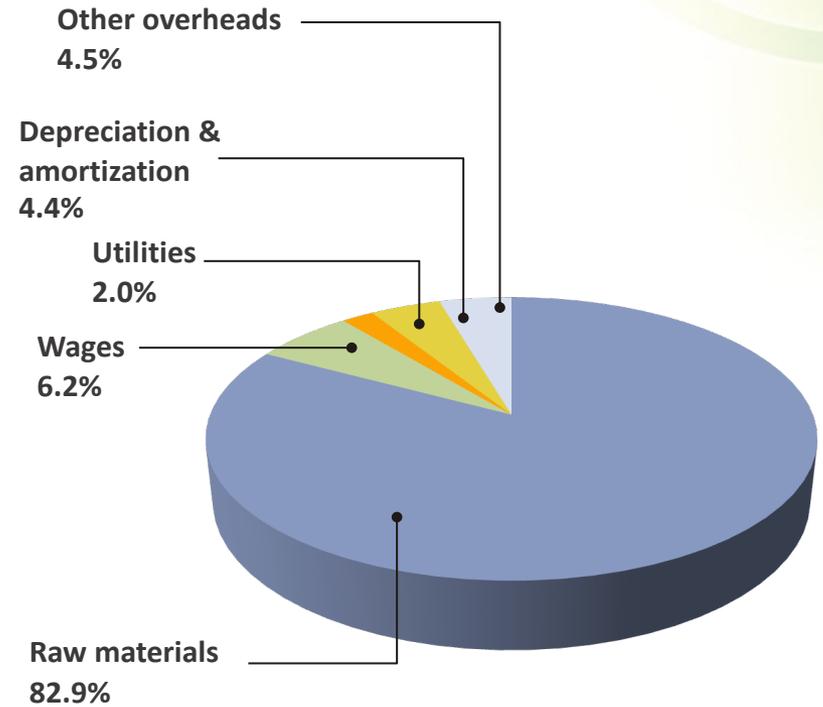


Overall cost structure

1H2021



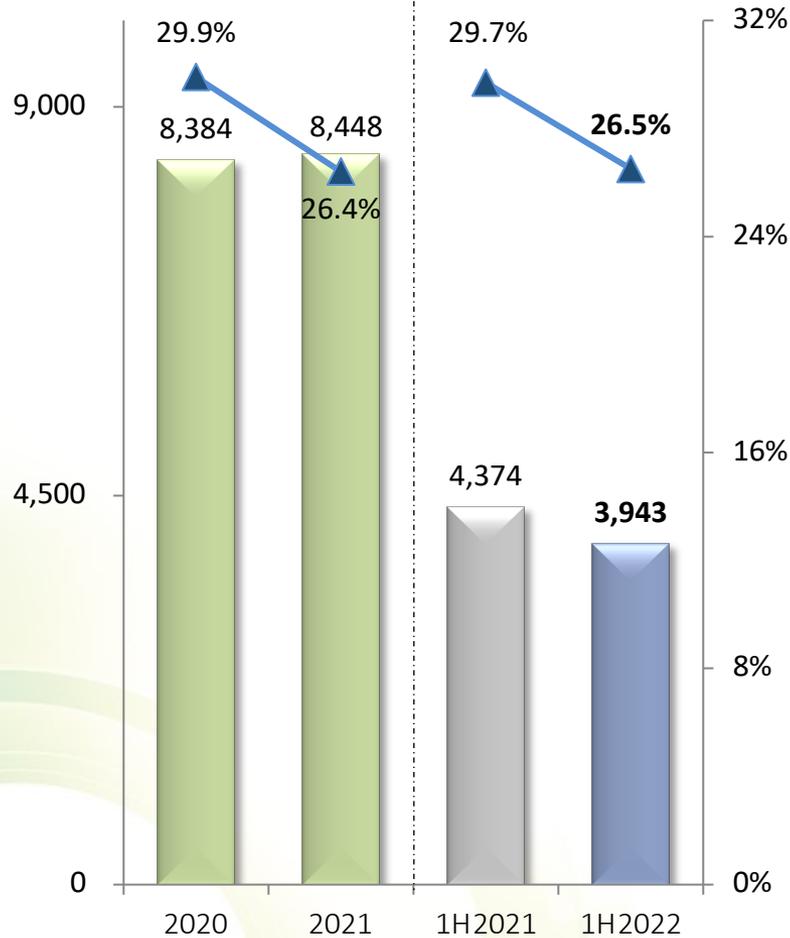
1H2022



GP & NP analysis

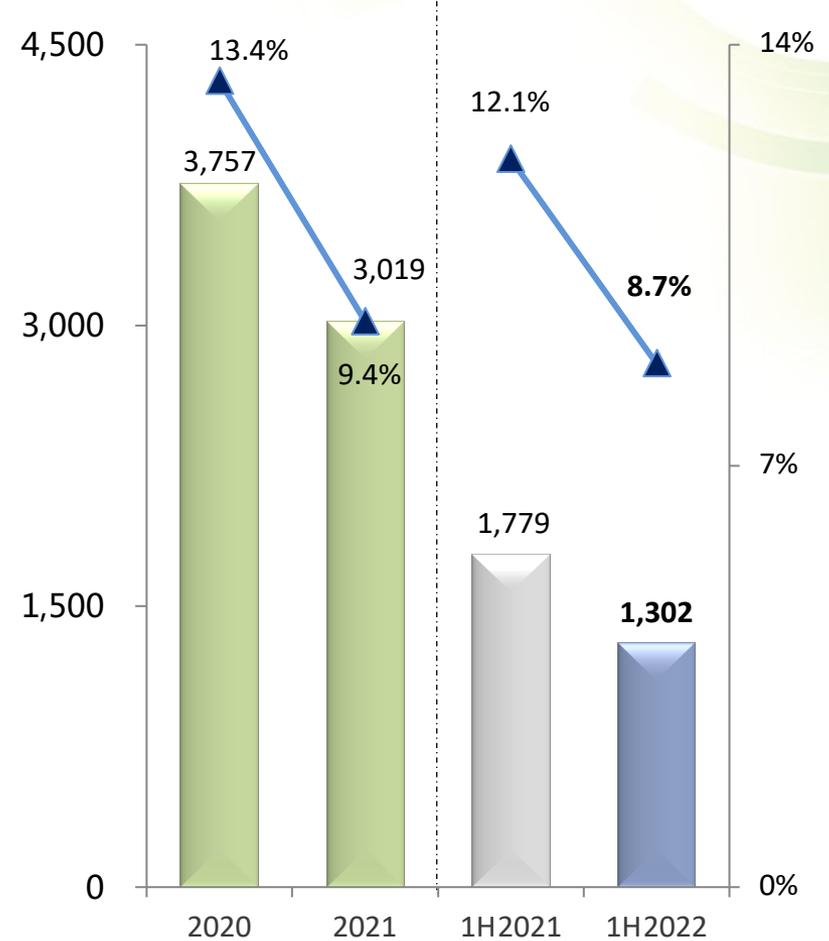
GP & GP margin

(RMB million)



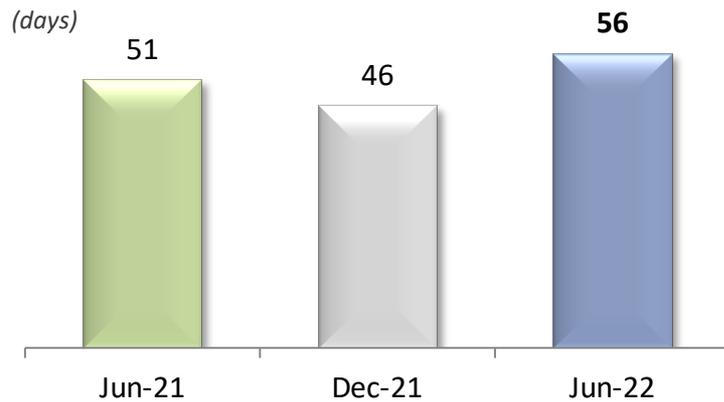
NP & NP margin

(RMB million)

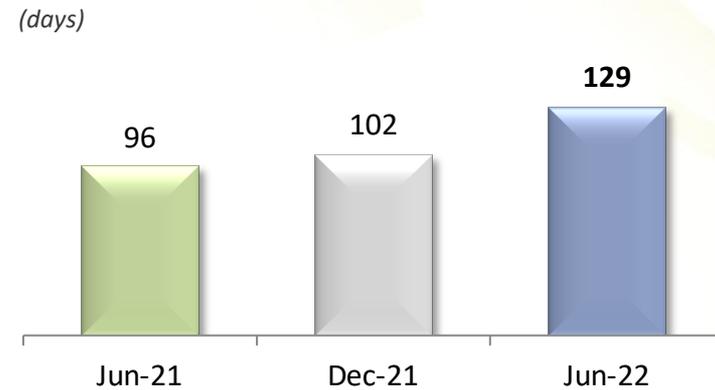


Key financial performance indicators analysis

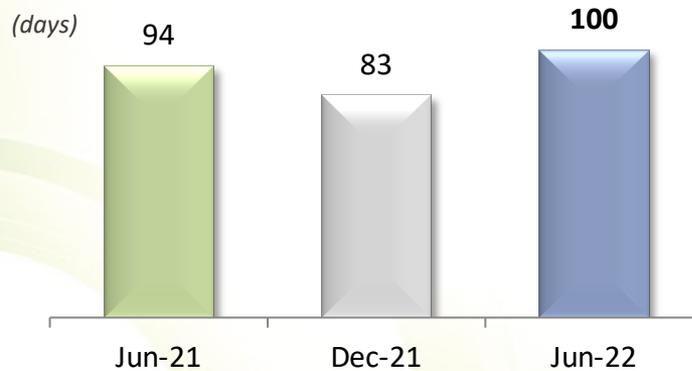
Trade receivable days



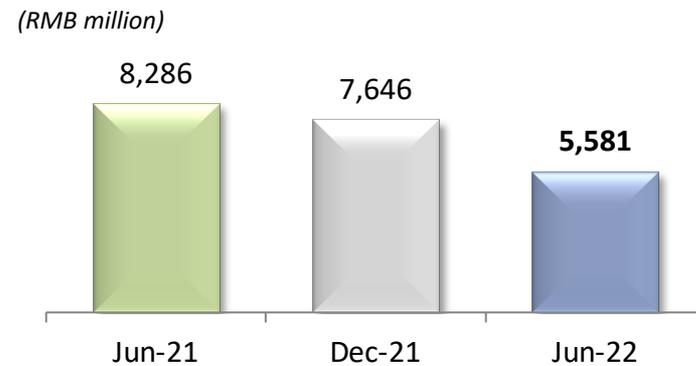
Trade payable days



Inventory turnover days*



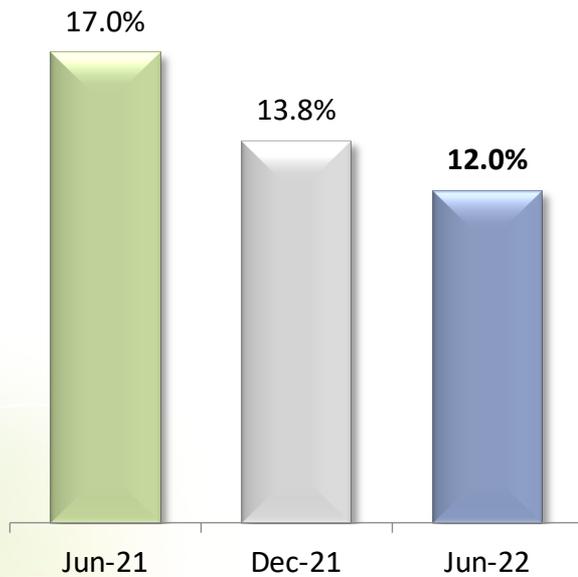
Cash & bank deposits



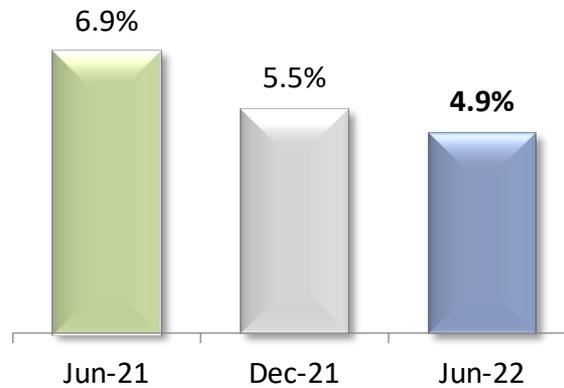
* Remark: excluding properties

Return ratios analysis

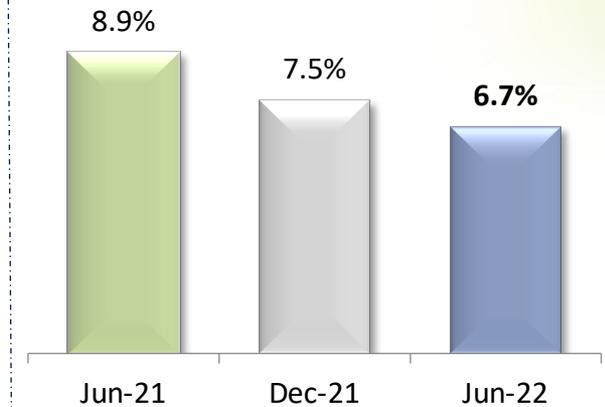
Return on equity⁽¹⁾



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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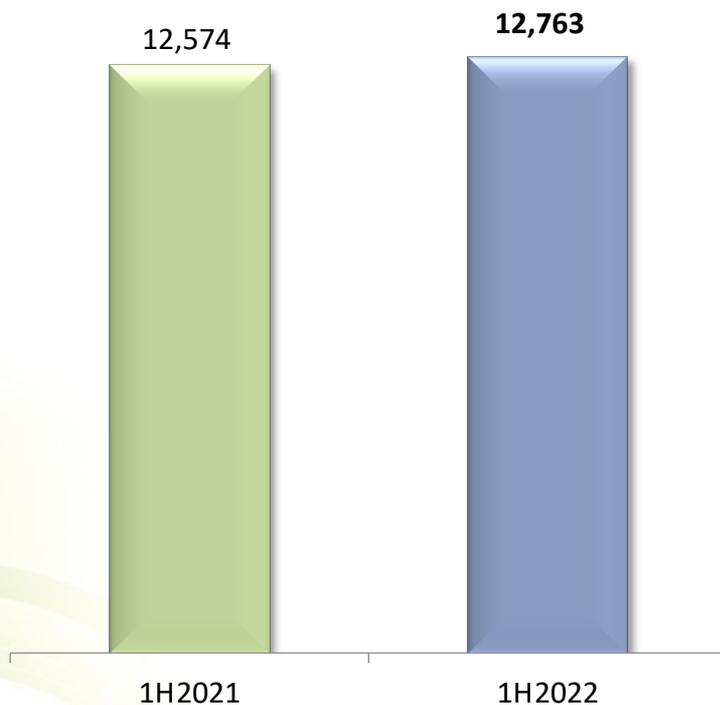
04 Outlook



Plastic piping systems business: revenue & sales volume

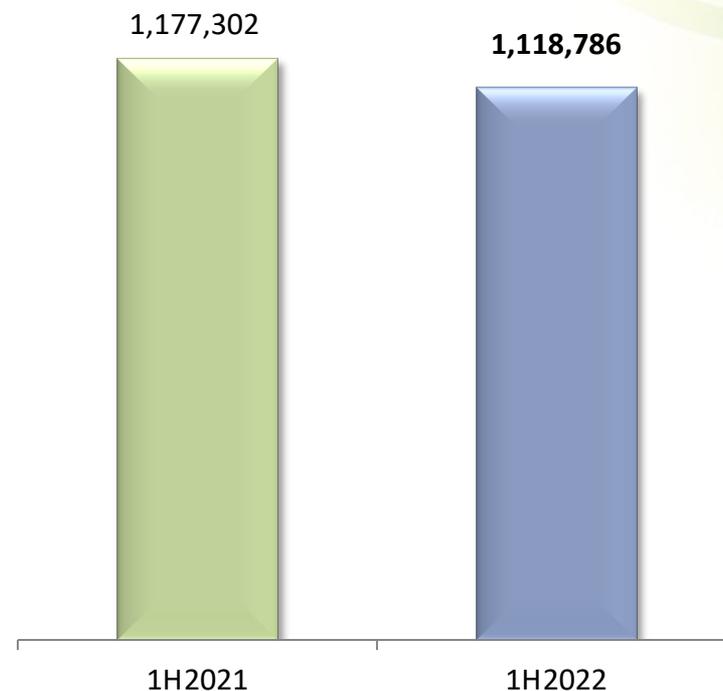
Segment revenue

(RMB million)



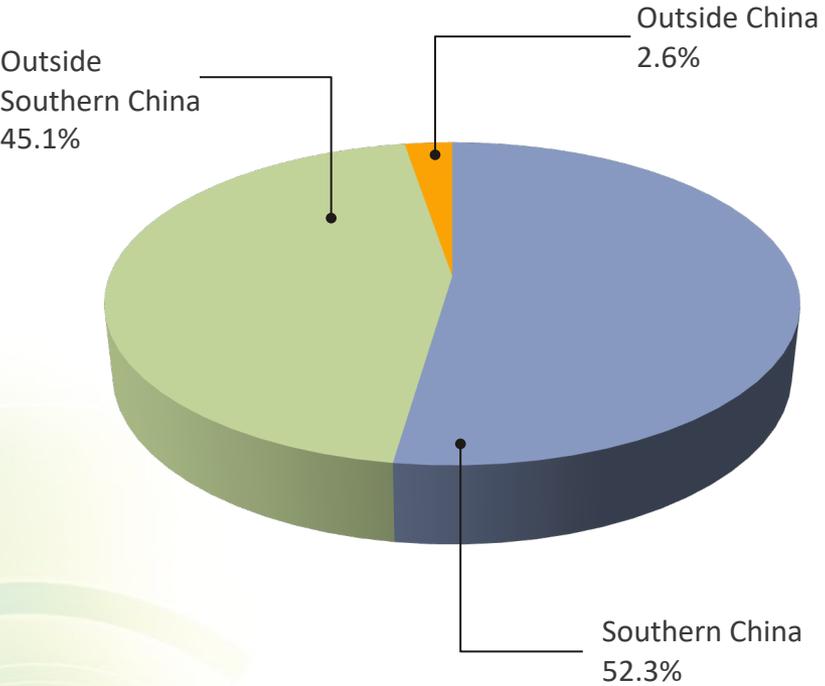
Segment sales volume

(tonnes)

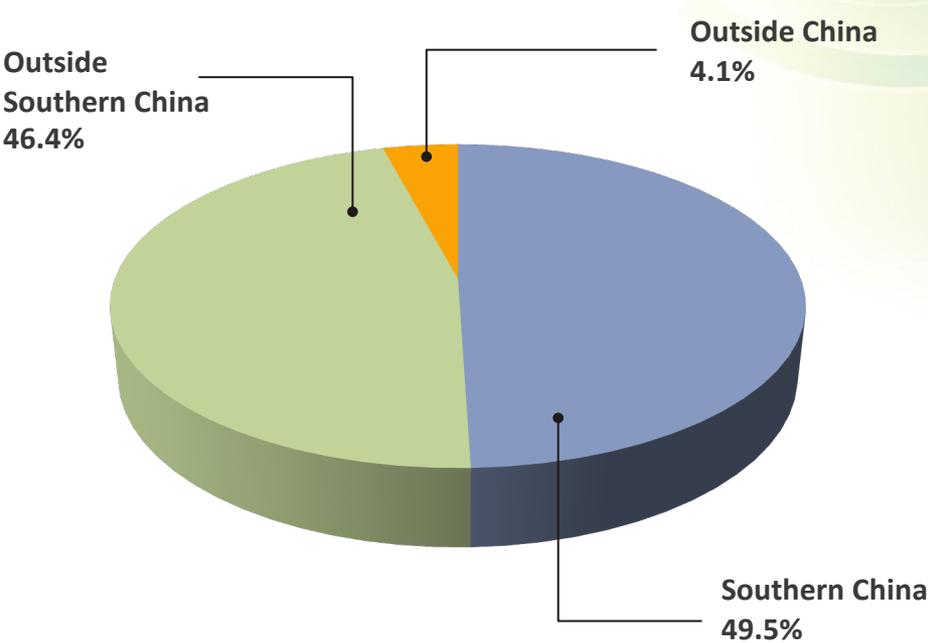


Plastic piping systems business: revenue breakdown by region

1H2021



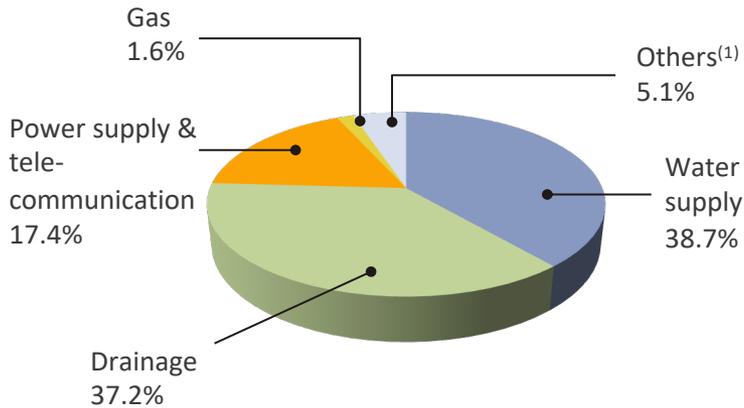
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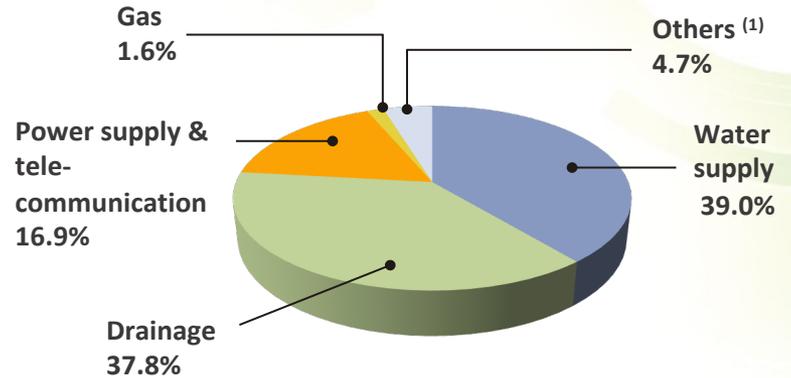
Plastic piping systems business: revenue analysis

By application

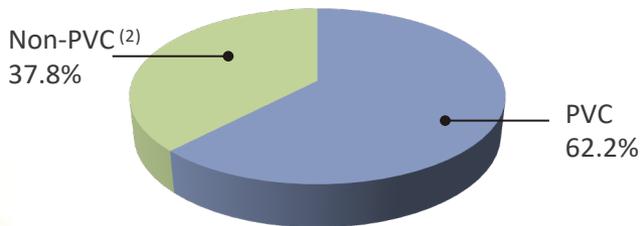
1H2021



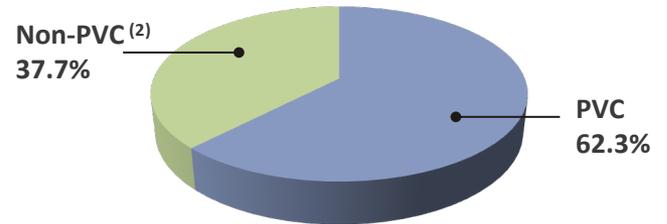
1H2022



By material



Total pipe products revenue:
RMB 12.57billion



Total pipe products revenue:
RMB 12.76 billion

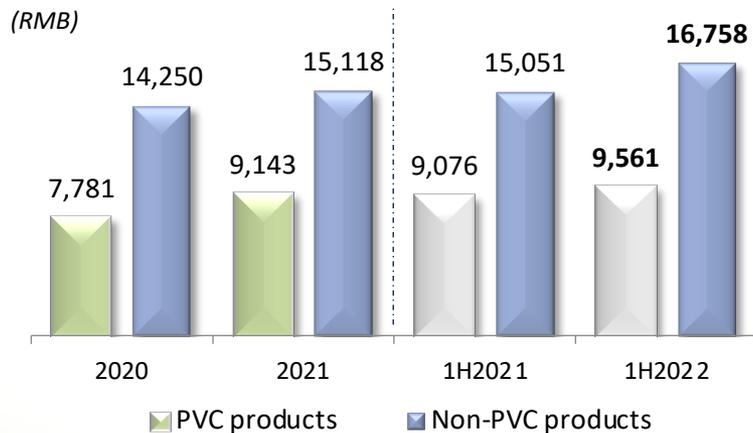
(1) Others include agricultural applications, floor heating and fire services

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

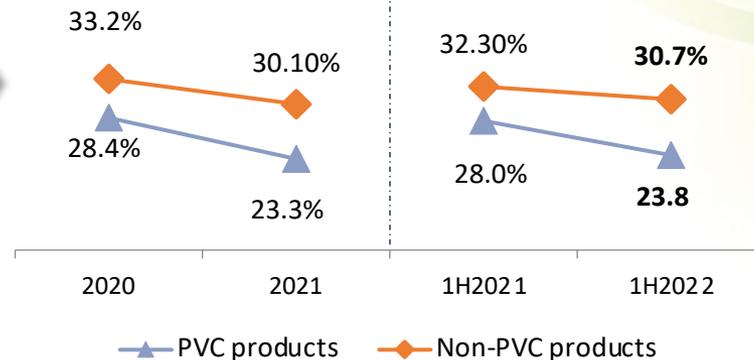
Plastic piping systems business: ASP & GP margin analysis

By material

ASP per tonne

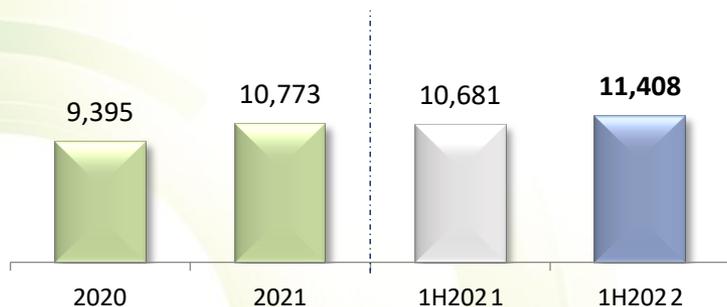


GP margin



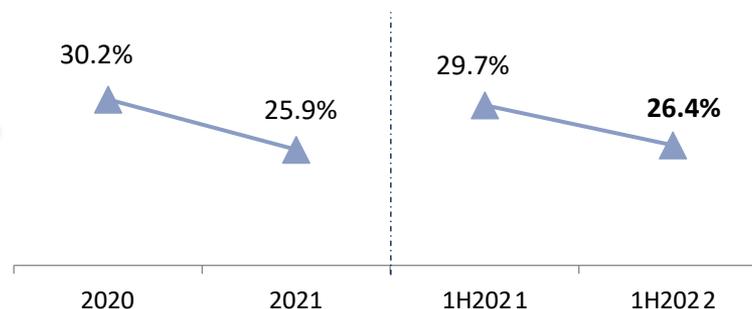
(RMB)

ASP per tonne



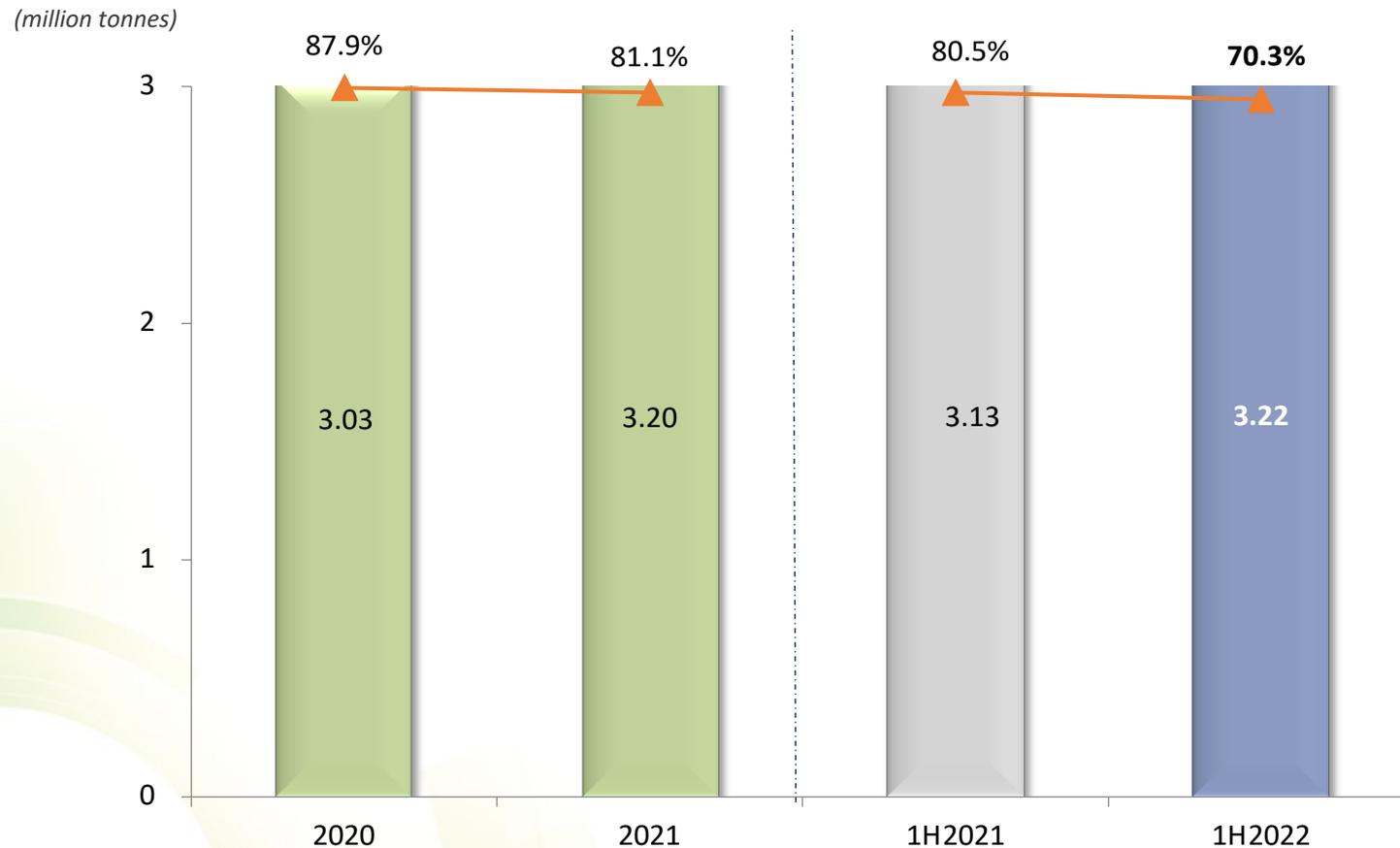
Overall

GP margin



Plastic piping systems business: production capacity & utilization rate

Annual designed production capacity & average utilization rate



Plastic piping systems business

Further expand the piping business

- ❖ Doubled down on its collaboration with leading central government-owned enterprises and state-owned enterprises in the infrastructure sector
- ❖ Proactively invested in national projects of strategic importance and urban redevelopment projects

Strengthen smart manufacturing and actively integrate resources in the upstream and downstream of the entire value chain of the industry

- ❖ Expanded its automated and smart production
- ❖ Focused on investing in the construction of smart factories

Response to the state's dual carbon strategy

- ❖ Built a comprehensive green manufacturing system focused on low energy consumption and high energy efficiency
- ❖ Guangdong Liansu Technology Industrial Co., Ltd. (廣東聯塑科技實業有限公司) was successfully selected as the 2021 National Green Factory

Broaden the scope of application of plastic pipes and pipe fittings

- ❖ Actively extended into the agriculture and marine aquaculture
- ❖ Enriched income sources, expanded market share and boosted sales growth



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



Expand overseas markets with a focus on the Southeast Asia

- ❖ Phase 1 of production base in Indonesia put into operation and will build additional production lines to expand the production capacity in the 2H 2022
- ❖ Speed up the transformation of the production base in Cambodia and scheduled for commencement in 2023
- ❖ Steadily push forward with the construction of production bases in Thailand, Malaysia, Philippines and Bangladesh

Develop new products and technologies that accommodate market demands

- ❖ Developed new business segment of stainless steel pipe products by continuing to double down on its promotion efforts to seize opportunities for development
- ❖ Factory in Foshan carries out mass production of stainless steel pipe products, with an annual production capacity of 450 tons



Fully grasp the “new type of infrastructure” opportunities

- ❖ Further develop the market for plastic piping systems and accelerate the development of the market for smart pipeline network
- ❖ Keep on seeking strategic partners

Building materials and home improvement business



- ❖ During the reporting period, the building materials and home improvement business recorded a revenue of RMB1,219 million

Diversified customer portfolio

- ❖ Shifted the focus of its business to infrastructure projects which were mainly undertaken by the government and funded by state-owned capital
- ❖ Further strengthened the relationship with premium real estate companies as its existing customers
- ❖ Explored the possibility of cross-sector collaboration with various industries

Continue to explore a wider home improvement market

- ❖ Proactively established a number of home improvement boutique stores
- ❖ Enabled its building materials and home improvement business to scale new heights in its development through boutique stores and corresponding sales channels

Signed strategic cooperation agreements

- ❖ Co-operated with a B2B building materials procurement and trading platform to provide customers with more comprehensive, better and efficient services through its new model of synergistic development in combination with the social services enabled by the real estate sector's supply chain
- ❖ Co-operated with a well-known supply chain enterprise on the product supply side, aiming to develop joint venture projects focused on the building materials supply chain based on the government platform

Give full play to the synergy between various businesses

- ❖ Increase investment in scientific research, cultivate technical talents, establish product research and development centers that are technology-driven to innovate and upgrade eco-friendly products, so as to advance the healthy development of the supply chain

Environmental protection business

- ❖ In the 1H 2022, revenue from environmental protection business amounted to RMB 144 million
- ❖ Successfully secured leading enterprises as new customers, including one in the domestic beverage industry with whom the Group signed contracts to undertake several wastewater treatment projects
- ❖ Secured projects in the areas of watershed water environment, ecology and water environment, and treatment of aquaculture sewage respectively through internal or external cooperation, thus aligning its development with national policies
- ❖ Completed construction of new facilities for the comprehensive utilization of renewable resources in the processing industry in Foshan City and Yueyang city, respectively
- ❖ Will increase efforts to develop the markets of Hunan, Jiangxi and Guangxi in the 2H 2022, and use resources to explore the markets of Xinjiang and Henan. As for the markets of Guangdong Province, the Group will focus on exploring the markets of such cities as Yunfu, Meizhou and Huizhou with a view to gaining greater market shares

Business Scope



Water Treatment



Solid Waste Disposal



Technology Consulting & Environmental Monitoring Service



Waste Gas Treatment



Soil Remediation



Scientific Research Service

Supply chain service platform business

- ❖ Recorded revenue of RMB 483 million during the reporting period
- ❖ Acquired an internet technology company focusing on cross-border e-commerce services, Shenzhen EDA Cloud Technologies Co., Ltd. (“EDA”), further broadened its supply chain service platform business and recorded an increase in revenue
- ❖ Current malls in four Southeast Asian countries, including Bangkok in Thailand, Tangerang in Indonesia, Yangon in Myanmar, and Phnom Penh in Cambodia, successively opened at the end of 2021, generating stable income from leasing and management fees to the Group
- ❖ Plan to further expand its distribution network in Southeast Asia and seize the business opportunities by driving its long-term development according to the Group’s business plan



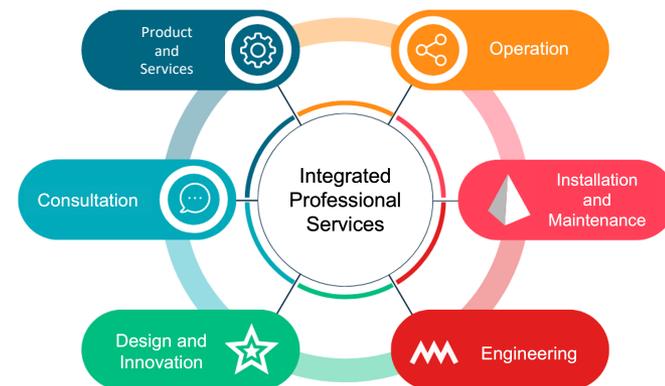
Photovoltaic business

Successful Green Transformation Expands New Business Sectors

- ❖ Announced the establishment of Lesso Banhao in early January, aiming to fully enter the photovoltaic industry
- ❖ Actively adopted domestically and internationally advanced equipment while constantly developing new technologies
- ❖ Provide an integrated energy solution for global industrial and commercial enterprises and households
- ❖ Create strong synergy with existing businesses and sales channels

Provide an array of more diverse green products and services

- ❖ Sell building-applied photovoltaics (“BAPV”) solutions to existing customers
- ❖ First photovoltaic production line started a trial run in April
- ❖ Established a proven system and is signing contracts over orders for its products
- ❖ Actively invested in R&D with the aim of developing market-leading BIPV products and solutions, expected to be launched by the end of 2022
- ❖ Actively developed business partnerships and entered into strategic cooperation with state-owned institutions and private enterprises



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Future prospect

Tap huge local demand of the regional's markets and capitalise on the local infrastructure development

- Focus on Southeast Asia Region
- Committed to scaling up its production
- New production bases in Indonesia and Cambodia are under planning
- Dedicated to develop malls in four Southeast Asian countries

Actively expand the business scope

- Conduct extensive strategic collaboration with different urban development departments, premium central government-owned enterprises and private enterprises
- Reinforce the interaction among businesses



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

- Actively upgrade production technology and equipment
- Adopt appropriate procurement strategy
- Control the costs of raw materials and production
- Maximise the benefits from economies of scale
- Enhance operational efficiency
- Optimise product portfolio and increase its market share

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 industry transformation and upgrading to offer a diverse range of high-quality products to the customers and actively expand its market network

Q&A



Appendix: financial summary

Statement of profit and loss (RMB million)

	2020	2021	1H2021	1H2022
Revenue	28,073	32,058	14,723	14,890
Gross profit	8,384	8,448	4,374	3,943
EBITDA	6,195	5,720	3,133	2,847
EBIT	5,189	4,353	2,516	1,820
Net profit	3,757	3,019	1,779	1,302

Statement of financial position (RMB million)

	2020	2021	1H2021	1H2022
Cash & bank deposits	7,447	7,646	8,286	5,581
Total assets	46,528	54,483	52,216	53,164
Total debts	16,236	18,276	18,977	17,508
Total equity	20,354	21,807	21,143	21,795

Ratio analysis

Profit ratio (%)	2020	2021	1H2021	1H2022
Gross profit margin	29.9%	26.4%	29.7%	26.5%
EBITDA margin	22.1%	17.8%	21.3%	19.1%
EBIT margin	18.5%	13.6%	17.1%	12.2%
Net profit margin	13.4%	9.4%	12.1%	8.7%
Growth rate (%)				
Revenue	6.6%	14.2%	28.1%	1.1%
Gross profit	11.2%	0.8%	29.4%	-9.9%
EBITDA	11.5%	-7.7%	28.1%	-9.1%
EBIT	13.8%	-16.1%	28.0%	-27.7%
Net profit	24.1%	-19.7%	28.3%	-26.8%
Liability ratio (times)				
EBITDA/ financing costs	14.21x	10.47x	12.24x	10.86x
Total debts/ (total debts + total equity)	44.4%	45.6%	47.3%	44.5%

Appendix: layout of production bases

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

