CHINA LIANSU GROUP HOLDINGS LIMITED
中國聯塑集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2128)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2011.

Highlights

Compared to the corresponding period in 2010:

- Revenue grew by 37.4% to RMB4,565 million
- Gross profit increased by 22.4% to RMB1,080 million; EBITDA improved by 14.4% to RMB783 million
- Profit attributable to owners of the Company increased by 11.0% to RMB536 million; basic earnings per share amounted to RMB0.18

Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 June 2011

	Notes	**Six months ended 30 June** **2011** **RMB'000** **(Unaudited)**	2010 RMB'000 (Audited)
REVENUE	3	**4,564,880**	3,323,021
Cost of sales		**(3,485,246)**	(2,441,035)
Gross profit		**1,079,634**	881,986
Other revenue, income and gains	3	**36,396**	15,564
Selling and distribution costs		**(182,026)**	(130,345)
Administrative expenses		**(142,043)**	(100,462)
Other expenses		**(87,351)**	(36,754)
Finance costs	4	**(32,778)**	(31,725)
PROFIT BEFORE TAX	5	**671,832**	598,264
Income tax expense	6	**(136,080)**	(115,695)
PROFIT FOR THE PERIOD		**535,752**	482,569
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(10,463)**	(383)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**525,289**	482,186
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		**RMB0.18**	RMB0.21
Diluted		**RMB0.17**	RMB0.21

Condensed Consolidated Statement of Financial Position
30 June 2011

	Notes	**As at 30 June 2011 RMB'000 (Unaudited)**	As at 31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,989,581**	1,705,918
Prepaid land lease payments		**247,069**	248,612
Other intangible assets		**2,970**	2,281
Deposits paid for the purchase of land, property, plant and equipment		**69,137**	55,056
Deferred tax assets		**2,200**	2,295
Total non-current assets		**2,310,957**	2,014,162
CURRENT ASSETS			
Inventories		**1,498,715**	1,139,452
Trade and bills receivables	9	**894,211**	681,415
Prepayments, deposits and other receivables		**360,596**	270,435
Restricted cash		**11,581**	23,044
Cash and cash equivalents		**2,291,151**	1,500,292
Total current assets		**5,056,254**	3,614,638
CURRENT LIABILITIES			
Trade and bills payables	10	**203,865**	242,760
Other payables and accruals		**522,419**	439,758
Bank loans and other borrowings	11	**303,301**	630,326
Tax payable		**71,473**	94,900
Total current liabilities		**1,101,058**	1,407,744
NET CURRENT ASSETS		**3,955,196**	2,206,894
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,266,153**	4,221,056

	Notes	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	11	**1,911,914**	154,000
Deferred tax liabilities		**72,660**	44,778
Deferred income		**22,966**	17,827
Total non-current liabilities		**2,007,540**	216,605
Net assets		**4,258,613**	4,004,451
EQUITY			
Issued capital	12	**131,430**	131,297
Reserves		**4,127,183**	3,570,128
Proposed final dividend		**—**	303,026
Total equity		**4,258,613**	4,004,451

Notes

1.1 BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These unaudited condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 1.2 below.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited condensed consolidated financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 *Limited Exemption from Comparative - HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (as revised in 2009)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of plastic pipes and pipe fittings. For management purposes, the Group's businesses are organised by geographical areas based on the location of the customers and assets are attributable to the geographical unit based on the location of the assets. The Group has eight reportable operating segments as follows:

(a) Southern China, including Guangdong Province, Guangxi Zhuang Autonomous Region, Hunan Province, Fujian Province and Hainan Province;

(b) Southwestern China, including Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province and Xizang (Tibet) Autonomous Region;

(c) Central China, including Hubei Province, Jiangxi Province and Henan Province;

(d) Eastern China, including Shanghai Municipality, Jiangsu Province, Zhejiang Province and Anhui Province;

(e) Northern China, including Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province, Inner Mongolia Autonomous Region and Shanxi Province;

(f) Northwestern China, including Shaanxi Province, Ningxia Hui Autonomous Region, Qinghai Province, Gansu Province and Xinjiang Uygur Autonomous Region;

(g) Northeastern China, including Liaoning Province, Jilin Province and Heilongjiang Province; and

(h) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, finance costs and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, restricted cash, cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment revenues are eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue from external customers is derived from its operations both in the PRC and foreign countries.

During the six months ended 30 June 2011 and 2010, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

	Southern China RMB'000 (Unaudited)	Southwestern China RMB'000 (Unaudited)	Central China RMB'000 (Unaudited)	Eastern China RMB'000 (Unaudited)	Northern China RMB'000 (Unaudited)	Northwestern China RMB'000 (Unaudited)	Northeastern China RMB'000 (Unaudited)	Outside China RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Six months ended 30 June 2011										
Segment revenue:										
Sales to external customers	3,110,957	413,277	368,010	198,485	276,608	93,278	73,541	30,724	—	4,564,880
Intersegment sales	341,249	98,227	110,816	18,932	60,913	6,644	10,632	23,876	(671,289)	—
Total	3,452,206	511,504	478,826	217,417	337,521	99,922	84,173	54,600	(671,289)	4,564,880
Segment results	**776,427**	**111,421**	**142,771**	**37,092**	**60,999**	**22,268**	**15,822**	**8,059**	**(95,225)**	**1,079,634**
Reconciliations:										
Unallocated income and expenses										(380,699)
Bank interest income										5,675
Finance costs										(32,778)
Profit before tax										671,832
Other segment information:										
Depreciation and amortisation	38,521	7,956	12,632	4,911	8,775	2,566	2,154	1,141	—	78,656
Reversal of impairment of trade receivables	—	—	(713)	—	—	—	—	—	—	(713)
Write-back of inventories to net realisable value	(488)	—	—	—	—	—	—	—	—	(488)
Capital expenditure*	187,828	26,935	45,697	20,702	18,810	29,372	40,281	—	(7,708)	361,917
As at 30 June 2011										
Segment assets	**2,890,038**	**348,242**	**623,642**	**260,325**	**440,270**	**223,126**	**254,448**	**8,350**	**—**	**5,048,441**

* Capital expenditure consists of additions of property, plant and equipment, prepaid land lease payments and other intangible assets.

	Southern China RMB'000 (Audited)	Southwestern China RMB'000 (Audited)	Central China RMB'000 (Audited)	Eastern China RMB'000 (Audited)	Northern China RMB'000 (Audited)	Northwestern China RMB'000 (Audited)	Northeastern China RMB'000 (Audited)	Outside China RMB'000 (Audited)	Eliminations RMB'000 (Audited)	Consolidated RMB'000 (Audited)
Six months ended 30 June 2010										
Segment revenue:										
Sales to external customers	2,277,690	330,086	255,000	122,260	205,270	72,756	39,938	20,021	—	3,323,021
Intersegment sales	335,998	74,483	101,670	11,429	44,844	4,134	5,006	1,242	(578,806)	—
Total	2,613,688	404,569	356,670	133,689	250,114	76,890	44,944	21,263	(578,806)	3,323,021
Segment results	650,333	109,141	101,492	21,135	47,574	21,839	9,146	2,616	(81,290)	881,986
Reconciliations:										
Unallocated income and expenses										(254,092)
Bank interest income										2,095
Finance costs										(31,725)
Profit before tax										598,264
Other segment information:										
Depreciation and amortisation	30,571	5,241	4,686	3,970	6,778	977	1,399	841	—	54,463
Impairment of trade receivables, net	8,199	(739)	711	—	—	—	—	—	—	8,171
Write-back of inventories to net realisable value	(132)	—	—	—	—	—	—	—	—	(132)
Capital expenditure*	84,444	17,391	30,071	9,017	16,634	25,017	10,639	21	(6,194)	187,040
As at 31 December 2010										
Segment assets	2,399,681	284,771	523,583	196,153	330,929	164,553	184,994	3,706	—	4,088,370

* Capital expenditure consists of additions of property, plant and equipment, prepaid land lease payments and other intangible assets.

3. REVENUE, OTHER REVENUE, INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts (net of value-added tax) during the period.

An analysis of the Group's revenue, other revenue, income and gains is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue		
Sale of goods	**4,564,880**	3,323,021
Other revenue, income and gains		
Gross rental income from leasing of properties	**569**	706
Gain on sale of raw materials	**2,342**	750
Income from the provision of utilities	**2,079**	2,152
Bank interest income	**5,675**	2,095
Government grants and subsidies	**4,016**	1,998
Others	**21,715**	7,863
	36,396	15,564

Government grants and subsidies represented funding received from government authorities to support certain of the Group's research and development activities. There are no unfulfilled conditions or contingencies related to these grants and subsidies.

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest on:		
Bank loans	**11,159**	31,725
Senior notes	**21,619**	—
	32,778	31,725

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of inventories sold	**3,485,734**	2,441,167
Depreciation	**75,880**	51,866
Amortisation of prepaid land lease payments	**2,407**	2,440
Amortisation of other intangible assets	**369**	157
Research and development costs*	**86,109**	24,630
(Gain)/loss on disposal of items of property, plant and equipment	**(24)**	1,190
Equity-settled share option expense	**27,072**	6,861
Foreign exchange difference, net	**(18,708)**	372
(Reversal of impairment)/impairment of trade receivables*	**(713)**	8,171
Write-back of inventories to net realisable value	**(488)**	(132)

* Research and development costs and the reversal of impairment/impairment of trade receivables are included in "Other expenses" in the condensed consolidated statement of comprehensive income.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current - PRC		
Charge for the period	**108,103**	93,895
Overprovision in the prior year	—	(5,507)
Deferred	**27,977**	27,307
Total tax charge for the period	**136,080**	115,695

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2010: Nil).

PRC corporate income tax

The Group's income tax provision in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for the six months ended 30 June 2011 and 2010, based on the existing legislation, interpretations and practices in respect thereof.

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**535,752**	482,569
	Number of Shares	
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	**3,000,086,426**	2,279,005,525
Effect of dilution - weighted average number of ordinary shares: share options	**84,385,327**	1,243,738
	3,084,471,753	2,280,249,263

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2011 includes 3,000,000,000 ordinary shares in issue as at 31 December 2010 and 86,426 shares derived from the weighted average of 3,191,450 ordinary shares issued upon the exercise of share options.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2010 comprised the following:

(i) 29,005,525 shares derived from the weighted average of 750,000,000 ordinary shares issued upon the listing of the Company's shares on the Stock Exchange on 23 June 2010; and

(ii) the pro forma issued share capital of the Company as at 31 December 2009 of 2,250,000,000 ordinary shares.

9. TRADE AND BILLS RECEIVABLES

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Trade receivables	**897,159**	675,099
Bills receivable	**870**	10,847
Less: Provision for impairment	**(3,818)**	(4,531)
	894,211	681,415

The Group's major customers are independent distributors, civil contractors, property developers, utility companies and municipalities in Mainland China. Depending on the market condition, marketing tactics and relationships with customers, the Group's trading terms with its independent distributors may change from settlement on an advance receipt basis to giving a credit period of generally one month or more, if appropriate. The Group does not have a standardised and universal credit period granted to the non-distributor customers. The credit period of an individual non-distributor customer is considered on a case-by-case basis and is set out in the sales contracts, as appropriate. Sales to small, new, or short-term customers are normally expected to be settled on an advance receipt basis or shortly after the goods delivery. No credit term period is set by the Group for small, new and short-term customers.

Trade and bills receivables are unsecured and interest-free.

An aged analysis of the trade and bills receivables of the Group, based on the invoice date and net of provisions, is as follows:

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Within 3 months	**806,785**	592,908
4 to 6 months	**26,270**	51,072
7 to 12 months	**48,992**	19,926
1 to 2 years	**11,684**	16,029
2 to 3 years	**480**	1,480
	894,211	681,415

10. TRADE AND BILLS PAYABLES

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Trade payables	**148,964**	221,355
Bills payable	**54,901**	21,405
	203,865	242,760

The trade payables are interest-free. The average credit period for trade purchases is 30 to 90 days.

An aged analysis of the trade and bills payables of the Group, based on the invoice date, is as follows:

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Within 3 months	**200,940**	240,190
4 to 6 months	**825**	1,473
7 to 12 months	**1,322**	596
1 to 2 years	**591**	327
2 to 3 years	**16**	11
Over 3 years	**171**	163
	203,865	242,760

11. BANK LOANS AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	**As at 30 June 2011 RMB'000 (Unaudited)**	Effective interest rate (%)	Maturity	As at 31 December 2010 RMB'000 (Audited)
Current						
Secured bank loans	2.75-5.60	2011-2012	**197,055**	5.30-5.94	2011	178,000
Unsecured bank loans	3.45-5.40	2011	**106,246**	1.67-5.40	2011	452,326
			303,301			630,326
Non-current						
Secured bank loans	5.40	2013	**28,000**	5.40	2012	104,000
Unsecured bank loans			**—**	5.40	2013	50,000
Senior notes	8.63	2016	**1,883,914**			—
			1,911,914			154,000
			2,215,215			784,326

Notes:

(a) As at 30 June 2011, the secured bank loans are secured by the pledge of:

(i) the Group's certain buildings with an aggregate carrying amount of RMB34,134,000 (31 December 2010: RMB354,074,000); and

(ii) the Group's certain machinery and equipment with an aggregate carrying amount of RMB87,663,000 (31 December 2010: RMB120,990,000).

As at 31 December 2010, certain secured bank loans of the Group were also secured by the prepaid land lease payments with an aggregate carrying amount of RMB23,144,000.

(b) On 13 May 2011, the Company issued senior notes with an aggregate principal amount of US$300,000,000 (approximately RMB1,950,022,000 equivalent). The senior notes are listed on the Singapore Exchange Securities Trading Limited. The senior notes carry interest at 7.875% per annum, payable semi-annually in arrears on 13 May and 13 November, and will mature on 13 May 2016 unless redeemed earlier. The Company can at its option redeem all or a portion of the senior notes at any time prior to the maturity date in accordance with the purchase agreement.

The senior notes are guaranteed by certain of the Company's subsidiaries and secured by a first-priority fixed charge over the shares of those subsidiaries providing such guarantee.

As at 30 June 2011, the fair value of the senior notes based on the quoted market price was US$291,000,000 (approximately RMB1,882,940,000 equivalent).

12. SHARE CAPITAL

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Authorised:		
20,000,000,000 ordinary shares (31 December 2010: 20,000,000,000 shares) of HK$0.05 each	**HK$1,000,000,000**	HK$1,000,000,000
Issued and fully paid:		
3,003,191,450 ordinary shares (31 December 2010: 3,000,000,000 shares) of HK$0.05 each	**HK$150,160,000**	HK$150,000,000
Equivalent to	**RMB131,430,000**	RMB131,297,000

Pursuant to the exercise of the share options at the exercise price of HK$1.82 each granted by the Company, the Company issued a total of 3,191,450 ordinary shares of HK$0.05 each for a total cash consideration, before expenses, of approximately HK$5,808,000 (approximately RMB4,827,000 equivalent) during the period. The shares issued during the period rank pari passu in all respects with the then existing shares of the Company.

13. COMMITMENTS

The Group's capital expenditure in respect of the acquisition of land, property, plant and equipment is as follows:

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Contracted, but not provided for	**338,948**	138,459

BUSINESS REVIEW AND ANALYSIS

OVERVIEW

As the largest manufacturer of plastic pipes and pipe fittings in China in terms of sales revenue, the Group has been providing a comprehensive range of plastic pipes and pipe fittings for customers. The Group's products are widely used in seven major areas namely water supply, drainage, power supply and telecommunications, gas supply, agriculture, floor heating and fire prevention. The Company is headquartered in Shunde, Guangdong Province with 13 production bases covering different parts of China and a nationwide sales network. China Liansu is a one-stop solution provider of consultation, design, application and after-sales services. Through participations on the projects in early stage, the Group provides assistance for customers to formulate plans to achieve desirable long-term goals.

Analysis on Market Condition

Looking back to the first half of 2011, in order to maintain the steady development of domestic economy, under the aftermath of uncertainties in the global economic condition, the Chinese government continuously introduced various measures to expand domestic demands. On the other hand, given comparatively higher inflation level in the first half of 2011, the Chinese government strived to improve people's living and implemented various relief or beneficial measures such as rural urbanisation, water conservancy reform and affordable housing construction. Various policies aimed to expand domestic demands and maintain people's living standards have brought substantial business opportunities for the development of the plastic pipe industry.

The Chinese government began to implement the "12th Five-Year Plan" in 2011 and will put great efforts on the rural urbanisation. With the acceleration of urbanisation, where the urban population is expected to increase from 47.5% in 2010 to 51.5% in 2015, the demands for infrastructure construction is expected to increase thereby, driving the demands for plastic pipes. In addition, in order to ensure that the construction of affordable housing will be completed as scheduled, the Chinese government has issued notice allowing the issue of municipal bonds and to apply the proceeds to finance the construction of local affordable housing as a priority, from which the pipe industry is expected to be further benefited.

The State Council's Decision on Accelerating Water Conservancy Reform and Development (the " No.1 Circular")《關於加快水利改革發展的決定》states that construction of water conservancy infrastructure will be fully accelerated and funds will be applied to establish a steady growth mechanism for water conservancy reform, including rural water-saving irrigation, water safety, urban water supply, sewage treatment system construction, all of which are sectors with key governmental policies support. Moreover, the new types of construction material products will be prioritised by the Chinese government and demands trend of "replacing steel with plastics" in the industry will be enhanced, which brings ongoing growth drivers for demands for the Group's products and long-term business development.

BUSINESS DEVELOPMENT

Grasping the Business Opportunities and Actively Expanding Production Scale

With the Chinese government's support for urbanisation and accelerated development of water conservancy reform, plastic pipes market maintains the growth trend and construction of various projects are commenced rapidly. To grasp current business opportunities, the Group continuously expands production capacities, strengthens and refines sales network to improve competiveness and consolidate market position. The Group recorded a substantial increase in revenue in the first half of 2011, demonstrating overall good profitability and making customers and investors more confident in the Group.

Under the Group's well established production capacities expansion plan, the production base in Changchun was commissioned in the second quarter of 2011. In addition, the production base in Urumqi was commissioned in the fourth quarter of 2010 to meet the demand brought forth by the development of the local market.

During the Period under review, the Group's operating and financial performance was steady. Turnover was RMB4,565 million, representing an increase of RMB1,242 million or 37.4% over the corresponding period in 2010. Gross profit for the six months ended 30 June 2011 was RMB1,080 million, representing an increase of 22.4% over the corresponding period in 2010. Basic earnings per share amounted to RMB0.18 for the first half of 2011.

The table below sets out the breakdown of sales volume, revenue and average selling price by product materials for the six months ended 30 June 2011 and 30 June 2010:

	2011			2010			Change in		
	Sales volume Tonne	**Revenue RMB' million**	**Average selling price RMB**	Sales volume Tonne	Revenue RMB' million	Average selling price RMB	Sales volume (%)	Revenue (%)	Average selling price (%)
Plastic pipes and pipe fittings									
- PVC[1]	**336,006**	**2,946**	**8,768**	277,181	2,199	7,933	21.2	34.0	10.5
- Non-PVC[2]	**95,187**	**1,465**	**15,391**	73,660	1,077	14,621	29.2	36.0	5.3
	431,193	**4,411**	**10,230**	350,841	3,276	9,338	22.9	34.6	9.6
Others[3]	**N/A**	**154**	**N/A**	N/A	47	N/A	N/A	227.7	N/A
Total	**431,193**	**4,565**	**N/A**	350,841	3,323	N/A	N/A	37.4	N/A

Note[1] "PVC", a type of material used in the manufacture of plastic pipes with high mechanical strength and hardness.

Note[2] "Non-PVC" plastic pipes and pipe fittings mainly refer to those made of PE and PP-R.

Note[3] "Others" include ancillary and other materials. Sales volumes for "Others" are measured in units rather than tonnes and the size of the units between different products may vary.

The steady growth in the Group's revenue was mainly attributable to the increase in sales driven by the increasing market demand from the intensified housings and water conservancy infrastructure investment by the Chinese government and the increased production capacity from the production bases to cope with the vast demands for products from existing customers. Total sales of plastic pipes and pipe fittings in the first half of 2011 was approximately 431,000 tonnes, an increase of approximately 80,000 tonnes or 22.9% over the first half of 2010.

The average selling prices of plastic pipes and pipe fittings amounted to RMB10,230 per tonne in the first half of 2011, representing an increase of approximately 9.6% from RMB9,338 per tonne in the first half of 2010. The average cost of sales of pipes and pipe fittings amounted to RMB7,898 per tonne in the first half of 2011, representing an increase of approximately 13.5% from RMB6,958 per tonne in the first half of 2010.

The table below sets out the details of the revenue from plastic pipes and pipe fittings by product for the six months ended 30 June 2011 and 30 June 2010:

	2011		2010	
		% of		% of
	RMB'million	**total revenue**	RMB'million	total revenue
Water supply	**1,735**	**39.3%**	1,288	39.3%
Drainage	**1,595**	**36.2%**	1,238	37.8%
Power supply and telecommunication	**813**	**18.4%**	595	18.2%
Gas supply	**49**	**1.1%**	40	1.2%
Others[(1)]	**219**	**5.0%**	115	3.5%
Total	**4,411**	**100.0%**	3,276	100.0%

Note[(1)] "Others" include agricultural use, floor heating and fire prevention.

The Group has highly diversified products and manufactures the most comprehensive range of plastic pipes and pipe fittings. The applications of plastic pipes and pipe fittings in water supply, drainage, power supply and telecommunication are still the major sources of the Group's revenue, which accounted for 93.9% of total revenue from plastic pipes and pipe fittings.

Our Economies of Scale Enabling a Sustainable Growth of Gross Profit

Due to our industry-leading position, the Group enjoys economies of scale, which enabled us to maintain our gross profit margin at a healthy and reasonable level of 23.7% in the first half of 2011 (the first half of 2010: 26.5%) in spite of rising raw material prices.

Continuous Technological Innovations and Active Exploration of New Material Products

The Group has been placing great emphasis on the combination of production and research , and has cooperated with various domestic scientific research colleges and institutions to develop scientific research projects. The Group has a high quality R&D team and well-equipped R&D site, and actively established various enterprise R&D centers.

As at 30 June 2011, the Group held 255 patents and has applied for additional 319 patents. As a national high and new technology enterprise, the Group has undertook a number of national and province-level scientific and technologic projects, obtained a series of scientific and technologic results and patents, and its R&D capacities has been recognised by national and various province-level authorities, which significantly enhances customers' and cooperating parties' confidence.

During the Period under review, the Group focused its R&D efforts on high performance, low-energy consumption and eco-friendly products, including the following:

1. Same-floor drainage system

2. Metal-plastic composite pipe system

3. Solar heat collection pipes

4. Water saving irrigation system

In terms of materials, the Group's products include not only plastic pipes made of commonly used materials like PVC-U and PE, but also those made of special materials such as PVC-M, CPVC, PE-RT and PB and metal-plastic composite.

Strong and Secure Foothold in Southern China with Satisfactory Expansion into other Regional Markets

The Group owns in total 13 commissioned production bases for plastic pipes and pipe fittings, which are strategically located throughout China, effectively covering our nationwide sales network. They are also closed to targeted markets and potential customers, thereby reducing transportation costs. Currently, Southern China region is the Group's major market and accounted for 68.1% of total sales in the first half of 2011, while Southwestern China and Central China regions accounted for 9.0% and 8.1% of total sales.

The table below sets out the details of the revenue by sales region for the six months ended 30 June 2011 and 30 June 2010:

	2011		2010	
Region[1]	**RMB' million**	**% of total revenue**	RMB' million	% of total revenue
Southern China	**3,111**	**68.1%**	2,278	68.5%
Southwestern China	**413**	**9.0%**	330	9.9%
Central China	**368**	**8.1%**	255	7.7%
Eastern China	**198**	**4.3%**	122	3.7%
Northern China	**277**	**6.1%**	205	6.2%
Northwestern China	**93**	**2.1%**	73	2.2%
Northeastern China	**74**	**1.6%**	40	1.2%
Outside China	**31**	**0.7%**	20	0.6%
Total	**4,565**	**100.0%**	3,323	100.0%

Note[1] The details of the scope of coverage of each region are set out in note 2 to this announcement.

In order to meet domestic needs for plastic pipes driven by the rapid development of projects such as urbanisation, housing, water conservancy and sewage treatment in different provinces, the Group has been devoted to expanding the production capacities of existing plants and constructing production bases to further improve national deployment and increase overall output.

The Group has expanded the coverage of sales network to Western China and Northern China regions . The Group has 980 independent distributors in the first half of 2011, which successfully cover customers throughout China. The Group will continue to increase marketing efforts to further expand customer base, consolidate market position and increase market share.

REVIEW ON FINANCIAL PERFORMANCE

Other Revenue, Income and Gains

Other revenue, income and gains amounted to RMB36 million for the first half of 2011, representing an increase of 133.8% for the first half of 2010. The increase was primarily attributable to the increase in exchange gain, interest received from banks, government grants and subsidies.

Selling and Distribution Costs

Selling and distribution costs for the first half of 2011 rose by 39.6% to RMB182 million as compared with the first half of 2010 due to the increase in salaries paid to sales staff, marketing related expense and packaging costs resulting from the growth in sales.

Administrative Expenses

Administrative expenses for the first half of 2011 rose by 41.4% to RMB142 million as compared with the first half of 2010, primarily as a result of the increase in salaries and benefits of administrative staff, increase of depreciation on property, plant and equipment and increase in recognition of equity-settled share option expense.

Other Expenses

Other expenses for the first half of 2011 rose by 137.7% to RMB87 million as compared with the first half of 2010, primarily due to our commitment on research and development.

Finance Costs

Finance costs amounted to RMB33 million, representing an increase of 3.3% as compared with the first half of 2010, primarily due to the additional interests incurred by the new senior notes issued in the first half of 2011.

Income Tax

Income tax represented amounts of PRC CIT paid by the Group, as the Group is not subject to any profits or income tax in the Cayman Islands and the British Virgin Islands, and did not generate any assessable profits arising in Hong Kong during the Period. The Group's effective tax rate increased from 19.3% in the first half of 2010 to 20.3% in the first half of 2011 mainly due to the fact that the tax holiday of certain subsidiaries of the Group expired during the Period.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company amounted to RMB536 million, representing an increase of 11.0% from RMB483 million for the first half of 2010.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING ("IPO")

The net proceeds from the Company's IPO in June 2010 after deducting the relevant expenses were approximately HK$1,860 million (approximately RMB1,629 million equivalent).

Up to 30 June 2011, approximately HK$1,340 million of the net proceeds of the IPO has been applied in accordance with the Results of Allocation Announcement dated 22 June 2010 (the "Announcement"). The unutilised balance has been deposited with financial institutions and will be applied in the manner as stated in the Announcement.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to adopt prudent financial policies. Finance, fund utilization and fundraising activities are subject to effective centralized management and supervision. The Group maintains reasonable gearing level and adequate liquidity.

As at 30 June 2011, the Group had total debts of approximately RMB2,215 million (31 December 2010: RMB784 million), of which 11.3% was denominated in Renminbi, 86.4% was denominated in U.S. dollars and 2.3% was denominated in Hong Kong dollars. Other than the US$300 million 7.875% senior notes due 2016, the Group's borrowings are subject to floating rates ranging from 2.75% to 5.60% per annum with maturity periods ranging from within one year to two years.

As at 30 June 2011, the Group's current assets and current liabilities were approximately RMB5,056 million and RMB1,101 million respectively. The current ratio (that is, the ratio of current assets over current liabilities) and the quick ratio (that is, the ratio of current assets less inventories over current liabilities) of the Group rose to 4.59 and 3.23 from 2.57 and 1.76 as at 31 December 2010 respectively. The Group's total equity increased to approximately RMB4,259 million (31 December 2010: RMB4,004 million). The Group's gearing ratio (calculated based on the basis of the total debts over total assets) stood at a healthy level of 30.1% as compared to 13.9% as at 31 December 2010 due to net effect of issuance of senior notes and repayment of bank loans during the Period.

With cash and bank balances, including restricted cash, of approximately RMB2,303 million (31 December 2010: RMB1,523 million) as well as unutilised banking facilities, the directors consider that the Group has sufficient working capital for its operation and future development.

CHARGE ON ASSETS

As at 30 June 2011, the Group's certain property, plant and equipment with an aggregate carrying amount of approximately RMB122 million were pledged to certain banks to secure bank borrowings granted to the Group. The Company's shares of certain subsidiaries organised outside the PRC were pledged as securities for issuance of senior notes.

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings are mainly denominated in US dollars but its cash flow is generated from operations whose earnings were denominated principally in Renminbi. As a result, the appreciation of Renminbi contributed to the Group's results for the six months ended 30 June 2011. Save for the aforesaid, the Group has no significant exposure to foreign exchange fluctuation and no hedging has been arranged on the abovementioned exposure.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2011.

HUMAN RESOURCES

As at 30 June 2011, the Group employed a total of approximately 7,200 employees (30 June 2010: approximately 7,000 employees) including directors. Total staff costs were RMB165 million (six months ended 30 June 2010: RMB128 million) for the Period. The employees are remunerated based on their work performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme for its employees in Hong Kong and to the pension scheme for its employees in Mainland China.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

PROSPECTS

It is expected that the PRC government will continue to implement austerity measures against the property market in the second half of 2011 and the credit and financing environment in the capital market will continue to be difficult, resulting in instability for the development of the property industry in the second half of 2011. As a leading manufacturer in the plastic pipe industry, the Group is nonetheless confident about its healthy and stable business development in the second half of 2011. By fully taking advantage of its own strengths, the Group will improve its overall competitiveness, promote its marketing initiatives and further consolidate and strengthen the Group's position in the industry.

Going forward, the Group will continue to consolidate its core competitive strengths and market leadership in the plastic pipe industry and strive to strengthen its leading position in the PRC plastic pipe industry. The Group will propel its on-going business growth by adopting the following three strategies:

(1) Expanding the nationwide sales network and refining the market: at the market the Group had a total of 980 independent distributors in the first half of 2011. In the future, the Group will greatly promote the development of its sales network, refine its targeted market and actively develop its next strategic sales structure. Besides continuing to expand its presence in Southern China, the primary market in which the Group operates, the Group will gradually increase its sales outside Southern China regions. While increasing the number of sales points, the Group will strengthen its marketing effort, carry out marketing activities targeting at targeted customers, further improve our brand recognition and expand our client base.

(2) Optimizing production capacities to meet increasing market demands: with the continuous development of China's economy, the acceleration of urbanisation and supported by various favorable policies, China's plastic pipe industry will maintain the strong and persisted growth trend. The Group will continue to expand production capacities to meet increasing market demands, and will commence the second phase construction plan of production base in a bid to further increase our market share and coverage. The Group's production base in Shaanxi is under construction and it is going to operate in the first half of 2012.

(3) Enhancement of R&D capacities: In 2011, the Group will continue to invest in R&D to improve production efficiencies, reduce production costs and enhance products' functions. The Group also plans to introduce new types of home building material products at appropriate time with a view to diversifying our product mix and making them a new driver of profit growth so as to continue to consolidate the Group's overall competiveness. At the same time, the Group will focus its efforts on R&D on the high performance, low-energy consumption, eco-friendly products in the area of water and gas supply and actively expand the range of eco-friendly products.

In the future, the Group will take advantage of its solid production base and outstanding innovation and R&D capacities to continuously increase market share, maintain strong market competiveness and bring returns to customers and investors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2011, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011. Such condensed consolidated financial statements have not been audited but have been reviewed by the Company's independent auditor, Ernst & Young in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphasizes on maintaining a Board with balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. In the opinion of the directors, the Company complied with all the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules during the Period.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.liansu.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2011 interim report will be despatched to the Company's shareholders and available on the above websites in due course.

By order of the Board
China Liansu Group Holdings Limited
Zuo Manlun
Chief Executive Officer

Hong Kong, 19 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. Wong Luen Hei, Mr. Zuo Manlun, Ms. Zuo Xiaoping, Mr. Lai Zhiqiang, Mr. Kong Zhaocong, Mr. Chen Guonan, Dr. Lin Shaoquan, Mr. Huang Guirong, Mr. Luo Jianfeng; the non-executive director of the Company is Mr. Lin Dewei; and the independent non-executive directors of the Company are Dr. Bai Chongen, Mr. Fung Pui Cheung and Mr. Wong Kwok Ho Jonathan.

GLOSSARY

"Board"	The Board of Directors of the Company
"CIT"	Corporate income tax
"Code"	The Code on Corporate Governance Practices
"Company" or "China Liansu"	China Liansu Group Holdings Limited（中國聯塑集團控股有限公司）
"CPVC"	Chlorinated PVC
"Group"	The Company and its subsidiaries
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange
"PB"	Polybutylene
"PE"	Polyethylene
"Period"	Six months ended 30 June 2011
"PE-RT"	PE of raised temperature resistance
"PP-R"	Polypropylene random
"PRC"	The People's Republic of China
"PVC"	Polyvinyl chloride
"PVC-M"	Modified high-resistance PVC
"PVC-U"	Unplasticized PVC
"State Council"	The State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements. These forward-looking statements include but not limited to statements related to gains and earnings, and "believe", "plan", "expect", "anticipate", "forecast", "estimate", "speculate", "firmly believe", "confident" and similar terms also represent forward-looking statements. Forward-looking statements are based on the beliefs, assumptions, expectations, estimates and forecasts of or made by the directors and management of China Liansu in accordance with the operations and the industry and the markets in which China Liansu is operating and are not historical facts.

The English text of this announcement shall prevail over the Chinese text in case of any inconsistency.

* *For identification purposes only*