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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 2010

Highlights

— Successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 June 2010

— Compared to the corresponding period last year;

- Revenue increased by 78.8% to RMB3,323 million
- Gross profit increased by 143.6% to RMB882 million
- Profit for the period attributable to ordinary equity holders of the Company increased by 189.2% to RMB483 million, outperforming the Profit Forecast of RMB435 million as stated in the prospectus dated on 9 June 2010
- Basic earnings per share were RMB0.21, increased by 200.0%

INTERIM RESULTS

The Board of Directors (the "Board") of China Liansu Group Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 (the "Period"), together with the comparative figures for the previous corresponding period as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2010

	Notes	Six months ended 30 June **2010** RMB'000	2009 RMB'000 (unaudited)
REVENUE	3	**3,323,021**	1,859,039
Cost of sales		**(2,441,035)**	(1,497,134)
Gross profit		**881,986**	361,905
Other revenue, income and gains	3	**15,564**	9,920
Selling and distribution costs		**(130,345)**	(83,610)
Administrative expenses		**(100,462)**	(53,546)
Other operating expenses, net		**(36,754)**	(11,029)
Finance costs	6	**(31,725)**	(16,718)
PROFIT BEFORE TAX	5	**598,264**	206,922
Income tax expense	7	**(115,695)**	(40,346)
PROFIT FOR THE PERIOD		**482,569**	166,576
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(383)**	183
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**482,186**	166,759
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**RMB0.21**	RMB0.07
Diluted		**RMB0.21**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2010

	Notes	**As at 30 June 2010 RMB'000**	As at 31 December 2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,434,834**	1,302,735
Prepaid land lease payments		**203,076**	205,516
Other intangible assets		**1,050**	1,138
Deposits paid for the purchase of property, plant and equipment		**102,168**	26,248
Deferred tax assets		**4,177**	7,314
Total non-current assets		**1,745,305**	1,542,951
CURRENT ASSETS			
Inventories		**951,947**	743,507
Trade and bills receivables	10	**604,219**	466,735
Prepayments, deposits and other receivables		**243,506**	257,938
Amounts due from related companies		**339**	720
Restricted cash		**172,902**	125,133
Cash and cash equivalents		**1,881,689**	361,767
Total current assets		**3,854,602**	1,955,800
CURRENT LIABILITIES			
Trade and bills payables	11	**357,429**	232,702
Other payables and accruals		**456,696**	501,547
Interest-bearing bank loans		**818,944**	427,527
Amount due to a director		**—**	263,798
Amounts due to related companies		**778**	15,693
Tax payable		**61,040**	73,770
Total current liabilities		**1,694,887**	1,515,037
NET CURRENT ASSETS		**2,159,715**	440,763
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,905,020**	1,983,714

	Note	**As at 30 June 2010 RMB'000**	As at 31 December 2009 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**485,690**	882,150
Deferred tax liabilities		**65,919**	41,749
Deferred income		**17,827**	17,827
Total non-current liabilities		**569,436**	941,726
Net assets		**3,335,584**	1,041,988
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**131,297**	352
Reserves		**3,204,287**	1,041,636
Total equity		**3,335,584**	1,041,988

NOTES:

1. Corporate Information

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Group is principally engaged in the manufacture and sale of plastic pipes and pipe fittings.

In the opinion of the directors of the Company, the ultimate holding company of the Company is New Fortune Star Limited ("New Fortune"), a limited liability company incorporated in the British Virgin Islands.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the"HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The accounting policies adopted in the preparation of the Group's consolidated interim financial statements are consistent with those set out in the accountants' report included therein the Company's prospectus dated 9 June 2010, except for the adoption of the new standards and interpretations mandatory as of 1 January 2010 as further explained in note 2.2 below. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 June 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 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 financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Item*s
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HKFRSs (Amendments)	Improvements to HKFRSs 2009

The adoption of these new and revised HKFRSs had no significant financial effects on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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 six months ended 30 June 2010 and 2009.

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(unaudited)
Revenue		
Sale of goods	**3,323,021**	1,859,039
Other revenue, income and gains		
Gross rental income from leasing of properties	**706**	1,239
Gain on sale of raw materials	**750**	3,023
Income from the provision of utilities	**2,152**	3,407
Bank interest income	**2,095**	426
Government grants and subsidies	**1,998**	1,262
Others	**7,863**	563
	15,564	9,920

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. 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 organized 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 interest income, finance costs and other unallocated operating income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, restricted cash, cash and cash equivalents, amounts due from related companies 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 2010 and 2009, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Operating segment information for the six months ended 30 June 2010

	Southern China RMB'000	Southwestern China RMB'000	Central China RMB'000	Eastern China RMB'000	Northern China RMB'000	Northwestern China RMB'000	Northeastern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:										
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 operating income and expenses										(254,092)
Interest income										2,095
Finance costs										(31,725)
Profit before tax										598,264
Segment assets	2,083,298	264,523	405,288	196,982	319,637	114,259	149,395	1,675	—	3,535,057
Reconciliations:										
Deferred tax assets										4,177
Restricted cash										172,902
Cash and cash equivalents										1,881,689
Other unallocated assets										6,082
Total assets										5,599,907
Other segment information:										
Depreciation and amortisation	30,571	5,241	4,686	3,970	6,778	977	1,399	841	—	54,463
Capital expenditure	84,444	17,391	30,071	9,017	16,634	25,017	10,639	21	(6,194)	187,040
Impairment of trade receivables, net	8,199	(739)	711	—	—	—	—	—	—	8,171
Write-back of inventories to net realisable value	(132)	—	—	—	—	—	—	—	—	(132)

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

Operating segment information for the six months ended 30 June 2009

	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)
Segment revenue:										
External customers	1,200,163	209,165	196,843	62,658	110,623	37,445	20,948	21,194	–	1,859,039
Intersegment sales	138,599	68,525	116,962	–	18,671	375	2,178	–	(345,310)	–
Total	1,338,762	277,690	313,805	62,658	129,294	37,820	23,126	21,194	(345,310)	1,859,039
Segment results:	244,318	52,003	53,290	12,694	24,299	7,735	3,173	3,376	(38,983)	361,905
Reconciliations:										
Unallocated operating income and expenses										(138,691)
Interest income										426
Finance costs										(16,718)
Profit before tax										206,922
Other segment information:										
Depreciation and amortisation	21,899	2,593	3,763	58	3,922	–	1,151	–	–	33,386
Capital expenditure	74,385	34,026	20,699	32,137	27,192	32,854	13,812	6,355	(5,496)	235,964
Impairment of trade receivables, net	2,279	–	–	–	–	–	–	–	–	2,279
Write-back of inventories to net realisable value	(749)	–	–	–	–	–	–	–	–	(749)

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

5. Profit before tax

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(unaudited)
Cost of inventories sold	**2,441,167**	1,497,883
Depreciation	**51,866**	31,168
Recognition of prepaid land lease payments	**2,440**	2,100
Amortisation of other intangible assets	**157**	118
Research and development costs*	**24,630**	7,636
Loss on disposal of items of property, plant and equipment	**1,190**	—
Impairment of trade receivables, net*	**8,171**	2,279
Write-back of inventories to net realisable value	**(132)**	(749)

* Research and development costs and the impairment of trade receivables, net are included in "Other operating expenses, net" on the face of the consolidated statement of comprehensive income.

6. Finance costs

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(unaudited)
Interest on bank loans	**31,725**	16,718

7. Income tax

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(unaudited)
Current - PRC		
Charge for the period	**93,895**	32,160
Overprovision in the prior year	**(5,507)**	–
Deferred	**27,307**	8,186
Total tax charge for the period	**115,695**	40,346

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 six months ended 30 June 2010 and 2009.

PRC corporate income tax

The income tax provision of the Group 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 2010 and 2009, based on the existing legislation, interpretations and practices in respect thereof.

8. Dividends

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil (unaudited)).

9. Earnings per share

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
		(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic earnings per share calculation	**482,569**	166,576
	Number of Shares	
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	**2,279,005,525**	2,250,000,000
Effect of dilution - weighted average number of ordinary shares: share options	**1,243,738**	—
	2,280,249,263	2,250,000,000

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2009 includes the pro forma issued share capital of the Company of 2,250,000,000 shares, which comprised the following:

(i) 8,000,000 shares issued to New Fortune; and

(ii) 2,242,000,000 shares issued to New Fortune as a result of the capitalisation of an amount due to Mr. Wong Luen Hei ("Mr. Wong"), the controlling shareholder.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2010 includes the weighted average of 750,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 23 June 2010 (the "Listing Date"), namely 29,005,525 shares and the above mentioned 2,250,000,000 ordinary shares.

No adjustment had been made to the basic earnings per share amounts presented for the period ended 30 June 2009 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during that period.

10. Trade and bills receivables

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade receivables	**613,796**	468,355
Bills receivable	**7,100**	6,886
Less: Impairment provision	**(16,677)**	(8,506)
	604,219	466,735

The Group's major customers are independent distributors, civil contractors, property developers, utility companies and municipalities in mainland China. Depending on the market condition, the Group's trading terms with its independent distributors may change from giving a credit period of generally one month to settlement on an advance receipt basis. 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 non-interest-bearing. The carrying amounts of trade and bills receivables approximate to their fair values.

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

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Within 3 months	**516,840**	396,252
4 to 6 months	**48,173**	42,160
7 to 12 months	**35,812**	15,837
1 to 2 years	**3,394**	10,144
2 to 3 years	**—**	1,942
Over 3 years	**—**	400
	604,219	466,735

11. Trade and bills payables

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Trade payables	**153,880**	102,338
Bills payable	**203,549**	130,364
	357,429	232,702

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

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

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Within 3 months	**286,407**	176,086
4 to 6 months	**69,965**	55,996
7 to 12 months	**540**	91
1 to 2 years	**168**	304
2 to 3 years	**124**	—
Over 3 years	**225**	225
	357,429	232,702

12. Share capital

	As at 30 June 2010	As at 31 December 2009
Authorised:		
20,000,000,000 ordinary shares of HK$0.05 each (31 December 2009: 10,000,000,000 shares of HK$0.1 each)	**HK$1,000,000,000**	HK$1,000,000,000
Issued and fully paid:		
3,000,000,000 ordinary shares of HK$0.05 each (31 December 2009: 4,000,000 shares of HK$0.1 each)	**HK$150,000,000**	HK$400,000
Equivalent to	**RMB131,297,000**	RMB352,000

The following changes in the Company's authorised and issued share capital took place during the period:

	Notes	Number of ordinary shares	Nominal value of ordinary shares	
			HK$'000	RMB'000
Authorised:				
As at 31 December 2009 and 1 January 2010	(a)	10,000,000,000	1,000,000	881,000
Issuance of new shares for sub-division of each share	(b)	10,000,000,000	–	–
As at 30 June 2010		20,000,000,000	1,000,000	881,000
Issued:				
As at 31 December 2009 and 1 January 2010	(a)	4,000,000	400	352
Issuance of new shares for sub-division of each share	(b)	4,000,000	—	—
Issuance of new shares for capitalisation issue	(c)	2,242,000,000	112,100	98,121
Issuance of new shares for the initial public offering	(d)	750,000,000	37,500	32,824
As at 30 June 2010		3,000,000,000	150,000	131,297

Notes:

(a) As of the date of incorporation of the Company, its authorised share capital was US$50,000 divided into 50,000 shares of US$1.00 each. On the same date, one share of US$1.00 each was allotted and issued nil paid to the initial subscriber and was then transferred to New Fortune. On 10 November 2009, 49,999 shares of US$1.00 each were allotted and issued fully paid to New Fortune. On 20 November 2009, the authorised share capital of the Company was increased by HK$1,000,000,000 by creating an additional 10,000,000,000 shares of HK$0.1 each. On the same date, the Company issued 4,000,000 shares of HK$0.1 each to New Fortune and repurchased 50,000 issued shares of US$1.00 each from New Fortune, and reduced its authorised share capital by the cancellation of 50,000 shares of US$1.00 each.

(b) Pursuant to the written resolution of the shareholder of the Company dated 19 May 2010, the par value of each ordinary share was sub-divided from HK$0.1 each to HK$0.05 each. The numbers of ordinary shares for authorised and issued capital increased accordingly.

(c) Pursuant to the resolution passed on 14 May 2010, an aggregate of 2,242,000,000 ordinary shares of HK$0.05 each of the Company were allotted and issued, credited as fully paid at par, by way of capitalisation of the sum of HK$199,600,000 (approximately RMB174,710,000 equivalent), an amount due to Mr. Wong, from the share premium account, to New Fortune. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in (d) below.

(d) In connection with the Company's initial public offering, 750,000,000 shares of HK$0.05 each were issued at a price of HK$2.60 per share for a total cash consideration, before listing expenses, of HK$1,950,000,000. Dealings in these shares on the Stock Exchange commenced on 23 June 2010.

13. Contingent liabilities

At the end of the reporting period, the Group had no significant contingent liabilities (31 December 2009: Nil).

14. Commitments

The Group had the following capital commitments at the end of the reporting period:

	As at 30 June 2010 RMB'000	As at 31 December 2009 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**131,136**	109,650

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Analysis

According to the China Plastics Processing Industry Association (中國塑料加工工業協會), we were the largest manufacturer of plastic pipes and pipe fittings in China in terms of sales revenue in 2008. The Group is principally engaged in the manufacture and sale of a comprehensive range of plastic pipes and pipe fittings which are widely used in seven major areas including water supply, drainage, power supply and telecommunications, gas supply, agriculture, floor heating and fire-fighting. Benefiting from large-scale production operations, a nationwide sales network, a comprehensive range of product offerings with strong brand recognition and research and development capabilities, the Group recorded satisfactory results with an increase of 78.8% in revenue and 189.2% in net profit respectively for the Period as compared to the corresponding period in 2009.

During the Period under review, the Group's operating and financial performance was steady. Turnover was RMB3,323 million, representing an increase of RMB1,464 million or 78.8% over the corresponding period in 2009. Gross profit for the six months ended 30 June 2010 was RMB882 million, representing an increase of 143.6% over the corresponding period in 2009. Basic earnings per share was RMB0.21, representing an increase of 200.0% over the corresponding period in 2009.

With increasing social awareness of energy saving and environmental protection, the Chinese government has introduced a series of policies to encourage and support the use of plastic pipes. Plastic pipes are increasingly replacing pipes made of conventional materials such as concrete and metal as important construction materials. In addition, the acceleration of urbanization in China, the use of plastic pipes in place of conventional piping systems and the continuing growth of and substantial infrastructure investments in China have driven a sustained increase in the demand for plastic pipes. Starting from 2009, the Chinese government has promulgated a series of regulatory and fiscal policies targeted specially towards curbing the level of investment in the real estate sector. Since such measures are aiming at curbing the overheated property prices by increasing the supply of residential houses, there has been no material adverse effect on the sales volume and selling prices of our products to our real estate customers for the Period under review.

The Group placed great emphasis on production and operation while proceeding with project construction. During the Period, total sales volume of plastic pipes and pipe fittings was approximately 351,000 tonnes, representing an increase of approximately 151,000 tonnes or 75.5% over the same period last year. Gross profit increased by 143.6% to RMB882 million and gross profit margin increased by 7.0 percentage points to 26.5% compared to the same period last year. The continuous expansion of the Group's scale of production and market share have positioned us well in enhancing our bargaining power in negotiating the sales prices of our products with our distributors and direct customers and the purchase prices of raw materials with our suppliers, thereby, leading to an increase in our gross profit margin in the first half of 2010 when compared to the same period last year.

During the Period, the Group benefited from an expanded production scale and a continued improvement in production efficiency and productivity. As of the end of June 2010, overall semi-annual production efficiency reached 75.9%, effective semi-annual production capacity rose to approximately 540,000 tonnes, and designed semi-annual production capacity reached approximately 1,020,000 tonnes. The expansion of production capacity and the further extension of market coverage have provided strong momentum for the expansion of the Group and had a profound effect on operation of its distribution network. With good marketing strategies in place, we believe the Group is expected to maintain stable and steady performance in the second half of 2010. Currently, the Group has effectively realized its national production network with 11 plastic pipes and pipe fittings production bases in operation which are strategically located across China. The Group is constructing two additional production bases in Urumqi, Xinjiang Uygur Autonomous Region, and Changchun, Jilin. These are expected to begin operation in the fourth quarter of 2010 and the first quarter of 2011 respectively, with production capacities planned to reach 34,000 tonnes and 66,300 tonnes respectively in 2012. While maintaining its construction plan, the Group additionally plans to identify suitable land in Sichuan and Shaanxi to further enhance its coverage over these regions.

Through these facilities and our sales network which consists of 29 sales offices and close to 700 independent distributors, we successfully cover our customers across China. We believe the establishment and maintenance of a broad distribution network is important to the profitability and growth of our business. We also believe our close cooperation with distributors enables us to achieve growth by leveraging on the financial and management resources of our distributors as well as their expertise in local markets. This cooperation enables us to better manage our growing business and cater to the increasing market demand for plastic pipes and pipe fittings in China by allowing us to allocate our resources to focus on designing and developing new products and developing our Liansu brand. We believe that the distributorship model has been instrumental in enabling us to increase our sales and profitability during the Period.

REVIEW ON FINANCIAL PERFORMANCE

Revenue

For the six months ended 30 June 2010, the Group's revenue was RMB3,323 million, representing an increase of RMB1,464 million or 78.8% over the same period of 2009. The increase was mainly attributable to our expanded distribution network and production scale to cope with the growth of our products demand in major markets in China .

The following table sets forth a breakdown of our sales volume, revenue and average selling prices by products material for the periods indicated:

	Six months ended 30 June								
	2010			2009			Change in		
	Sales volume tonnes	**Revenue RMB'million**	**Average selling pries RMB**	Sales volume tonnes	Revenue RMB'million	Average selling prices RMB	Sales volume (%)	Revenue (%)	Average selling prices (%)
Plastic pipes and pipe fittings									
– PVC[1]	**277,181**	**2,199**	**7,933**	145,311	1,156	7,955	90.8	90.2	(0.3)
– Non-PVC[2]	**73,660**	**1,077**	**14,621**	54,625	692	12,668	34.8	55.6	15.4
	350,841	**3,276**	**9,338**	199,936	1,848	9,243	75.5	77.3	1.0
Others[3]	**N/A**	**47**	**N/A**	N/A	11	N/A	N/A	327.3	N/A
	350,841	**3,323**	**N/A**	199,936	1,859	N/A	N/A	78.8	N/A

Notes

1. "PVC" represents polyvinyl chloride, a type of material for making plastic pipes with high mechanical strength and rigidity.

2. "Non-PVC" of plastic pipes and pipe fittings comprise primarily of polyethylene ("PE") and polypropylene random ("PP-R").

3. "Others" consists of ancillary materials such as springs for connecting plastic pipes. Sales volume for "Others" are measured in units and not tonnes, and the size of the units between different products may differ.

Substantially all of our revenue derived from plastic pipes and pipe fittings during the Period. Approximately 66.2% (first half of 2009: 62.2%) of our revenue was derived from selling PVC plastic pipe and pipe fitting products which amounted to RMB2,199 million (first half of 2009: RMB1,156 million), the remaining revenue for the Period was derived from selling non-PVC plastic pipe and pipe fitting products, and ancillary materials, which amounted to RMB1,077 million and RMB47 million (first half of 2009: RMB692 million and RMB11 million) respectively. Our revenue was mainly derived from operations in China during the Period.

The sales volume of plastic pipes and pipe fittings in first half of 2010 rose 75.5% to approximately 351,000 tonnes from approximately 200,000 tonnes in the first half of 2009 principally because of an improvement in the productivity and the establishment of new production facilities in the second half of 2009. As a result, our effective semi-annual production capacity reached approximately 540,000 tonnes as at 30 June 2010. Our semi-annual production efficiency was approximately 75.9% in the first half of 2010.

The average selling prices of our products amounted to RMB9,338 per tonne in the first half of 2010, representing an increase of approximately 1.0% from RMB9,243 per tonne in the first half of 2009. The average cost of sales amounted to RMB6,958 per tonne in the first half of 2010, representing a decerease of 7.1% from RMB7,487 per tonne in the first half of 2009.

The following table sets forth a breakdown of our revenue for plastic pipes and pipe fitting by product category for the periods indicated:

	Six months ended 30 June			
	2010 RMB'million	% of total revenue	2009 RMB'million	% of total revenue
Water supply	**1,288**	39.3%	750	40.6%
Drainage	**1,238**	37.8%	651	35.2%
Power supply and telecommunications	**595**	18.2%	345	18.7%
Gas supply	**40**	1.2%	32	1.7%
Others(1)	**115**	3.5%	70	3.8%
Total	**3,276**	100.0%	1,848	100.0%

Note:

1. "Others" comprise of agriculture, floor heating and fire-fighting.

As the Group already offered a comprehensive range of plastic pipe fitting in China, there is no material changes in the Group's sales mix by product category in the first half of 2010 when compared to the corresponding period last year.

The following table sets forth a breakdown of our revenue by sales region for the periods indicated:

	Six months ended 30 June			
	2010	% of total	2009	% of total
Regions[1]	**RMB'million**	revenue	RMB'million	revenue
Southern China	**2,278**	68.5%	1,200	64.6%
Southwestern China	**330**	9.9%	209	11.2%
Central China	**255**	7.7%	197	10.6%
Northern China	**205**	6.2%	111	6.0%
Eastern China	**122**	3.7%	63	3.4%
Northwestern China	**73**	2.2%	37	2.0%
Northeastern China	**40**	1.2%	21	1.1%
Outside China	**20**	0.6%	21	1.1%
Total	**3,323**	100.0%	1,859	100.0%

Note:

1. Details of the areas covered by each region are set out in note 4 to this interim results announcement.

The Southern China region remained our top sales region during the Period, accounting for 68.5% of our total revenue for the first half of 2010, as compared to 64.6% of our total revenue for first half of 2009, which is primarily due to increased market demand arising from an increase in infrastructure activities in this region.

Gross profit and gross margin

Gross profit for the Period rose 143.6% to RMB882 million from RMB362 million in the corresponding period of preceding year while gross profit margin improved to 26.5% from 19.5% of the same period last year. The increase of gross profit and gross profit margin was attributable to the increase of our average selling prices and the decrease of our average raw material cost during the Period, as we have continuously improved our production efficiencies and expanded our production scale and market share. We were able to maintain a certain level of bargaining power in negotiating the selling price of our products and maximize discounts on purchasing price of our raw materials through our centralized procurement.

Other revenue, income and gains

Other revenue, income and gains amounted to RMB16 million for the Period, representing an increase of 60.0% from RMB10 million for the corresponding period last year. The increase was primarily attributable to the increase in interest received from banks, government grants and subsidies.

Selling and distribution costs

Selling and distribution costs rose by 54.8% to RMB130 million from RMB84 million in the corresponding period last year due to an increase in marketing related cost and packaging cost resulting from our increased sales.

Administrative expenses

Administrative expenses rose by 85.2% to RMB100 million from RMB54 million in the corresponding period of the preceding year, primarily as a result of an increase in professional services/consultation fees incurred in connection with the preparation for the public offering of the Company, and an increase in salaries and benefits of administrative and management staff.

Other operating expenses

Other operating expenses rose by 236.4% to RMB37 million from RMB11 million in the corresponding period last year, primarily due to our commitment to continuing research and development.

Finance costs

Finance costs amounted to RMB32 million, representing an increase of 88.2% from RMB17 million of the same period last year, primarily due to our increased average borrowings, which were used for increased investments in production facilities and for the replacement of financing provided by related parties that had been repaid before listing of the Company's shares on the main board of the Stock Exchange.

Income tax

Income tax represented amounts of PRC corporate income tax (“CIT”) paid by the Group, as we are not subject to any profits or income tax in the Hong Kong, the Cayman Islands and the British Virgin Islands during the Period. The effective tax rate decreased from 19.5% to 19.3% of the same period last year because of Liansu Technology Development (Wuhan) Co., Ltd. was assessed as a “High and New Technology Enterprise” in the year 2009 and was subject to a reduced CIT rate of 15%. It received CIT refund in respect of prior years during the Period.

Profit for the period attributable to ordinary equity holders of the Company

Primarily as a result of the foregoing, the profit attributable to ordinary equity holders of the Company amounted to RMB483 million, representing an increase of 189.2% from RMB167 million in the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group had total bank loans of approximately RMB1,305 million (31 December 2009: RMB1,310 million). Approximately 77.9% of the Group's bank borrowings were denominated in Renminbi and the remaining 22.1% were in Hong Kong dollars. In addition, approximately 90.8% of the Group's total principal amount of bank borrowings were at floating rates and the remaining 9.2% were at fixed rates as at 30 June 2010. For the six months ended 30 June 2010, the interest rate ranged from 1.67% to 5.94% per annum. The Group's bank borrowings have remaining maturity periods ranging from within one year to three years.

As at 30 June 2010, the Group's current assets and current liabilities were approximately RMB3,855 million and RMB1,695 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 2.27 and 1.71 from 1.29 and 0.80 as at 31 December 2009 respectively. Total equity of the Group increased to approximately RMB3,336 million (31 December 2009: RMB1,042 million). The gearing ratio of the Group (calculated based on the basis of the total borrowings over total assets) stood at a healthy level of 23.3% as compared to 37.4% as at 31 December 2009 due to repayment of bank loans during the Period.

With cash and bank balances, including restricted cash, of approximately RMB2,055 million (31 December 2009: RMB487 million) as well as existing banking facilities, the directors of the Company consider that the Group has sufficient working capital for its operation and the future development.

CHARGE ON ASSETS

As at 30 June 2010, certain leasehold land, property, plant and equipment of the Group with carrying value of approximately RMB370 million were pledged to certain banks to secure bank borrowings granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in RMB. During the Period, the Group did not have any material foreign exchange exposure and did not use any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any material contingent liabilities (31 December 2009: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group employed a total of approximately 7,000 employees (30 June 2009: approximately 8,500 employees) including directors. Total employee benefits expenses including directors' emoluments were RMB128 million (30 June 2009: RMB117 million) for the Period. The employees including directors 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 the employees of the Group in Hong Kong and to the pension scheme for the employees of the Group in China.

EVENTS AFTER THE REPORTING PERIOD

No significant evetns took place subsequent to 30 June 2010.

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

The Company was successfully listed on the main board of the Stock Exchange on 23 June 2010 and issued 750 million shares of HK$0.05 each at HK$2.60 per share by way of placing and public offer (as set out in detail in the Results of Allocation Announcement dated on 22 June 2010 (the "Announcement")). The net proceeds of the IPO after deducting the relevant expenses were approximately of HK$1,860 million.

An approximately of HK$200 million was used for repaying a portion of our bank loans during the Period with the remaining sum of net proceeds approximately HK$1,660 million being unutilized as at 30 June 2010 had been deposited with financial institutions in Hong Kong. The remaining net proceeds will be applied in the manner as stated in the Announcement.

PROSPECTS

Given the general trend of economic development in the PRC, our management is confident about the future development of its plastic pipes business. Since 2008, urbanization has been steadily increasing in the PRC. The expansion of cities and the growth of urban population have facilitated an overall improvement in urban economy and urban infrastructure. This, together with a continued increase in average disposable income, living standard and product prices, has led the Group to believe that the PRC plastic pipe market will enter a new stage of rapid growth.

In recent years, there has been a significant improvement in the technology of plastic pipes in China. Some PRC enterprises have started to use more advanced production equipment and an increasing number of manufacturers have started to put emphasis on the research and development of new products and the introduction of new production technology. Our directors anticipate that plastic pipes which are of light weight material with good abrasion and corrosion resistance compared to pipes made of conventional materials are in line with the trend of modern market development. At the same time, the PRC government has also promulgated other documents such as "Several Suggestions on Strengthening Technical Innovation Advancing Chemical Building Material Industrialization" which recommend areas for application or development targets for various plastic pipes. The implementation of such policies has further stimulated demand in the plastic pipe market.

With the Group's solid production basis and excellent innovation, research and development capabilities, the directors believe the Group will continue to maintain its market competitiveness. In 2010, the Group will focus its operations and development in the following areas with a view to further consolidating its market share.

Continuing to expand production capacity to consolidate leading market position

The Group has increased its production capacity on a continuing basis in the past in order to meet the market demand. As disclosed in the Prospectus, the Group intends to use the proceeds for the expansion of production capacity and to further improve the national distribution of production bases. The Group is constructing production bases in Urumqi and Changchun to meet the growing demand of markets in the northwest and northeast regions. In addition, the Group is also considering to increase the number of production lines in existing production bases. In its production capacity expansion plan, the Group plans to moderately increase its production capacity over the next three years based on actual business conditions and prudent estimates of future demand.

Stepping up efforts in marketing to increase market share

The Group's marketing and advertising strategies are vital to its business success. To support the expansion of the production bases, the Group intends to expand its sales network by recruiting additional distributors and establishing more sales offices. At the same time, the Group will step up its marketing efforts to further expand its customer base in order to consolidate its maket position and expand its market share.

Upgrade the Liansu brand to increase customer satisfaction and loyalty

Since its establishment, China Liansu has focused on creating recognized Chinese brands and has built up good reputation in this regard. The Group's objective is to strengthen its leading position in the PRC plastic pipe market through the "Liansu" brand and enter new areas through further expansion of its distribution network coverage. The Group will reinforce its penetration into existing markets to reinforce the "Liansu" brand and increase customer satisfaction and loyalty.

In the future, the Group will continue to actively participate in large infrastructure projects to further strengthen cooperation with government authorities, public utility entities and well known enterprises and enhance its corporate image. It will also increase its advertising budget and organize targeted marketing activities. Additionally, the Group plans to apply for registration of more intellectual properties.

The Group will continue to expand its sphere of business. In addition to organic growth, the Group will continue to seek new business opportunities including considering the expansion of its operations through acquisitions. The Group will make positive efforts to identify and carefully select plastic pipe or pipe fitting businesses for potential acquisitions, including advanced production lines to complement its operations and to meet the objectives of its long-term business development strategy.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company had adopted the Model Code as set out in Appendix 10 of the Listing Rules as the rules governing dealings by the directors in the listed securities of the Company. Having made specific enquiry to the directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Period.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") pursuant to the provisions of the Code as set out in Appendix 14 to the Listing Rules, aimed at reviewing and supervising the Group's financial reporting procedures. The Audit Committee is composed of one non-executive director and two independent non-executive directors.

At the meeting convened on 30 August 2010, the Audit Committee had reviewed the audited consolidated interim financial statements for the six months ended 30 June 2010, the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial report matters in relation to the audited consolidated interim financial statements for the six months ended 30 June 2010.

AUDITORS

The Board of the Company has engaged Ernst & Young, Certified Public Accountants, as the auditors for the Company's interim results of 2010. The Group's consolidated interim financial statements for the six months ended 30 June 2010 have been audited by Ernst & Young, Certified Public Accountants.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement and the interim report are published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.liansu.com.

By order of the Board
China Liansu Group Holdings Limited
Wong Luen Hei
Chairman

Hong Kong, 30 August 2010

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