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CHINA LESSO GROUP HOLDINGS LIMITED

中國聯塑集團控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2128)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2014.

HIGHLIGHTS

Compared to the financial results for the six months ended 30 June 2013:

- Revenue increased by 15.6% to RMB6,581 million
- Gross profit increased by 10.1% to RMB1,643 million
- Profit for the period decreased by 8.3% to RMB622 million
- Basic earnings per share was RMB0.20, decreased by 9.1%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**6,581,051**	5,692,223
Cost of sales		**(4,938,032)**	(4,200,369)
Gross profit		**1,643,019**	1,491,854
Other revenue, income and gains	*3*	**48,741**	78,812
Selling and distribution expenses		**(340,343)**	(283,535)
Administrative expenses		**(287,136)**	(226,274)
Other expenses		**(169,334)**	(144,863)
Finance costs	*4*	**(133,927)**	(75,870)
Share of profit of a joint venture		**202**	214
PROFIT BEFORE TAX	*5*	**761,222**	840,338
Income tax expense	*6*	**(139,556)**	(162,681)
PROFIT FOR THE PERIOD		**621,666**	677,657
OTHER COMPREHENSIVE (EXPENSE)/ INCOME			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(1,656)**	6,844
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD		**(1,656)**	6,844
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**620,010**	684,501

	Note	Six months ended 30 June **2014** *RMB'000* **(Unaudited)**	2013 *RMB'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**627,535**	682,734
Non-controlling interests		**(5,869)**	(5,077)
		621,666	677,657
Total comprehensive income for the period attributable to:			
Owners of the Company		**625,835**	689,934
Non-controlling interests		**(5,825)**	(5,433)
		620,010	684,501
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic		**RMB0.20**	RMB0.22
Diluted		**RMB0.20**	RMB0.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**4,927,047**	4,452,109
Prepaid land lease payments		**1,076,343**	996,690
Other intangible assets		**31,640**	33,927
Deposits paid for the purchase of land, property, plant and equipment		**503,643**	169,870
Interest in a joint venture		**5,878**	5,676
Held-to-maturity investments	*9*	**133,479**	231,650
Deferred tax assets		**7,250**	9,162
Total non-current assets		**6,685,280**	5,899,084
CURRENT ASSETS			
Inventories	*10*	**2,685,557**	2,434,049
Trade and bills receivables	*11*	**1,113,084**	1,037,629
Prepayments, deposits and other receivables		**762,824**	720,352
Held-to-maturity investments	*9*	**118,035**	17,351
Cash and bank deposits		**1,717,339**	2,189,242
Total current assets		**6,396,839**	6,398,623
CURRENT LIABILITIES			
Trade and bills payables	*12*	**932,094**	861,416
Other payables and accruals		**1,043,769**	1,252,674
Bank loans and other borrowings	*13*	**2,212,398**	1,080,092
Tax payable		**78,264**	103,638
Total current liabilities		**4,266,525**	3,297,820
NET CURRENT ASSETS		**2,130,314**	3,100,803
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,815,594**	8,999,887

	Notes	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	*13*	**1,009,531**	1,607,024
Deferred tax liabilities		**116,742**	78,418
Deferred income		**58,405**	58,502
Total non-current liabilities		**1,184,678**	1,743,944
Net assets		**7,630,916**	7,255,943
EQUITY			
Issued capital	*14*	**135,686**	134,316
Reserves		**7,484,850**	7,105,422
Equity attributable to owners of the Company		**7,620,536**	7,239,738
Non-controlling interests		**10,380**	16,205
Total equity		**7,630,916**	7,255,943

Notes:

1.1. BASIS OF PREPARATION

These condensed consolidated financial statements of the Group for the six months ended 30 June 2014 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 condensed consolidated financial statements are presented in Renminbi 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 condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2013, 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.

These condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

1.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
HKAS 39 Amendments	Amendments to HKAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

The application of these new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these 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:

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

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

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

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

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

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

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

(viii) 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 exchange differences, finance costs, interest income, gain on early redemption of held-to-maturity investments, share of result of a joint venture and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude interest in a joint venture, held-to-maturity investments, deferred tax assets, cash and bank deposits and other unallocated head office and corporate assets as these assets are managed on a group basis.

Intersegment revenue is 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 in the PRC, special administrative regions of the PRC and foreign countries.

During the six months ended 30 June 2014 and 2013, 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 2014										
Segment revenue:										
Sales to external customers	3,826,822	679,172	717,414	329,573	439,780	220,013	150,599	188,661	–	6,552,034
Intersegment sales	918,319	171,684	158,465	43,167	63,139	56,941	41,924	196,196	(1,649,835)	–
	4,745,141	850,856	875,879	372,740	502,919	276,954	192,523	384,857	(1,649,835)	6,552,034
Revenue from construction contracts	29,017	–	–	–	–	–	–	–	–	29,017
Total	4,774,158	850,856	875,879	372,740	502,919	276,954	192,523	384,857	(1,649,835)	6,581,051
Segment results	1,196,313	180,555	196,298	71,991	103,502	49,914	41,452	42,144	(239,150)	1,643,019
Reconciliations:										
Exchange loss										(12,310)
Finance costs										(133,927)
Interest income										39,359
Share of profit of a joint venture										202
Unallocated income and expenses										(775,121)
Profit before tax										761,222
Other segment information:										
Depreciation and amortisation	102,876	16,170	25,455	12,348	15,319	16,180	11,907	3,737	–	203,992
Impairment of trade receivables, net	695	–	1,975	–	(465)	–	–	(123)	–	2,082
Write-back of inventories to net realisable value	–	–	–	–	–	–	–	(180)	–	(180)
Capital expenditure#	438,858	131,856	90,181	7,951	39,266	24,634	10,613	44,519	(24,018)	763,860
As at 30 June 2014										
Segment assets	6,237,643	1,014,031	1,139,639	530,058	562,510	685,212	576,646	354,399	–	11,100,138

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

	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 2013										
Segment revenue:										
Sales to external customers	3,414,193	616,193	562,693	284,386	381,298	195,943	115,173	106,133	–	5,676,012
Intersegment sales	537,389	119,025	178,807	34,285	70,929	43,507	35,769	152,905	(1,172,616)	–
	3,951,582	735,218	741,500	318,671	452,227	239,450	150,942	259,038	(1,172,616)	5,676,012
Revenue from construction contracts	16,211	–	–	–	–	–	–	–	–	16,211
Total	3,967,793	735,218	741,500	318,671	452,227	239,450	150,942	259,038	(1,172,616)	5,692,223
Segment results	1,007,951	174,332	204,285	75,410	117,172	53,839	30,433	39,244	(210,812)	1,491,854
Reconciliations:										
Exchange gain										24,309
Finance costs										(75,870)
Interest income										36,604
Gain on early redemption of held-to-maturity investments										1,594
Share of profit of a joint venture										214
Unallocated income and expenses										(638,367)
Profit before tax										840,338
Other segment information:										
Depreciation and amortisation	87,165	15,813	20,827	8,846	13,849	12,239	11,779	3,251	–	173,769
Impairment of trade receivables, net	10,725	–	–	–	6,023	–	–	1,327	–	18,075
Write-down of inventories to net realisable value	3,463	–	–	–	–	–	–	–	–	3,463
Capital expenditure#	434,538	61,237	67,691	136,309	47,089	35,125	19,973	6,883	(15,090)	793,755
As at 31 December 2013										
Segment assets (Audited)	5,553,271	778,407	995,223	547,182	512,218	671,442	555,901	230,982	–	9,844,626

Capital expenditure consists of additions to 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, if any), and an appropriate proportion of contract revenue from construction contracts during the period.

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**6,552,034**	5,676,012
Revenue from construction contracts	**29,017**	16,211
	6,581,051	5,692,223
Other revenue, income and gains		
Bank interest income	**16,987**	12,710
Interest income from held-to-maturity investments	**22,372**	23,894
Total interest income	**39,359**	36,604
Government grants and subsidies	**4,144**	5,234
Gain on sale of raw materials	**852**	833
Gain on early redemption of held-to-maturity investments	**–**	1,594
Exchange gain	**–**	24,309
Others	**4,386**	10,238
	48,741	78,812

Government grants and subsidies mainly 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank loans	**22,480**	7,874
The Senior Notes	**62,392**	67,996
Total interest expenses	**84,872**	75,870
Early redemption premium and unamortised issuance expenses of the Senior Notes	**49,055**	–
	133,927	75,870

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**4,912,876**	4,183,437
Direct cost of construction work	**25,336**	13,469
Depreciation	**189,364**	163,220
Amortisation of prepaid land lease payments	**10,105**	9,136
Amortisation of other intangible assets	**4,523**	1,413
Total depreciation and amortisation	**203,992**	173,769
Research and development costs#	**152,511**	124,353
Loss/(gain) on disposal of items of land, other intangible assets, property, plant and equipment	**1,088**	(8,690)
Gain from a bargain purchase	**–**	(157)
Equity-settled share option expense	**–**	5,797
(Write-back)/write-down of inventories to net realisable value	**(180)**	3,463
Impairment of trade receivables, net#	**2,082**	18,075
Foreign exchange differences, net	**12,310**	(24,309)

Research and development costs and the impairment of trade receivables, net are included in the "other expenses" in profit or loss.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	**–**	5,801
PRC	**149,265**	151,947
Other jurisdictions	**212**	–
	149,477	157,748
Overprovision in prior years		
PRC	**(50,157)**	(26,798)
Deferred tax	**40,236**	31,731
Total tax charge for the period	**139,556**	162,681

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

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for both periods, if any, after offsetting the tax loss brought forward.

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 both periods, based on the existing legislation, interpretations and practices in respect thereof.

Tax for other jurisdictions

The Group's tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

7. DIVIDENDS

During the period, a final dividend of HK12 cents per share in respect of the year ended 31 December 2013 (six months ended 30 June 2013: HK12 cents per share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to HK$372,233,000 (approximately RMB295,460,000 equivalent) (six months ended 30 June 2013: HK$365,263,000 (approximately RMB293,818,000 equivalent).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**627,535**	682,734

	Number of Shares	
	Six months ended 30 June	
	2014	2013
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	**3,087,633,690**	3,042,444,790
Effect of dilution - weighted average number of ordinary shares: share options	**13,491,098**	43,223,592
	3,101,124,788	3,085,668,382

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2014 includes 3,075,731,740 ordinary shares in issue as at 31 December 2013 (six months ended 30 June 2013: 3,033,602,350 ordinary shares in issue as at 31 December 2012) and 11,901,950 shares (six months ended 30 June 2013: 8,842,440 shares) derived from the weighted average number of 34,523,660 ordinary shares (six months ended 30 June 2013: 10,576,100 ordinary shares) issued upon the exercise of share options.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

9. HELD-TO-MATURITY INVESTMENTS

	As at 30 June 2014 *RMB'000* **(Unaudited)**	As at 31 December 2013 *RMB'000* (Audited)
Debt securities, at amortised cost:		
Listed in Hong Kong	**12,013**	–
Listed in Singapore	**239,501**	249,001
	251,514	249,001
Analysed for reporting purposes as:		
Non-current assets	**133,479**	231,650
Current assets	**118,035**	17,351
	251,514	249,001

The held-to-maturity investments represented listed debt securities. These securities carry fixed interest at 8.00% to 13.75% (31 December 2013: 9.38% to 13.75%) per annum, payable semi-annually in arrears, and will mature from January 2015 to March 2019 (31 December 2013: March 2014 to April 2018).

As at 30 June 2014, the fair value of the debt securities based on quoted market price provided by a global financial market data provider was RMB256,890,000 (31 December 2013: RMB260,137,000).

10. INVENTORIES

	As at 30 June 2014 *RMB'000* **(Unaudited)**	As at 31 December 2013 *RMB'000* (Audited)
Raw materials	**1,212,876**	1,159,341
Work in progress	**296,130**	231,976
Finished goods	**1,176,551**	1,042,732
	2,685,557	2,434,049

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Trade receivables	**1,001,572**	854,518
Bills receivable	**148,524**	218,041
Less: Provision for impairment	**(37,012)**	(34,930)
	1,113,084	1,037,629

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

	As at 30 June 2014 RMB'000 (Unaudited)	As at 31 December 2013 RMB'000 (Audited)
Within 3 months	**683,456**	609,315
4 to 6 months	**153,346**	284,077
7 to 12 months	**200,840**	103,761
1 to 2 years	**65,803**	36,359
2 to 3 years	**8,832**	3,350
Over 3 years	**807**	767
	1,113,084	1,037,629

12. TRADE AND BILLS PAYABLES

	As at 30 June 2014 *RMB'000* **(Unaudited)**	As at 31 December 2013 *RMB'000* (Audited)
Trade payables	**567,010**	349,495
Bills payable	**365,084**	511,921
	932,094	861,416

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

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

	As at 30 June 2014 *RMB'000* **(Unaudited)**	As at 31 December 2013 *RMB'000* (Audited)
Within 3 months	**705,654**	350,338
4 to 6 months	**217,005**	505,157
7 to 12 months	**3,584**	1,299
1 to 2 years	**2,181**	3,867
2 to 3 years	**3,660**	755
Over 3 years	**10**	–
	932,094	861,416

13. BANK LOANS AND OTHER BORROWINGS

	As at 30 June 2014 *RMB'000* **(Unaudited)**	As at 31 December 2013 *RMB'000* (Audited)
Current		
Unsecured bank loans	**1,429,172**	1,080,092
The Senior Notes	**783,226**	–
	2,212,398	1,080,092
Non-current		
Unsecured bank loans	**185,279**	61,200
Unsecured syndicated loan	**824,252**	–
The Senior Notes	**–**	1,545,824
	1,009,531	1,607,024
	3,221,929	2,687,116

Notes:

(a) The effective interest rates of the Group's bank loans and syndicated loan range from 1.15% to 6.60% (31 December 2013: 1.21% to 6.30%) per annum.

(b) The Senior Notes are listed on the Singapore Exchange Securities Trading Limited. They carry interest at 7.875% per annum (effective interest rate at 8.63% 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.

On 13 May 2014, the Group has early redeemed part of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes of US$130,000,000 (approximately RMB779,926,000 equivalent) plus the applicable premium of US$5,119,000 (equivalent to RMB33,878,000).

The outstanding principal amount of the Senior Notes was US$128,880,000 as at 30 June 2014 (31 December 2013: US$258,880,000). On 26 June 2014, the Company announced that the remaining outstanding principal amount of the Senior Notes of US$128,880,000 will be redeemed on 28 July 2014 (the "Redemption Date") at a redemption price of US$133,954,650 which is equal to 103.9375% of the principal amount thereof, plus accrued and unpaid interest, if any, to (but not including) the Redemption Date.

14. SHARE CAPITAL

	As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)
Authorised:		
20,000,000,000 (31 December 2013: 20,000,000,000) ordinary shares of HK$0.05 each	**HK$1,000,000,000**	HK$1,000,000,000
Issued and fully paid:		
3,110,255,400 (31 December 2013: 3,075,731,740) ordinary shares of HK$0.05 each	**HK$155,512,770**	HK$153,786,587
Equivalent to	**RMB135,686,000**	RMB134,316,000

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 34,523,660 ordinary shares of HK$0.05 each for a total cash consideration, before expenses, of approximately HK$62,833,000 (approximately RMB49,874,000 equivalent) during the period. The shares issued during the period rank pari passu in all respects with the then existing shares of the Company.

15. COMMITMENTS

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

	As at 30 June 2014 ***RMB'000*** **(Unaudited)**	As at 31 December 2013 *RMB'000* (Audited)
Contracted, but not provided for:		
Land, property, plant and equipment	**364,308**	454,881

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE OVERVIEW

China Lesso is a leading manufacturer and supplier of building materials and home decoration products in China. It has 20 major production bases in 14 provinces, covering the important domestic markets for building materials and home decorations, which has reinforced the Group's leading position in Southern China and serve as a springboard for expanding its business elsewhere.

The Group has achieved its leading position in the market through its commitment to providing comprehensive and diverse premium pipes and pipe fitting products for clients over the years. With a view to further capitalising on the market opportunities and favourable government policies, the Group has actively tapped into the market for home building materials and decoration products in recent years by branching out into the new businesses of complete system of doors and windows, sanitary ware products and integrated kitchens. The move is aimed at creating synergy among the businesses and at developing new growth drivers.

MARKET OVERVIEW

In March 2014, the Chinese Central Government and the State Council promulgated "The National Plans for New Mode of Urbanisation (2014-2020)", stipulating further requirements for improving the overall quality of urbanisation and reiterated the importance of further development of infrastructure. The executive meeting of the State Council also resolved to speed up the construction of major hydraulic facilities for water conservation and supply so as to strengthen the backbone of the hydraulic system. The decision drove up the demand for auxiliary facilities for water supply, drainage, power supply and telecommunications. Despite a slowdown in property investment growth in Mainland China during the period under review, the plastic pipes industry can still look forward to steady growth on the back of the consistent growth in rigid demand for social security housing and private residential properties.

According to the plans for new mode of urbanisation, the urbanisation ratio in the PRC will rise from 54% in 2013 to 60% in 2018, which calls for various kinds of comprehensive piping systems. To achieve the target, the provincial governments of all administrative levels are expected to step up construction of six types of infrastructure and facilities in cities, namely the underground pipeline networks, sewage and refuse treatment facilities, renovation of old networks of gas and heating pipelines, public transport such as metro lines and light rails, electric power distribution networks, as well as environmental protection facilities. In particular, the construction of municipal pipeline networks and hydraulic facilities will stimulate the development of pipe business. The State Council's "Guidelines on Strengthening the Management of Urban Underground Pipeline Construction" which was promulgated in June 2014 specified that a general survey of urban underground pipelines, establishment of integrated information management system and preparation of integrated planning of underground pipelines shall be completed by the end of 2015. It set the target of completing the renovation of old underground pipeline networks in five years and finishing the construction of comprehensive urban underground pipeline system in about ten years.

In addition, the executive meeting of the State Council held in mid May this year specified that construction of major hydraulic facilities for water conservation and supply will be accelerated. Pursuant to the instructions of the meeting, during the years of 2014 and 2015 and the period of the Thirteenth Five-year Plan, 172 major hydraulic projects under planning will be constructed in phases. Upon completion, the projects are expected to expand the country's annual water supply capacity by 80 billion cubic metres and its annual agricultural water conservation capacity by 26 billion cubic metres while irrigation area will be increased by approximately 78 million mu, substantially improving the backbone of the country's hydraulic system. The Ministry of Water Resources proposed investing RMB4 trillion in the country's hydraulic systems in the coming decade with approximately RMB400 billion put in hydraulic system reform each year during the period. This move will substantially boost the demand for plastic pipes. Furthermore, the "Central Government's Number One Document" expressly stated that the government will play a leading role in hydraulic system development, which will be one of the key state projects in the government budget, further stimulating the demand for pipes for agricultural water supply and drainage applications.

During the period under review, the real estate sector was entering in a transition phase to stable development following years of rapid growth, which was demonstrated by poorer industry indicators. As a result, the development of the building materials industry was dampened to a certain extent. However, the rigid demand for social security housing and for private residential properties continued to grow. According to the Twelfth Five-year Plan, it is expected that a total of 36 million units of social security housing will be constructed by 2015, with total investment amounting to RMB4 trillion. In addition, the government reiterated that renovation of shantytowns will be accelerated, and set a target of renovating over 4.7 million units this year, representing a growth of 65% over last year. According to the "Notice of the General Office of the State Council on Further Strengthening the Renovation of Shantytowns" issued in July 2014, the government will step up efforts to renovate the shantytowns and strive to exceed the target of the work for 2014, so that it will be able to plan earlier the work for 2015 to 2017.

The above factors will sustain stable demand for pipes and building materials in the market. As a market leader with a nationwide sales network, capacity for mass production, advanced research and development capability for new products and new technology, and world-renowned brands, the Group rides on the market trend and adopts finer market segmentation for its continuing business expansion in target markets. It also enhances its marketing capability and core competitive advantages in order to consolidate its market share and to increase its profitability.

BUSINESS REVIEW

Plastic pipes and pipe fittings business

As one of the largest manufacturers of plastic pipes and pipe fittings in China, China Lesso manufactures and sells products which are widely applied in such fields as water supply, drainage, power supply and telecommunications, gas transmission, agriculture, floor heating and fire services. On the back of favourable policies that facilitate urbanisation, ongoing construction of social security housing and the accelerating construction of major hydraulic projects for water conservation and supply, the Group's principal pipe business, maintained a steady growth during the period under review.

Leveraging its competitive advantages such as its well-established nationwide sales network, good customer relationships, optimised product portfolio and well-known brands, the Group successfully responded to market demand and trends, thus enhancing its market share and the customer satisfaction. Therefore, the plastic pipes and pipe fittings business achieved a steady growth of 15.6% in total sales volume to 643,018 tonnes for the first half of 2014 from 556,374 tonnes for the corresponding period of 2013. Sales volume of PVC and non-PVC plastic pipes and pipe fittings, the Group's core products, continued to grow. Revenue from the sales of PVC products amounted to RMB3,998 million, accounting for 65.3% of the revenue of the plastic pipes and pipe fittings business.

The table below sets out the breakdown of revenue from plastic pipes and pipe fittings business by product for the six months ended 30 June 2014 and 2013:

	2014		2013	
	RMB million	***% of total revenue***	*RMB million*	*% of total revenue*
Water supply	**2,411**	**39.4%**	2,168	40.3%
Drainage	**2,318**	**37.8%**	2,043	38.0%
Power supply and telecommunications	**1,057**	**17.3%**	922	17.2%
Gas transmission	**95**	**1.5%**	75	1.4%
Others#	**245**	**4.0%**	169	3.1%
Total	**6,126**	**100.0%**	5,377	100.0%

\# "Others" include agricultural applications, floor heating and fire services.

The Group priced its products on cost-plus basis. This, couple with the economies of scale, the enhanced capacity utilisation rate and the efficiency of its production facilities, enabled the Group to maintain the average selling price ("ASP") of the plastic pipes and pipe fittings at a reasonable, healthy and competitive level. The ASP of plastic pipes and pipe fittings slightly decreased by 1.4% to RMB9,527 per tonne in the first half of 2014 from RMB9,664 per tonne in the first half of 2013. In particular, the ASP of the PVC products decreased by 2.2% year on year to RMB7,859 per tonne while the ASP of non-PVC products increased by 0.4% year on year to RMB15,842 per tonne. As the price of raw materials decreased slightly during the period, the average cost of plastic pipes and pipe fittings decreased slightly by 0.25% to RMB7,049 per tonne from RMB7,067 per tonne for the same period last year. The Group considered that the average cost of products was generally stable. However, the Group will also enhance its bargaining power and control the production cost by improving the production efficiency and optimising its purchase strategy.

The table below sets out the breakdown of sales volume, revenue and average selling price by product material for the six months ended 30 June 2014 and 2013:

	2014			2013			Change in		
	Sales volume	**Revenue**	**Average selling price**	Sales volume	Revenue	Average selling price	Sales volume	Revenue	Average selling price
	Tonne	***RMB million***	***RMB***	*Tonne*	*RMB million*	*RMB*			
Plastic pipes and pipe fittings									
– PVC[a]	**508,691**	**3,998**	**7,859**	439,248	3,528	8,032	15.8%	13.3%	(2.2%)
– Non-PVC[b]	**134,327**	**2,128**	**15,842**	117,126	1,849	15,786	14.7%	15.1%	0.4%
	643,018	**6,126**	**9,527**	556,374	5,377	9,664	15.6%	13.9%	(1.4%)
Construction contracts	**N/A**	**29**	**N/A**	N/A	16	N/A	N/A	81.3%	N/A
Others[c]	**N/A**	**426**	**N/A**	N/A	299	N/A	N/A	42.5%	N/A
Total	**N/A**	**6,581**	**N/A**	N/A	5,692	N/A	N/A	15.6%	N/A

Notes:

(a) "PVC" refers to material used in the manufacture of plastic pipes and pipe fittings with high mechanical strength and hardness.

(b) "Non-PVC" plastic pipes and pipe fittings mainly refer to those made of PE and PP-R.

(c) "Others" include ancillary, home building material products and other materials. Sales volumes of "others" are measured in units rather than tonnes and the size of the units may vary with different products.

During the period under review, the Group's business and sales performances across all regions posted satisfactory sales growth and met its expectation. In addition to further fortifying its position in the major market in Southern China, the Group also vigorously developed markets beyond the region so that it could have a more geographically balanced source of income. Southern China remained a major market for the Group, accounting for 58.6% of the Group's turnover. The proportion of turnover in the markets beyond Southern China in the Group's turnover increased to 41.4%.

The table below sets out the breakdown of revenue by operating region for the six months ended 30 June 2014 and 2013:

Region#	2014 RMB million	2014 % of total revenue	2013 RMB million	2013 % of total revenue
Southern China	**3,856**	**58.6%**	3,430	60.3%
Southwestern China	**679**	**10.3%**	616	10.8%
Central China	**717**	**10.9%**	563	9.9%
Eastern China	**330**	**5.0%**	284	5.0%
Northern China	**440**	**6.7%**	381	6.7%
Northwestern China	**220**	**3.3%**	196	3.4%
Northeastern China	**151**	**2.3%**	115	2.0%
Outside China	**188**	**2.9%**	107	1.9%
Total	**6,581**	**100.0%**	5,692	100.0%

Details of the scope of coverage of each region are set out in note 2 to this announcement.

Capital expenditure and capacity expansion

The Group continued to expand its production capacity based on its own development and actual needs so as to cater for demand arising from market development. The Group's annual designed capacity for production of plastic pipes and pipe fittings increased to 1.95 million tonnes at the end of the first half of 2014 from 1.8 million tonnes at the end of 2013. The new production bases in Hainan and Yunnan commenced production in May 2014. The Group will improve its production efficiency by fully utilising the additional production capacity and enhancing the utilisation rate of existing production facilities in order to satisfy market demand.

The Group expects that the capital expenditure for the whole year of 2014 will be approximately RMB1.2 billion, mainly used to invest in construction of new production bases in Hainan and Yunnan as well as in upgrading facilities in existing production bases.

Home decoration products business

The Group is dedicated to exploring the business of new types of building materials and home decoration products. Currently, it provides major property developers with a wide range of integrated building materials and home decoration products as well as solutions to their residential property projects, including premium systems of doors and windows, sanitary ware products and integrated kitchens. The Group believes the new types of building materials and home decoration products will bring synergy to the existing product lines and will develop into growth drivers in the long run.

Sales network

The Group's extensive nationwide sales network, coupled with its wide range of quality plastic pipes, pipe fittings and new products, supports the growth momentum of the Group. As at 30 June 2014, the Group had a total of approximately 1,900 independent distributors across the country. The Group's designated sales team has been providing all-around, professional and reliable sales and after-sales services to its distributors and clients. Meanwhile, the Group takes differentiated approach to enhance its presence in different markets by not only fortifying its leading position in Southern China, but also by proactively stepping up sales efforts in the markets beyond the region in order to further expand its market share as well as strengthen its leading position in the industry.

OUTLOOK

China's economy maintained steady growth in the first half of the year. However, it still faces downward pressure in the second half of the year, which will dampen operating environment and consumer confidence. Now that the central government has already adopted a series of "mini-stimulus" policies, the overall economy is likely to stabilise. The Group believes that the country's ongoing urbanisation, further investment in the construction of water irrigation infrastructure, shantytown redevelopment projects and progress in social security housing will benefit the building materials and pipe industry. To capture the business opportunities in China's economic reform, the Group will continue with its business strategies as elaborated below.

Further expansion of the nationwide sales network

Southern China remains the Group's major market where the Group will continue to consolidate its leading position. In the meantime, the Group will strive to expand into regions beyond Southern China by actively tapping into new markets in the third- and fourth-tier cities and by exploring new opportunities there. It will also enhance brand recognition and reputation, expand its sales network and increase the market penetration of its products.

Developing business of building materials and home decoration products into future growth drivers

Although China's real estate market has been undergoing consolidation , the Group expects the demand for building materials and home decoration products to grow as the proportion of pre-decorated flats keeps rising. The Group will endeavour to expand the business of new types of building materials and home decoration products. Through improving its research and development capability, the Group strives to provide premium integrated products and services for customers, such as system of doors and windows, sanitary ware products and integrated kitchens. The Group will continue to partner major property developers in mainland China and provide premium and new types of building materials and home decoration products for their projects with an aim of nurturing new growth drivers.

Optimising production capacity to support business development

To cope with increasing market demand and to its business expansion , the Group's production bases in Hainan and Yunnan commenced production in May this year while preparations for the construction of a production base in Shandong are currently underway. The Group will continue to optimise the production capacity and to improve production facilities with a view to enhancing the operation of its existing plants and the overall production efficiency.

CONCLUSION

China Lesso has been a leading player in the industry of plastic pipes and pipe fittings in China over the years. In order to benefit from the favourable ongoing developments in China, namely urbanisation, construction of infrastructure and social security housing, the Group will continue to expand its nationwide sales network, optimise production capacity and improve productivity, enabling it to provide the market with a wide variety of premium products. In addition, the Group will continue to make every effort to develop its business of home decoration products with an aim of developing it into a growth driver in the future. The Group is confident of its business prospect and of attaining healthy and sustainable development. By enhancing its core competitive advantages, the Group will endeavour to realise the corporate mission of "Create a Relaxing Life for Dwellers" and bring fruitful returns to Shareholders and investors.

RESULTS PERFORMANCE

During the first half of 2014, the Group's business grew steadily and its operation performance matched its expectation. For the six months ended 30 June 2014, revenue of the Group recorded a year-on-year growth of 15.6% to RMB6,581 million. During the period, the sales volume of both PVC and non-PVC plastic pipes and pipe fittings continued to grow. The total sales volume of plastic pipes and pipe fittings increased by 15.6% to 643,018 tonnes from 556,374 tonnes for the corresponding period last year. During the period, the gross profit recorded a year-on-year growth of 10.1% to RMB1,643 million, with a gross profit margin of 25.0%, which was maintaining at a healthy and reasonable level (for the whole year of 2013: 25.0%; for the first half of 2013: 26.2%).

The Group expanded its production capacity and recruited more staff for business expansion and tapping into new markets. This resulted in a corresponding increase in expenditure, including staff remuneration, depreciation and amortisation, selling and distribution expenses. Nevertheless, the Group effectively managed its overall cost and enhanced operation efficiency through economies of scale and improvement in the capacity utilisation rate, so as to respond and reduce the pressure which stemmed from rising cost. The measures contributed to the sustainable development and healthy profitability of the Group.

Over the years, the Group has obtained the strategic support from a number of banks, which has expanded its sources of funding. During the period, the Group has entered into agreements for syndicated term loan facilities in the aggregate amount of US$290 million with banks, so as to optimise the Group's debt structure and reduce interest expense and this will cut its future financing cost. The Group redeemed part of its Senior Notes in the principal amount of US$130 million by utilising a syndicated term loan of US$135 million and recorded a one-off premium from early redemption of Senior Notes and unallocated issue expenses of RMB49 million.

In addition, as the Renminbi weakened against the HK dollar and the US dollar during the period, the Group recorded an exchange loss of approximately RMB12 million (for the first half of 2013: an exchange gain of approximately RMB24 million). The exchange loss will not have negative impact on the profitability of the Group's core business and cash flows and the Group is confident that its core operations will maintain a healthy development.

The EBITDA is RMB1.1 billion, representing a slight year-on-year increase of 0.8%. The EBITDA ratio is 16.7%, which was kept at a healthy and reasonable level (for the whole year of 2013: 17.4%; for the first half of 2013: 19.1%).

The Group's effective tax rate decreased to 18.3% in the first half of 2014 from 19.4% in the first half of 2013.

As such, the Group recorded a decline in profit during the period due to the above major factors. The Group's profit before tax decreased by 9.4% year on year to RMB761 million and profit attributable to the owners of the Company decreased by 8.1% year on year to RMB628 million. Basic earnings per share decreased by 9.1% year on year to RMB0.20.

FINANCIAL POSITION

The Group continued to adopt prudent financial policies. Finance, fund utilisation and fund raising activities are subject to effective centralised management and supervision. The Group keeps reasonable gearing level and adequate liquidity.

As at 30 June 2014, the Group had total debts (i.e. total bank loans and other borrowings) of approximately RMB3,222 million, of which 67.2% was denominated in US dollar, 24.4% was denominated in HK dollar and 8.4% was denominated in Renminbi. Other than the approximately US$129 million of the outstanding Senior Notes due in 2016, the Group's borrowings are subject to floating rates ranging from 1.15% to 6.60% per annum with maturity periods ranging from within one year to three years.

As at 30 June 2014, the Group's current assets and current liabilities were approximately RMB6,397 million and RMB4,267 million respectively. The Group's current ratio (that is, the ratio of current assets to current liabilities) decreased to 1.50 from 1.94 as at 31 December 2013, while the quick ratio (that is, the ratio of current assets less inventories to current liabilities) decreased to 0.87 from 1.20 as at 31 December 2013. The Group's total equity increased to approximately RMB7,631 million. The Group's gearing ratio (calculated on the basis of the total debts divided by the sum of total debts and total equity) stood at a healthy level of 29.7%.

With cash and bank deposits, including restricted cash, of approximately RMB1,717 million as well as unutilised banking facilities, the directors consider that the Group has sufficient working capital for its operation and future development.

The Group had no material exposure to foreign exchange fluctuation other than borrowings denominated in US dollar and HK dollar. No hedging has been arranged on the above-mentioned exposure.

CHARGE ON ASSETS

As at 30 June 2014, certain of the Group's held-to-maturity investments with an aggregate net carrying amount of approximately RMB233 million (31 December 2013: approximately RMB243 million) were pledged to a bank to secure the banking facility granted to the Company. The Company has not utilised this banking facility as at 30 June 2014.

The shares of certain subsidiaries of the Company incorporated outside the PRC were pledged as securities for issuance of the Senior Notes.

CONTINGENT LIABILITIES

As at 30 June 2014, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 June 2014, the Group employed a total of approximately 9,000 employees including directors. Total staff costs were RMB291 million during the review period. The Group ensures that the remuneration packages for employees are determined based on their work performance, professional experience and the prevailing industry practice. Discretionary year-end bonus may be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes. Due to the increase in employment of managers and workers, the overall salary also rose during the review period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014. Such condensed consolidated financial statements have not been audited but have been reviewed by the independent auditor of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

China Lesso is always committed to maintaining high standards of corporate governance practices and business ethics of the Group. The Board believes in good corporate governance practices and business ethics which are essential for achieving sustainable development, establishing investors' confidence in the Company and safeguarding and enhancing the interests of the Shareholders.

In pursuit of good and high standard of corporate governance practices, the Board reviews the corporate governance practices of the Company from time to time so as to meet the expectations of the Shareholders for continual improvement, comply with increasingly stringent regulatory requirements and fulfill its commitment of pursuing excellent corporate governance. In the opinion of the directors, the Company complied with all the applicable code provisions of the Code during the review period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code governing securities transactions by directors of the Company. Having made specific enquiry to the directors, all of them confirmed that they have complied with the required standard as set out in the Model Code throughout the review period. The Model Code is also applicable to other specific senior management officers of the Company.

COMPLIANCE AND ENFORCEMENT OF THE NON-COMPETE UNDERTAKINGS FROM CONTROLLING SHAREHOLDER

None of the directors or substantial shareholder of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group. The controlling Shareholder being New Fortune and Mr. Wong Luen Hei (the "Controlling Shareholder"), has entered into a deed of non-competition in favour of the Group dated 14 May 2010 (the "Deed of Non-Competition").

The directors are of the view that the Group's measures adopted by the Company in respect of the enforceability of the Deed of Non-Competition are adequate to safeguard the effectiveness of the non-competition undertakings. The independent non-executive directors have reviewed the compliance of the Deed of Non-Competition, including any potential conflicts of interest and competition arising from the taking up by the Controlling Shareholder of opportunities rejected by the Group pursuant to the Deed of Non-Competition. Based on the confirmation from the Controlling Shareholder, the independent non-executive directors are of the view that the Deed of Non-Competition has been complied with and has been effectively enforced.

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 3 March 2014, the Company as borrower entered into a facility agreement (the "Facility Agreement I") in relation to a syndicated term loan facility in the amount of US$135 million at an interest rate of LIBOR plus 2.00% per annum with, among others, Taipei Fubon Commercial Bank Co., Ltd. and CTBC Bank Co., Ltd. as mandated lead arrangers, and a syndicate of nine lenders, for the purpose of refinancing the Group's existing financial indebtedness. The loan made thereunder is repayable 36 months after the same has been made.

On 26 June 2014, the Company as borrower entered into a facility agreement (the "Facility Agreement II") in relation to a syndicated term loan facility in the amount of US$155 million at an interest rate of LIBOR plus 2.20% per annum with a syndicate of three lenders, independent licensed banks in Hong Kong, for general corporate requirements (including the refinancing of the Group's existing financial indebtedness). The loan made thereunder is repayable 42 months after the same has been made.

Pursuant to the Facility Agreement I and Facility Agreement II (collectively the "Facility Agreements"), save for additional requirement that Mr. Wong Luen Hei (being the Controlling Shareholder) and his family (collectively, the "Wong Family") shall remain to have effective management control over the Company set out in the Facility Agreement I, the Facility Agreements require that the Wong Family shall collectively maintain, directly or indirectly, at least 55% of beneficial shareholding interest in the issued share capital of the Company, carrying at least 55% of the voting rights, free from any security. Otherwise, a lender shall not be obliged to fund the loans made under the Facility Agreements, and the total commitments under the Facility Agreements may be liable to be cancelled and the outstanding loans with interest and all other amounts accrued under the Facility Agreements or other related financial documents may be due and payable to the lenders immediately.

SENIOR NOTES

During the period, the Company has redeemed the principal amount of US$130 million of the Senior Notes. As at 30 June 2014, the outstanding principal amount of the Senior Notes was approximately US$129 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2014, save for the Company's redemption of the Senior Notes as disclosed in note 13(b) to this announcement, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

ACQUISITION OF SUBSIDIARY

During the period, the Group entered into the sale and purchase agreements to acquire 100% equity interest in Heshan Starcorp Plastic Co., Ltd.* ("Heshan Starcorp") at a cash consideration of approximately RMB32 million.

Heshan Starcorp is principally engaged in the manufacture and sale of plastic products. The acquisition allows the Group to expand its production capacity on plastics resins processing.

EVENT AFTER THE REPORTING PERIOD

On 28 July 2014, the Company completed the full redemption of the remaining outstanding amount of the Senior Notes of approximately US$129 million in accordance with the Company's announcement on overseas regulatory announcement and inside information dated 26 June 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.lesso.com). The 2014 interim report will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board
China Lesso Group Holdings Limited
Zuo Manlun
Chief Executive

Hong Kong, 18 August 2014

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, Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu and Mr. Gao Lixin.

GLOSSARY

"Board"	the board of directors of the Company
"China" or "PRC"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company" or "China Lesso"	China Lesso Group Holdings Limited
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"N/A"	not applicable
"New Fortune"	New Fortune Star Limited
"PE"	polyethylene
"PP-R"	polypropylene random
"PVC"	polyvinyl chloride

"RMB"	Renminbi, the lawful currency of the PRC
"Senior Notes"	US$300 million 7.875% senior notes due 2016 issued by the Company
"Share(s)"	share(s) of a nominal value of HK$0.05 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"State Council"	The State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Taiwan"	the Republic of China
"tonne(s)"	a unit measuring weight, equal to 1,000 kilograms
"US"	the United States of America
"US$"	US dollar, the lawful currency of US
"%"	per cent.

* The English or Chinese translations in this announcement, where indicated, denote for identification only.

FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements. These forward-looking statements include, without limitation, statements related to revenue and earnings. The words "believe", "intend", "expect", "anticipate", "forecast", "estimate", "predict", "is confident", "has confidence" and similar expressions are also intended to represent forward-looking statements. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of China Lesso about the business, industry and markets in which China Lesso operates.