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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2012.

Highlights

Compared to the last year financial results:

- Revenue increased by 7.4% to RMB10,891 million
- Gross profit increased by 8.0% to RMB2,649 million
- Profit attributable to owners of the Company decreased by 1.8% to RMB1,238 million
- Basic earnings per share was RMB0.41, decreased by 2.4%
- The payment of a final dividend of HK12 cents per share is recommended for the year ended 31 December 2012

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	3	**10,891,363**	10,143,296
Cost of sales		**(8,242,055)**	(7,691,274)
Gross profit		**2,649,308**	2,452,022
Other revenue, income and gains	3	**115,774**	148,321
Selling and distribution expenses		**(543,681)**	(453,596)
Administrative expenses		**(381,037)**	(314,782)
Other expenses		**(212,169)**	(164,467)
Finance costs	4	**(146,231)**	(110,536)
Share of profit/(loss) of a jointly-controlled entity		**315**	(29)
PROFIT BEFORE TAX	5	**1,482,279**	1,556,933
Income tax expense	6	**(251,008)**	(296,237)
PROFIT FOR THE YEAR		**1,231,271**	1,260,696
OTHER COMPREHENSIVE INCOME/(LOSS)			
Available-for-sale investments:			
Changes in fair value		**34,732**	(20,022)
Reclassification adjustments for gains on disposal		**(14,710)**	–
		20,022	(20,022)
Exchange differences on translation of foreign operations		**(2,191)**	(2,325)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**17,831**	(22,347)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,249,102**	1,238,349
Profit attributable to			
Owners of the Company		**1,238,322**	1,260,758
Non-controlling interests		**(7,051)**	(62)
		1,231,271	1,260,696
Total comprehensive income attributable to			
Owners of the Company		**1,255,835**	1,238,411
Non-controlling interests		**(6,733)**	(62)
		1,249,102	1,238,349
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic		**RMB0.41**	RMB0.42
Diluted		**RMB0.40**	RMB0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2012

	Notes	**2012** **RMB'000**	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,288,261**	2,470,759
Prepaid land lease payments		**954,279**	356,065
Other intangible assets		**9,771**	2,799
Deposits paid for the purchase of land, property, plant and equipment		**129,705**	291,672
Investment in a jointly-controlled entity		**5,286**	4,971
Held-to-maturity investments	*9*	**279,006**	–
Available-for-sale investments	*10*	**–**	156,508
Deferred tax assets		**3,575**	2,112
Total non-current assets		**4,669,883**	3,284,886
CURRENT ASSETS			
Inventories		**1,766,133**	1,294,018
Trade and bills receivables	*11*	**1,009,534**	748,358
Prepayments, deposits and other receivables		**405,227**	347,632
Held-to-maturity investments	*9*	**9,684**	–
Cash and bank deposits		**1,922,325**	2,116,641
Total current assets		**5,112,903**	4,506,649
CURRENT LIABILITIES			
Trade and bills payables	*12*	**512,054**	191,314
Other payables and accruals		**832,388**	657,447
Bank loans and other borrowings	*13*	**595,799**	70,004
Tax payable		**98,635**	114,426
Total current liabilities		**2,038,876**	1,033,191
NET CURRENT ASSETS		**3,074,027**	3,473,458
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,743,910**	6,758,344

	Notes	**2012** *RMB'000*	2011 *RMB'000*
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	*13*	**1,628,783**	1,674,704
Deferred tax liabilities		**64,635**	72,673
Deferred income		**22,574**	23,602
Total non-current liabilities		**1,715,992**	1,770,979
Net assets		**6,027,918**	4,987,365
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*14*	**132,660**	131,537
Reserves		**5,877,373**	4,855,438
		6,010,033	4,986,975
Non-controlling interests		**17,885**	390
Total equity		**6,027,918**	4,987,365

Notes:

1.1. 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, 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, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in 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 year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income and loss within a subsidiary is attributed to the non-controlling interests even if it results in a deficit balance.

1.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

The adoption of these revised HKFRSs has had no significant financial effect on these 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 area 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 exchange differences, finance costs, gain on disposal of available-for-sale investments, gain on repurchase of the Senior Notes, interest income, share of result of a jointly-controlled entity and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude investment in a jointly-controlled entity, held-to-maturity investments, available-for-sale 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 both in the PRC and foreign countries.

During the years ended 31 December 2012 and 2011, 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 year ended 31 December 2012

	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:										
Sales to external customers	6,881,666	1,069,646	1,035,479	549,437	688,821	302,663	222,219	141,432	–	10,891,363
Intersegment sales	968,970	200,212	262,610	69,362	146,614	57,196	81,557	127,516	(1,914,037)	–
Total	7,850,636	1,269,858	1,298,089	618,799	835,435	359,859	303,776	268,948	(1,914,037)	10,891,363
Segment results	1,921,068	280,403	365,778	129,485	177,330	65,949	33,519	39,399	(363,623)	2,649,308
Reconciliations:										
Exchange loss										(618)
Finance costs										(146,231)
Gain on disposal of available-for-sale investments										14,710
Gain on repurchase of the Senior Notes										4,259
Interest income										52,516
Share of profit of a jointly-controlled entity										315
Unallocated income and expenses										(1,091,980)
Profit before tax										1,482,279
Segment assets	4,086,718	616,238	839,473	313,717	535,307	533,904	520,106	117,447	–	7,562,910
Reconciliations:										
Investment in a jointly-controlled entity										5,286
Held-to-maturity investments										288,690
Deferred tax assets										3,575
Cash and bank deposits										1,922,325
Total assets										9,782,786
Other segment information:										
Depreciation and amortisation	118,563	25,155	36,253	12,611	25,061	14,488	16,524	3,919	–	252,574
Impairment of trade receivables, net	9,250	–	671	–	–	–	–	–	–	9,921
Write-back of inventories to net realisable value	(488)	–	–	–	–	–	–	–	–	(488)
Capital expenditure*	959,435	220,173	134,853	23,221	48,667	194,669	103,345	21,149	(7,028)	1,698,484

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

Operating segment information for the year ended 31 December 2011

	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:										
Sales to external customers	6,852,183	915,905	832,613	463,153	581,519	227,725	176,327	93,871	–	10,143,296
Intersegment sales	886,056	172,638	228,854	48,625	115,916	14,459	52,218	47,855	(1,566,621)	–
Total	7,738,239	1,088,543	1,061,467	511,778	697,435	242,184	228,545	141,726	(1,566,621)	10,143,296
Segment results	1,913,282	208,258	292,762	80,534	112,481	48,444	39,525	17,636	(260,900)	2,452,022
Reconciliations:										
Exchange gain										52,491
Finance costs										(110,536)
Gain on repurchase of the Senior Notes										24,662
Interest income										27,219
Share of loss of a jointly-controlled entity										(29)
Unallocated income and expenses										(888,896)
Profit before tax										1,556,933
Segment assets	3,078,390	409,212	662,071	256,941	449,491	274,408	354,654	26,136	–	5,511,303
Reconciliations:										
Investment in a jointly-controlled entity										4,971
Available-for-sale investments										156,508
Deferred tax assets										2,112
Cash and bank deposits										2,116,641
Total assets										7,791,535
Other segment information:										
Depreciation and amortisation	83,878	17,455	27,367	10,422	19,071	6,209	7,251	2,252	–	173,905
Reversal of impairment of trade receivables, net	(1,222)	–	–	–	–	–	–	–	–	(1,222)
Write-back of inventories to net realisable value	–	–	–	–	(522)	–	–	–	–	(522)
Capital expenditure*	487,618	106,734	154,736	48,928	55,065	78,334	138,251	40	(16,024)	1,053,682

* 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) during the year.

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

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**10,891,363**	10,143,296
Other revenue, income and gains		
Bank interest income	**34,128**	27,219
Interest income from held-to-maturity investments	**18,388**	–
Total interest income	**52,516**	27,219
Government grants and subsidies	**25,617**	28,281
Gain on sale of raw materials	**2,778**	6,314
Gain on repurchase of the Senior Notes	**4,259**	24,662
Gain on disposal of available-for-sale investments	**14,710**	–
Dividend income	**432**	–
Exchange gain	**–**	52,491
Others	**15,462**	9,354
	115,774	148,321

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

4. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on:		
Bank loans	**10,299**	17,175
The Senior Notes	**135,932**	93,361
	146,231	110,536

5. PROFIT BEFORE TAX

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

	2012 *RMB'000*	2011 *RMB'000*
Cost of inventories sold	**8,242,543**	7,691,796
Depreciation	**237,634**	166,947
Amortisation of prepaid land lease payments	**13,594**	6,184
Amortisation of other intangible assets	**1,346**	774
Total depreciation and amortisation	**252,574**	**173,905**
Research and development costs*	**198,455**	158,213
Loss on disposal of items of property, plant and equipment	**120**	642
Write-back of inventories to net realisable value	**(488)**	(522)
Impairment/(reversal of impairment) of trade receivables, net*	**9,921**	(1,222)
Foreign exchange differences, net	**618**	(52,491)

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

6. INCOME TAX EXPENSE

	2012 *RMB'000*	2011 *RMB'000*
Current – Hong Kong	**2,484**	–
Current – PRC		
Charge for the year	**286,462**	276,989
Overprovision in prior years	**(28,437)**	(8,830)
	260,509	268,159
Deferred	**(9,501)**	28,078
Total tax charge for the year	**251,008**	296,237

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 during the year after offsetting the tax loss brought forward.

No provision for Hong Kong profits tax was made in prior year as the Group had not generated any assessable profits arising in Hong Kong during that year.

PRC CIT

The Group's income tax provision in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for the years ended 31 December 2012 and 2011, based on the existing legislation, interpretations and practices in respect thereof.

7. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year:		
2011 final – HK12 cents (2011: 2010 final – HK12 cents) per ordinary share	**293,834**	303,026

The final dividend of HK12 cents in respect of the year ended 31 December 2012 (2011: final dividend of HK12 cents in respect of the year ended 31 December 2011) per ordinary share has been proposed by the directors and is subject to approval by the Shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**1,238,322**	1,260,758

	Number of Shares	
	2012	2011
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	**3,011,875,112**	3,002,907,794
Effect of dilution – weighted average number of ordinary shares: share options	**57,300,281**	73,937,711
	3,069,175,393	3,076,845,505

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2012 includes 3,005,906,950 ordinary shares in issue as at 31 December 2011 (2011: 3,000,000,000 ordinary shares in issue as at 31 December 2010) and 5,968,162 shares (2011: 2,907,794 shares) derived from the weighted average of 27,695,400 ordinary shares (2011: 5,906,950 ordinary shares) issued upon exercise of the share options.

The calculation of the diluted earnings per share amounts is based on the profit for the year 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 year, 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

	2012	2011
	RMB'000	*RMB'000*
Listed debt securities	**288,690**	–
Less: Amounts with maturity of less than one year shown under current assets	**(9,684)**	–
Amounts shown under non-current assets	**279,006**	–

The held-to-maturity investments represented debt securities listed on the Singapore Exchange Securities Trading Limited. These securities carry fixed interest at 9.00% to 13.75% per annum, payable semi-annually in arrears, and will mature from November 2013 to April 2016.

As at 31 December 2012, the fair value of the debt securities based on the quoted market price provided by a leading global financial market data provider was RMB316,582,000.

10. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	RMB'000	*RMB'000*
Listed equity investments in Hong Kong, at fair value	**–**	156,508

The above investments consisted of investments in equity securities which were designated as available-for-sale financial assets. All these investments were disposed of at a cash consideration of approximately RMB191,430,000 during the year.

11. TRADE AND BILLS RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**779,354**	718,856
Bills receivable	**243,265**	32,811
Less: Provision for impairment	**(13,085)**	(3,309)
	1,009,534	748,358

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 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 as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**632,975**	580,613
4 to 6 months	**179,554**	98,441
7 to 12 months	**159,689**	40,722
1 to 2 years	**33,724**	26,431
2 to 3 years	**2,705**	2,049
Over 3 years	**887**	102
	1,009,534	748,358

12. TRADE AND BILLS PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**375,488**	179,397
Bills payable	**136,566**	11,917
	512,054	191,314

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 as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	RMB'000	*RMB'000*
Within 3 months	**483,943**	188,436
4 to 6 months	**23,520**	860
7 to 12 months	**1,542**	1,306
1 to 2 years	**2,562**	517
2 to 3 years	**299**	21
Over 3 years	**188**	174
	512,054	191,314

13. BANK LOANS AND OTHER BORROWINGS

	2012			2011		
	Effective interest rate	**Maturity**		Effective interest rate	Maturity	
	(%)		***RMB'000***	*(%)*		*RMB'000*
Current						
Secured bank loans	**1.33-2.40**	**2013**	**26,332**	2.90-5.40	2012	70,004
Unsecured bank loans	**2.43-5.50**	**2013**	**569,467**			–
			595,799			70,004
Non-current						
Secured bank loans			**–**	5.40	2013	16,400
Unsecured bank loans	**2.71**	**2015**	**42,873**			–
The Senior Notes	**8.63**	**2016**	**1,585,910**	8.63	2016	1,658,304
			1,628,783			1,674,704
			2,224,582			1,744,708

	2012	2011
	RMB'000	*RMB'000*
Analysed into bank loans repayable:		
Within one year or on demand	**595,799**	70,004
In the second year	**21,437**	16,400
In the third to fifth years, inclusive	**21,436**	–
	638,672	86,404
Analysed into other borrowings repayable:		
In the third to fifth years, inclusive	**1,585,910**	1,658,304
	2,224,582	1,744,708

Notes:

(a) As at 31 December 2012, the Group's bank loans are denominated in US$, HK$ and RMB at aggregate amounts of RMB194,682,000 (2011: RMB6,004,000), RMB291,906,000 (2011: Nil) and RMB152,084,000 (2011: RMB80,400,000), respectively.

As at 31 December 2012, the secured bank loans are secured by the Group's inventories with an aggregate net carrying amount of RMB26,332,000 (2011: Nil).

As at 31 December 2011, the secured bank loans were secured by certain of the Group's buildings and machinery with an aggregate net carrying amount of RMB129,561,000 and certain prepaid land lease payments with an aggregate net carrying amount of RMB26,914,000.

(b) The Senior Notes are listed on the Singapore Exchange Securities Trading Limited. They carry interest at 7.875% per annum, payable semi-annually in arrears on 13 May and 13 November, and will mature on 13 May 2016 unless redeemed earlier. The Company can at its option redeem all or a portion of the Senior Notes at any time prior to the maturity date in accordance with the purchase agreement.

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

During the year, the Company repurchased and cancelled the Senior Notes in aggregate principal amount of US$9,820,000 (2011: US$31,300,000) with a gain of RMB4,259,000 (2011: RMB24,662,000) recognised in profit or loss. The outstanding principal amount of the Senior Notes was US$258,880,000 as at 31 December 2012 (2011: US$268,700,000).

As at 31 December 2012, the fair value of the Senior Notes based on the quoted market price provided by a leading global financial market data provider was US$270,530,000 (approximately RMB1,706,766,000 equivalent) (2011: US$227,723,000 (approximately RMB1,434,860,000 equivalent)).

14. SHARE CAPITAL

Shares	**2012**	2011
Authorised:		
20,000,000,000 (2011: 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:		
3,033,602,350 (2011: 3,005,906,950) ordinary shares of HK$0.05 each	**HK$151,680,118**	HK$150,295,348
Equivalent to	**RMB132,660,000**	RMB131,537,000

The following changes in the Company's issued share capital took place during the year:

	Number of ordinary shares of HK$0.05 each	**Nominal value of ordinary shares** *HK$'000*	*RMB'000*
Issued and fully paid:			
As at 31 December 2011 and 1 January 2012	3,005,906,950	150,295	131,537
Upon exercise of the share options *(note)*	27,695,400	1,385	1,123
As at 31 December 2012	**3,033,602,350**	**151,680**	**132,660**

Note:

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 27,695,400 ordinary shares (2011: 5,906,950 ordinary shares) of HK$0.05 each for a total cash consideration, before expenses, of approximately HK$50,406,000 (2011: HK$10,751,000) (approximately RMB40,872,000 (2011: RMB8,716,000) equivalent) during the year. The shares issued during the year 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:

	2012 *RMB'000*	2011 *RMB'000*
Contracted, but not provided for:		
Land, property, plant and equipment	**320,969**	417,306

CHAIRMAN'S STATEMENT

In 2012, against the backdrop of the Eurozone debt crisis and the Chinese government's credit tightening policies, China Liansu faced a challenging operating environment in terms of market demand. Nevertheless, the Group managed to respond effectively to changing market trends by fully capitalising on its sales network, its research and development capabilities with new products and new technologies, as well as its focused strategy of target marketing and careful brand management. As a result, China Liansu today enjoys steady growth and continues to create value for the Shareholders.

For the year ended 31 December 2012, the Group recorded revenue of RMB10,891 million, an increase of 7.4% from RMB10,143 million in 2011. Profit attributable to owners of the Company was RMB1,238 million in 2012, a decrease of 1.8% from RMB1,261 million in 2011. The Board recommended the payment of a final dividend of HK12 cents per share for the year ended 31 December 2012.

Looking back at 2012, the Eurozone debt crisis continued to be a drag on the global economic recovery, while the Chinese government set a cautious target for steady economic growth. Credit tightening policies were also implemented, which affected the investments in fixed assets, putting pressure on the plastic pipe industry. However, the Chinese government has carried out various supportive measures during the year, to actively promote the construction of infrastructure, including housing units for social security recipients, infrastructure in cities and towns, as well as the development of new villages and water infrastructure. All these will generate steady demand for the Group's products.

In light of 2012's challenging business environment, the Group, as an industry leader, has remained dedicated to strengthen its existing sales network, and has further solidified its foothold in third and fourth tier cities. The Group has also continued to enhance its production capacity. All of these initiatives have helped build a solid foundation for long-term development and success.

Given today's growing popularity with fitted-out properties (精裝房), the Group placed great efforts in developing a range of home building material products like plastic-steel doors and windows as well as sanitary products and holistic kitchen during the year under review. In order for the Group's new business of home building materials and the internationalisation of its businesses, the Group plans to enhance the brand trademark with essential messages of "Link, Ease, Safe, Share and Open" in 2013. The Group is now gradually launching products that incorporate those brand essences, and these are expected to become its primary revenue drivers.

Looking forward, the Group aims to leverage strategic planning in its market coverage, expand its sales network nationwide, continue the internationalisation of its businesses, initiate the orderly expansion and optimisation of capacity, develop new products and move toward more focused branding. Using these tools, the Group will continue to effectively respond to market demand, enhance brand awareness, fortify its market-leading position and strengthen its international expansion in order to generate better return for the Shareholders.

On behalf of the Board, I would like to express my sincerest gratitude to all employees for their long-term contributions. Their teamwork and hard work have served as a major impetus for the Group's development. This is true especially in today's challenging business environment. Last but not least, I wish to express my heartfelt gratitude to all customers, business partners, the Shareholders, and friends from various communities for their valuable support of the Group.

Wong Luen Hei
Chairman

Shunde, the PRC, 18 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND ANALYSIS

Overview

As a leading domestic manufacturer of plastic pipes and pipe fittings, the Group has dedicated itself to providing a full range of high quality products to customers through its extensive sales network and production bases throughout the nation. The Group's product line covers seven major areas, including: water supply, drainage, power supply and telecommunications, gas supply, agriculture, floor heating and fire prevention. To meet market demand and realise synergies among different segments, the Group has expanded into new home building material product segments, such as sanitary products, holistic kitchens, and plastic-steel doors and windows in order to nurture growth drivers through product diversification. Headquartered in Shunde, Guangdong Province, the Group has built a strategic network of sales and various production bases that cover the entire nation, comprising primarily 14 production bases located in 11 provinces across China. As of 31 December 2012, the Group's design production capacity was 1.75 million tonnes. With expansion and planning of production capacity serving as the Group's principal objectives for strategic development, the Group aims to carry out capacity expansion plans for its existing production bases in Guangdong, Wuhan and Guiyang, while new bases in Hainan, Yunnan and Shandong remain under construction.

Analysis of Market Conditions

Looking back at 2012, the Eurozone debt crisis continued to affect the recovery of the global economy, and the Chinese government set a cautious target for steady economic growth with credit tightening policies. This has affected the investments in fixed assets and put pressure on general demand for the plastic pipe industry. Faced with the challenges of today's general business environment, the plastic pipe industry, with the help of support policies implemented by the Chinese government, has built a solid foundation upon which demand for plastic pipe has been maintained through on going urbanisation, construction of housing units for social security recipients as well as expanding investments in hydraulic engineering and outdated pipe network replacement.

As a key industry leader, the Group has been optimising its sales network, strengthening efforts on research and development, investing in new products and technologies, and enhancing its brand name. By effectively isolating and addressing market trends as well as refining and developing target markets, the Group has been able to realise steady growth in its core business operations.

During the year under review, the Group achieved healthy operating and financial performance results. Revenue was RMB10,891 million, an increase of RMB748 million or 7.4% over 2011. Gross profit for the year ended 31 December 2012 came to RMB2,649 million, an increase of 8.0% over 2011. Basic earnings per share was RMB0.41 in 2012.

The table below sets out the breakdown of revenue from plastic pipes and pipe fittings by product for 2012 and 2011:

	2012		2011	
	RMB' million	***% of total revenue***	*RMB' million*	*% of total revenue*
Water supply	**4,149**	**39.7%**	3,881	39.1%
Drainage	**3,941**	**37.7%**	3,590	36.2%
Power supply and telecommunications	**1,870**	**17.9%**	1,816	18.3%
Gas supply	**130**	**1.3%**	99	1.0%
Others[1]	**358**	**3.4%**	535	5.4%
Total	**10,448**	**100%**	9,921	100.0%

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

Business Development

In 2012, the Chinese government continued to implement control policies on the property market while economic growth still needs to be stabilised. The property market in the PRC received a further boost during the second half of 2012 after a large number of housing units were released to social security recipients towards the end of 2012, heightening the demand for plastic pipes. As announced by the Ministry of Housing and Urban-Rural Development of the PRC, the construction of approximately 34 million government-subsidised units began and approximately 21 million affordable units were completed with fiscal expenditure of RMB380.04 billion on the government-subsidised units at the end of 2012, an increase of RMB45.75 billion or 13.7% over 2011.

In June 2012, the National Development and Reform Commission issued the "Development Plan on Hydraulic Engineering (Years 2011-2015)," approved by the State Council, which sets out a detailed plan on hydraulic engineering development projects in the PRC for the coming years. According to the Ministry of Finance of the PRC, between 2012 to 2015 a total of RMB22.8 billion will be invested in small farm-based water projects, comprehensive agricultural development, modern agriculture production development, and agricultural technological promotion. These investments will support the goals of the "saving water and increasing productivity" campaign held in four regional provinces of northeast China, including Heilongjiang, Jilin, Liaoning and Inner Mongolia. The Ministry of Finance has earmarked RMB4.8 billion for developing high-performance irrigation systems covering 8 million mu (畝) of land in 2012.

Effective capacity expansion with rapid response to market demands

Given China's on-going stable economic growth, coupled with advancements in urbanisation, and continuous development of housing units for social security recipients, the plastic pipe industry is expected to maintain sound and stable growth. Based on a long-term optimistic view of plastic piping needs in the market, the Group has continued to increase its production capacity according to actual market conditions in order to meet future demand. Against the backdrop of the challenging operating environment in 2012, the Group remained committed to going forward with an orderly capacity expansion, enhancing its domestic and international sales network, developing targeted market segments and optimising product portfolio. As a result, the Group's core competitiveness was strengthened and improved.

During the year under review, the Group spent RMB1,422 million to complete its capacity expansion plans of which investments in new home building material product machineries accounted for RMB75 million. The Group's new production base in Shaanxi began production in 2012 as scheduled to meet the demand from local markets and further increase the Group's market share in the surrounding regions.

Effective enhancement and development of sales networks and further consolidation of industry leadership

The general overall business environment was materially affected by the slowdown of the global economic recovery in 2012, and the plastic pipe industry was not immune to the effects. The Group, however, has actively focused on business development within the plastic pipe industry boosted by its cutting-edge technologies and products. As a market leader, the Group continues to leverage its core strengths, responding quickly to market demand while refining its sales networks. With this in mind, the Group has increased its share in various targeted regions, including southern China while deepening business development in the third and fourth tier cities and taking advantage of its respected brand name. Ultimately the Group was still able to maintain stable performance results and achieve solid growth while facing today's daunting business environment. This also further demonstrates the commitment of the Group has toward honing its sales networks, which has been serving as a solid foundation for its long-term development.

The table below sets out the breakdown of sales revenue by region for 2012 and 2011:

	2012		2011	
Region[1]	***RMB' million***	***% of total revenue***	*RMB' million*	*% of total revenue*
Southern China	**6,882**	**63.2%**	6,852	67.6%
Southwestern China	**1,070**	**9.8%**	916	9.0%
Central China	**1,035**	**9.5%**	833	8.2%
Eastern China	**549**	**5.0%**	463	4.6%
Northern China	**689**	**6.3%**	581	5.7%
Northwestern China	**303**	**2.8%**	228	2.3%
Northeastern China	**222**	**2.1%**	176	1.7%
Outside China	**141**	**1.3%**	94	0.9%
Total	**10,891**	**100.0%**	10,143	100.0%

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

The Group's extensive sales network is one of its competitive advantages. The Group had 1,300 independent distributors at the end of December 2012. Supported by the Group's existing marketing capabilities, the Group has been expanding and strengthening its domestic sales network while actively developing overseas markets.

Leveraging economies of scale and operating sustainably

In 2012, despite a complicated and challenging business environment, the Group continued to maintain stringent cost controls, while also fortifying its existing customer base, developing new customers and leveraging economies of scale from its integrated competitive advantages. At the end of the year, the Group achieved a sales volume of plastic pipes and pipe fittings totalling 1,085,415 tonnes for 2012, representing a growth of 124,579 tonnes or 13.0% compared to 2011.

The table below sets out the breakdown of sales volume, revenue and average selling price by product material for 2012 and 2011:

	2012			2011			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[1]	**855,777**	**6,845**	**7,999**	753,784	6,686	8,870	13.5	2.4	(9.8)
– Non-PVC[2]	**229,638**	**3,603**	**15,690**	207,052	3,235	15,624	10.9	11.4	0.4
	1,085,415	**10,448**	**9,626**	960,836	9,921	10,325	13.0	5.3	(6.8)
Others[3]	**N/A**	**443**	**N/A**	N/A	222	N/A	N/A	99.5	N/A
Total	**1,085,415**	**10,891**	**N/A**	960,836	10,143	N/A	N/A	7.4	N/A

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

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

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

The Group optimised its pricing strategy in a situation-specific manner and maintained its gross profit margin during the year under review. The average selling price of the Group's plastic pipes and pipe fittings decreased to RMB9,626 per tonne from RMB10,325 per tonne. The average cost of sales of plastic pipes and pipe fittings decreased to RMB7,278 per tonne from RMB7,856 per tonne.

Diversifying the group's product portfolio and providing high quality products

During the year under review, in recognition of the Group's strengths in research and development and its continued investments in innovation, the Group had the honour of being named a "State-certified Enterprise Technology Center" by the National Development and Reform Commission, the Ministry of Science and Technology of the PRC, the Ministry of Finance of the PRC, the General Administration of Customs of the PRC and the State Administration of Taxation.

The Group is committed to developing new products, improving production efficiencies, reducing production costs and enhancing product functions. Looking back at 2012, according to the "12th FYP of National Environmental Protection", RMB3.4 trillion was earmarked for investment in environmental projects during the 12th FYP while the No.1 Circular (中央一號文件) called for the accelerated reform of hydraulic engineering supported by a total investment of RMB4 trillion in 10 years. With various potential opportunities arising from these two policies, including an expected rise in demand brought about by the construction of rural potable water security systems, central gas supply systems as well as heating and other requirements for building materials in rural areas, the Group continued to focus its research and development ("R&D") efforts on two principal strategic objectives: high performance and low energy-consumption.

In order for the Group's new business of home building materials and the internationalisation of its businesses, the Group will enhance the trademark with five major concepts of "Link, Easy, Safe, Share and Open" in 2013 to help better convey the overarching philosophy of the Group, which is to: "Create a relaxing life for residents".

In response to the trend of fitted-out properties, the Group has developed a range of novel home building material products, including – plastic-steel doors and windows, sanitary products, holistic kitchens and other items:

Plastic-steel doors and windows

The Group supplies integrated door and window system solutions. Currently, there are 3 production bases for door and window assembly in Guangdong Heshan, Jilin Changchun and North America Canada, which offer a variety of products to the market.

Sanitary products

The Group has a dedicated professional sanitary product design and R&D team as well as independent sanitary production plants. Both are at the cutting edge of the industry in terms of the quality and style of the products. Marketed items include sanitary hardware, sanitary ware and sanitary furniture.

Holistic kitchen

The Group has professional international design as well as R&D team to support the Group's holistic kitchen operations. The Group adopts standardised development models and utilise its advantages of mass production. In addition, the Group is supplied with kitchen appliances from a well-known American home appliance brand to provide customers with holistic kitchen services and products of the highest quality.

REVIEW OF FINANCIAL PERFORMANCE

Other Revenue, Income and Gains

Other revenue, income and gains amounted to RMB116 million for 2012, representing a decrease of 21.9% over 2011. The decrease was primarily attributable to no exchange gain and less gain on the repurchase and cancellation of the Senior Notes in 2012.

Selling and Distribution Expenses

Selling and distribution expenses for 2012 rose by 19.9% to RMB544 million as compared with 2011 due to an increase in salaries and benefits paid to sales staff, marketing related expenses and packaging costs from the growth in sales.

Administrative Expenses

Administrative expenses for 2012 rose by 21.0% to RMB381 million as compared with 2011, primarily due to increase in salaries and benefits of administrative staff and depreciation on office premises and related equipment.

Other Expenses

Other expenses for 2012 rose by 29.0% to RMB212 million as compared with 2011, primarily due to increase in impairment of trade receivables and research and development expenditures.

Finance Costs

Finance costs for 2012 amounted to RMB146 million, representing an increase of 32.3% as compared with 2011, primarily due to increase in interest on the Senior Notes.

Income Tax Expense

The Group's effective tax rate decreased from 19.0% in 2011 to 16.9% in 2012 mainly because the PRC CIT was over provided in 2011 and the reduction of the deferred tax liabilities in 2012.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company amounted to RMB1,238 million for 2012 representing a decrease of 1.8% from RMB1,261 million for 2011.

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

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

Up to 31 December 2012, approximately HK$1,686 million of the net proceeds from the IPO has been applied in accordance with the results of allocation announcement of the Company dated 22 June 2010 (the "Announcement"). The unutilised balance has been deposited with financial institutions and will be applied in the manner as stated in the Announcement.

UPDATES ON THE STATUS OF THE COMPANY'S EXPANSION PLANS

Up to 31 December 2012, the Group has totally spent RMB3,222 million on its expansion plans, as described in the Prospectus under the section headed "Business – Production Facilities and Production Process". The design annual production capacity of the Group reached 1.75 million tonnes at the end of December 2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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 maintains reasonable gearing level and adequate liquidity.

As at 31 December 2012, the Group had total debts of approximately RMB2,225 million (2011: RMB1,745 million), of which 6.9% was denominated in Renminbi, 80.0% was denominated in US dollars and 13.1% was denominated in HK dollars. Other than approximately US$259 million of the outstanding Senior Notes due in 2016, the Group's borrowings are subject to floating rates ranging from 1.33% to 5.50% per annum with maturity periods ranging from within one year to three years.

As at 31 December 2012, the Group's current assets and current liabilities were approximately RMB5,113 million and RMB2,039 million respectively. The Group's 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) reduced to 2.51 and 1.64 from 4.36 and 3.11 in 2011, respectively. The Group's total equity increased to approximately RMB6,028 million (2011: RMB4,987 million). The Group's gearing ratio (calculated based on the basis of the total debts, i.e. total bank loans and other borrowings, divided by the sum of total debts and total equity) stood at a healthy level of 27.0% as compared to 25.9% in 2011 due to the drawing of new bank loans during the year.

With cash and bank deposits, including restricted cash, of approximately RMB1,922 million as at 31 December 2012 (2011: RMB2,117 million) as well as unutilised banking facilities, the directors consider that the Group has sufficient working capital for its operation and future development.

CHARGE ON ASSETS

As at 31 December 2012, certain of the Group's inventories with an aggregate net carrying amount of approximately RMB26 million (2011: certain of the Group's property, plant and equipment and prepaid land lease payments with an aggregate carrying amount of approximately RMB156 million) were pledged to certain banks to secure bank borrowings granted to the Group. The shares of certain subsidiaries of the Company incorporated outside the PRC were pledged as securities for issuance of the Senior Notes.

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings are mainly denominated in US dollars but its cash flow is generated from operations whose revenue was denominated principally in Renminbi. As a result, the depreciation of Renminbi affected to the Group's results for 2012. Save for the aforesaid, the Group has no significant exposure to foreign exchange fluctuation and no hedging has been arranged on the abovementioned exposure.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31 December 2012, the Group employed a total of approximately 7,100 employees including directors. Total staff costs were RMB435 million for the year. Employees are remunerated based on their work performance, professional experience and the prevailing industry practice. The Group also made contributions to the statutory pension scheme for its employees in accordance with the relevant laws and regulations.

PROSPECTS

While the overall demand for plastic pipes and pipe fittings is still being affected by the slow global economic recovery and the Eurozone debt crisis, stable growth in domestic demand will be sustained by further advancement of China's industrialisation, urbanisation and information technology expansion. It has also been stated in the report of the 18th CPC National Congress that growth targets in gross domestic product and per capita income for both urban and rural residents will be realised by 2020. Ongoing implementation of major housing unit construction for social security recipients, as well as for urban infrastructure and new agricultural villages, is expected to provide plastic pipe and pipe fitting markets with steady growth prospects. For this reason, the Group is confident about looking forward to sound and stable business development in 2013. The Group will, therefore, continue to focus on the implementation of its core strategies and business development. Moreover, the Group will also look to further enhance market planning efforts in order to solidify its position as an industry leader.

The Group will continue to forge ahead on its business growth path by adopting these three major developmental strategies:

1. Expand the Group's nationwide sales network and tap international markets: In the future, the Group will continue to actively expand its sales networks, refine target market segments and enhance the strategic distribution of sales channels in response to market changes. In addition to consolidating the Group's position in southern China, a primary geographic market, it will also strive to increase market share elsewhere. While pursuing organic sales network expansion, the Group will also increase its marketing efforts in order to further enhance brand recognition and expand the Group's customer base with a view to gain new market share.

2. Progressive expansion of production capacity to meet market demand: Given China's ongoing urbanisation and the implementation of various policies in agricultural development and hydraulic engineering, China's plastic pipe industry is expected to enjoy consistent growth in the future. The Group will implement the latest phase of its capacity expansion plan to ensure that market demands are being met. The Group's designated capacity is expected to increase by 100,000 tonnes to 150,000 tonnes in 2013. The Group has acquired land in Hainan, Yunnan and Shandong for the construction of new production bases. Among these, the Group's production base in Hainan which will begin operations in 2013. The Group's production bases in Guangdong, Wuhan and Guiyang are carrying out the expansion plan.

3. New product development: The Group will continue to focus on R&D, production efficiency, production cost control and product functionality enhancement. To this end, the Group will continue to launch, new home building materials such as sanitary products, holistic kitchens and plastic-steel doors and windows, to create future growth drivers and strengthen its overall competitiveness through product diversification.

SENIOR NOTES

As at 31 December 2012, the outstanding principal amount of the Senior Notes was US$258,880,000. The Company intended to use the net proceeds for financing of the then existing indebtedness, for capital expenditures and for other general corporate purposes. The details of the Senior Notes are set out in note 13 to this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For year ended 31 December 2012, save for the Company's repurchase and cancellation of the Senior Notes in the principal amount of US$9,820,000 at the aggregate consideration of approximately US$8,880,000 (including accrued interest), which was announced on the Singapore Exchange Securities Trading Limited on 27 June 2012, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

On 15 January 2013, Star Excel Investment Limited (the "Vendor"), Mr. Wong Luen Hei, ("Mr. Wong") as guarantor of the obligations of the Vendor (the "Guarantor") and Liansu Group Company Limited (the "Purchaser"), being an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the "Sale and Purchase Agreement") to acquire the entire equity interest of Guangdong Liansu Valve Co., Ltd. at the consideration of RMB116 million (the "Acquisition"). For further details, please refer to the announcement of the Company dated 15 January 2013.

As the Vendor is wholly-owned by Mr. Wong, an executive director and the ultimate controlling Shareholder, the Vendor and the Guarantor are regarded as connected persons of the Company under the Listing Rules. Accordingly, the Acquisition constituted a connected transaction of the Company which was only subject to the reporting and announcement requirements but was exempt from the independent Shareholders' approval requirement under Rule 14.32 of the Listing Rules.

The directors of the Company (including the independent non-executive directors), having received the opinion on the fairness in relation to the Acquisition from Investec Capital Asia Limited, an independent financial adviser to the Company appointed pursuant to the indenture dated 13 May 2011 entered into between, among others, the Company and the Bank of New York Mellon in relation to the Senior Notes, were of the view that the terms of the Sale and Purchase Agreement were fair and reasonable and the entering into of the Sale and Purchase Agreement was in the interests of the Group and the Shareholders (other than Mr. Wong and his associates) as a whole.

The Acquisition was completed in January 2013.

Save as disclosed above, no significant event took place subsequent to 31 December 2012.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK12 cents per share for the year ended 31 December 2012 (the "Proposed Final Dividend") (2011: HK12 cents per share), which will be paid out of profits and/or share premium of the Company, to the Shareholders whose names appear on the register of members of the Company on Tuesday, 11 June 2013, subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 31 May 2013 (the "2013 AGM"). It is expected that the Proposed Final Dividend will be paid on Thursday, 20 June 2013.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the 2013 AGM

The register of members of the Company will be closed from Tuesday, 28 May 2013 to Friday, 31 May 2013, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2013 AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 27 May 2013.

(ii) For determining the entitlement to the Proposed Final Dividend

The register of members of the Company will be closed from Friday, 7 June 2013 to Tuesday, 11 June 2013, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 6 June 2013.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

CORPORATE GOVERNANCE

Corporate Governance Practices

China Liansu 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 pursue 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 as set out in Appendix 14 to the Listing Rules during the year.

Changes on Composition of the Board

During the year ended 31 December 2012 and up to the date of this announcement, Mr. Cheung Man Yu and Mr. Gao Lixin were appointed as independent non-executive directors of the Company with effect from 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 year. 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.liansu.com). The 2012 annual report will be despatched to the Shareholders and available on the above websites in due course.

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

Shunde, the PRC, 18 March 2013

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 Mr. Cheung Man Yu, Mr. Gao Lixin, Dr. Bai Chongen, Mr. Fung Pui Cheung and Mr. Wong Kwok Ho Jonathan.

GLOSSARY

"Board"	the Board of Directors of the Company
"CIT"	Corporate income tax
"Code"	the Code on Corporate Governance Practices (up to 31 March 2012) and the Corporate Governance Code (as from 1 April 2012)
"Company" or "China Liansu"	China Liansu Group Holdings Limited
"Group"	the Company and its subsidiaries
"Hong Kong"/"HK"	Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"New Fortune"	New Fortune Star Limited
"PE"	Polyethylene
"PP-R"	Polypropylene random
"PRC"	the People's Republic of China
"Prospectus"	the Company's prospectus dated 9 June 2010
"PVC"	Polyvinyl chloride
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	holder(s) of the Share(s) of the Company

"Senior Notes"	US$300 million 7.875% senior notes due 2016 issued by the Company
"State Council"	The State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	the United States of America
"US$"	US dollar, the lawful currency of US

FORWARD-LOOKING STATEMENTS

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