LESSO 联塑

CHINA LESSO GROUP HOLDINGS LIMITED

中 國 聯 塑 集 團 控 股 有 限 公 司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2128)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2015.

HIGHLIGHTS

Compared to the last year financial results:

- Revenue increased by 3.0% to RMB15,264 million
- Gross profit increased by 3.6% to RMB3,938 million
- Profit for the year increased by 5.1% to RMB1,618 million
- Basic earnings per share was RMB0.52, increased by 4.0%
- The payment of a final dividend of HK13 cents per share is recommended for the year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
REVENUE	3	**15,264,401**	14,822,772
Cost of sales		**(11,326,830)**	(11,022,038)
Gross profit		**3,937,571**	3,800,734
Other revenue, income and gains	3	**119,927**	116,116
Selling and distribution expenses		**(697,214)**	(769,676)
Administrative expenses		**(579,132)**	(581,418)
Other expenses		**(630,259)**	(486,290)
Finance costs	4	**(87,323)**	(233,071)
Share of profit of a joint venture		**1,101**	398
PROFIT BEFORE TAX	5	**2,064,671**	1,846,793
Income tax expense	6	**(446,221)**	(306,435)
PROFIT FOR THE YEAR		**1,618,450**	1,540,358
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(50,973)**	(1,170)
Changes in fair value of available-for-sale investments		**1,777**	222
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR		**(49,196)**	(948)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,569,254**	1,539,410

	Note	2015 RMB'000	2014 RMB'000
Profit attributable to:			
Owners of the Company		**1,621,117**	1,554,024
Non-controlling interests		**(2,667)**	(13,666)
		1,618,450	1,540,358
Total comprehensive income attributable to:			
Owners of the Company		**1,570,682**	1,551,351
Non-controlling interests		**(1,428)**	(11,941)
		1,569,254	1,539,410
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic		**RMB0.52**	RMB0.50
Diluted		**RMB0.52**	RMB0.50

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,011,812**	5,263,614
Prepaid land lease payments		**1,157,926**	1,087,126
Investment properties		**318,431**	–
Other intangible assets		**35,790**	35,405
Deposits paid for the purchase of land, property, plant and equipment		**745,175**	729,051
Interest in a joint venture		**7,175**	6,074
Held-to-maturity investments	*9*	**62,435**	30,383
Available-for-sale investments	*10*	**48,363**	39,466
Deferred tax assets		**29,724**	13,577
Total non-current assets		**8,416,831**	7,204,696
CURRENT ASSETS			
Inventories	*11*	**2,206,543**	2,210,038
Trade and bills receivables	*12*	**1,397,797**	1,303,576
Receivables from factoring services	*13*	**83,000**	–
Prepayments, deposits and other receivables		**651,408**	571,942
Held-to-maturity investments	*9*	**–**	30,374
Cash and bank deposits		**3,893,544**	3,198,902
Total current assets		**8,232,292**	7,314,832
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,681,582**	973,387
Other payables and accruals		**1,525,902**	1,564,290
Borrowings	*15*	**1,065,502**	1,158,729
Tax payable		**104,562**	113,440
Total current liabilities		**4,377,548**	3,809,846
NET CURRENT ASSETS		**3,854,744**	3,504,986
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,271,575**	10,709,682

	Note	**2015**	2014
	Note	***RMB'000***	*RMB'000*
NON-CURRENT LIABILITIES			
Borrowings	*15*	**2,175,238**	2,021,105
Deferred tax liabilities		**136,653**	68,542
Deferred income		**94,232**	70,312
Total non-current liabilities		**2,406,123**	2,159,959
Net assets		**9,865,452**	8,549,723
EQUITY			
Share capital	*16*	**135,686**	135,686
Reserves		**9,635,199**	8,409,773
Equity attributable to owners of the Company		**9,770,885**	8,545,459
Non-controlling interests		**94,567**	4,264
Total equity		**9,865,452**	8,549,723

Note:

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 investment properties and available-for-sale investments which have been measured at fair value. These financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle	Amendments to numbers of HKFRSs
Annual Improvements 2011-2013 Cycle	Amendments to numbers of HKFRSs

The application of these revised standards in the current year 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 financial statements.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of building materials and interior decoration products; and the provision of factoring services. 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 changes in fair value of investment properties, exchange differences, finance costs, interest income, gain on early redemption of held-to-maturity investments, investment income, 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, 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 in the mainland China, special administrative regions of the PRC and foreign countries.

During the years ended 31 December 2015 and 2014, 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 2015

	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	9,046,199	1,386,118	1,576,233	838,664	976,207	601,410	320,496	453,082	–	15,198,409
Intersegment sales	1,899,833	272,862	351,981	87,818	120,655	105,044	80,778	504,905	(3,423,876)	–
	10,946,032	1,658,980	1,928,214	926,482	1,096,862	706,454	401,274	957,987	(3,423,876)	15,198,409
Revenue from construction contracts	64,497	–	–	–	–	–	–	–	–	64,497
Handling fee income and interest income from factoring services	1,495	–	–	–	–	–	–	–	–	1,495
Total	11,012,024	1,658,980	1,928,214	926,482	1,096,862	706,454	401,274	957,987	(3,423,876)	15,264,401
Segment results	2,833,026	419,184	580,776	199,592	269,017	132,559	70,040	72,002	(638,625)	3,937,571
Reconciliations:										
Gain on fair value changes of investment properties										55
Exchange loss										(114,516)
Finance costs										(87,323)
Interest income										82,248
Investment income										2,426
Share of profit of a joint venture										1,101
Unallocated income and expenses										(1,756,891)
Profit before tax										2,064,671
Segment assets	7,317,952	974,045	1,046,339	805,163	634,496	566,085	443,009	820,793	–	12,607,882
Reconciliations:										
Interest in a joint venture										7,175
Held-to-maturity investments										62,435
Available-for-sale investments										48,363
Deferred tax assets										29,724
Cash and bank deposits										3,893,544
Total assets										16,649,123
Other segment information:										
Depreciation and amortisation	267,173	51,828	63,675	29,069	29,453	37,061	15,225	7,631	–	501,115
Impairment of property, plant, and equipment	–	–	–	–	–	–	–	379	–	379
Impairment of trade receivables, net	8,194	–	5,456	–	161	923	23,110	5,733	–	43,577
Write-down/(write-back) of inventories to net realisable value	41,208	–	1,161	641	3,961	573	1,601	(581)	–	48,564
Capital expenditure#	763,250	112,167	74,645	230,291	140,617	22,217	2,083	337,051	(24,980)	1,657,341

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

Operating segment information for the year ended 31 December 2014

	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	8,560,750	1,444,531	1,575,898	733,953	1,018,436	574,801	389,072	454,603	–	14,752,044
Intersegment sales	2,220,060	296,209	284,594	88,225	167,572	109,339	96,622	267,959	(3,530,580)	–
	10,780,810	1,740,740	1,860,492	822,178	1,186,008	684,140	485,694	722,562	(3,530,580)	14,752,044
Revenue from construction contracts	70,728	–	–	–	–	–	–	–	–	70,728
Total	10,851,538	1,740,740	1,860,492	822,178	1,186,008	684,140	485,694	722,562	(3,530,580)	14,822,772
Segment results	2,820,806	392,196	465,285	170,528	287,653	116,226	83,924	54,003	(589,887)	3,800,734
Reconciliations:										
Exchange loss										(6,578)
Finance costs										(233,071)
Interest income										74,116
Gain on early redemption of held-to-maturity investments										3,194
Investment income										1,793
Share of profit of a joint venture										398
Unallocated income and expenses										(1,793,793)
Profit before tax										1,846,793
Segment assets	6,613,198	970,751	1,017,488	558,227	556,917	586,614	492,050	405,507	–	11,200,752
Reconciliations:										
Interest in a joint venture										6,074
Held-to-maturity investments										60,757
Available-for-sale investments										39,466
Deferred tax assets										13,577
Cash and bank deposits										3,198,902
Total assets										14,519,528
Other segment information:										
Depreciation and amortisation	222,545	35,538	50,845	25,272	29,862	39,052	29,629	7,037	–	439,780
Impairment of trade receivables, net	696	–	1,975	–	(465)	–	–	3,420	–	5,626
Write-down of inventories to net realisable value	31,000	–	–	–	–	–	–	2,380	–	33,380
Capital expenditure#	702,074	63,795	177,789	77,727	62,730	208,798	34,812	59,805	(24,018)	1,363,512

\# 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 represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue from construction contracts; and handling fee income and interest income from factoring services during the year.

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

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**15,198,409**	14,752,044
Revenue from construction contracts	**64,497**	70,728
Handling fee income and interest income from factoring services	**1,495**	–
	15,264,401	14,822,772
Other revenue, income and gains		
Bank interest income	**72,421**	36,378
Interest income from held-to-maturity investments	**9,827**	37,738
Total interest income	**82,248**	74,116
Government grants and subsidies	**20,110**	22,157
Gain on fair value changes of investment properties	**55**	–
Gain on early redemption of held-to-maturity investments	**–**	3,194
Investment income	**2,426**	1,793
Others	**15,088**	14,856
	119,927	116,116

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

	2015	2014
	RMB'000	*RMB'000*
Interest on:		
Bank and other loans	**87,733**	72,701
The Senior Notes	**–**	67,600
Total interest expenses	**87,733**	140,301
Premium and unamortised issuance expenses arising from the early redemption of the Senior Notes	**–**	92,770
	87,733	233,071
Less: Interest capitalised	**(410)**	–
	87,323	233,071

5. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**11,225,023**	10,925,108
Direct cost of construction work	**53,243**	63,550
Depreciation	**467,004**	408,915
Amortisation of prepaid land lease payments	**22,362**	21,608
Amortisation of other intangible assets	**11,749**	9,257
Total depreciation and amortisation	**501,115**	439,780
Research and development costs#	**447,346**	457,850
Loss on disposal of items of land, other intangible assets and property, plant and equipment	**12,357**	6,690
Write-down of inventories to net realisable value	**48,564**	33,380
Impairment of trade receivables, net#	**43,577**	5,626
Impairment of property, plant and equipment#	**379**	–
Changes in fair value of investment properties	**(55)**	–
Foreign exchange differences, net#	**114,516**	6,578

These items are included in the "other expenses" in profit or loss.

6. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current Tax		
Hong Kong	**–**	1,999
PRC	**408,266**	368,442
Other jurisdiction	**88**	442
	408,354	370,883
Overprovision in prior years		
PRC	**(14,097)**	(50,157)
Deferred Tax	**51,964**	(14,291)
Total tax charge for the year	**446,221**	306,435

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

Certain of the Group's PRC subsidiaries are qualified as High and New Technology Enterprises and are entitled to preferential corporate income tax rate of 15% during both years.

Income 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

	2015	2014
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year: 2014 final – HK13 cents (2014: 2013 final – HK12 cents) per ordinary share	**318,861**	295,460

Subsequent to the end of the reporting period, final dividend of HK13 cents in respect of the year ended 31 December 2015 (2014: final dividend of HK13 cents in respect of the year ended 31 December 2014) 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 the basic and the diluted earnings per share are based on:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**1,621,117**	1,554,024

	Number of Shares	
	2015	2014
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	3,110,255,400	3,099,037,511
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	6,541,402
	3,110,255,400	3,105,578,913

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2015 includes 3,110,255,400 ordinary shares in issue as at 31 December 2014 (2014: 3,075,731,740 ordinary shares in issue as at 31 December 2013). The calculation for the year ended 31 December 2014 also included 23,305,771 shares derived from the weighted average number of ordinary shares of 34,523,660 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 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

	2015	2014
	RMB'000	*RMB'000*
Debt securities, at amortised cost:		
Listed in Hong Kong	**55,784**	24,072
Listed in Singapore	**6,651**	36,685
	62,435	60,757
Analysed for reporting purpose as:		
Non-current assets	**62,435**	30,383
Current assets	**–**	30,374
	62,435	60,757

The held-to-maturity investments represent debt securities. These securities carry fixed interest at 8.00% to 12.00% (2014: 8.00% to 13.00%) per annum, payable semi-annually in arrears, and will mature from April 2018 to February 2020 (2014: October 2015 to March 2019).

At the end of reporting period, the fair value of the debt securities based on the quoted market price provided by a leading global financial market data provider was RMB66,762,000 (2014: RMB58,927,000).

10. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	RMB'000	*RMB'000*
Listed equity investments, at fair value		
Hong Kong	**43,238**	39,466
Unlisted equity investments, at cost		
PRC	**5,125**	–
	48,363	39,466

The listed equity investments represent non-cumulative preference shares. These preference shares have no maturity date.

The unlisted equity investments represent unlisted securities issued by private entities incorporated in the PRC. They are measured at cost less any impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

11. INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	**836,788**	931,957
Work in progress	**350,120**	256,227
Finished goods	**1,019,635**	1,021,854
	2,206,543	2,210,038

12. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**1,186,226**	1,127,901
Bills receivable	**292,648**	216,231
Less: Provision for impairment	**(81,077)**	(40,556)
	1,397,797	1,303,576

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:

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**614,123**	722,607
4 to 6 months	**232,213**	302,968
7 to 12 months	**330,126**	173,891
1 to 2 years	**190,723**	93,031
2 to 3 years	**28,164**	9,435
Over 3 years	**2,448**	1,644
	1,397,797	1,303,576

13. RECEIVABLES FROM FACTORING SERVICES

The Group's receivables from factoring service arose from the provision of factoring services to companies located in the PRC. The credit period granted to each customer is generally within 365 days.

Receivables from factoring services were secured by receivables and/or commercial bills originally owned by customers. These receivables bore interest at rate ranging from 4.35% to 11.00% per annum (2014: Nil).

At the end of the reporting period, all the Group's receivables from factoring services were aged within 3 months and none of these receivables was either past due or impaired.

The directors believe that no provision for impairment is necessary as there has not been any significant change in the credit quality of these customers and these balances are still considered fully recoverable.

14. TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**550,861**	373,925
Bills payable	**1,130,721**	599,462
	1,681,582	973,387

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	**646,547**	690,755
4 to 6 months	**681,165**	267,183
7 to 12 months	**334,281**	6,794
1 to 2 years	**11,120**	4,993
2 to 3 years	**4,895**	3,420
Over 3 years	**3,574**	242
	1,681,582	973,387

15. BORROWINGS

	2015	2014
	RMB'000	*RMB'000*
Current		
Unsecured bank loans	**927,570**	1,114,898
Current portion of long-term unsecured bank loans	**70,637**	43,831
Secured other loans	**5,678**	–
Loans from non-controlling interests	**61,617**	–
	1,065,502	1,158,729
Non-current		
Unsecured bank loans	**301,338**	265,479
Unsecured syndicated loans	**1,873,900**	1,755,626
	2,175,238	2,021,105
	3,240,740	3,179,834

	2015	2014
	RMB'000	*RMB'000*
Analysed into borrowings repayable:		
Within one year or on demand	**1,065,502**	1,158,729
In the second year	**1,106,809**	56,107
In the third to fifth years, inclusive	**1,068,429**	1,964,998
	3,240,740	3,179,834

Note:

(a) The effective interest rates on the Group's borrowings range from 1.18% to 8.90% (2014: 1.17% to 5.60%) per annum.

(b) The loans from non-controlling interests are unsecured, interest-free and repayable on demand.

(c) At the end of the reporting period, the Group's borrowings are denominated in US dollar, HK dollar, Renminbi, Thai Baht and other currencies at aggregate amounts of RMB2,570,725,000 (2014: RMB2,395,795,000), RMB590,635,000 (2014: RMB734,015,000), RMB17,763,000 (2014: RMB50,000,000), RMB61,617,000 (2014: Nil) and Nil (2014: RMB24,000), respectively.

16. SHARE CAPITAL

Shares	**2015**	2014
Authorised:		
20,000,000,000 (2014: 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 (2014: 3,110,255,400) ordinary shares of HK$0.05 each	**HK$155,512,770**	HK$155,512,770
Equivalent to	**RMB135,686,000**	RMB135,686,000

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:			
At 1 January 2014	3,075,731,740	153,786	134,316
Upon exercise of the share options (note)	34,523,660	1,726	1,370
At 31 December 2014, 1 January 2015 and 31 December 2015	3,110,255,400	155,512	135,686

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 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 2014. The shares issued during 2014 rank pari passu in all respects with the then existing shares of the Company.

17. COMMITMENTS

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

	2015	2014
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**508,625**	347,681

CHAIRMAN'S STATEMENT

In 2015, China recorded a pronounced deceleration in growth with the annual pace hitting the lowest level in a quarter of century. The weakening economic momentum weighed on different walks of life. Nevertheless, China continued to forge ahead with major infrastructure projects and policies to spur the economy, which will sustain the demand for plastic pipe and pipe fittings. Such projects include construction of major water conservation projects to ensure safe water supplies, the execution of "Action Plan for Water Pollution Prevention and Control" to reduce pollution, the building and refurbishment of the urban underground pipeline network, including the improvement of rain absorption systems through the idea of "Sponge City". As an authoritative leader in large-scale industrial group specialising in building materials and interior decoration products, China Lesso proactively capitalised on the favorable government policies and steady demand for infrastructure and piping during the year. Thus, China Lesso was able to fulfill the business expectations of management by continuing to leverage its market leadership, brand influence, and expertise in the field.

During the year under review, the Group's business made steady progress in their development, market expansion and in terms of key performance indicators despite the economic downturn and weak property market felt by China in 2015. The Groups revenue rose by 3.0% to RMB15,264 million in 2015 from RMB14,823 million in 2014. The gross profit increased by 3.6% to RMB3,938 million. Profit attributable to owners of the Company grew by 4.3% to RMB1,621 million. The Board proposed a final dividend of HK13 cents per share for the year ended in 31 December 2015.

During the year, the Group continued to actively expand its business presence both in Southern China, the Group's dominating market, and in other regions within the country in order to drive overall sale. With the launched production base in the Hainan province, the Group was able to further enhance market penetration and consolidate market leadership in Southern China. The Group has also been pressing ahead with its plan to fully automate the production bases, with an aim to improve overall operating efficiency. Meanwhile, due to a steady influx of demand for industrial materials, the Group expanded the usage of plastic pipes to offshore cages for aquaculture. The initial market response after trial use was overwhelming.

In addition, the Group continued to develop the business of Lesso Mall, a diversified and dedicated e-commerce platform featuring an online and offline business model. The Group believes with the continuing importance placed on information technology and high-tech support systems, coupled with increasing demands of distributors and customers, Lesso Mall will prove to be a competitive business. Therefore, the Group plans on continuing its development towards this new business in an orderly fashion.

In the face of a persistently weakened economy in 2015, the Group was able to rise above undershot market expectations to achieve growth. The Company's growth was realised by leveraging on its advantages such as brand heritage and extensive distribution network, and by implementing measures such as enriching its product lines and initiating a new business unit in the form of Lesso Mall as new drivers of revenue. As such, the Company was able to successfully achieve their growth targets in terms of revenue and profitability.

In regards to 2016, we expect it to be a challenging year for China due to market uncertainties and volatilities. With that being said, the Group remains cautiously optimistic and believes its business will continue to grow steadily due to added impetus for its products as a result of favorable government initiatives. The Group will act in tandem with current market trends and focus on improving cost efficiency through automation of its production bases. The Group also believes Lesso Mall to be a vehicle with incalculable business potential and hence will continue to develop and expand the diversified and dedicated e-commerce platform into the global market.

The Group was able to achieve consistent developmental progress due to the continuous, inexhaustible support received from stakeholders. I would like to convey my sincerest appreciation and gratitude to all the employees of China Lesso for their dedication and contribution to and belief in the Group's development. I would also like to take this opportunity to thank our shareholders, investors, business partners and customers for placing inexorable trust in China Lesso. May we all continue to bring success and prosperity to China Lesso together!

Wong Luen Hei
Chairman

Hong Kong, 18 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE OVERVIEW

China Lesso is a leading large-scale industrial group, making building materials and interior decoration products in mainland China. The Group has 21 advanced production bases in 15 regions which support a nationwide sales network, providing a comprehensive range of diverse products and quality sales services for its customers.

Quality products, strong brand influence, advanced technologies in research and development and a wide sales network have reinforced the Group's market leadership in southern China and have allowed it to springboard into other local markets in the country. In addition to steadily enhancing the core business of pipe business, the Group has been fostering growth drivers by pursuing the development of its new business of building materials and interior decoration products, namely those of systems of doors and windows, sanitary ware products and integrated kitchens. The Group also initiated an e-commerce venture, its proprietary Lesso Mall, which is a dedicated e-commerce platform for hardware, electrical equipment and building material products in China.

MARKET OVERVIEW

China's economic growth decelerated to a 25-year low of 6.9% in 2015, as the world's second-largest economy continues to shift away from its manufacturing roots. The downward pressure on growth is expected to persist into the coming years. Nevertheless, China continued to press on with the construction of major water conservation projects to ensure safe water supplies and reduce pollution, thus sustaining demand for pipes and pipe fittings. Of the 172 water projects to be launched before 2020 under government plan, 28 started in 2015 with new investments totalling RMB118.7 billion, a level rarely seen in history. Currently, 85 projects are under construction with the investment amount surpassing RMB800 billion. Meanwhile, after the State Council unveiled the "Action Plan for Water Pollution Prevention and Control" in April 2015 which called for a total investment of RMB4 trillion to RMB5 trillion, various provinces and cities, including Guangdong, Zhejiang, Beijing, Nanjing, followed suit with their own plans to improve water quality and curb water pollution. Such government initiatives of immense scale will bolster demand for water pipes and pipe fittings.

In April 2015, China embraced the idea of "Sponge City" which seeks to help cities better absorb rain to improve the environment. According to the government plan, 20 percent of cities shall have modern sewer systems and infrastructure that allows for efficient absorption of water by 2020, and the proportion shall rise to 80 percent by 2030. Presently, 16 urban districts across the country have been designated as pilot sponge cities, and each of them will receive up to RMB600 million for carrying out the plan in the next three years. The total investment is expected to reach RMB1.2 trillion during the "Thirteenth-five Year Plan". Apart from the sewer system, State Council also decided to spend between RMB400 billion and RMB500 billion to build or refurbish the urban underground pipeline network, a corridor-like underground infrastructure for the supply of electricity, water, gas, heating and telecommunications. The move aimed to expand the country's capacity of supporting its urban population and to stimulate the economy with more investment in infrastructure.

China's ongoing urbanisation will also sustain certain demand for pipes which are widely used in telecommunications, the supply of power, heat, gas and water as well as drainage, the sewerage system, the refuse disposal system and fire service, etc. In 2015, China's urbanisation rate reached 56.1%, and the urban resident population reached 770 million. This ongoing urbanisation involves a number of major civil infrastructure projects, including shantytown renovation, construction of affordable housing and redevelopment of dilapidated housing. This has also added new impetus to the pipe and pipe fittings industry.

During the year, the Chinese government continued to pursue the Belt and Road Initiative, a major strategic move to link China with Europe through central and western Asia via the New Silk Road Economic Belt and connect the country with southeast Asian countries, Africa and Europe through the 21st Century Maritime Silk Road. Construction of infrastructure will feature prominently in the initiative, and will entail a colossal amount of spending not only on pipe and pipe fittings but also on building materials, hardware and electrical equipment.

On the other hand, growth in China's property market remained constrained during the year. According to the National Bureau of Statistics of China, the accumulated investment in the real estate sector grew by 1% to RMB9.6 trillion in 2015, representing a seven-year low in growth and a drastic deceleration from the 10.5% growth in 2014. The country's unsold housing inventory hit a historical high of 719 million square meters. Although the steady progress in social security housing projects and increased market penetration of pre-decorated flats still benefit the industries of building materials and interior decoration products, the encouraging development was overshadowed by the weak sentiment of the property market.

BUSINESS REVIEW

China Lesso mainly operates three major businesses, featuring business units, including plastic pipes and pipe fittings, building materials and interior decoration products and Lesso Mall, an e-commerce platform. During the year under review, the Group's revenue grew by 3.0% to RMB15,264 million (2014: RMB14,823 million).

The table below sets out the breakdown of revenue by business unit for 2015 and 2014:

	Revenue			**% of total revenue**	
	2015	2014		**2015**	2014
	RMB million	*RMB million*	***Change***		
Plastic Pipes and Pipe Fittings	**13,602**	13,733	*(1.0)%*	**89.1%**	92.6%
Building Materials and Interior Decoration Products	**816**	903	*(9.6)%*	**5.3%**	6.1%
Lesso Mall	**621**	–	*N/A*	**4.1%**	–
Others#	**225**	187	*20.3%*	**1.5%**	1.3%
Total	**15,264**	14,823	*3.0%*	**100%**	100%

\# "Others" include businesses of construction, factoring services and others.

As at 31 December 2015, the number of the Group's independent and exclusive tier-one distributors increased to 2,130 all over the country. Southern China remained as the Group's major market, and the launch of its production base in Hainan province during the year enhanced the Group's market penetration and consolidated its market leadership there. Meanwhile, the Group is actively expanding its business presence beyond southern China in the country in order to drive its overall sales. During the year under review, revenue from southern China and those from other regions in the country accounted for 59.7% and 40.3% respectively (2014: 58.2% and 41.8% respectively) of the Group's total revenue.

The table below sets out the breakdown of revenue by region for 2015 and 2014:

	Revenue			**% of total revenue**	
	2015	2014		**2015**	2014
Region#	***RMB million***	*RMB million*	***Change***		
Southern China	**9,112**	8,631	*5.6%*	**59.7%**	58.2%
Southwestern China	**1,386**	1,445	*(4.0)%*	**9.1%**	9.7%
Central China	**1,576**	1,576	–	**10.3%**	10.6%
Eastern China	**839**	734	*14.3%*	**5.5%**	5.0%
Northern China	**976**	1,018	*(4.1)%*	**6.4%**	6.9%
Northwestern China	**601**	575	*4.6%*	**3.9%**	3.9%
Northeastern China	**321**	389	*(17.6)%*	**2.1%**	2.6%
Outside China	**453**	455	*(0.3)%*	**3.0%**	3.1%
Total	**15,264**	14,823	*3.0%*	**100.0%**	100.0%

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

PLASTIC PIPES AND PIPE FITTINGS BUSINESS

The plastic pipes and pipe fittings business remains a mainstay operation of China Lesso. The Group supplies various kinds of pipes and pipe fittings and comprehensive services which are applicable to such fields as water supply, drainage, power supply, telecommunications, gas transmission, agriculture, floor heating and fire services. During the year under review, the plastic pipes and pipe fittings business contributed 89.1% of the Group's total revenue (2014: 92.6%).

The table below sets out the breakdown of revenue from plastic pipes and pipe fittings business by product application for 2015 and 2014:

	Revenue			**% of revenue**	
	2015	2014		**2015**	2014
	RMB million	*RMB million*	***Change***		
Water Supply	**5,453**	5,315	*2.6%*	**40.1%**	38.7%
Drainage	**5,193**	5,217	*(0.5)%*	**38.2%**	38.0%
Power supply and telecommunications	**2,190**	2,344	*(6.6)%*	**16.1%**	17.1%
Gas Transmission	**248**	242	*2.5%*	**1.8%**	1.8%
Others#	**518**	615	*(15.7)%*	**3.8%**	4.4%
Total	**13,602**	13,733	*(1.0)%*	**100.0%**	100.0%

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

In the year of 2015, both sales volume and revenue of the plastic pipes and pipe fittings business achieved steady development notwithstanding the weak market as the Group continued to take advantage of the increase in investment in infrastructure projects.

The table below sets out the breakdown of average selling price, sales volume, and revenue from plastic pipes and pipe fittings business by product material for 2015 and 2014:

	Average selling price			**Sales volume**			**Revenue**		
	2015	2014		**2015**	2014		**2015**	2014	
	RMB	*RMB*	***Change***	***Tonne***	*Tonne*	***Change***	***RMB million***	*RMB million*	***Change***
PVC products (a)	**7,112**	7,833	*(9.2)%*	**1,240,900**	1,125,911	*10.2%*	**8,825**	8,819	*0.1%*
Non-PVC products (b)	**15,868**	16,073	*(1.3)%*	**301,054**	305,725	*(1.5)%*	**4,777**	4,914	*(2.8)%*
Total	**8,821**	9,593	*(8.0)%*	**1,541,954**	1,431,636	*7.7%*	**13,602**	13,733	*(1.0)%*

Note:

(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 or PP-R.

In terms of product materials, sales volume of PVC products increased by 10.2% to 1,240,900 tonnes while that of non-PVC products decreased by 1.5% to 301,054 tonnes (2014: 1,125,911 tonnes of PVC products and 305,725 tonnes of non-PVC products were sold). Revenue from sales of PVC products amounted to RMB8,825 million (2014: RMB8,819 million), representing an increase of 0.1% and accounting for 64.9% (2014: 64.2%) of the revenue of the plastic pipes and pipe fittings business.

As the Group priced its products on a cost-plus basis, the ongoing decline in raw material costs led to decreases in the average selling prices of both PVC and non-PVC products. During the year under review, the average cost of plastic pipes and pipe fittings decreased by 9.3% to RMB6,369 per tonne (2014: RMB7,023 per tonne), while the average selling price dropped to RMB8,821 per tonne (2014: RMB9,593 per tonne).

Newly developed business of offshore cages for aquaculture

During the year, the Group has successfully launched a new business of providing integrated products and one-stop services for offshore cage aquaculture of finfish. With its better performance in terms of strength and durability with high resistance to strong winds and waves, the Group received positive feedback from customers on its offshore cages. The Group has been sending new cages for trial use and extended its product demonstration areas to Shandong, Shanghai and Beijing during the year.

BUSINESS OF BUILDING MATERIALS AND INTERIOR DECORATION PRODUCTS

Since 2012, the Group has been developing the business of building materials and interior decoration products, which mainly provides major property developers with various new types of integrated building materials and interior decoration products, as well as comprehensive installation solution to their residential property projects. In the midst of the weak market sentiment, the projects in which the Company was involved experienced slow-down during the year. Therefore, recognised revenue from this business amounted to RMB816 million (2014: RMB903 million), which reduced as compared to that of previous year, accounting for 5.3% (2014: 6.1%) of the Group's total revenue. However, the Group managed to win many orders during the year through improved product offering and its close relationships with major property developers.

LESSO MALL

To satisfy the demand of a wide range of distributors and customers, the Group launched Lesso Mall, a diversified and dedicated e-commerce platform with an online and offline business model in March 2015. The warehouse in Wuhan has currently been put into operation, laying a solid foundation for further development. With continued investment in information technology and logistics, enhanced customer services and more diverse products including hardware, electrical equipment and building materials, the introduction of Lesso Mall to the southern China market has already generated a revenue of RMB621 million, with registered members numbering 2,032. The Group will continue to develop this new business in an orderly manner.

FACTORING BUSINESS

With an aim of boosting the Group's overall competitiveness and diversifying its streams of revenue, the Group extended its operations into the factoring business during the year under review. Through such arrangement, the Group offers all-around financial support to its existing customers and suppliers as well as quality third-party clientele. The move aims to help clients meet their immediate cash needs in order to effectively capitalise on business opportunities.

From risk management perspective, the Group has a dedicated and experienced credit team which is responsible for the evaluation of customers' credit rating, financial background and repayment abilities. Management had set up credit limits for each customer and management's approval is required for any extension of credit beyond the approval limits. The credit team is required to take follow-up action where customers had defaulted on the repayment of loans.

CAPITAL EXPENDITURE AND CAPACITY EXPANSION

The Group has been expanding its production capacity based on its own pace of development and actual needs in consideration of market demand. The Group's annual designed capacity for the production of plastic pipes and pipe fittings further increased to 2.1 million tonnes at the end of the year (2014: 2.0 million tonnes).

The capital expenditure for 2015 totalled approximately RMB1.66 billion, and was mainly used in expansion and automation of the existing production bases as well as the construction of the plant in Shandong.

STRATEGIES FOR THE FUTURE

In 2016, the market is expected to be challenging. According to the Economy of China Analysis and Forecast 2016 published by the Bureau of Scientific Research Management of Chinese Academy of Social Sciences, the country's economy has entered a new normal state and its potential growth tends to decelerate. Slow growth in global trade, weak external demand and slow growth in domestic investment will continue to bring uncertainties to the country's economy.

Although the market is constrained, the Group will still try to capture the opportunities presented by the government's preferential policy to grow its businesses. Leveraging its integrated advantages such as a strong nationwide distribution network, a renowned brand name, the high quality of its products and comprehensive product offerings, the Group will seize opportunities for development by implementing the following strategies:

OPTIMISE PRODUCTION CAPACITY

The Group will continue to implement its five-year plan to fully automate its production bases. This move will enhance product quality control, cut down production time, and reduce human errors while lowering labour costs, thus enhancing the overall production efficiency. In addition, the Group's production base in Shandong is expected to commence operation in the first half of 2016, expanding the Group's total annual production capacity by 30,000 tonnes of products.

TAPPING POTENTIAL FOR ENHANCING BUSINESS PERFORMANCE IN THE LONG TERM

The Group started to ship its offshore cages for aquaculture in several districts in China, and will further extend the area for product demonstration. As a pioneering producer in the market, the Group believes that it will be able to tap the huge potential for growth in this line of business by leveraging such advantages as the durability of its products and government subsidies. The Group will develop this business into a growth drive for enhancing the Group's overall businesses in the long term.

MAINTAIN DOMESTIC MARKET SHARE AND EXPLORE OVERSEAS MARKETS

Although China's economic recovery remained sluggish, the Group will strive to maintain its market dominance by exploring further the application areas of plastic pipes and pipe fittings. Meanwhile, the Group will also seize opportunities to expand overseas markets with its diverse product offerings and brand influence.

CAPITALISE ON THE BELT AND ROAD INITIATIVE THROUGH LESSO MALL

The Group has started Lesso Mall, an e-commerce platform, and will capitalise on the Belt and Road Initiative by exploring the markets covered by this policy. It will do so by developing Lesso Mall into an e-commerce platform for global sourcing of hardware, electrical equipment and building materials, and by building up its own brand for the international market.

CONCLUSION

As a manufacturer of the most comprehensive range of building materials and interior decoration products in China, China Lesso is confident about the prospect of its businesses of plastic pipes and pipe fittings, building materials and interior decoration products as well as Lesso Mall, its e-commerce business. Despite the economic downturn in China, the Group will endeavour to maintain its market share and fulfill its corporate mission to "Create a Relaxing Life for Dwellers" by developing itself into a leading global industrial group that makes building materials and interior decoration products. It aims to provide more value-for-money products that enable a comfortable and quality life at home for its customers.

RESULTS PERFORMANCE

For the year ended 31 December 2015, the Group's revenue increased by 3.0% year-on-year to RMB15,264 million (2014: RMB14,823 million). Benefited from the saving on the cost of raw materials, the gross profit rose by 3.6% to RMB3,938 million (2014: RMB3,801 million), with gross profit margin up by 0.2 percentage points to 25.8% (2014: 25.6%).

The Group's other expenses increased by 29.6% to RMB630 million (2014: RMB486 million) during the year under review due to impairment of trade receivables of RMB44 million and increase in foreign exchange losses of RMB108 million. EBITDA was RMB2,653 million (2014: RMB2,520 million), representing an increase of 5.3% year-on-year and the EBITDA ratio was 17.4% (2014: 17.0%) in 2015.

In 2015, the Group's finance costs significantly reduced by 62.5% to RMB87 million (2014: RMB233 million). This was resulted from there was no one-off premium and unamortised issuance expenses arising from early redemption of the Senior Notes (2014: RMB93 million). In addition, the Group's average interest rate for the year was significantly lower than the 2014.

The Group's effective tax rate increased to 21.6% during the year under review (2014: 16.6%). Profit before tax increased by 11.8% year-on-year to RMB2,065 million (2014: RMB1,847 million) while profit attributable to the owners of the Company increased by 4.3% to RMB1,621 million (2014: RMB1,554 million). Basic earnings per share increased by 4.0% year-on-year to RMB0.52 (2014: RMB0.50).

As a token of gratitude to the Shareholders for their support in the past year, the Board proposed payment of final dividend of HK13 cents per share for the year ended 31 December 2015 (2014: HK13 cents).

FINANCIAL POSITION

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

As at 31 December 2015, the Group had total debts (i.e. total borrowings) of approximately RMB3,241 million, of which 79.3% was denominated in US dollar, 18.2% was denominated in HK dollar, 1.9% was denominated in Thai Baht and 0.6% was denominated in Renminbi. Other than Thai Baht interest-free loans from non-controlling interests of RMB62 million, the Group's borrowings are subject to effective interest rates ranging from 1.18% to 8.90% per annum with maturity periods ranging from within one year to three years.

As at 31 December 2015, the Group's current assets and current liabilities were approximately RMB8,232 million and RMB4,378 million respectively. The Group's Current Ratio decreased to 1.88 from 1.92 as at 31 December 2014, while the Quick Ratio increased to 1.38 from 1.34 as at 31 December 2014. The Group's total equity increased to approximately RMB9,865 million. The Group's Gearing Ratio stood at a healthy level of 24.7%.

With cash and bank deposits, including restricted cash, of approximately RMB3,894 million as well as unutilised banking facilities, the Board considers 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, HK dollar and Thai Baht. No hedging has been arranged on the above-mentioned exposure.

CHARGE ON ASSETS

As at 31 December 2015, certain of the Group's available-for-sale investments with an aggregate net carrying amount of approximately RMB35 million were pledged to a bank to secure the banking facility and this banking facility has not been utilised.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 31 December 2015, the Group employed a total of approximately 8,000 employees including directors. Total staff costs were RMB624 million during the year. 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.

CORPORATE SOCIAL RESPONSIBILITY

Environment

China Lesso has been committed to protecting the environment. The Group adheres to the principles of "safe, healthy, energy efficient and non-toxic" in product design and production processes. During the year under review, the Group has further strengthened the implementation of its environmental protection and energy conservation targets, continuing the process of technological transformation and equipment upgrades, and the research and development of environmental friendly products. Besides, the first phase of China Lesso's solar photovoltaic power generation system, with an installed capacity of 10 megawatts (MW) and an expected annual average generation capacity of up to 11 million kilowatt hour (kWh), was completed and started power generation during the year under review.

The Group complies with the national environmental laws and regulations in China. These include regulations regarding air pollution, noise emission and solid waste discharge. The environmental management and compliance team coordinates with the legal department to keep abreast of the latest development of the compliance standards, environmental law and regulations. During the year under review, the Group has not been reprimanded to pay significant fines or received non-monetary sanctions for any non-compliance with environmental laws or regulations.

Employee

China Lesso recognises employees as one of its most important assets. The Group's future success is dependent on its ability to attract, retain and motivate highly skilled and experienced personnel. The Group is committed to employee development and has implemented various programmes for this purpose, including training programmes designed to enhance employees' industrial and technical skills and to increase their knowledge of work safety standards. The Group also cares about employee health and safety. The Group provides induction safety training for new recruits, organises regular health and safety lectures for existing employees, and provides regular physical examinations for employees that experience prolonged exposure to noise, dust and dangerous gases as part of their work. During the year under review, the Group has not experienced any significant disputes with employees or disruptions in operations due to labour dispute.

Customer And Supplier

China Lesso has established stable partnerships with a good number of suppliers over the years. The Group has a Supplier Management Code and conducts periodic performance evaluation of supplies. In the aspect of customer services, the Group has always upheld the "market-oriented, customer-centred" principle. The Group regularly performs customer and distributor satisfaction surveys and is committed to continuously improving customer satisfaction rate and maintaining its position as an industry leader.

Community

China Lesso has always been committed to enhancing its involvement and contribution to the community, especially the communities and areas where the Group is present. The Group is active in community service projects and makes charitable contributions to support local education and vulnerable groups. In addition to making donations, the Group also encourages employees of all levels to serve the community and participate in volunteering activities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGES ON THE COMPOSITION OF THE BOARD

Up to the date of this announcement, Mr. Gao Lixin has resigned as an independent non-executive director and a member of the nomination committee of the Company; and Ms. Lan Fang has been appointed as an independent non-executive director and a member of the nomination committee of the Company, all with effect from 1 January 2015.

Dr. Tao Zhigang has been appointed as an independent non-executive director of the Company; Mr. Cheung Man Yu has been appointed as a member of the remuneration committee of the Company; and Dr. Bai Chongen has resigned as the independent non-executive director, member of the nomination and remuneration committees of the Company, all with effect from 1 September 2015.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the annual results of the Group for the year ended 31 December 2015.

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 year, except that one of the independent non-executive directors was unable to attend the annual general meeting ("AGM") of the Company held on 15 May 2015 (as provided for the Code A.6.7) due to other business engagements.

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 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 (the "Controlling Shareholder") has entered into a deed of non-competition in favour of the Group with Mr. Wong Luen Hei 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 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2015, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

ACQUISITION OF SUBSIDIARIES

During the year, the Group entered into a sale and purchase agreement to acquire an equity interest of 51% in Zhejiang Sky Well Plastics Co., Ltd.* and its subsidiary ("Zhejiang Sky Well Group"), at a cash consideration of approximately RMB68 million.

Zhejiang Sky Well Group is principally engaged in the manufacture and sale of plastic manholes and inspection chambers. The acquisition allows the Group to further diversify its products mix.

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK13 cents per share for the year ended 31 December 2015 (the "Proposed Final Dividend") to the Shareholders whose names appear on the register of members of the Company on Monday, 23 May 2016, subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on Friday, 13 May 2016 (the "2016 AGM"). It is expected that the Proposed Final Dividend will be paid on Friday, 27 May 2016.

CLOSURE OF REGISTER OF MEMBERS

(A) For determining the entitlement to attend and vote at the 2016 AGM

The register of members of the Company will be closed from Tuesday, 10 May 2016 to Friday, 13 May 2016, 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 2016 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, 9 May 2016.

(B) For determining the entitlement to the proposed final dividend

The register of members of the Company will be closed from Thursday, 19 May 2016 to Monday, 23 May 2016, 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 Wednesday, 18 May 2016.

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.lesso.com). The 2015 annual 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 and Director

Hong Kong, 18 March 2016

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. Tao Zhigang, Mr. Fung Pui Cheung, Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu and Ms. Lan Fang.

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
"Current Ratio"	the ratio of current assets to current liabilities
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"Gearing Ratio"	the total debts divided by the sum of total debts and total equity
"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
"Quick Ratio"	the ratio of current assets less inventories to current liabilities
"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 purposes 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.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the Company's control and are difficult to predict. Consequently, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements.

Reliance should not be placed on these forward-looking statements, which reflect only the views of the directors and management of China Lesso as at the date of this announcement only. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after publication of this announcement.