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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2016.

HIGHLIGHTS

Compared to the financial results for the six months ended 30 June 2015:

- Revenue increased by 4.0% to RMB7,325 million
- Gross profit increased by 14.5% to RMB2,183 million
- Profit for the period increased by 13.2% to RMB908 million
- Basic earnings per share was RMB0.29, increased by 11.5%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**7,325,116**	7,043,182
Cost of sales		**(5,141,630)**	(5,135,575)
Gross profit		**2,183,486**	1,907,607
Other revenue, income and gains	*3*	**42,838**	51,372
Selling and distribution expenses		**(376,971)**	(333,965)
Administrative expenses		**(355,760)**	(283,718)
Other expenses		**(268,847)**	(265,202)
Finance costs	*4*	**(41,511)**	(41,458)
Share of profit of a joint venture		**385**	612
PROFIT BEFORE TAX	*5*	**1,183,620**	1,035,248
Income tax expense	*6*	**(275,185)**	(232,919)
PROFIT FOR THE PERIOD		**908,435**	802,329
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(6,956)**	4,150
Changes in fair value of available-for-sale investments		**442**	922
OTHER COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD		**(6,514)**	5,072
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**901,921**	807,401

	Note	Six months ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		**912,380**	805,945
Non-controlling interests		**(3,945)**	(3,616)
		908,435	802,329
Total comprehensive income for the period attributable to:			
Owners of the Company		**903,313**	809,778
Non-controlling interests		**(1,392)**	(2,377)
		901,921	807,401
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	*8*	**RMB0.29**	RMB0.26

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**6,412,644**	6,011,812
Prepaid land lease payments		**1,162,614**	1,157,926
Investment properties		**998,955**	318,431
Goodwill		**43,191**	–
Other intangible assets		**32,523**	35,790
Deposits paid for the purchase of land, property, plant and equipment		**1,093,333**	745,175
Interest in a joint venture		**7,560**	7,175
Held-to-maturity investments	*9*	**61,007**	62,435
Available-for-sale investments	*10*	**77,569**	48,363
Deferred tax assets		**45,639**	29,724
Total non-current assets		**9,935,035**	8,416,831
CURRENT ASSETS			
Inventories	*11*	**2,643,785**	2,206,543
Trade and bills receivables	*12*	**1,404,951**	1,397,797
Receivables from factoring services and supply-chain financing services	*13*	**177,506**	83,000
Prepayments, deposits and other receivables		**852,704**	651,408
Cash and bank deposits		**3,631,745**	3,893,544
Total current assets		**8,710,691**	8,232,292
CURRENT LIABILITIES			
Trade and bills payables	*14*	**2,759,054**	1,681,582
Other payables and accruals		**1,642,694**	1,525,902
Borrowings	*15*	**2,099,619**	1,065,502
Tax payable		**135,744**	104,562
Total current liabilities		**6,637,111**	4,377,548
NET CURRENT ASSETS		**2,073,580**	3,854,744
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,008,615**	12,271,575

	Note	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Borrowings	*15*	**1,198,074**	2,175,238
Other payables		**8,408**	–
Deferred tax liabilities		**195,078**	136,653
Deferred income		**107,840**	94,232
Total non-current liabilities		**1,509,400**	2,406,123
Net assets		**10,499,215**	9,865,452
EQUITY			
Share capital	*16*	**135,344**	135,686
Reserves		**10,171,574**	9,635,199
Equity attributable to owners of the Company		**10,306,918**	9,770,885
Non-controlling interests		**192,297**	94,567
Total equity		**10,499,215**	9,865,452

Note:

1.1 BASIS OF PREPARATION

These condensed consolidated financial statements of the Group for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. 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 condensed consolidated financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 1.2 below.

These condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvements 2012 – 2014 Cycle	Amendments to a number of HKFRSs

The application of these revised standards in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of building materials and interior decoration products; and the provision of factoring services and supply-chain financing 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, 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 six months ended 30 June 2016 and 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

	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*
Six months ended 30 June 2016										
Segment revenue:										
Sales to external customers	4,339,065	698,108	799,646	405,820	428,658	235,101	112,039	239,399	-	7,257,836
Intersegment sales	1,047,810	166,538	230,538	48,456	71,063	51,683	39,632	286,413	(1,942,133)	-
	5,386,875	864,646	1,030,184	454,276	499,721	286,784	151,671	525,812	(1,942,133)	7,257,836
Revenue from construction contracts	56,497	-	-	-	-	-	-	-	-	56,497
Handling fee income and interest income from factoring services and supply-chain financing services	10,783	-	-	-	-	-	-	-	-	10,783
Total	5,454,155	864,646	1,030,184	454,276	499,721	286,784	151,671	525,812	(1,942,133)	7,325,116
Segment results	1,693,300	230,846	307,027	100,863	128,128	61,842	22,722	53,871	(415,113)	2,183,486
Reconciliations:										
Exchange loss										(17,044)
Finance costs										(41,511)
Interest income										28,060
Gain on early redemption of held-to-maturity investments										79
Share of profit of a joint venture										385
Unallocated income and expenses										(969,835)
Profit before tax										1,183,620
Other segment information:										
Depreciation and amortisation	153,612	27,723	31,956	19,796	17,636	18,885	11,438	5,212	-	286,258
Impairment of trade receivables, net	12,648	-	10,702	54	(201)	-	2,889	(563)	-	25,529
Write-down of inventories to net realisable value, net	27,088	336	648	4,845	87	(92)	24,357	(875)	-	56,394
Capital expenditure#	544,271	53,201	35,162	27,512	24,768	7,348	4,626	669,980	(20,900)	1,345,968
As at 30 June 2016										
Segment assets	8,520,051	1,131,998	1,041,292	809,475	722,897	554,582	424,281	1,617,630	-	14,822,206

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

	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
Six months ended 30 June 2015										
Segment revenue:										
Sales to external customers	4,190,680	673,683	774,497	366,540	430,451	239,136	118,783	220,089	–	7,013,859
Intersegment sales	859,972	133,577	174,076	47,573	59,531	45,634	28,865	245,877	(1,595,105)	–
	5,050,652	807,260	948,573	414,113	489,982	284,770	147,648	465,966	(1,595,105)	7,013,859
Revenue from construction contracts	29,323	–	–	–	–	–	–	–	–	29,323
Total	5,079,975	807,260	948,573	414,113	489,982	284,770	147,648	465,966	(1,595,105)	7,043,182
Segment results	1,412,791	195,980	286,132	82,683	109,304	53,273	25,692	33,104	(291,352)	1,907,607
Reconciliations:										
Exchange loss										(14,087)
Finance costs										(41,458)
Interest income										33,700
Share of profit of a joint venture										612
Unallocated income and expenses										(851,126)
Profit before tax										1,035,248
Other segment information:										
Depreciation and amortisation	133,664	24,070	32,209	12,486	13,377	18,558	4,006	3,637	–	242,007
Impairment of property, plant, and equipment	–	–	–	–	–	–	–	398	–	398
Impairment of trade receivables, net	8,869	–	5,861	1,481	535	923	18,471	10,932	–	47,072
Write-down of inventories to net realisable value, net	37,593	–	1,140	618	1,396	582	1,250	(1,316)	–	41,263
Capital expenditure#	451,966	60,505	50,667	30,669	45,113	6,773	4,170	4,334	(24,980)	629,217
As at 30 June 2015										
Segment assets	7,341,878	1,085,806	1,127,467	580,337	624,568	620,002	477,015	411,394	–	12,268,467

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 and supply-chain financing services during the period.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**7,257,836**	7,013,859
Revenue from construction contracts	**56,497**	29,323
Handling fee income and interest income from factoring services and supply-chain financing services	**10,783**	–
	7,325,116	7,043,182
Other revenue, income and gains		
Bank interest income	**24,897**	28,645
Interest income from held-to-maturity investments	**3,163**	5,055
Total interest income	**28,060**	33,700
Government grants and subsidies	**8,062**	12,757
Gain on early redemption of held-to-maturity investments	**79**	–
Gain on sale of raw materials	**2,280**	1,291
Others	**4,357**	3,624
	42,838	51,372

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

4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest expenses on bank and other loans	**42,233**	41,458
Less: Interest capitalised	**(722)**	–
	41,511	41,458

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**5,049,127**	5,069,184
Direct cost of construction work	**36,109**	25,128
Depreciation	**267,462**	225,121
Amortisation of prepaid land lease payments	**12,451**	11,301
Amortisation of other intangible assets	**6,345**	5,585
Total depreciation and amortisation	**286,258**	242,007
Research and development costs#	**219,464**	196,929
Loss on disposal of items of other intangible assets and property, plant and equipment#	**4,070**	2,792
Write-down of inventories to net realisable value, net	**56,394**	41,263
Impairment of trade receivables, net#	**25,529**	47,072
Impairment of property, plant and equipment#	**–**	398
Foreign exchange differences, net#	**17,044**	14,087

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

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC	**255,821**	206,706
(Overprovision)/underprovision in prior years		
PRC	**(22,581)**	1,033
Other jurisdiction	**(565)**	–
	(23,146)	1,033
Deferred tax	**42,510**	25,180
Total tax charge for the period	**275,185**	232,919

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

Hong Kong profits tax

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

PRC corporate income tax

The Group's income tax provision in respect of its operations in the mainland China has been calculated at the applicable tax rates on the taxable profits for both periods, based on the existing legislation, interpretations and practices in respect thereof.

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 periods.

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

	Six months ended 30 June			
	2016		2015	
	HK$	***HK$'000***	*HK$*	*HK$'000*
2015 final dividend paid (2015: 2014 final dividend paid)	**0.13**	**403,314**	0.13	404,333
Equivalent to		**RMB339,228,000**		RMB318,861,000

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**912,380**	805,945

	Number of Shares	
	Six months ended 30 June	
	2016	2015
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	**3,106,115,065**	3,110,255,400

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2016 includes 3,110,255,400 ordinary shares in issue as at 31 December 2015 (six months ended 30 June 2015: 3,110,255,400 ordinary shares in issue as at 31 December 2014). The calculation for the six months ended 30 June 2016 has excluded 4,140,335 shares derived from the weighted average number of ordinary shares of 7,837,000 ordinary shares which were repurchased during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2016 and 2015 respectively.

9. HELD-TO-MATURITY INVESTMENTS

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Debt securities, at amortised cost:		
Listed in Hong Kong	**56,952**	55,784
Listed in Singapore	**4,055**	6,651
	61,007	62,435

The held-to-maturity investments represent debt securities. These securities carry fixed interest at 8.00% to 12.00% (31 December 2015: 8.00% to 12.00%) per annum, payable semi-annually in arrears, and will mature from April 2018 to February 2020 (31 December 2015: April 2018 to February 2020).

At the end of the 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 RMB64,850,000 (31 December 2015: RMB66,762,000)

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Listed equity investments, at fair value		
Hong Kong	**72,444**	43,238
Unlisted equity investments, at cost		
PRC	**5,125**	5,125
	77,569	48,363

The listed equity investments primarily represent non-cumulative preference shares and perpetual capital securities. These listed equity investments 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

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Raw materials	**1,135,905**	836,788
Work in progress	**333,400**	350,120
Finished goods	**1,174,480**	1,019,635
	2,643,785	2,206,543

12. TRADE AND BILLS RECEIVABLES

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Trade receivables	**1,407,730**	1,186,226
Bills receivable	**114,149**	292,648
Less: Provision for impairment	**(116,928)**	(81,077)
	1,404,951	1,397,797

The Group's major customers are independent distributors, civil contractors, property developers, utility companies and municipalities in the 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:

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Within 3 months	**619,390**	614,123
4 to 6 months	**208,066**	232,213
7 to 12 months	**358,445**	330,126
1 to 2 years	**159,626**	190,723
2 to 3 years	**42,327**	28,164
Over 3 years	**17,097**	2,448
	1,404,951	1,397,797

13. RECEIVABLES FROM FACTORING SERVICES AND SUPPLY-CHAIN FINANCING SERVICES

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Receivables from factoring services	**156,674**	83,000
Receivables from supply-chain financing services	**20,832**	–
	177,506	83,000

(A) Receivables from factoring services

The Group's receivables from factoring services 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 rates ranging from 6.60% to 11.60% (31 December 2015: 4.35% to 11.00%) per annum.

An aged analysis of the Group's receivables from factoring services at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Within 3 months	**126,674**	83,000
4 to 6 months	**30,000**	–
	156,674	83,000

At 31 December 2015, included in the Group's receivables from factoring services was an amount due from a related company of RMB45,000,000. The related company is beneficially owned and controlled by a director of the Company.

(B) Receivables from supply-chain financing services

At the end of the reporting period, all the Group's receivables from supply-chain financing services were aged within 3 months and none of these receivables was either past due or impaired. The credit period granted to each customer is generally 60 to 180 days.

14. TRADE AND BILLS PAYABLES

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Trade payables	**666,054**	550,861
Bills payable	**2,093,000**	1,130,721
	2,759,054	1,681,582

The trade payables are interest-free and are normally settled on terms 30 to 90 days.

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

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Within 3 months	**1,497,020**	646,547
4 to 6 months	**448,150**	681,165
7 to 12 months	**768,108**	334,281
1 to 2 years	**20,602**	11,120
2 to 3 years	**8,312**	4,895
Over 3 years	**16,862**	3,574
	2,759,054	1,681,582

15. BORROWINGS

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Current		
Unsecured bank loans	**1,055,256**	927,570
Current portion of long term unsecured bank loans	**146,622**	70,637
Current portion of long term unsecured syndicated loans	**897,741**	–
Secured other loans	**–**	5,678
Loans from non-controlling interests	**–**	61,617
	2,099,619	1,065,502
Non-current		
Unsecured bank loans	**179,428**	301,338
Unsecured syndicated loans	**1,018,646**	1,873,900
	1,198,074	2,175,238
	3,297,693	3,240,740

Note:

(a) The effective interest rates of the Group's borrowings range from 1.38% to 7.50% (31 December 2015: 1.18% to 8.90%) per annum.

(b) The loans from non-controlling interests were 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 and Thai Baht at aggregate amounts of RMB2,629,287,000 (31 December 2015: RMB2,570,725,000), RMB662,369,000 (31 December 2015: RMB590,635,000), RMB6,037,000 (31 December 2015: RMB17,763,000) and Nil (31 December 2015: RMB61,617,000) respectively.

16. SHARE CAPITAL

	30 June 2016	31 December 2015
Authorised:		
20,000,000,000 (31 December 2015: 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:		
3,102,418,400 (31 December 2015: 3,110,255,400) ordinary shares of HK$0.05 each	**HK$155,120,920**	HK$155,512,770
Equivalent to	**RMB135,344,000**	RMB135,686,000

The Company bought back and cancelled a total of 7,837,000 ordinary shares of the Company on the Stock Exchange at a total consideration (including expenses) of HK$32,917,000 (approximately RMB28,052,000).

17. COMMITMENTS

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

	30 June 2016 ***RMB'000***	31 December 2015 *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment	**363,532**	508,625

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 22 advanced production bases in 16 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 manufacturing, 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 materials.

MARKET REVIEW

During the period under review, China's economy grew by 6.7%. Albeit the slowest in seven years, the growth also indicated stabilisation of the slowdown, thus easing the market's fear for a hard landing. The country continued to ramp up investment in civil infrastructure despite the market's weak sentiment. This sustained demands for pipes and pipe fittings.

In early 2015, China embarked on the "Sponge City" initiative to reduce flood risks by redesigning and redeveloping urban areas, aiming to better capture, clean and reuse storm water. The program, now being planned, will call for a total investment of up to RMB6 trillion, which will be allocated to the related projects to be constructed in the medium and long term. Apart from the first batch of 16 cities which had been designated as pilot cities for the program, another 14 cities were added to the list in May 2016. The central government will grant each pilot city an annual financial subsidy of RMB400 million to RMB600 million for a period of three years in an effort to address to the dual challenges of water scarcity and urban flooding. Such government initiatives of immense scale will continue to bolster demand for water pipes and pipe fitting.

In addition, the State Council unveiled a mega plan to rebuild or refit the urban underground pipeline network, which will collectively carry utility lines for transmission of electricity and gas, heating and telecommunications, etc. According to China Institute of Industrial Cluster Limited, the plan will involve a combined length of more than 370,000 km of four types of pipelines for water supply, drainage, gas and heating and will require a total investment of RMB4 trillion. Since the central government urged the transformation of the subterranean pipe networks, local governments have successively introduced a series of policies to implement the plan. It is expected that over 50% of the cities will complete the planning and obtain approval for the relevant projects by 2020. This will generate massive demand for the pipes, hence great opportunities for business in the pipe industry.

To accelerate investment in the plan, the Chinese government encourage the private sector, especially companies with financial strength, professional skills and experience in operational management, to invest in the construction and operation of the underground pipe networks through partnerships with the public sector. The companies in such public-private partnerships may also have access more easily to credit from commercial banks and other financial institutions to finance the infrastructure and public utility projects.

With the progress of "Action Plan for Prevention and Control of Water Pollution" unveiled by the State Council in April 2015, investments have been pooled into the water industry, to deal with industrial water pollution and water efficiency. Dubbed as China's most comprehensive water policy to date, the action plan is aimed at making more than 93 per cent of the water supply to cities drinkable by 2020, and raising the proportion of water that meets that standard in seven river basins to above 75 per cent by 2030. The program will require a total investment of over RMB2 trillion, according to the Ministry of Environmental Protection.

Meanwhile, as China's ongoing urbanisation will sustain the demand for pipes used in different fields, including telecommunications, the supply of power, heat, gas and water as well as drainage, the sewerage system, the refuse disposal system and fire service. On one hand, the shantytown renovation, construction of affordable housing and redevelopment of dilapidated housing will continue to generate demand for the pipes. On the other hand, the development and upgrade of rural roads, expressways and high-speed railways will also add new impetus to the pipe and pipe fittings industry.

During the period under review, China's property sector shed momentum as it was affected by the government's restrictive policy on the property markets in top-tier cities and a severe property glut in lower-tier cities. Nevertheless, the government also took a flurry of measures to support reasonable demand for housing which was absorbing the surplus. Steady progress in social security housing projects and increased market penetration of pre-decorated flats benefited the industries of building materials and interior decoration products but the positive effect of such developments was overshadowed by the slowdown in construction of properties.

In 2015, the Chinese government mapped out the "One Belt, One Road Initiative" to promote connectivity and cooperation between China and the rest of Asia, Africa and Europe along the "Silk Road Economic Belt" and the "Maritime Silk Road". The project, which has substantial financial backing, will present ample opportunity for the Chinese enterprises which are expanding overseas. With the aim of promoting investment and trade, China has been rolling out infrastructural projects across the regions covered by the initiative. This will translate into a buoyant demand not only for pipes and pipe fittings but also for building materials, hardware and electrical equipment.

BUSINESS REVIEW

China Lesso mainly operates three business segments, including plastic pipes and pipe fittings, building materials and interior decoration products and Lesso Mall, an e-commerce platform. During the period under review, the Group's revenue grew by 4.0% year on year to RMB7,325 million (1H 2015: RMB7,043 million). The growth was attributable to the increased efforts by the Group's major business unit of plastic pipes and pipe fittings to capitalise on the civil infrastructure projects.

The table below sets out the breakdown of revenue by business unit for the six months ended 30 June 2016 and 2015:

	Revenue			% of total revenue	
	2016	2015		**2016**	2015
	RMB million	*RMB million*	***Change***		
Plastic Pipes and Pipe Fittings	**6,605**	6,357	*3.9%*	**90.2%**	*90.3%*
Building Materials and Interior Decoration Products	**406**	344	*18.0%*	**5.5%**	4.9%
Lesso Mall	**157**	215	*(27.0)%*	**2.1%**	3.1%
Others#	**157**	127	*23.1%*	**2.2%**	1.7%
Total	**7,325**	7,043	*4.0%*	**100.0%**	100.0%

"Others" includes businesses of construction, financing services and others.

As at 30 June 2016, the number of the Group's independent and exclusive tier-one distributors increased to 2,135 all over the country. Southern China remained as the Group's major revenue contributor as the Group continued to increase its penetration of the market there to reinforce its leading position. The Group is also actively expanding its business beyond southern China in the country in order to drive its overall sales. Meanwhile, the launch of its production base in Shandong province during the period under review enhanced the Group's presence there. During the period under review, revenue from southern China and those from other regions in the country accounted for 60.2% and 39.8% respectively (1H 2015: 59.9% and 40.1% respectively) of the Group's total revenue.

The table below sets out the breakdown of revenue by region for the six months ended 30 June 2016 and 2015:

	Revenue			**% of total revenue**	
	2016	2015		**2016**	2015
Region#	***RMB million***	*RMB million*	***Change***		
Southern China	**4,406**	4,220	*4.4%*	**60.2%**	59.9%
Southwestern China	**698**	674	*3.6%*	**9.5%**	9.6%
Central China	**800**	774	*3.2%*	**10.9%**	11.0%
Eastern China	**406**	367	*10.7%*	**5.5%**	5.2%
Northern China	**429**	430	*(0.4)%*	**5.9%**	6.1%
Northwestern China	**235**	239	*(1.7)%*	**3.2%**	3.4%
Northeastern China	**112**	119	*(5.7)%*	**1.5%**	1.7%
Outside China	**239**	220	*8.8%*	**3.3%**	3.1%
Total	**7,325**	7,043	*4.0%*	**100%**	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

The plastic pipes and pipe fittings business remains a mainstay operation of China Lesso, which accounted for 90.2% (1H 2015: 90.3%) of the Group's total revenue during the period under review. The Group supplies various kinds of pipes and pipe fittings and comprehensive services for such fields as water supply, drainage, power supply and telecommunications, gas transmission, agriculture, floor heating and fire services.

The table below sets out the breakdown of revenue from plastic pipes and pipe fittings business by product application for the six months ended 30 June 2016 and 2015:

	Revenue			**% of total revenue**	
	2016	2015		**2016**	2015
	RMB million	*RMB million*	***Change***		
Water supply	**2,643**	2,602	*1.6%*	**40.0%**	40.9%
Drainage	**2,541**	2,411	*5.4%*	**38.5%**	37.9%
Power supply and telecommunications	**1,126**	1,014	*11.1%*	**17.1%**	16.0%
Gas transmission	**75**	106	*(29.3)%*	**1.1%**	1.7%
Others#	**220**	224	*(2.0)%*	**3.3%**	3.5%
Total	**6,605**	6,357	*3.9%*	**100.0%**	100.0%

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

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 the six months ended 30 June 2016 and 2015:

	Average selling price			**Sales volume**			**Revenue**		
	2016	2015		**2016**	2015		**2016**	2015	
	RMB	*RMB*	***Change***	***Tonne***	*Tonne*	***Change***	***RMB million***	*RMB million*	***Change***
PVC products	**6,991**	7,510	*(6.9)%*	**626,413**	560,172	*11.8%*	**4,379**	4,207	*4.1%*
Non-PVC products#	**15,654**	16,278	*(3.8)%*	**142,198**	132,082	*7.7%*	**2,226**	2,150	*3.5%*
Total	**8,593**	9,183	*(6.4)%*	**768,611**	692,254	*11.0%*	**6,605**	6,357	*3.9%*

\# "Non-PVC" plastic pipes and pipe fittings mainly refer to those made of PE or PP-R.

The Chinese government encouraged investment in civil infrastructure projects, which created buoyant demand for plastic pipes and pipe fittings. The Group grasped the opportunity through its active involvement in related projects. In addition, the Group has been expanding the scope of applications of the products, e.g., offshore cages for aquaculture, to attain satisfactory growth in sales volume of the plastic pipes and pipe fittings business. During the period under review, sales volume of the plastic pipes and pipe fittings increased by 11.0% year on year. In terms of product materials, sales volume of PVC products increased by 11.8% year on year to 626,413 tonnes (1H 2015: 560,172 tonnes) while that of non-PVC products increased by 7.7% year on year to 142,198 tonnes (1H 2015: 132,082 tonnes).

As the Group priced its products on a cost-plus basis, the ongoing decline in raw material costs led to a year-on-year decrease of 6.4% in the average selling price of plastic pipes and pipe fittings to RMB8,593 per tonne (1H 2015: RMB9,183 per tonne). Average selling price of PVC products decreased by 6.9% year on year to RMB6,991 per tonne (1H 2015: RMB7,510 per tonne) while that of non-PVC products declined by 3.8% year on year to RMB15,654 per tonne (1H 2015: RMB16,278 per tonne). However, the Group still managed to maintain the business segment's gross profit margin at 31.3% (1H 2015: 29.0%).

Due to the above-mentioned factors, the Group's revenue from the plastic pipes and pipe fittings business registered a slower growth of 3.9%.

Building Materials and Interior Decoration Products

The Group's business of building materials and interior decoration products is mainly engaged in providing various types of integrated building materials and interior decoration products as well as comprehensive services for property developers. During the period under review, the Group continued to enrich its product mix and invested in promotional campaigns. As a result, it recorded a steady year-on-year increase of 18.0% in sales. Revenue contributed from this business amounted to RMB406 million, (1H 2015: RMB344 million), or 5.5% (1H 2015: 4.9%) of the Group's total revenue.

Lesso Mall

In March 2015, the Group launched Lesso Mall, a diversified and dedicated e-commerce platform that adopted an online-to-offline business model and offered hardware, electrical equipment and building materials for the Group's distributors. During the period under review, revenue derived from Lesso Mall was RMB157 million (1H 2015: RMB215 million), representing a year-on-year decrease of 27.0%. The decrease was mainly due to the Group's efforts to redefine its strategy. It optimised the business model of the e-commerce platform with the aim of laying the foundation for sustainable development. During the period under review, the registered number of customer accounts at Lesso Mall increased to 3,903 (1H 2015: 1,004).

Apart from domestic market, the Group also planned to replicate its success abroad. During the period under review, the Group acquired pieces of land in the United States and Canada to prepare for the steady development of such plan in the next five to ten years.

Acquisition of Guangzhou EP Environmental Engineering Ltd

To capitalise on the Chinese government's environmental initiatives, the Group acquired Guangzhou EP Environmental Engineering Ltd. and its subsidiary ("GZEP") in April 2016. The move will serve to diversify its business and develop new revenue streams. GZEP is a provider of comprehensive environmental protection services, ranging from project consultation, design, construction and management to assessment, evaluation and treatment of environmental pollution. The Group will develop it into a one-stop environmental protection service provider.

Capital Expenditure and Capacity Expansion

The Group has been expanding its production capacity according to its own pace of development and actual needs to respond to market demands. As its production base in Shandong has been put into operation during the period under review, the Group's annual designed capacity for the production of plastic pipes and pipe fittings increased to 2.16 million tonnes (As at 31 December 2015: 2.10 million tonnes).

The capital expenditure for the first half of 2016 was approximately RMB1.3 billion, which was mainly used for the expansion and upgrade of existing production bases, construction of its plant in Shandong, as well as the acquisition of pieces of land in foreign countries to expand the business of Lesso Mall.

STRATEGIES FOR THE FUTURE

As its economic structure is in the midst of a wrenching transition, it is widely expected that China's economic growth is set to edge down further in the second half of 2016. However, as the Chinese government continues to press ahead with the infrastructure projects as part of its plan to boost the national economy, the Group remains prudently optimistic about the prospect. The Group will continue to strengthen its business fundamentals by adopting the following strategies:

Optimise Production Efficiency

To improve overall production efficiency, the Group will continuously press on with its five-year plan to fully automate its production bases. The move will expedite the production process, save labour costs, reduce human errors and enhance product quality. In addition, the plan for the construction of the Group's plant in Hunan province is in a preliminary stage and the plant will be constructed by phases according to market demand.

Reinforce Market Leadership

The Group will continue to enhance its penetration of its principal market of southern China, with the aim of consolidating its market leadership and enhancing its brand equity. The Group will also extend its footprint beyond southern China to fully tap the demand in other parts of the country. Meanwhile, the Group will step up an effort to expand its markets into overseas with its diverse product offerings and brand influence. The Group plans to establish production bases in India, Indonesia and Uganda to expand its pipes and pipe fittings and building materials businesses in overseas markets.

Enhance Lesso Mall's Business Model

Since its establishment in 2015, Lesso Mall has achieved remarkable progress in the domestic market. The Group will assess and optimise its business model before expanding to the other parts of China. Meanwhile, the Group also planned for a gradual rollout of Lesso Mall beyond China. By doing so, the Group will first examine the potential of the markets covered by China's "One Belt, One Road Initiative". Although the overseas expansion plan is still at a preliminary stage, the Group believes that the business has enormous room for development and will develop it into a future growth driver.

RESULTS PERFORMANCE

For the six months ended 30 June 2016, the Group's revenue increased by 4.0% year-on-year to RMB7,325 million (1H 2015: RMB7,043 million). Benefited from the decline in raw material costs and economies of scale, the gross profit rose by 14.5% to RMB2,183 million (1H 2015: RMB1,908 million), with gross profit margin up by 2.7 percentage points to 29.8% (1H 2015: 27.1%).

The Group recruited more staff for business expansion and tapping into new markets. This resulted in a corresponding increase in expenditure, including staff costs, marketing and promotion expenses. Nevertheless, the Group effectively managed its overall cost and enhanced operation efficiency through economies of scale and improvement in the utilisation rate of production facilities so as to respond and reduce the pressure which stemmed from rising costs. These measures have contributed to the sustainable development and healthy profitability of the Group. EBITDA was RMB1,511 million (1H 2015: RMB1,319 million), representing an increase of 14.6% year-on-year and the EBITDA ratio was 20.6% (1H 2015: 18.7%) in the first half of 2016.

The Group's effective tax rate increased to 23.2% during the period under review (1H 2015: 22.5%). Profit before tax increased by 14.3% year-on-year to RMB1,184 million (1H 2015: RMB1,035 million) while profit attributable to the owners of the Company increased by 13.2% to RMB912 million (1H 2015: RMB806 million). Basic earnings per share increased by 11.5% year-on-year to RMB0.29 (1H 2015: RMB0.26).

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 30 June 2016, the Group had total debts (i.e. total borrowings) of approximately RMB3,298 million, of which 79.7% was denominated in US dollar, 20.1% was denominated in HK dollar and 0.2% was denominated in Renminbi. The Group's borrowings are subject to effective interest rates ranging from 1.38% to 7.50% per annum with maturity periods ranging from within one year to three years.

As at 30 June 2016, the Group's current assets and current liabilities were approximately RMB8,711 million and RMB6,637 million respectively. The Group's Current Ratio decreased to 1.31 from 1.88 as at 31 December 2015, while the Quick Ratio decreased to 0.91 from 1.38 as at 31 December 2015. It is due to a syndicated long-term loan of US$135 million will be maturity in May 2017. The Group's total equity increased to approximately RMB10,499 million. The Group's Gearing Ratio stood at a healthy level of 23.9%.

With cash and bank deposits, including restricted cash, of approximately RMB3,632 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 and HK dollar. No hedging has been arranged on the above-mentioned exposure.

CHARGE ON ASSETS

As at 30 June 2016, 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 part of the purchase agreement with the previous owners of GZEP, a portion of the consideration was determined to be contingent, based on the performance of GZEP. There will be additional cash payments to the previous owner of GZEP of:

a) RMB32 million, if GZEP generates net profit of RMB15 million or more in the second to fourth quarters of 2016; and

b) up to RMB96 million, if GZEP generates net profit of RMB26 million or more for the year ending 31 December 2017.

In the opinion of the directors, fair value of the contingent consideration cannot be measured reliably, thus no provision has been made for the contingent consideration.

As at 30 June 2016, except for the above-mentioned contingent consideration, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 June 2016, the Group employed a total of approximately 8,900 employees including directors. Total staff costs were RMB342 million during the period. The Group ensures that the remuneration packages for employees are determined based on their work performance, professional experience and the prevailing industry practice. Discretionary year-end bonus may be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2016. Such condensed consolidated financial statements have not been audited but have been reviewed by the independent auditor of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

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

In pursuit of good and high standard of corporate governance practices, the Board reviews the corporate governance practices of the Company from time to time so as to meet the expectations of the Shareholders for continual improvement, comply with increasingly stringent regulatory requirements and fulfill its commitment of pursuing excellent corporate governance. In the opinion of the directors, the Company complied with all the applicable code provisions of the Code during the review period, except that one of the independent non-executive directors was unable to attend the annual general meeting ("AGM") of the Company held on 13 May 2016 (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 had complied with the required standard as set out in the Model Code throughout the review period. The Model Code is also applicable to other specific senior management officers of the Company.

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

None of the directors or substantial shareholder of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group. New Fortune (the "Controlling Shareholder" being a company holding approximately 68.28% of the issued share capital of the Company, and is ultimately held by the trust the founder of which is Mr. Wong Luen Hei, and the beneficiaries of which include Mr. Wong Luen Hei and his family) 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. 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.

EVENTS AFTER THE REPORTING PERIOD AND DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On 11 August 2016, the Company as guarantor and its wholly-owned subsidiary as borrower entered into a facility agreement (the "Facility Agreement") in relation to syndicated term loan facilities in the amount of US$600 million at an interest rate of LIBOR plus 1.85% per annum with syndicate lenders, independent financial institutions, 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 requires that Mr. Wong Luen Hei and his family (collectively, the "Wong Family") shall collectively maintain, directly or indirectly, at least 51% of beneficial shareholding interest in the issued share capital of the Company, carrying at least 51% of the voting rights, free from any security. Otherwise, a lender shall not be obliged to fund the loan made under the Facility Agreement, and the total commitments under the Facility Agreement may be liable to be cancelled and the outstanding loan with interest and all other amounts accrued under the Facility Agreement or other related financial documents may be due and payable to the lenders immediately.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2016, save as set out below, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities:

Trading Date	Number of Shares repurchased	Highest price paid per Share	Lowest price paid per Share	Aggregate consideration paid
		HK$	*HK$*	*HK$*
23 March 2016	3,000,000	4.30	4.21	12,811,959
24 March 2016	2,000,000	4.21	4.13	8,376,820
29 March 2016	337,000	4.05	4.02	1,357,470
30 March 2016	1,700,000	4.09	4.07	6,949,819
31 March 2016	800,000	4.18	4.12	3,319,691
Total	7,837,000			32,815,759

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.lesso.com). The 2016 interim report will be despatched to the Shareholders and available on the above websites in due course.

By Order of the Board
China Lesso Group Holdings Limited
Wong Luen Hei
Chairman

Hong Kong, 23 August 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 Mr. Fung Pui Cheung, Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu, Ms. Lan Fang and Dr. Tao Zhigong.

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
“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
“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.