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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 2015

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2015.

HIGHLIGHTS

Compared to the financial results for the six months ended 30 June 2014:

- Revenue increased by 7.0% to RMB7,043 million
- Gross profit increased by 16.1% to RMB1,908 million
- Profit for the period increased by 29.1% to RMB802 million
- Basic earnings per share was RMB0.26, increased by 30.0%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**7,043,182**	6,581,051
Cost of sales		**(5,135,575)**	(4,938,032)
Gross profit		**1,907,607**	1,643,019
Other revenue, income and gains	*3*	**51,372**	48,741
Selling and distribution expenses		**(333,965)**	(340,343)
Administrative expenses		**(283,718)**	(287,136)
Other expenses		**(265,202)**	(169,334)
Finance costs	*4*	**(41,458)**	(133,927)
Share of profit of a joint venture		**612**	202
PROFIT BEFORE TAX	*5*	**1,035,248**	761,222
Income tax expense	*6*	**(232,919)**	(139,556)
PROFIT FOR THE PERIOD		**802,329**	621,666
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**4,150**	(1,656)
Changes in fair value of available-for-sale investments		**922**	–
OTHER COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD		**5,072**	(1,656)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**807,401**	620,010

	Note	Six months ended 30 June **2015** *RMB'000* **(Unaudited)**	2014 *RMB'000* (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**805,945**	627,535
Non-controlling interests		**(3,616)**	(5,869)
		802,329	621,666
Total comprehensive income for the period attributable to:			
Owners of the Company		**809,778**	625,835
Non-controlling interests		**(2,377)**	(5,825)
		807,401	620,010
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic		**RMB0.26**	RMB0.20
Diluted		**RMB0.26**	RMB0.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**5,629,136**	5,263,614
Prepaid land lease payments		**1,101,106**	1,087,126
Other intangible assets		**36,821**	35,405
Deposits paid for the purchase of land, property, plant and equipment		**771,214**	729,051
Interest in a joint venture		**6,686**	6,074
Held-to-maturity investments	*9*	**58,554**	30,383
Available-for-sale investments	*10*	**40,374**	39,466
Deferred tax assets		**35,199**	13,577
Total non-current assets		**7,679,090**	7,204,696
CURRENT ASSETS			
Inventories	*11*	**2,595,682**	2,210,038
Trade and bills receivables	*12*	**1,256,084**	1,303,576
Prepayments, deposits and other receivables		**878,424**	571,942
Held-to-maturity investments	*9*	**30,845**	30,374
Cash and bank deposits		**2,741,340**	3,198,902
Total current assets		**7,502,375**	7,314,832
CURRENT LIABILITIES			
Trade and bills payables	*13*	**1,381,556**	973,387
Other payables and accruals		**1,050,450**	1,564,290
Borrowings	*14*	**1,419,136**	1,158,729
Tax payable		**121,143**	113,440
Total current liabilities		**3,972,285**	3,809,846
NET CURRENT ASSETS		**3,530,090**	3,504,986
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,209,180**	10,709,682

	Note	**30 June 2015**	31 December 2014
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Borrowings	*14*	**1,981,058**	2,021,105
Deferred tax liabilities		**115,344**	68,542
Deferred income		**74,515**	70,312
Total non-current liabilities		**2,170,917**	2,159,959
Net assets		**9,038,263**	8,549,723
EQUITY			
Issued capital	*15*	**135,686**	135,686
Reserves		**8,900,690**	8,409,773
Equity attributable to owners of the Company		**9,036,376**	8,545,459
Non-controlling interests		**1,887**	4,264
Total equity		**9,038,263**	8,549,723

Note:

1.1 BASIS OF PREPARATION

These condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. These condensed consolidated financial statements are presented in Renminbi and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 1.2 below.

These condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of building materials and interior decoration products. For management purposes, the Group's businesses are organised by geographical areas based on the location of the customers and assets are attributable to the geographical unit based on the location of the assets. The Group has eight reportable operating segments as follows:

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

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

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

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

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

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

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

(viii) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that exchange differences, finance costs, interest income, 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 2015 and 2014, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

	Southern China *RMB'000* (Unaudited)	Southwestern China *RMB'000* (Unaudited)	Central China *RMB'000* (Unaudited)	Eastern China *RMB'000* (Unaudited)	Northern China *RMB'000* (Unaudited)	Northwestern China *RMB'000* (Unaudited)	Northeastern China *RMB'000* (Unaudited)	Outside China *RMB'000* (Unaudited)	Eliminations *RMB'000* (Unaudited)	Consolidated *RMB'000* (Unaudited)
Six months ended 30 June 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/(write-back) of inventories to net realisable value	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.

	Southern China *RMB'000* (Unaudited)	Southwestern China *RMB'000* (Unaudited)	Central China *RMB'000* (Unaudited)	Eastern China *RMB'000* (Unaudited)	Northern China *RMB'000* (Unaudited)	Northwestern China *RMB'000* (Unaudited)	Northeastern China *RMB'000* (Unaudited)	Outside China *RMB'000* (Unaudited)	Eliminations *RMB'000* (Unaudited)	Consolidated *RMB'000* (Unaudited)
Six months ended 30 June 2014										
Segment revenue:										
Sales to external customers	3,826,822	679,172	717,414	329,573	439,780	220,013	150,599	188,661	–	6,552,034
Intersegment sales	918,319	171,684	158,465	43,167	63,139	56,941	41,924	196,196	(1,649,835)	–
	4,745,141	850,856	875,879	372,740	502,919	276,954	192,523	384,857	(1,649,835)	6,552,034
Revenue from construction contracts	29,017	–	–	–	–	–	–	–	–	29,017
Total	4,774,158	850,856	875,879	372,740	502,919	276,954	192,523	384,857	(1,649,835)	6,581,051
Segment results	1,196,313	180,555	196,298	71,991	103,502	49,914	41,452	42,144	(239,150)	1,643,019
Reconciliations:										
Exchange loss										(12,310)
Finance costs										(133,927)
Interest income										39,359
Share of profit of a joint venture										202
Unallocated income and expenses										(775,121)
Profit before tax										761,222
Other segment information:										
Depreciation and amortisation	102,876	16,170	25,455	12,348	15,319	16,180	11,907	3,737	–	203,992
Impairment of trade receivables, net	695	–	1,975	–	(465)	–	–	(123)	–	2,082
Write-back of inventories to net realisable value	–	–	–	–	–	–	–	(180)	–	(180)
Capital expenditure#	438,858	131,856	90,181	7,951	39,266	24,634	10,613	44,519	(24,018)	763,860
As at 30 June 2014										
Segment assets	6,237,643	1,014,031	1,139,639	530,058	562,510	685,212	576,646	354,399	–	11,100,138

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

3. REVENUE, OTHER REVENUE, INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts (net of value-added tax, if any), and an appropriate proportion of contract revenue from construction contracts during the period.

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**7,013,859**	6,552,034
Revenue from construction contracts	**29,323**	29,017
	7,043,182	6,581,051
Other revenue, income and gains		
Bank interest income	**28,645**	16,987
Interest income from held-to-maturity investments	**5,055**	22,372
Total interest income	**33,700**	39,359
Government grants and subsidies	**12,757**	4,144
Gain on sale of raw materials	**1,291**	852
Others	**3,624**	4,386
	51,372	48,741

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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	**41,458**	22,480
The Senior Notes	**–**	62,392
Total interest expenses	**41,458**	84,872
Premium and unamortised issuance expenses arising from the early redemption of the Senior Notes	**–**	49,055
	41,458	133,927

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**5,069,184**	4,912,876
Direct cost of construction work	**25,128**	25,336
Depreciation	**225,121**	189,364
Amortisation of prepaid land lease payments	**11,301**	10,105
Amortisation of other intangible assets	**5,585**	4,523
Total depreciation and amortisation	**242,007**	203,992
Research and development costs#	**196,929**	152,511
Loss on disposal of items of land, other intangible assets and property, plant and equipment#	**2,792**	1,088
Write-down/(write-back) of inventories to net realisable value	**41,263**	(180)
Impairment of trade receivables, net#	**47,072**	2,082
Impairment of property, plant and equipment#	**398**	–
Foreign exchange differences, net#	**14,087**	12,310

The expenses are included in the "other expenses" in profit or loss.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC	**206,706**	149,265
Other jurisdiction	**–**	212
	206,706	149,477
Underprovision/(overprovision) in prior years		
PRC	**1,033**	(50,157)
Deferred tax	**25,180**	40,236
Total tax charge for the period	**232,919**	139,556

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. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for both periods.

PRC CORPORATE INCOME TAX

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

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

During the period, a final dividend of HK13 cents per share in respect of the year ended 31 December 2014 (six months ended 30 June 2014: HK12 cents per share in respect of the year ended 31 December 2013) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the period amounted to HK$404,333,000 (approximately RMB318,861,000 equivalent) (six months ended 30 June 2014: HK$372,233,000 (approximately RMB295,460,000 equivalent)).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	805,945	627,535

	Number of Shares Six months ended 30 June	
	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**	3,087,633,690
Effect of dilution – weighted average number of ordinary shares: share options	**–**	13,491,098
	3,110,255,400	3,101,124,788

The weighted average number of shares used to calculate the basic earnings per share (the "Calculation") for the six months ended 30 June 2015 includes 3,110,255,400 ordinary shares in issue as at 31 December 2014 (six months ended 30 June 2014: 3,075,731,740 ordinary shares in issue as at 31 December 2013). The Calculation for the six months ended 30 June 2014 also included 11,901,950 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 period attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

9. HELD-TO-MATURITY INVESTMENTS

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Debt securities, at amortised cost:		
Listed in Hong Kong	**52,269**	24,072
Listed in Singapore	**37,130**	36,685
	89,399	60,757
Analysed for reporting purposes as:		
Non-current assets	**58,554**	30,383
Current assets	**30,845**	30,374
	89,399	60,757

The held-to-maturity investments represented debt securities. These securities carry fixed interest at 8.00% to 13.00% (31 December 2014: 8.00% to 13.00%) per annum, payable semi-annually in arrears, and will mature from October 2015 to February 2020 (31 December 2014: October 2015 to March 2019).

As at 30 June 2015, the fair value of the debt securities based on the quoted market price provided by a leading global financial market data provider was RMB88,560,000 (31 December 2014: RMB58,927,000).

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Listed equity investments, at fair value		
Hong Kong	**40,374**	39,466

The available-for-sale investments represent non-cumulative preference shares of counterparties with Ba2 credit rating. These preference shares have no maturity date.

11. INVENTORIES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Raw materials	**1,216,537**	931,957
Work in progress	**300,592**	256,227
Finished goods	**1,078,553**	1,021,854
	2,595,682	2,210,038

12. TRADE AND BILLS RECEIVABLES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade receivables	**1,167,989**	1,127,901
Bills receivable	**175,554**	216,231
Less: Provision for impairment	**(87,459)**	(40,556)
	1,256,084	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:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Within 3 months	**619,135**	722,607
4 to 6 months	**182,319**	302,968
7 to 12 months	**346,349**	173,891
1 to 2 years	**96,988**	93,031
2 to 3 years	**10,823**	9,435
Over 3 years	**470**	1,644
	1,256,084	1,303,576

13. TRADE AND BILLS PAYABLES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade payables	**458,915**	373,925
Bills payable	**922,641**	599,462
	1,381,556	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 reporting period, based on the invoice date, is as follows:

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Within 3 months	**1,132,159**	690,755
4 to 6 months	**231,497**	267,183
7 to 12 months	**9,782**	6,794
1 to 2 years	**4,039**	4,993
2 to 3 years	**2,698**	3,420
Over 3 years	**1,381**	242
	1,381,556	973,387

14. BORROWINGS

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Unsecured bank loans	**1,363,048**	1,114,898
Current portion of long term unsecured bank loans	**56,088**	43,831
	1,419,136	1,158,729
Non-current		
Unsecured bank loans	**221,574**	265,479
Unsecured syndicated loans	**1,759,484**	1,755,626
	1,981,058	2,021,105
	3,400,194	3,179,834

Note:

The effective interest rates of the Group's bank borrowings range from 1.18% to 5.41% (31 December 2014: 1.17% to 5.60%) per annum.

As at the end of the reporting period, the Group's bank borrowings are denominated in US dollar, HK dollar, Euro, Renminbi and other currencies at aggregate amounts of RMB2,225,321,000 (31 December 2014: RMB2,395,795,000), RMB1,025,559,000 (31 December 2014: RMB734,015,000), RMB89,309,000 (31 December 2014: Nil), RMB60,000,000 (31 December 2014: RMB50,000,000), and RMB5,000 (31 December 2014: RMB24,000) respectively.

15. SHARE CAPITAL

	30 June 2015 (Unaudited)	31 December 2014 (Audited)
Authorised:		
20,000,000,000 (31 December 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 (31 December 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

16. COMMITMENTS

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

	30 June 2015 ***RMB'000*** **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Contracted, but not provided for:		
Land, property, plant and equipment	**479,154**	347,681

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

China Lesso is a leading large-scale industrial group, making building materials and interior decoration products in mainland China. The Group has 20 production bases in 14 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 dedicated web portal for hardware, electrical equipment and building material products in China.

MARKET OVERVIEW

During the period under review, the pipes and pipe fittings industry continued to benefit from a series of government policies, which will favour the Company's development in the medium and long term. In particular, the government took a number of initiatives in accelerating the construction of major water conservation projects, ensuring safe water supplies and reducing pollution regarding the water sector. Under a government plan, 172 major water projects will be launched before 2020, of which 57 are under construction and 27 are to start this year. Also, China's Ministry of Finance rolled out 1,043 exemplary Public-Private-Partnership (PPP) projects, many of which feature water-resources projects, including water and heating supply, sewerage systems and underground pipe networks. All these projects require a total investment of RMB1.97 trillion, according to the National Development and Reform Commission. Moreover, the State Council unveiled a landmark mission, "Action Plan for Water Pollution Prevention and Control", which calls for a total investment of RMB4 trillion to RMB5 trillion over the next five years to bolster the comprehensive ancillary piping systems and to build more sewage treatment plants while upgrading the existing ones.

The country's ongoing new mode of urbanisation will also boost demand for pipes which are widely used in telecommunications, the supply of power, heat, gas and water as well as drainage, the sewerage system and fire service, etc. Specifically, the Chinese government has embarked on a number of major civil infrastructure projects, including shantytown renovation, construction of affordable housing, redevelopment of dilapidated housing and integrated subterranean piping systems upgrade for the urban areas, all of which will add new impetus to the industry. In June 2015, the State Council set in motion an action plan to rebuild 18 million housing units in shantytowns and renovate dilapidated rural houses for 10.6 million households from 2015 to 2017. Apart from the RMB149.4 billion allocated from the central budget for rebuilding shantytowns this year and the RMB36.5 billion for renovating dilapidated rural housing, the government also uses new financing mechanisms for tapping the private capital to fund such projects. In addition, the central government decided to grant special subsidies of RMB300 million to RMB500 million annually to 36 pilot cities for the replacement or renovation of urban water supply piping systems.

In order to promote international development, China has proposed the "One Belt, One Road" initiative to boost economic cooperation and development among the countries in Central Asia, West Asia, the Middle East, and Europe, which will call for huge amount of infrastructural construction in the preliminary stage. The Asian Development Bank estimated that the Asian economies would need to invest US$8 trillion in infrastructure from the present until 2020 to bring their facilities up to the international standards. The colossal amount of fund will be spent on construction of railway networks, port facilities, airports, highways, power plants and telecommunications projects. This will give rise to a considerable number of opportunities for international cooperation in contracting to build infrastructures. The pipe and piping industry is set to benefit from this development as its wide range of products can be applied to all kinds of infrastructural projects.

On the other hand, China's property developers have yet to reduce the high inventory of unsold homes even though the government has succeeded in stabilising the real estate market with a host of measures. Growth in the property market will remain constrained in the short term. Nevertheless, the building materials and interior decoration sector is poised to benefit from the steady progress in social security housing projects and the increasing market penetration of pre-decorated flats.

BUSINESS REVIEW

China Lesso's business is divided into three major business units, namely plastic pipes and pipe fittings business, business of building materials and interior decoration products and Lesso Mall e-commerce platform. During the period under review, the Group's revenue achieved a steady growth of 7.0% to RMB7,043 million (1H 2014: RMB6,581 million).

The table below sets out the breakdown of revenue by region for the six months ended 30 June 2015 and 2014:

	Revenue			**% of revenue**	
	2015	2014		**2015**	2014
Region#	**RMB million**	RMB million	***Change***		
Southern China	**4,220**	3,856	*9.4%*	**59.9%**	58.6%
Southwestern China	**674**	679	*(0.8)%*	**9.6%**	10.3%
Central China	**774**	717	*8.0%*	**11.0%**	10.9%
Eastern China	**367**	330	*11.2%*	**5.2%**	5.0%
Northern China	**430**	440	*(2.1)%*	**6.1%**	6.7%
Northwestern China	**239**	220	*8.7%*	**3.4%**	3.3%
Northeastern China	**119**	151	*(21.1)%*	**1.7%**	2.3%
Outside China	**220**	188	*16.7%*	**3.1%**	2.9%
Total	**7,043**	6,581	*7.0%*	**100.0%**	100.0%

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

As at 30 June 2015, the Group had 2,100 independent and exclusive tier-one distributors all over the country. The Group still has its major market in southern China, where it puts efforts to enhance the market penetration of its products in order to strengthen its market leadership there. Moreover, the Group is further expanding its business presence beyond southern China with the aim of raising its overall sales. During the period under review, revenues from southern China and those from other regions in the country account for 59.9% and 40.1% respectively (1H 2014: 58.6% and 41.4% respectively) of the Group's total revenue.

PLASTIC PIPES AND PIPE FITTINGS BUSINESS

The plastic pipes and pipe fittings business is a mainstay operation of China Lesso. During the period under review, the plastic pipes and pipe fittings business took up 90.3% of the Group's total revenue (1H 2014: 93.1%). The Company's pipes and pipe fittings are used in various fields including water supply, drainage, power supply and telecommunications, gas transmission, agriculture, floor heating and fire services. Through a nationwide distribution network, the Group provided quality products and comprehensive services for its customers.

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 2015 and 2014:

	Revenue			**% of revenue**	
	2015	2014		**2015**	2014
	RMB million	RMB million	***Change***		
Water Supply	**2,602**	2,411	*7.9%*	**40.9%**	39.4%
Drainage	**2,411**	2,318	*4.0%*	**37.9%**	37.8%
Power supply and telecommunications	**1,014**	1,057	*(4.1)%*	**16.0%**	17.3%
Gas Transmission	**106**	95	*12.0%*	**1.7%**	1.5%
Others#	**224**	245	*(8.6)%*	**3.5%**	4.0%
Total	**6,357**	6,126	*3.8%*	**100.0%**	100.0%

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

During the period under review, the plastic pipes and pipe fittings business continued to growth in both sales volume and revenue. In particular, it achieved a more significant growth in revenue from sales of water supply and gas transmission pipes used in urban 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 the six months ended 30 June 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 [(a)]	**7,510**	7,859	*(4.4)%*	**560,172**	508,691	*10.1%*	**4,207**	3,998	*5.2%*
Non-PVC [(b)]	**16,278**	15,842	*2.8%*	**132,082**	134,327	*(1.7)%*	**2,150**	2,128	*1.0%*
Total	**9,183**	9,527	*(3.6)%*	**692,254**	643,018	*7.7%*	**6,357**	6,126	*3.8%*

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 and PP-R.

In terms of product materials, sales volume of PVC products grew by 10.1% to 560,172 tonnes while that of non-PVC products registered a mild decrease of 1.7% to 132,082 tonnes (1H 2014: 508,691 tonnes and 134,327 tonnes respectively). Revenue from sales of PVC products amounted to RMB4,207 million (1H 2014: RMB3,998 million), accounting for 66.2% (1H 2014: 65.3%) of the revenue of the plastic pipes and pipe fittings business.

Decline in the cost of raw materials and the Company's effective cost control resulted in satisfactory growth in gross profit during the period under review. The average cost of plastic pipes and pipe fittings decreased by 7.5% to RMB6,521 per tonne during the period under review (1H 2014: RMB7,049 per tonne), while the average selling price decreased to RMB9,183 per tonne (1H 2014: RMB9,527 per tonne).

Newly Developed Business of Offshore Cage Culture

During the period under review, the Group has overcome technical obstacles and successfully launched an offshore cage culture business, providing integrated products and solution which includes production and installation services for marine finfish aquaculture. Intended to replace the old system with more fragile structures, the Group's cages perform better in terms of strength and durability regarding resistance to strong winds and waves. It began sending to fish farmers for trial use during the period under review and received promising feedback. Coupled with significant support and subsidies from the government due to its environmental friendliness, the new business has huge potential for development and is expected to stimulate the Group's sales growth in the future.

Business of Building Materials and Interior Decoration Products

The Group has been developing the business of new types of building materials and interior decoration products since 2012, which mainly provides major property developers with various types of integrated building materials and interior decoration products. In addition, the Group also provides comprehensive installation solution to their residential property projects. The Group continued to improve its product offering and strengthen its relationship with major property developers. Revenue arising from this business amounted to RMB344 million (1H 2014: RMB360 million), accounting for 4.9% (1H 2014: 5.5%) of the Group's total revenue.

Lesso Mall

With a view to enhancing its customer services and providing more diverse product offerings to meet the demand of a wide spectrum of distributors and customers, the Group launched a diversified and dedicated e-commerce platform, Lesso Mall, in the country during the period under review. As an extension of the Group's business, Lesso Mall displays a wide range of products, including hardware, electrical equipment and building materials for its distributors and takes advantage of the Group's established network of warehouses and sales channels. The Group is currently investing in information technology and related logistics improvements, and its progress is in line with the Group's expectations. During the period under review, the new Lesso Mall business has already been initiated in the southern China market and generated a revenue of RMB215 million, involving 1,004 registered members.

CAPITAL EXPENDITURE AND CAPACITY EXPANSION

The Group has been expanding its production capacity based on its own development and actual needs so as to cater the market demand. The Group's annual designed capacity for the production of plastic pipes and pipe fittings increased to 2.05 million tonnes at the end of the reporting period (2014: 2.0 million tonnes).

The expected capital expenditure for 2015 will be approximately RMB1.0 billion, mainly investing in the expansion and automation of the existing production bases as well as the construction of Shandong plant. During the first half of 2015, RMB629 million has been spent.

PROSPECTS

China's economic growth decelerated to a six-year low of 7 percent in the first half of 2015 as demand at home and abroad faltered, and the downward pressure is expected to persist into the second half of the year at the critical stage of the economic restructuring. However, the Group believes that the government's pledge to restructure the country's economy for sustainable development will create a favourable operating environment for the business community.

According to the "Report on the development of the building materials and interior decoration industry in China 2014" released by China Building and Decoration Association, the sector is estimated to maintain a steady growth in 2015 with market size hitting RMB4.27 trillion. With their expanding scope of applications in different fields, the plastic pipes and pipe fittings have huge potential for growth in sales.

The Group will continue to enhance its core competitiveness and reinforce its market leadership by leveraging its integrated advantages of comprehensive product offerings, strong brand and nationwide distribution network. To achieve these objectives, the Group will implement the following strategies:

OPTIMISE PRODUCTION CAPACITY AND ENHANCE OVERALL PRODUCTION EFFICIENCY

The Group has embarked on a five-year scheme to fully automate its production bases since last year. This move will enhance product quality control, cut down production time, and reduce human error while lowering labour costs, thus enhancing the overall production efficiency. In addition, the plant in Shandong is under construction and is expected to commence production in the first half of 2016.

FURTHER EXPAND NATIONAL DISTRIBUTION NETWORK TO INCREASE MARKET SHARE

The Group has built up an extensive distribution network across the country and will continue to tap more market segments with potential to achieve a balanced source of income. In southern China, the Group has been maintaining its market dominance and will endeavor to enhance the market penetration there. Besides, the Group will continue to actively explore markets outside southern China, especially southwestern, central and northern parts of the country, with the aim of boosting the Group's revenue stream.

ENHANCE CONTRIBUTION FROM THE BUILDING MATERIALS AND INTERIOR DECORATION BUSINESS TO THE GROUP'S REVENUE AND PROFIT

The Group will continue to enrich the product offering and improve its integrated service scope while striving to strengthen its relationships with major property developers and expand its market coverage through distributors. By taking advantage of its brand influence and logistics support, the Group will develop the business into another growth engine.

TAKE NEW INITIATIVES IN BOOSTING GROWTH IN THE LONG TERM

The Group started an e-commerce platform for its Lesso Mall and began producing plastic pipes for offshore cage culture earlier this year. Riding on the favourable market response in southern China, the Group will extend the e-commerce business into central China in the second half of this year after the completion of the redeployment of resources for warehousing in Wuhan. The Group will roll out the e-commerce plan across the country in 2016. As for the offshore cage culture products, the Group will gauge the market's feedback during the trial running, and expect to start mass production in the next year. The Group will endeavor to develop these new undertakings into new growth drivers in the long term.

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 pipes and pipe fittings, building materials and interior decoration products as well as Lesso Mall e-commerce business. The Group will endeavour to 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 six months ended 30 June 2015, the Group's revenue increased by 7.0% year-on-year to RMB7,043 million (1H 2014: RMB6,581 million). Benefited from the saving on the cost of raw materials, the gross profit rose by 16.1% to RMB1,908 million (1H 2014: RMB1,643 million), with gross profit margin up by 2.1 percentage points to 27.1% (1H 2014: 25.0%).

The Group's other expenses increased by 56.6% to RMB265 million (1H 2014: RMB169 million) during the period under review due to impairment of trade receivables of RMB47 million and increase in research and development costs of RMB44 million. EBITDA was RMB1,319 million (1H 2014: RMB1,099 million), representing an increase of 20.0% year-on-year and the EBITDA ratio was 18.7% (1H 2014: 16.7%) in the first half of 2015.

In the first half of 2015, the Group's financing costs significantly reduced by 69.0% to RMB41 million (1H 2014: RMB134 million). This was resulted from there was no one-off premium and unamortised issuance expenses arising from early redemption of the Senior Notes (1H 2014: RMB49 million). In addition, the Group's average interest rate was significantly lower than the first half of 2014.

The Group's effective tax rate increased to 22.5% during the period under review (1H 2014: 18.3%). Profit before tax increased by 36.0% year-on-year to RMB1,035 million (1H 2014: RMB761 million) while profit attributable to the owners of the Company increased by 28.4% to RMB806 million (1H 2014: RMB628 million). Basic earnings per share increased by 30.0% year-on-year to RMB0.26 (1H 2014: RMB0.20).

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 2015, the Group had total debts (i.e. total borrowings) of approximately RMB3,400 million, of which 65.4% was denominated in US dollar, 30.2% was denominated in HK dollar, 2.6% was denominated in Euro and 1.8% was denominated in Renminbi. The Group's borrowings are subject to floating rates ranging from 1.18% to 5.41% per annum with maturity periods ranging from within one year to three years.

As at 30 June 2015, the Group's current assets and current liabilities were approximately RMB7,502 million and RMB3,972 million respectively. The Group's Current Ratio decreased to 1.89 from 1.92 as at 31 December 2014, while the Quick Ratio decreased to 1.24 from 1.34 as at 31 December 2014. The Group's total equity increased to approximately RMB9,038 million. The Group's Gearing Ratio stood at a healthy level of 27.3%.

With cash and bank deposits, including restricted cash, of approximately RMB2,741 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 Euro. No hedging has been arranged on the above-mentioned exposure.

CHARGE ON ASSETS

As at 30 June 2015, certain of the Group's held-to-maturity investments with an aggregate net carrying amount of approximately RMB31 million (31 December 2014: approximately RMB30 million) and available-for-sale investments with an aggregate net carrying amount of approximately RMB32 million (31 December 2014: approximately RMB5 million) were pledged to a bank to secure the banking facility granted to the Company. The Company has not utilised this banking facility as at 30 June 2015.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 June 2015, the Group employed a total of approximately 7,500 employees including directors. Total staff costs were RMB331 million during the review period. The Group ensures that the remuneration packages for employees are determined based on their work performance, professional experience and the prevailing industry practice. Discretionary year-end bonus may be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes.

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 2015. Such condensed consolidated financial statements have not been audited but have been reviewed by the independent auditor of the Company, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2015, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

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 2015 interim report will be despatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 17 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Wong Luen Hei, Mr. Zuo Manlun, Ms. Zuo Xiaoping, Mr. Lai Zhiqiang, Mr. Kong Zhaocong, Mr. Chen Guonan, Dr. Lin Shaoquan, Mr. Huang Guirong, Mr. Luo Jianfeng; the non-executive director of the Company is Mr. Lin Dewei; and the independent non-executive directors of the Company are Dr. Bai Chongen, Mr. Fung Pui Cheung, Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu and 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
"Euro"	the lawful currency of the member states of the European Union
"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
"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.