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 2013

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2013.

Highlights

Compared to the financial results for the six months ended 30 June 2012:

- Revenue increased by 18.1% to RMB5,692 million
- Gross profit increased by 19.6% to RMB1,492 million
- Profit for the period increased by 13.4% to RMB678 million
- Basic earnings per share was RMB0.22, increased by 10.0%

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Six months ended 30 June 2013

		Six months ended 30 June	
		2013	**2012**
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*3*	**5,692,223**	4,818,683
Cost of sales		**(4,200,369)**	(3,570,976)
Gross profit		**1,491,854**	1,247,707
Other revenue, income and gains	*3*	**78,812**	52,795
Selling and distribution expenses		**(283,535)**	(222,830)
Administrative expenses		**(226,274)**	(172,623)
Other expenses		**(144,863)**	(102,774)
Finance costs	*4*	**(75,870)**	(69,220)
Share of profit of a joint venture		**214**	116
PROFIT BEFORE TAX	*5*	**840,338**	733,171
Income tax expense	*6*	**(162,681)**	(135,266)
PROFIT FOR THE PERIOD		**677,657**	597,905
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss:			
Available-for-sale investments:			
Changes in fair value		**–**	34,732
Reclassification adjustments for gains on disposal		**–**	(14,710)
		–	20,022
Exchange differences on translation of foreign operations		**6,844**	(5,688)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		**6,844**	14,334
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**684,501**	612,239

	Note	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**682,734**	600,185
Non-controlling interests		**(5,077)**	(2,280)
		677,657	597,905
Total comprehensive income for the period attributable to:			
Owners of the Company		**689,934**	614,519
Non-controlling interests		**(5,433)**	(2,280)
		684,501	612,239
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*8*		
Basic		**RMB0.22**	RMB0.20
Diluted		**RMB0.22**	RMB0.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2013

	Notes	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,841,794**	3,288,261
Prepaid land lease payments		**1,002,953**	954,279
Other intangible assets		**12,416**	9,771
Deposits paid for the purchase of land, property, plant and equipment		**200,988**	129,705
Interest in a joint venture		**5,500**	5,286
Held-to-maturity investments	*9*	**247,808**	279,006
Deferred tax assets		**7,363**	3,575
Total non-current assets		**5,318,822**	4,669,883
CURRENT ASSETS			
Inventories	*10*	**2,243,530**	1,766,133
Trade and bills receivables	*11*	**932,957**	1,009,534
Prepayments, deposits and other receivables		**563,889**	405,227
Held-to-maturity investments	*9*	**27,791**	9,684
Cash and bank deposits		**1,796,222**	1,922,325
Total current assets		**5,564,389**	5,112,903
CURRENT LIABILITIES			
Trade and bills payables	*12*	**715,119**	512,054
Other payables and accruals		**883,217**	832,388
Bank loans and other borrowings	*13*	**509,237**	595,799
Tax payable		**86,599**	98,635
Total current liabilities		**2,194,172**	2,038,876
NET CURRENT ASSETS		**3,370,217**	3,074,027
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,689,039**	7,743,910

	Notes	As at 30 June 2013 RMB'000 (Unaudited)	As at 31 December 2012 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	*13*	**2,127,127**	1,628,783
Deferred tax liabilities		**100,154**	64,635
Deferred income		**22,059**	22,574
Total non-current liabilities		**2,249,340**	1,715,992
Net assets		**6,439,699**	6,027,918
EQUITY			
Issued capital	*14*	**133,081**	132,660
Reserves		**6,294,166**	5,877,373
Equity attributable to owners of the Company		**6,427,247**	6,010,033
Non-controlling interests		**12,452**	17,885
Total equity		**6,439,699**	6,027,918

Notes:

1.1. BASIS OF PREPARATION

These condensed consolidated financial statements of the Group for the six months ended 30 June 2013 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 2012, 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) and the accounting policy for construction contracts 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 2012.

1.2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 – *Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 – *Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS1 – *Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Except as described below, 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.

Amendments to HKAS 1 – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been renamed and the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

In addition, the Group has applied the accounting policy for its construction contracts during the period.

Construction Contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, contract revenue from a fixed price construction contract is recognised on the percentage of completion method, measured by reference to the proportion of contract costs incurred for work performed to date relative to the estimated total cost of the relevant contract, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as amounts due from customers for contract work. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as amounts due to customers for contract work.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

(h) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that exchange differences, finance costs, interest income, gain on early redemption of held-to-maturity investments, gain on disposal of available-for-sale investments, gain on repurchase of the Senior Notes, share of result of a joint venture and other unallocated income and expenses are excluded from such measurement.

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

Intersegment revenue is eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The Group's revenue from external customers is derived from its operations both in the PRC and foreign countries.

During the six months ended 30 June 2013 and 2012, 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 2013										
Segment revenue:										
Sales to external customers	3,414,193	616,193	562,693	284,386	381,298	195,943	115,173	106,133	–	5,676,012
Intersegment sales	537,389	119,025	178,807	34,285	70,929	43,507	35,769	152,905	(1,172,616)	–
	3,951,582	735,218	741,500	318,671	452,227	239,450	150,942	259,038	(1,172,616)	5,676,012
Revenue from construction contracts	16,211	–	–	–	–	–	–	–	–	16,211
Total	3,967,793	735,218	741,500	318,671	452,227	239,450	150,942	259,038	(1,172,616)	5,692,223
Segment results	1,007,951	174,332	204,285	75,410	117,172	53,839	30,433	39,244	(210,812)	1,491,854
Reconciliations:										
Exchange gain										24,309
Finance costs										(75,870)
Interest income										36,604
Gain on early redemption of held-to-maturity investments										1,594
Share of profit of a joint venture										214
Unallocated income and expenses										(638,367)
Profit before tax										840,338
Other segment information:										
Depreciation and amortisation	87,165	15,813	20,827	8,846	13,849	12,239	11,779	3,251	–	173,769
Impairment of trade receivables, net	10,725	–	–	–	6,023	–	–	1,327	–	18,075
Write-down of inventories to net realisable value	3,463	–	–	–	–	–	–	–	–	3,463
Capital expenditure*	434,538	61,237	67,691	136,309	47,089	35,125	19,973	6,883	(15,090)	793,755
As at 30 June 2013										
Segment assets	4,763,638	726,118	929,116	518,831	519,899	615,876	553,141	171,908	–	8,798,527

* Capital expenditure consists of additions of 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 2012										
Segment revenue:										
Sales to external customers	3,086,604	474,372	438,300	242,107	316,794	117,620	79,705	63,181	–	4,818,683
Intersegment sales	444,947	99,982	126,566	27,084	74,876	17,765	39,292	59,319	(889,831)	–
Total	3,531,551	574,354	564,866	269,191	391,670	135,385	118,997	122,500	(889,831)	4,818,683
Segment results	916,361	136,805	174,381	56,313	88,976	23,630	9,938	18,491	(177,188)	1,247,707
Reconciliations:										
Exchange loss										(5,130)
Finance costs										(69,220)
Interest income										22,179
Gain on disposal of available-for-sale investments										14,710
Gain on repurchase of the Senior Notes										4,259
Share of profit of a joint venture										116
Unallocated income and expenses										(481,450)
Profit before tax										733,171
Other segment information:										
Depreciation and amortisation	54,105	11,291	16,585	6,111	11,569	5,321	7,069	1,496	–	113,547
Impairment of trade receivables, net	3,411	–	–	–	–	–	–	–	–	3,411
Capital expenditure*	487,476	60,771	62,116	8,726	22,222	129,856	37,848	10,845	(10,270)	809,590
As at 31 December 2012										
Segment assets (Audited)	4,086,718	616,238	839,473	313,717	535,307	533,904	520,106	117,447	–	7,562,910

* Capital expenditure consists of additions of 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**5,676,012**	4,818,683
Revenue from construction contracts	**16,211**	–
	5,692,223	4,818,683
Other revenue, income and gains		
Bank interest income	**12,710**	20,909
Interest income from held-to-maturity investments	**23,894**	1,270
Total interest income	**36,604**	22,179
Government grants and subsidies	**5,234**	4,496
Gain on sale of raw materials	**833**	891
Gain on early redemption of held-to-maturity investments	**1,594**	–
Gain on disposal of available-for-sale investments	**–**	14,710
Gain on repurchase of the Senior Notes	**–**	4,259
Dividend income	**–**	432
Exchange gain	**24,309**	–
Others	**10,238**	5,828
	78,812	52,795

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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on:		
Bank loans	**7,874**	1,479
The Senior Notes	**67,996**	67,741
	75,870	69,220

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**4,183,437**	3,570,976
Direct cost of construction work	**13,469**	–
Depreciation	**163,220**	107,516
Amortisation of prepaid land lease payments	**9,136**	5,602
Amortisation of other intangible assets	**1,413**	429
Total depreciation and amortisation	**173,769**	113,547
Research and development costs*	**124,353**	93,705
Gain on disposal of items of land, other intangible assets, property, plant and equipment	**(8,690)**	(822)
Equity-settled share option expense	**5,797**	14,092
Write-down of inventories to net realisable value	**3,463**	–
Impairment of trade receivables, net*	**18,075**	3,411
Foreign exchange differences, net	**(24,309)**	5,130

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

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong	**5,801**	383
Current – PRC		
Charge for the period	**151,947**	129,660
Overprovision in the prior year	**(26,798)**	(26,074)
	130,950	103,969
Deferred	**31,731**	31,297
Total tax charge for the period	**162,681**	135,266

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

Hong Kong profits tax

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

PRC corporate income tax

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

7. DIVIDENDS

During the period, a final dividend of HK12 cents per share in respect of the year ended 31 December 2012 (six months ended 30 June 2012: HK12 cents per share in respect of the year ended 31 December 2011) 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$365,263,000 (approximately RMB293,818,000 equivalent) (six months ended 30 June 2012: HK$361,180,000 (approximately RMB293,834,000 equivalent)).

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**682,734**	600,185

	Number of Shares	
	Six months ended 30 June	
	2013	2012
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	**3,042,444,790**	3,008,285,255
Effect of dilution – weighted average number of ordinary shares: share options	**43,223,592**	61,013,523
	3,085,668,382	3,069,298,778

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2013 includes 3,033,602,350 ordinary shares in issue as at 31 December 2012 (six months ended 30 June 2012: 3,005,906,950 ordinary shares in issue as at 31 December 2011) and 8,842,440 shares (six months ended 30 June 2012: 2,378,305 shares) derived from the weighted average number of 10,576,100 ordinary shares (six months ended 30 June 2012: 5,005,500 ordinary shares) issued upon the exercise of share options.

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

9. HELD-TO-MATURITY INVESTMENTS

	As at 30 June 2013 *RMB'000* (Unaudited)	As at 31 December 2012 *RMB'000* (Audited)
Listed debt securities	**275,599**	288,690
Less: Amounts with maturity of less than one year shown under current assets	**(27,791)**	(9,684)
Amounts shown under non-current assets	**247,808**	279,006

The held-to-maturity investments represented debt securities listed on the Singapore Exchange Securities Trading Limited. These securities carry fixed interest at 9.00% to 13.75% (31 December 2012: 9.00% to 13.75%) per annum, payable semi-annually in arrears, and will mature from November 2013 to April 2018 (31 December 2012: November 2013 to April 2016).

As at 30 June 2013, the fair value of the debt securities based on the quoted market price provided by a leading global financial market data provider was RMB286,542,000 (31 December 2012: RMB316,582,000).

10. INVENTORIES

	As at 30 June 2013 *RMB'000* (Unaudited)	As at 31 December 2012 *RMB'000* (Audited)
Raw materials	**1,056,765**	885,211
Work in progress	**137,376**	78,784
Finished goods	**1,049,389**	802,138
	2,243,530	1,766,133

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2013 *RMB'000* (Unaudited)	As at 31 December 2012 *RMB'000* (Audited)
Trade receivables	**851,011**	779,354
Bills receivable	**113,106**	243,265
Less: Provision for impairment	**(31,160)**	(13,085)
	932,957	1,009,534

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.

Included in the Group's trade receivables are the trade balances due from a company under the common control of a director of RMB7,479,000 (31 December 2012: Nil) which are repayable on similar credit terms offered to the Group's major customers and are classified in the age band of within 3 months below.

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

	As at 30 June 2013 *RMB'000* **(Unaudited)**	As at 31 December 2012 *RMB'000* (Audited)
Within 3 months	**666,966**	632,975
4 to 6 months	**151,423**	179,554
7 to 12 months	**78,370**	159,689
1 to 2 years	**30,534**	33,724
2 to 3 years	**4,698**	2,705
Over 3 years	**966**	887
	932,957	1,009,534

12. TRADE AND BILLS PAYABLES

	As at 30 June 2013 *RMB'000* **(Unaudited)**	As at 31 December 2012 *RMB'000* (Audited)
Trade payables	**298,174**	375,488
Bills payable	**416,945**	136,566
	715,119	512,054

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

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

	As at 30 June 2013 *RMB'000* **(Unaudited)**	As at 31 December 2012 *RMB'000* (Audited)
Within 3 months	**439,983**	483,943
4 to 6 months	**271,328**	23,520
7 to 12 months	**1,386**	1,542
1 to 2 years	**2,312**	2,562
2 to 3 years	**104**	299
Over 3 years	**6**	188
	715,119	512,054

13. BANK LOANS AND OTHER BORROWINGS

	Maturity	**As at 30 June 2013** *RMB'000* **(Unaudited)**	Maturity	As at 31 December 2012 *RMB'000* (Audited)
Current				
Secured bank loans	**2013**	**2,725**	2013	26,332
Unsecured bank loans	**2013-2014**	**506,512**	2013	569,467
		509,237		595,799
Non-current				
Unsecured bank loans	**2014-2015**	**564,931**	2015	42,873
The Senior Notes	**2016**	**1,562,196**	2016	1,585,910
		2,127,127		1,628,783
		2,636,364		2,224,582

Notes:

(a) The effective interest rates on the Group's bank loans range from 1.21% to 5.60% (31 December 2012: 1.33% to 5.50%) per annum.

(b) As at 30 June 2013, the secured bank loans are secured by the pledge of the Group's inventories with an aggregate net carrying amount of RMB2,725,000 (31 December 2012: RMB26,332,000).

(c) The Senior Notes are listed on the Singapore Exchange Securities Trading Limited. They carry interest at 7.875% per annum (effective interest rate at 8.63% per annum), payable semi-annually in arrears on 13 May and 13 November, and will mature on 13 May 2016 unless redeemed earlier. The Company can at its option redeem all or a portion of the Senior Notes at any time prior to the maturity date in accordance with the purchase agreement.

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

The outstanding principal amount of the Senior Notes was US$258,880,000 as at 30 June 2013 (31 December 2012: US$258,880,000).

As at 30 June 2013, the fair value of the Senior Notes based on the quoted market price provided by a leading global financial market data provider was RMB1,600,554,000 (31 December 2012: RMB1,706,766,000).

14. SHARE CAPITAL

	As at 30 June 2013 (Unaudited)	As at 31 December 2012 (Audited)
Authorised:		
20,000,000,000 (31 December 2012: 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:		
3,044,178,450 (31 December 2012: 3,033,602,350) ordinary shares of HK$0.05 each	**HK$152,208,923**	HK$151,680,118
Equivalent to	**RMB133,081,000**	RMB132,660,000

Pursuant to the exercise of the share options at the exercise price of HK$1.82 each granted by the Company, the Company issued a total of 10,576,100 ordinary shares of HK$0.05 each for a total cash consideration, before expenses, of approximately HK$19,249,000 (approximately RMB15,534,000 equivalent) during the period. The shares issued during the period rank pari passu in all respects with the then existing shares of the Company.

15. COMMITMENTS

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

	As at 30 June 2013 ***RMB'000*** **(Unaudited)**	As at 31 December 2012 *RMB'000* (Audited)
Contracted, but not provided for:		
Land, property, plant and equipment	**353,189**	320,969

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND ANALYSIS

Overview

As one of the largest manufacturers of plastic pipes and pipe fittings in China, China Lesso has been committed huge resources to the provision of a full range of plastic pipes and pipe fittings to customers via its extensive sales network throughout the country. The Group's products have been broadly used in seven major sectors, namely, water supply, drainage, power supply and telecommunications, gas supply, agriculture, floor heating and fire prevention.

To take advantage of market demand and generate synergies among different segments, the Group's business has diversified into new segments of home building materials, such as sanitary products, holistic kitchen and plastic-steel doors and windows. These products are positioned to propel longer term earnings growth and broadening the Group's earnings base.

Headquartered in Shunde, Guangdong Province, the Group has established a strategic sales network and production bases that covers the entire country, with 14 major production bases located in 11 provinces.

Analysis of Market Conditions

Global economic growth remained quite subdued during the first six months of 2013, as the growth of the emerging market economies continued to disappoint investors. This was mainly due to infrastructure bottlenecks, capacity constraints, decelerating external demand growth, lowering commodity prices and weakening policy support. Moreover, the euro area continued to be overshadowed by low demand and depressed confidence. The US economy increased in a weaker-than-expected pace, as fiscal contraction affected improving private demand. Meanwhile, signs of initial improvement were flashed in July by economic indicators in the US and Europe.

Although there was a complex, volatile and challenging macro environment, the Group's business environment of plastic pipe in the first half of 2013 seemed to be less strenuous than the same period last year. Demand for plastic pipe remained steady during the review period, as infrastructure activities and sales of residential properties in China continued to be stable in the first half of this year.

Development strategy

In the wake of the deceleration in China's economic activities, the Group has been proactively pursuing the strategy of economies of scale and expanding sales network in a bid to drive both turnover and profit growth. The management expects this strategy to further precipitate industry consolidation and solidify the Group's leading industry position.

While pursuing a growth approach, the Group has stepped up efforts in monitoring changes in accounts receivables and inventory positions. The management believes that such a disciplined approach would ensure that the Group's long term growth is well supported by healthy cash flow and strong financial position.

In a bid to keep the accounts receivables at manageable level, the management has stipulated a stringent credit policy. Most of the distributors are requested to transact with cash-in-advance or cash-on-delivery. Credits are only extended to those distributors with well-established relationship and good reputation.

Distributors are given shorter credit days. Direct sales to project-based customers are offered relatively longer credit days, depending on the completion time of the projects. These projects are mainly related to major infrastructure and property developments.

The management has paid huge attention to strengthening China Lesso's nation-wide sales network, which is crucial to the Group's long-term growth and fortifying its leading industry position in China through its diverse range of plastic pipe and pipe fitting products, and integrated solutions for its new products.

China Lesso currently runs a sales network of about 1,600 independent and exclusive distributors across China. These distributors are served by our sales team.

Business review and analysis

The table below sets out the breakdown of revenue from plastic pipes and pipe fittings by product for the six months ended 30 June 2013 and 2012:

	2013		2012	
	RMB million	***% of total revenue***	*RMB million*	*% of total revenue*
Water supply	**2,168**	**40.3**	1,806	39.0%
Drainage	**2,043**	**38.0**	1,755	37.9%
Power supply and telecommunication	**922**	**17.2**	845	18.3%
Gas supply	**75**	**1.4**	55	1.2%
Others[(a)]	**169**	**3.1**	168	3.6%
Total	**5,377**	**100.0%**	4,629	100.0%

Note[(a)] "Others" include agricultural use, floor heating and fire prevention.

The bulk of the Group's products was used in infrastructure projects such as water supply, drainage and power supply and telecommunication, which are expected to benefit from China's on-going urbanisation. Meanwhile, the Group's products are also widely used in household and property development projects.

The table below sets out the breakdown of sales volume, revenue and average selling price by product material for the six months ended 30 June 2013 and 2012:

	2013			2012			Change in		
	Sales volume *Tonne*	**Revenue** ***RMB million***	**Average selling price** ***RMB***	Sales volume *Tonne*	Revenue *RMB million*	Average selling price *RMB*	Sales volume *(%)*	Revenue *(%)*	Average selling price *(%)*
Plastic pipes and pipe fittings									
– PVC[a]	**439,248**	**3,528**	**8,032**	372,092	3,090	8,304	18.0	14.2	(3.3)
– Non-PVC[b]	**117,126**	**1,849**	**15,786**	98,341	1,539	15,650	19.1	20.1	0.9
	556,374	**5,377**	**9,664**	470,433	4,629	9,840	18.3	16.2	(1.8)
Construction contracts	**N/A**	**16**	**N/A**	N/A	–	N/A	N/A	N/A	N/A
Others[c]	**N/A**	**299**	**N/A**	N/A	190	N/A	N/A	57.4	N/A
Total	**N/A**	**5,692**	**N/A**	N/A	4,819	N/A	N/A	18.1	N/A

Notes:

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

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

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

The sales volume of both PVC and non-PVC plastic pipes and pipe fittings, key pillars of the Group's business, continued to grow in the first half of 2013. Meanwhile, PVC products kept its dominant share in the product mix. The average selling price of PVC and non-PVC products reduced by 3.3% to RMB8,032 per tonne and increased by 0.9% to RMB15,786 per tonne during the review period, respectively.

During the review period, the average selling price of plastic pipes and pipe fittings reduced to RMB9,664 per tonne from RMB9,840 per tonne, while the average cost of plastic pipes and pipe fittings reduced to RMB7,067 per tonne from RMB7,281 per tonne.

The table below sets out the breakdown of revenue by region for the six months ended 30 June 2013 and 2012:

	2013		2012	
Region[a]	***RMB million***	***% of total revenue***	*RMB million*	*% of total revenue*
Southern China	**3,430**	**60.3%**	3,087	64.1%
Southwestern China	**616**	**10.8%**	474	9.8%
Central China	**563**	**9.9%**	438	9.1%
Eastern China	**284**	**5.0%**	242	5.0%
Northern China	**381**	**6.7%**	317	6.6%
Northwestern China	**196**	**3.4%**	118	2.4%
Northeastern China	**115**	**2.0%**	80	1.7%
Outside China	**107**	**1.9%**	63	1.3%
Total	**5,692**	**100.0%**	4,819	100.0%

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

Southern China accounts for over 60% of Group's turnover, but its share has been retreating over the past few years in tandem with the adding of new production facilities in other parts of China. The Hainan plant, the Group's 15th production base, is scheduled to start production by the fourth quarter of 2013. Meanwhile, the Yunnan factory is planned to commence production next year.

New products

The Group has been keen in developing new products, namely plastic-steel doors and windows, sanitary products and holistic kitchen. They accounted for a small portion of the Group's revenue during the review period, as they were still in the start-up stage. The management believes these new products would offer huge growth potential over the long term.

The Group has employed an integrated solution approach when promoting these new products to major property developers. The management believes these new products would provide synergy to existing product lines and broaden the Group's profit base.

Capital Expenditure

The Group invested about RMB545 million for expansion and enhancement on core and new business during the review period. The Group's total capital expenditure plan is expected to be about RMB1 billion for this year.

Earnings performance

The Group reported steady financial performance during the review period. Revenue amounted to RMB5,692 million, an increase of RMB873 million or 18.1% over the same period last year. Gross profit for the six months ending 30 June 2013 rose by 19.6% to RMB1,492 million from the same period of 2012. The profit for the period amounted to RMB678 million for the first half of 2013, representing an increase of 13.4% from RMB598 million in the first half of 2012. Basic earnings per share for the first half of 2013 improved 10.0% to RMB0.22.

On top of an increase in the demand for plastic pipes and pipe fittings, the Group saw a steady growth in turnover during the review period. This was mainly driven by improving economies of scale and strengthening of sales network. The Group's efficient production and high quality products facilitated business development. This in turn helped maintain the Group's gross profit margin at a reasonable level.

However, increases in staff salaries, depreciation charges together with selling and distribution expenses dragged down the pre-tax profit margin. Depreciation were incurred from the opening of new factory premises, office buildings and equipment. Selling and distribution expenses were mainly related to packaging costs increase.

Finance costs increased by 9.6% to RMB76 million during the review period due to making of new loans. The Group's management has been active in establishing relationship with various banks in a bid to widen sources of funding.

The Group's effective tax rate increased from 18.4% in the first half of 2012 to 19.4% in the first half of 2013.

As a result, the Group's profit before tax increased by 14.6% to RMB840 million and profit attributable to owners of the Company increased by 13.8% to RMB683 million. Meanwhile, pre-tax profit margin and net profit margin also moved down to 14.8% and 11.9% respectively during the review period from same period last year's 15.2% and 12.4%.

Prospects

China's macro austerity measures, anticipated slow-down in economic activities and concerns over deterioration of provincial debts are likely to sideline investment and consumption activities in the short to medium term. In view of such a macro economy backdrop, the management expects the activities in property development and infrastructure to see a stable trend. This in turn will likely further intensify the consolidation of the plastic pipes and pipe fittings industry.

For longer term growth, the Group commands leading industry position and country-wide manufacturing and service coverage. The management believe that these edges would help the Company to benefit from the urbanisation trend in China and during the industry consolidation process.

The management believes that the slow-down in economic activities and consolidation would help practitioners think in-depth about the growth direction of the industry, the enhancement of product quality and the strengthening of competitive edges. This would be critical to the industry's balanced and healthy development, and taking advantages of those opportunities from China's on-going urbanisation and infrastructure drives.

The Group's new products are well positioned to capitalise on the trend of fitted out properties in China. These products include a range of novel home building material products such as plastic steel doors and windows, sanitary products and holistic kitchens. The management expects new products to become another new earnings drivers over the long term.

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

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

Up to 30 June 2013, all the net proceeds from the IPO has been applied in accordance with the results of allocation announcement of the Company dated 22 June 2010.

FINANCIAL POSITION

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

As at 30 June 2013, the Group had total debts of approximately RMB2,636 million (31 December 2012: RMB2,225 million), of which 1.9% was denominated in Renminbi, 76.5% was denominated in US dollars and 21.6% was denominated in HK dollars. Other than approximately US$259 million of the outstanding Senior Notes due in 2016, the Group's borrowings are subject to floating rates ranging from 1.21% to 5.60% per annum with maturity periods ranging from within one year to three years.

As at 30 June 2013, the Group's current assets and current liabilities were approximately RMB5,564 million and RMB2,194 million respectively. The Group's current ratio (that is, the ratio of current assets over current liabilities) and the quick ratio (that is, the ratio of current assets less inventories over current liabilities) increased to 2.54 and reduced to 1.51 from 2.51 and 1.64 as at 31 December 2012, respectively. The Group's total equity increased to approximately RMB6,440 million (31 December 2012: RMB6,028 million). The Group's gearing ratio (calculated based on the basis of the total debts, i.e. total bank loans and other borrowings, divided by the sum of total debts and total equity) stood at a healthy level of 29.0% as compared to 27.0% as at 31 December 2012 due to the drawing of new bank loans during the period.

With cash and bank deposits, including restricted cash, of approximately RMB1,796 million (31 December 2012: RMB1,922 million) as well as unutilised banking facilities, the directors consider that the Group has sufficient working capital for its operation and future development.

The Group had no material exposure to foreign exchange fluctuation other than borrowings denominated in Hong Kong dollars and US dollars. There was no hedging has been arranged on the abovementioned exposure.

CHARGE ON ASSETS

As at 30 June 2013, certain of the Group's inventories with an aggregate net carrying amount of approximately RMB3 million (31 December 2012: RMB26 million) were pledged to certain banks to secure bank borrowings granted to the Group. The shares of certain subsidiaries of the Company incorporated outside the PRC were pledged as securities for issuance of the Senior Notes.

CONTINGENT LIABILITIES

As at 30 June 2013, the Group did not have any significant contingent liabilities.

HUMAN RESOURCES

As at 30 June 2013, the Group employed a total of approximately 7,260 employees including directors. Total staff costs were RMB199 million during the review period. The Group ensures that the remuneration packages for employees are based on their work performance, professional experience and the prevailing industry practice. Discretionary year-end bonus may be paid to employees based on individual performance. Other benefits to employees include medical insurance, retirement scheme and training programmes. Due to the increase in employment of managers and workers, the overall salary also rose during the review period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at the annual general meeting of the Company held on 31 May 2013, the name of the Company was approved to be changed from "China Liansu Group Holdings Limited 中国联塑集团控股有限公司" to "China Lesso Group Holdings Limited 中国联塑集团控股有限公司". With effect from 31 May 2013, the Registry of Companies in the Cayman Islands approved the change of the Company name and issued the certificate of incorporation on change of name. The Registrar of Companies in Hong Kong issued the certificate of registration of corporate name of non-Hong Kong company on 2 July 2013 confirming registration of the new Company's name in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

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 2013. 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 as set out in Appendix 14 to the Listing Rules during the review period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code governing securities transactions by directors of the Company. Having made specific enquiry to the directors, all of them confirmed that they have complied with the required standard as set out in the Model Code throughout the 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.

SENIOR NOTES

As at 30 June 2013, the outstanding principal amount of the Senior Notes was US$258,880,000. The Company intended to use the net proceeds for financing of the then existing indebtedness, for capital expenditures and for other general corporate purposes. The details of the Senior Notes are set out in note 13 to this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2013, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

ACQUISITION OF SUBISIDARIES

On 15 January 2013 and 22 April 2013, the Group entered into the sale and purchase agreements to acquire 100% equity interests in Guangdong Lesso Valve Co., Ltd.* ("Lesso Valve") at a cash consideration of RMB116,000,000 and Fengyang Chiao Yue New Construction Material Co., Ltd.* ("Chiao Yue") at a cash consideration of RMB5,000,000 and the shareholders' loans payable by Chiao Yue for RMB131,149,000, respectively.

Lesso Valve is principally engaged in the manufacture and sale of valve products. Chiao Yue is principally engaged in the manufacture and sale of calcium silicate board, a kind of new environmental building material. Chiao Yue is renamed as Anhui Lesso Chiao Yue New Construction Material Co., Ltd.* subsequent to its acquisition by the Group. The acquisitions allow the Group to expand its production lines on the valve supply for the Group's water supply-related pipe projects and on the other home building material products.

The acquisition of Lesso Value is a connected transaction and the principal terms of this acquisition have been set out in detail in the Company's announcement dated 15 January 2013.

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 2013 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, 19 August 2013

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

GLOSSARY

"Board"	the board of directors of the Company
"Code"	the Corporate Governance Code
"Company" or "China Lesso"	China Lesso Group Holdings Limited
"Group"	the Company and its subsidiaries
"Hong Kong"/"HK"	Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"New Fortune"	New Fortune Star Limited
"PE"	Polyethylene
"PP-R"	Polypropylene random
"PRC"	the People's Republic of China
"PVC"	Polyvinyl chloride
"RMB"	Renminbi, the lawful currency of the PRC
"Senior Notes"	US$300 million 7.875% senior notes due 2016 issued by the Company
"Shareholder(s)"	holder(s) of the Share(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"tonne(s)"	a unit measuring weight, equal to 1,000 kilograms
"US"	the United States of America
"US$"	US dollar, the lawful currency of US

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.