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CHINA LIANSU GROUP HOLDINGS LIMITED
中國聯塑集團控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2128)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

Highlights

Compared to the last year financial results;

- Revenue increased by 44.9% to RMB7,712 million
- Gross profit increased by 67.7% to RMB2,034 million
- Profit attributable to owners of the Company increased by 75.8% to RMB1,132 million
- Basic earnings per share were RMB0.43, increased by 48.3%
- Final dividend of HK12 cents per share

FINAL RESULTS

The Board of China Liansu is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	**2010**	2009
		RMB'000	RMB'000
REVENUE	3	**7,711,532**	5,322,244
Cost of sales		**(5,677,884)**	(4,109,005)
Gross profit		**2,033,648**	1,213,239
Other revenue, income and gains	3	**43,515**	22,876
Selling and distribution costs		**(298,866)**	(198,509)
Administrative expenses		**(234,581)**	(163,554)
Other expenses		**(117,229)**	(38,163)
Finance costs	4	**(52,971)**	(36,475)
PROFIT BEFORE TAX	5	**1,373,516**	799,414
Income tax expense	6	**(241,333)**	(155,443)
PROFIT FOR THE YEAR		**1,132,183**	643,971
OTHER COMPREHENSIVE INCOME			
Exchange differences on			
translation of foreign operations		**(10,160)**	972
TOTAL COMPREHENSIVE INCOME			
FOR THE YEAR		**1,122,023**	644,943
EARNINGS PER SHARE ATTRIBUTABLE			
TO OWNERS OF THE COMPANY	8		
Basic		**RMB0.43**	RMB0.29
Diluted		**RMB0.42**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	**2010**	2009
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,705,918**	1,302,735
Prepaid land lease payments		**248,612**	205,516
Other intangible assets		**2,281**	1,138
Deposits paid for the purchase of land, property, plant and equipment		**55,056**	26,248
Deferred tax assets		**2,295**	7,314
Total non-current assets		**2,014,162**	1,542,951
CURRENT ASSETS			
Inventories		**1,139,452**	743,507
Trade and bills receivables	9	**681,415**	466,735
Prepayments, deposits and other receivables		**270,435**	257,938
Amount due from a related company		**—**	720
Restricted cash		**23,044**	125,133
Cash and cash equivalents		**1,500,292**	361,767
Total current assets		**3,614,638**	1,955,800
CURRENT LIABILITIES			
Trade and bills payables	10	**242,760**	232,702
Other payables and accruals		**439,758**	501,547
Interest-bearing bank loans		**630,326**	427,527
Amount due to a director		**—**	263,798
Amounts due to related companies		**—**	15,693
Tax payable		**94,900**	73,770
Total current liabilities		**1,407,744**	1,515,037
NET CURRENT ASSETS		**2,206,894**	440,763
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,221,056**	1,983,714

	Notes	**2010**	2009
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**154,000**	882,150
Deferred tax liabilities		**44,778**	41,749
Deferred income		**17,827**	17,827
Total non-current liabilities		**216,605**	941,726
Net assets		**4,004,451**	1,041,988
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	**131,297**	352
Reserves		**3,570,128**	1,041,636
Proposed final dividend		**303,026**	—
Total equity		**4,004,451**	1,041,988

NOTES:

1.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transaction, unrealised gains and losses resulting from intercompany transactions and dividends are eliminated on consolidation in full.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC) - Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
HK Interpretation 4 Amendment	Amendments to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*
Improvements to HKFRSs 2009	*Amendments to a number of HKFRSs issued in May 2009*

The adoption of the new and revised HKFRSs had no significant financial effects on these financial statements.

2. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

(h) Outside China.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, restricted cash, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

During the years ended 31 December 2010 and 2009, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Operating segment information for the year ended 31 December 2010

	Southern China RMB'000	Southwestern China RMB'000	Central China RMB'000	Eastern China RMB'000	Northern China RMB'000	Northwestern China RMB'000	Northeastern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:										
Sales to external customers	5,294,866	681,300	602,539	331,144	459,728	188,712	104,045	49,198	–	7,711,532
Intersegment sales	668,251	147,894	218,041	25,825	99,524	9,298	11,125	17,069	(1,197,027)	–
Total	5,963,117	829,194	820,580	356,969	559,252	198,010	115,170	66,267	(1,197,027)	7,711,532
Segment results	1,554,019	190,484	242,875	57,939	95,059	42,295	24,882	8,340	(182,245)	2,033,648
Reconciliations:										
Unallocated income and expenses										(616,989)
Bank interest income										9,828
Finance costs										(52,971)
Profit before tax										1,373,516
Segment assets	2,399,681	284,771	523,583	196,153	330,929	164,553	184,994	3,706	–	4,088,370
Reconciliations:										
Deferred tax assets										2,295
Restricted cash										23,044
Cash and cash equivalents										1,500,292
Other unallocated assets										14,799
Total assets										5,628,800
Other segment information:										
Depreciation and amortisation	63,429	12,238	16,627	8,645	14,169	3,112	3,280	1,812	–	123,312
Impairment of trade receivables, net	7,186	(741)	711	–	–	–	–	–	–	7,156
Write-back of inventories to net realisable value	(370)	–	–	–	–	–	–	–	–	(370)
Capital expenditure*	193,924	26,942	181,794	15,453	45,112	77,759	36,955	11,431	(7,979)	581,391

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

Operating segment information for the year ended 31 December 2009

	Southern China RMB'000	Southwestern China RMB'000	Central China RMB'000	Eastern China RMB'000	Northern China RMB'000	Northwestern China RMB'000	Northeastern China RMB'000	Outside China RMB'000	Eliminations RMB'000	Consolidated RMB'000
Segment revenue:										
Sales to external customers	3,717,188	487,509	483,259	168,423	270,033	91,053	72,606	32,173	—	5,322,244
Intersegment sales	294,925	135,695	153,187	17,267	50,063	—	7,801	—	(658,938)	—
Total	4,012,113	623,204	636,446	185,690	320,096	91,053	80,407	32,173	(658,938)	5,322,244
Segment results:	881,540	126,973	125,990	43,686	58,650	20,491	19,559	7,331	(70,981)	1,213,239
Reconciliations:										
Unallocated income and expenses										(380,056)
Bank interest income										2,706
Finance costs										(36,475)
Profit before tax										799,414
Segment assets	1,754,553	244,622	292,690	209,382	285,978	69,777	130,030	7,871	—	2,994,903
Reconciliations:										
Deferred tax assets										7,314
Restricted cash										125,133
Cash and cash equivalents										361,767
Other unallocated assets										9,634
Total assets										3,498,751
Other segment information:										
Depreciation and amortisation	46,019	5,965	7,811	2,103	9,801	397	2,103	890	—	75,089
Impairment of trade receivables, net	6,921	739	(488)	—	—	—	—	—	—	7,172
Write-back of inventories to net realisable value	(293)	—	—	—	(1,229)	—	—	—	—	(1,522)
Capital expenditure*	340,189	71,076	57,122	67,515	56,178	45,598	54,961	6,348	(8,340)	690,647

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

3. REVENUE, OTHER REVENUE, INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts (net of value-added tax) during the year.

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

	2010	2009
	RMB'000	RMB'000
Revenue		
Sale of goods	**7,711,532**	5,322,244
Other revenue, income and gains		
Gross rental income from leasing of properties	**2,013**	2,442
Gain on sale of raw materials	**3,503**	6,124
Income from the provision of utilities	**6,489**	8,262
Bank interest income	**9,828**	2,706
Government grants and subsidies	**4,540**	2,106
Others	**17,142**	1,236
	43,515	22,876

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

4. FINANCE COSTS

	2010	2009
	RMB'000	RMB'000
Interest on bank loans	**52,971**	36,475

5. PROFIT BEFORE TAX

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

	2010	2009
	RMB'000	RMB'000
Cost of inventories sold	**5,678,254**	4,110,527
Depreciation	**118,076**	70,797
Amortisation of prepaid land lease payments	**4,819**	4,031
Amortisation of other intangible assets	**417**	261
Research and development costs*	**99,734**	20,801
Loss on disposal of items of property, plant and equipment	**1,500**	828
Impairment of trade receivables, net*	**7,156**	7,172
Write-back of inventories to net realisable value	**(370)**	(1,522)

* Research and development costs and the impairment of trade receivables, net are included in "Other expenses" in the consolidated statement of comprehensive income.

6. INCOME TAX

	2010	2009
	RMB'000	RMB'000
Current - PRC		
Charge for the year	**238,558**	130,866
Overprovision in prior year	**(5,273)**	—
	233,285	130,866
Deferred	**8,048**	24,577
Total tax charge for the year	**241,333**	155,443

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil).

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 the years ended 31 December 2010 and 2009, based on the existing legislation, interpretations and practices in respect thereof.

7. DIVIDENDS

	2010	2009
	RMB'000	RMB'000
Proposed final - HK12 cent (2009: Nil) per ordinary share	**303,026**	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2010	2009
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**1,132,183**	643,971

	Number of Shares	
	2010	2009
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	**2,642,465,753**	2,250,000,000
Effect of dilution - weighted average number of ordinary shares: share options	**32,948,863**	—
	2,675,414,616	2,250,000,000

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2009 represented the pro forma issued share capital of the Company of 2,250,000,000 shares, which comprised the following:

(i) 8,000,000 shares issued to New Fortune; and

(ii) 2,242,000,000 shares issued to New Fortune as a result of the capitalisation of an amount due to Mr. Wong Luen Hei ("Mr. Wong"), the controlling shareholder.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2010 includes the weighted average of 750,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 23 June 2010, namely 392,465,753 shares and the above mentioned 2,250,000,000 ordinary shares.

No adjustment had been made to the basic earnings per share amount presented for the year ended 31 December 2009 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during that year.

9. TRADE AND BILLS RECEIVABLES

	2010	2009
	RMB'000	RMB'000
Trade receivables	**675,099**	468,355
Bills receivable	**10,847**	6,886
Less: Provision for impairment	**(4,531)**	(8,506)
	681,415	466,735

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 to three months. 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 non-interest-bearing.

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

	2010	2009
	RMB'000	RMB'000
Within 3 months	**592,908**	396,252
4 to 6 months	**51,072**	42,160
7 to 12 months	**19,926**	15,837
1 to 2 years	**16,029**	10,144
2 to 3 years	**1,480**	1,942
Over 3 years	**—**	400
	681,415	466,735

10. TRADE AND BILLS PAYABLES

	2010	2009
	RMB'000	RMB'000
Trade payables	**221,355**	102,338
Bills payable	**21,405**	130,364
	242,760	232,702

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

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

	2010	2009
	RMB'000	RMB'000
Within 3 months	**240,190**	176,086
4 to 6 months	**1,473**	55,996
7 to 12 months	**596**	91
1 to 2 years	**327**	304
2 to 3 years	**11**	—
Over 3 years	**163**	225
	242,760	232,702

11. SHARE CAPITAL

Shares

	2010	2009
Authorised:		
20,000,000,000 ordinary shares of HK$0.05 each (2009: 10,000,000,000 shares of HK$0.1 each)	**HK$1,000,000,000**	HK$1,000,000,000
Issued and fully paid:		
3,000,000,000 ordinary shares of HK$0.05 each (2009: 4,000,000 shares of HK$0.1 each)	**HK$150,000,000**	HK$400,000
Equivalent to	**RMB131,297,000**	RMB352,000

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

	Notes	Number of ordinary shares	Nominal value of ordinary shares	
			HK$'000	RMB'000
Authorised:				
As at 31 December 2009 and 1 January 2010	(a)	10,000,000,000	1,000,000	880,500
Issuance of new shares for sub-division of each share	(b)	10,000,000,000	—	—
As at 31 December 2010		20,000,000,000	1,000,000	880,500
Issued:				
As at 31 December 2009 and 1 January 2010	(a)	4,000,000	400	352
Issuance of new shares for sub-division of each share	(b)	4,000,000	—	—
Issuance of new shares for capitalisation issue	(c)	2,242,000,000	112,100	98,121
Issuance of new shares for the initial public offering	(d)	750,000,000	37,500	32,824
As at 31 December 2010		3,000,000,000	150,000	131,297

Notes:

(a) As of the date of incorporation of the Company, the Company's authorised share capital was US$50,000 divided into 50,000 shares of US$1 each. On the same date, one share of US$1 each was allotted and issued nil paid to the initial subscriber and was then transferred to New Fortune. On 10 November 2009, 49,999 shares of US$1 each were allotted and issued fully paid to New Fortune. On 20 November 2009, the authorised share capital of the Company was increased by HK$1,000,000,000 by creating an additional 10,000,000,000 shares of HK$0.1 each. On the same date, the Company issued 4,000,000 shares of HK$0.1 each to New Fortune and repurchased 50,000 issued shares of US$1.00 each from New Fortune, and reduced its authorised share capital by the cancellation of 50,000 shares of US$1.00 each.

(b) Pursuant to the written resolution of the shareholder of the Company dated 19 May 2010, the par value of each ordinary share was sub-divided from HK$0.1 each to HK$0.05 each. The numbers of ordinary shares for authorised and issued capital increased accordingly.

(c) Pursuant to the resolution passed on 14 May 2010 and in connection with the Company's initial public offering, an aggregate of 2,242,000,000 ordinary shares of HK$0.05 each of the Company were allotted and issued, credited as fully paid at par, to New Fortune by way of capitalisation of an amount due to Mr. Wong of HK$199,600,000 (approximately RMB174,710,000 equivalent).

(d) In connection with the Company's initial public offering, 750,000,000 shares of HK$0.05 each were issued at a price of HK$2.60 per share for a total cash consideration, before listing expenses, of HK$1,950,000,000. Dealings in these shares on the Stock Exchange commenced on 23 June 2010.

12. COMMITMENTS

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

	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**138,459**	109,650

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND ANALYSIS

The Plastic Pipe Industry is at the High Growth Stage and the Company's Industry Leadership Position Continues to Consolidate

Being confronted with the challenging global economic environment, as well as the complicated and changing economic situation in China, China Liansu accurately grasped the development opportunity in the past years, clarified its development direction and fully leveraged on the advantages of the Group in strategic presence, industry chain, management integration, technology and brands to exert great efforts in developing the target markets, enhance regional resources integration and internal resources restructuring and improve its management and operating efficiency, thus maintaining the steady, fast and healthy development of the Group's operating results with the steady growth of its principal businesses. Since its establishment, China Liansu has made becoming one of the famous Chinese brands as its objective and has now established a very high reputation in the market. In the future, the Group will continue to actively participate in large infrastructure projects, further strengthen cooperation with government agencies, public utility entities and well-known enterprises so as to upgrade the Company's image and enhance customer satisfaction.

Looking back to 2010, the Group's operating and financial performance was steady. Revenue was RMB7,712 million an increase of RMB2,390 million or 44.9% over 2009. Gross profit for the year ended 31 December 2010 was RMB2,034 million, an increase of 67.7% over 2009. Basic earnings per share was RMB0.43, an increase of 48.3% over 2009.

The table below sets out the breakdown of sales volume, revenue and average selling price by product materials for the years ended 31 December 2010 and 31 December 2009:

	2010			2009			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[1]	**617,156**	**5,070**	**8,215**	431,047	3,415	7,923	43.2	48.5	3.7
– Non-PVC[2]	**172,170**	**2,542**	**14,764**	135,182	1,862	13,774	27.4	36.5	7.2
	789,326	**7,612**	**9,644**	566,229	5,277	9,320	39.4	44.2	3.5
Others[3]	**N/A**	**100**	**N/A**	N/A	45	N/A	N/A	122.2	N/A
	789,326	**7,712**	**N/A**	566,229	5,322	N/A	N/A	44.9	N/A

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

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

Note[3] "Others" include ancillary materials such as springs used for connecting plastic pipes. Sales volumes for "Others" are measured in units rather than tonnes and the size of the units between different products may vary.

The strong increase in the Group's revenue was mainly attributable to the increase in sales driven by the increasing market demand and the increased production capacity from the new production bases. Total sales of plastic pipes and pipe fittings for the year was approximately 789,000 tonnes, an increase of approximately 223,000 tonnes or 39.4% over last year.

The average selling prices of plastic pipes and pipe fittings amounted to RMB9,644 per tonne for the year ended 31 December 2010, representing an increase of approximately 3.5% from RMB9,320 per tonne for the year ended 31 December 2009. The average cost of sales of pipes and pipe fittings amounted to RMB7,129 per tonne for the year ended 31 December 2010, representing a decrease of approximately 1.1% from RMB7,207 per tonne for the year ended 31 December 2009.

The table below sets out the details of the revenue from plastic pipes and pipe fittings by product for the years ended 31 December 2010 and 31 December 2009:

	2010		2009	
	RMB'million	**% of total revenue**	RMB'million	% of total revenue
Water supply	**2,998**	**39.4%**	2,139	40.5%
Drainage	**2,825**	**37.1%**	1,921	36.5%
Power supply and telecommunication	**1,402**	**18.4%**	963	18.2%
Gas supply	**87**	**1.1%**	87	1.6%
Others[(1)]	**300**	**4.0%**	167	3.2%
Total	**7,612**	**100.0%**	5,277	100.0%

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

The Group has highly diversified products and manufactures the most comprehensive range of plastic pipes and pipe fittings, covering seven major uses, including wide applications in various areas like water supply, drainage, gas supply, power supply and telecommunication, agricultural, floor heating and fire prevention.

Increased Production Scale and Significantly Improved Production Efficiency

During the year, gross profit of the Group increased by RMB821 million to RMB2,034 million. Gross profit ratio increased by 3.6 percentage points to 26.4% as compared with the last year. Gross profit of the Group's two major types of products, namely PVC products and non-PVC products, both witnessed an increase. The profit level of the two major products continued to increase in 2010, which mainly benefited from the economy of scale of the increased production capacity. The production capacity utilization of the Group has maintained exceeding the industry level. Designed annual production capacity was approximately 1.15 million tonnes.

Strengthening Scientific Innovation and the Recognition of Research and Development of New Materials

Leveraging its scientific strength, China Liansu has put an emphasis on the scientific and technological research of plastic piping system in the course of its production operation and development and actively established the corporate research and development centre. In 2010, Guangdong Liansu Technology Industrial Co., Ltd. gained approval from China Plastics Processing Industry Association to establish China Plastics Pipe Engineering Technology Research and Development Center (中國塑料管道工程技術研究開發中心) (CPPIA (2010)No.132). As at 31 December 2010, the Group held 161 patents and has applied for additional 213 patents.

In addition, research and development of the Group during the year were focused on high-performance, low-energy and environmental friendly products which includes the following:

1. The development of HDPE electric-fusion fittings
2. Same-floor drainage system
3. CPVC cold and hot water pipe system
4. Metal-plastic composite pipe system
5. Solar heat collection pipes
6. Water saving irrigation system

In terms of materials, the Group's products include not only plastic pipes made of commonly used materials like PVC-U and PE, but also those made of special materials such as PVC-M, CPVC,PE-RT and PB and metal-plastic composite. To coordinate with the Chinese government's policy with increasing emphasis on environmental protection, the Group also actively promoted environmental friendly product such as GHP during the year.

Optimized Strategic Presence upon Completion of New Bases

The nationwide production network of the Group has achieved effective coverage and comprises 12 operating production bases for the manufacture of plastic pipes and pipe fittings which are strategically located across China. The Southern China market continued to be a major market of the Company and accounted for 68.6% of the total sales in 2010, followed by Southwestern China and Central China, which accounted for 8.9% and 7.8% of the total sales respectively.

The table below sets out the details of the revenue by sales region for the years ended 31 December 2010 and 31 December 2009:

	2010		2009	
Region[1]	**RMB' million**	**% of total revenue**	RMB' million	% of total revenue
Southern China	**5,295**	**68.6%**	3,717	69.8%
Southwestern China	**681**	**8.9%**	488	9.2%
Central China	**603**	**7.8%**	483	9.1%
Eastern China	**331**	**4.3%**	168	3.2%
Northern China	**460**	**6.0%**	270	5.1%
Northwestern China	**189**	**2.5%**	91	1.7%
Northeastern China	**104**	**1.3%**	73	1.4%
Outside China	**49**	**0.6%**	32	0.5%
Total	**7,712**	**100.0%**	5,322	100.0%

Note[1] The details of the scope of coverage of each region is set out in note 2 to this announcement.

To meet the strong market demand for plastic pipes, the Group had continuously increased its production capacity over the past few years and will continue to construct new production facilities and implement technological reforms in the existing production facilities so as to further improve the nationwide coverage of our production bases and keep in pace with the national development speed with accelerating urbanization in China. At present, the new production bases in Urumqi and Changchun is setting up to meet the growing demand of the northwestern and northeastern regional markets. The first phase of 12,000 tonnes of production capacity in Urumqi was put into operation in the fourth quarter of 2010. Meanwhile, the Group is also adding production lines to the existing production bases. It is anticipated that the designed annual production capacity will be increased by 370,000 tonnes and 330,000 tonnes in 2011 and 2012 respectively. By the end of 2012, the Group's designed annual production capacity will reach 1.85 million tonnes. While maintaining its construction plan, the Group managed to find suitable parcels of land in Shaanxi to further increase the Group's coverage in these regions.

Furthermore, the Group also plans to increase more distributors. As at 31 December 2010, the Group has more than 760 independent distributors. The Group will establish more sales offices to expand its sales network, continue to step up efforts in marketing, further expand the customer base, consolidate its market position and enlarge its market share.

REVIEW ON FINANCIAL PERFORMANCE

Other Revenue, Income and Gains

Other revenue, income and gains amounted to RMB44 million for the year ended 31 December 2010, representing an increase of 91.3% from RMB23 million for the last year. The increase was primarily attributable to the increase in interest received from banks, government grants and subsidies.

Selling and Distribution Costs

Selling and distribution costs of the Group rose by 50.3% to RMB299 million as compared with last year due to an increase in marketing related expense and packaging costs resulting from the growth in sales.

Administrative Expenses

Administrative expenses for the year ended 31 December 2010 rose by 43.3% to RMB235 million as compared with last year, primarily as a result of an increase in professional services/ consultation fees incurred in connection with the preparation for the public offering of the Company and an increase in recognition of equity-settled share option expense.

Other Expenses

Other expenses for the year ended 31 December 2010 rose by 207.9% to RMB117 million as compared with last year, primarily due to our commitment on research and development.

Finance Costs

Finance costs amounted to RMB53 million, representing an increase of 47.2% as compared with last year, primarily due to our increased average borrowings, which were leveraged for working capital purpose to support the Group's rapid business development.

Income Tax

Income tax represented amounts of PRC CIT paid by the Group, as the Group is not subject to any profits or income tax in the Cayman Islands and the British Virgin Islands, and did not generate any assessable profits arising in Hong Kong during the year. The Group's effective tax rate decreased from 19.4% in 2009 to 17.6% in 2010 mainly owing to the decrease in the deferred tax expenses arising from the unremitted earnings of the Company's subsidiaries in the PRC that are subject to withholding taxes.

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company amounted to RMB1,132 million, representing an increase of 75.8% from RMB644 million for the last year.

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

The Company was successfully listed on the main board of the Stock Exchange on 23 June 2010 and issued 750 million shares of HK$0.05 each at HK$2.60 per share by way of placing and public offer (as set out in detail in the Results of Allocation Announcement on 22 June 2010 (the "Announcement")). The net proceeds of the IPO after deducting the relevant expenses were approximately HK$1,860 million.

As at 31 December 2010, approximately HK$752 million of the net proceeds of the IPO has been applied in accordance with the Announcement. The unutilised balance has been deposited with financial institutions and will be applied in the manner as stated in the Announcement.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2010, the Group had total bank loans of approximately RMB784 million (2009: RMB1,310 million). Approximately 60.9% of the Group's bank borrowings were denominated in Renminbi and the remaining 39.1% were in Hong Kong dollars. The Group's bank borrowings are subject to floating rates ranging from 1.67% to 5.94% per annum. The Group's bank borrowings have remaining maturity periods ranging from within one year to three years.

As at 31 December 2010, the Group's current assets and current liabilities were approximately RMB3,615 million and RMB1,408 million respectively. The 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) of the Group rose to 2.57 and 1.76 from 1.29 and 0.80 as at 31 December 2009 respectively. Total equity of the Group increased to approximately RMB4,004 million (2009: RMB1,042 million). The gearing ratio of the Group (calculated based on the basis of the total borrowings over total assets) stood at a healthy level of 13.9% as compared to 37.4% in 2009 due to repayment of bank loans during the year.

With cash and bank balances, including restricted cash, of approximately RMB1,523 million (2009: RMB487 million) as well as existing banking facilities, the directors consider that the Group has sufficient working capital for its operation and the future development.

CHARGE ON ASSETS

As at 31 December 2010, certain leasehold land, property, plant and equipment of the Group with net carrying amount of approximately RMB498 million were pledged to certain banks to secure bank borrowings granted to the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's transactions are denominated in Renminbi. During the year, the Group did not have any material foreign exchange exposure and did not use any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group did not have any significant contingent liabilities (2009: Nil).

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of approximately 7,400 employees including directors. The employees are remunerated based on their work performance, professional experiences and the prevailing industry practice. The Group also makes contributions to the statutory mandatory provident fund scheme for the employees of the Group in Hong Kong and to the pension scheme for the employees of the Group in China.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK12 cent per share for the year ended 31 December 2010 (2009: Final dividend – Nil) but is still subject to approval by the Company's shareholders at the forthcoming annual general meeting. The Board did not declare any interim dividend for the six months ended 30 June 2010 (2009: Interim dividend – Nil).

PROSPECTS

China is during a critical period of expanding the domestic demand and promoting the economic growth. The Group believes with gradual urbanization in China, the inflow of rural population into cities will accelerate the development of ancillary public facilities and infrastructure in these cities. As the water supply pipe market is large, drainage pipes in cities will see rapid development. The gas supply pipe market will grow with the support of government policies. Drinking water safety protection in rural areas will stimulate the development of the water supply pipe market. The Group anticipates in a larger market for pipes to be used in water supply, drainage, gas supply and heat supply.

The real estate industry of China was developing rapidly during the 11th Five-year Plan, which satisfied the demand from residents in cities for improved housings and the demand from a large population moving from rural areas to cities for housings. At present, the government is stepping up its efforts in developing the "Urban Housing Construction Programme and Medium-to-long-term Construction Program for the 12th Five-year Plan" ("十二五"城鎮住房建設規劃和中長期建設規劃). It is estimated that construction and investment efforts will be intensified for commercial housings and affordable housing projects each year. The government would work to increase housing supplies, with 36 million affordable homes planned by 2015. In 2010 saw the building of 5.9 million affordable homes started. The central government had mandated with provincial governments to guarantee the construction of 10 million subsidized apartments in 2011. The government would also step up efforts to develop low-rent public housing, with 2 million of low-rent public housing to be built in 2011, which is 6 times more than 2010's supply. The Group believes either commercial housings or affordable housings construction will stimulate the plastic construction material industry in which the Group is engaged, thereby driving the development of the Group in areas such as environmental friendly water supply pipes, buried and community drainage pipes and gas pipe network construction.

The No.1 Central Document "The Decision on Accelerating the Development of the Water Conservancy Reform" (關於加快水利改革發展的決定) issued by the State Council proposes speeding up the construction of water conservancy infrastructure in an all-round manner and establishing a mechanism for the steady growth of investment in water conservancy. Water saving and irrigation in rural areas, water safety in rural areas, urban water supply and sewage treatment system construction and water pollution prevention and control construction are all key areas of support under the water conservancy program during the 12th Five-year Plan. China plans to invest RMB 4 trillion in water conservancy works over the next 10 years. 10% of the proceeds from land sales will be invested in rural water conservancy projects. Being driven by the policy, market demand for various types of pipe products will increase, and provide continuous momentum for the long-term development of the Group.

Because of the rapid development of the economy in China, market demand for various consumer products has kept rising. Besides, the Chinese government began to implement the 12th Five-year Plan in 2011 to actively expand the domestic demand and promote green economy. Accordingly, new materials have become one of the key industries for development, bringing unlimited business opportunities for plastic pipes manufactured by the Group. China Liansu will continue to provide safe and environmental friendly pipes for water transmission, drainage, gas, hot water and value-added products through the Group's sales network in the future. Meanwhile, with our solid manufacturing foundation and outstanding innovation, research and development capabilities, the Group believes it will continue to maintain strong market competitiveness.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2010, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

No significant event took place subsequent to 31 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 31 May 2011 (Tuesday) to 3 June 2011 (Friday) (both days inclusive), during which period no transfer of shares will be effected.

In order to qualify for the proposed final dividend of HK12 cents per share and determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 30 May 2011. Dividend warrants will be despatched to shareholders on or around Monday, 20 June 2011.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES

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

In pursue of good and high standard of corporate governance practices, the Board reviews the corporate governance practices of the Company from time to time so as to meet the expectations of shareholders for continual improvement, comply with increasingly stringent regulatory requirements and fulfill its commitment of pursuing excellent corporate governance. The Company has adopted the Code as set out in Appendix 14 to the Listing Rules since it has been listed on the Stock Exchange on 23 June 2010. During the year under review, the Company has complied with the code provisions contained in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the Company (www.liansu.com). 2010 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 18 March 2011

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

GLOSSARY

"Board"	The Board of Directors of the Company
"CIT"	Corporate income tax
"Code"	The Code on Corporate Governance Practices
"Company" or "China Liansu"	China Liansu Group Holdings Limited (中國聯塑集團控股有限公司)
"CPVC"	Chlorinated PVC
"GHP"	Geothermal heat pumps
"Group"	The Company and its subsidiaries
"HDPE"	High density PE
"Listing Rules"	The Rules Governing of 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 Start Limited
"PB"	Polybutylene
"PE"	Polyethylene
"PE-RT"	PE of raised temperature resistance
"PP-R"	Polypropylene random
"PRC"	The People's Republic of China
"Prospectus"	The Company's prospectus dated 9 June 2010
"PVC"	Polyvinyl chloride
"PVC-M"	Modified high-resistance PVC
"PVC-U"	Unplasticized PVC

"State Council"	The State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

FORWARD-LOOKING STATEMENTS

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

The English text of this announcement shall prevail over the Chinese text in case of any inconsistency.