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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

Interim Report 2011

Forward-looking statements

This interim report contains forward-looking statements. These forward-looking statements include but not limited to statements related to revenues and earnings. The words "believe", "plan", "expect", "anticipate", "forecast", "estimate", "speculate", "firmly believe", "confident" and similar expressions are also represented forward-looking statements. These 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.

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

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

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

Contents

FINANCIAL HIGHLIGHTS

RESULTS	Six Months ended 30 June **2011** **RMB' million**	2010 RMB' million	Change (%)
Revenue	**4,565**	3,323	37.4
Profit before tax	**672**	598	12.4
Profit attributable to owners of the Company	**536**	483	11.0
Basic earnings per share[1] (expressed in RMB per share)	**0.18**	0.21	(14.3)
Diluted earnings per share[1] (expressed in RMB per share)	**0.17**	0.21	(19.0)
Proposed interim dividend per share (expressed in HK cents)	**—**	—	Nil

FINANCIAL POSITION	**As at 30 June 2011** **RMB' million**	As at 31 December 2010 RMB' million	Change (%)
Total assets	**7,367**	5,629	30.9
Total debts[2]	**2,215**	784	182.5
Shareholders' equity	**4,259**	4,004	6.4
Net assets per share (expressed in RMB per share)	**1.42**	1.33	6.8
Total debts to total assets	**0.30**	0.14	114.3
Total debts to shareholders' equity	**0.52**	0.20	160.0

- Revenue for the first half of 2011 was RMB4,565 million representing period-on-period growth of 37.4%
- Gross profit increased by 22.4% to RMB1,080 million; EBITDA improved by 14.4% to RMB783 million
- Profit attributable to owners of the Company increased to RMB536 million, representing an increase of 11.0%

Note [1] Details of the calculations of the basic and diluted earnings per share of the Company are set out in note 9 to condensed consolidated financial statements.

Note [2] Represented total interest-bearing bank loans and senior notes.

BUSINESS REVIEW AND ANALYSIS

Overview

As the largest manufacturer of plastic pipes and pipe fittings in China in terms of sales revenue, the Group has been providing a comprehensive range of plastic pipes and pipe fittings for customers. The Group's products are widely used in seven major areas namely water supply, drainage, power supply and telecommunications, gas supply, agriculture, floor heating and fire prevention. The Company is headquartered in Shunde, Guangdong Province with 13 production bases covering different parts of China and a nationwide sales network. China Liansu is a one-stop solution provider of consultation, design, application and after-sales services. Through participations on the projects in early stage, the Group provides assistance for customers to formulate plans to achieve desirable long-term goals.

Analysis on Market Condition

Looking back to the first half of 2011, in order to maintain the steady development of domestic economy, under the aftermath of uncertainties in the global economic condition, the Chinese government continuously introduced various measures to expand domestic demands. On the other hand, given comparatively higher inflation level in the first half of 2011, the Chinese government strived to improve people's living and implemented various relief or beneficial measures such as rural urbanisation, water conservancy reform and affordable housing construction. Various policies aimed to expand domestic demands and maintain people's living standards have brought substantial business opportunities for the development of the plastic pipe industry.

The Chinese government began to implement the "12th Five-Year Plan" in 2011 and will put great efforts on the rural urbanisation. With the acceleration of urbanisation, where the urban population is expected to increase from 47.5% in 2010 to 51.5% in 2015, the demands for infrastructure construction is expected to increase thereby, driving the demands for plastic pipes. In addition, in order to ensure that the construction of affordable housing will be completed as scheduled, the Chinese government has issued notice allowing the issue of municipal bonds and to apply the proceeds to finance the construction of local affordable housing as a priority, from which the pipe industry is expected to be further benefited.

The State Council's Decision on Accelerating Water Conservancy Reform and Development (the " No.1 Circular") 《關於加快水利改革發展的決定》states that construction of water conservancy infrastructure will be fully accelerated and funds will be applied to establish a steady growth mechanism for water conservancy reform, including rural water-saving irrigation, water safety, urban water supply, sewage treatment system construction, all of which are sectors with key governmental policies support. Moreover, the new types of construction material products will be prioritised by the Chinese government and demands trend of "replacing steel with plastics" in the industry will be enhanced, which brings ongoing growth drivers for demands for the Group's products and long-term business development.

BUSINESS REVIEW AND ANALYSIS (continued)

Business Development

Grasping the Business Opportunities and Actively Expanding Production Scale

With the Chinese government's support for urbanisation and accelerated development of water conservancy reform, plastic pipes market maintains the growth trend and construction of various projects are commenced rapidly. To grasp current business opportunities, the Group continuously expands production capacities, strengthens and refines sales network to improve competiveness and consolidate market position. The Group recorded a substantial increase in revenue in the first half of 2011, demonstrating overall good profitability and making customers and investors more confident in the Group.

Under the Group's well established production capacities expansion plan, the production base in Changchun was commissioned in the second quarter of 2011. In addition, the production base in Urumqi was commissioned in the fourth quarter of 2010 to meet the demand brought forth by the development of the local market.

During the Period under review, the Group's operating and financial performance was steady. Turnover was RMB4,565 million, representing an increase of RMB1,242 million or 37.4% over the corresponding period in 2010. Gross profit for the six months ended 30 June 2011 was RMB1,080 million, representing an increase of 22.4% over the corresponding period in 2010. Basic earnings per share amounted to RMB0.18 for the first half of 2011.

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 2011 and 30 June 2010:

	2011			2010			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)]	**336,006**	**2,946**	**8,768**	277,181	2,199	7,933	21.2	34.0	10.5
- Non-PVC[(2)]	**95,187**	**1,465**	**15,391**	73,660	1,077	14,621	29.2	36.0	5.3
	431,193	**4,411**	**10,230**	350,841	3,276	9,338	22.9	34.6	9.6
Others[(3)]	**N/A**	**154**	**N/A**	N/A	47	N/A	N/A	227.7	N/A
Total	**431,193**	**4,565**	**N/A**	350,841	3,323	N/A	N/A	37.4	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 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.

BUSINESS REVIEW AND ANALYSIS (continued)

Business Development (continued)

Grasping the Business Opportunities and Actively Expanding Production Scale (continued)

The steady growth in the Group's revenue was mainly attributable to the increase in sales driven by the increasing market demand from the intensified housings and water conservancy infrastructure investment by the Chinese government and the increased production capacity from the production bases to cope with the vast demands for products from existing customers. Total sales of plastic pipes and pipe fittings in the first half of 2011 was approximately 431,000 tonnes, an increase of approximately 80,000 tonnes or 22.9% over the first half of 2010.

The average selling prices of plastic pipes and pipe fittings amounted to RMB10,230 per tonne in the first half of 2011, representing an increase of approximately 9.6% from RMB9,338 per tonne in the first half of 2010. The average cost of sales of pipes and pipe fittings amounted to RMB7,898 per tonne in the first half of 2011, representing an increase of approximately 13.5% from RMB6,958 per tonne in the first half of 2010.

The table below sets out the details of the revenue from plastic pipes and pipe fittings by product for the six months ended 30 June 2011 and 30 June 2010:

	2011		2010	
	RMB'million	**% of total revenue**	RMB'million	% of total revenue
Water supply	**1,735**	**39.3%**	1,288	39.3%
Drainage	**1,595**	**36.2%**	1,238	37.8%
Power supply and telecommunication	**813**	**18.4%**	595	18.2%
Gas supply	**49**	**1.1%**	40	1.2%
Others[(1)]	**219**	**5.0%**	115	3.5%
Total	**4,411**	**100.0%**	3,276	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. The applications of plastic pipes and pipe fittings in water supply, drainage, power supply and telecommunication are still the major sources of the Group's revenue, which accounted for 93.9% of total revenue from plastic pipes and pipe fittings.

BUSINESS REVIEW AND ANALYSIS (continued)

Business Development (continued)

Our Economies of Scale Enabling a Sustainable Growth of Gross Profit

Due to our industry-leading position, the Group enjoys economies of scale, which enabled us to maintain our gross profit margin at a healthy and reasonable level of 23.7% in the first half of 2011 (the first half of 2010: 26.5%) in spite of rising raw material prices.

Continuous Technological Innovations and Active Exploration of New Material Products

The Group has been placing great emphasis on the combination of production and research , and has cooperated with various domestic scientific research colleges and institutions to develop scientific research projects. The Group has a high quality R&D team and well-equipped R&D site, and actively established various enterprise R&D centers.

As at 30 June 2011, the Group held 255 patents and has applied for additional 319 patents. As a national high and new technology enterprise, the Group has undertook a number of national and province-level scientific and technologic projects, obtained a series of scientific and technologic results and patents, and its R&D capacities has been recognised by national and various province-level authorities, which significantly enhances customers' and cooperating parties' confidence.

During the Period under review, the Group focused its R&D efforts on high performance, low-energy consumption and eco-friendly products, including the following:

1. Same-floor drainage system
2. Metal-plastic composite pipe system
3. Solar heat collection pipes
4. 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.

BUSINESS REVIEW AND ANALYSIS (continued)

Business Development (continued)

Strong and Secure Foothold in Southern China with Satisfactory Expansion into other Regional Markets

The Group owns in total 13 commissioned production bases for plastic pipes and pipe fittings, which are strategically located throughout China, effectively covering our nationwide sales network. They are also closed to targeted markets and potential customers, thereby reducing transportation costs. Currently, Southern China region is the Group's major market and accounted for 68.1% of total sales in the first half of 2011, while Southwestern China and Central China regions accounted for 9.0% and 8.1% of total sales.

The table below sets out the details of the revenue by sales region for the six months ended 30 June 2011 and 30 June 2010:

	2011		2010	
Region[1]	**RMB' million**	**% of total revenue**	RMB' million	% of total revenue
Southern China	**3,111**	**68.1%**	2,278	68.5%
Southwestern China	**413**	**9.0%**	330	9.9%
Central China	**368**	**8.1%**	255	7.7%
Eastern China	**198**	**4.3%**	122	3.7%
Northern China	**277**	**6.1%**	205	6.2%
Northwestern China	**93**	**2.1%**	73	2.2%
Northeastern China	**74**	**1.6%**	40	1.2%
Outside China	**31**	**0.7%**	20	0.6%
Total	**4,565**	**100.0%**	3,323	100.0%

Note[1] The details of the scope of coverage of each region are set out in note 3 to condensed consolidated financial statements.

In order to meet domestic needs for plastic pipes driven by the rapid development of projects such as urbanisation, housing, water conservancy and sewage treatment in different provinces, the Group has been devoted to expanding the production capacities of existing plants and constructing production bases to further improve national deployment and increase overall output.

The Group has expanded the coverage of sales network to Western China and Northern China regions. The Group has 980 independent distributors in the first half of 2011, which successfully cover customers throughout China. The Group will continue to increase marketing efforts to further expand customer base, consolidate market position and increase market share.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW ON FINANCIAL PERFORMANCE

Other Revenue, Income and Gains

Other revenue, income and gains amounted to RMB36 million for the first half of 2011, representing an increase of 133.8% for the first half of 2010. The increase was primarily attributable to the increase in exchange gain, interest received from banks, government grants and subsidies.

Selling and Distribution Costs

Selling and distribution costs for the first half of 2011 rose by 39.6% to RMB182 million as compared with the first half of 2010 due to the increase in salaries paid to sales staff, marketing related expense and packaging costs resulting from the growth in sales.

Administrative Expenses

Administrative expenses for the first half of 2011 rose by 41.4% to RMB142 million as compared with the first half of 2010, primarily as a result of the increase in salaries and benefits of administrative staff, increase of depreciation on property, plant and equipment and increase in recognition of equity-settled share option expense.

Other Expenses

Other expenses for the first half of 2011 rose by 137.7% to RMB87 million as compared with the first half of 2010, primarily due to our commitment on research and development.

Finance Costs

Finance costs amounted to RMB33 million, representing an increase of 3.3% as compared with the first half of 2010, primarily due to the additional interests incurred by the new senior notes issued in the first half of 2011.

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 Period. The Group's effective tax rate increased from 19.3% in the first half of 2010 to 20.3% in the first half of 2011 mainly due to the fact that the tax holiday of certain subsidiaries of the Group expired during the Period.

REVIEW ON FINANCIAL PERFORMANCE (continued)

Profit Attributable to Owners of the Company

The profit attributable to owners of the Company amounted to RMB536 million, representing an increase of 11.0% from RMB483 million for the first half of 2010.

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 2011, approximately HK$1,340 million of the net proceeds of the IPO has been applied in accordance with the Results of Allocation Announcement dated 22 June 2010 (the "Announcement"). The unutilised balance has been deposited with financial institutions and will be applied in the manner as stated in the Announcement.

UPDATES ON THE STATUS OF THE COMPANY'S EXPANSION PLANS

For the six months period ended 30 June 2011, the status of the Group's production facilities expansion plans remains unchanged from the description in the Prospectus under the section headed "Business - Production Facilities and Production Process". The Group has spent in total RMB1,120 million on the above expansion plans up to 30 June 2011. The Group intends to fund the expansion plans from future operating cash flow, net proceeds from equity and debt issuances and bank facilities.

SIGNIFICANT INVESTMENTS

As at 30 June 2011, the Group did not hold any significant investment (31 December 2010: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2011, the Group had total debts of approximately RMB2,215 million (31 December 2010: RMB784 million), of which 11.3% was denominated in Renminbi, 86.4% was denominated in U.S. dollars and 2.3% was denominated in Hong Kong dollars. Other than the US$300 million 7.875% senior notes due 2016, the Group's borrowings are subject to floating rates ranging from 2.75% to 5.60% per annum with maturity periods ranging from within one year to two years.

As at 30 June 2011, the Group's current assets and current liabilities were approximately RMB5,056 million and RMB1,101 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 4.59 and 3.23 from 2.57 and 1.76 as at 31 December 2010 respectively. The Group's total equity increased to approximately RMB4,259 million (31 December 2010: RMB4,004 million). The Group's gearing ratio (calculated based on the basis of the total debts over total assets) stood at a healthy level of 30.1% as compared to 13.9% as at 31 December 2010 due to net effect of issuance of senior notes and repayment of bank loans during the Period.

With cash and bank balances, including restricted cash, of approximately RMB2,303 million (31 December 2010: RMB1,523 million) as well as unutilised banking facilities, the directors consider that the Group has sufficient working capital for its operation and future development.

CHARGE ON ASSETS

As at 30 June 2011, the Group's certain property, plant and equipment with an aggregate carrying amount of approximately RMB122 million were pledged to certain banks to secure bank borrowings granted to the Group. The Company's shares of certain subsidiaries organised outside the PRC were pledged as securities for issuance of senior notes.

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings are mainly denominated in US dollars but its cash flow is generated from operations whose earnings were denominated principally in Renminbi. As a result, the appreciation of Renminbi contributed to the Group's results for the six months ended 30 June 2011. Save for the aforesaid, the Group has no significant exposure to foreign exchange fluctuation and no hedging has been arranged on the abovementioned exposure.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant event took place subsequent to 30 June 2011.

HUMAN RESOURCES

As at 30 June 2011, the Group employed a total of approximately 7,200 employees (30 June 2010: approximately 7,000 employees) including directors. Total staff costs were RMB165 million (six months ended 30 June 2010: RMB128 million) for the Period. 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 its employees in Hong Kong and to the pension scheme for its employees in Mainland China.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

PROSPECTS

It is expected that the PRC government will continue to implement austerity measures against the property market in the second half of 2011 and the credit and financing environment in the capital market will continue to be difficult, resulting in instability for the development of the property industry in the second half of 2011. As a leading manufacturer in the plastic pipe industry, the Group is nonetheless confident about its healthy and stable business development in the second half of 2011. By fully taking advantage of its own strengths, the Group will improve its overall competitiveness, promote its marketing initiatives and further consolidate and strengthen the Group's position in the industry.

Going forward, the Group will continue to consolidate its core competitive strengths and market leadership in the plastic pipe industry and strive to strengthen its leading position in the PRC plastic pipe industry. The Group will propel its on-going business growth by adopting the following three strategies:

(1) Expanding the nationwide sales network and refining the market: at the market the Group had a total of 980 independent distributors in the first half of 2011. In the future, the Group will greatly promote the development of its sales network, refine its targeted market and actively develop its next strategic sales structure. Besides continuing to expand its presence in Southern China, the primary market in which the Group operates, the Group will gradually increase its sales outside Southern China regions. While increasing the number of sales points, the Group will strengthen its marketing effort, carry out marketing activities targeting at targeted customers, further improve our brand recognition and expand our client base.

PROSPECTS (continued)

(2) Optimising production capacities to meet increasing market demands: with the continuous development of China's economy, the acceleration of urbanisation and supported by various favorable policies, China's plastic pipe industry will maintain the strong and persisted growth trend. The Group will continue to expand production capacities to meet increasing market demands, and will commence the second phase construction plan of production base in a bid to further increase our market share and coverage. The Group's production base in Shaanxi is under construction and it is going to operate in the first half of 2012.

(3) Enhancement of R&D capacities: In 2011, the Group will continue to invest in R&D to improve production efficiencies, reduce production costs and enhance products' functions. The Group also plans to introduce new types of home building material products at appropriate time with a view to diversifying our product mix and making them a new driver of profit growth so as to continue to consolidate the Group's overall competiveness. At the same time, the Group will focus its efforts on R&D on the high performance and low-energy consumption products in the area of water and gas supply and actively expand the range of eco-friendly products.

In the future, the Group will take advantage of its solid production base and outstanding innovation and R&D capacities to continuously increase market share, maintain strong market competiveness and bring returns to customers and investors.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions

(a) Ordinary shares of HK$0.05 each of the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Directors			
Mr. Wong Luen Hei	Held by controlled corporation(1)(2)	2,100,000,000	69.93%
Ms. Zuo Xiaoping	Held by spouse (3)	2,100,000,000	69.93%

(b) Share options

Name	Capacity	Number of underlying shares held under share options	Percentage of the issued capital of the Company
Directors			
Mr. Wong Luen Hei	Held by spouse (1)	2,308,000	0.08%
Ms. Zuo Xiaoping	Beneficial owner (2)	2,308,000	0.08%
Mr. Kong Zhaocong	Beneficial owner (3)	2,308,000	0.08%
Mr. Lai Zhiqiang	Beneficial owner (3)	2,308,000	0.08%
Dr. Lin Shaoquan	Beneficial owner (3)	1,927,000	0.06%
Mr. Chen Guonan	Beneficial owner (3)	1,927,000	0.06%
Mr. Huang Guirong	Beneficial owner (3)	1,927,000	0.06%
Mr. Luo Jianfeng	Beneficial owner (3)	1,927,000	0.06%
Mr. Lin Dewei	Beneficial owner (3)	692,000	0.02%
Chief executive			
Mr. Zuo Manlun	Beneficial owner (3)	3,842,000	0.13%

DIRECTORS' AND CHIEF EXECUTIVE's INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Share options (continued)

Notes:

1. Mr. Wong Luen Hei, an executive director of the Company, is the sole shareholder of New Fortune, which in turn owned 69.93% of the Company's issued shares as at 30 June 2011. Accordingly, Mr. Wong Luen Hei was indirectly interested in 2,100,000,000 shares of the Company as at 30 June 2011. Ms. Zuo Xiaoping was granted with 2,308,000 options with an exercise price of HK$1.82 per share under the Pre-IPO share option scheme ("Pre-IPO Share Option Scheme") adopted by the Company with effect from 14 May 2010. Mr. Wong Luen Hei is also the spouse of Ms. Zuo Xiaoping, and therefore Mr. Wong Luen Hei is deemed to be interested in all the shares of the Company in which Ms. Zuo Xiaoping is interested by virtue of the SFO.

2. Ms. Zuo Xiaoping is also the spouse of Mr. Wong Luen Hei, and therefore Ms. Zuo Xiaoping is deemed to be interested in all the shares of the Company in which Mr. Wong Luen Hei is interested by virtue of the SFO. Ms. Zuo Xiaoping was granted with 2,308,000 options with an exercise price of HK$1.82 per share under the Pre-IPO Share Option Scheme.

3. All other directors' interests represent the number of options granted to them with an exercise price of HK$1.82 per share under the Pre-IPO Share Option Scheme.

Save as disclosed above, as at 30 June 2011 none of the directors, chief executive of the Company nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORTS POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, so far as is known to any director or chief executive of the Company, the following corporation (other than a director and chief executive of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long position interests in the Company

Name of shareholder	Capacity	Number of issued ordinary shares/ underlying shares held	Percentage of the issued capital of the Company
New Fortune	Beneficial owner [(1)]	2,100,000,000	69.93%

Notes:

1. Mr. Wong Luen Hei is the sole shareholder of New Fortune, which in turn owned 69.93% of the issued shares of the Company as at 30 June 2011. Accordingly Mr. Wong Luen Hei was indirectly interested in 2,100,000,000 shares of the Company as at 30 June 2011.

The above shares were the same shares as set out under the section headed "Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures" above. Save as disclosed above, as at 30 June 2011, the directors of the Company were not aware of any person or corporation (other than the directors and chief executive of the Company) who had any interests or short positions in any shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

SHARE OPTION SCHEMES

The Company has adopted two share option schemes on 14 May 2010, pursuant to which the Company is entitled to grant options prior to and after the IPO. The details of both share option schemes are as follows:

1. Share option scheme

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the Company's shareholders on 14 May 2010 and the summary of the terms of such Share Option Scheme are disclosed in the Prospectus. No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the Period and there were no outstanding share options under the Share Option Scheme as at 30 June 2011.

SHARE OPTION SCHEMES (continued)

2. Pre-IPO Share Option Scheme

(a) Summary of terms

The purpose of the Pre-IPO Share Option Scheme, approved by the shareholders pursuant to the written resolutions of the shareholders dated 14 May 2010, is to give employees an opportunity to have a personal stake in the Company and help motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such employees who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The principal terms of the Pre-IPO Share Option Scheme are set out in detail in our 2010 Annual Report at pages 83 to 86.

SHARE OPTION SCHEMES (continued)

2. Pre-IPO Share Option Scheme (continued)

(b) Outstanding Options Granted

As of 30 June 2011, options to subscribe for all of the Company's shares under the Pre-IPO Share Option Scheme as described above were conditionally granted to 224 participants by the Company. All the options under the Pre-IPO Share Option Scheme were granted on 21 May 2010 at a consideration of HK$1 paid by each grantee. During the Period, no share options were granted, lapsed, forfeited or cancelled under the Pre-IPO Share Option Scheme other than those were exercised as mentioned below.

Details of the movement of the Pre-IPO Share Options during the six months ended 30 June 2011 were as follows:

				Number of options		
Name or category of participant	Date of grant[1]	Option period[1]	Exercise price HK$	Outstanding at 01/01/2011	Exercised during the Period	Outstanding at 30/06/2011
Chief Executive						
Mr. Zuo Manlun	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	3,842,000	—	3,842,000
Directors						
Ms. Zuo Xiaoping	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	2,308,000	—	2,308,000
Mr. Kong Zhaocong	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	2,308,000	—	2,308,000
Mr. Lai Zhiqiang	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	2,308,000	—	2,308,000
Dr. Lin Shaoquan	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	1,927,000	—	1,927,000
Mr. Chen Guonan	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	1,927,000	—	1,927,000
Mr. Huang Guirong	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	1,927,000	—	1,927,000
Mr. Luo Jianfeng	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	1,927,000	—	1,927,000

SHARE OPTION SCHEMES (continued)

2. Pre-IPO Share Option Scheme (continued)

(b) Outstanding Options Granted (continued)

Name or category of participant	Date of grant[1]	Option period[1]	Exercise price HK$	Number of options: Outstanding at 01/01/2011	Exercised during the Period	Outstanding at 30/06/2011
Directors						
Mr. Lin Dewei	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	692,000	—	692,000
Subtotal directors				15,324,000	—	15,324,000
Subtotal directors and chief executive				19,166,000	—	19,166,000
Employees[2]						
In aggregate	21/05/2010	23/06/2011 to 22/06/2014[3]	1.82	95,635,000	(3,191,450)	92,443,550
Total				114,801,000	(3,191,450)	111,609,550

Notes:

1. All dates are shown in the format of day/month/year.
2. None of such grantees is a connected person of the Company.
3. The options are exercisable from 23 June 2011 to 22 June 2014 (both days inclusive) subject to the following vesting periods:
   (i) up to 25% of the options commencing on 23 June 2011.
   (ii) up to 60% of the options (including the options not exercised under the limit prescribed for in the previous period) commencing on 23 June 2012; and
   (iii) up to 100% of the options (including the options not exercised under the limit prescribed for in the previous periods) commencing on 23 June 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2011, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011. Such condensed consolidated financial statements have not been audited but have been reviewed by the Company's independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphases on maintaining a Board with balance of skill sets of directors, better transparency and effective accountability system in order to enhance shareholders' value. 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 Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code governing securities transactions by the 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 Period.

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.

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

Hong Kong, 19 August 2011

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

安 永

To the board of directors of China Liansu Group Holdings Limited
(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying condensed consolidated financial statements of China Liansu Group Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 21 to 43, which comprise the condensed consolidated statement of financial position as at 30 June 2011, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

19 August 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

	Notes	Six months ended 30 June **2011** **RMB'000** **(Unaudited)**	 2010 RMB'000 (Audited)
REVENUE	4	**4,564,880**	3,323,021
Cost of sales		**(3,485,246)**	(2,441,035)
Gross profit		**1,079,634**	881,986
Other revenue, income and gains	4	**36,396**	15,564
Selling and distribution costs		**(182,026)**	(130,345)
Administrative expenses		**(142,043)**	(100,462)
Other expenses		**(87,351)**	(36,754)
Finance costs	5	**(32,778)**	(31,725)
PROFIT BEFORE TAX	6	**671,832**	598,264
Income tax expense	7	**(136,080)**	(115,695)
PROFIT FOR THE PERIOD		**535,752**	482,569
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(10,463)**	(383)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**525,289**	482,186
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic		**RMB0.18**	RMB0.21
Diluted		**RMB0.17**	RMB0.21

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	**As at 30 June 2011 RMB'000 (Unaudited)**	As at 31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,989,581**	1,705,918
Prepaid land lease payments		**247,069**	248,612
Other intangible assets		**2,970**	2,281
Deposits paid for the purchase of land, property, plant and equipment		**69,137**	55,056
Deferred tax assets		**2,200**	2,295
Total non-current assets		**2,310,957**	2,014,162
CURRENT ASSETS			
Inventories		**1,498,715**	1,139,452
Trade and bills receivables	11	**894,211**	681,415
Prepayments, deposits and other receivables	12	**360,596**	270,435
Restricted cash		**11,581**	23,044
Cash and cash equivalents		**2,291,151**	1,500,292
Total current assets		**5,056,254**	3,614,638
CURRENT LIABILITIES			
Trade and bills payables	13	**203,865**	242,760
Other payables and accruals	14	**522,419**	439,758
Bank loans and other borrowings	15	**303,301**	630,326
Tax payable		**71,473**	94,900
Total current liabilities		**1,101,058**	1,407,744
NET CURRENT ASSETS		**3,955,196**	2,206,894
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,266,153**	4,221,056

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	**As at 30 June 2011 RMB'000 (Unaudited)**	As at 31 December 2010 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Bank loans and other borrowings	15	**1,911,914**	154,000
Deferred tax liabilities		**72,660**	44,778
Deferred income		**22,966**	17,827
Total non-current liabilities		**2,007,540**	216,605
Net assets		**4,258,613**	4,004,451
EQUITY			
Issued capital	16	**131,430**	131,297
Reserves		**4,127,183**	3,570,128
Proposed final dividend		**—**	303,026
Total equity		**4,258,613**	4,004,451

Wong Luen Hei
Director

Luo Jianfeng
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2011

	Issued capital RMB'000	Share premium RMB'000	Statutory reserve[(a)] RMB'000	Capital reserve[(b)] RMB'000	Share option reserve RMB'000	Merger reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2011 (Audited)	**131,297**	**1,673,604**	**274,420**	**31,645**	**35,891**	**5,515**	**22,920**	**1,526,133**	**303,026**	**4,004,451**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(10,463)**	**535,752**	**–**	**525,289**
Issue of shares	**133**	**7,560**	**–**	**–**	**(2,866)**	**–**	**–**	**–**	**–**	**4,827**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**27,072**	**–**	**–**	**–**	**–**	**27,072**
2010 final dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(303,026)**	**(303,026)**
Appropriation to statutory reserve	**–**	**–**	**1,159**	**–**	**–**	**–**	**–**	**(1,159)**	**–**	**–**
At 30 June 2011 (Unaudited)	**131,430**	**1,681,164***	**275,579***	**31,645***	**60,097***	**5,515***	**12,457***	**2,060,726***	**–**	**4,258,613**
At 1 January 2010 (Audited)	352	–	129,667	31,645	–	5,515	33,080	841,729	–	1,041,988
Total comprehensive income for the period	–	–	–	–	–	–	(383)	482,569	–	482,186
Issue of shares	130,945	1,673,604	–	–	–	–	–	–	–	1,804,549
Equity-settled share option arrangements	–	–	–	–	6,861	–	–	–	–	6,861
Appropriation to statutory reserve	–	–	337	–	–	–	–	(337)	–	–
At 30 June 2010 (Audited)	131,297	1,673,604	130,004	31,645	6,861	5,515	32,697	1,323,961	–	3,335,584

* These reserve accounts comprise the consolidated reserves of RMB4,127,183,000 in the condensed consolidated statement of financial position as at 30 June 2011.

Notes:

(a) In accordance with the Company Law of the PRC, each of the Company's subsidiaries registered in the PRC is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC to the statutory reserve until the balance of the reserve fund reaches 50% of its registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided that the remaining balance of the statutory reserve is not less than 25% of the registered capital.

(b) Capital reserve mainly represented the difference between the consideration and the book value of the share of the net assets acquired in respect of the acquisition of non-controlling interests.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
OPERATING ACTIVITIES		
Cash generated from operations	**171,491**	473,680
Bank interest received	**5,675**	2,095
Corporate income tax paid	**(131,530)**	(101,118)
Net cash flows from operating activities	**45,636**	374,657
INVESTING ACTIVITIES		
Purchases of items of land, property, plant and equipment	**(387,966)**	(304,272)
Proceeds from disposal of items of property, plant and equipment	**310**	1,816
Decrease/(increase) in restricted cash	**11,463**	(47,769)
Other cash flows used in investing activities	**(1,975)**	(69)
Net cash flows used in investing activities	**(378,168)**	(350,294)
FINANCING ACTIVITIES		
New bank loans and other borrowings	**2,001,495**	511,500
Repayment of bank loans and other borrowings	**(560,454)**	(514,112)
Interest paid	**(11,159)**	(31,725)
Proceeds from issue of shares, net of expenses	**4,827**	1,629,839
Dividends paid	**(303,026)**	—
Other cash flows used in financing activities	**—**	(96,692)
Net cash flows from financing activities	**1,131,683**	1,498,810
NET INCREASE IN CASH AND CASH EQUIVALENTS	**799,151**	1,523,173
Cash and cash equivalents at beginning of the period	**1,500,292**	361,767
Effect of foreign exchange rate changes, net	**(8,292)**	(3,251)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**2,291,151**	1,881,689
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,248,609**	1,881,689
Time deposits with original maturity of less than three months	**42,542**	—
	2,291,151	1,881,689

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of this interim report.

The Group is principally engaged in the manufacture and sale of plastic pipes and pipe fittings.

In the opinion of the directors, the Company's ultimate holding company is New Fortune, a limited liability company incorporated in the British Virgin Islands.

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 19 August 2011.

2.1 BASIS OF PREPARATION

These unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011 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 unaudited condensed consolidated financial statements are presented in Renminbi ("RMB") 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 unaudited condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) as disclosed in note 2.2 below.

These unaudited 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 2010.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *Limited Exemption from Comparative - HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (as revised in 2009)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Disclosures – Transfers of Financial Assets* [1]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendment	*Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (as revised in 2011)	*Employee Benefits* [4]
HKAS 27 (as revised in 2011)	*Separate Financial Statements* [4]
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures* [4]

1 Effective for annual periods beginning on or after 1 July 2011

2 Effective for annual periods beginning on or after 1 January 2012

3 Effective for annual periods beginning on or after 1 July 2012

4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. 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 bank 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 six months ended 30 June 2011 and 2010, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

3. OPERATING SEGMENT INFORMATION (continued)

	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 2011										
Segment revenue:										
Sales to external customers	3,110,957	413,277	368,010	198,485	276,608	93,278	73,541	30,724	–	4,564,880
Intersegment sales	341,249	98,227	110,816	18,932	60,913	6,644	10,632	23,876	(671,289)	–
Total	3,452,206	511,504	478,826	217,417	337,521	99,922	84,173	54,600	(671,289)	4,564,880
Segment results	776,427	111,421	142,771	37,092	60,999	22,268	15,822	8,059	(95,225)	1,079,634
Reconciliations:										
Unallocated income and expenses										(380,699)
Bank interest income										5,675
Finance costs										(32,778)
Profit before tax										671,832
Other segment information:										
Depreciation and amortisation	38,521	7,956	12,632	4,911	8,775	2,566	2,154	1,141	–	78,656
Reversal of impairment of trade receivables	–	–	(713)	–	–	–	–	–	–	(713)
Write-back of inventories to net realisable value	(488)	–	–	–	–	–	–	–	–	(488)
Capital expenditure*	187,828	26,935	45,697	20,702	18,810	29,372	40,281	–	(7,708)	361,917
As at 30 June 2011										
Segment assets	2,890,038	348,242	623,642	260,325	440,270	223,126	254,448	8,350	–	5,048,441

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

3. OPERATING SEGMENT INFORMATION (continued)

	Southern China RMB'000 (Audited)	Southwestern China RMB'000 (Audited)	Central China RMB'000 (Audited)	Eastern China RMB'000 (Audited)	Northern China RMB'000 (Audited)	Northwestern China RMB'000 (Audited)	Northeastern China RMB'000 (Audited)	Outside China RMB'000 (Audited)	Eliminations RMB'000 (Audited)	Consolidated RMB'000 (Audited)
Six months ended 30 June 2010										
Segment revenue:										
Sales to external customers	2,277,690	330,086	255,000	122,260	205,270	72,756	39,938	20,021	—	3,323,021
Intersegment sales	335,998	74,483	101,670	11,429	44,844	4,134	5,006	1,242	(578,806)	—
Total	2,613,688	404,569	356,670	133,689	250,114	76,890	44,944	21,263	(578,806)	3,323,021
Segment results	650,333	109,141	101,492	21,135	47,574	21,839	9,146	2,616	(81,290)	881,986
Reconciliations:										
Unallocated income and expenses										(254,092)
Bank interest income										2,095
Finance costs										(31,725)
Profit before tax										598,264
Other segment information:										
Depreciation and amortisation	30,571	5,241	4,686	3,970	6,778	977	1,399	841	—	54,463
Impairment of trade receivables, net	8,199	(739)	711	—	—	—	—	—	—	8,171
Write-back of inventories to net realisable value	(132)	—	—	—	—	—	—	—	—	(132)
Capital expenditure*	84,444	17,391	30,071	9,017	16,634	25,017	10,639	21	(6,194)	187,040
As at 31 December 2010										
Segment assets	2,399,681	284,771	523,583	196,153	330,929	164,553	184,994	3,706	—	4,088,370

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

4. 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 period.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue		
Sale of goods	**4,564,880**	3,323,021
Other revenue, income and gains		
Gross rental income from leasing of properties	**569**	706
Gain on sale of raw materials	**2,342**	750
Income from the provision of utilities	**2,079**	2,152
Bank interest income	**5,675**	2,095
Government grants and subsidies	**4,016**	1,998
Others	**21,715**	7,863
	36,396	15,564

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.

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest on:		
Bank loans	**11,159**	31,725
Senior notes	**21,619**	—
	32,778	31,725

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of inventories sold	**3,485,734**	2,441,167
Depreciation	**75,880**	51,866
Amortisation of prepaid land lease payments	**2,407**	2,440
Amortisation of other intangible assets	**369**	157
Research and development costs*	**86,109**	24,630
(Gain)/loss on disposal of items of property, plant and equipment	**(24)**	1,190
Equity-settled share option expense	**27,072**	6,861
Foreign exchange difference, net	**(18,708)**	372
(Reversal of impairment)/impairment of trade receivables*	**(713)**	8,171
Write-back of inventories to net realisable value	**(488)**	(132)

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current - PRC		
Charge for the period	**108,103**	93,895
Overprovision in the prior year	—	(5,507)
Deferred	**27,977**	27,307
Total tax charge for the period	**136,080**	115,695

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 period (six months ended 30 June 2010: 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 six months ended 30 June 2011 and 2010, based on the existing legislation, interpretations and practices in respect thereof.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

9. 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	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**535,752**	482,569

	Number of Shares	
Shares		
Weighted average number of ordinary shares of the Company in issue used in the basic earnings per share calculation	**3,000,086,426**	2,279,005,525
Effect of dilution - weighted average number of ordinary shares: share options	**84,385,327**	1,243,738
	3,084,471,753	2,280,249,263

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2011 includes 3,000,000,000 ordinary shares in issue as at 31 December 2010 and 86,426 shares derived from the weighted average of 3,191,450 ordinary shares issued upon the exercise of share options.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2010 comprised the following:

(i) 29,005,525 shares derived from the weighted average of 750,000,000 ordinary shares issued upon the listing of the Company's shares on the Stock Exchange on 23 June 2010; and

(ii) the pro forma issued share capital of the Company as at 31 December 2009 of 2,250,000,000 ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with an aggregate cost of RMB359,829,000 (six months ended 30 June 2010: RMB186,971,000). During the period, property, plant and equipment with an aggregate carrying amount of RMB286,000 (six months ended 30 June 2010: RMB3,006,000) was disposed of by the Group.

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Trade receivables	**897,159**	675,099
Bills receivable	**870**	10,847
Less: Provision for impairment	**(3,818)**	(4,531)
	894,211	681,415

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 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.

11. TRADE AND BILLS RECEIVABLES (continued)

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

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Within 3 months	**806,785**	592,908
4 to 6 months	**26,270**	51,072
7 to 12 months	**48,992**	19,926
1 to 2 years	**11,684**	16,029
2 to 3 years	**480**	1,480
	894,211	681,415

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Prepayments	**295,776**	216,238
Current portion of prepaid land lease payments	**5,102**	5,049
Value-added tax recoverable	**37,414**	31,750
Deposits	**10,316**	7,818
Other receivables	**11,988**	9,580
	360,596	270,435

The deposits and other receivables balances are unsecured, interest-free and have no fixed terms of repayment.

13. TRADE AND BILLS PAYABLES

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Trade payables	**148,964**	221,355
Bills payable	**54,901**	21,405
	203,865	242,760

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

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

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Within 3 months	**200,940**	240,190
4 to 6 months	**825**	1,473
7 to 12 months	**1,322**	596
1 to 2 years	**591**	327
2 to 3 years	**16**	11
Over 3 years	**171**	163
	203,865	242,760

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Advances from customers	**282,093**	254,376
Accruals	**30,691**	22,316
Salaries and welfare payables	**30,971**	25,511
Other payables	**178,664**	137,555
	522,419	439,758

The above balances are interest-free and have no fixed terms of repayment.

15. BANK LOANS AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	As at 30 June 2011 RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	As at 31 December 2010 RMB'000 (Audited)
Current						
Secured bank loans	**2.75-5.60**	**2011-2012**	**197,055**	5.30-5.94	2011	178,000
Unsecured bank loans	**3.45-5.40**	**2011**	**106,246**	1.67-5.40	2011	452,326
			303,301			630,326
Non-current						
Secured bank loans	**5.40**	**2013**	**28,000**	5.40	2012	104,000
Unsecured bank loans			**—**	5.40	2013	50,000
Senior notes	**8.63**	**2016**	**1,883,914**			—
			1,911,914			154,000
			2,215,215			784,326

Notes:

(a) As at 30 June 2011, the secured bank loans are secured by the pledge of:

(i) the Group's certain buildings with an aggregate carrying amount of RMB34,134,000 (31 December 2010: RMB354,074,000); and

(ii) the Group's certain machinery and equipment with an aggregate carrying amount of RMB87,663,000 (31 December 2010: RMB120,990,000).

As at 31 December 2010, certain secured bank loans of the Group were also secured by the prepaid land lease payments with an aggregate carrying amount of RMB23,144,000.

(b) On 13 May 2011, the Company issued senior notes with an aggregate principal amount of US$300,000,000 (approximately RMB1,950,022,000 equivalent). The senior notes are listed on the Singapore Exchange Securities Trading Limited. The senior notes carry interest at 7.875% 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.

As at 30 June 2011, the fair value of the senior notes based on the quoted market price was US$291,000,000 (approximately RMB1,882,940,000 equivalent).

16. SHARE CAPITAL

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Authorised:		
20,000,000,000 ordinary shares (31 December 2010: 20,000,000,000 shares) of HK$0.05 each	**HK$1,000,000,000**	HK$1,000,000,000
Issued and fully paid:		
3,003,191,450 ordinary shares (31 December 2010: 3,000,000,000 shares) of HK$0.05 each	**HK$150,160,000**	HK$150,000,000
Equivalent to	**RMB131,430,000**	RMB131,297,000

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 3,191,450 ordinary shares of HK$0.05 each for a total cash consideration, before expenses, of approximately HK$5,808,000 (approximately RMB4,827,000 equivalent) during the period. The shares issued during the period rank pari passu in all respects with the then existing shares of the Company.

17. SHARE OPTION SCHEME

On 14 May 2010, the Company adopted a share option scheme (the "Share Option Scheme") and a pre-initial public offering share option scheme (the "Pre-IPO Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Share Option Scheme

No share options have been granted under the Share Option Scheme since its adoption.

Pre-IPO Share Option Scheme

The following share options granted under the Pre-IPO Share Option Scheme were outstanding during the period:

	Number of options '000
At 1 January 2011	114,801
Exercised during the period	(3,191)
At 30 June 2011	111,610

The exercise prices and exercise periods of the share options outstanding at 30 June 2011 are as follows:

Number of options '000	**Exercise price** HK$ per share	**Exercise period**
25,509	1.82	23 June 2011 to 22 June 2014
40,180	1.82	23 June 2012 to 22 June 2014
45,921	1.82	23 June 2013 to 22 June 2014
111,610		

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$6.39.

18. CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

19. PLEDGE OF ASSETS

Details of the Group's bank loans and other borrowings which are secured by the Group's assets are included in note 15 to these unaudited condensed consolidated financial statements.

20. COMMITMENTS

The Group's capital expenditure in respect of the acquisition of land, property, plant and equipment is as follows:

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Contracted, but not provided for	**338,948**	138,459

21. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties for the period:

(a) Related party transactions

	Notes	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Companies under the common control of a director:			
Sales of goods	(i)	—	735
Sales of raw materials	(ii)	—	466
Provision of utilities	(iii)	**2,019**	2,019
Rental income	(iv)	**427**	427
Purchases of materials	(v)	**2,570**	2,718
Purchases of equipment	(vi)	**30,715**	34,574
Licensing trademarks	(vii)	**333**	425
Licensing patents	(vii)	**22**	22
Agency services from companies under the control of a director	(viii)	**814**	216
Rental expenses paid to a director	(ix)	**1,706**	1,710

Notes:

(i) The sales of goods to related companies were conducted in accordance with terms agreed between the Group and its related companies, determined with reference to similar transactions with third party customers.

(ii) Raw materials were sold to related companies at cost plus mark-up.

(iii) Utilities were provided to related companies at cost.

(iv) Rental income was based on mutually agreed terms.

(v) Purchases of materials from related companies were made based on mutually agreed terms.

(vi) Purchases of equipment from related companies were made with reference to the prices and conditions offered by the related companies to their third party customers.

(vii) Licensing trademarks and patents to related companies were conducted based on mutually agreed terms.

(viii) Agency services were provided by related companies based on mutually agreed terms.

(ix) Properties including office premises, cafeteria, workshops and warehouses were leased to the Group based on mutually agreed terms commencing on 1 January 2010.

21. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Short-term employees benefits	**2,752**	2,276
Post-employment benefits	**67**	83
Equity-settled share option expense	**5,065**	1,284
Total compensation paid to key management personnel	**7,884**	3,643

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
"Group"	The Company and its subsidiaries
"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
"PB"	Polybutylene
"PE"	Polyethylene
"Period"	Six months ended 30 June 2011
"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"	Unplasticised PVC
"SFO"	Securities and Futures Ordinance
"State Council"	The State Council of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Wong Luen Hei *(Chairman)*
Mr. Zuo Manlun *(Chief Executive)*
Ms. Zuo Xiaoping
Mr. Lai Zhiqiang
Mr. Kong Zhaocong
Mr. Chen Guonan
Dr. Lin Shaoquan
Mr. Huang Guirong
Mr. Luo Jianfeng

Non-Executive Director
Mr. Lin Dewei

Independent Non-Executive Directors
Dr. Bai Chongen
Mr. Fung Pui Cheung
Mr. Wong Kwok Ho Jonathan

Audit Committee

Mr. Fung Pui Cheung *(Chairman)*
Mr. Wong Kwok Ho Jonathan
Mr. Lin Dewei

Remuneration Committee

Mr. Wong Luen Hei *(Chairman)*
Mr. Zuo Manlun
Dr. Bai Chongen
Mr. Fung Pui Cheung
Mr. Wong Kwok Ho Jonathan

Nomination Committee

Mr. Wong Luen Hei *(Chairman)*
Mr. Zuo Manlun
Dr. Bai Chongen
Mr. Fung Pui Cheung
Mr. Wong Kwok Ho Jonathan

Joint Company Secretaries

Mr. Kwan Chi Wai Samuel
Mr. Yuan Shuixian

Authorised Representatives

Mr. Zuo Manlun
Mr. Kwan Chi Wai Samuel

Registered Office

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Principal Place of Business in Hong Kong

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Kowloon, Hong Kong

Listing Information

Listing: The Stock Exchange of Hong Kong Limited
Stock code: 2128

Key Date

Interim result announcement 19 August 2011

Share Information

Board lot size: 1,000 shares

Share issued as
at 30 June 2011: 3,003,191,450 shares

Market Capitalisation
as at 30 June 2011: HK$19,070 million

CORPORATE INFORMATION

Share Registrar and Transfer office

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PO Box 1093
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Grand Cayman, KY1-1102
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183 Queen's Road East, Wanchai
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Investor Relations and Media Relations Consultant

Porda Havas International Finance Communications Group
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Auditors

Ernst & Young
Certified Public Accountants, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Foshan Shunde Rural Commercial Bank Company Limited
The Hongkong and Shanghai Banking Corporation Limited

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