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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 2011**

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2011.

**Highlights**

Compared to the last year financial results:

- Revenue increased by 31.5% to RMB10,143 million
- Gross profit increased by 20.6% to RMB2,452 million
- Profit attributable to owners of the Company increased by 11.4% to RMB1,261 million
- Basic earnings per share were RMB0.42, decreased by 2.3%
- Final dividend of HK12 cents per share

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
<b>REVENUE</b>	3	<b>10,143,296</b>	7,711,532
Cost of sales		<u>(7,691,274)</u>	<u>(5,677,884)</u>
Gross profit		<b>2,452,022</b>	2,033,648
Other revenue, income and gains	3	<b>148,321</b>	43,515
Selling and distribution costs		<u>(453,596)</u>	<u>(298,866)</u>
Administrative expenses		<u>(314,782)</u>	<u>(234,581)</u>
Other expenses		<u>(164,467)</u>	<u>(117,229)</u>
Finance costs	4	<u>(110,536)</u>	<u>(52,971)</u>
Share of loss of a jointly-controlled entity		<u>(29)</u>	<u>—</u>
<b>PROFIT BEFORE TAX</b>	5	<b>1,556,933</b>	1,373,516
Income tax expense	6	<u>(296,237)</u>	<u>(241,333)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>1,260,696</u></b>	<b><u>1,132,183</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>			
Available-for-sale investments:			
Changes in fair value		<u>(20,022)</u>	<u>—</u>
Exchange differences on translation of foreign operations		<u>(2,325)</u>	<u>(10,160)</u>
		<u>(22,347)</u>	<u>(10,160)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>1,238,349</u></b>	<b><u>1,122,023</u></b>
Profit attributable to			
Owners of the Company		<u>1,260,758</u>	<u>1,132,183</u>
Non-controlling interests		<u>(62)</u>	<u>—</u>
		<b><u>1,260,696</u></b>	<b><u>1,132,183</u></b>
Total comprehensive income attributable to			
Owners of the Company		<u>1,238,411</u>	<u>1,122,023</u>
Non-controlling interests		<u>(62)</u>	<u>—</u>
		<b><u>1,238,349</u></b>	<b><u>1,122,023</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
	8		
Basic		<u>RMB0.42</u>	<u>RMB0.43</u>
Diluted		<u>RMB0.41</u>	<u>RMB0.42</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,470,759	1,705,918
Prepaid land lease payments		356,065	248,612
Other intangible assets		2,799	2,281
Deposits paid for the purchase of land, property, plant and equipment		291,672	55,056
Investment in a jointly-controlled entity		4,971	—
Available-for-sale investments	9	156,508	—
Deferred tax assets		2,112	2,295
Total non-current assets		<u>3,284,886</u>	<u>2,014,162</u>
<b>CURRENT ASSETS</b>			
Inventories		1,294,018	1,139,452
Trade and bills receivables	10	748,358	681,415
Prepayments, deposits and other receivables		347,632	270,435
Restricted cash		1,689	23,044
Cash and cash equivalents		2,114,952	1,500,292
Total current assets		<u>4,506,649</u>	<u>3,614,638</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	191,314	242,760
Other payables and accruals		657,447	439,758
Bank loans and other borrowings	12	70,004	630,326
Tax payable		114,426	94,900
Total current liabilities		<u>1,033,191</u>	<u>1,407,744</u>
<b>NET CURRENT ASSETS</b>		<u>3,473,458</u>	<u>2,206,894</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>6,758,344</u>	<u>4,221,056</u>

	Notes	2011 RMB'000	2010 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Bank loans and other borrowings	12	<b>1,674,704</b>	154,000
Deferred tax liabilities		<b>72,673</b>	44,778
Deferred income		<b>23,602</b>	17,827
		<hr/>	<hr/>
Total non-current liabilities		<b>1,770,979</b>	216,605
		<hr/>	<hr/>
Net assets		<b>4,987,365</b>	4,004,451
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	13	<b>131,537</b>	131,297
Reserves		<b>4,855,438</b>	3,873,154
		<hr/>	<hr/>
		<b>4,986,975</b>	4,004,451
<b>Non-controlling interests</b>		<b>390</b>	—
		<hr/>	<hr/>
Total equity		<b>4,987,365</b>	4,004,451
		<hr/> <hr/>	<hr/> <hr/>

## 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, except for available-for-sale investments which have been measured at fair value. These financial statements are presented in 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 2011. 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, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

The total comprehensive income within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

### 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 consolidated financial statements.

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

The adoption of these new and revised HKFRSs has had no significant financial effect on these consolidated 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 bank interest income, gain on repurchase of senior notes, exchange difference, finance costs, share of result of a jointly-controlled entity and other unallocated income and expenses are excluded from such measurement.

Segment assets exclude investment in a jointly-controlled entity, available-for-sale investments, 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 revenue is eliminated on consolidation. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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

During the years ended 31 December 2011 and 2010, 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 2011

	Southern China	Southwestern China	Central China	Eastern China	Northern China	Northwestern China	Northeastern China	Outside China	Eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Segment revenue:</b>										
Sales to external customers	6,852,183	915,905	832,613	463,153	581,519	227,725	176,327	93,871	—	10,143,296
Intersegment sales	886,056	172,638	228,854	48,625	115,916	14,459	52,218	47,855	(1,566,621)	—
<b>Total</b>	<b>7,738,239</b>	<b>1,088,543</b>	<b>1,061,467</b>	<b>511,778</b>	<b>697,435</b>	<b>242,184</b>	<b>228,545</b>	<b>141,726</b>	<b>(1,566,621)</b>	<b>10,143,296</b>
<b>Segment results</b>	<b>1,913,282</b>	<b>208,258</b>	<b>292,762</b>	<b>80,534</b>	<b>112,481</b>	<b>48,444</b>	<b>39,525</b>	<b>17,636</b>	<b>(260,900)</b>	<b>2,452,022</b>
Reconciliations:										
Bank interest income										27,219
Gain on repurchase of senior notes										24,662
Exchange gain										52,491
Finance costs										(110,536)
Share of loss of a jointly-controlled entity										(29)
Unallocated income and expenses										(888,896)
<b>Profit before tax</b>										<b>1,556,933</b>
<b>Segment assets</b>	<b>3,078,390</b>	<b>409,212</b>	<b>662,071</b>	<b>256,941</b>	<b>449,491</b>	<b>274,408</b>	<b>354,654</b>	<b>26,136</b>	<b>—</b>	<b>5,511,303</b>
Reconciliations:										
Investment in a jointly-controlled entity										4,971
Available-for-sale investments										156,508
Deferred tax assets										2,112
Restricted cash										1,689
Cash and cash equivalents										2,114,952
<b>Total assets</b>										<b>7,791,535</b>
<b>Other segment information:</b>										
Depreciation and amortisation	83,878	17,455	27,367	10,422	19,071	6,209	7,251	2,252	—	173,905
Reversal of impairment of trade receivables, net	(1,222)	—	—	—	—	—	—	—	—	(1,222)
Write-back of inventories to net realisable value	—	—	—	—	(522)	—	—	—	—	(522)
Capital expenditure*	487,618	106,734	154,736	48,928	55,065	78,334	138,251	40	(16,024)	1,053,682

\* 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 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
<b>Segment revenue:</b>										
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)	—
<b>Total</b>	<u>5,963,117</u>	<u>829,194</u>	<u>820,580</u>	<u>356,969</u>	<u>559,252</u>	<u>198,010</u>	<u>115,170</u>	<u>66,267</u>	<u>(1,197,027)</u>	<u>7,711,532</u>
<b>Segment results</b>	1,554,019	190,484	242,875	57,939	95,059	42,295	24,882	8,340	(182,245)	2,033,648
Reconciliations:										
Bank interest income										9,828
Finance costs										(52,971)
Unallocated income and expenses										<u>(616,989)</u>
<b>Profit before tax</b>										<u>1,373,516</u>
<b>Segment assets</b>	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										<u>14,799</u>
<b>Total assets</b>										<u>5,628,800</u>
<b>Other segment information:</b>										
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)
<b>Capital expenditure*</b>	<u>193,924</u>	<u>26,942</u>	<u>181,794</u>	<u>15,453</u>	<u>45,112</u>	<u>77,759</u>	<u>36,955</u>	<u>11,431</u>	<u>(7,979)</u>	<u>581,391</u>

\* 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:

	2011 RMB'000	2010 RMB'000
<i>Revenue</i>		
Sale of goods	<u>10,143,296</u>	<u>7,711,532</u>
<i>Other revenue, income and gains</i>		
Gain on sale of raw materials	6,314	3,503
Income from the provision of utilities	5,138	6,489
Bank interest income	27,219	9,828
Government grants and subsidies	28,281	4,540
Gain on repurchase of senior notes	24,662	—
Exchange gain	52,491	—
Others	<u>4,216</u>	<u>19,155</u>
	<u>148,321</u>	<u>43,515</u>

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

	2011 RMB'000	2010 RMB'000
Interest on:		
Bank loans	17,175	52,971
Senior notes	<u>93,361</u>	<u>—</u>
	<u>110,536</u>	<u>52,971</u>

## 5. PROFIT BEFORE TAX

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

	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Cost of inventories sold	<b>7,691,796</b>	5,678,254
Depreciation	<b>166,947</b>	118,076
Amortisation of prepaid land lease payments	<b>6,184</b>	4,819
Amortisation of other intangible assets	<b>774</b>	417
Research and development costs*	<b>158,213</b>	99,734
Loss on disposal of items of property, plant and equipment	<b>642</b>	1,500
Write-back of inventories to net realisable value	<b>(522)</b>	(370)
(Reversal of impairment)/impairment of trade receivables, net*	<b>(1,222)</b>	7,156
	<u><u>                    </u></u>	<u><u>                    </u></u>

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

## 6. INCOME TAX EXPENSE

	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Current - PRC		
Charge for the year	<b>276,989</b>	238,558
Overprovision in prior years	<b>(8,830)</b>	(5,273)
	<u>                    </u>	<u>                    </u>
	<b>268,159</b>	233,285
Deferred	<b>28,078</b>	8,048
	<u>                    </u>	<u>                    </u>
Total tax charge for the year	<b>296,237</b>	241,333
	<u><u>                    </u></u>	<u><u>                    </u></u>

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 (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 years ended 31 December 2011 and 2010, based on the existing legislation, interpretations and practices in respect thereof.

## 7. DIVIDENDS

	2011	2010
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
2010 final – HK12 cents (2010: 2009 final dividend nil)		
per ordinary share	<u>303,026</u>	<u>—</u>

The final dividend of HK12 cents in respect of the year ended 31 December 2011 (2010: final dividend of HK12 cents in respect of the year ended 31 December 2010) per ordinary share has been proposed by the directors and is subject to approval by the 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:

	2011	2010
	RMB'000	RMB'000
<b>Earnings</b>		
Profit attributable to owners of the Company used in the		
basic earnings per share calculation	<u>1,260,758</u>	<u>1,132,183</u>
	<b>Number of Shares</b>	
	2011	2010
<b>Shares</b>		
Weighted average number of ordinary shares of the Company		
in issue used in the basic earnings per share calculation	3,002,907,794	2,642,465,753
Effect of dilution - weighted average number of ordinary		
shares: share options	<u>73,937,711</u>	<u>32,948,863</u>
	<u>3,076,845,505</u>	<u>2,675,414,616</u>

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2011 includes 3,000,000,000 ordinary shares in issue as at 31 December 2010 and 2,907,794 shares derived from the weighted average of 5,906,950 ordinary shares issued upon the exercise of share options.

The calculation of the diluted earnings per share amount for the year ended 31 December 2011 is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 December 2011, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## 9. AVAILABLE-FOR-SALE INVESTMENTS

	2011 RMB'000	2010 RMB'000
Listed equity investments in Hong Kong, at fair value	<u>156,508</u>	<u>—</u>

All these investments were disposed of at a cash consideration of approximately RMB191,430,000 subsequent to the end of the reporting period.

## 10. TRADE AND BILLS RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	718,856	675,099
Bills receivable	32,811	10,847
Less: Provision for impairment	<u>(3,309)</u>	<u>(4,531)</u>
	<u>748,358</u>	<u>681,415</u>

The Group's major customers are independent distributors, civil contractors, property developers, utility companies and municipalities in Mainland China. Depending on the market condition, marketing tactics and relationships with the customers, the Group's trading terms with its independent distributors may change from settlement on an advance receipt basis to giving a credit period of generally one month or more, if appropriate. The Group does not have a standardised and universal credit period granted to the non-distributor customers. The credit period of an individual non-distributor customer is considered on a case-by-case basis and is set out in the sales contracts, as appropriate. Sales to small, new, or short-term customers are normally expected to be settled on an advance receipt basis or shortly after the goods delivery. No credit term period is set by the Group for small, new and short-term customers.

Trade and bills receivables are unsecured and interest-free.

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

	2011 RMB'000	2010 RMB'000
Within 3 months	580,613	592,908
4 to 6 months	98,441	51,072
7 to 12 months	40,722	19,926
1 to 2 years	26,431	16,029
2 to 3 years	2,049	1,480
Over 3 years	<u>102</u>	<u>—</u>
	<u>748,358</u>	<u>681,415</u>

## 11. TRADE AND BILLS PAYABLES

	2011 RMB'000	2010 RMB'000
Trade payables	179,397	221,355
Bills payable	11,917	21,405
	<u>191,314</u>	<u>242,760</u>

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

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

	2011 RMB'000	2010 RMB'000
Within 3 months	188,436	240,190
4 to 6 months	860	1,473
7 to 12 months	1,306	596
1 to 2 years	517	327
2 to 3 years	21	11
Over 3 years	174	163
	<u>191,314</u>	<u>242,760</u>

## 12. BANK LOANS AND OTHER BORROWINGS

	2011			2010		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Secured bank loans	2.90-5.40	2012	70,004	5.30-5.94	2011	178,000
Unsecured bank loans			—	1.67-5.40	2011	452,326
			<u>70,004</u>			<u>630,326</u>
<b>Non-current</b>						
Secured bank loans	5.40	2013	16,400	5.40	2012	104,000
Unsecured bank loans			—	5.40	2013	50,000
Senior notes	8.63	2016	1,658,304			—
			<u>1,674,704</u>			<u>154,000</u>
			<u>1,744,708</u>			<u>784,326</u>

	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Analysed into bank loans repayable:		
Within one year or on demand	<b>70,004</b>	630,326
In the second year	<b>16,400</b>	104,000
In the third to fifth years, inclusive	<b>—</b>	50,000
	<b>86,404</b>	784,326
Analysed into other borrowings repayable:		
In the third to fifth years, inclusive	<b>1,658,304</b>	—
	<b>1,744,708</b>	784,326

Notes:

- (a) As at 31 December 2011, all the Group's bank loans are denominated in RMB except for the aggregate amount of RMB6,004,000 which is denominated in US\$ (2010: RMB306,326,000 which is denominated in HK\$).
- (b) As at 31 December 2011, the secured bank loans are secured by the pledge of:
- (i) the Group's certain buildings and machinery with an aggregate net carrying amount of RMB129,561,000 (2010: RMB475,064,000); and
  - (ii) the Group's certain prepaid land lease payments with an aggregate net carrying amount of RMB26,914,000 (2010: RMB23,144,000).
- (c) 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.

During the year, the Company repurchased and cancelled US\$31,300,000 in aggregate principal amount of the senior notes (approximately RMB197,825,000 equivalent) with a gain of RMB24,662,000 recognised in the consolidated statement of comprehensive income. The outstanding principal amount of the senior notes is US\$268,700,000 as at 31 December 2011.

As at 31 December 2011, the fair value of the senior notes based on the quoted market price by a leading global financial market data provider was US\$227,723,000 (approximately RMB1,434,860,000 equivalent).

### 13. SHARE CAPITAL

Shares	2011	2010
<b>Authorised:</b>		
20,000,000,000 (2010: 20,000,000,000) ordinary shares of HK\$0.05 each	<u><b>HK\$1,000,000,000</b></u>	<u>HK\$1,000,000,000</u>
<b>Issued and fully paid:</b>		
3,005,906,950 (2010: 3,000,000,000) ordinary shares of HK\$0.05 each	<u><b>HK\$150,295,348</b></u>	<u>HK\$150,000,000</u>
Equivalent to	<u><b>RMB131,537,000</b></u>	<u>RMB131,297,000</u>

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

	Number of ordinary shares of HK\$0.05 each	Nominal value of ordinary shares	
		HK\$'000	RMB'000
As at 31 December 2010 and 1 January 2011	3,000,000,000	150,000	131,297
Share options exercised (note)	<u>5,906,950</u>	<u>295</u>	<u>240</u>
As at 31 December 2011	<u><b>3,005,906,950</b></u>	<u><b>150,295</b></u>	<u><b>131,537</b></u>

Note:

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 5,906,950 ordinary shares of HK\$0.05 each for a total cash consideration, before expenses, of approximately HK\$10,751,000 (approximately RMB8,716,000 equivalent) during the year. The shares issued during the year rank pari passu in all respects with the then existing shares of the Company.

### 14. COMMITMENTS

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

	2011 RMB'000	2010 RMB'000
Contracted, but not provided for:		
Land, property, plant and equipment	<u><b>417,306</b></u>	<u>138,459</u>

## CHAIRMAN’S STATEMENT

China Liansu is pleased to present the annual results. Despite the volatile global economy in the past year, the Company had splendid results and continued to create value for shareholders by meeting challenges, seizing opportunities, and capitalising on the competitive edges attributed to broad international perspectives, leadership in the industry and our strength in research and development.

On behalf of China Liansu, I am pleased to present the annual results for the year ended 31 December 2011. During the year, the Group recorded revenue of RMB10,143 million, an increase of 31.5% from RMB7,712 million in 2010. Profit attributable to owners of the Company was RMB1,261 million in 2011, an increase of 11.4% from RMB1,132 million in 2010.

Looking back to 2011, the Chinese government implemented a moderately austerity economic policy to control inflation and ensure healthy development of domestic economy. The government still stood firm on regulating the real estate market, bringing challenges to development of plastic pipe industry. Nevertheless, the Group saw new development opportunities driven by the government’s policy of boosting domestic demand and striving to improve people’s living standard. The government issued a number of favorable policies in “12th Five-year Plan (十二五規劃)” and the No.1 Circular (《中央一號文件》) for 2011 to support and strengthen development of urbanization and water conservation, which provided stable and long term demand of the Group’s products.

The Group, with its industry leading edge, actively developed its future blueprint basing on market situation to meet its long term development. During the year, in addition to consolidating and strengthening its existing marketing network, the Company expanded internationally and set up overseas branches to seek more development opportunities abroad. Exerting synergies of plastic pipes, the Group gradually expands to the market of home building material products based on product trend in the market.

In the past year when international and domestic economic environment was relatively complicated, the Group actively tackled challenges and made full uses of all its advantages, with its production capacity expansion plan progressed smoothly. In line with market trend, the Group gradually developed a series of new products such as bathroom accessories, kitchen, and plastic doors and windows for home building materials industry, which would drive the Company’s future growth. The Group set up a subsidiary in Canada in 2011 and will formally launch home building material business in 2012. In addition, the Group is actively exploring other overseas market with potential for growth.



Looking forward “New Record New Chapter” will be the theme for the Group’s future development so become well planned and prepared for long term growth. The Group, with its leading edge in the plastic pipe industry, will stably develop and further define the market, expand and optimize production capacity, strengthen application of the results of scientific and technological research and development achievements, further study and develop the home building materials business and plan for global expansion, so as to wield better reputation with wider geographic coverage of the Group’s brand and generate the best return for shareholders.

On behalf of the Board of China Liansu, I would like to express my sincerest gratitude to all employees for their long-term dedication and hard work and also my heartfelt gratitude to all customers, business partners, and shareholders from all communities for their valuable support to the Group.

**Wong Luen Hei**

*Chairman*

Hong Kong, 16 March 2012

# **MANAGEMENT DISCUSSION AND ANALYSIS**

## **BUSINESS REVIEW AND ANALYSIS**

### **Overview**

As domestic leader of plastic pipes and pipe fittings manufacturers, the Group has been providing customers with a comprehensive range of plastic pipes and pipe fittings from production bases in various provinces of the PRC. 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 Group has expanded to new segment of home building material products to cater the market needs, such as bathroom ware, kitchen, and plastic doors and windows. The Company is headquartered in Shunde, Guangdong Province and its sales and production bases are strategically distributed nationwide, with 13 production plants in 10 provinces of China.

### **Analysis on Market Condition**

Although the global economy was uncertain, China's economy still performed well in 2011. In order to maintain a steady domestic economy development, the Chinese government adopted macro control measures and carried out credit tightening policies which brought about short term pressure to plastic pipes demand. However, the product demand was stable and presented an increasing trend due to the gradual implementation of affordable housing plan, demand for major infrastructure from Central Government and local governments of all levels. Despite the said challenges and opportunities, the Group as the market leader, achieved steady business growth and spared no effort in developing target markets with successful situations assessments, opportunities capturing and strategic alignment. The Group's strengths have been revealed through its strategic allocation of production and sales resources, advancement in technological research and development, and fruitful brand building work. In the future, the Group will continue to leverage on its leading edges to strengthen and refine sales network, further enhancing its competitiveness and consolidating its market position.

Reviewing in 2011, the Group has recorded steady operating and financial performance. Revenue was RMB10,143 million, an increase of RMB2,431 million or 31.5% over 2010. Gross profit for the year ended 31 December 2011 was RMB2,452 million, an increase of 20.6% over 2010. Basic earnings per share was RMB0.42, a decrease of 2.3% over 2010.

The table below sets out the breakdown of sales volume, revenue and average selling price by product material for the years ended 31 December 2011 and 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 Revenue (%)	Average selling price (%)
Plastic pipes and pipe fittings									
– PVC <sup>(1)</sup>	753,784	6,686	8,870	617,156	5,070	8,215	22.1	31.9	8.0
– Non-PVC <sup>(2)</sup>	207,052	3,235	15,624	172,170	2,542	14,764	20.3	27.3	5.8
	960,836	9,921	10,325	789,326	7,612	9,644	21.7	30.3	7.1
Others <sup>(3)</sup>	N/A	222	N/A	N/A	100	N/A	N/A	122.0	N/A
Total	960,836	10,143	N/A	789,326	7,712	N/A	N/A	31.5	N/A

*Note<sup>(1)</sup>* "PVC", a type of material used in the manufacture of plastic pipes with high mechanical strength and hardness.

*Note<sup>(2)</sup>* "Non-PVC" plastic pipes and pipe fittings mainly refer to those made of PE and PP-R.

*Note<sup>(3)</sup>* "Others" include ancillary and other materials, and home building material products. Sales volumes for "Others" are measured in units rather than tonnes and the size of the units between different products may vary.

## Business Development

### Expand Production Scale to Meet Long Term Demand

In 2011, the growth of house building and municipal infrastructure projects, with the government's focus on development of water conservation facilities generated stable domestic demand. At the end of 2011, the State Council issued "the 12th Five-Year Plan of National Environmental Protection", which stated to improve sewage treatment in urban areas. By 2015, the new urban sewage pipe network has to be increased by 160,000 km and the sewage daily treatment capacity has to be increased by 42 million tonnes. The plan would contribute to the growth of plastic pipe market in various aspects in the coming years.

As the leader in plastic pipe industry, the Group possessed diversified product mix and benefited from various demands such as construction of rural drinking water security system, gas supply system and heating consumption, demand for plastic pipes in country sides and the Central Government boosting investment in infrastructure. The Group supplied the market with good products and services, so as to improve its competitiveness and consolidate its market position. The Group's production capacities expansion plan progressed smoothly. The operation of production plant in Changchun commenced in the second quarter of 2011 to meet the demand of the local and neighborhood markets.

The table below sets out the details of the revenue from plastic pipes and pipe fittings with a breakdown by product for the years ended 31 December 2011 and 2010:

	2011		2010	
	RMB'million	% of total revenue	RMB'million	% of total revenue
Water supply	3,881	39.1%	2,998	39.4%
Drainage	3,590	36.2%	2,825	37.1%
Power supply and telecommunication	1,816	18.3%	1,402	18.4%
Gas supply	99	1.0%	87	1.1%
Others <sup>(1)</sup>	535	5.4%	300	4.0%
Total	<u>9,921</u>	<u>100.0%</u>	<u>7,612</u>	<u>100.0%</u>

*Note<sup>(1)</sup>* "Others" include agricultural use, floor heating and fire prevention.

### **Successful Market Assessment and Continual Market Refining**

The Group strategically has 13 plastic pipes and pipe fittings production plants throughout China to set close to target markets and potential customers for reducing transportation costs. The demand for plastic pipes is under short term pressure due to the slowdown in commercial property market. However, the Group assessed the situation, took advantages of its industry leading edge and captured the opportunities to consolidate and strengthen the development of other major markets including Southern China region. With a focus on market refining, the Group continue to improve its sales and distribution network and strengthen market penetration into other regions.

Currently, Southern China region is the Group's major market and accounted for 67.6% of its total sales in 2011, followed by Southwestern China and Central China regions which accounted for 9.0% and 8.2% of its total sales respectively. The sales network was further expanded and improved during the year, which laid down the solid foundation for the Group's long term development.

The table below sets out the details of the revenue by sales region for the years ended 31 December 2011 and 2010:

Region <sup>(1)</sup>	2011		2010	
	RMB' million	% of total revenue	RMB' million	% of total revenue
Southern China	6,852	67.6%	5,295	68.6%
Southwestern China	916	9.0%	681	8.9%
Central China	833	8.2%	603	7.8%
Eastern China	463	4.6%	331	4.3%
Northern China	581	5.7%	460	6.0%
Northwestern China	228	2.3%	189	2.5%
Northeastern China	176	1.7%	104	1.3%
Outside China	94	0.9%	49	0.6%
<b>Total</b>	<b>10,143</b>	<b>100.0%</b>	<b>7,712</b>	<b>100.0%</b>

*Note<sup>(1)</sup>* The details of the scope of coverage of each region are set out in note 2 to this announcement.

### **Going Global and Exploring Overseas Markets**

As the domestic leader in China's plastic pipe industry, the Group is committed to gradually developing potential overseas markets. In 2011, the Group successfully established a subsidiary in Canada, which will officially operate home building materials business in 2012. In addition, the Group is exploring and developing more potential international business.

### **Significant Economies of Scale and 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 during the year in spite of rising raw material prices. In respect of PVC products, the Group successfully passed the increase in raw material costs to customers, thus maintained a stable gross profit margin. In respect of non-PVC products, the Group optimised its pricing strategy pertinently, which enabled us to successfully increase our market share of non-PVC products while maintaining our gross profit margin at a reasonable level.

During the year under review, the Group's gross profit margin maintained at a healthy level of 24.2% (2010: 26.4%). The average selling price of plastic pipes and pipe fittings increased to RMB 10,325 per tonne in 2011 from RMB 9,644 per tonne in 2010. The average cost of sales of plastic pipes and pipe fittings increased to RMB7,856 per tonne in 2011 from RMB7,129 per tonne in 2010.

The Group has maintained a stable product portfolio. In pursuance of maximum profit, the Group will still focus on offering the most comprehensive product portfolio, and will make appropriate adjustment to it in light of market demand in the future. Key product strategies will be made in light of market demands and relevant national policy directions. In view of future urbanization process, with old system transformation and rural water conservancy reform as mainstreams, it is believed that water supply, drainage, power supply and telecommunication pipes will still be in a dominant position in the future sales of our products.

### **Strengthening Scientific Innovation and Active Exploration of New Products**

The Group has always put emphasis on product research and development, and focused on offering various types of full-featured plastic pipe products to the market. Looking back to 2011, the Group focused its R&D efforts on high performance, low energy-consumption and eco-friendly products, such as same-floor drainage system, metal-plastic composite pipe system, solar heat collection pipes and water saving irrigation system. The Group continued to conduct research and development on seven major categories of plastic pipe products, solar heat collection pipes and water saving irrigation system with environmental protection effects, in order to improve production efficiencies, reduce manufacturing costs and enhance product functions.

Moreover, the Group gradually conducted research and development on new composite plastic pipes and other products. In response to the trend of energy saving and reduce consumption, low carbon economy, reducing duplicate or secondary decoration, fitted out properties (精裝房) are becoming the main trend of property development. According to the China Building Decoration Association (中國建築裝飾協會), fitted out properties accounted for 20% of the total housing development throughout the nation in merely a few years. The average percentage of fitted out properties to all commodity properties (商品房) in five major cities, namely, Beijing, Shanghai, Guangzhou, Chengdu and Shenzhen, has reached 41% and this growth trend is to continue. Given this market direction, the Group is proactively focusing on a series of new home building material products research and development, such as bathroom ware, kitchen, plastic doors and windows, to offer high quality home building material products to properties developers and decoration companies, which will be new momentum for the Company's future development. At the same time, the Group will continue to offering comprehensive ancillary services of design, manufacturing, R&D, sales and after-sales services of pipes to consolidate and enhance the Company's overall competitiveness.

## **REVIEW ON FINANCIAL PERFORMANCE**

### **Other Revenue, Income and Gains**

Other revenue, income and gains amounted to RMB148 million for the year ended 31 December 2011, representing an increase of 240.9% from last year. The increase was primarily attributable to the increase in exchange gain, gain on repurchase of senior notes, interest received from banks, government grants and subsidies.

### **Selling and Distribution Costs**

Selling and distribution costs for the year ended 31 December 2011 rose by 51.8% to RMB454 million as compared with last year 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 year ended 31 December 2011 rose by 34.2% to RMB315 million as compared with last year, 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 year ended 31 December 2011 rose by 40.3% to RMB164 million as compared with last year, primarily due to our commitment on research and development.

### **Finance Costs**

Finance costs amounted to RMB111 million, representing an increase of 108.7% as compared with last year, primarily due to the additional interests incurred by the new senior notes issued during the year.

### **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 from Hong Kong during the year. The Group's effective tax rate increased from 17.6% in 2010 to 19.0% in 2011 mainly due to the fact that the tax holiday of certain subsidiaries of the Group expired during the year.

### **Profit Attributable to Owners of the Company**

The profit attributable to owners of the Company amounted to RMB1,261 million, representing an increase of 11.4% from RMB1,132 million for the last year.

## **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 31 December 2011, approximately HK\$1,637 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 year ended 31 December 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 RMB1,800 million on the above expansion plans up to 31 December 2011. The Group intends to fund the expansion plans from future operating cash flow, net proceeds from equity and debt issuances and bank facilities.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

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

As at 31 December 2011, the Group had total debts of approximately RMB1,745 million (31 December 2010: RMB784 million), of which 4.6% was denominated in Renminbi and 95.4% was denominated in US dollars. Other than the approximately US\$269 million 7.875% senior notes due in 2016, the Group's borrowings are subject to floating rates ranging from 2.9% to 5.4% per annum with maturity periods ranging from within one year to two years.

As at 31 December 2011, the Group's current assets and current liabilities were approximately RMB4,507 million and RMB1,033 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 4.36 and 3.11 from 2.57 and 1.76 as at 31 December 2010 respectively. The Group's total equity increased to approximately RMB4,987 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 22.4% 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 year.

With cash and bank balances, including restricted cash, of approximately RMB2,117 million (2010: RMB1,523 million) as well as unutilised 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 2011, the Group's certain property, plant and equipment and prepaid land lease payments with an aggregate carrying amount of approximately RMB156 million (2010: RMB498 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 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 31 December 2011, the Group did not have any significant contingent liabilities (2010: Nil).

## **HUMAN RESOURCES**

As at 31 December 2011, the Group employed a total of approximately 7,100 employees (2010: 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 its employees in Hong Kong and to the pension scheme for its employees in Mainland China.

## PROSPECTS

Looking forward to the coming year, the slow global economy will be difficult to turn up in short term. Nevertheless, Central Economic Work Conference convened in the middle of December clarified “sudden change in external conditions” , and decided to adopt prudent monetary policy and proactive fiscal policy in order to ensure “China’s steady economic growth in 2012”. Despite a slowdown in commercial real estate market, the Chinese government has loosened the tightening austerity policy, together with her targets in various aspects (such as urbanization, water conservancy infrastructure development and improvement on environmental protection) as set out in the “12th Five-year Plan 《十二五規劃》” , which will bring about many business opportunities for the industry. The Company believed that “Opportunities and Challenges” will become the mainstream in development of plastic pipe industry in 2012.

With the acceleration of urbanization ratio, the state will in due course raise the issue of improving the construction of infrastructure in rural and county areas, including power supply, heat supply, drainage and sewage treatment. 2011 No.1 Circular (《中央一號文件》) states that investment in water conservancy will be doubled in next 10 years with total investment reaching RMB4 trillion. The latest 2012 No.1 Circular states that the construction of water conservancy will be further intensified and new efficient water-saving irrigation technologies and equipment will be vigorously promoted. The policy will also ensure the construction quantity of real estate. Under the 12th Five-year Plan, China is going to build 36 million units of affordable housing in the period between 2011 and 2015. Each of these policies provides long-term and stable product demand for plastic pipe industry and the Group.

Enjoying its industry leading edge, the Company, with a vision in mind, well-planned and well-prepared, will adjust its business strategies according to government policies and market demand. The Company believes that during the period of the 12th Five-year Plan, the Group will capture the opportunities brought about by the plan and urbanization development, hence further consolidate and enhance the Group’s overall competitiveness and market position.

The Group will propel its on-going business growth by adopting the following three major development strategies:

- (1) Expanding and refining the nationwide sales network, and international market development: As of 31 December 2011, the Group had a total of 1,200 independent distributors. The Group is maintaining its absolute advantage in Southern China with steady growth and highly focusing on exploring new markets. With efforts made in past years, the Group has established its sales network/customer base throughout China as well as gradually improved its deployment of production plants. The Group will continue to apply its successful development experiences gained in Southern China to the rest of China, thereby enable the Group to achieve sufficient development in a wider market region. In 2012, being a year of opportunities and challenges coexisting in the plastic pipe industry, the Group will further consolidate and refine its existing market. However, new markets exploration and nationwide sales network expansion are also important agenda for the Group. In 2011, the Group successfully established a subsidiary in Canada which will officially operate home building materials business in 2012. This was an important milestone for the brand of the Group to go globally. China Liansu, enjoying its leading edge in the industry, will set off to the world by developing overseas potential market to expand its business boundary.
- (2) Expanding and optimising production capacities to meet increasing market demands: Various policies in the 12th Five-year Plan, including promotion on the urbanization, water conservancy infrastructure and affordable housing, will bring abundant and long-term business opportunities for the plastic pipe market. In responding to the ever-rising market demands, the Group is implementing the second phase production plant construction plan, which deliver the Group's products and services to a more extensive area. According to the plan, the Group's Shaanxi production plant is going to operate in the third quarter of 2012. In 2012, the total production capacities of the Group is expected to increase by 330 thousand tonnes.

(3) Enhancement of R&D to introduce new products: In addition to continue its research and development on seven major categories of plastic pipe products, the Group will research and develop high-end plastic pipe products with great market potential, such as new composite plastic pipes. With increasing percentage of fitted out properties against shell properties (毛坯房), it is expected that demands for home building material products, such as high quality bathroom ware, kitchen, and plastic doors and windows, will keep rising. The Company will research and develop relevant products in line of market trend and make them a new drive for future profit growth. Moreover, the Group is committed to offering comprehensive ancillary services of design, manufacturing, R&D, sales and after-sales services of pipes to consolidate and enhance the Company's overall competitiveness.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

For the year ended 31 December 2011, save for the Company's repurchase and cancellation of senior notes in the principal amount of US\$31,300,000 at the aggregate consideration of US\$27,052,000 (including accrued interest) on the Singapore Exchange in December 2011, 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 2011.

## **PROPOSED FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK12 cents per share for the year ended 31 December 2011 (the "Proposed Final Dividend") (2010: HK12 cents per share), which will be paid out of profits and/or share premium of the Company, to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Tuesday, 12 June 2012, subject to the Shareholders' approval at the forthcoming annual general meeting of the Company to be held on Thursday, 31 May 2012 (the "2012 AGM"). It is expected that the Proposed Final Dividend will be paid on Wednesday, 20 June 2012.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(i) For determining the entitlement to attend and vote at the 2012 AGM**

The register of members of the Company will be closed from Monday, 28 May 2012 to Thursday, 31 May 2012, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2012 AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 25 May 2012.

### **(ii) For determining the entitlement to the Proposed Final Dividend**

The register of members of the Company will be closed from Thursday, 7 June 2012 to Tuesday, 12 June 2012, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 6 June 2012.

## **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 2011.

## **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. 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 year.

## **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](http://www.hkex.com.hk)) and the Company ([www.liansu.com](http://www.liansu.com)). The 2011 annual report will be despatched to Company's shareholders 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, 16 March 2012

*As at the date of this announcement, the executive directors of the Company are Mr. Wong Luen Hei, Mr. Zuo Manlun, Ms. Zuo Xiaoping, Mr. Lai Zhiqiang, Mr. Kong Zhaocong, Mr. Chen Guonan, Dr. Lin Shaoquan, Mr. Huang Guirong, Mr. Luo Jianfeng; the non-executive director of the Company is Mr. Lin Dewei; and the independent non-executive directors of the Company are Dr. Bai Chongen, Mr. Fung Pui Cheung and Mr. 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)
“Group”	The Company and its subsidiaries
“Hong Kong” / “HK”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	The Rules Governing of the Listing of Securities on the Stock Exchange
“Model Code”	The Model Code for Securities Transactions by Directors of Listed Issuers
“PE”	Polyethylene
“PP-R”	Polypropylene random
“PRC”	The People’s Republic of China
“Prospectus”	The Company’s prospectus dated 9 June 2010
“PVC”	Polyvinyl chloride
“RMB”	Renminbi, the lawful currency of the PRC
“State Council”	The State Council of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	The United States of America
“US\$”	US dollar, the lawful currency of US



## **FORWARD-LOOKING STATEMENTS**

This announcement contains forward-looking statements. These forward-looking statements include 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.

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

\* *For identification purposes only*