LILANZ 利郎

CHINA LILANG LIMITED
中國利郎有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1234)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of Directors (the "Board") of China Lilang Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2015. This announcement, containing the full text of the 2015 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	2014	Changes
	(RMB million)	(RMB million)	(%)
Revenue	**1,188.4**	1,090.5	+9.0
Gross profit	**488.1**	445.8	+9.5
Profit from operations	**343.4**	295.0	+16.4
Profit for the period	**277.0**	248.1	+11.6
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	**23.0**	20.7	+11.1
— Diluted	**22.9**	20.6	+11.2
Interim dividend per share	**HK13 cents**	HK12 cents	+8.3
Special interim dividend per share	**HK6 cents**	HK5 cents	+20.0
	(%)	(%)	(% points)
Gross profit margin	**41.1**	40.9	+0.2
Operating profit margin	**28.9**	27.1	+1.8
Net profit margin	**23.3**	22.7	+0.6
Return on average shareholders' equity[1]	**10.2**	9.8	+0.4
Effective tax rate	**28.6**	26.6	+2.0
Advertising and promotional expenses and renovation subsidies (as percentage of revenue)	**7.6**	9.0	-1.4
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2014
Average inventory turnover days[2]	**58**	68	70
Average trade receivables turnover days[3]	**80**	70	76
Average trade payables turnover days[4]	**63**	59	53

Notes:

(1) Return on average shareholders' equity is equal to profit for the period divided by the average of the beginning and closing balance of total shareholders' equity.

(2) Average inventory turnover days is equal to the average of the beginning and closing inventory balance divided by cost of sales and multiplied by the number of days in the relevant period.

(3) Average trade receivables turnover days is equal to the average of the beginning and closing trade receivables balance divided by revenue (including value-added tax) and multiplied by the number of days in the relevant period.

(4) Average trade payables turnover days is equal to the average of the beginning and closing trade and trade bills payables balance divided by cost of sales and multiplied by the number of days in the relevant period.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The global economy was recovering slowly but the financial market was getting more volatile during the first half of 2015. In China, the government continued to step up the restructuring of the economy, which resulted in a steady economic growth. According to the National Bureau of Statistics of China, the gross domestic product ("GDP") reported two consecutive quarters of year-on-year growth to RMB29,686.8 billion for the first half of the year while the employment and consumer price remained stable. The income of both the urban and rural residents kept increasing at a relatively rapid rate. However, the operating environment for the retail sector remained challenging.

Statistics of the China National Commercial Information Center show that the retail sales value of the top 50 major domestic retailing enterprises increased marginally by 1.1% year on year in the first half of the year, with only 20 enterprises recording a growth in retail value, the same number for the same period last year. The slow growth in retail sales value, and the proportion of growing enterprises — only 40% of the said 50 enterprises, reflected that the retail sales at the large-scale retailing enterprises remained sluggish and lacked momentum. Retail sales of apparel products increased by 3.0% year on year in value, up by 2.5 percentage points over the corresponding period last year. The operating environment of the menswear industry in mainland China is better than it was last year and the channel inventory has improved. However, the rate of recovery is slow.

China Lilang Limited (the "Company" or "China Lilang", together with its subsidiaries known as the "Group") continued to innovate and transform its business. Adhering to the strategy of "improving product quality without raising the price", the Group is committed to improving its competitiveness through enhancing the originality and value-for-money of its products so as to win the market. As a result, the Group cushioned the impact of the aggressive discounting by the international brands. The Group also continued to improve its supply chain and retailing channel management and, as a result, its channel control capability and operating efficiency have improved. During the first half of the year ended 30 June 2015, the Group continued to outperform the rivals with consistent acceleration of same-store sales growth and continuous growth in trade fair order values. Meanwhile, the retail network was run with enhanced professionalism, leading to improved store efficiency and consistently healthy level of channel inventory. The Group's core competitiveness has been improved and its efforts have been widely recognized.

FINANCIAL REVIEW

Revenue

Revenue increased by 9.0% year on year to RMB1,188.4 million, reflecting the effect of the Group's strategy of "improving product quality without raising the price", which made the "LILANZ" products more attractive and enabled the Group to win the market and improve sales performance at its retail stores. However, the sales of "L2" products grew more slowly than expected. Revenue for the first half of 2015 was mainly attributable to the shipments of orders for the spring/summer collections and certain fall collections.

Sales of the core brand "LILANZ" increased by 9.2% to RMB1,083.2 million. Sales of the sub-brand "L2" increased by 10.4% to RMB105.2 million. Sales of "LILANZ" and "L2" accounted for approximately 91.1% (the first half of 2014: 90.9%) and 8.9% (the first half of 2014: 8.7%) respectively of the total revenue.

Among the product categories, tops remained the major contributor in terms of sales and accounted for 58.9% (the first half of 2014: 67.5%) of the total revenue. Sales of tops decreased by 4.6% as the Group introduced less outerwear products but more matching items such as shirts and T-shirts to improve the product mix of the collections during the period. The average selling price of tops decreased accordingly. Sales of both pants and accessories increased during the period, with footwear up by 40.7% in particular, partly reflecting the popularity of new shoe products launched to the market after the new accessory designer joined in the first half of 2014.

Revenue by Region

Sales performances varied across regions during the first half of the year. Sales in the South Western China, Northern China and Central and Southern China regions all recorded double-digit percentage growth of 19.5%, 18.0% and 14.8% respectively. While sales in South Western China region continued to reap the economic benefits of the Western Development Program, sales in Central and Southern China region performed well after the store renovation and alignment in the past two years, especially in Henan province. The improvement in Northern China region during the period was mainly attributable to a low comparison base as the Group adjusted its store network in that region in the first half of 2014. In Eastern China and North Eastern China regions, the Group recorded the highest rate of store closures last year, with 15.9% and 16.9% of its stores closed there respectively. The performance of these two regions was relatively stable during the period, with an increase of 3.5% in Eastern China region and a decrease of 5.2% in North Eastern China region. Sales in North Western China region was flat as the local economy had yet to recover. Eastern China and Central and Southern China regions remained the top contributors to the Group's revenue, and together accounted for 55.8% (the first half of 2014: 56.2%) of the total revenue. The retail stores in these two regions accounted for 50.6% (the first half of 2014: 52.6%) of the Group's total number of stores.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue by region for the period was set out below:

	Six months ended 30 June				
	2015		2014		**Changes**
Region	**RMB million**	**% of revenue**	RMB million	% of revenue	**%**
Northern China [1]	**72.7**	**6.1%**	61.6	5.6%	**+18.0%**
North Eastern China [2]	**69.0**	**5.8%**	72.8	6.7%	**-5.2%**
Eastern China [3]	**366.6**	**30.8%**	354.2	32.5%	**+3.5%**
Central and Southern China [4]	**296.5**	**25.0%**	258.3	23.7%	**+14.8%**
South Western China [5]	**264.0**	**22.2%**	220.9	20.3%	**+19.5%**
North Western China [6]	**119.6**	**10.1%**	119.2	10.9%	**+0.3%**
Others [7]	**—**	**—**	3.5	0.3%	**—**
Total	**1,188.4**	**100.0%**	1,090.5	100.0%	**+9.0%**

(1) Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.

(2) North Eastern China includes Heilongjiang, Jilin and Liaoning.

(3) Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.

(4) Central and Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.

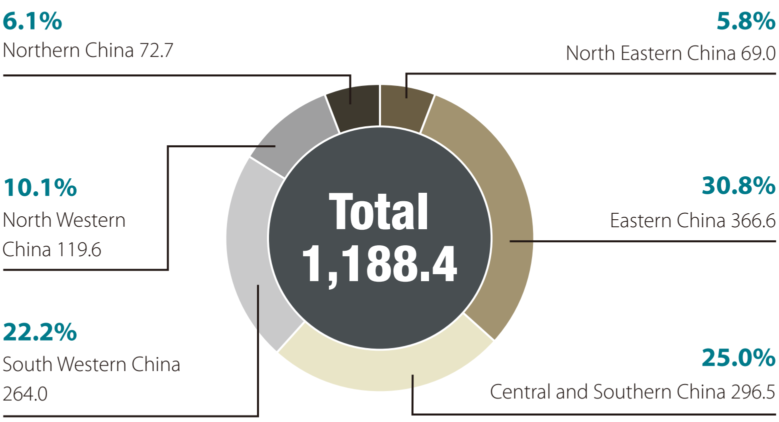
(5) South Western China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.

(6) North Western China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

(7) Others represent the revenue of the trading operation of the Group's subsidiary in Hong Kong.

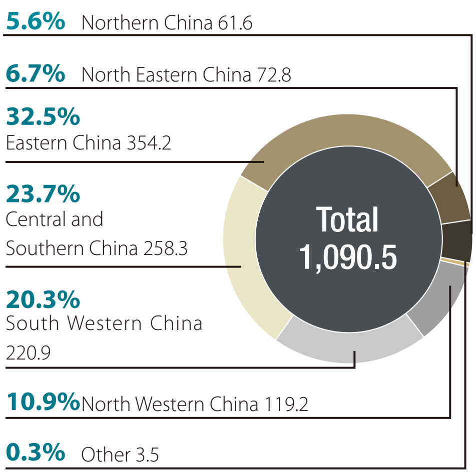
January to June 2015 Revenue by region

(RMB million)



January to June 2014 Revenue by region

(RMB million)



Gross Profit and Gross Profit Margin

Gross profit margin was up 0.2 percentage point to 41.1%. During the period, relatively stable raw material prices and the higher proportion of original design products helped the Group to control production cost and stabilize gross profit margin, while it adopted the strategy of "improving product quality without raising the price" to fortify overall sales growth.

Cost of sales increased by 8.6% to RMB700.3 million (the first half of 2014: RMB644.7 million), largely in line with the growth of revenue. The Group's ongoing efforts in product research and development in a bid to enhance its products' originality led to an increase of 13.1% in its total research and development costs to RMB40.0 million. Cost of in-house production, including subcontracting charges, accounted for 50.5% (the first half of 2014: 48.3%) of the total cost of sales, up by 2.2 percentage points.

Other Net Income

Other net income increased by RMB29.4 million to RMB32.6 million, which was mainly due to the increase in government grants by RMB30.7 million, of which the entitlements were unconditional and under the discretion of the relevant authorities.

Selling and Distribution Expenses

Selling and distribution expenses increased by 11.8% to RMB122.5 million, and accounted for 10.3% of the total revenue, slightly up by 0.3 percentage point over the corresponding period last year. Selling and distribution expenses for the first half of 2014 included a write-back of provision for trade receivables of RMB14.5 million. Excluding such write-back, selling and distribution expenses decreased by RMB1.6 million year on year. In particular, advertising expenses and renovation subsidies decreased by 7.2% to RMB90.7 million, and accounted for 7.6% of the total revenue, down by 1.4 percentage points. This was because the "LILANZ" store renovation programme was drawing to a close and less was spent on renovation subsidies during the period.

Administrative Expenses

Administrative expenses totalled RMB47.3 million for the period, accounting for approximately 4.0% of the total revenue, which was similar to that of last year.

Other Operating Expenses

Other operating expenses increased to RMB7.4 million, which was primarily a charitable donation.

Profit from Operations

Profit from operations increased by 16.4% to RMB343.4 million, which was mainly attributable to the growth in sales and the additional government grants. Operating margin increased by 1.8 percentage points to 28.9%.

Income Tax

The effective income tax rate was 28.6%, compared to 26.6% for the same period last year. The lower comparative rate was due to an adjustment to the opening balance of deferred tax assets in last year.

Net Profit

For the six months ended 30 June 2015, net profit was RMB277.0 million, representing an increase of 11.6%. Net profit margin was 23.3%, up by 0.6 percentage point. Net profit attributable to the sub-brand "L2" marginally increased to RMB4.7 million (the first half of 2014: RMB3.6 million).

Earnings per Share

Earnings per share rose by 11.1% to RMB23.0 cents.

Interim Dividend

The Board recommended payment of an interim dividend of HK13 cents (the first half of 2014: HK12 cents) per ordinary share and a special interim dividend of HK6 cents (the first half of 2014: HK5 cents) per ordinary share in respect of this financial year, representing a total dividend payment of approximately HK$229.2 million (equivalent to approximately RMB183.6 million). The interim dividend and special interim dividend will be paid in cash on or about 4 September 2015 to shareholders whose names appeared on the register of members of the Company on 26 August 2015.

BUSINESS REVIEW

Retail and Distribution Network

Given that an effective retail and distribution network is crucial to the improvement of its sales, the Group continued to support its distributors in optimizing their store networks and remained prudent in the opening up of new stores, while focusing on the efficiency improvement of existing stores during the period.

As at 30 June 2015, the Group had a total of 3,080 stores. During the period, "LILANZ" had a net decrease of 15 retail stores. "L2" had a net increase of 16 retail stores, which was in line with the target of adding 20 to 30 stores throughout the year. For the sub-brand "L2", the Group continued to strategically expand its business in the four provinces identified as having better potential for growth, namely Henan, Shaanxi, Hunan and Hubei, where the total number of stores had a net increase of 9 to 126.

Since the second half of 2014, the Group has changed its store opening strategy in provincial capitals and prefecture-level cities by opening large-scale stores in shopping malls instead of doing so at street level in view of the change in consumption habit. During the first half of 2015, distributors of "LILANZ" added 15 large-scale stores in shopping malls across different regions and achieved satisfactory sales performance.

To improve its store image, the Group renovated about 200 "LILANZ" stores in the first half of the year, and has scheduled to complete the renovation of the remaining 80 stores in the second half of the year.

Changes in the number of stores in different regions during the period were as follows:

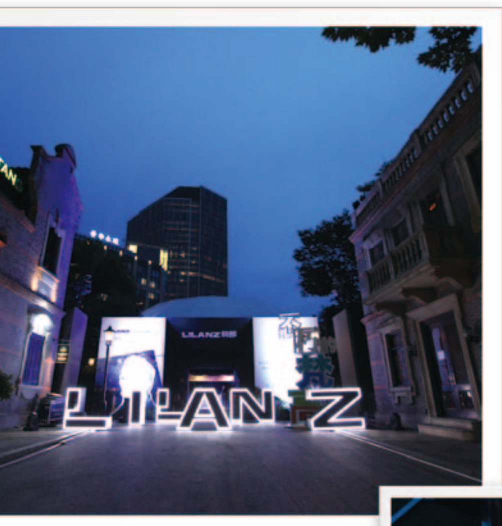
Region	As at 1 January 2015	Opened during the period	Closed during the period	As at 30 June 2015
	Number of stores			
Northern China	295	22	17	**300**
North Eastern China	305	17	21	**301**
Eastern China	850	32	49	**833**
Central and Southern China	740	41	56	**725**
South Western China	615	36	21	**630**
North Western China	274	26	9	**291**
	3,079	174	173	**3,080**

In the second half of the year, the Group will continue to focus on store efficiency improvement and further fortify its market share. The Group will remain prudent when opening new stores under its core brand "LILANZ" and intends to maintain the store number similar to that as at the end of 2014. The plan of opening large-scale stores in shopping malls in provincial capitals and prefecture-level cities will continue and a total of 20 to 30 such new stores are expected to be opened this year. As for "L2", the Group will keep the plan to add 20 to 30 stores this year with a focus on the four provinces which have better potential for growth, namely Henan, Shaanxi, Hunan and Hubei. In addition, "LILANZ" will complete the renovation of its remaining 80 stores in the second half of 2015.

Sales Channel Management

The Group adopts a distribution model in which it sells its products to the end consumers through retail stores operated by distributors and their sub-distributors. Therefore, effective sales channel management will enable the Group to establish its brand presence and improve service quality so as to boost sales of products and minimize its exposure to the risk of channel inventory.

In the second half of the year, the Group will continue to provide training for the management team of its distributors, covering direct retailing and channel development, market expansion and experience sharing on direct retailing so as to strengthen the management of its retail channel. As at 30 June 2015, "LILANZ" had 81 distributors and 1,189 sub-distributors. There were a total of 2,768 "LILANZ" retail stores, of which 3 were self-operated flagship stores, 1,027 were directly operated by distributors and 1,738 by their sub-distributors. By store category, 2,241 were stand-alone stores (including street-level stores and stores in shopping malls) and the remaining 527 were shop-in-shops in department stores. The total retail area of the stores was approximately 308,600 square metres (31 December 2014: 301,400 square metres), representing an increase of 2.4%.



As at 30 June 2015, "L2" had 27 distributors (13 of which were also the distributors of "LILANZ") and 84 sub-distributors. There were a total of 312 "L2" stores, of which, 126 stores, or 40.4% of the total number of "L2" stores, were in Henan, Shaanxi, Hunan and Hubei, which were the target markets for business expansion. The store network comprised 219 stores directly operated by distributors and 93 by their sub-distributors. By store category, 247 were stand-alone stores (including street-level stores and stores in shopping malls) and 65 were shop-in-shops in department stores. The total retail area of the stores was approximately 34,600 square metres (31 December 2014: 32,600 square metres), representing an increase of 6.1%.

The Group continued to pay close attention to the potential of e-business channel and make good use of it as an important marketing channel. In addition, the Group continued to sell "LILANZ" and "L2" products through its online sales platforms. Except for out-of-the-season products, the products and prices offered on the online sales platforms are the same as those in the brick-and-mortar stores. However, since the current online sales market in China is dominated by discount sales with relatively low profitability for the vendors, the Group does not expand online sales aggressively for the time being.

The Group continued to monitor the channel inventories through the ERP system, which connects to all the stand-alone stores. During the period under review, the Group continued to encourage the distributors to place orders based on their respective inventory levels and estimated sales performance. Distributors also continued to operate discount stores prior to store renovation and to set up temporary promotion counters in department stores to clear inventories. Currently, channel inventories are at a healthy level.

Product Design and Development

The Group believes that product design and development is the key to success in the PRC menswear industry. As such, the Group continued to strengthen its design team and enhance product originality. During the first half of 2015, the Group kept improving the individuality and originality of its products to differentiate them from those of its peers. On the other hand,

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

the Group continued to implement the policy of "improving product quality without raising the price" and cost control so as to enhance the value for money of its products. These drive the sales of its products and make them more competitive in the market. Products of original designs accounted for about 60% of the Group's 2015 products, and about 25% of those products of original designs adopted the Group's proprietary fabrics. In the medium to long run, the Group intends to raise the proportion of products of original designs in the total to 70% and have 50% of such products of original designs adopt its proprietary fabrics.

As for product design, since the Group set up an international research and development team for its core brand "LILANZ" in 2013, the local and international designers and teams have been working closely and smoothly, injecting new energy into the brand and products. This adds an international taste to the brand and makes its products stand out from its competitors. With simple yet fashionable designs as well as newer fabrics, the Group has been able to provide more choices for its customers. Meanwhile, as an accessory designer joined the international design team last year, the Group's accessory product mix has been enriched, notably with more footwear products, promoting the sales and gross profit margin of accessories.

In an attempt to replicate the success of the product design and development of "LILANZ" to its sub-brand "L2", the Group designated one of its foreign designers as "L2" chief designer, and the 2015 winter collections would contain some of his works. The Group expects that this would bring "L2" to a higher level in terms of product design and sales.

Marketing and Promotion

The Group continued to invest in marketing and promotion. To raise the effectiveness of its promotional campaigns, the Group has just started placing advertisements in the stadium of World Cup preliminaries and saw positive effect. Besides, the Group also continued to place advertisements through various channels, such as billboards in more than a dozen of airports in China and soft-sell advertising in magazines and newspapers. The Group continues to engage Mr. Chen Dao Ming (陳道明), a famous actor in China, as its spokesperson for "LILANZ".

In addition, the Group sponsored a multi-sensory art exhibition named "Van Gogh Alive — The Experience" held in Shanghai in the second quarter of 2015, and became the sole apparel partner of this travelling exhibition in China. In June, China Lilang also held a marvellous fashion and art show in the exhibition venue, and released its special collections "Salute to the Artist", which featured the classic works of Van Gogh the artist through such details as pattern, cutting, color and materials. Besides, the sub-brand "L2" has launched "Van Gogh Alive" collections, some of the products have been offered for sale in the exhibition venue and "L2" stores, and received great response among consumers.

Trade Fairs

The 2015 fall and winter trade fairs were respectively held in the first and the second quarters this year. The continuous improvements in trade fair orders indicated a relatively healthy level of channel inventory and also the distributors' confidence in the Group's products.

At the fall trade fair, the core brand "LILANZ" and the sub-brand "L2" both recorded a low-double digit percentage growth in total value of the orders received. At the winter trade fair, total value of the orders for "LILANZ" products increased by 15% to 17% and that for "L2" products increased by 10% to 13%. The average selling prices by product type of the fall and winter collections of both brands were similar to those for last year.

Shipment of the 2015 fall trade fair orders commenced in June 2015, while shipment of the 2015 winter trade fair orders is expected to commence in August 2015.

Headquarters, Production and Supply Chain

The Group has completed the overall design and planning of its new headquarters in early 2015. The construction will begin in the second half of 2015 and is expected to be completed in late 2017. The estimated capital expenditure for the project totalling approximately RMB490.0 million will be funded with internal resources of the Group. The Board of Directors believes that the new headquarters, upon completion, will provide sufficient facilities to cater for the Group's needs in its business development in the future.

Meanwhile, the Group continued to improve its supply chain management and controlled costs by identifying more cost-efficient fabric suppliers and processing plants. While reducing the proportion of OEM production and increasing the proportion of original designs, the Group adhered to the strategy of "improving product quality without raising the price" and shared the benefits of its improved supply chain management with the consumers by offering them products of better value for money.

Awards

During the period, the Company has received the "Best Mid-Cap Company in China" award from FinanceAsia, an international authoritative journal which is targeted at institutional investors, analysts and fund managers. This accolade testifies to the investment community's recognition of the Group's efforts in corporate governance and transparency practices.

In July 2015, the Group has been awarded the "Most Creative Enterprise in China's Apparel Industry" (中國服裝行業最具創新力企業) in the award presentation ceremony of "The Summit of China's Influential Brands" (中國影響力品牌高峰論壇) and "Times Influence"(時代影響力) organized by CCTV — Outlook (CCTV — 發現之旅).

L2 has been awarded the title of the "Best Fashionable Menswear Brand" (最佳潮流男裝品牌) in "CNGA Award 2015" ("2015中國服裝大獎") organised by China National Garment Association (中國服裝協會).

PROSPECTS

The economic outlook of the world is still uncertain in the second half of 2015, characterized by slow economic growth. In mid-July, the International Monetary Fund revised down its forecasts for the economic growth of both the developed economies and emerging markets, reflecting the effect of such factors as further appreciation of the US dollars, increasing difficulty of the economic rebalancing in mainland China, lower commodity price and unstable geopolitics. Against this backdrop, the Chinese government has shown its determination to maintaining stable economic growth and to support the further upgrade of the economic structure continuously.

The recovery of mainland China's menswear industry still lacks momentum. In the short run, consumer confidence and sentiment will still be affected by the economic uncertainties while the inclination of consumers to prize products for their individuation and comfort creates changes to the consumer market. As such, the competitiveness of a menswear brand hinges on its capability to transform and innovate as well as the value for money of its products.

In this regard, the Group will continue to implement the strategy of "improving product quality without raising the price" in the second half of 2015 and will spare no effort to improve product design, workmanship and materials, with the aim of raising the proportion of original designs, enhancing the value for money of its products and increasing the competitiveness of its products and brands. The 2016 spring and summer trade fair of the Group will be held in mid- and late August. The management is confident that the order value will continue to grow. Furthermore, the Group will continue to take various measures to improve store efficiency and aims to achieve a high single-digit percentage growth in same-store sales in the second half of the year.

China Lilang will adhere to its multi-brand strategy and proactively enhance the competitiveness and value for money of its products to further consolidate its leading position in the menswear industry, so as to sustain long-term growth and reward its shareholders, employees and customers for their support.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
Operating cash inflow	**230.0**	188.5
Capital expenditure	**(10.1)**	(10.5)
Free Cash inflow	**219.9**	178.0
Cash and bank balances (including pledged bank deposits)	**2,890.3**	2,445.8

As at 30 June 2015, the Group's total cash and bank balances were held in Renminbi (79.7%), Euro (9.2%), Hong Kong Dollars (6.9%) and United States Dollars (4.2%).

As at 30 June 2015, cash and cash equivalents of the Group amounted to RMB1,996.8 million (placements of fixed deposits and pledged deposits held at banks with maturity over 3 months totalling RMB30.0 million and RMB863.4 million respectively were regarded as investing activities in the condensed consolidated cash flow statement), representing an increase of RMB151.6 million as compared with the cash and cash equivalents balance of RMB1,845.2 million as at 31 December 2014. The increase was attributable to:

- Cash inflows from operating activities amounting to RMB230.0 million.
- Cash inflows from investing activities amounting to RMB97.8 million, comprising mainly a decrease in fixed deposits held at banks with maturity over 3 months by RMB70.0 million and interest income of RMB68.3 million, net of an increase in pledged bank deposits by RMB30.4 million and capital expenditure for property, plant, equipment and intangible assets totalling RMB10.1 million.
- Cash outflows from financing activities amounting to RMB176.2 million, mainly attributable to the payment of final dividend and special final dividend totalling RMB222.3 million in respect of the year ended 31 December 2014, less the net proceeds from bank loans of RMB49.8 million.

Bank Loans

As at 30 June 2015, the Group had bank loans totalling RMB904.4 million (31 December 2014: RMB854.6 million). The net cash position as at 30 June 2015 was as follows:

	As at	As at
	30 June 2015	31 December 2014
	RMB million	RMB million
Cash and bank balances (including pledged bank deposits)	**2,890.3**	2,791.3
Less: Total borrowings	**(904.4)**	(854.6)
Net cash	**1,985.9**	1,936.7

As at 30 June 2015, the Group's bank loans were denominated in Renminbi (60.2%) and Hong Kong Dollars (39.8%), secured by pledged bank deposits and repayable within 1 year or on demand. About 42.5% of the bank loans were at fixed interest rates ranging from 4.3% to 4.65% per annum and the remaining loans carried interest at floating rates.

Trade Working Capital Ratios

The Group's average inventory turnover days was 58 days. This compared to 68 days for the year ended 31 December 2014 and 70 days for the same period last year. The inventory balance reduced by RMB52.3 million to RMB196.5 million over the period. While the inventory of finished goods reduced by RMB83.6 million to RMB111.8 million, raw material inventory increased by RMB28.9 million to RMB78.6 million. As the Group increases the proportion of its original designs in its products and employs more process outsourcing to reduce OEM purchases, raw materials held by sub-contractors increased by RMB17.3 million to RMB64.4 million at the period end. Production scheduling of outsourcing plants has also been improved, which enabled a better management of the level of finished goods inventory. As at 30 June 2015, the inventory balance mainly represented raw materials and products for the autumn and winter collections. Shipment of autumn orders had started in June and shipment of winter orders would commence in August.

The average trade receivables turnover days was 80 days. This compared to 70 days for the year ended 31 December 2014 and 76 days for the same period last year. As in previous years, extended credit terms have been granted to distributors during the peak period for fall and winter products delivery from June to September. Also, additional credits have been granted to some of the distributors to encourage them to open large-scale stores in shopping malls. As at 30 June 2015, the Group had a balance of RMB10.1 million provision for doubtful debts and there was no movement of such balance during the period.

The Group's average trade payables turnover days was 63 days. The turnover days based on the period end balance was 57 days which was similar to the average turnover days of 59 days for last year.

PLEDGE OF ASSETS

As at 30 June 2015, deposits with certain banks totalling RMB863.4 million (31 December 2014: RMB846.1 million) were pledged as securities for bank loans.

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2015, the Group had total capital commitments of RMB532.4 million, primarily related to the proposed construction of a new headquarters and the development of the ERP system. The construction of the new headquarters is expected to commence in the second half of the year and to be completed in late 2017. These capital commitments are expected to be financed by internal resources of the Group.

As at 30 June 2015, the Group had no material contingent liabilities.

FINANCIAL MANAGEMENT POLICIES

The Group continues to control financial risks in a prudent manner. The functional currency of the Company is the Hong Kong Dollars and the Company's financial statements are translated into Renminbi for reporting and consolidation purposes. Foreign exchange differences arising from the translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transactions principally in Renminbi, the exchange rate risk at the Group's operational level is not significant. Accordingly, the Group does not employ any financial instruments for hedging purposes.

HUMAN RESOURCES

As at 30 June 2015, the Group had 1,870 staff. Total staff costs for the period amounted to approximately RMB62.8 million (the first half of 2014: RMB62.0 million).

The Group places great emphasis on recruiting and training quality personnel. We recruit talents from universities and technical schools and provide pre-employment and on-going training and development opportunities to our staff members. Our training programs cover areas such as sales and production, customer service, quality control, sales fairs planning, workplace ethics and other areas relevant to the industry.

The Group offers competitive remuneration packages to our employees based on factors such as market rates, workload, responsibility, job complexity as well as the Group's performance. The Group has also adopted a pre-IPO share option scheme and a share option scheme to recognise, reward and promote the contribution of the employees to the growth and development of the Group.

REVIEW REPORT OF THE AUDITOR

KPMG

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA LILANG LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 29 which comprises the consolidated statement of financial position of China Lilang Limited (the "Company") as of 30 June 2015 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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 the interim financial report consists of making enquiries, 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 interim financial report as at 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

10 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2015	2014
	Notes	**RMB'000**	RMB'000
Revenue	3	**1,188,364**	1,090,520
Cost of sales		**(700,299)**	(644,714)
Gross profit		**488,065**	445,806
Other net income		**32,611**	3,241
Selling and distribution expenses		**(122,540)**	(109,581)
Administrative expenses		**(47,308)**	(44,313)
Other operating expenses		**(7,388)**	(105)
Profit from operations		**343,440**	295,048
Net finance income	4	**44,342**	43,179
Profit before taxation	5	**387,782**	338,227
Income tax	6	**(110,817)**	(90,136)
Profit for the period		**276,965**	248,091
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**(784)**	(13,763)
Total comprehensive income for the period		**276,181**	234,328
Earnings per share	7		
Basic (cents)		**23.0**	20.7
Diluted (cents)		**22.9**	20.6

The notes on pages 19 to 29 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 17.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015 — unaudited
(Expressed in Renminbi)

	Notes	30 June 2015 RMB'000	31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	8	**275,352**	284,154
Lease prepayments	9	**102,298**	34,976
Intangible assets		**4,922**	5,242
Deposits for purchases of fixed assets and land use rights	10	**3,647**	66,216
Deferred tax assets		**23,088**	23,426
		409,307	414,014
Current assets			
Inventories	11	**196,545**	248,845
Trade and other receivables	12	**698,013**	669,501
Pledged bank deposits	13	**863,438**	846,131
Fixed deposits held at banks with maturity over three months	14	**30,000**	100,000
Cash and cash equivalents	14	**1,996,851**	1,845,179
		3,784,847	3,709,656
Current liabilities			
Bank loans	15	**904,423**	854,590
Trade and other payables	16	**376,173**	416,961
Current tax payable		**100,469**	87,981
		1,381,065	1,359,532
Net current assets		**2,403,782**	2,350,124
Total assets less current liabilities		**2,813,089**	2,764,138
Non-current liabilities			
Deferred tax liabilities		**56,529**	66,269
Net assets		**2,756,560**	2,697,869

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2015 — unaudited
(Expressed in Renminbi)

	30 June 2015 RMB'000	31 December 2014 RMB'000
Capital and reserves		
Share capital	**106,234**	106,049
Reserves	**2,650,326**	2,591,820
Total equity	**2,756,560**	2,697,869

The notes on pages 19 to 29 form part of this interim financial report.

Mr. Wang Dong Xing	**Mr. Wang Liang Xing**	**Mr. Wang Cong Xing**
Chairman	*Chief Executive Officer*	*Executive Director*

Hong Kong, 10 August 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 — unaudited
(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2014	105,826	616	199,258	31,589	(11,360)	2,187,554	2,513,483
Changes in equity for the six months ended 30 June 2014:							
Profit for the period	—	—	—	—	—	248,091	248,091
Other comprehensive income for the period	—	—	—	—	(13,763)	—	(13,763)
Total comprehensive income for the period	—	—	—	—	(13,763)	248,091	234,328
Shares issued under share option schemes	17	739	—	(214)	—	—	542
Equity settled share-based payments	—	—	—	260	—	—	260
Dividends approved in respect of the previous year	—	—	—	—	—	(203,143)	(203,143)
As at 30 June 2014	105,843	1,355	199,258	31,635	(25,123)	2,232,502	2,545,470
As at 1 January 2015	**106,049**	**9,756**	**204,590**	**29,646**	**(22,827)**	**2,370,655**	**2,697,869**
Changes in equity for the six months ended 30 June 2015:							
Profit for the period	**—**	**—**	**—**	**—**	**—**	**276,965**	**276,965**
Other comprehensive income for the period	**—**	**—**	**—**	**—**	**(784)**	**—**	**(784)**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**(784)**	**276,965**	**276,181**
Shares issued under share option schemes	**185**	**7,861**	**—**	**(2,276)**	**—**	**—**	**5,770**
Share options lapsed	**—**	**—**	**—**	**(914)**	**—**	**—**	**(914)**
Dividends approved in respect of the previous year	**—**	**—**	**—**	**—**	**—**	**(222,346)**	**(222,346)**
Appropriation to statutory reserve	**—**	**—**	**1**	**—**	**—**	**(1)**	**—**
As at 30 June 2015	**106,234**	**17,617**	**204,591**	**26,456**	**(23,611)**	**2,425,273**	**2,756,560**

The notes on pages 19 to 29 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**337,699**	251,673
PRC corporate income tax paid	**(92,868)**	(54,594)
PRC dividend withholding tax paid	**(14,863)**	(8,559)
Net cash generated from operating activities	**229,968**	188,520
Investing activities		
Payment for the purchase of property, plant and equipment, and intangible assets	**(10,120)**	(10,544)
Interest income received	**68,255**	52,232
Decrease/(increase) in fixed deposits held at banks with maturity over three months	**70,000**	(10,000)
Increase in pledged bank deposits	**(30,438)**	(207,501)
Other cash inflows arising from investing activities	**151**	422
Net cash generated from/(used in) investing activities	**97,848**	(175,391)
Financing activities		
Proceeds from bank loans	**544,019**	349,660
Repayment of bank loans	**(494,186)**	(133,791)
Dividends paid	**(222,346)**	(203,143)
Other cash outflows arising from financing activities	**(3,667)**	(5,602)
Net cash (used in)/generated from financing activities	**(176,180)**	7,124
Net increase in cash and cash equivalents	**151,636**	20,253
Cash and cash equivalents at 1 January (note 14)	**1,845,179**	1,435,788
Effect of foreign exchange rate changes	**36**	208
Cash and cash equivalents at 30 June (note 14)	**1,996,851**	1,456,249

The notes on pages 19 to 29 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 10 August 2015.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the 2014 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes which do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements.

The interim financial report is unaudited, but has been reviewed by the Company's auditor, KPMG, 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 ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 13.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 9 March 2015.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. None of those developments are relevant to the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

The principal activities of the Group are manufacturing and wholesaling of branded menswear and related accessories in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value added taxes ("VAT").

4. NET FINANCE INCOME

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Interest income	**56,081**	48,750
Interest on bank borrowings	**(10,465)**	(6,474)
Net foreign exchange (loss)/gain	**(1,274)**	903
	44,342	43,179

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Amortisation of lease prepayments	**633**	407
Amortisation of intangible assets	**1,651**	1,422
Depreciation	**13,956**	15,835
Inventory write-down and losses net of reversals/ (net reversal of inventory write-down) (note 11)	**419**	(9,041)
Research and development costs	**40,037**	35,412
Subcontracting charges (note (i))	**45,133**	23,795
Write-back of provision for doubtful debts	**—**	(14,509)

Note:

(i) Subcontracting charges include service charges and auxiliary raw material costs payable to subcontractors.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

6. INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax		
Provision for PRC corporate income tax for the period	**100,682**	80,531
Under-provision for PRC corporate income tax in respect of prior year	**102**	28
PRC dividend withholding tax (note iv)	**19,435**	10,723
	120,219	91,282
Deferred tax		
Origination of temporary differences	**10,033**	14,392
Distribution of dividends by PRC subsidiaries	**(19,435)**	(10,723)
Effect on deferred tax balance at the beginning of the year resulting from a change in tax rate	**—**	(4,815)
	110,817	90,136

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014.

(iii) Taxation for the Group's PRC subsidiaries is calculated using the income tax rates applicable to the subsidiaries.

(iv) According to the Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. As all of the Group's PRC subsidiaries are directly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of the PRC dividend withholding tax. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

(v) PRC dividend withholding tax represents tax charged by the PRC tax authority on dividends distributed by the Group's PRC subsidiaries during the period.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of RMB276,965,000 (2014: RMB248,091,000) and the weighted average number of ordinary shares in issue of 1,204,791,000 (2014: 1,201,286,000).

Weighted average number of ordinary shares:

	Six months ended 30 June 2015 '000	2014 '000
Issued ordinary shares at 1 January	**1,203,944**	1,201,159
Effect of share options exercised	**847**	127
Weighted average number of ordinary shares	**1,204,791**	1,201,286

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period of RMB276,965,000 (2014: RMB248,091,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted by the Company.

Weighted average number of ordinary shares (diluted):

	Six months ended 30 June 2015 '000	2014 '000
Weighted average number of ordinary shares	**1,204,791**	1,201,286
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**2,200**	3,007
Weighted average number of ordinary shares (diluted)	**1,206,991**	1,204,293

8. PROPERTY, PLANT AND EQUIPMENT

	2015 RMB'000
Net book value, as at 1 January	**284,154**
Additions	**8,453**
Disposals (net carrying amount)	**(352)**
Transfer to lease prepayments (note 9)	**(2,962)**
Exchange adjustment (net carrying amount)	**15**
Depreciation charge for the period	**(13,956)**
Net book value, as at 30 June	**275,352**

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

9. LEASE PREPAYMENTS

	2015 RMB'000
Net book value, as at 1 January	**34,976**
Transfer from deposit for land use rights (note 10)	**64,993**
Transfer from property, plant and equipment (note 8)	**2,962**
Amortisation for the period	**(633)**
Net book value, as at 30 June	**102,298**

The deposit of RMB64,993,000 and related tax payment of RMB2,962,000 made in prior years for the purchase of the land use rights for 50 years on leasehold land located in Jinjiang, Fujian Province, the PRC for the proposed construction of a new headquarters were transferred to lease prepayments upon the issue of the land use rights certificate to the Group during the period.

Lease prepayments represent prepayments of land use rights on leasehold land located in the PRC. The Group is granted land use rights for a period of 50 years.

10. DEPOSITS FOR PURCHASES OF FIXED ASSETS AND LAND USE RIGHTS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Deposit for land use rights (note 9)	**—**	64,993
Purchase of other fixed assets	**3,647**	1,223
	3,647	66,216

11. INVENTORIES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Raw materials	**78,616**	49,745
Work in progress	**6,090**	3,636
Finished goods	**111,839**	195,464
	196,545	248,845

As at 30 June 2015, raw materials included materials totalling RMB64,374,000 (31 December 2014: RMB47,112,000) that were held by sub-contractors.

For the six months ended 30 June 2015, RMB419,000 was included in the amount of inventories recognised as an expense in profit or loss, being the amount of write-down of inventories to estimated net realisable value, net of reversal (2014: RMB9,041,000 recognised as a reduction for reversal of a write-down).

12. TRADE AND OTHER RECEIVABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade receivables	**629,445**	613,874
Less: Provision for doubtful debts	**(10,129)**	(10,129)
Trade receivables net of provision for doubtful debts	**619,316**	603,745
Prepayments to suppliers	**31,574**	13,494
Prepaid advertising expenses	**7,721**	2,935
VAT deductible	**2,335**	5,987
Other deposits, prepayments and receivables	**37,067**	43,340
	698,013	669,501

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables net of provision for doubtful debts are expected to be recovered or recognised as expense within one year. An ageing analysis of the trade receivables based on due dates is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Current	**619,316**	603,745

An ageing analysis of the trade receivables, based on the invoice date and net of provision for doubtful debts, is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	**486,129**	516,281
Over 3 months but within 6 months	**119,356**	87,464
Over 6 months but within 1 year	**13,831**	—
	619,316	603,745

The Group grants a credit period of 90 to 240 days to its trade customers.

13. PLEDGED BANK DEPOSITS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Amounts pledged as security for bank loans (note 15)	**863,438**	833,000
Amounts pledged as security for bills payable (note 16)	**—**	13,131
	863,438	846,131

The pledged bank deposits will be released upon the settlement of the relevant bank loans.

14. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

	30 June 2015 RMB'000	31 December 2014 RMB'000
Cash at bank and in hand	**1,996,851**	1,845,179
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	**1,996,851**	1,845,179
Fixed deposits with banks with more than three months to maturity when placed	**30,000**	100,000
	2,026,851	1,945,179

15. BANK LOANS

As at 30 June 2015 and 31 December 2014, bank loans were secured by pledged bank deposits (also see note 13) and were repayable within one year or on demand.

16. TRADE AND OTHER PAYABLES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Trade payables	**219,816**	222,721
Bills payable (note 13)	**—**	46,650
Trade and bills payables	**219,816**	269,371
Receipts in advance	**13,782**	20,450
Accrued salaries and wages	**12,988**	17,118
Payables for purchase of fixed assets	**9,305**	7,217
Retirement benefit contribution payable	**25,665**	25,649
VAT payables	**12,486**	751
Other payables and accruals	**82,131**	76,405
	376,173	416,961

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

16. TRADE AND OTHER PAYABLES (CONTINUED)

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand. An ageing analysis of the Group's trade and bills payables based on the invoice date is as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Within 3 months	**184,682**	222,650
Over 3 months but within 6 months	**18,674**	24,807
Over 6 months but within 1 year	**5,815**	13,323
Over 1 year	**10,645**	8,591
	219,816	269,371

17. DIVIDENDS

Dividends payable to shareholders of the Company attributable to the period:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Declared and payable after interim period:		
Interim dividend of HK13 cents per ordinary share (2014: HK12 cents per ordinary share)	**125,592**	115,293
Special interim dividend of HK6 cents per ordinary share (2014: HK5 cents per ordinary share)	**57,965**	48,039
	183,557	163,332

The interim dividend and special interim dividend have not been recognised as liabilities as at 30 June 2015.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

17. DIVIDENDS (CONTINUED)

Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the period:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Final dividend in respect of the previous financial year of HK17 cents per ordinary share (2014: HK16 cents per ordinary share)	**164,343**	154,776
Special final dividend in respect of the previous financial year of HK6 cents per ordinary share (2014: HK5 cents per ordinary share)	**58,003**	48,367
	222,346	203,143

18. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has two share option schemes, namely, the Pre-IPO Share Option Scheme and the Share Option Scheme, which were adopted on 12 September 2008 and 4 September 2009 respectively. Details of the number and weighted average exercise price of share options granted under these two share option schemes during the period are as follows:

	Pre-IPO Share Option Scheme		Share Option Scheme	
	Exercise price	No. of options	Exercise price	No. of options
Outstanding at 1 January 2014	HK$3.12	7,733,479	HK$6.63	1,130,000
Exercised during the period	HK$3.12	(216,409)	—	—
Outstanding at 30 June 2014	HK$3.12	7,517,070	HK$6.63	1,130,000
Outstanding at 1 January 2015	**HK$3.12**	**4,948,383**	**HK$6.63**	**1,130,000**
Lapsed during the period	**HK$3.12**	**—**	**HK$6.63**	**(500,000)**
Exercised during the period	**HK$3.12**	**(2,309,088)**	**—**	**—**
Outstanding at 30 June 2015	**HK$3.12**	**2,639,295**	**HK$6.63**	**630,000**

The share options outstanding under the Pre-IPO Share Option Scheme at 30 June 2015 had a weighted average remaining contractual life of 0.3 year.

The share options outstanding under the Share Option Scheme at 30 June 2015 had a weighted average remaining contractual life of 3.4 years.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

19. CAPITAL COMMITMENTS

As at 30 June 2015, capital commitments not provided for in the interim financial report are as follows:

	30 June 2015 RMB'000	31 December 2014 RMB'000
Contracted for	**12,700**	15,172
Authorised but not contracted for	**519,668**	519,540
	532,368	534,712

20. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the period, including amounts paid to the Directors, was as follows:

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**3,638**	3,658
Contributions to defined contribution retirement benefit scheme	**51**	69
	3,689	3,727

(b) Other related party transaction

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Recurring transaction		
Lease of land and properties from Jinlang (Fujian) Investments Co., Ltd. ("Jinlang Fujian")	**1,560**	1,560

Jinlang Fujian is effectively 33.3%, 33.3% and 33.4% owned by Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing respectively, who are Directors and Controlling Shareholders of the Group, and therefore is considered a related party of the Group.

The Directors are of the opinion that the above related party transaction was conducted on normal commercial terms and in the ordinary course of business.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of shareholder	Name of Group company/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Wang Dong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.903%
	Xiao Sheng International Limited ("Xiao Sheng International") (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	26.289%
Mr. Wang Liang Xing	The Company	Beneficial owner	26,031,000 shares (L)	2.158%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	26.289%
Mr. Wang Cong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.903%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	26.289%
Mr. Cai Rong Hua	The Company	Beneficial owner	9,010,000 shares (L)	0.747%
	Xiao Sheng International (Note 2)	Beneficial owner	800 shares of US$1.00 each (L)	8.247%
Mr. Hu Cheng Chu	The Company	Beneficial owner	4,500,000 shares (L)	0.373%
	Xiao Sheng International (Note 2)	Beneficial owner	500 shares of US$1.00 each (L)	5.155%
Mr. Pan Rong Bin	The Company	Beneficial owner	2,700,000 shares (L)	0.224%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US$1.00 each (L)	3.093%

Notes:

1. The letter "L" denotes the Directors' long position in the shares of our Company or the relevant associated corporation.

2. Xiao Sheng International is owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Mr. Cai Rong Hua, 5.155% by Mr. Hu Cheng Chu, 3.093% by Mr. Pan Rong Bin, 2.062% by Mr. Chen Wei Jin, 1.031% by Mr. Wang Qiao Xing and 0.515% by each of Mr. Xu Tian Min, Ms. Wang Cui Rong and Ms. Wang Hui Rong.

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders

As at 30 June 2015, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	**Capacity/nature of interest**	**Number and class of securities** (Note 1)	**Approximate percentage of shareholding**
Xiao Sheng International	Beneficial owner	661,500,000 shares (L) (Note 2)	54.84%
Ming Lang Investments Limited ("Ming Lang Investments")	Beneficial owner	74,905,000 shares (L) (Note 3)	6.21%
Value Partners Group Limited	Interest in controlled corporation	71,078,000 shares (L)	5.89%

Notes:

(1) The letter "L" denotes the person's long position in the shares of our Company.

(2) These shares were held by Xiao Sheng International. Xiao Sheng International is owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Mr. Cai Rong Hua, 5.155% by Mr. Hu Cheng Chu, 3.093% by Mr. Pan Rong Bin, 2.062% by Mr. Chen Wei Jin, 1.031% by Mr. Wang Qiao Xing and 0.515% by each of Mr. Xu Tian Min, Ms. Wang Cui Rong and Ms. Wang Hui Rong.

(3) These shares were held by Ming Lang Investments. Ming Lang Investments is owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Mr. Cai Rong Hua, 5.155% by Mr. Hu Cheng Chu, 3.093% by Mr. Pan Rong Bin, 2.062% by Mr. Chen Wei Jin, 1.031% by Mr. Wang Qiao Xing and 0.515% by each of Mr. Xu Tian Min, Ms. Wang Cui Rong and Ms. Wang Hui Rong.

Save as disclosed above, as at 30 June 2015, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEMES

The Company adopted a pre-initial public offering share option scheme on 12 September 2008 (the "Pre-IPO Share Option Scheme") and a share option scheme on 4 September 2009 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the Group.

Details of the share option schemes are set out in the 2014 Annual Report of the Company.

Pre-IPO Share Option Scheme

Details of movements of the options during the period are set out below:

Name or category of participant	Options granted by the Company Number of underlying shares As at 1 January 2015	Exercised	As at 30 June 2015	Exercise price per share	Date of grant	Exercise period
Employees	4,596,505	(2,063,088)	2,533,417	HK$3.12	4 September 2009	Note 1
Employees	105,878	—	105,878	HK$3.12	4 September 2009	Note 2
Employees	246,000	(246,000)	—	HK$3.12	4 September 2009	
	4,948,383	(2,309,088)	2,639,295			

As at 30 June 2015, the number of shares to be issued upon the exercise of the outstanding options under the Pre-IPO Share Option Scheme was 2,639,295, representing 0.22% of the issued share capital of the Company as at that date.

Notes:

1. The outstanding options at 30 June 2015 are exercisable by the grantees prior to the expiry of the exercise period on the day falling six years after 25 September 2009 (the "Listing Date"), failing which the options will lapse and no longer be exercisable.

2. The outstanding options at 30 June 2015 are exercisable by the grantees prior to the expiry of the exercise period on the day falling seven years after the Listing Date, failing which the options will lapse and no longer be exercisable.

Share Option Scheme

Details of movements of the options during the period are set out below:

Name or category of participant	Options granted by the Company Number of underlying shares As at 1 January 2015	Exercised	Cancelled	Lapsed	As at 30 June 2015	Exercise price per share	Date of grant	Exercise period
Employees	1,130,000	—	—	(500,000)	630,000	HK$6.63	29 November 2011	Note 1

As at 30 June 2015, the number of shares to be issued upon the exercise of the outstanding options under the Share Option Scheme was 630,000, representing 0.05% of the issued share capital of the Company as at that date.

Note:

1. The outstanding options at 30 June 2015 are exercisable by the grantees during the period commencing from the day immediately following the expiry of one year period after 29 November 2011 (the "Date of Offer") and ending on the day falling seven years after the Date of Offer, during which, (a) up to 265,000 options granted may be exercised on or prior to the end of the second year after the Date of Offer; (b) subject to (a), up to 530,000 options granted may be exercised on or prior to the end of the third year after the Date of Offer; (c) subject to (a) and (b), up to 560,000 options granted may be exercised on or prior to the end of the fourth year after the Date of Offer; (d) subject to (a), (b) and (c), up to 590,000 options granted may be exercised on or prior to the end of the fifth year after the Date of Offer; and (e) subject to (a), (b), (c) and (d), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

CORPORATE GOVERNANCE

The Company had complied with all code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2015.

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by Directors. The Company has made specific enquiries of all the Directors, who confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2015.

REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors. The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The interim results of the Group for the six months ended 30 June 2015 have not been audited but they have been reviewed by KPMG, the auditor of the Company, and the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the proposed interim dividend and special interim dividend, the register of members will be closed from Tuesday, 25 August 2015 to Wednesday, 26 August 2015 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend and special interim dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 24 August 2015 for registration.

APPRECIATION

I would like to thank our fellow Directors for their contribution and support throughout the period, and our management and staff for their dedication and hard work.

I would like to express our sincere appreciation to our shareholders, customers and suppliers as well as our business associates for their continuing support.

By Order of the Board
WANG DONG XING
Chairman

Hong Kong, 10 August 2015

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2015 Interim Report of the Company will be dispatched to shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.lilanz.com in due course. This announcement can also be accessed on the above websites.

As at the date of this announcement, the Board comprises:

Executive Directors:
Mr. Wang Dong Xing *(Chairman)*
Mr. Wang Liang Xing
(Chief Executive Officer)
Mr. Wang Cong Xing
Mr. Cai Rong Hua
Mr. Hu Cheng Chu
Mr. Pan Rong Bin

Independent Non-executive Directors:
Dr. Lu Hong Te
Mr. Chen Tien Tui
Mr. Nie Xing
Mr. Lai Shixian

By order of the Board
China Lilang Limited
Ko Yuk Lan
Company Secretary

Hong Kong, 10 August 2015