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 2020

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 2020. This announcement, containing the full text of the 2020 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.

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FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	Changes
	(RMB million)	(RMB million)	(%)
Revenue	**1,093.3**	1,540.0	-29.0
Gross profit	**431.0**	638.2	-32.5
Profit from operations	**306.7**	464.8	-34.0
Profit for the period	**268.9**	388.5	-30.8
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	**22.5**	32.5	-30.8
— Diluted	**22.5**	32.5	-30.8
Interim dividend per share	**HK12 cents**	HK18 cents	-33.3
Special interim dividend per share	**HK5 cents**	HK8 cents	-37.5
	(%)	(%)	(% points)
Gross profit margin	**39.4**	41.4	-2.0
Operating profit margin	**28.1**	30.2	-2.1
Net profit margin	**24.6**	25.2	-0.6
Return on average shareholders' equity(1)	**7.5**	11.3	-3.8
Effective tax rate	**17.6**	21.2	-3.6
Advertising and promotional expenses and renovation subsidies (as percentage of revenue)	**7.5**	9.1	-1.6

	Six months ended 30 June 2020	Year ended 31 December 2019	Six months ended 30 June 2019
Average inventory turnover days(2)	**185**	111	129
Average trade receivables turnover days(3)	**135**	78	87
Average trade payables turnover days(4)	**114**	91	102

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 and bills 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 bills payables balance divided by cost of sales and multiplied by the number of days in the relevant period.

MANAGEMENT DISCUSSION AND ANALYSIS

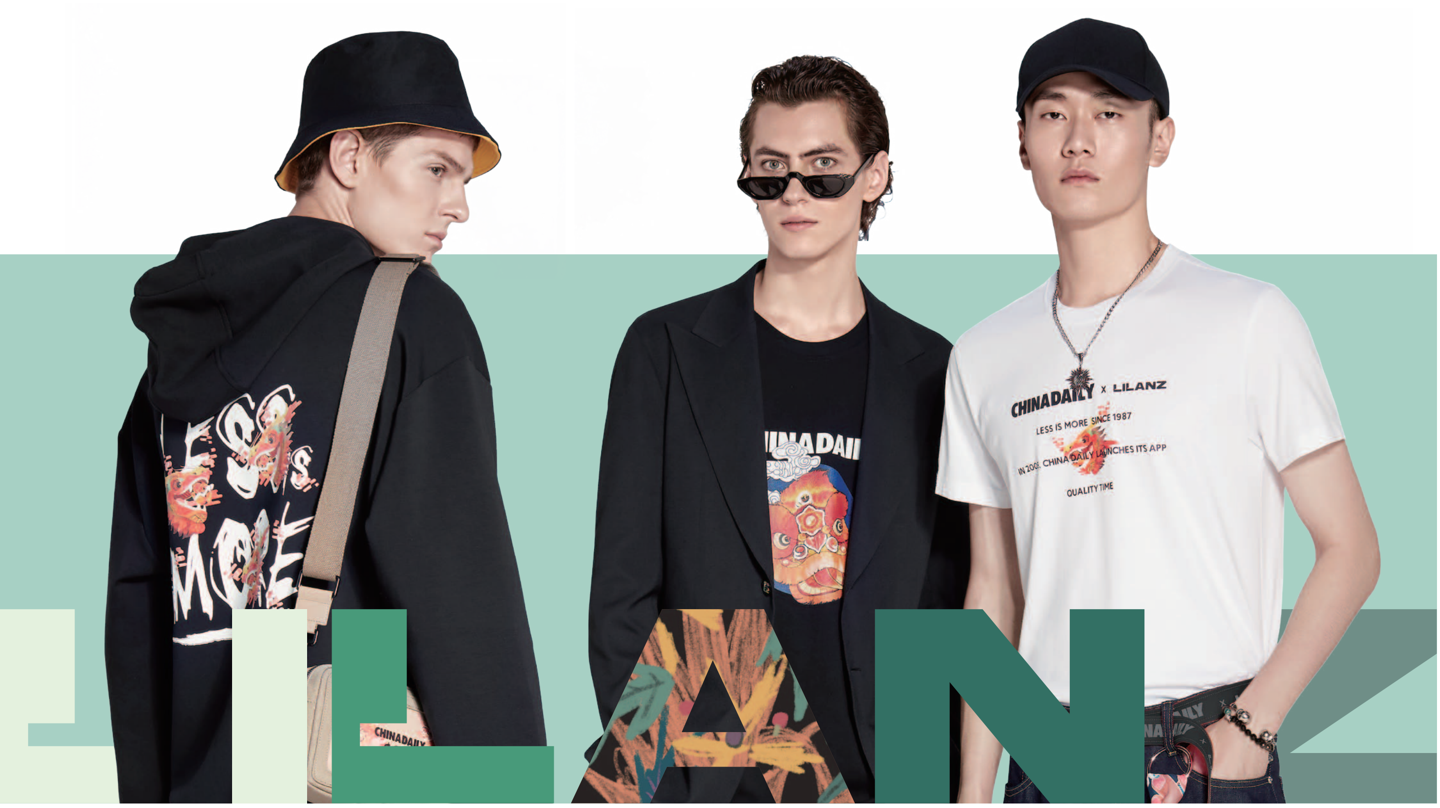
INDUSTRY REVIEW

In the first half of 2020, the trade friction between China and the United States continued, and the tension between the two countries intensified, which imposed downward pressure on the global economy. At the same time, the novel coronavirus pandemic ("COVID-19" or the "Pandemic") hit consumer and retail markets hard. Faced with various challenges, China undertook initiatives to prevent and control the Pandemic as well as promote economic and social development, implementing measures to support trade and investment, and accelerating the restoration of social operations. According to the National Bureau of Statistics of China, the country's gross domestic product (GDP) for the first half of the year declined by 1.6% year-on-year, and the total retail sales of consumer goods for the same period decreased by 11.4% year-on-year. By consumption type, total retail sales of apparel, footwear, headwear and knitwear for the first half of the year decreased by 19.6% year-on-year.

As the Pandemic started to ease in March, apparel retail stores in China gradually resumed business. Promotional sales with deep discounts were offered to attract consumers. Noticing that consumers are paying more attention to the convenience and safety of shopping, retail companies are more actively resorting to the online sales channels. This drives further adjustments to the retail business model.

During the period under review, China Lilang Limited (the "Company" or "China Lilang", together with its subsidiaries, the "Group") adopted active measures against the challenges brought by the Pandemic. Although retail stores had gradually resumed business since March, it would take some time for the traffic of stores to recover. To alleviate the impact of the decline in consumer traffic of physical stores on retail sales and also the distributors, the Group stepped up its efforts to promote e-commerce business, driving up online retail sales by more than 1.5 times as compared to the same period last year. Sales by the physical stores to VIP customers via the customer relationship management system on the WeChat platform also increased substantially. However, total retail sales of LILANZ products for the first half of the year still inevitably recorded a relatively large

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



decline and dropped by 30%–35% as compared to the same period last year. To support the distributors, the Group extended the credit periods granted to distributors, and also cancelled some of the spring and summer orders to reduce the channel inventory pressures of distributors. The Group also strictly controlled the pre-order levels of the 2020 fall and winter trade fairs held in the second quarter to reduce the risk of further inventory backlog. In addition, the Group continued to optimize the physical retail store network. During the period, the number of retail stores decreased by 98 to 2,717, of which 268 were stores for the smart casual collection.

For the six months ended 30 June 2020, revenue decreased by 29.0% year-on-year to RMB1,093.3 million. Net profit amounted to RMB268.9 million, down by 30.8%. Net profit margin declined by 0.6 percentage point to 24.6%. Earnings per share were RMB22.5 cents, down by 30.8%.

The Group maintained a healthy financial position during the period and expects that operating cash flows would be improved in the second half of the year. The Board of Directors resolved to pay an interim dividend of HK12 cents per share and a special interim dividend of HK5 cents per share, once again maintaining a relatively high payout ratio.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the period decreased by 29.0% to RMB1,093.3 million. To reduce the inventory pressure of the distributors, the Group cancelled some of the spring and summer orders of approximately RMB140.0 million (at wholesale value) during the period. In addition, the Group also reduced the pre-orders of 2020 fall trade fair to control inventory risk and to facilitate the destocking of inventories from spring in the second half of the year. Coupled with the fact that the fall trade fair held in the second quarter had been delayed by more than a month compared to last year, sales of fall products during the first half of the year were significantly lower than the same period last year.

By product category, tops remained the major contributor to revenue, accounting for 52.3% of revenue (first half of 2019: 53.6%), with a 30.8% drop in sales. During the period, the Group organized various online promotional sales events of footwear products to boost consumer traffic. As a result, sales of accessories for the period dropped by 10.7%, a more moderate rate as compared to the other product categories. Sales of footwear products accounted for over 10% of total revenue for the period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

REVENUE BY REGION

Sales in the North-Eastern China region had the worst performance during the period and fell by 44.8% year-on-year. The region reported a number of imported cases of COVID-19 in the second quarter, affecting the recovery of the retail industry. In addition, the issue of population outflow of the region continued. As for the Northern China region, currently most of the stores in markets such as Beijing, Hebei and Shanxi are street stores, hence the realignment of store network is needed so as to have more stores in shopping malls. As part of the process, the number of stores in that region decreased during the period. In addition, as Beijing adopted more rigorous prevention and control measures for the Pandemic in the second quarter, the recovery of retail industry in the city was relatively slower than in the other regions. As a result, sales of the region for the period fell by 36.1% year-on-year. Sales in Central and Southern China region fell by 21.7% during the period. Although Hubei, the province hardest hit by the Pandemic, recorded a sharp decline in sales during the period, for other major markets in the region, including Henan, Hunan and Guangdong, sales recovered well in the second quarter. Sales in the North-Western China region fell by 13.2% for the period, a relatively small decline. Sales in Shaanxi, the major market of the region, recovered rapidly in the second quarter.

The Eastern China and the Central and Southern China regions remained the top contributors to revenue, accounting for 59.1% (first half of 2019: 58.7%) of the total. The retail stores in these two regions accounted for 54.3% (31 December 2019: 54.1%) of the total number of stores.

Revenue by region for the period is set out below:

	Six months ended 30 June				
	2020		2019		Changes
Region	**RMB million**	**% of revenue**	RMB million	% of revenue	(%)
Northern China[1]	**92.1**	**8.4%**	144.2	9.4%	–36.1%
North-Eastern China[2]	**42.9**	**3.9%**	77.7	5.0%	–44.8%
Eastern China[3]	**332.7**	**30.5%**	504.7	32.8%	–34.1%
Central and Southern China[4]	**312.4**	**28.6%**	399.1	25.9%	–21.7%
South-Western China[5]	**200.3**	**18.3%**	284.2	18.5%	–29.5%
North-Western China[6]	**112.9**	**10.3%**	130.1	8.4%	–13.2%
Total	**1,093.3**	**100.0%**	1,540.0	100.0%	–29.0%

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.

COST OF SALES AND GROSS PROFIT MARGIN

Cost of sales decreased by 26.6% year-on-year to RMB662.4 million. As sales revenue decreased, subcontracting charges dropped by 37.9% to RMB115.3 million.

Gross profit margin was 39.4%, down by 2.0 percentage points year-on-year. This was mainly attributable to the higher fixed production overhead (including research and development costs) to revenue ratio as sales revenue declined.

OTHER NET INCOME

Other net income amounted to RMB46.4 million (first half of 2019: RMB53.0 million), which comprised mainly government grants of RMB39.1 million (first half of 2019: RMB41.8 million). The Group's entitlement to the government grants was unconditional and under the discretion of relevant authorities.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by 35.7% to RMB111.1 million, accounting for 10.2% of the total revenue, down by 1.0 percentage point compared with the same period last year. Advertising expenses and renovation subsidies decreased by RMB58.0 million to RMB81.4 million, equivalent to 7.5% (first half of 2019: 9.1%) of the total revenue. During the period, advertising expenses increased, while renovation subsidy expenses decreased significantly as there were substantially fewer new store openings during the period. Other sales and distribution expenses decreased, mainly because less was spent on organizing trade fairs.

ADMINISTRATIVE EXPENSES

Administrative expenses amounted to RMB54.3 million, up by RMB4.3 million compared with the same period last year, equivalent to 5.0% (first half of 2019: 3.3%) of the total revenue. Administrative expenses for the period included additional provision of RMB7.4 million for trade receivables, made in accordance with the Group's provision policy.

OTHER OPERATING EXPENSES

Other operating expenses mainly comprised charitable donations of RMB3.7 million (first half of 2019: RMB3.5 million).

PROFIT FROM OPERATIONS

Profit from operations dropped by 34.0% to RMB306.7 million, which was mainly attributable to the decrease in sales revenue. The higher ratio of fixed cost of sales to sales revenue resulted in a drop in gross profit margin by 2.0 percentage points. Operating profit margin fell by 2.1 percentage points to 28.1%.

NET FINANCE INCOME

Net finance income was RMB19.8 million, down by RMB8.7 million year-on-year. Both the cash balance and the bank deposit interest rate decreased during the period.

INCOME TAX

The effective income tax rate was 17.6% for the period, down by 3.6 percentage points compared to the same period last year. This was mainly due to the recognition of the tax benefits of certain prior year's expense deductions confirmed by the relevant tax authorities during the period. One of the Group's PRC subsidiaries has obtained the "Advanced and New Technology Enterprise" status. Together with the two subsidiaries established in Xizang, these subsidiaries are eligible to a preferential tax rate of 15% in 2020.

NET PROFIT

Net profit was RMB268.9 million for the period, down by 30.8%, which was mainly attributable to the decrease in sales revenue for the period. Net profit margin declined by 0.6 percentage point to 24.6%.

EARNINGS PER SHARE

Earnings per share were RMB22.5 cents, down by 30.8%.

INTERIM DIVIDEND

The Board has resolved to distribute payment of an interim dividend of HK12 cents (first half of 2019: HK18 cents) per ordinary share and a special interim dividend of HK5 cents (first half of 2019: HK8 cents) per ordinary share in respect of this financial year, making a total dividend payment of approximately HK$203.6 million (equivalent to approximately RMB185.8 million). The interim dividend and special interim dividend will be paid in cash on or around 18 September 2020 to shareholders whose names appear on the register of members of the Company on 4 September 2020.

BUSINESS REVIEW

SALES CHANNEL MANAGEMENT

Through the LILANZ retail stores operated by distributors, the Group establishes a distinctive brand image, provides professional retail services, and raises the spending desire of consumers so as to drive sales. A wholesale model has been adopted for the sales of the core collection while a consignment model for most of the sales of the smart casual collection.

During the period, retail industry was severely hit by the Pandemic. On the one hand, the Group pragmatically worked with distributors to optimize the retail network, closing under-performing stores and opening stores in carefully selected high-quality shopping malls to increase store sales. On the other hand, the Group took active measures to support distributors in coping with the Pandemic to ensure the health of sales channels.

As at the end of June 2020, LILANZ had a total of 2,717 retail stores nationwide, representing a net decrease of 98 stores during the period, and the aggregate retail floor area decreased by 3.9% compared to the end of 2019 to about 390,400 square meters (31 December 2019: 406,400 square meters). Among them, there were 268 specialty stores for the smart casual collection, down by 22 stores during the period.

Changes in the number of LILANZ stores in different regions are as follows:

	Number of Stores			
Region	**As at 1 January 2020**	**Opened during the period**	**Closed during the period**	**As at 30 June 2020**
Northern China	**299**	**5**	**26**	**278**
North-Eastern China	**199**	**2**	**6**	**195**
Eastern China	**810**	**10**	**65**	**755**
Central and Southern China	**714**	**36**	**29**	**721**
South-Western China	**505**	**16**	**31**	**490**
North-Western China	**288**	**6**	**16**	**278**
Total	**2,815**	**75**	**173**	**2,717**

As at the end of June 2020, the number of stores in shopping malls was 768 (31 December 2019: 780), the percentage to total store count and the related percentage to total retail area remained at about 28% and 31% respectively.

The Group has established stable relations with its distributors. As at 30 June 2020, LILANZ had 77 distributors and 768 sub-distributors. The number of stores is analyzed as follows:

	30 June 2020		31 December 2019	
	Number of distributors	**Number of stores**	Number of distributors	Number of stores
Self-operated stores	**–**	**1**	–	1
Distributors	**77**	**1,585**	78	1,663
Sub-distributors	**768**	**1,131**	768	1,151
Total number of stores		**2,717**		2,815
Street stores and stores in shopping malls		**2,418**		2,509
Shop-in-shops in department stores		**299**		306
Total number of stores		**2,717**		2,815

During the period, to support distributors in coping with the Pandemic and alleviate channel inventory pressure, the Group extended the credit periods granted to distributors and cancelled some of the spring and summer orders. Also, the Group reduced products of the fall collection as planned to facilitate the destocking of the spring inventory in the second half of the year. In addition, the Group implemented the reduction of pre-order levels of distributors in the 2020 fall and winter trade fairs to reduce the risk of further backlog of channel inventory. Sufficient production capacity was in place to cope with possible supplementary orders.

At present, past-season inventories are slightly above the target level, inventory clearance will be the top priority in the second half of the year.

NEW RETAIL DEVELOPMENT

New retail remains one of the Group's top priorities for future business development. The Group promotes the business of its LILANZ core collection and smart casual collection by actively integrating online services with offline in-store experiences and its comprehensive logistics services.

Online stores have been set up on major online sales platforms for both the LILANZ core collection and smart casual collection. The Group also provides customer relationship management services via the WeChat platform. After the outbreak of the Pandemic earlier this year, consumer traffic of physical retail stores has declined. To alleviate the impact on retail sales and the distributors, the Group actively encouraged the distributors to fully utilize the customer relationship management system on the WeChat platform to increase sales to VIP customers. The Group also stepped up its efforts to promote e-commerce business by increasing online advertising activities to boost e-commerce traffic and organizing online sales promotion, driving online retail sales to increase by more than 1.5 times year-on-year.

PRODUCT DESIGN, DEVELOPMENT AND SUPPLY CHAIN MANAGEMENT

The Group continued to enhance the personality-themed and original design of its products to provide better value-for-money and differentiate itself from its peers. The proportion of originally-designed products maintained at the target level of about 70% among products available for sale during the period and the proportion of these products utilizing proprietary fabrics was also around the target level of approximately 50%. At the same time, commencing from the 2020 summer collection, the Group has started enhancing the fashion elements and design of smart casual products in stages as planned. This is expected to improve the profitability of smart casual collection in the long run.

To support environmental protection, the Group has launched an environmental-friendly jeans collection in its 2020 spring and summer collections. Such jeans are made with blended fabrics of cotton yarn and polyester yarn extracted from recycled plastic bottles. On average, each pair of jeans uses seven plastic bottles. Besides, the Group has adopted the latest washing technology in the washing process of jeans products to effectively reduce waste and significantly save labor, water and energy consumption.

The Group's international and local research and development teams have continued to keep abreast of the popularity trends in the international market. With the objective of meeting fashion needs of mainland China's consumers, the teams design value-for-money menswear products that are simple yet fashionable in style. There are currently about 440 staff members in the Group's research and development department engaged in areas such as product design, material development and sample creation, all striving to increase the overall competitiveness of its products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BRAND MANAGEMENT AND PROMOTION

China Lilang owns and operates the LILANZ brand and currently sells menswear products in two collections — the core collection and the smart casual collection. The core collection, principally targeting consumers between the ages of 25 and 45, has been well-received in traditional third- and fourth-tier city markets and is gradually expanding into first- and second-tier city markets. The smart casual collection, targeting consumers between the ages of 20 and 30 in first- and second-tier city markets, comprises more classically-styled products than the core collection.

The Group's brand management mainly focuses on products and the Group continued to launch targeted brand advertising and promotion campaigns. In the 2020 spring and summer collections, the Group launched a number of IP crossover series and carried out promotional campaigns to complement the launches. In particular, to promote the launch of the LILANZ × CHINA DAILY crossover products, the Group commissioned a number of influencers to showcase the new products on various online platforms such as Tik Tok, Xiaohongshu.com, Weibo and Douyu.com, attracting market attention and enhancing brand value.

During the period, the Group sponsored the costumes of actors in the urban hit drama "Get Married or Not" (誰説我結不了婚), showcasing the fashionable image of the LILANZ brand through costume designs that matched the characters and the plot. The drama was broadcast simultaneously on CCTV8 and several online stations in the second quarter and attracted a huge audience, greatly enhancing the brand awareness and reputation of LILANZ.

During the period, the Group also continued to participate in the Advertising Festival of Chinese College Students to solicit publicity plans and ideas for its brand and products from college students. Owing to the Pandemic, the creative theme solicitation tour was held online instead. The activity had engaged more than one million college students, further enhancing the brand awareness of "LILANZ" among the young consumer demographic.

PROSPECTS

Looking into the second half of 2020, Sino-US trade issues remain unresolved while the Pandemic fluctuates, adding uncertainties to the global economy. China's retail market will also be affected. As a well-established menswear enterprise, China Lilang has distinctive advantages in areas such as products, retail management, cost control, and financial position. The Group will continue to improve operating efficiency, inventory management, e-commerce business and brand promotion, and is confident that it will continue to outperform other industry peers. The target total retail sales growth of LILANZ products for the second half of the year remains at no less than mid-single-digit.

Maintaining the channels healthy and reducing inventory to a reasonable level will be a focus for the second half of the year. In addition to clearing inventories via online stores and the outlet sales event held in the headquarters at year end, the Group has reduced products for the 2020 fall collection to facilitate the destocking of the 2020 spring products in the second half of the year. It has also reduced the pre-order levels of the 2020 fall and winter trade fairs and prepared sufficient production capacity to cope with additional orders, thus reducing the risk of further backlog of channel inventory. In addition, the plan for the distributors to open stores in outlet malls will be carried out in the second half of the year to accelerate inventory clearance. The Group will continue to monitor the inventory level through the ERP system, and targets to reduce inventories to a more reasonable level through the aforementioned measures and organizing appropriate promotional and marketing events when necessary.

The Group remains cautious in expanding its store network in the second half of the year and expects that the total number of stores by the end of 2020 will be largely the same as that at the end of 2019. In addition to opening stores in outlet malls as planned, the Group will continue to encourage distributors to open more stores in premium shopping malls. However, it is expected that some stores with low profitability will be closed.

With respect to the smart casual collection, as disclosed in the 2019 annual report, the Group would replace the consignment model with a direct-retail model to strengthen inventory management, market expansion, brand marketing and training of retail personnel. On 1 July 2020, 228 existing stores of the smart casual collection have been converted to direct-retail model. Other 40 stores will continue to be operated by distributors, and some of which are expected to be closed when the existing sales agreements expire. The total consideration for the transfer is approximately RMB143.0 million (including fixed assets, and rental deposits and prepayments), of which compensation for market development expenses amounting to RMB50.1 million will be recognised as expense in the second half of the year.

Regarding the new retail, the Group will continue to conduct brand advertising and promotion on Baidu, Weibo, Tik Tok, and other portals and will organize various promotional sales events to attract more traffic to the online stores. The Group will also encourage distributors to fully utilize the customer relationship management system via WeChat as a sales platform.

As for brand promotion, the Group will launch a number of crossover collections in the second half of the year, including crossover products with American graffiti artist Jean Michel Basquiat. The Group has also appointed a new brand ambassador and will start a new round of brand promotion in the fourth quarter. The store image upgrade for the core collection will be undertaken in stages. In 2020, the plan for rolling out the seventh-generation store image to existing stores will be adjusted to cover 10 to 20 stores. Different decorative materials will be used subject to different market positions of the stores to achieve a better cost efficiency.

As for product positioning, the Group will continue to adhere to the strategy of providing products of excellent value-for-money and ensure that product design and quality would gain the favor of customers. The Group has started enhancing the fashion elements and design of a small portion of the 2020 summer products of the smart casual collection, and will gradually increase the proportion of these products in the fall and winter collections. This would help improve the profitability of the smart casual collection in the long run.

The renovation work of the new headquarters in Fujian had been suspended early this year due to the Pandemic. The work has now been resumed. It is expected that the headquarters will begin operation in the beginning of next year and hopefully the 2021 fall trade fair could be held there. Phase I of the new logistics park is still targeted for opening in late 2021.

In the long run, China Lilang will retain its multi-brand strategy, as it endeavors to strengthen its product competitiveness and value-for-money to further consolidate its leading position in the menswear industry in China and realize sustainable long-term growth to reward its shareholders, staff and customers for their support.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

LIQUIDITY AND FINANCIAL RESOURCES

CASH AND BANK BALANCES AND CASH FLOWS

	As at 30 June 2020 RMB million	As at 31 December 2019 RMB million
Amounts pledged as security for bills payable	**3.1**	8.9
Cash and cash equivalents	**1,733.5**	1,750.6
Total cash and bank balance	**1,736.6**	1,759.5
Less: Bank loans	**(273.8)**	–
Net cash	**1,462.8**	1,759.5

As at 30 June 2020, the Group's total cash and bank balance was mainly denominated in Renminbi (97.8%).

The bank loans as at 30 June 2020 were denominated in Hong Kong Dollars, unsecured, repayable within one year or on demand and carried interest at floating rates.

The decrease in cash and cash equivalents balance by RMB17.1 million during the period was reconciled as follows:

— Net cash generated from operating activities amounting to RMB117.3 million. The major reconciling items between the amount of net operating cash inflow and the net profit for the period of RMB268.9 million were the decreases in trade and other payables. Trade and bills payables balance decreased by RMB208.6 million over the period as trade fair orders for 2020 fall and winter collections dropped year-on-year. Other payables and accruals decreased by about RMB49.3 million as expenses for the period, in particular renovation subsidies, and the related payables dropped. The effect of decreases in trade and other payables on cash flows for the period was partly offset by the decreases in trade and bills receivables, and inventories by RMB75.1 million and RMB35.4 million respectively.

— Net cash outflows from investing activities amounting to RMB63.3 million, comprising mainly capital expenditure totalling RMB87.7 million, less interest income of RMB24.3 million.

— Net cash outflows from financing activities amounting to RMB71.7 million, mainly attributable to the payments of the final dividends totalling RMB341.7 million in respect of the year ended 31 December 2019, less the proceeds from bank loans totalling RMB273.8 million.

TRADE WORKING CAPITAL TURNOVER DAYS

	Six months ended 30 June 2020	Year ended 31 December 2019	Six months ended 30 June 2019
Average inventory turnover days	**185**	111	129
Average trade receivables turnover days	**135**	78	87
Average trade payables turnover days	**114**	91	102

Inventory turnover days

The Group's average inventory turnover days was 185 days for the period.

Inventory balance dropped by RMB35.4 million during the period to RMB653.9 million. When compared to the interim period last year, the balance increased by RMB44.0 million. Inventory balance at the period end included 2020 spring and summer inventories of the core collection of about RMB78.0 million as the Group cancelled some of the trade fair orders to reduce the inventory pressure of distributors.

In the second half of the year, in addition to destocking through the online channel, the Group plans to open more stores in outlet malls to accelerate inventory clearance.

As at 30 June 2020, a provision of RMB3.4 million was made in accordance with the Group's inventory provision policy.

Trade receivables turnover days

The Group's average trade and bills receivables turnover days was 135 days for the period. This compared to 87 days for the interim period last year.

Trade and bills receivables balance decreased by RMB75.1 million during the period to RMB882.3 million. When compared to the interim period last year, the balance increased by RMB7.6 million.

Impacted by the Pandemic, total retail value of the Group's products decreased by 30% to 35% year-on-year in the first half of the year. As part of the measures to support the distributors, credit periods granted to distributors were extended during the period. However, the Group expects that retail business would further pick up and channel inventory clearance would accelerate in the second half of the year, and that liquidity of distributors as well as the ageing of the Group's trade receivables would improve as a result.

As at 30 June 2020, a provision of RMB16.6 million was made in accordance with the Group's trade receivables provision policy.

Trade payables turnover days

The Group's average trade and bills payables turnover days was 114 days for the period. The turnover days based on the period end balance was 85 days which compared to 81 days for the interim period last year.

Trade and bills payables balance dropped by RMB208.6 million during the period to RMB309.2 million. When compared to the interim period last year, the balance decreased by RMB96.6 million, which was mainly due to the drop in the 2020 fall and winter trade fair orders.

PLEDGE OF ASSETS

As at 30 June 2020, deposits with banks totalling RMB3.1 million (31 December 2019: RMB8.9 million) were pledged as securities for bills payable. The pledged bank deposits will be released upon the settlement of relevant bills payable.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2020, the Group had total capital commitments of RMB374.2 million, primarily related to the construction of the new headquarters and the logistics center, which are expected to be completed in early and late 2021 respectively.

These capital commitments are expected to be financed by internal resources of the Group.

As at 30 June 2020, 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 recognized 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.

HUMAN RESOURCES

As at 30 June 2020, the Group had 2,689 staff. Total staff costs for the period amounted to approximately RMB115.2 million (first half of 2019: RMB109.1 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, trade fairs planning, work place 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 share option scheme to recognize, reward and promote the contribution of the employees to the growth and development of the Group. On 3 July 2020, the Group granted options to subscribe for a total of 11,500,000 shares of the Company to its employees under the share option scheme at an exercise price of HK$4.31 per share. The options will be vested during the period from 3 July 2022 to 3 July 2024.

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 16 to 31 which comprises the consolidated statement of financial position of China Lilang Limited (the "Company") as of 30 June 2020 and the related consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and condensed consolidated statement of cash flows 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 2020 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

19 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2020 RMB'000	Six months ended 30 June 2019 RMB'000
Revenue	3	**1,093,336**	1,539,993
Cost of sales		**(662,354)**	(901,791)
Gross profit		**430,982**	638,202
Other net income		**46,372**	52,956
Selling and distribution expenses		**(111,054)**	(172,601)
Administrative expenses		**(54,337)**	(50,072)
Other operating expenses		**(5,265)**	(3,714)
Profit from operations		**306,698**	464,771
Net finance income	4	**19,839**	28,457
Profit before taxation	5	**326,537**	493,228
Income tax	6	**(57,595)**	(104,701)
Profit for the period		**268,942**	388,527
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company and subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**6,940**	2,044
Total comprehensive income for the period		**275,882**	390,571
Earnings per share	7		
Basic (cents)		**22.5**	32.5
Diluted (cents)		**22.5**	32.5

The notes on pages 21 to 31 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 2020 — unaudited

(Expressed in Renminbi)

	Note	**30 June 2020 RMB'000**	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	8	**740,315**	713,892
Investment properties	9	**140,494**	142,403
Right-of-use assets	10	**189,227**	139,506
Intangible assets		**7,865**	7,776
Deposits for purchases of plant and equipment		**46,679**	8,280
Deferred tax assets		**10,987**	20,823
		1,135,567	1,032,680
Current assets			
Inventories	11	**653,882**	689,243
Trade and other receivables	12	**1,013,979**	1,081,849
Pledged bank deposits	13	**3,066**	8,946
Cash and cash equivalents		**1,733,527**	1,750,609
		3,404,454	3,530,647
Current liabilities			
Bank loans	14	**273,840**	–
Trade and other payables	15	**489,224**	755,828
Lease liabilities	16	**22,633**	537
Contract liabilities		**27,019**	26,724
Current tax payable		**130,892**	152,156
		943,608	935,245
Net current assets		**2,460,846**	2,595,402
Total assets less current liabilities		**3,596,413**	3,628,082
Non-current liabilities			
Deferred tax liabilities		**31,252**	21,803
Lease liabilities	16	**24,671**	–
		55,923	21,803
Net assets		**3,540,490**	3,606,279

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020 — unaudited

(Expressed in Renminbi)

	Note	**30 June 2020 RMB'000**	31 December 2019 RMB'000
Capital and reserves			
Share capital		**105,517**	105,517
Reserves		**3,434,973**	3,500,762
Total equity		**3,540,490**	3,606,279

Authorised for issue by the board of directors in Hong Kong on 19 August 2020.

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

The notes on pages 21 to 31 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — 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 2019	105,517	31,411	257,038	23,176	(43,161)	3,025,878	3,399,859
Changes in equity for the six months ended 30 June 2019:							
Profit for the period	–	–	–	–	–	388,527	388,527
Other comprehensive income for the period	–	–	–	–	2,044	–	2,044
Total comprehensive income for the period	–	–	–	–	2,044	388,527	390,571
Dividends approved in respect of the previous year	–	–	–	–	–	(328,196)	(328,196)
As at 30 June 2019	105,517	31,411	257,038	23,176	(41,117)	3,086,209	3,462,234
As at 1 January 2020	**105,517**	**31,411**	**263,467**	**23,176**	**(37,369)**	**3,220,077**	**3,606,279**
Changes in equity for the six months ended 30 June 2020:							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**268,942**	**268,942**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**6,940**	**–**	**6,940**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**6,940**	**268,942**	**275,882**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**(341,671)**	**(341,671)**
As at 30 June 2020	**105,517**	**31,411**	**263,467**	**23,176**	**(30,429)**	**3,147,348**	**3,540,490**

The notes on pages 21 to 31 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 — unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**176,839**	273,037
Tax paid	**(59,574)**	(101,757)
Net cash generated from operating activities	**117,265**	171,280
Investing activities		
Payments for the purchases of property, plant and equipment, and intangible assets	**(87,681)**	(50,877)
Payment for purchase of right-of-use assets	**–**	(18,653)
Interest income received	**24,298**	28,510
Other cash inflows arising from investing activities	**50**	12
Net cash used in investing activities	**(63,333)**	(41,008)
Financing activities		
Proceeds from bank loans	**273,840**	237,411
Dividends paid	**(341,671)**	(328,196)
Interest expense paid	**(499)**	(765)
Capital element of lease rentals paid	**(3,259)**	(646)
Interest element of lease rentals paid	**(67)**	(30)
Net cash used in financing activities	**(71,656)**	(92,226)
Net (decrease)/increase in cash and cash equivalents	**(17,724)**	38,046
Cash and cash equivalents at 1 January	**1,750,609**	1,842,850
Effect of foreign exchange rate changes	**642**	(29)
Cash and cash equivalents at 30 June	**1,733,527**	1,880,867

The notes on pages 21 to 31 form part of this interim financial report.

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 19 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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.

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 ("IFRSs"). 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 2019 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 15.

The financial information relating to the financial year ended 31 December 2019 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 2019 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 19 March 2020.

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 interim 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 sale 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	
	2020	2019
	RMB'000	RMB'000
Interest income	**24,298**	28,510
Interest on bank borrowings	**(499)**	(875)
Interest on lease liabilities	**(67)**	(39)
Net foreign exchange (loss)/gain	**(3,893)**	861
	19,839	28,457

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Amortisation of intangible assets	**1,613**	1,464
Depreciation		
— owned property, plant and equipment	**13,359**	15,177
— investment properties	**1,909**	1,555
— right-of-use assets	**3,741**	1,956
Short term lease rental expenses	**34**	1,561
Research and development costs	**56,239**	58,135
Subcontracting charges (Note (i))	**115,330**	185,626
Impairment losses on trade receivables (Note 12)	**7,443**	–
Inventory write-down (Note 11(b))	**3,380**	–

Note:

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

6. INCOME TAX

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax — PRC Corporate Income Tax	**38,310**	98,641
Deferred tax	**19,285**	6,060
	57,595	104,701

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 2020 and 2019.

(iii) Taxation for the Group's PRC subsidiaries is calculated using the income tax rates applicable to the subsidiaries. In accordance with the relevant PRC Corporate Income Tax Law, regulations and implementation guidance notes, one of the subsidiaries had been granted Advanced and New Technology Enterprise status and was entitled to a reduced income tax rate at 15% for 2020. In addition, two of the Group's subsidiaries incorporated in the Tibet Autonomous Region of the PRC are entitled to a reduced income tax rate of 15% in 2020.

(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. 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.

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 RMB268,942,000 (2019: RMB388,527,000) and the weighted average number of ordinary shares in issue of 1,197,485,000 (2019: 1,197,485,000).

(B) DILUTED EARNINGS PER SHARE

There were no dilutive potential ordinary shares during each of the six months ended 30 June 2020 and 2019, and therefore, diluted earnings per share is the same as the basic earnings per share.

8. PROPERTY, PLANT AND EQUIPMENT

	2020 RMB'000	2019 RMB'000
Net book value, as at 1 January	**713,892**	699,124
Additions	**40,087**	51,437
Transfer to investment properties (note 9)	**–**	(24,176)
Disposals (net carrying amount)	**(305)**	(12)
Depreciation charge for the period	**(13,359)**	(15,177)
Net book value, as at 30 June	**740,315**	711,196

9. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
Net book value, as at 1 January	**142,403**	98,811
Transfer from property, plant and equipment (note 8)	**–**	24,176
Depreciation charge for the period	**(1,909)**	(1,555)
Net book value, as at 30 June	**140,494**	121,432

The investment properties are located in the PRC under medium-term leases.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the shorter of the respective unexpired terms of the leases and their estimated useful lives, being no more than 40 years after the date of completion.

10. RIGHT-OF-USE ASSETS

	2020 RMB'000	2019 RMB'000
Net book value, as at 1 January	**139,506**	104,796
Additions	**53,462**	11
Depreciation charge for the period	**(3,741)**	(1,956)
Net book value, as at 30 June	**189,227**	102,851

The Group's right-of-use assets contain the land use rights, properties leased for own use and retail stores leased for upcoming direct-retail of smart casual collection. The interest of land use rights in the PRC are prepaid upon acquisition. The leases related to properties and retail stores are typically run for an initial period of one to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

11. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Raw materials	**143,502**	137,739
Work in progress	**62,280**	69,551
Finished goods	**448,100**	481,953
	653,882	689,243

(b) An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Carrying amount of inventories sold	**658,974**	901,791
Write-down of inventories (Note 5)	**3,380**	–
	662,354	901,791

12. TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000	31 December 2019 RMB'000
Trade receivables	**898,658**	965,872
Less: Loss allowance	**(16,597)**	(9,154)
	882,061	956,718
Bills receivable	**196**	600
Trade and bills receivables, net of loss allowance	**882,257**	957,318
Prepayments to suppliers	**20,834**	6,420
Prepaid advertising expenses	**3,596**	6,868
Rental prepayment to a related party	**–**	3,432
VAT deductible	**85,660**	94,719
Other deposits, prepayments and receivables	**21,632**	13,092
	1,013,979	1,081,849

Trade and other receivables net of loss allowance are expected to be recovered or recognised as expense within one year.

An ageing analysis of the trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 3 months	**459,104**	854,708
Over 3 months but within 6 months	**330,268**	96,993
Over 6 months but within 1 year	**92,885**	5,617
	882,257	957,318

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

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in the loss allowance account for trade receivables during the period is as follows:

	2020 **RMB'000**	2019 RMB'000
As at 1 January	**9,154**	9,154
Impairment losses for the period (Note 5)	**7,443**	–
As at 30 June	**16,597**	9,154

The Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix.

The Group keeps assessing the expected loss rates based on the Group's historical credit loss experience over the past years, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period over the expected lives of the receivables.

Normally, the Group does not obtain collateral from customers.

13. PLEDGED BANK DEPOSITS

Bank deposits have been pledged as security for bills payable (see note 15). The pledged bank deposits will be released upon the settlement of the relevant bills payable.

14. BANK LOANS

As at 30 June 2020, bank loans were unsecured and were repayable within one year or on demand.

15. TRADE AND OTHER PAYABLES

	30 June **2020** **RMB'000**	31 December 2019 RMB'000
Trade payables	**298,946**	487,899
Bills payable	**10,220**	29,820
Trade and bills payables	**309,166**	517,719
Accrued salaries and wages	**29,208**	37,088
Payables for purchase of property, plant and equipment	**59,316**	66,809
Retirement benefit contribution payable	**25,524**	25,524
VAT payables	**6,845**	228
Other payables and accruals	**59,165**	108,460
	489,224	755,828

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand. Bills payable were secured by pledged bank deposits (see note 13).

15. TRADE AND OTHER PAYABLES (CONTINUED)

An ageing analysis of the Group's trade and bills payables based on the invoice date is as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Within 3 months	**274,952**	464,589
Over 3 months but within 6 months	**23,918**	37,912
Over 6 months but within 1 year	**8,040**	3,550
Over 1 year	**2,256**	11,668
	309,166	517,719

16. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	At 30 June 2020		At 31 December 2019	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**22,633**	**24,464**	537	548
After 1 year but within 2 years	**19,048**	**19,879**	–	–
After 2 years but within 5 years	**5,623**	**5,801**	–	–
	47,304	**50,144**	537	548
Less: Total future interest expenses		**(2,840)**		(11)
Present value of lease liabilities		**47,304**		537

17. DIVIDENDS

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Declared and payable after interim period:		
Interim dividend of HK12 cents per ordinary share (2019: HK18 cents per ordinary share)	**131,168**	196,170
Special interim dividend of HK5 cents per ordinary share (2019: HK8 cents per ordinary share)	**54,653**	87,186
	185,821	283,356

The interim dividend and special interim dividend have not been recognised as liabilities as at 30 June 2020.

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Final dividend in respect of the previous financial year of HK21 cents per ordinary share (2019: HK21 cents per ordinary share)	**231,455**	222,326
Special final dividend in respect of the previous financial year of HK10 cents per ordinary share (2019: HK10 cents per ordinary share)	**110,216**	105,870
	341,671	328,196

18. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed by the shareholders on 23 April 2019 for the purposes of providing incentives and rewards to eligible participants who contribute to the Group. As at 30 June 2020, no share option had been granted under the Share Option Scheme.

On 3 July 2020, the Group granted options to subscribe for a total of 11,500,000 shares of the Company to its employees under the Share Option Scheme at an exercise price of HK$4.31 per share. The options will be vested during the period from 3 July 2022 to 3 July 2024.

19. COMMITMENTS

As at 30 June 2020, capital commitments not provided for in the interim financial report are as follows:

	30 June 2020 RMB'000	31 December 2019 RMB'000
Contracted for	**286,982**	104,016
Authorised but not contracted for	**87,235**	318,062
	374,217	422,078

20. MATERIAL RELATED PARTY TRANSACTIONS

(A) KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**3,919**	3,805
Contributions to defined contribution retirement benefit scheme	**52**	56
	3,971	3,861

(B) OTHER RELATED PARTY TRANSACTION

	Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Lease of land and properties from Jinlang (Fujian) Investments Co., Ltd. ("Jinlang Fujian")	**1,716**	1,620

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.

21 IMPACTS OF THE 2019 NOVEL CORONAVIRUS PANDEMIC

The 2019 novel coronavirus pandemic (the "Pandemic") since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

As far as the Group's businesses are concerned, the Pandemic has materially and adversely impacted the Group's financial results in the first half of 2020, including areas such as sales, certain customers' payment schedules and turnover of inventory.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures. These contingency measures include cancelling some of the 2020 spring and summer orders to reduce the channel inventory pressure of the distributors. The Group also strictly controlled the pre-order levels of the 2020 fall and winter trade fairs held in the second quarter to reduce the risk of further inventory backlog. In addition, the Group stepped up its efforts to promote e-commerce business to accelerate inventory clearance. The Group also extended credit periods to certain customers.

22 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

i. In July 2020, the Group entered into agreements with its consignees ("Agreements") to turn 228 retail stores of the smart casual collection operated by these consignees into the Group's self-operated stores at a total consideration of RMB143.0 million. Pursuant to the Agreements, the Group acquired fixed assets in these retail stores, assumed the existing lease arrangements and compensated the consignees for the termination of consignment agreements.

ii. On 3 July 2020, the Group granted options to subscribe for a total of 11,500,000 shares of the Company to its employees under the Share Option Scheme at an exercise price of HK$4.31 per share. Further details are disclosed in note 18.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, 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)	1.917%
	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)	2.174%
	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)	1.917%
	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	1,810,000 shares (L)	0.151%
	The Company	Settlor of a discretionary trust (Note 3)	7,200,000 shares (L)	0.601%
	Xiao Sheng International (Note 2)	Settlor of a discretionary trust (Note 3)	800 shares of US$1.00 each (L)	8.247%
Mr. Hu Cheng Chu	The Company	Settlor of a discretionary trust (Note 4)	4,500,000 shares (L)	0.376%
	Xiao Sheng International (Note 2)	Settlor of a discretionary trust (Note 4)	500 shares of US$1.00 each (L)	5.155%
Mr. Pan Rong Bin	The Company	Beneficial owner	3,051,000 shares (L)	0.255%
	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 the Company or the relevant associated corporation.

2. As at 30 June 2020, Xiao Sheng International was owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Jia Fa International Limited (note 3), 5.155% by Luxuriant Treasure Global Limited (note 4), 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. The interests of Mr. Cai Rong Hua in 7,200,000 shares of the Company and 800 shares of Xiao Sheng International is held through Jia Fa International Limited ("JFIL"). The entire issued share capital of JFIL is held by Vistra Trust (Singapore) Pte. Limited in its capacity as the trustee of an irrevocable discretionary trust set up by Mr. Cai as the settlor. The beneficiaries under the trust are Mr. Cai and his family members. Mr. Cai is deemed to be interested in these shares as the settlor of the discretionary trust.

4. The interests of Mr. Hu Cheng Chu in 4,500,000 shares of the Company and 500 shares of Xiao Sheng International is held through Luxuriant Treasure Global Limited ("LTGL"). The entire issued share capital of LTGL is held by Vistra Trust (Singapore) Pte. Limited in its capacity as the trustee of an irrevocable discretionary trust set up by Mr. Hu as the settlor. The beneficiaries under the trust are Mr. Hu and his family members. Mr. Hu is deemed to be interested in these shares as the settlor of the discretionary trust.

Save as disclosed above, as at 30 June 2020, 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 2020, 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)	55.24%
Ming Lang Investments Limited ("Ming Lang Investments")	Beneficial owner	74,905,000 shares (L) (Note 3)	6.26%

OTHER INFORMATION (CONTINUED)

Notes:

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

(2) These shares were held by Xiao Sheng International. As at 30 June 2020, Xiao Sheng International was owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Jia Fa International Limited (note 4), 5.155% by Luxuriant Treasure Global Limited (note 5), 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. As at 30 June 2020, Ming Lang Investments was owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Jia Fa International Limited (note 4), 5.155% by Luxuriant Treasure Global Limited (note 5), 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.

(4) The entire issued share capital of Jia Fa International Limited is held by Vistra Trust (Singapore) Pte. Limited in its capacity as the trustee of an irrevocable discretionary trust set up by Mr. Cai Rong Hua as the settlor . The beneficiaries under the trust are Mr. Cai and his family members. Mr. Cai is deemed to be interested in these shares as the settlor of the discretionary trust.

(5) The entire issued share capital of Luxuriant Treasure Global Limited is held by Vistra Trust (Singapore) Pte. Limited in its capacity as the trustee of an irrevocable discretionary trust set up by Mr. Hu Cheng Chu as the settlor. The beneficiaries under the trust are Mr. Hu and his family members. Mr. Hu is deemed to be interested in these shares as the settlor of the discretionary trust.

Save as disclosed above, as at 30 June 2020, the Directors were 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 SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed by the shareholders on 23 April 2019 for the purposes of providing incentives and rewards to eligible participants who contribute to the Group. Details of the Share Option Scheme are set out in the 2019 Annual Report of the Company.

As at 30 June 2020, no share option had been granted under the Share Option Scheme.

On 3 July 2020, the Group granted options to subscribe for a total of 11,500,000 shares of the Company to its employees under the Share Option Scheme at an exercise price of HK$4.31 per share. The options are exercisable by the grantees during the period commencing from the day immediately following the expiry of two year period after 3 July 2020 (the "Date of Grant"), and ending on the day falling ten years after the Date of Grant, during which, (a) up to 3,417,000 options granted may be exercised on or prior to the end of the third year after the Date of Grant; (b) subject to (a), up to 6,882,000 options granted may be exercised on or prior to the end of the fourth year after the Date of Grant; and (c) subject to (a) and (b), 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 2020.

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 2020.

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 2020 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 2020.

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 Thursday, 3 September 2020 to Friday, 4 September 2020 (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 Wednesday, 2 September 2020 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, 19 August 2020

OTHER
INFORMATION (CONTINUED)

BOARD

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. Nie Xing
Mr. Lai Shixian

SHARE INFORMATION

Listing date: 25 September 2009
Board lot size: 1,000 shares
Number of shares in issue: 1,197,484,919 shares (as at 30 June 2020)

IR CONTACT

IF YOU HAVE ANY INQUIRIES, PLEASE CONTACT:

China Lilang Limited
Suite 3402, 34F, Tower One, Lippo Center, 89 Queensway, Hong Kong
Telephone: (852) 2526-6968
Fax: (852) 2526-6655
Email: ir@lilanz.com.hk
Website: www.lilanz.com

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2020 Interim Report of the Company will be dispatched to shareholders and published on the website of The Stock Exchange of Hong Kong Limited 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.

GENERAL

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. Nie Xing
Mr. Lai Shixian

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

Hong Kong, 19 August 2020