

CHINA LILANG LIMITED 中國利郎有限公司
(incorporated in the Cayman Islands with limited liability) Stock Code: 1234

LILANG 利郎
Global Offering

Sole Global Coordinator and Sole Sponsor
BofA Merrill Lynch

Joint Bookrunners and Joint Lead Managers
BofA Merrill Lynch **HSBC** 

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

LILANZ 利郎

CHINA LILANG LIMITED

中國利郎有限公司

(Incorporated in the Cayman Islands with limited liability)

Global Offering

Total number of Offer Shares	: 300,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	: 30,000,000 Shares (subject to adjustment)
Number of International Offer Shares	: 270,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	: Not more than HK\$4.00 per Share and expected to be not less than HK\$3.20 per Share (payable in full on application and subject to refund) plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%
Nominal value	: HK\$0.10 per Share
Stock code	: 1234

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HSBC 

PRC Domestic Financial Adviser



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The Offer Price is expected to be determined by agreement between the Joint Bookrunners, on behalf of the Underwriters, and our Company, on or before Thursday, 17 September 2009 or such later time as may be agreed between the parties, but in any event not later than Wednesday, 23 September 2009. If, for any reason, the Joint Bookrunners, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 23 September 2009, the Global Offering will not proceed and will lapse. The Offer Price will be not more than HK\$4.00 per Offer Share and is currently expected to be not less than HK\$3.20 per Offer Share, unless otherwise announced. The Joint Bookrunners, on behalf of the Underwriters, may, with the Company's consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (being HK\$3.20 per Share to HK\$4.00 per Share) at any time on or prior to the morning of the last date for lodging applications under the Public Offering. In such a case, notices of the reduction of the number of Offer Shares and/or the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable, but in any event not later than the morning of the last day for lodging applications under the Public Offering. If applications for Public Offer Shares have been submitted prior to the last day for lodging applications under the Public Offering, then even if the number of Offer Shares and/or the Offer Price is so reduced such, application cannot be subsequently withdrawn.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in "Risk Factors".

Pursuant to the certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator, on behalf of the Underwriters, has the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time at or prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in "Underwriting — Grounds for Termination". It is important that you refer to that section for further details.

11 September 2009

EXPECTED TIMETABLE^(NOTE 1)

Application lists for the Public Offering open (*note 2*) 11:45 a.m. on Wednesday,
16 September 2009

Latest time to complete electronic applications
under the **White Form eIPO** service through
the designated website at www.eipo.com.hk (*note 4*) 11:30 a.m. on Wednesday,
16 September 2009

Latest time for lodging **WHITE** and
YELLOW Application Forms and giving **electronic**
application instructions to HKSCC (*note 3*) 12:00 noon on Wednesday,
16 September 2009

Latest time to complete payment of **White Form eIPO**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Wednesday,
16 September 2009

Application lists close (*note 2*) 12:00 noon on Wednesday,
16 September 2009

Expected Price Determination Date (*note 6*) Thursday, 17 September 2009

Announcement of the Offer Price, the level of
indication of interest in the International Placing,
results of applications and the basis of allocation of
the Public Offer Shares under the Public Offering
to be published (a) in the South China Morning Post
(in English) and the Hong Kong Economic Times
(in Chinese) and (b) on the website of the
Stock Exchange at www.hkex.com.hk (*note 7*) Thursday, 24 September 2009

Results of allocations in the Public Offering
(with successful applicants' identification
document numbers, where appropriate) to be available
through a variety of channels, including the website of the
Stock Exchange at www.hkex.com.hk, the website
of our Company at www.lilanz.com
and at www.iporesults.com.hk as described
in "How to Apply for the
Public Offer Shares — Results of allocations" from Thursday, 24 September 2009

EXPECTED TIMETABLE^(NOTE 1)

Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Public Offering on or before (*notes 5 & 8*) Thursday, 24 September 2009

Despatch of refund cheques in respect of wholly successful (where applicable) or wholly or partially unsuccessful applications pursuant to the Public Offering on or before (*notes 8 to 12*). Thursday, 24 September 2009

White Form eIPO Refund payment instructions in respect of wholly successful (where applicable) or wholly or partially unsuccessful applications will be despatched on or before (*notes 8 to 12*) Thursday, 24 September 2009

Dealings in Shares on the Main Board of the Stock Exchange to commence on Friday, 25 September 2009

Notes:

- (1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in “Structure and conditions of the Global Offering”.
- (2) If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 16 September 2009, the application lists will not open on that day. Further information is set out in “How to Apply for the Public Offer Shares — Effect of bad weather conditions on the opening of the application lists”. If the application lists do not open and close on Wednesday, 16 September 2009, the dates mentioned in “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for the Public Offer Shares — How to apply by giving electronic application instructions to HKSCC”.
- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) Share certificates for the Public Offer Shares will become valid certificates of title at 8:00 a.m. on Friday, 25 September 2009 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.
- (6) The Offer Price is expected to be determined by Thursday, 17 September 2009, but in any event, the expected time for determination of the Offer Price will not be later than Wednesday, 23 September 2009. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners, on behalf of the Underwriters, and our Company on or before Wednesday, 23 September 2009, the Global Offering will not proceed.

EXPECTED TIMETABLE^(NOTE 1)

- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.
- (8) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offering and have indicated in their applications that they wish to collect any refund cheque(s) and/or Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Thursday, 24 September 2009. Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, must be produced at the time of collection.
- (9) Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offering may collect their refund cheque(s), where applicable, in person but may not elect to collect their Share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (8) above.
- (10) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for the Public Offer Shares — 8. How to apply by giving electronic application instructions to HKSCC" in this prospectus for details.
- (11) Applicants who apply for Public Offer via **White Form eIPO** should refer to "How to Apply for the Public Offer Shares — 15. Refund of your money — additional information".
- (12) Uncollected Share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in "How to Apply for the Public Offer Shares — 14. If your application for the Public Offer Shares is successful (in whole or in part) and 15. Refund of your money — additional information".

For details of the structure of the Global Offering, including the conditions thereof, please refer to "Structure and conditions of the Global Offering".

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Underwriters, their respective directors or affiliates, or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading PRC menswear brands. According to a market study report we commissioned from Frost & Sullivan, our LILANZ brand (which was known as LILANG prior to September 2008) ranked first in terms of retail sales for the years ended 31 December 2007 and 2008 within the mainstream PRC brands market, which comprises second and lower tier cities, and accounted for approximately 29.0% and 31.3% of the menswear market by retail sales in the PRC in 2007 and 2008, respectively. See “Industry Overview — The PRC Menswear Market” for a further discussion. In 2007 and 2008, Forbes China magazine recognised Lilang China as one of “China’s Best Small & Medium-sized Enterprises”. As an integrated fashion enterprise, we design, source, manufacture and sell high-quality business and casual apparel for men. Founded in 1995, we have grown rapidly in recent years.

We offer our customers designs for all seasons under our LILANZ brand. Our menswear products are designed for business and casual purposes and primarily target customers between the ages of 28 and 45. Our products include suits, jackets, shirts, trousers, sweaters and accessories and are broadly divided into business formal, business casual, fashion casual and sports. According to Frost & Sullivan, we were the first menswear company among our competitors to offer a men’s business casual collection and make it our product focus.

From the establishment of our Group until September 2008, we sold our products exclusively under our Chinese brand name 利郎 and our English brand name LILANG. To differentiate ourselves from other domestic brands and to reflect our international styling, our brand went through a series of transformations in September 2008. In that regard, we introduced the first product collection designed by Mr. Ji Wen Bo under the English brand name LILANZ, which is used either in conjunction with our Chinese brand name 利郎 or on its own; updated our store theme and design; and improved our marketing strategies. Our Directors believe that the LILANZ brand has become a recognized brand name in the PRC.

We design our products in-house under the direction of Mr. Ji Wen Bo, one of the PRC’s top fashion designers with over 20 years of experience in the fashion industry. Mr. Ji Wen Bo joined us as a fashion and design consultant in 2001 and became our chief fashion designer in 2007. Our design and product development team works closely with both our suppliers and distributors on product development and designs to fine-tune our designs to suit local tastes. We also seek to establish new trends and styles for menswear in the PRC.

SUMMARY

We believe that we offer our customers a range of clothing collections that portray a “simple yet sophisticated” lifestyle. Our brand philosophy is to provide our consumers with a sense that they are making a lifestyle choice.

Our products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC. We sell substantially all of our products on a wholesale basis to distributors who subsequently sell our products to end customers through retail outlets operated by themselves or their sub-distributors, all of whom are Independent Third Parties as of the Latest Practicable Date. Under our wholesale business model, our distributors are principally responsible for selecting and ordering products and overseeing the operation of retail outlets. When selecting distributors, we take into account a number of factors, including geographical location, retail and management experience, financial resources and capacity for developing the retail network. We enter into distributorship agreements directly with our distributors. The agreements are generally for one-year terms. If distributors fail to comply with the distributorship agreements, we have the right to terminate the agreements.

Under our distributorship agreements, distributors are permitted to sub-contract the operation of retail outlets to sub-distributors, subject to our approval of the sub-distributorship agreement and the respective business plan. We do not have direct contractual relationships with these sub-distributors. However, our distributors are required to ensure that their sub-distributors comply with the terms and conditions of the distributorship agreements.

As at 31 December 2006, 2007, 2008 and 30 June 2009, we had 27, 28, 51 and 53 distributors, who in turn had 1,338, 1,245, 1,257 and 1,185 sub-distributors, respectively. As at 30 June 2009, our 53 distributors operated or subcontracted the operation of 2,456 retail outlets covering 31 provinces, autonomous regions and municipalities in the PRC. Along with this wholesale business model, we opened and have been operating a flagship store in Jinjiang, our first directly operated retail outlet which was established in February 2008. During the Track Record Period, sales to our distributors accounted for substantially all of our turnover.

All of the retail outlets operate under the LILANZ brand and are required to sell our products exclusively. As at 30 June 2009, there were 1,696 stand-alone stores, of which 473 were directly operated by our distributors and 1,223 by their sub-distributors, and there were 760 concessions in department stores, of which 363 were directly operated by our distributors and 397 by their sub-distributors. In order to maintain a consistent brand image across the retail outlets, we impose uniform standards for, among other things, store displays, marketing activities and daily operations, with which our distributors and their sub-distributors must comply. We believe that our extensive and well-managed distribution network has helped us build a unified brand image and increase our market penetration.

While continuing to expand our distribution network, we plan to cooperate with our distributors to open flagship stores. We plan to lease premises at prime locations in major cities in the PRC for operation thereof by our designated distributors after we renovate the premises and turn them into flagship stores. This model should allow us to have better and

SUMMARY

more direct control over the location and layout of these flagship stores. We anticipate opening one such flagship store by the end of 2009 and more flagship stores in the next few years. These flagship stores are expected to be significantly larger than the existing retail outlets operated by our distributors. We believe that these new flagship stores can help to further promote our brand image by showcasing our complete line of collections and to facilitate sales by our distributors and their sub-distributors in adjacent cities or regions. Up to the Latest Practicable Date, no agreement had been signed between our Group and our distributors for the opening of any flagship store. We expect to charge our designated distributors for rent in respect of these premises only, and there will not be any profit sharing arrangement with these designated distributors in respect of the income to be derived from the flagship stores.

We hold sales fairs three times a year to showcase our autumn, winter, and spring/summer collections to our existing and potential distributors. We also invite sub-distributors and retail store managers, who place orders through their respective distributors, to attend the sales fairs. Most of our orders are derived from the sales fairs. During such sales fairs, we seek and obtain feedback on local fashion trends and market demand that allows us to fine-tune our product design and merchandising strategy. We believe that the sales and orders resulting from sales fairs allow us to estimate in advance the quantity of products required for the coming season. This allows us to efficiently utilise our production facilities and OEM contractors, respond quickly to market demand and manage our inventory more efficiently.

We have built our brand through our national advertising campaigns. Our television advertisements feature the well-known actor Mr. Chen Dao Ming (陳道明), who we believe epitomises our “simple yet sophisticated” lifestyle philosophy. In our efforts to promote our brand and appeal to a broader audience, we also appointed Mr. Daniel Wu (吳彥祖) as our brand spokesperson in August 2009 in addition to Mr. Chen Dao Ming (陳道明). We also advertise in fashion magazines and catalogues. Throughout our advertising campaigns, we use our slogan “simple yet sophisticated” (簡約而不簡單) to reinforce our brand image and the lifestyle our brand seeks to convey.

Recently, we began to participate in international fashion shows. In particular, we participated in the “Milan Menswear Show” (Milano Moda Uomo) and “Japan Fashion Week in Tokyo”, both of which are major international fashion shows, in 2007 and 2008, respectively. We have adopted carefully-tailored marketing and promotional strategies with a view to maximising our exposure to our key target audience. We believe that our participation in recognised fashion shows should help to enhance the prestige of our brand, thereby enhancing our brand image. In 2007, our trademark “利郎 LILANG” was recognised as a “China Well-Known Trademark” for clothing. In 2008, our 利郎 brand was awarded “The Most Influential Fashion Brand of Garment”. In 2009, our 利郎 brand was awarded the Planning Award of “2007–2008 China Apparel Brands Annual Awards” (「2007–2008中國服裝品牌年度大獎」策劃大獎) and our “利郎 LILANZ” brand was awarded the “2009 Top 10 Most Influential and Famous Apparel Brands in Asia” (2009亞洲服裝最具影響力十大馳名品牌).

SUMMARY

We manufacture a portion of our apparel at our own production facilities in Jinjiang, Fujian and outsource the rest to OEM contractors. We also outsource the production of our accessory products. We believe this combination of in-house and outsourced production enables us to meet demand on a timely and cost-effective basis. Quality is one of our top priorities, and our quality control team monitors each stage of our production process. We also work closely with our OEM contractors to ensure that all of our apparel and accessories meet our quality standards.

COMPETITIVE STRENGTHS

The Directors attribute our success to the following key competitive strengths:

- A leading PRC casual menswear brand
- Extensive and well-managed nationwide distribution network
- Proactive and nationwide sales and marketing strategies
- Strong design and product development capability
- Experienced management team with a proven track record

BUSINESS STRATEGIES

To maintain our position as one of the leading menswear brands in the PRC, we intend to capitalise on our brand recognition, enhance our competitiveness and achieve sustainable sales growth. Specifically, we plan to pursue the following strategies to achieve our objectives:

- Expand and diversify our product offerings
- Further strengthen and expand our distribution network and increase our retail coverage
- Further promote our LILANZ brand and enhance our marketing and promotional strategies
- Improve our operational and production management capabilities
- Further strengthen our design and product development capabilities

SUMMARY

SHARE OPTION SCHEMES

Our Company adopted the Pre-IPO Share Option Scheme on 12 September 2008, under which options to subscribe in aggregate for 9,611,100 Shares at 80% of the Offer Price were outstanding as at the date of this prospectus, representing approximately 0.79% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue as enlarged by issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme assuming that all such options are exercised in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. Details of the Pre-IPO Share Option Scheme and the options granted thereunder are set out in “Appendix VI — Statutory and General Information — Other Information — Pre-IPO Share Option Scheme” to this prospectus.

The exercise of the options granted under the Pre-IPO Share Option Scheme will result in the dilution of the percentage interest in Shares of the then Shareholders and the earnings per Share at the time of such exercise. The following table illustrates the potential dilution effect on the shareholding of our Company upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised).

<u>Shareholders (Note)</u>	<u>Number of Shares in issue after the Global Offering and the Capitalisation Issue</u>	<u>Approximate percentage</u>	<u>Number of Shares in issue after the exercise of the options granted under the Pre-IPO Share Option Scheme</u>	<u>Approximate percentage</u>
Xiao Sheng International.	661,500,000	55.13%	661,500,000	54.69%
Ming Lang Investments . .	148,500,000	12.38%	148,500,000	12.28%
Wang Brothers	68,850,000	5.70%	68,850,000	5.70%
Management and Other Shareholders	21,150,000	1.79%	21,150,000	1.74%
Grantees of share options	0	0%	9,611,100	0.79%
Other public Shareholders	<u>300,000,000</u>	<u>25.00%</u>	<u>300,000,000</u>	<u>24.80%</u>
	<u>1,200,000,000</u>	<u>100.0%</u>	<u>1,209,611,100</u>	<u>100.0%</u>

Note: Details of the Shareholders are described in the paragraph headed “Corporate Structure” under the section headed “History and Development” in this prospectus.

Save for Mr. Yiu Hau Ming, a director of one of our subsidiaries and the nephew of the Wang Brothers, who is a connected person (as defined in the Listing Rules) of our Company, none of the other grantees under the Pre-IPO Share Option Scheme are connected persons of our Company. As a condition to the grant of options to subscribe for an aggregate of 105,878 Shares, Mr. Yiu has undertaken not to exercise such options if such exercise would result in our Company failing to comply with the minimum public float requirements under Rule 8.08 of the Listing Rules.

SUMMARY

It is expected that the exercise in full of the options granted under the Pre-IPO Share Option Scheme will have a dilutive effect on the earnings per Share of our Company.

Our Company also conditionally adopted the Share Option Scheme on 4 September 2009. Under the Share Option Scheme, the eligible participants of the scheme, including directors, fulltime employees of and advisers and consultants to our Company or our subsidiaries, may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in “Appendix VI — Statutory and General Information — Other Information — Share Option Scheme” to this prospectus.

SUMMARY

SUMMARY FINANCIAL INFORMATION

The following tables present summary financial information for each of the three years ended 31 December 2006, 2007 and 2008, and the six months ended 30 June 2008 and 2009, and as at 31 December 2006, 2007 and 2008 and 30 June 2009. Financial results for the six months ended 30 June 2009 are not necessarily indicative of the results that may be expected for the year ending 31 December 2009. The summary financial information below has been prepared in accordance with IFRS and derived from the accountants' report prepared by KPMG and included in Appendix I of this prospectus. Our financial information for the six months ended 30 June 2008 has not been audited. Investors should read the summary historical financial information below in conjunction with Appendix I to this prospectus for more details.

Consolidated income statement data

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB thousand, except per share data)				
	(unaudited)				
Turnover	418,195	885,921	1,135,684	483,945	600,176
Cost of sales	<u>(323,015)</u>	<u>(652,020)</u>	<u>(791,627)</u>	<u>(339,779)</u>	<u>(423,341)</u>
Gross profit	95,180	233,901	344,057	144,166	176,835
Other revenue	1,545	5,243	5,868	5,325	1,227
Selling and distribution expenses	(37,338)	(104,892)	(146,469)	(60,382)	(54,662)
Administrative expenses	(9,233)	(22,681)	(34,300)	(15,406)	(15,183)
Other operating (expenses)/ income	<u>(646)</u>	<u>(1,844)</u>	<u>1,888</u>	<u>2,221</u>	<u>(183)</u>
Profit from operations	49,508	109,727	171,044	75,924	108,034
Finance costs	<u>(3,904)</u>	<u>(11,996)</u>	<u>(11,551)</u>	<u>(4,572)</u>	<u>(4,295)</u>
Profit before taxation	45,604	97,731	159,493	71,352	103,739
Income tax	<u>(13,023)</u>	<u>(1,225)</u>	<u>(5,361)</u>	<u>(2,038)</u>	<u>(13,775)</u>
Profit attributable to equity shareholders	<u>32,581</u>	<u>96,506</u>	<u>154,132</u>	<u>69,314</u>	<u>89,964</u>
Basic earnings per share (RMB (cents))	<u>3.62</u>	<u>10.72</u>	<u>17.13</u>	<u>7.70</u>	<u>10.00</u>

SUMMARY

Consolidated balance sheet data

	As at 31 December			As at
	2006	2007	2008	30 June
	(RMB thousand)			2009
Non-current assets				
Property, plant and equipment	35,289	106,088	135,823	146,582
Investment property	—	—	30,072	30,719
Lease prepayments	14,669	14,357	39,875	39,455
Deposits for purchase of fixed assets.	16,228	21,542	3,615	728
Deferred tax assets	777	1,185	997	819
Total non-current assets	<u>66,963</u>	<u>143,172</u>	<u>210,382</u>	<u>218,303</u>
Current assets				
Inventories.	40,326	96,033	171,487	186,018
Trade and other receivables	209,245	305,334	383,748	341,828
Amounts due from related parties.	47,583	1,294	220	—
Loan to a third party	1,000	—	—	—
Pledged bank deposits.	14,970	54,009	42,201	27,763
Cash	27,276	58,519	53,567	94,280
Total current assets	<u>340,400</u>	<u>515,189</u>	<u>651,223</u>	<u>649,889</u>
Current liabilities				
Bank loans.	125,500	94,500	140,000	98,000
Trade and other payables	83,795	277,076	259,419	217,765
Loan from a third party	1,400	—	—	—
Amounts due to related parties	268	—	18,471	10,944
Current taxation.	8,260	—	890	6,081
Total current liabilities	<u>219,223</u>	<u>371,576</u>	<u>418,780</u>	<u>332,790</u>
Net current assets	<u>121,177</u>	<u>143,613</u>	<u>232,443</u>	<u>317,099</u>
Total assets less current liabilities	<u>188,140</u>	<u>286,785</u>	<u>442,825</u>	<u>535,402</u>

SUMMARY

	As at 31 December			As at
	2006	2007	2008	30 June
	(RMB thousand)			2009
Non-current liabilities				
Deferred tax liabilities	—	—	1,543	3,357
Loans from controlling shareholders . . .	139,422	139,422	—	—
Payables for construction in progress . . .	—	1,790	1,987	2,767
	<u>139,422</u>	<u>141,212</u>	<u>3,530</u>	<u>6,124</u>
Net assets	<u>48,718</u>	<u>145,573</u>	<u>439,295</u>	<u>529,278</u>
Equity				
Share capital	21,016	98	176	176
Reserves	<u>27,702</u>	<u>145,475</u>	<u>439,119</u>	<u>529,102</u>
Total equity	<u>48,718</u>	<u>145,573</u>	<u>439,295</u>	<u>529,278</u>

Summary consolidated cash flow data

	Years ended 31 December			Six months	
	2006	2007	2008	2008	2009
	(RMB thousand)			(unaudited)	
Net cash (used in)/generated					
from operating activities	(109,262)	91,910	43,138	(14,095)	106,383
Net cash used in investing					
activities	(61,537)	(16,461)	(92,165)	(42,990)	(11,540)
Net cash generated from/(used					
in) financing activities	<u>187,448</u>	<u>(44,206)</u>	<u>44,075</u>	<u>28,129</u>	<u>(54,130)</u>
Net increase/(decrease) in cash .	16,649	31,243	(4,952)	(28,956)	40,713
Cash at beginning of year/period	<u>10,627</u>	<u>27,276</u>	<u>58,519</u>	<u>58,519</u>	<u>53,567</u>
Cash at end of year/period . . .	<u>27,276</u>	<u>58,519</u>	<u>53,567</u>	<u>29,563</u>	<u>94,280</u>

SUMMARY

USE OF PROCEEDS

The Directors believe that the Global Offering should help to raise and strengthen our corporate profile and capital base and provide funding for achieving our business strategies and carrying out our future plans.

The net proceeds from the Global Offering are estimated to be approximately HK\$979.9 million, before exercise of the Over-allotment Option, after deducting underwriting commissions and other estimated expenses and assuming an Offer Price of HK\$3.60 per Share, being the mid-point of the stated range of the Offer Price. The Directors intend to use such net proceeds as follows:

- approximately 15% (HK\$147.0 million) to further expand our product development studio in Shanghai and develop facilities in Xiamen, which will include a new design and product development studio, a training centre and a sales centre. We have acquired the land use right for the piece of land where the above facilities in Xiamen will be situated, and we expect that the construction of the above facilities will be completed by 2010;
- approximately 15% (HK\$147.0 million) to develop a sub-brand of our Group targeting customers aged 20 to 30, which will be dedicated as follows: approximately 20% for design and product development, approximately 10% for production machinery and equipment, approximately 30% for advertising and promotion, approximately 40% for renovation subsidies to distributors. The sub-brand products will be sold under a similar business model to the existing one of our Group;
- approximately 15% (HK\$147.0 million) to lease and renovate flagship stores in the next few years for the distributors to operate (including one flagship store anticipated to be opened by the end of 2009). We are in the process of looking for strategic locations to establish flagship stores. As at the Latest Practicable Date, we have not acquired any properties or entered into any leases for the purpose of the establishment of flagship stores (other than the flagship store operating at the headquarter in Jinjiang and the units acquired by us in Zhengzhou, the PRC);
- approximately 20% (HK\$195.9 million) to participate in promotional and brand building activities, such as media advertising and spokesperson engagements, and to assist distributors in refurbishing retail outlets. All distributors and sub-distributors can apply for such subsidies. The grant of subsidies and the amount thereof will be decided at our discretion after taking into consideration the size and location of the retail outlets;
- approximately 5% (HK\$49.0 million) to expand our production facilities at the Wuli Industrial Park in Jinjiang, which will be dedicated as follows: approximately 50% for constructing new manufacturing facilities and approximately 50% for acquiring machines and equipment;

SUMMARY

- approximately 10% (HK\$98.0 million) for establishing an enterprise resource planning system, developing the required information technology network and obtaining the necessary consulting services and system software;
- approximately 10% (HK\$98.0 million) to partially repay our bank loans with principal amounts ranging from RMB1 million to RMB30 million at interest rates ranging from 2.31% and 5.58% per annum with maturity dates falling between October 2009 and February 2010. These bank loans were for working capital purposes; and
- the remaining approximately 10% (HK\$98.0 million) to provide funding for working capital and other general corporate purposes.

The net proceeds that we estimate we would receive from subscriptions for additional Shares in the event the Over-allotment Option is exercised in full is approximately HK\$139.3 million and HK\$174.1 million (assuming the lowest and highest points of the proposed Offer Price range, respectively). In the event the Over-allotment Option is exercised in full, we presently intend to apply the additional proceeds to the above uses in the proportions stated above.

If the Offer Price is fixed above or below HK\$3.60 per Share, being the mid-point of the proposed Offer Price range of HK\$3.20 to HK\$4.00 per Share, we intend to adjust the allocation of the net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes, we will deposit the net proceeds in interest-bearing demand deposits with financial institutions.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2009

Forecast profit attributable
to equity holders⁽¹⁾⁽³⁾ Not less than
RMB281 million
(approximately HK\$319 million)

Unaudited pro forma forecast earnings
per share⁽²⁾⁽³⁾ RMB0.234 (approximately HK\$0.266)

- (1) The bases and assumptions on which the profit forecast has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2009 based on the audited consolidated results for the six months ended 30 June 2009 and a forecast of the consolidated results for the remaining six months ending 31 December 2009.
- (2) The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2009, assuming that a total of 1,200,000,000 shares had been in issued during the entire year. The calculation of the forecast earnings per share does not take into account any shares which may be issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme.

SUMMARY

- (3) The forecast profit attributable to equity holders and forecast earnings per share are converted into HK\$ at the rate of HK\$1.00 = RMB0.8815 prevailing on 30 June 2009.

DIVIDEND POLICY

Our Company declared a special cash dividend of RMB53.0 million in August 2009. Such special dividend was paid to our then Shareholders on 20 and 21 August 2009. Save as disclosed above, no other dividends were paid by us or any of our subsidiaries to our or their then shareholders during the Track Record Period. We intend to declare and pay dividends in the future. The payment and the amount of any dividends will depend on the results of our operations, cash flow, financial condition, statutory and regulatory restrictions on the payment of dividends, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends on a pro rata basis according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plan or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the factors described above, we currently intend to recommend at the annual general meetings of our Company a dividend of approximately 30% to 50% of our net profit available for distribution to Shareholders after the Global Offering.

SUMMARY

OFFER STATISTICS

	<u>Based on an Offer Price of HK\$3.20</u>	<u>Based on an Offer Price of HK\$4.00</u>
Market capitalisation of the Shares ⁽¹⁾	HK\$3,840.0 million	HK\$4,800.0 million
Unaudited pro forma adjusted net tangible assets per Share ⁽²⁾	RMB1.08 (HK\$1.23)	RMB1.25 (HK\$1.42)

Notes:

- (1) The calculation of market capitalisation is based on 1,200,000,000 Shares expected to be in issue following completion of the Global Offering and Capitalisation Issue assuming the Over-allotment Option and options granted or which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised.
- (2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in “Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II to this prospectus and on the basis that 1,200,000,000 Shares expected to be in issue following the Global Offering and Capitalisation Issue, but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in “Risk factors” and are summarised below.

Risks Relating to Our Business

- Failure to successfully promote our brand may materially and adversely affect our business and results of operations.
- We rely on a small number of distributors for the sale of our products and our failure to renew distributorship agreements with our major distributors or a breach of such distributorship agreements by them may materially and adversely affect our results of operations.
- Our business may be negatively affected if our distributors or their sub-distributors fail to comply with our retail policies.
- We may not be able to monitor the inventory levels at our distributors.
- Our brand image and business may be negatively affected by actions of our OEM contractors.

SUMMARY

- We rely on our OEM contractors for the production of a significant portion of our products and any material disruption to the supply of products from our OEM contractors would materially and adversely affect our results of operations.
- Our results of operations may be adversely affected by an increase in the cost of raw materials, labour or products manufactured by OEM contractors.
- We may be unable to implement and manage future rapid growth and expansion.
- Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies.
- Our success depends on our ability to retain our senior management team and our ability to attract and retain additional management and other qualified personnel.
- Our business is susceptible to seasonal fluctuations and extreme or unseasonable weather conditions.
- We may be affected by infringement of our intellectual property rights or by claims of third parties alleging possible infringement of their intellectual property rights.
- Any significant damage to our administrative or production facilities could have a material adverse effect on our results of operations.
- We may be exposed to product liability, property damage or personal injury claims, which may materially and adversely affect our reputation and business.
- We may be requested to make up any unpaid contribution to the social security insurance schemes during the Track Record Period.
- The Controlling Shareholders may take actions that are not in, or may conflict with, public shareholders' best interests.
- We are a holding company that relies heavily on dividend payments from our subsidiaries for funding.

Risks Relating to Our Industry

- Fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC may significantly affect our business, financial condition, results of operations and prospects.
- We face intense competition.

Risks Relating to the PRC

- PRC economic, political and social conditions, as well as government policies, could adversely affect our business.

SUMMARY

- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect us.
- We will not be able to continue to enjoy our current preferential tax treatment.
- We may become subject to PRC income tax on any future global income.
- The value of any future dividends and gains on the sale of our Shares may be reduced by PRC withholding taxes.
- Our labour cost may be increased due to the implementation of the new PRC Labour Contract Law.
- Our business may be materially and adversely impacted by recent financial difficulties and economic conditions in the United States, Europe and elsewhere.
- It may be difficult to effect service of process upon us or our Directors who reside in China or to enforce against them or us in China any judgments obtained from non-Chinese courts.
- Changes to foreign exchange regulations, fluctuations in the value of the RMB or certain PRC accounting requirements and the provisions in the articles of association of our PRC subsidiaries may adversely affect our ability to pay dividends.
- Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business and results of operations and the value of the Shares and limit the legal protections available to investors.
- A material disruption of our operations or the operations of our distributors and/or sub-distributors from force majeure events could materially and adversely affect our results of operations.
- Any recurrence of severe acute respiratory syndrome, or SARS, pandemic avian influenza or an increase in the severity of H1N1 flu (swine flu) or another widespread public health problem could materially and adversely affect our business and results of operations.

SUMMARY

Risks Relating to the Global Offering

- There has been no prior public market for the Shares.
- The liquidity and market prices of the Shares following the Global Offering may be volatile.
- Sales or anticipated future sales of substantial amounts of the Shares in the public market after the Global Offering could adversely affect the prevailing market price of the Shares.
- Prior dividend distributions are not an indication of our future dividend policy.
- Certain facts, forecasts and other statistics with respect to China, China's economy and the menswear industry in this prospectus are derived from official government publications and may not be reliable.
- You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.
- Forward-looking information contained in this prospectus may prove inaccurate.
- Potential investors will experience immediate and substantial dilution as a result of the Global Offering, and the exercise of options granted or to be granted under our share option schemes may result in dilution to our shareholders.
- You should not rely on any information contained in press articles or other media regarding the Group and the Global Offering.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), individually or collectively, as the context may require
“Articles of Association” or “Articles”	the articles of association of our Company, as adopted on 4 September 2009, and as amended from time to time, a summary of which is contained in Appendix V to this prospectus
“associate”	has the meaning ascribed to it under the Listing Rules
“Board of Directors” or “Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in “Appendix VI — Statutory and General Information — Further information about our Company — Resolutions in writing of the Shareholders passed on 12 September 2008 and 4 September 2009” to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“China National Garment Association”	a non-profit making and nationwide intermediary organisation among garment manufacturers in the PRC which provides its members with regulatory and market information relating to the garment industry in the PRC
“China Well-Known Trademark”	a well-known trademark recognised by the Trademark Review and Adjudication Board in the PRC or Trademark Office of the State Administration for Industry and Commerce of the PRC, or People’s Court of middle level or above
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China Lilang Limited (中國利郎有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 2 January 2008
“Controlling Shareholders”	the Wang Brothers, Xiao Sheng International and Ming Lang Investments
“Director(s)”	the director(s) of our Company or any one of them
“First tier cities”	Beijing, Shanghai and Guangzhou
“Fourth tier cities”	county-level and other township-level cities
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultants, market research analysts, technology analysts and economists, an Independent Third Party
“GDP”	gross domestic product
“Global Offering”	the Public Offering and the International Placing
“GREEN application Form(s)”	the application form(s) to be completed by White Form eIPO service provider designated by our Company

DEFINITIONS

“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries at the relevant point of time (including where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company)
“HK\$” or “HK dollars” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“IFRS”	the International Financial Reporting Standards promulgated by the International Accounting Standards Board
“Independent Third Party”	a party which is not connected (as defined in the Listing Rules) to the Directors, substantial shareholders or chief executives of our Company or our subsidiaries and their respective associates
“International Offer Shares”	the 270,000,000 Shares initially being offered by our Company for subscription at the Offer Price under the International Placing (subject to adjustment as described in “Structure and conditions of the Global Offering”) together with (unless the context otherwise requires) any Shares to be issued pursuant to any exercise of the Over-allotment Option
“International Placing”	the conditional placing by the International Underwriters of the International Offer Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in “Structure and conditions of the Global Offering” on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
“International Underwriters”	the underwriters of the International Placing
“International Underwriting Agreement”	the conditional placing and underwriting agreement relating to the International Placing and to be entered into by, among others, our Company and the International Underwriters on or about the date of the Price Determination Agreement

DEFINITIONS

“Joint Bookrunners”	Merrill Lynch International and HSBC
“Joint Lead Managers”	Merrill Lynch Far East Limited and HSBC for the Public Offering; Merrill Lynch International and HSBC for the International Placing
“Latest Practicable Date”	4 September 2009, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Lilang China”	利郎(中國)有限公司 (Lilang (China) Co., Ltd.) a wholly foreign-owned enterprise incorporated under the laws of the PRC on 25 March 2005 and an indirect wholly-owned subsidiary of our Company
“Lilang Fujian”	利郎(福建)時裝有限公司 (Lilang (Fujian) Garment Co., Ltd.), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 24 April 1995 and an indirect wholly-owned subsidiary of our Company
“Lilang Holdings”	Lilang Holdings Limited, a company incorporated in the BVI with limited liability on 4 December 2007, a direct wholly-owned subsidiary of our Company
“Lilang International”	Lilang (Hong Kong) International Co., Limited, a company incorporated in Hong Kong with limited liability on 23 March 2004 and an indirect wholly-owned subsidiary of our Company
“Lilang Xiamen”	利郎(廈門)服飾有限公司 (Lilang (Xiamen) Garment Co., Ltd.), a wholly foreign-owned enterprise incorporated under the laws of the PRC on 12 June 2006 and an indirect wholly-owned subsidiary of our Company
“LILANZ”	the brand name used by our Group, being 利郎 in Chinese and LILANZ in English, which have been used by our Group for the marketing of our products or, where the context so requires, the English brand name LILANG which had been used prior to September 2008
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date expected to be on or about Friday, 25 September 2009, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Main Board of The Stock Exchange of Hong Kong Limited (as amended)

DEFINITIONS

“Luxury Brands”	those brands which are focused on First tier cities and Second tier cities
“Macau”	the Macau Special Administrative Region of the PRC
“Mainstream Brands”	those brands which are focused on Second and lower tier cities
“Management and Other Shareholders”	Mr. Cai Rong Hua, Mr. Hu Cheng Chu, Mr. Wang Ru Ping, Mr. Pan Rong Bin, all being the executive Directors, Mr. Wang Qiao Xing, the elder brother of the Wang Brothers, Mr. Chen Wei Jin, being the brother-in-law of Mr. Wang Dong Xing and one of our employees, Ms. Chen Yu Hua, being an aunt of the Wang Brothers, and Mr. Xu Tian Min, being one of our employees
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company
“Ming Lang Investments”	Ming Lang Investments Limited, a company incorporated in the BVI with limited liability on 4 December 2007 which is owned as to an aggregate of 76.50% by the Wang Brothers and an aggregate of 23.50% by the Management and Other Shareholders, being one of our substantial Shareholders
“NBS”	the National Bureau of Statistics of China
“New Income Tax Law”	the Enterprise Income Tax Law promulgated by the National People’s Congress on 16 March 2007 and which became effective on 1 January 2008
“OEM”	an acronym for original equipment manufacturer, a business that manufactures goods or equipment for branding and resale by others
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed pursuant to the Global Offering, which will be not more than HK\$4.00 and is expected to be not less than HK\$3.20, to be determined as described in “Structure and conditions of the Global Offering — Determining the Offer Price”
“Offer Shares”	the Public Offer Shares and the International Offer Shares

DEFINITIONS

“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, under the International Underwriting Agreement pursuant to which our Company may be required by the Sole Global Coordinator to allot and issue up to 45,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing
“PBOC”	the People’s Bank of China
“Pre-IPO Share Option Scheme”	the Pre-IPO Share Option Scheme adopted by our Company on 12 September 2008, the principal terms of which are summarised in “Appendix VI — Statutory and General Information — Other Information — Pre-IPO Share Option Scheme” to this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Bookrunners (for itself and on behalf of the Underwriters) at or about the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Thursday, 17 September 2009 or such later date as may be agreed by us and the Joint Bookrunners, but not later than Wednesday, 23 September 2009, on which the Offer Price is fixed for the purposes of the Global Offering
“Public Offer Shares”	the 30,000,000 Shares initially being offered for subscription by our Company at the Offer Price under the Public Offering (subject to adjustment as described in “Structure and conditions of the Global Offering”)
“Public Offer Underwriters”	the underwriters of the Public Offering named in the section headed “Underwriting — Public Offer Underwriters”
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 10 September 2009 relating to the Public Offering entered into by our Company, the Controlling Shareholders, the Management and Other Shareholders, the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters

DEFINITIONS

“Public Offering”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in “Structure and conditions of the Global Offering” in this prospectus at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Regulation S”	Regulation S under the US Securities Act
“Reorganisation”	the reorganisation by the companies comprising our Group in preparation for the listing of the Shares on the Stock Exchange. See “Appendix VI — Statutory and General Information — Further Information About our Company — Group reorganisation” to this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the US Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAFE Notice”	the Notice on Relevant Problems Relating to the Administration of Foreign Exchange in Corporate Financing by Domestic Residents Through Overseas Special Objective Companies and Return Investments (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) issued by SAFE on 21 October 2005 and effective from 1 November 2005
“Second tier cities”	the capitals of provinces in the PRC excluding Guangzhou, municipalities excluding Shanghai and Beijing, and the capitals of the autonomous regions in the PRC
“Second and lower tier cities”	Second tier cities, Third tier cities and Fourth tier cities
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of our Company

DEFINITIONS

“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 4 September 2009, the principal terms of which are summarised in “Appendix VI — Statutory and General Information — Other Information — Share Option Scheme” to this prospectus
“Sole Global Coordinator”	Merrill Lynch International
“Sole Sponsor”	Merrill Lynch Far East Limited
“sq.ft”	square feet
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third tier cities”	prefecture-level cities in the PRC, excluding any First and Second tier cities
“Track Record Period”	the periods comprising the three financial years ended 31 December 2008 and the six months ended 30 June 2009
“Underwriters”	the International Underwriters and the Public Offer Underwriters
“Underwriting Agreements”	the International Underwriting Agreement and the Public Offer Underwriting Agreement
“United States” or “US”	the United States, as defined in Regulation S
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“US Person”	has the meaning given to it in Regulation S
“US Securities Act”	the US Securities Act of 1933, as amended
“Wang Brothers”	Messrs. Wang Dong Xing, Wang Liang Xing and Wang Cong Xing, all being executive Directors
“White Form eIPO”	applying for Public Offer Shares to be issued in your own name by submitting applications online through the designated website at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“WTO”	the World Trade Organization
“Wuli Industrial Park”	a parcel of land located in Junbian Village, Yonghe Town, Dashanhou District, Lingyuan Street, Jinjiang City Technology and Industry Park (晉江市科技工業園區靈源街道大山後社區永和鎮菌邊村)
“Xiao Sheng International”	Xiao Sheng International Limited, a company incorporated in the BVI with limited liability on 4 December 2007 which is owned as to an aggregate of 76.50% by the Wang Brothers and an aggregate of 23.50% by the Management and Other Shareholders, being one of the Controlling Shareholders
“%”	per cent.

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-Allotment Option.

All times refer to Hong Kong time.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Unless otherwise specified, amounts denominated in RMB and US\$ have been converted into Hong Kong dollars in this prospectus for the purpose of illustration only at the rates set out below:

HK\$1.00: RMB0.8815

HK\$7.7505: US\$1.00

No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates or at all.

In this prospectus, references to years are to calendar years unless otherwise stated.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for reference only.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans;
- our operations and business prospects, including development plans for our existing business;
- our financial condition;
- the future competitive environment for the PRC menswear industry;
- the regulatory environment as well as the general industry outlook for the PRC menswear industry; and
- general economic trends of the PRC.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events, are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Investing in the Shares involves certain risks. You should carefully consider each of the risks described below and all of the other information contained in this prospectus, should not only consider Appendix I, should also read all other parts of prospectus before deciding to purchase the Shares. You should be aware that our subsidiaries in the PRC are governed by a legal and regulatory environment that in some respects differs significantly from that in other countries. If any of the following risks occur, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of the Shares could decline, and your investment could be adversely affected.

RISKS RELATING TO OUR BUSINESS

Failure to successfully promote our brand may materially and adversely affect our business and results of operations.

Brand image is a key factor in consumer purchasing decisions for menswear products. We are committed to building our brand through the introduction of stylish and quality designs as well as through national advertising campaigns. We believe that we have been successful in establishing our brand in the PRC. Our ability to maintain and further develop our brand in the PRC depends, in part, on our ability to meet changing consumer tastes and preferences and the effectiveness of our advertising campaigns. We may misjudge changes in fashion trends or fail to respond to such changes in a timely manner. In addition, we may embark on unsuccessful advertising campaigns that do not achieve their intended results or engage spokespersons who could generate negative publicity over which we have no control. If we are unable to successfully maintain and promote our brand, our business and results of operations may be materially and adversely affected.

We rely on a small number of distributors for the sale of our products and our failure to renew distributorship agreements with our major distributors or a breach of such distributorship agreements by them may materially and adversely affect our results of operations.

We primarily sell our products in the PRC to 53 distributors, who in turn sell our products to consumers through retail outlets directly operated by them or by sub-distributors under their oversight. We do not have control over sub-distributors or retail outlets and the ultimate sales by distributors, sub-distributors and the retail outlets that they operate. During the Track Record Period, sales to our distributors accounted for substantially all of our turnover. During the same period, sales to our top five customers accounted for 55.3%, 42.6%, 34.6% and 34.0%, respectively, of our turnover, and sales to our largest customer accounted for 21.1%, 13.2%, 12.7% and 12.7%, respectively, of our turnover. Among our distributors, seven of them had been owned by Mr. Hu Cheng Chu and Mr. Pan Rong Bin, two of our executive Directors, for a period during the two years ended 31 December 2007, and the sales by these distributors contributed to 21.1% and 12.9% of our turnover during the years ended 31 December 2006 and 2007 before Mr. Hu and Mr. Pan disposed of their interests in these distributors in 2007. If our distributors do not continue to open new retail outlets, either by themselves or through their sub-

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distributors, or are otherwise unsuccessful in selling our products or we fail to effectively supervise and manage our distributors, their sub-distributors or the retail outlets they operate, our result of operations may be materially and adversely affected.

We have entered into agreements with our distributors for a term of one year, renewable annually with minimum purchase requirements. There is no assurance that we will be able to renew our distributorship agreements or renew such agreements on terms that are favourable to us, or that the distributors will place orders with us at the same level as before. In addition, there is also no assurance that one or more of our major distributors will not breach their distributorship agreements or fail to comply with their obligations thereunder, including with respect to our retail policies and provision of sales reports. In such event or events, our results of operations may be materially and adversely affected.

Our business may be negatively affected if our distributors or their sub-distributors fail to comply with our retail policies.

Our products are sold to end customers through retail outlets operated by our distributors or their sub-distributors. We rely on contractual obligations set forth in the distributorship agreements to impose our retail policies on the outlets operated by such distributors and their sub-distributors. We do not have direct contractual relationships with the sub-distributors and we rely on our distributors to oversee these sub-distributors. If our distributors or their sub-distributors fail to comply with the retail policies, we may not be able to effectively manage our sales network or maintain a uniform brand image, which may result in erosion of goodwill and an unfavourable public perception of our brand. Although we have the right to replace any distributor who fails to comply with our retail policies, we may be unable to find replacements for them in a timely manner. As a result, our business and results of operations may be materially and adversely affected.

We may not be able to monitor the inventory levels at our distributors.

Our control over the ultimate retail sales by our distributors, their sub-distributors and the retail outlets they operate is limited. We have a dedicated team to monitor our distributors' and their sub-distributors' performance. Our distributor agreements require our distributors to provide us with sales and market information on a regular basis or upon request by us. We require distributors to submit sales reports on a weekly basis. However, such measures require the cooperation of distributors to accurately and timely report and submit the relevant data to us, and we may not be able to ensure the accuracy of the data provided by our distributors or collected by us. We also do not currently have in place an enterprise resource planning system. Due to the above reasons, we may not be able to accurately monitor the inventory levels at our distributors and their sub-distributors' retail outlets that sell our products, or to identify or prevent any excessive inventory build-up at these retail outlets.

Our brand image and business may be negatively affected by actions of our OEM contractors.

During the Track Record Period, the cost of outsourced production as a percentage of our cost of sales was 33.2%, 45.1%, 41.9% and 61.2%, respectively. We exercise only limited control over the operations of our OEM contractors and are therefore not able to

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ensure their compliance with applicable laws and regulations. The failure on the part of our OEM contractors to comply with certain laws, such as labour and environmental laws, may result in negative publicity which may damage our brand and undermine our brand building efforts. As a result, our business and results of operations may be adversely affected.

We rely on our OEM contractors for the production of a significant portion of our products and any material disruption to the supply of products from our OEM contractors would materially and adversely affect our results of operations.

During the Track Record Period, the sale of outsourced products represented 34.0%, 45.7%, 42.9% and 63.8% of our turnover, respectively. The cost of outsourced production as a percentage of our cost of sales was 33.2%, 45.1%, 41.9% and 61.2%, respectively. These OEM products comprise certain of our apparel products as well as our accessories. We cannot assure you that we will not face material disruptions to the supply of products from our OEM contractors in the future. In the event of such disruptions, we may not be able to find suitable alternative OEM contractors on a timely basis or offset such disruptions by increasing production at our own production facilities. Any material disruption in the supply of products from our OEM contractors may materially and adversely affect our results of operations.

Our results of operations may be adversely affected by an increase in the cost of raw materials, labour or products manufactured by OEM contractors.

We rely on our suppliers for raw materials and our OEM contractors for certain products. The principal raw materials used in our products are cotton, wool, polyester and blended fabrics. In addition, our operations are labour-intensive. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the cost of raw materials accounted for 86.9%, 82.2%, 80.3% and 81.7%, respectively, of the cost of our own production, and the cost of direct labour accounted for 9.8%, 11.7%, 11.3% and 8.0%, respectively, of the cost of our own production. The cost of outsourced production as a percentage of the cost of sales was 33.2%, 45.1%, 41.9% and 61.2%, respectively. We do not maintain long-term contracts with our raw material or OEM product suppliers, and prices that we pay for such materials and OEM products may increase due to greater industry demand or a shortage of supplies. The extent of labour costs in the PRC has increased and may continue to increase in the future. If we are unable to identify and employ other appropriate means to reduce costs of our own or outsourced production, or pass on such increase in the cost of raw materials, labour or OEM contracted products to our customers, our results of operations may be materially and adversely affected.

We may be unable to implement and manage future rapid growth and expansion.

We have grown rapidly over the past few years and our turnover increased by 111.8% from RMB418.2 million in 2006 to RMB885.9 million in 2007 and by 28.2% from RMB885.9 million in 2007 to RMB1,135.7 million in 2008. The number of retail outlets operated by our distributors or their sub-distributors increased during the same period from 2,002 in 2006 to 2,186 in 2007 and to 2,491 in 2008. We intend to continue to expand our retail network by cooperating with our distributors to open flagships stores and increasing our distribution network. This expansion plan may place significant strain on our

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managerial, operational and financial resources. We cannot assure you that our personnel, systems, procedures and controls will be adequate to implement our business plans or support our future growth. Additionally, if we are unable to obtain additional funds when required, we may not be able to finance our expansion plans. In order to open these flagship stores in major cities in the PRC, we will need to identify and secure suitable properties on commercially viable terms. Given the scarcity of prime locations and their relatively high rental rates in such cities, there is no assurance that we will be able to secure desirable locations and establish our flagship stores on economically viable terms. There is also no assurance our distributors will satisfy the expansion plans for our distribution network.

Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies.

We have, to date, financed our working capital and capital expenditure needs primarily through operating cash flows, bank loans from local banking institutions, shareholder advances and capital contributions. Our working capital needs and our capital expenditure needs may increase in the future as we continue to expand our business. Our ability to raise additional capital will depend on the financial success of our current business and the successful implementation of our key strategic initiatives, as well as financial, economic and market conditions and other factors, some of which are beyond our control. We may not be successful in raising any required capital on reasonable terms and at required times, or at all. If we are unsuccessful in raising additional capital or if new capital funding costs are higher than our prior capital funding costs, our business operations may be materially and adversely impacted, with similar effects on our results of operations and financial condition.

Our success depends on our ability to retain our senior management team and our ability to attract and retain additional management and other qualified personnel.

Many of our senior management team have been with us for over eight years. Their talent, effort, experience and leadership are critical to the success of our business. In particular, the leadership of the Wang Brothers is crucial to our business. We have entered into three-year contracts, including non-compete undertakings, with all of our executive Directors and senior management. However, there can be no assurance such contracts will not be terminated or breached. With respect to our chief financial officer, Mr. Yu Cheeric, his contract is for an initial term of one year and shall thereafter be renewable automatically unless otherwise terminated by us or Mr. Yu upon not less than three months' written notice. The loss of the services of any members of our executive Directors and senior management team, particularly any of the Wang Brothers, could have a material adverse effect on our ability to manage and develop our business and on our results of operations.

Our success also depends upon the continued service of our sales and design personnel and our ability to continue to attract, retain and motivate such personnel. There is intense competition to recruit technically competent personnel with expertise in the menswear industry, and we have periodically experienced difficulties in recruiting suitable personnel. We may also need to offer better compensation and other benefits in order to attract and retain these personnel in the future, and we cannot assure you that we will have the

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resources to meet our staffing needs. These difficulties could limit our output capacity or reduce our operating efficiency and product quality, which could reduce our profitability and limit our ability to grow.

Our business is susceptible to seasonal fluctuations and extreme or unseasonable weather conditions.

Our business is affected by seasonal trends, with significantly higher levels of sales for our winter and autumn collections and lower levels of sales for our spring and summer collections. As a result, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performance. Any seasonal fluctuations reported in the future may not match expectations of our investors. This could cause the trading price of the Shares to fluctuate. In addition, since we operate largely on a seasonal cycle, if our raw material suppliers or OEM contractors fail to deliver on a timely basis as a result of extreme and unseasonable weather conditions, sales for the season and our results of operations could be materially and adversely affected.

Our business is also susceptible to extreme or unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with such unseasonable conditions. These extreme or unseasonable weather conditions could have a material adverse effect on our results of operations.

We may be affected by infringement of our intellectual property rights or by claims of third parties alleging possible infringement of their intellectual property rights.

Our trademarks and other intellectual property rights are important to our success and competitive position. We depend to a significant extent on PRC laws to protect our trademarks or other intellectual property rights. There is no assurance that third parties will not infringe our intellectual property rights or that the actions taken by us will be adequate to prevent such infringement or product imitation by others. We have encountered instances of counterfeit products sold in certain limited locations in the PRC. The instances that we have encountered to date have not been materially significant. Regardless of the magnitude of such infringements, we intend to vigorously protect our intellectual property rights. Efforts to enforce or defend our intellectual property rights may require significant attention from our management and may be costly, and the outcome of any legal actions to protect our intellectual property rights may be uncertain. In the event that we are unable to adequately protect or safeguard our intellectual property rights, our reputation, business and results of operations may be adversely affected.

We may also face claims from time to time that our products infringe upon the intellectual property rights of third parties, including our competitors. If any legal proceeding against us for infringement of intellectual property rights is successful, and if we are unable to obtain a licence for the usage of such intellectual property right on acceptable terms, or at all, or are unable to design around such intellectual property right, we may be prohibited from manufacturing or selling products which are dependent on the usage of such intellectual property. In such case, we may experience a material adverse effect on our

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business and reputation, and this type of proceeding and its consequences could divert management's attention from our business, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Any significant damage to our administrative or production facilities could have a material adverse effect on our results of operations.

Our ability to meet the demands of, and our contractual obligations to, our distributors and our ability to grow our business are heavily dependent on efficient, proper and uninterrupted operations at our facilities. Power failures or disruptions, the breakdown, failure or substandard performance of equipment, the destruction of buildings, and other facilities due to fire or natural disasters such as hurricanes, severe winter storms, flood, droughts or earthquakes would severely affect our ability to continue our operations and may cause significant property damage and personal injuries. As of the Latest Practicable Date, we did not carry any business interruption insurance and our insurance policies may not be sufficient to compensate us for damages of such buildings, equipment and infrastructure. In addition, there are certain types of losses, such as from war, acts of terrorism, earthquakes, typhoons, flooding and other natural disasters, for which we cannot obtain insurance at a reasonable cost or at all. Any such events and any losses or liabilities that are not covered by our current insurance policies could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be exposed to product liability, property damage or personal injury claims, which may materially and adversely affect our reputation and business.

As of the Latest Practicable Date, all of our products were sold in the PRC. We may be exposed to product liability claims and we may, as a result, have to expend significant financial and managerial resources to defend against such claims. We believe that such product liability claim risks will increase as legal concepts in product liability claims begin to develop and mature in the PRC where our products may be sold. We may not have effective or sufficient control over the quality of our products, and we cannot give any assurance that our business, financial condition, results of operations and prospects will not be materially and adversely affected by a successful product liability claim against us. We do not maintain any product liability insurance. In addition, we do not maintain third-party liability insurance against claims for property damage, personal injury or environmental liabilities. We may incur significant costs and expenses to defend against such claims or enter into settlement agreements. We may be fined or sanctioned, which could materially and adversely affect our reputation, business, prospects, financial condition and results of operations.

We may be requested to make up any unpaid contribution to the social security insurance schemes during the Track Record Period.

Under the PRC laws and regulations, our subsidiaries in the PRC are required to make mandatory contributions to a number of social insurance schemes for their employees who are eligible for such benefits. As advised by our PRC legal adviser, under the applicable national laws and regulations, our subsidiaries, Lilang Fujian and Lilang China, are required to contribute to these social insurance schemes representing, in the aggregate,

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29.2% of the wages payable to these employees, comprising contributions to (i) pension insurance at the rate of 18%; (ii) medical insurance at the rate of 7.5%; (iii) unemployment insurance at the rate of 2%; (iv) work-related injuries insurance at the rate of 1%; and (v) maternity insurance at the rate of 0.7%.

Due to the relatively high mobility of our workers, especially the migrant workers of Lilang Fujian and Lilang China, and given the different levels of development in social benefits in different parts of the PRC, it is difficult in practice to develop a comprehensive system to properly administer social security contributions for all of the employees of Lilang Fujian and Lilang China. As a result, the percentage of the social security contribution (which is calculated by comparing the amount of contributions made and our actual total staff cost) of Lilang China and Lilang Fujian ranged from 0.67% to 10.82% of the total wages, which falls short of the amounts required to be contributed under the applicable national laws and regulations.

During the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, we paid social security contributions of RMB0.3 million, RMB0.6 million, RMB1.8 million and RMB0.9 million, respectively. The authority confirmed on 15 July 2008 that Lilang Fujian and Lilang China had made all requisite contributions to the social security insurance funds in a timely manner, and that the existing number of employees involved, the contribution basis and the percentage of contribution are in compliance with the local regulations. The authority confirmed on 17 July 2009 that Lilang Fujian and Lilang China had made all requisite contributions to the social security funds in a timely manner and confirmed again on 10 August 2009 that Lilang China and Lilang Fujian had made all requisite contributions to the social security funds in a timely manner up to 30 June 2009 and that Lilang China and Lilang Fujian will not be required to pay any outstanding contributions regarding the social security. To the extent that we are required to make further contributions based on relevant national laws and regulations, we estimate that we would need to make additional contributions of approximately RMB3.4 million, RMB12.9 million, RMB17.0 million and RMB6.1 million for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, respectively. As advised by our PRC legal adviser, we may be ordered by the relevant social insurance bureaus to pay the outstanding contributions within a prescribed time limit, and a late charge at the daily rate of 0.2% on the outstanding contributions may be imposed if such payment is not made within the prescribed time limit. Each handling officer may also be imposed with a fine up to RMB20,000. We have not paid, and have not been ordered by the relevant social insurance bureaus to pay, any such outstanding contributions during the Track Record Period and up to the Latest Practicable Date. Provisions of retirement benefits contributions of RMB2.2 million, RMB8.2 million, RMB10.5 million and RMB3.8 million have been accrued in the consolidated financial statements for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, which were based on 18% of the salaries of our employees who had joined our Group during the Track Record Period and remained in service with our Group as at 31 December 2008. Nevertheless, such provision may fall short of the contributions required under the applicable national laws and regulations. In the event that our PRC subsidiaries are required to make additional

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contributions, or in the event that our provisions of retirement benefits contributions fall short of the amount actually ordered by the relevant social insurance bureaus, our financial position could be materially and adversely affected.

The Controlling Shareholders may take actions that are not in, or may conflict with, public Shareholders' best interests.

Immediately after the completion of the Global Offering and the Capitalisation Issue, the Controlling Shareholders will own an aggregate of approximately 73.21% of the Shares, as to approximately 55.13% by Xiao Sheng International, approximately 12.38% by Ming Lang Investments and approximately 5.70% by the Wang Brothers, assuming the Over-allotment Option is not exercised. Therefore, the Controlling Shareholders will continue to be able to exercise controlling influence over our business through their ability to control actions which do not require the approval of independent Shareholders. The Controlling Shareholders will also be able to control the election of our Directors, determine the timing and amount of our dividends, if any, and pass resolutions to acquire or merge with another company not connected with the Controlling Shareholders. Furthermore, the Controlling Shareholders may cause us to take actions that are not in, or may conflict with, the interests of us or our other Shareholders, which may place our other Shareholders in a disadvantageous position.

We are a holding company that relies heavily on dividend payments from our subsidiaries for funding.

Our Company is a holding company incorporated in the Cayman Islands. We operate our business primarily through our subsidiaries in the PRC. Therefore, the availability of funds to enable us to pay dividends to our Shareholders and to service our indebtedness depends upon dividends received from these subsidiaries. If our subsidiaries incur indebtedness or losses, such indebtedness or losses may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends and to service our indebtedness will be restricted. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ in many respects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require enterprises incorporated in China to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements or debt instruments that our subsidiaries may enter into or issue in the future may also restrict the ability of our subsidiaries to make contributions to us and hence, our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

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RISKS RELATING TO OUR INDUSTRY

Fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC may significantly affect our business, financial condition, results of operations and prospects.

We derive all of our turnover from sales of our products in the PRC. The success of our business depends on the condition and growth of the PRC consumer market, which, in turn, depends on worldwide economic conditions and individual income levels in the PRC and their impact on levels of consumer spending, which have recently deteriorated significantly in many countries and regions and may remain depressed for the near future. There are many factors affecting the level of consumer spending, including but not limited to interest rates, currency exchange rates, recession, inflation, deflation, political uncertainty, taxation, stock market performance, unemployment level and general consumer confidence. There can be no assurance that historical growth rates of the PRC economy will continue or that projected growth rates of the PRC economy and the PRC consumer market, including those described in the section headed “Industry Overview”, will be realised. Any future slowdowns or declines in the PRC economy or consumer spending may materially and adversely affect our business and results of operations.

We face intense competition.

The PRC market for menswear products is highly competitive. Our menswear products compete on the basis of brand image, design, product mix, quality, price, customer service and the breadth of our retail network. Foreign brands generally provide better quality and customer service and their designs tend to be more fashionable, while domestic brands generally are better priced and enjoy greater retail coverage in the PRC. With the liberalisation measures adopted pursuant to the PRC’s accession to the World Trade Organization, or WTO, foreign brands are permitted to expand their sales network within the PRC with fewer restrictions. In addition, with the continuous economic growth in the PRC, consumers generally have higher purchasing power and more persons can now afford to buy foreign brands. As a result, a greater number of foreign brands has entered, and is continuing to enter, the PRC market, which further increases competition for our products. We also face intense competition against domestic brands as we share a similar business model and target market. There is no guarantee that we will be able to continue to successfully compete with other domestic or foreign brands. Failure to do so could have a material adverse effect on our business and results of operations. See “Industry Overview”, “Business — Competition”, “Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Competition.”

RISKS RELATING TO THE PRC

All of our assets are located in the PRC, and all of our turnover is derived from our operations in the PRC. Accordingly, our business, financial condition, results of operations and prospects are subject, to a significant extent, to economic, political and legal developments in the PRC.

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PRC economic, political and social conditions, as well as government policies, could adversely affect our business.

The PRC economy differs from the economies of most developed countries in many respects, including, among others:

- its structure,
- amount of government involvement,
- level of development,
- growth rate,
- level of capital reinvestment,
- control of foreign exchange, and
- allocation of resources.

While the PRC economy has experienced significant growth in the past 20 years, growth has been uneven, both geographically and among various sectors of the economy. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government exercises significant control over economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary and industrial policies and providing preferential treatment to particular industries or companies.

Recently, the PRC government has implemented a number of measures to prevent the economy from overheating. While some of these measures may benefit the overall economy in the PRC, they may have a negative effect on us. Stricter lending policies may, among other things, affect our ability to obtain financing, which may, in turn, materially and adversely affect our growth.

Demand for our products and our business, financial condition, results of operations and prospects may also be materially and adversely affected by the following factors:

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and

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- reduction in tariff protection and other import and export restrictions.

These factors are affected by a number of variables which are beyond our control.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident shareholders to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect us.

The SAFE Notice requires PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside the PRC, referred to as an “offshore special purpose company,” for the purposes of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. In addition, any PRC resident who is the shareholder of an offshore special purpose company is required to amend his SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in the PRC. If any PRC shareholder of an offshore special purpose company fails to make the required SAFE registration and amendment, the PRC subsidiaries of that offshore special purpose company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore special purpose company. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions. Our current beneficial owners who are PRC residents have registered with the local SAFE branch as required under the SAFE Notice. The failure of these beneficial owners to amend their SAFE registrations in a timely manner pursuant to the SAFE Notice or the failure of future beneficial owners of our Company who are PRC residents to comply with the registration procedures set forth in the SAFE Notice may subject such beneficial owners to fines and legal sanctions and may also result in restrictions on our PRC subsidiaries' ability to distribute profits to us or otherwise materially and adversely affect our business.

We will not be able to continue to enjoy our current preferential tax treatment.

In accordance with the PRC's tax regulations, certain of our subsidiaries in the PRC benefit from preferential tax treatment. Our Group's effective tax rate, calculated as our Group's income tax expense divided by profit before taxation, was 28.6%, 1.3%, 3.4%, 2.9% and 13.3% in 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively. The New Income Tax Law which became effective on 1 January 2008 revokes most preferential tax treatment for foreign-invested enterprises and adopts a unified income tax rate of 25% on most domestic enterprises and foreign-invested enterprises. However, some of the existing preferential tax treatments for foreign-invested enterprises will have a grace period of up to five years following the effective date of the New Income Tax Law. Accordingly, when the preferential tax treatment currently enjoyed by our PRC subsidiaries expires, we will be required to pay a greater amount of taxes, which may materially and adversely affect our results of operations.

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See “Financial information — Factors affecting results of operations — Taxation” for further information on our tax status and the preferential tax treatment currently enjoyed by our PRC subsidiaries.

We may become subject to PRC income tax on any future global income.

Under the New Income Tax Law and its implementing rules, enterprises established outside the PRC with their de facto management bodies located within the PRC may be considered a PRC resident enterprise and subject to PRC enterprise income tax on their global income at the rate of 25%. Since most of our management is currently located in the PRC, we may be subject to PRC income tax at the rate of 25% on our global income. In certain circumstances, dividends received by a PRC resident enterprise from another PRC resident enterprise may be exempted from this tax, but there is no guarantee that we will qualify for this exemption.

The value of any future dividends and gains on the sale of our Shares may be reduced by PRC withholding taxes.

We are a holding company and all of our income is derived from dividends that we receive from our subsidiaries. The previous PRC income tax law applicable to foreign-invested enterprises specifically exempted withholding taxes on dividend payments to foreign investors. However, under the New Income Tax Law and its implementing rules, dividends payable to foreign investors that are non-resident enterprise (enterprise that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place) are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong may be subject to withholding taxes at a rate of 5% on dividends they receive from their PRC subsidiaries of which they directly hold at least 25% equity interests. As dividends from our PRC subsidiaries will be paid to us through Lilang International, our Hong Kong subsidiary, those dividends may be subject to a withholding tax at the rate of 5%.

Moreover, under the New Income Tax Law and its implementing rules, we may be in the future be recognised as a PRC tax resident enterprise by the PRC taxation authorities. In that case, dividends on our Shares as well as capital gains from sales of our Shares realised by shareholders that are foreign corporations may be regarded as income from “sources within the PRC” and may be subject to a 10% withholding tax. If foreign shareholders are required to pay PRC withholding tax on dividends on our Shares or capital gains from any sales of our Shares, the value of the investment in our Shares may be materially and adversely affected.

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Our labour costs may be increased due to the implementation of the new PRC Labour Contract Law.

The PRC Labour Contract Law was adopted by the Standing Committee of the National People's Congress of PRC on 29 June 2007 and became effective on 1 January 2008. The implementation of the new law, especially the following provisions, may increase our labour costs: (a) an employer shall make monetary compensation, which shall be based on the number of an employee's working years with the employer at the rate of one month's wage for each year, to the employee upon termination of the employment contract with certain exceptions (for example, in the circumstances where the term of a fixed-term employment contract expires and the employee does not agree to renew the contract even though the conditions offered by the employer are the same as or better than those stipulated in the current contract); (b) the wages of an employee on probation may not be less than the lowest wage level for the same job with the employer or less than 80% of the wage agreed upon in the employment contract, and may not be less than the local minimum wage rate; (c) if an employee has been working for the employer for a consecutive period of not less than 10 years, or if a fixed-term employment contract with an employee was entered into on two consecutive occasions, generally the employer should enter into an open-ended employment with such employee, unless the employee requests for a fixed-term employment contract; (d) if an employer fails, in violation of the related provisions, to enter into an open-ended employment contract with an employee, it shall each month pay to the employee twice his wage, starting from the date on which an open-ended employment contract should have been entered into; (e) if an employer fails to enter into a written employment contract with an employee more than one month but less than one year after the date on which it started using him, it shall each month pay to the employee twice his wage; and (f) if an employer hires an employee whose employment contract with another employer has not yet been terminated or ended, causing the other employer to suffer a loss, it shall be jointly and severally liable with the employee for the compensation for such loss. Our labour costs may increase due to the implementation of the new PRC Labour Contract Law.

Our business may be materially and adversely impacted by recent financial difficulties and economic conditions in the United States, Europe and elsewhere.

Recent financial difficulties and economic conditions in the United States, Europe and other regions may materially and adversely impact our business, results of operations and financial condition in a number of ways, including:

- economic difficulties in the United States, Europe and other regions may lead to an economic slowdown or recession in some or all of the markets in which we operate;
- an economic slowdown or recession, or even the risk of a potential economic slowdown or recession, may cause our customers to delay, defer or cancel their purchases, including decisions previously made;
- under difficult economic conditions, consumers may seek to reduce discretionary spending by foregoing purchases of our products;

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- financing and other sources of liquidity may not be available on reasonable terms or at all; and
- the trading price of our Shares may experience increased volatility.

These risks may be exacerbated in the event of a prolonged economic downturn or financial crisis.

It may be difficult to effect service of process upon us or our Directors who reside in China or to enforce against them or us in China any judgments obtained from non-Chinese courts.

All of our executive Directors reside within China, and substantially all of our assets and substantially all of the assets of those persons are located within China. It may therefore be difficult for investors to effect service of process upon us or those persons in China. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts within the United States, the United Kingdom or most other Western countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. Therefore, it may be difficult for investors to enforce any judgments obtained from non-Chinese courts against us or our Directors in China.

Changes to foreign exchange regulations, fluctuations in the value of the RMB or certain PRC accounting requirements and the provisions in the articles of association of our PRC subsidiaries may adversely affect our ability to pay dividends.

Under our current structure, our income will primarily consist of dividend payments by our subsidiaries in the PRC, whose sales are made in RMB. At present, RMB is not freely convertible to other currencies except under limited circumstances. Foreign invested enterprises are permitted to remit their net profit or dividends in foreign currencies out of the PRC or to repatriate such profit or dividends after converting the same from RMB to foreign currencies through authorised banks. Foreign invested enterprises are also permitted to convert RMB to foreign currencies for items in the current account, including trade and service related foreign exchange transactions and payment of dividends to foreign investors. Foreign exchange transactions in the capital account, including the foreign currency capital in any foreign investment enterprise in the PRC, the repayment of the principal amount of foreign currency loans and the payment pursuant to foreign currency guarantees, continue to be subject to significant foreign exchange controls and require the prior approval of the SAFE. If future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to us or if insufficient foreign exchange is available, our liquidity and ability to pay our obligations, and our ability to pay dividends in respect of the Shares, could be adversely affected.

In addition, the value of the RMB against other foreign currencies is subject to changes in the PRC's policies and international economic and political developments. Effective from 21 July 2005, the RMB is no longer pegged solely to the US dollar. Instead, it is pegged against a basket of currencies, determined by the People's Bank of China, against which it can each day rise or fall within a regulated band. However, the exchange rate may become volatile, the RMB may be revalued further against the US dollar or other currencies or the

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RMB may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the RMB against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our net assets, earnings or any declared dividends. We do not maintain any hedging policy with respect to exchange rate risks.

Furthermore, the ability of our operating subsidiaries in the PRC to make dividend and other payments to us is restricted by PRC laws and regulations, which permit payment of dividends only out of accumulated profits, after making up prior year losses and allocations to various non-distributable reserve funds, as determined in accordance with generally accepted accounting principles in the PRC (“PRC GAAP”) and applicable regulations. The respective articles of association of two of our operating subsidiaries in the PRC, Lilang China and Lilang Fujian, provide that, in respect of each financial year commencing after 1 January 2008, not less than 50% of their profits after taxes (and after making up prior year’s losses) as determined in accordance with PRC GAAP will be allocated for their future business development and working capital purposes, and for allocations to various reserve funds as required under the applicable PRC laws and regulations, and not more than 50% of their profits after taxes (as determined in accordance with PRC GAAP) may be distributed to their shareholder(s) by such operating subsidiaries. These regulations and provisions may restrict the amount of profit available for distribution from the operating subsidiaries, which could affect our liquidity and our ability to pay dividends. Moreover, the determination of profit available for distribution under PRC GAAP may differ from profit determined in accordance with IFRS. As a result, it is possible that we might not receive distributions from the operating subsidiaries, even if our IFRS financial statements indicate that our operations have been profitable.

The net proceeds to be received by us from the Global Offering will be in Hong Kong dollars, while these net proceeds will be used to finance our business strategies and carrying out our future plans in the manner as set out in “Future plans and use of proceeds — use of proceeds” which, we expect, will involve capital expenditure and expenses to be settled in RMB. Any appreciation in the value of RMB against Hong Kong dollars may increase our costs for achieving our business strategies and carrying out our future plans and may thereby adversely affect our future development and profitability.

Interpretation of PRC laws and regulations involves uncertainty that could adversely affect our business and results of operations and the value of the Shares and limit the legal protections available to investors.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which prior court decisions have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations governing economic matters in general such as foreign investment, corporate organisation and governance, commerce, taxation and trade. This legislation has significantly enhanced the protections afforded to various forms of foreign investment in the PRC in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. Many of these laws, regulations and legal requirements are relatively new and because of the limited

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volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve greater uncertainties than those in jurisdictions under common law systems. These uncertainties may limit the legal protections available to us and to investors. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase our cost and regulatory exposure in complying with them.

A material disruption of our operations or the operations of our distributors and/or sub-distributors from force majeure events could materially and adversely affect our results of operations.

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions and adversely affect our results of operations. These include war, riot, public disorder, civil commotion, fire, earthquake, flood and other natural calamity, epidemic, outbreak of infectious disease, terrorism, whether locally or nationwide, or incidents such as industrial accidents, equipment failures, malfunction of information systems or other operational problems, strikes or other labour difficulties and disruptions of public infrastructure such as roads, ports or utilities. Any such disruption of our operations could cause us to disrupt, limit or delay our production, prevent us from meeting customer orders, increase our costs of production or require us to spend additional capital expenditures, each of which could materially and adversely affect our results of operations. Force majeure events may also materially and adversely affect the operations performance of our distributors, sub-distributors and/or their respective retail outlets and/or the sales and demand of our products in the relevant markets. In such event, our results of operations may be materially and adversely affected.

In May 2008, Wenchuan County of Sichuan Province, was hit by an earthquake with a magnitude of 8.0 on the Richter Scale. There were 141 retail outlets in Sichuan Province operated by our Group's distributors and sub-distributors as at 30 June 2008 and, save for a short duration of business of these retail outlets, the Sichuan earthquake did not result in any personal injury nor destruction of assets to these retail outlets. Such retail outlets (other than a retail outlet at Du Jiang Yan (都江堰) in Sichuan) have already resumed business and operation shortly after the earthquake. We do not have our owned assets, operations or business in Sichuan Province and therefore the earthquake did not have any direct impact on our Group in terms of fatalities and injuries, destructions of assets and/or disruption of production process, and did not affect our sourcing of production materials. However, there is no assurance that the Sichuan earthquake will not affect the sales or market demands of our products in the affected areas or in Sichuan Province in general. In 2007 and 2008, our sales in Sichuan Province amounted to RMB39.1 million and RMB59.4 million, respectively, representing 4.4% and 5.2% of our Group's overall turnover for the year. Any adverse impact on the local demand of our products in Sichuan Province may adversely affect the sales performance of our distributors, sub-distributors and/or their respective outlets in Sichuan, and accordingly, may adversely affect our results of operations.

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Any recurrence of severe acute respiratory syndrome, or SARS, pandemic avian influenza or an increase in the severity of H1N1 flu (swine flu) or another widespread public health problem could materially and adversely affect our business and results of operations.

From November 2002 to June 2003, the PRC and certain other countries and regions experienced an outbreak of a new and highly contagious form of atypical pneumonia known as SARS. On 5 July 2003, the World Health Organization declared that the SARS outbreak had been contained. However, a number of isolated cases of SARS were reported in the PRC in April 2004. A renewed outbreak of SARS, pandemic avian influenza or an increase in the severity of H1N1 flu (swine flu) or another widespread public health problem in the PRC, particularly at the locations of our operations and headquarters, could have a negative effect on our operations. Our operations may be affected by a number of health-related factors, including quarantines or closures of some of our offices and manufacturing facilities, which would severely disrupt our operations, travel restrictions, the sickness or death of its key officers and employees, import and export restrictions and a general slowdown in the PRC's economy. Additionally, the World Health Organization or the PRC government may recommend or impose other measures that could cause significant interruption to our business operations. Any of the foregoing events or other unforeseen consequences of public health problems could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for the Shares.

Prior to the Global Offering, there was no public market for the Shares. The initial Offer Price range to the public for the Offer Shares was the result of negotiations among our Company and the Joint Bookrunners, on behalf of the Underwriters. You should not view the Offer Price that they and us establish as any indication of the price that will prevail in the trading market. The market price for the Shares may decline below the Offer Price. We have applied to list and deal in the Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active and liquid trading market for the Shares will develop or be sustained following the Global Offering or in the future.

The liquidity and market prices of the Shares following the Global Offering may be volatile.

The price and trading volume of the Shares may be highly volatile. The market price for the Shares may be influenced by many factors, some of which are beyond our control, including those described above under "Risks Relating to Our Business", actual or anticipated fluctuations in our or our competitors' operating results, announcements by us or our competitors of new products, capacity changes, significant contracts, acquisitions, strategic alliances or strategic investments, our and our competitors' growth rates, the financial market and general economic conditions, changes in stock market analyst recommendations regarding us, our competitors or the menswear industry generally, or lack of analyst coverage of the Shares, conditions in the menswear industry in the PRC, additions or departures of key personnel, release of lock-up or other transfer restrictions on

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the outstanding Shares or sales of additional Shares, potential litigation or regulatory investigations, fluctuations in market prices for our products or the costs of raw materials and changes in accounting principles.

Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced substantial price volatility in the past, and it is possible that the Shares will be subject to changes in price that may not be directly related to our financial or business performance. Further, there has been significant volatility in the market price and trading volume of securities of companies operating in the menswear industry, which has often been unrelated to the operating performance of particular companies. As a result of these factors, you may not be able to resell your Shares above the Offer Price and you may suffer losses on your investment.

Sales or anticipated future sales of substantial amounts of the Shares in the public market after the Global Offering could adversely affect the prevailing market price of the Shares.

Immediately after completion of the Global Offering and the Capitalisation Issue, we will have 1,200,000,000 Shares in issue, of which 300,000,000 Shares, or 25.00%, will be publicly held by investors participating in the Global Offering and an aggregate of 900,000,000 Shares, or 75.00%, will be privately held by our existing Shareholders, assuming the Over-allotment Option is not exercised. The Offer Shares issued in the Global Offering will be eligible for immediate resale in the public market in Hong Kong without restriction, while the Shares held by our Controlling Shareholders may be sold in the public market subject to the disposal restrictions under Rule 10.07 of the Listing Rules (including but not limited to the lock-up requirement during the period commencing on the date by reference to which disclosure of their Shareholding is made in this prospectus and ending on the date which is six months after the Listing Date) and the Shares held by the existing Shareholders are subject to contractual lock-up as further described in “Underwriting”. If the existing Shareholders sell, or are expected to sell, a substantial amount of Shares, the prevailing market price for the Shares could be adversely affected. Such sales, or expected future sales, also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Prior dividend distributions are not an indication of our future dividend policy.

Our Company declared a special dividend of RMB53.0 million in August 2009. Such special dividend had been paid to our then Shareholders on 20 and 21 August 2009. Save as above, no other dividends were paid by us or any of our subsidiaries to their then shareholders during the Track Record Period. Historical dividend distributions are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be

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subject to our constitutive documents and the Companies Law, including (where required) the approval of shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in the PRC, which are subject to aspects described in “Risk Factors — Risks Relating to the PRC — Changes to foreign exchange regulations, fluctuations in the value of the RMB or certain PRC accounting requirements and the provisions in the articles of association of our PRC subsidiaries may adversely affect our ability to pay dividends” and “Risk Factors — Risks Relating to Our Business — We are a holding company that relies heavily on dividend payments from our subsidiaries for funding” above. For further details of the dividend policy of our Company, please see “Financial Information — Dividend policy”.

Certain facts, forecasts and other statistics with respect to China, China’s economy and the menswear industry in this prospectus are derived from official government publications and may not be reliable.

Certain facts, forecasts and other statistics in this prospectus relating to China, China’s economy and the menswear industry have been derived from official government publications generally believed to be reliable. However, we cannot assure you the quality or reliability of such source materials. They have not been prepared or independently verified by us or the underwriters, or any of our or their respective affiliates or advisers and, therefore, we and they make no representation as to the accuracy or completeness of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, such statistics may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy or completeness as may be the case elsewhere. Nonetheless, our Directors have taken reasonable care in compiling and reproducing these facts, forecasts and statistics in this prospectus from the official government publications.

In all cases, you should give consideration as to how much weight or importance you should attach to or place on such facts, forecasts or statistics derived from the official government publications and should not place undue reliance on any of such information and statistics.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law and Cayman Islands law may provide less protection to minority shareholders than the laws of Hong Kong and other jurisdictions.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association, and by the Companies Law, and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and under judicial precedents in Hong Kong or other jurisdictions. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of Hong Kong or other jurisdictions. For example, the Cayman Islands does not have a

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statutory equivalent of section 168A of the Hong Kong Companies Ordinance, which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of a company's affairs. For more details, please refer to the section headed "Summary of the constitution of our Company and Cayman Islands company law" in Appendix V to this prospectus.

Forward-looking information contained in this prospectus may prove inaccurate.

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "expect", "estimate", "may", "ought to", "should" and "will". These statements include, among other things, the discussion of our business strategy and the expectations of our future operations, liquidity and capital resources. Subscribers of our Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. You should not place undue reliance on such forward-looking information.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering, and the exercise of options granted or to be granted under our share option schemes may result in dilution to our shareholders.

Potential investors will pay a price per Share that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities and will therefore experience immediate dilution when potential investors purchase the Offer Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the shareholders immediately following the Global Offering and the Capitalisation Issue, potential investors would receive less than the amount they paid for their Shares. If we issue additional Shares in the future, our Shareholders may experience further dilution.

We have adopted the Pre-IPO Share Option Scheme under which options to subscribe in aggregate for 9,611,100 Shares at 80% of the final Offer Price were outstanding as at the date of this prospectus, representing approximately 0.79% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue as enlarged by issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme assuming that all such options are exercised in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. Details of the Pre-IPO Share Option Scheme and the options granted thereunder are set out in "Appendix VI — Statutory and General Information — Other Information —

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Pre-IPO Share Option Scheme” to this prospectus. We have also adopted the Share Option Scheme under which options may be granted after the listing of the Shares on the Stock Exchange.

Issuance of Shares pursuant to the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders, the earnings per share and net asset value per Share.

Under the IFRS, the fair value of share options granted to employees of our Group is recognised as an employee costs with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date. Based on valuation by our valuer, Jones Lang LaSalle Sallmanns Limited, the fair value of the options granted under the Pre-IPO Share Option Scheme as at 4 September 2009, being the date of grant of these options, was approximately HK\$10.9 million. Where the employees have to meet vesting conditions before becoming unconditionally entitled to these options, the total estimated fair value of the options is spread over the vesting period. We estimate additional employee costs in connection with these options to be approximately HK\$1.7 million in 2009.

You should not rely on any information contained in press articles or other media regarding the Group and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding our Group and the Global Offering which included certain information about our Group that does not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media and does not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim all responsibilities and liabilities for any information appearing in publications other than this prospectus which is inconsistent or conflicts with the information in this prospectus. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to purchase the Shares.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

We have entered into two lease agreements with our connected person which would constitute continuing connected transactions of our Company under the Listing Rules after the listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant announcement requirements set out in Chapter 14A of the Listing Rules for such leases. Further details of such a waiver are set out in “Relationship with our Controlling Shareholders — Continuing connected transactions”.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Main Board of the Stock Exchange must have a sufficient management presence in Hong Kong, and this normally means that at least two of its executive directors must be ordinarily residents in Hong Kong. Our business and operations, including the design, source, manufacture and sale of high quality business and casual apparel for men in the PRC, are located, managed and conducted in the PRC through our operating subsidiaries in the PRC. All of our products were sold to retail customers through our distributors or their sub-distributors based in the PRC. All the turnover of our Group is generated from the PRC. We maintain an office in Hong Kong to monitor the administration and financial affairs of our Group. Save for Mr. Chen Tien Tui, one of our independent non-executive Directors, none of our Directors are Hong Kong residents nor ordinarily based in Hong Kong. Each of our Directors, who is not ordinarily resident in Hong Kong, is currently holding valid travel documents which allow him to travel to Hong Kong for meetings with the Stock Exchange within a reasonable period of time. We do not, and do not contemplate in the foreseeable future, that we will have any management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules. In order to ensure that regular communication is maintained between the Stock Exchange and our Company, we have appointed and will continue to maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our Company’s principal channel of communication with the Stock Exchange. The two authorised representatives of our Company are Mr. Wang Dong Xing, our Chairman and one of our executive Directors, and Mr. Yu Cheeric, a resident in Hong Kong and our chief financial officer and company secretary. In addition, Mr. Wang Cong Xing, one of our executive Directors, is appointed as the alternate to the two authorised representatives. Each of the authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by providing his office phone number, mobile phone number, residential phone number, facsimile or email address to the Stock Exchange. They will be contactable on their mobile phone numbers at all times. Each of the authorised representatives has been authorised to communicate on our behalf with the Stock Exchange. Our Company has been

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

registered as a non-Hong Kong company under Part XI of the Companies Ordinance, and Mr. Yu Cheeric has been authorised to accept service of legal process and notices in Hong Kong on behalf of our Company.

Each of the authorised representatives will be provided means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. In order to further enhance the communication among the Stock Exchange, the authorised representatives and the Directors, we will implement the following policies:

- each Director will provide his office phone number, mobile phone number, fax number, email address and (for all executive Directors only) residential phone number to the authorised representatives and his alternate;
- in the event that an executive Director expects to travel and be out of office, he will provide the phone number of the place of his accommodation to the authorised representatives and his alternate;
- all the Directors and the authorised representatives will provide their office phone numbers, mobile phone numbers, fax numbers, email addresses and (for all executive Directors and the authorised representatives only) residential phone numbers to the Stock Exchange;
- each of the Directors, who is not ordinarily resident in Hong Kong, will maintain valid travel documents which will allow him to travel to Hong Kong for meetings with the Stock Exchange within a reasonable period of time; and
- if circumstances require, meeting of the Board will be summoned and held in such manners and on short notice as permitted under the Articles of Association to discuss and address any issues which the Stock Exchange is concerned in a timely manner.

We will also appoint Piper Jaffray Asia Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules which will act as the additional channel of communication with the Stock Exchange for the period commencing from the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Law, the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

FULLY UNDERWRITTEN

The Global Offering comprises the International Placing and the Public Offering. A total of 300,000,000 Offer Shares will initially be made available under the Global Offering, of which 270,000,000 Offer Shares, representing 90% of the total number of Offer Shares will initially be placed (subject to restrictions stated in the paragraph headed "Selling Restrictions" below) with professional and institutional investors and, to the extent permitted by applicable laws, other investors in Hong Kong and elsewhere at the Offer Price under the International Placing. The remaining 30,000,000 Offer Shares, representing 10% of the total number of the Offer Shares, will be offered in Hong Kong to the public for subscription at the Offer Price under the Public Offering. The number of Shares offered for subscription and purchase under the Global Offering will be subject to re-allocation and the Over-allotment Option. Details of the structure of the Global Offering are described in "Structure and conditions of the Global Offering".

This prospectus is published solely in connection with the Public Offering, which forms part of the Global Offering. This prospectus and the Application Forms set out the terms and conditions of the Public Offering.

The Global Offering is sponsored by the Sole Sponsor and managed by the Sole Global Coordinator. The Public Offering is fully underwritten by the Public Offer Underwriters. The International Placing will be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement expected to be entered into on or about the date of the Price Determination Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to "Underwriting".

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by agreement between the Joint Bookrunners, on behalf of the Underwriters, and our Company on or before Thursday, 17 September 2009 or such later time as may be agreed by the Joint Bookrunners, on behalf of the Underwriters, and our Company but in any event no later than Wednesday, 23 September 2009. If the Joint Bookrunners, on behalf of the Underwriters, and our Company are unable to reach agreement on the Offer Price on or before Wednesday, 23 September 2009, the Global Offering will not proceed.

ROLE OF THE PRC DOMESTIC FINANCIAL ADVISER

We have appointed Industrial Bank Co. Ltd. to act as our PRC domestic financial adviser. The appointment of Industrial Bank Co. Ltd. is at our own initiative and not a requirement under the Listing Rules and is separate and distinct from the appointment of the Sole Sponsor. Under the terms of our engagement, Industrial Bank Co. Ltd. provides us with general advice on PRC-related matters in connection with the proposed listing which includes:

- advising us in respect of the business model based on the local and international industry trends, and the policy and environment in the PRC;
- advising us on PRC tax planning;
- assisting us in selecting domestic legal advisers in connection with the listing;
- advising us on restructuring our PRC operations; and
- assisting us in liaising with local governmental officials for matters in relation to the listing.

Merrill Lynch Far East Limited is acting as Sole Sponsor in our listing application and will take full responsibility in performing its duties in accordance with the Listing Rules. The role of PRC domestic financial adviser is different from the role of the Sole Sponsor, who (i) is required by the Listing Rules to be appointed by us to assist with our initial application for listing; (ii) must be acceptable to the Stock Exchange; (iii) must perform its duties in accordance with the Listing Rules with impartiality; and (iv) must be independent from the Company. Each of the Sole Sponsor and Industrial Bank Co. Ltd. discharges its respective duties independently, from different roles and perspectives and has not relied on the works done by each other as set out above in respect of the listing application.

SELLING RESTRICTIONS

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restriction on offers or sales of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken in any jurisdiction other than Hong Kong to permit a public offering of the Offer Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation.

The following information is provided for guidance only. Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

United States

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered, sold, pledged or transferred within the United States, except to qualified institutional buyers in accordance with Rule 144A or another available exemption from the registration requirements of the US Securities Act, or outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

The Offer Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States to qualified institutional buyers in reliance on Rule 144A. In addition, until 40 days after the commencement of the Global Offering, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in the Global Offering) may violate the registration requirements of the US Securities Act if such offer or sale is made other than pursuant to an exemption from the registration requirements of the US Securities Act.

The Offer Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offence in the United States.

Canada

The Offer Shares may not be offered or sold, directly or indirectly, in any province or territory of Canada, or to or for the benefit of any resident of any province or territory of Canada, except pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer or sale is made, and only by a dealer duly registered under the applicable securities laws of that province or territory or in accordance with an exemption from the applicable registered dealer requirements.

United Kingdom

This prospectus does not constitute a prospectus for the purposes of the prospectus rules issued by the UK Financial Services Authority (the “FSA”) pursuant to section 84 of the Financial Services and Markets Act 2000 (as amended) (the “FSMA”) and has not been approved by or filed with the FSA. The Offer Shares may not be offered or sold and will not be offered or sold to the public in the UK (within the meaning of section 102B of the FSMA) save in the circumstances where it is lawful to do so without an approved prospectus (within the meaning of the section 85 of the FSMA) being made available to the public before the offer is made. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Offer Shares except in circumstances in which section 21(1) of the FSMA does not apply to our Company. This prospectus is directed only at (i) persons outside the UK; or (ii) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) (the “FPO”); or (iii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in article 49 of the FPO. Any investment or investment activity to which this prospectus relates is only available to and will only be engaged in with such persons and persons who do not fall within (ii) or (iii) above should not rely on or act upon this communication.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) an offer of the Offer Shares may not be made to the public in that Relevant Member State except that an offer of the Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) in any other circumstances falling within article 3(2) of the Prospectus Directive, provided that no such offer of Offer Shares shall result in a requirement for the publication by our Company of a prospectus pursuant to article 3 of the Prospectus Directive.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

For the purposes of this provision, the expression an “offer of Offer Shares to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

The Offer Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended) (the “**Financial Instruments and Exchange Law**”) and disclosure under the Financial Instruments and Exchange Law has not been and will not be made with respect to the Offer Shares. Accordingly, the Offer Shares will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organised under the laws of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of our Shares may not be circulated or distributed, nor may our Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where our Shares are subscribed or purchased under section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in section 4A of the SFA)) the sole business of which is to hold investments and the entire issued share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired our Shares pursuant to an offer made under section 275 except:

- (1) to an institutional investor (for corporations, under section 274 of the SFA) or to a relevant person defined in section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in section 275 of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

PRC

This prospectus has not been and will not be circulated or distributed in the PRC, and the Offer Shares may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Australia

This prospectus is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the “**Australian Corporations Act**”), has not been and will not be lodged with the Australian Securities and Investments Commission as a disclosure document for the purposes of the Australian Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D of the Australian Corporations Act. The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the Offer Shares may be issued, and no draft or definitive offering circular, advertisement or other offering material relating to any of the Offer Shares may be distributed in Australia except where disclosure to investors is not required under Chapter 6D of the Australian Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. Accordingly:

- (i) the offer of the Offer Shares under this prospectus is only made to select persons who are “Sophisticated Investors” that meet the criteria set out in section 708(8) of the Australian Corporations Act or “Professional Investors” as referred to in section 708(11) and as defined in section 9 of the Australian Corporations Act or investors who receive the offer through an Australian financial services licensee where all of the criteria set out in section 708(10) of the Australian Corporations Act have been satisfied or persons to whom it is otherwise lawful to offer the Offer

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Shares without disclosure under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in section 708 of the Australian Corporations Act;

- (ii) this prospectus may only be made available in Australia to those persons who are able to demonstrate that they are within one of the categories of persons as set forth in clause (i) above;
- (iii) as any offer of the Offer Shares under this prospectus will be made without disclosure in Australia under Chapter 6D of the Australian Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Australian Corporations Act, require disclosure to investors under Chapter 6D if none of the exemptions in section 708 apply to that resale. Accordingly, any person who acquires securities pursuant to this prospectus should not, within 12 months of acquisition of the Offer Shares, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D of the Australian Corporations Act or unless a compliant disclosure document is prepared and lodged with the Australian Securities and Investments Commission; and
- (iv) the offeree must be sent a notice stating in substance that by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (i) above, and, unless permitted under the Australian Corporations Act, agrees not to sell or offer for sale within Australia any of our Shares sold to the offeree within 12 months after its transfer to the offeree under this offering circular.

The provisions that define the exempt categories of person as set forth in clause (i) above are complex, and if you are in any doubt as to whether you fall within one of these categories, you should seek appropriate professional advice regarding those provisions.

This prospectus is intended to provide general information only and has been prepared without taking into account any particular person's objectives, financial situation or needs. Investors should, before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. Investors should review and consider the contents of this document and obtain financial advice specific to their situation before making any decision to make an application the Offer Shares.

Cayman Islands

The Offer Shares are not offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

United Arab Emirates

The Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the United Arab Emirates, except (i) in compliance with all applicable laws and regulations of the United Arab Emirates, and (ii) through persons or corporate entities authorised and licenced to engage in brokerage activity and/or trade in respect of foreign securities in the United Arab Emirates. The information contained in this prospectus does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 (as amended)) or otherwise and is not intended to be a public offer and is addressed only to persons who are sophisticated investors.

Dubai

The Offer Shares have not been offered or sold in the Dubai International Financial Centre (the “**DIFC**”). The Offer Shares will not be offered or sold in the DIFC unless such offer is (a) deemed to be an “Exempt Offer”, made in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “**Rules**”); (b) made to Qualified Investors as defined in the Rules; and (c) made through a duly authorised firm in the DIFC.

State of Kuwait

The Offer Shares have not been authorised or licenced for offering, marketing or sale in the State of Kuwait (“**Kuwait**”). The distribution of this prospectus and the offering, marketing and sale of the Shares in Kuwait is restricted by law unless a licence is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law No. 31 of 1990, and the various Ministerial Regulations issued pursuant thereto. Persons into whose possession this offering memorandum comes are required by us and the International Underwriters to inform themselves about and to observe such restrictions. Investors in Kuwait who approach our Company or any of the International Underwriters to obtain copies of this prospectus are required by our Company and the International Underwriters to keep such prospectus confidential and not to make copies thereof nor distribute the same to any other person in Kuwait and are also required to observe the restrictions provided for in all jurisdictions with respect to offering, marketing and the sale of the Offer Shares.

Kingdom of Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering or private placement of the Offer Shares in the Kingdom of Saudi Arabia, or possession or distribution of any offering materials in relation thereto. The Offer Shares may only be offered and sold in the Kingdom of Saudi Arabia through persons authorised to do so in accordance with Part 5 (Exempt Offers) of the Offers of Securities Regulations dated 20/8/1425 AH corresponding to 4/10/2004 (as amended) (the “**Regulations**”) and, in accordance with article 16(a)(3) under Part 5 (Exempt Offers) of the Regulations, the Offer Shares will be offered to no more than 60 offerees in the Kingdom of Saudi Arabia with each such offeree paying an amount not less than Saudi Riyals one million or an equivalent amount in another currency. Investors are informed that article 19 of the Regulations places restrictions on secondary market activity with respect to the Offer Shares. Any resale or

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognised by our Company. Prospective purchasers of the Offer Shares should conduct their own due diligence on the accuracy of the information relating to the Offer Shares. If you do not understand the contents of this prospectus you should consult an authorised financial adviser.

Kingdom of Bahrain

This prospectus has not been reviewed by the Central Bank of Bahrain (“CBB”). This prospectus may not be circulated within the Kingdom of Bahrain nor may any interests in our Company be offered for subscription or sold, directly or indirectly, nor may any invitation or offer to subscribe for any Shares in our Company be made to persons in the Kingdom of Bahrain. The CBB is not responsible for the performance of our Company nor the International Underwriters.

State of Qatar

The investment described in this prospectus has not been offered, sold or delivered and will not be offered, sold or delivered, at any time, directly or indirectly in the State of Qatar in a manner that would constitute a public offering.

This prospectus has not been, and will not be, registered with or approved by the Qatar Financial Market Authority or Qatar Central Bank and may not be publicly distributed. The prospectus is intended for the original recipient only and must not be provided to any other person. It is not for circulation in the State of Qatar and may not be reproduced or used for any other purpose.

Switzerland

This prospectus does not constitute a public offering prospectus as that term is understood pursuant to article 652a of the Swiss Code of Obligations (“SCO”). Our Company has not applied for a listing of the Offer Shares on the SWX Swiss Exchange and consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the relevant listing rules.

The Offer Shares may not be publicly offered or sold in Switzerland. The Offer Shares may be offered or sold only to a selected number of individual investors in Switzerland, under circumstances which will not result in a public offering within the meaning of article 652a of the SCO.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option) and any Shares which may fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme, and any additional Shares, up to 10% of the issued share capital of our Company as at the Listing Date, which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme. No part of our Company's share capital is listed or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek the listing of, or permission to deal in, the Shares on any other stock exchange. All the Shares will be registered on the register of our members in order for them to be traded on the main board of the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Offer Shares, you should consult an expert. Our Company, the Sole Sponsor, the Underwriters, their respective directors, agents or advisers or any other party involved in the Global Offering do not accept responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All of the Shares issued pursuant to the Global Offering will be registered on our register of members to be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by our principal registrar and transfer agent, Butterfield Fulcrum Group (Cayman) Limited, in the Cayman Islands.

Dealings in the Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the market value of the Shares being sold or transferred.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for the Public Offer Shares are set out in "How to Apply for the Public Offer Shares" and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering, including details of the Over-allotment Option, are set out in "Structure and conditions of the Global Offering".

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Offer Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Mr. Wang Dong Xing	6th Floor Block A, Lilang Building No. 200 Chang Xing Road Jinjiang City Fujian Province The PRC	Chinese
Mr. Wang Liang Xing	3rd Floor Block A, Lilang Building No. 200 Chang Xing Road Jinjiang City Fujian Province The PRC	Chinese
Mr. Wang Cong Xing	4th Floor Block A, Lilang Building No. 200 Chang Xing Road Jinjiang City Fujian Province The PRC	Chinese
Mr. Cai Rong Hua	No. 1 Pu De Road Jinjiang City Fujian Province The PRC	Chinese
Mr. Hu Cheng Chu	Room 701, No. 2 Building Phase II, Shi Ji Hao Yuan Jinjiang City Fujian Province The PRC	Chinese
Mr. Wang Ru Ping	Room 504, Block 1 Guang Yi Centre No. 312 Tian Huai Street Feng Ze District Quanzhou City Fujian Province The PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. Pan Rong Bin	Room 401 Block A, Lilang Building No. 200 Chang Xing Road Jinjiang City Fujian Province The PRC	Chinese
Independent Non-executive Directors		
Dr. Lu Hong Te	5th Floor, No. 6, Alley 3 Lane 387, Section 1 Neihu Road Neihu District Taipei City Taiwan	Taiwanese
Mr. Chen Tien Tui	Flat D, 10th Floor Block A Lung Tang Court Nos. 88-90 Castle Peak Road Tsing Lung Tau New Territories Hong Kong	Chinese
Mr. Nie Xing	Room 504, Dormitory of Cai Gan Yuan 50-1 Gaofeng South Lane Fuzhou The PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Sole Global Coordinator

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1 HQ
United Kingdom

Sole Sponsor

Merrill Lynch Far East Limited
15th Floor, Citibank Tower
3 Garden Road
Central
Hong Kong

Joint Bookrunners

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1 HQ
United Kingdom

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Joint Lead Managers

Public Offering:
Merrill Lynch Far East Limited
15th Floor, Citibank Tower
3 Garden Road
Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

International Placing:
Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London EC1A 1 HQ
United Kingdom

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Legal advisers to our Company

As to Hong Kong law:
Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to United States law:
Latham & Watkins
41st Floor, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng Attorneys at Law
15th Floor, The Union Plaza
20 Chaoyangmenwai Dajie
Beijing 100020
PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Underwriters

As to Hong Kong law:
Huen Wong & Co in association with
Fried, Frank, Harris, Shriver & Jacobson LLP
9th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to United States law:

Fried, Frank, Harris, Shriver & Jacobson LLP
9th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

Jun He Law Offices
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing 100005
PRC

Auditors and reporting accountants

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

Property valuer

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Receiving bankers

Hang Seng Bank Limited
83 Des Voeux Road
Central
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Suite 3402, 34th Floor Lippo Centre, Tower One No. 89 Queensway Hong Kong
Headquarters and principal place of business in the PRC	Lilang Industrial Park Nanhuan Road Qingyang District Jinjiang City Fujian Province The PRC
Company secretary	Mr. Yu Cheerie (<i>AICPA</i>)
Authorised representatives	Mr. Wang Dong Xing 6th Floor Block A, Lilang Building No. 200 Chang Xing Road Jinjiang City Fujian Province The PRC Mr. Yu Cheerie 18G, Tower 6 Island Harbourview 11 Hoi Fan Road Tai Kok Tsui Kowloon, Hong Kong Mr. Wang Cong Xing (<i>Alternate to the authorised representatives</i>) 4th Floor Block A, Lilang Building No. 200 Chang Xing Road Jinjiang City Fujian Province The PRC
Audit committee	Mr. Nie Xing (<i>Chairman</i>) Dr. Lu Hong Te Mr. Chen Tien Tui

CORPORATE INFORMATION

Remuneration committee	Mr. Wang Cong Xing (<i>Chairman</i>) Mr. Nie Xing Mr. Chen Tien Tui
Compliance adviser	Piper Jaffray Asia Limited 3902B, 39th Floor Tower 1 Lippo Centre 89 Queensway Hong Kong
Principal share registrar and transfer office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17/F Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Principal bankers & PRC domestic financial adviser	Industrial Bank Co. Ltd. Bank of China China Merchants Bank
Company website address	www.lilanz.com *

* The contents of the website do not form part of the prospectus.

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a report we commissioned from Frost & Sullivan, an Independent Third Party. The information extracted from the Frost & Sullivan report reflects estimates of market conditions based on samples, and is prepared primarily as a marketing research tool. References to Frost & Sullivan should not be considered as Frost & Sullivan's opinion as to the value of any security or the advisability of investing in us. We believe that the sources of the information extracted from the Frost and Sullivan report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While we have exercised reasonable care in compiling and reproducing such information from official government publications, it has not been independently verified by us, or any of our affiliates or advisers, nor by the Underwriters or any of their affiliates or advisers or any party involved in the Global Offering. The information from official government publications may not be consistent with information available from other sources within or outside the PRC. We, our affiliates or advisers, the Underwriters or their affiliates or advisers, or any party involved in the Global Offering do not make any representation as to the accuracy, completeness or fairness of such information from official government publications and, accordingly, you should not unduly rely on such information from official government publications.

OVERVIEW

We believe the performance of the menswear industry is driven primarily by the growth of the PRC economy and, in particular, the increase in disposable income in the PRC as well as market acceptance of brands. We believe the menswear industry in the PRC has benefited from rapid economic growth, urbanisation, increases in disposable income and a shift in consumption patterns of increasingly affluent urban consumers in the PRC.

According to Frost & Sullivan, the total retail sales from menswear in the PRC increased from approximately US\$12.2 billion in 2001 to approximately US\$37.7 billion in 2008, representing a CAGR of approximately 17.5% during that period. The per capita spending on menswear in the PRC was approximately 25% of that in the United States and approximately 20% of that in Europe in 2008. The menswear market in the PRC is projected to grow at a CAGR of approximately 17.4% between 2009 and 2013, which is significantly faster than in developed countries.

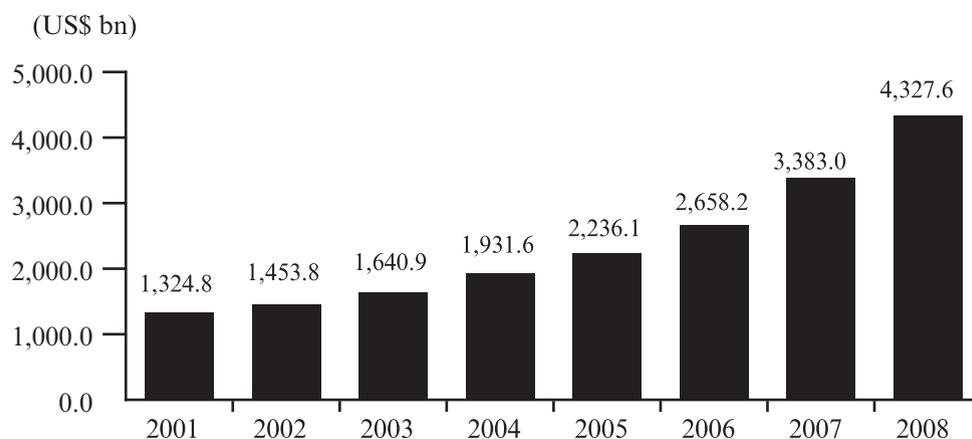
PRC ECONOMIC GROWTH

The PRC economy has grown rapidly under the “open door” economic reforms begun in coastal areas in the 1970's and expanded to other parts of the PRC in the 1990's. In recent years, the PRC economy has continued to expand rapidly. According to NBS, from 2001 to 2008, GDP grew at a CAGR of approximately 18.4% per annum, which in absolute numbers represented growth from approximately US\$1,324.8 billion in 2001 to

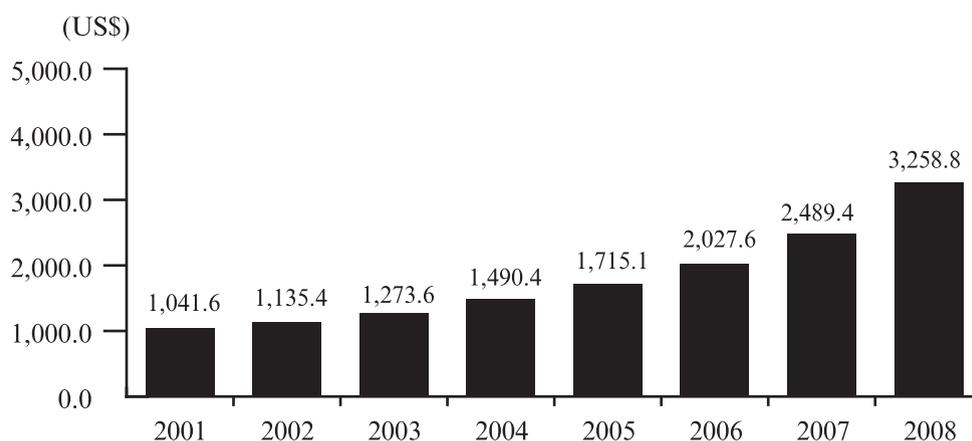
INDUSTRY OVERVIEW

approximately US\$4,327.6 billion in 2008. GDP per capita grew at a CAGR of approximately 17.7%, from approximately US\$1,041.6 in 2001 to approximately US\$3,258.8 in 2008, according to Frost & Sullivan.

GDP Growth Trend of the PRC from 2001 to 2008



Per Capita GDP Growth Trend of the PRC from 2001 to 2008

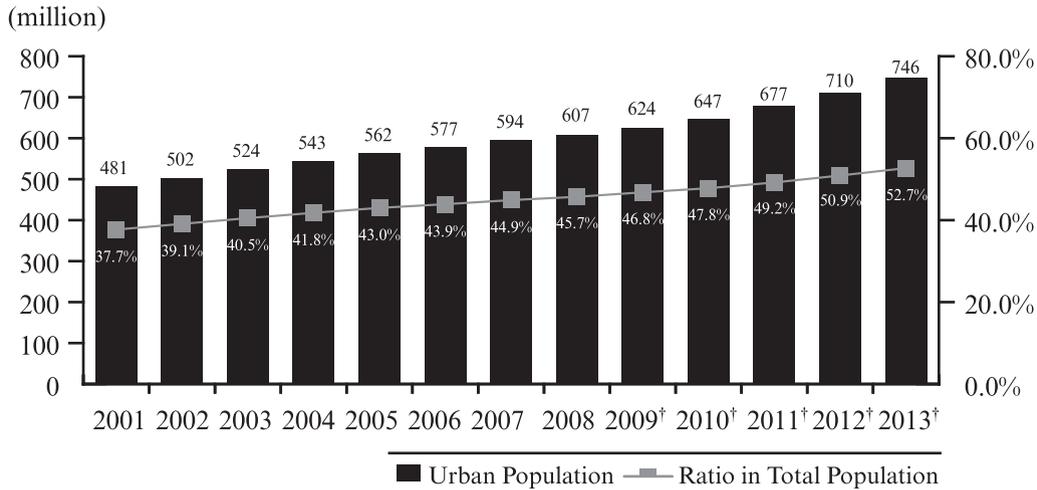


URBANISATION IN THE PRC

Industrialisation has accelerated urbanisation through the migration of the rural population to urban areas and the transformation of towns into cities. According to NBS, the total urban population in the PRC increased by approximately 126 million or a CAGR of approximately 3.4% from 2001 to 2008. In 2001, urban populations accounted for approximately 37.7% of the total population. This increased to approximately 45.7% in 2008, according to NBS, and is projected to increase to approximately 52.7% in 2013, according to Frost & Sullivan. The following chart sets forth the historical and projected urban population in the PRC for the period indicated.

INDUSTRY OVERVIEW

Urban Population in the PRC from 2001 to 2013



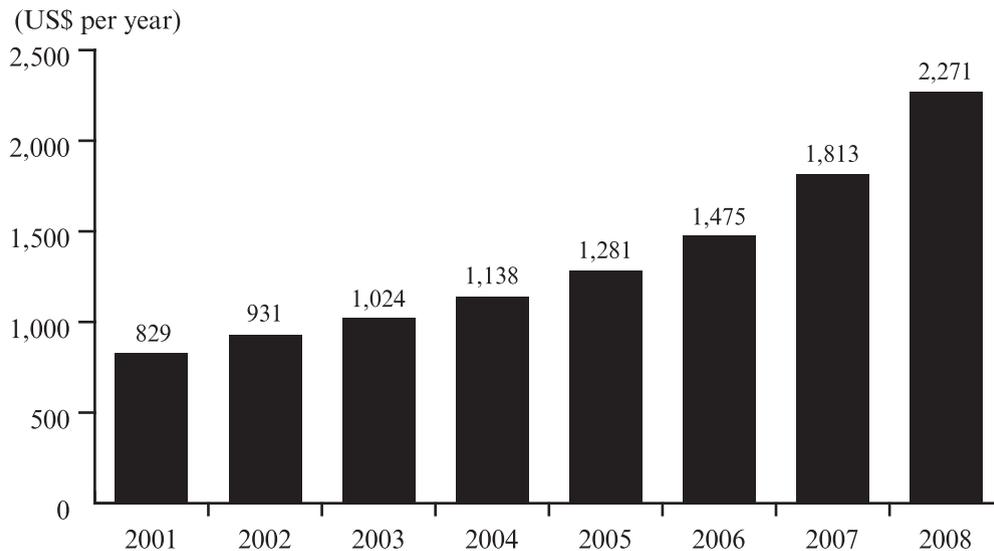
Source: NBS

† Forecast Numbers by Frost & Sullivan

DISPOSABLE INCOME GROWTH OF URBAN HOUSEHOLDS

With the rapid growth of the PRC economy, income levels of urban households have increased and living standards have improved. According to NBS, the annual per capita disposable income of urban households in the PRC increased at a CAGR of approximately 15.5% from approximately US\$829 in 2001 to approximately US\$2,271 in 2008. The following chart sets forth the historical per capita annual disposable income of urban households in the PRC for the period indicated.

Per Capita Disposable Income of Urban Households in the PRC from 2001 to 2008



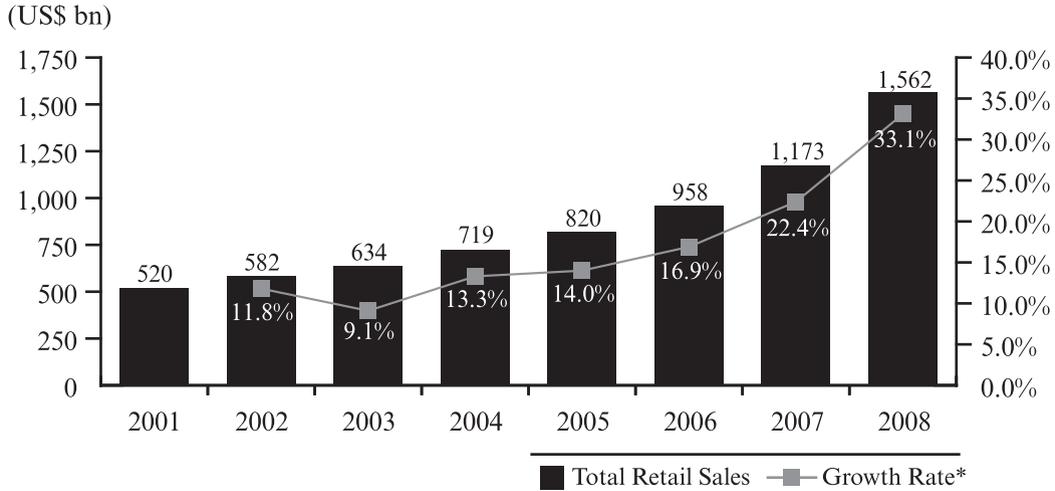
Source: NBS

INDUSTRY OVERVIEW

STRONG RETAIL GROWTH AND CHANGING CONSUMPTION PATTERNS

Rising disposable income has spurred the development of the retail industry in the PRC. In the years 2001 to 2008, according to NBS, total retail sales of consumer goods grew at a CAGR of approximately 17.0%, which outpaced growth in urban disposable income. The following chart shows total retail sales of consumer goods and the growth rate for the period indicated.

Total Retail Sales of Consumer Goods and Growth Rate from 2001 to 2008



Source: NBS

* Growth rate is calculated by Frost & Sullivan based on the retail sales of consumer goods in US dollars.

INDUSTRY OVERVIEW

THE PRC MENSWEAR MARKET

The PRC menswear market, which includes business formal, casual wear and others including accessories, has expanded rapidly in recent years. According to Frost & Sullivan, total retail sales from menswear in the PRC increased from approximately US\$12.2 billion in 2001 to approximately US\$37.7 billion in 2008, representing a CAGR of approximately 17.5% during that period. Frost & Sullivan projects retail sales from menswear in the PRC to grow at a CAGR of approximately 17.4% annually between 2009 and 2013 to approximately US\$83.7 billion in 2013. China's menswear market is highly fragmented. According to Frost & Sullivan, in 2008, the top 100 brands in the PRC held approximately 44.6% of the market share by retail sales, and the top ten brands only held approximately 20.3% of the market share by retail sales. The bottom 55.4% of the menswear market consists of those brands which individually held a market share by retail sales of less than 0.2%.

The 44.6% market share by retail sales of the top 100 brands in the PRC amounted to approximately US\$16.8 billion. Out of this US\$16.8 billion, approximately 29.9% was from sales by Luxury Brands, and approximately 70.1% was from sales by Mainstream Brands. The Mainstream Brands market itself is highly fragmented, and in 2008 the top ten brands only held approximately 29.41% of the market share. Within the Mainstream Brands market in 2008, according to Frost & Sullivan, our brand held a market share by retail sales of approximately 3.40%. The following chart shows our market share of the Mainstream Brands menswear market and that of our major competitors in 2007 and 2008. Our major competitors, including the top ten set out in the chart below, are all menswear brands with similar geographical and market segment coverage and which employ a similar distribution-oriented business model. For more information on competition, see "Business — Competition".

Market Share by Retail Sales in the Mainstream Brands Menswear Market in 2007 and 2008

<u>Brand</u>	<u>2007</u>	<u>2008</u>
LILANZ	2.67%	3.40%
Septwolves	2.65%	3.37%
Seven brand	2.37%	3.35%
Firs	2.18%	3.28%
K-boxing	2.10%	2.84%
Fordoo	2.57%	2.80%
Romon	2.45%	2.68%
Baoxiniao	1.87%	2.65%
Taizilong	2.56%	2.59%
Joe One	2.34%	2.45%
Subtotal of top 10 brands	23.76%	29.41%
Others	76.24%	70.59%
Total	100.00%	100.00%

Source: Frost & Sullivan

INDUSTRY OVERVIEW

In addition, according to Frost & Sullivan, we ranked top three among Mainstream Brands in the PRC menswear market in terms of the number of retail outlets in the PRC as at 31 December 2008. The table below illustrates the top five Mainstream Brands in the PRC menswear market in terms of the number of retail outlets in the PRC as of the period indicated.

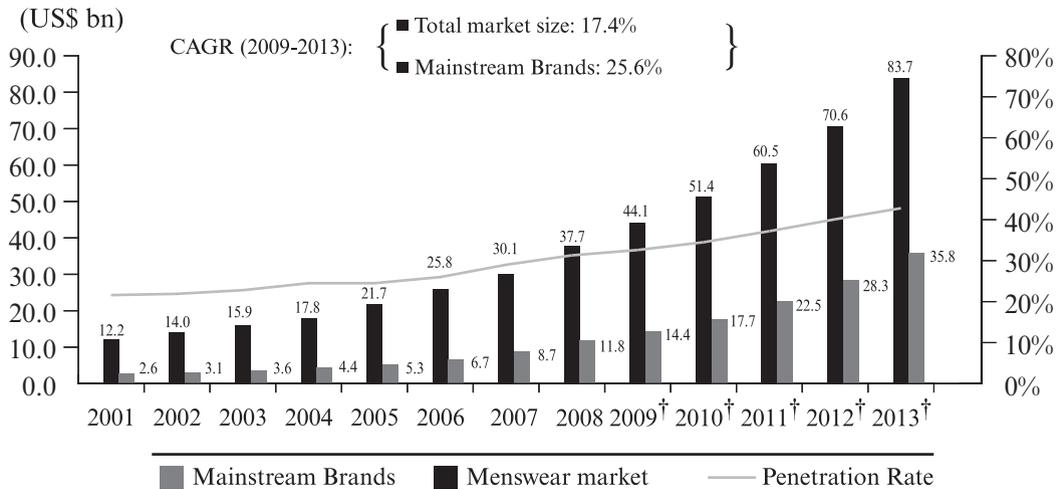
**Top Five Mainstream Brands in the PRC Menswear Market
(in terms of number of retail outlets in the PRC as at 31 December 2008)**

<u>Brand</u>	<u>Retail Outlets</u>
K-boxing	3,200
Septwolves	2,769
LILANZ	2,492
Joe One	2,400
Seven brand	2,300

Source: Frost & Sullivan

Mainstream Brands have gained in overall penetration in the PRC menswear market, increasing their market share from approximately 21.6% in 2001 to approximately 31.3% in 2008, and are expected to reach approximately 42.8% by 2013, according to Frost & Sullivan. Growth in the market share of Mainstream Brands is partly due to stable increases in disposable income and a shift in consumption patterns from un-branded to branded products as consumers become more fashion conscious. The following chart sets forth the historical and projected menswear market size development trend for the period indicated.

Menswear Market Size Development Trend from 2001 to 2013



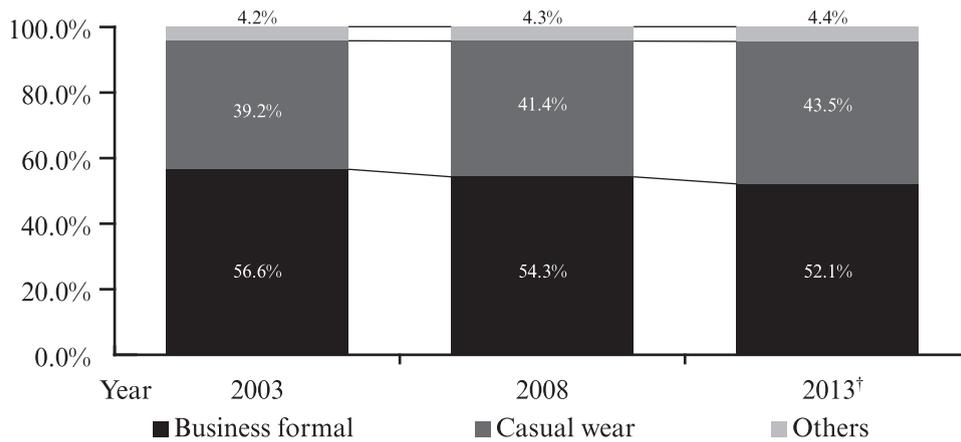
Source: Frost & Sullivan

† Forecast numbers

INDUSTRY OVERVIEW

According to Frost & Sullivan, business formal historically have the largest share of the menswear market, comprising approximately 54.3% of the market in 2008. However, the business suit market is forecasted to slowly decline in the future, partly due to an increase in demand for casual wear (in particular, business casual wear) according to Frost & Sullivan. The casual wear share of the market increased from approximately 39.2% in 2003 to approximately 41.4% in 2008 and is forecasted to increase to approximately 43.5% of the overall menswear market by 2013 according to Frost & Sullivan. Casual wear provides consumers with more style choices to suit different occasions. Some business suit brands have switched their focus to casual wear in order to cater to changing consumer needs. The following chart sets forth the historical and projected menswear market structure development for the years indicated.

Menswear Market Structure Development in 2003, 2008 and 2013



Source: Frost & Sullivan

[†] Forecast numbers

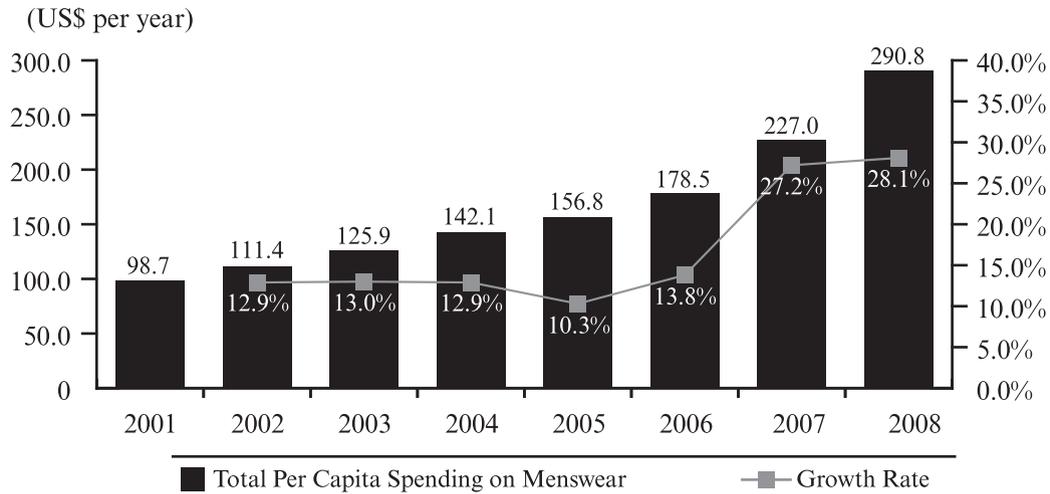
INDUSTRY OVERVIEW

INDUSTRY DRIVERS

Major factors contributing to the growth of the PRC menswear market include rapid economic growth, urbanisation, increases in disposable income and a shift in consumption patterns of increasingly affluent urban consumers in the PRC.

Total per capita spending on menswear has been increasing, growing from approximately US\$98.7 in 2001 to approximately US\$290.8 in 2008 at a CAGR of approximately 16.7%, according to Frost & Sullivan. The following chart sets forth the total per capita spending on menswear for the period indicated.

Total Per Capita Spending on Menswear from 2001 to 2008

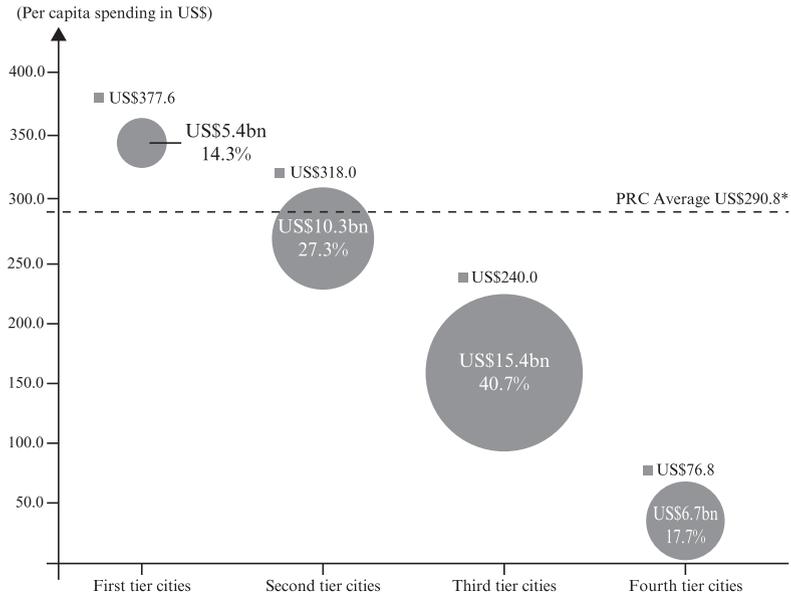


Source: Frost & Sullivan

Although third and fourth tier cities' average per capita spending on menswear currently lags behind the average in the PRC, we believe that as industrialisation brings the migration of rural populations to urban areas and certain towns transform into cities, urban development and rising disposable income will stimulate demand for menswear products in these cities and expand the overall menswear market.

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Menswear Market Breakdown and Per Capita Spending by Market Tier in 2008

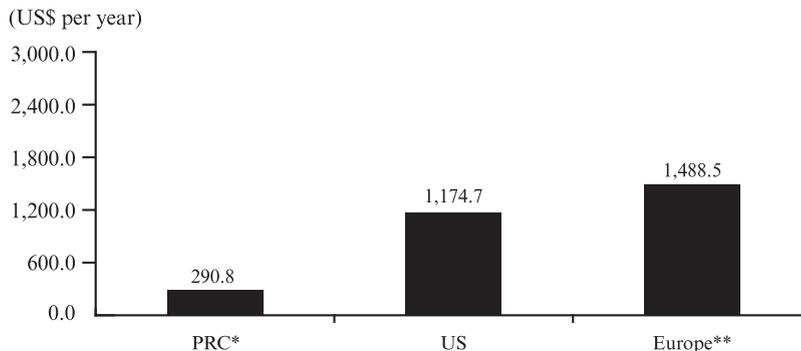


Source: Frost & Sullivan

* Per capita menswear consumption of urban population

In addition, per capita spending on menswear in the PRC is relatively low as compared to the US and European markets, due to lower levels of disposable income. While per capita spending on menswear varies from country to country based on consumer spending patterns, per capita spending on menswear in the US and Europe is significantly higher, at approximately US\$1,174.7 and US\$1,488.5, respectively, approximately 4.0 times and 5.1 times the spending in the PRC. The following chart sets forth per capita menswear consumption comparison in 2008.

Per Capita Menswear Consumption Comparison in 2008



Source: Frost & Sullivan

Notes:

* Per capita menswear consumption of urban population

** "Europe" refers to the 15 countries in the European Union before the expansion on 1 May 2004.

INDUSTRY OVERVIEW

REPORTS COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company to conduct an analysis of, and to report on, the menswear market in the PRC for the period from 2001 to 2013. The report commissioned has been prepared by Frost & Sullivan independent of our influence. We paid Frost & Sullivan fees of US\$90,955, which we consider reflects market rates. Founded in 1961, Frost & Sullivan has 35 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Based in the United States, it has been covering the Chinese market from its offices in China since the 1990's.

The Frost & Sullivan's report that we commissioned includes information on the PRC menswear market such as menswear retail sales value of overall and different market segments and menswear brand companies sales revenue, number of retailer stores, total menswear consumption, consumption per capita and other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within the PRC menswear industry. Primary research involved interviewing 50 leading industry participants from menswear brand companies and menswear retailers as well as industry experts, and 1,400 end-users in 24 first, second and third tier cities. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total menswear consumption and total retail sales value in the PRC were obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers such as increasing disposable income, level of brand awareness and product variety, mapped against available projected drivers obtained through interviews with industry experts and participants.

REGULATIONS

Set forth below are summaries of certain PRC laws and regulations applicable to our Group's operations and business.

FOREIGN INVESTMENT INDUSTRIAL GUIDANCE

According to the Catalogue for the Guidance of Foreign Investment Industries brought into effect on 1 January 2005 and a newly updated one which was promulgated on 31 October 2007 and came into force on 1 December 2007, the area of production of menswear belongs to the Catalogue of Permitted Foreign Investment Industries, which means that foreign investors may invest in this area.

PRODUCT QUALITY

The principal legal provisions governing product liability are set out in the Product Quality Law, which was promulgated on 22 February 1993 and amended on 8 July 2000.

Pursuant to the Product Quality Law, a seller shall have the obligation:

- to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other labels of such stock;
- to take measures in keeping products for sale in good quality;
- not to sell defective or deteriorated products or products which have been publicly ordered to cease sales;
- to sell products with labels that comply with the relevant provisions;
- not to forge the origin of a product, or falsely use the name and address of another producer;
- not to forge or falsely use product quality marks such as authentication marks; and
- not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

Pursuant to the Product Quality Law, a producer shall:

- be responsible for the quality of products it produces;
- not produce products that have been publicly ordered to cease production;
- not forge the origin of a product, or to forge or falsely use the name and address of another producer;
- not forge or falsely use product quality marks such as authentication marks of another producer;

REGULATIONS

- not mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production;
- ensure that the marks on the products or the packaging of the products are true; and
- ensure that, for products that are easily broken, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled upside down in the process of storage or transportation or for which there are other special requirements, the packaging thereof must meet the corresponding requirements, carry warning marks or warnings written in Chinese or draw attention to the method of handling in accordance with the relevant provisions of the state.

Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or producer will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

According to the Product Quality Law, consumers or other victims who suffer injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

CONSUMER PROTECTION

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law, which was promulgated on 31 October 1993 and came into effect on 1 January 1994. The Consumer Protection Law sets out standards of behaviour which business operators must observe in their dealings with consumers, including the following:

- goods and services provided to consumers must comply with the Product Quality Law and other relevant laws and regulations, including requirements regarding personal safety and protection of property;
- providing consumers with true information and advertising concerning goods and services, as well as providing true and clear answers to questions raised by consumers concerning the quality and use of goods or services provided by them;
- issuing purchase or service vouchers to consumers in accordance with relevant national regulations or business practices or upon the request of a consumer;
- ensuring the quality, functionality, applications and duration of use of the goods or services under normal use and ensuring that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions or samples;

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- properly performing its responsibilities for guaranteed repair, replacement and return or other liability in accordance with national regulations or any agreement with the consumer; and
- not setting unreasonable or unfair terms for consumers or excluding themselves from civil liability for undermining the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices, etc.

Violations of the above Consumer Protection Law may result in the imposition of fines. In addition, the business operator will be ordered to suspend its operations and its business licence will be revoked. Criminal liability may be incurred in serious cases.

According to the Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling compensation, have the right to recover such compensation from that manufacturer or that other seller. Consumers or other injured parties who suffer injury or property losses due to product defects in commodities may demand compensation from the manufacturer as well as the seller. Where the responsibility lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa.

TRADEMARK LAW

The PRC Trademark Law which was promulgated on 23 August 1982, amended on 22 February 1993 and on 27 October 2001, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators.

Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a licence from the registrant of that trademark;
- selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and

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- causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of any above mentioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation.

ENVIRONMENTAL LAWS

According to the Environmental Protection Law of the PRC effective as of 26 December 1989, the units that cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a responsibility system for environmental protection. These units shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities. Installations for the prevention and control of pollution at a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of the environmental protection administration that examined and approved the environmental impact statement.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Noise effective as of 1 March 1997, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Industrial enterprises that discharge noise during industrial production with fixed facilities shall report to the local environmental protection department categories and quantities of their existing facilities for discharging noise, and the noise volume of noise discharged under their normal operation conditions as well as treating facilities against noise, and also submit to the same department technical information concerning prevention and control of noise pollution. Units discharge noise exceeding the relevant standards shall pay the discharge fee subject to the regulations.

According to the Law of the PRC on Prevention and Control of Atmospheric Pollution effective as of 1 September 2000, new construction project, expansion, or reconstruction project that discharges pollutants into air shall be subject to the state regulations on environmental protection of construction projects. Units that discharge atmospheric pollutants shall report to the local administrative department of environmental protection their existing discharge and treatment facilities for pollutants and the categories, quantities and concentrations of pollutants discharged under normal operation conditions and submit to the same department their technical information concerning prevention and control of atmospheric pollution. The PRC implements a system of collecting fees for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants

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discharged, and establishing reasonable standards for collecting the fees therefore according to the needs of strengthening prevention and control of atmospheric pollution and the State's economic and technological conditions.

According to the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste amended and effective as of 1 April 2005, producers, distributors, importers and users of a product shall be responsible for the prevention and control of the solid wastes it generates or discharges.

According to the Law of the PRC on Prevention and Control of Water Pollution which was amended on 26 January 2008 and became effective on 1 June 2008, new construction project, expansion, reconstruction project and other installations on water that directly or indirectly discharges pollutants into the water body shall be subject to the state regulations on environmental protection of construction projects. Enterprises and institutions that discharge pollutants directly or indirectly into a water body shall report to and register with the local environmental protection department their existing facilities for discharging and treating pollutants, and the categories, quantities and concentrations of pollutants discharged under their normal operation conditions, and also submit to the same department technical information concerning prevention and control of water pollution. Enterprises and institutions that directly discharge pollutants into a water body shall pay a pollutant discharge fee according to the category and quantity of the pollutions and the collection standard of the pollutant discharge fee.

LABOUR CONTRACT LAW

According to the Labour Contract Law of the PRC effective as of 1 January 2008, labour contracts shall be entered into if labour relationships are to be established between the units and the labourers. The unit cannot require the labourers to work in excess of the time limit and shall provide the wages which are no lower than local standards on minimum wages to the labourers in time. The unit shall establish and perfect its system for labour safety and sanitation, strictly abide by rules and standards on labour safety and sanitation, educate labourers in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall meet such standards. The unit shall provide labourers with labour safety and sanitation conditions meeting State stipulations and necessary articles of labour protection.

PRODUCTION SAFETY LAW

According to the PRC Production Safety Law effective as of 1 November 2002, the production facilities shall be equipped with the conditions for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with the conditions for safe production may not engage in production and business operation activities. The unit shall offer education and training programs to the employees thereof regarding production safety. The designing, manufacturing, installation, using, checking, maintenance, reforming and claiming as useless of safety equipments shall be in conformity with the national standards or industrial standards. In addition, the production facilities shall provide labour

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protection articles that meet the national standards or industrial standards to the employees thereof, supervise and educate them to wear or use these articles according to the prescribed rules.

SOCIAL INSURANCE REGULATIONS

According to Interim Measures concerning the Maternity Insurance effective as of 1 January 1995, the employers in the PRC shall pay the maternity insurance fees for their employees.

According to Interim Regulations concerning the Levy of Social Insurance effective as of 22 January 1999 and Interim Measures concerning the Management of the Registration of Social Insurance effective as of 19 March 1999, employers in the PRC shall conduct the registration of social insurance with the competent authorities, and make contributions to the basic pension insurance, basic medical insurance and unemployment insurance for their employees.

According to the Regulations on Occupational Injury Insurance effective as of 1 January 2004, employers in the PRC shall pay the occupational injury insurance fees for their employees.

HISTORY AND DEVELOPMENT

BUSINESS DEVELOPMENT

The Wang Brothers, founders of our Group, began their menswear manufacturing and wholesale business in 1990. In 1995, the Wang Brothers established Lilang Fujian, to which they gradually shifted the operation of their manufacturing and wholesale business, and began selling menswear under our LILANG brand. Our brand originally specialised in men's business attire, and we believe that we were recognised for our tailored business suits.

Prior to 1997, our menswear products were primarily sold through large wholesale markets. Starting in 1997, we began selling our products to retail customers through distributors to better control and expand our sales channels and market coverage. We also began to diversify our product range by offering accessories to complement our core product line of business suits and shirts.

We had a significant shift in our business strategy in 2000 and 2001. Recognising that the global trend in menswear was towards business casual design and in light of the highly competitive and limited differentiation in each of the business formal and casual menswear retail markets, we shifted our focus towards design and development of business casual menswear. In 2000, we broadened our product line and began to offer men's casual and business casual wear in the PRC. According to Frost & Sullivan, we were the first menswear company among our competitors to offer a men's business casual collection and make it our product focus. In 2001, Mr. Ji Wen Bo, one of the top menswear designers in the PRC, joined us as a consultant, providing artistic direction on our product designs.

Our national marketing efforts expanded significantly between 2002 and 2004. In 2002, we coined our slogan "simple yet sophisticated" (簡約而不簡單) to convey our design philosophy for a "simple yet sophisticated" lifestyle. That year, we appointed Mr. Chen Dao Ming (陳道明), the well-known PRC actor, as our brand spokesperson as part of our strategy to elevate our brand's status and create brand recognition. In 2004, we invested approximately RMB9.9 million in national television advertisements during the Athens Olympic Games 2004 broadcasts. We believe that our investment in marketing was instrumental in raising awareness of our brand on a national level.

In the last few years, we have expanded our business significantly. We established Lilang China and Lilang Xiamen in 2005 and 2006, respectively. We have our own design and product development team which is responsible for our in-house product design and development. Prior to Mr. Ji Wen Bo being appointed as our full-time chief fashion designer in 2007, Mr. Ji Wen Bo acted as our fashion and design consultant for our design and product development team. Mr. Ji Wen Bo joined us full-time as our chief designer in 2007 and heads our in-house design and product development team, overseeing design and brand image management.

Prior to the commencement of our operation at Wuli Industrial Park in 2008, we manufactured our products at seven production facilities in Jinjiang with an aggregate gross floor area of approximately 19,055 sq.m. These production facilities were collectively owned by the relevant villagers' committees in Jinjiang, respectively, and were licensed to us for our production purposes. We have ceased the use of these production facilities and

HISTORY AND DEVELOPMENT

gradually relocated our production facilities to a newly-built, modern facility in the Wuli Industrial Park in Jinjiang, Fujian, which we began constructing in October 2006 and completed in 2008.

From the establishment of our Group until September 2008, we have sold our products exclusively under our Chinese brand name 利郎 and our English brand name LILANG. To differentiate ourselves from other domestic brands and to reflect our international styling, our brand went through a series of transformations in September 2008. In that regard, we introduced the first product collection designed by Ji Wen Bo under the English brand name LILANZ, which is used either in conjunction with our Chinese brand name 利郎 or on its own; updated our store theme and design; and improved our marketing strategies. The trademarks bearing our English brand name LILANZ with or without our Chinese brand name 利郎 have been registered as our trademarks in a number of jurisdictions, such as Hong Kong, Taiwan, Macau and Japan, and have been registered as an international registration of trademark under the Madrid Agreement & Protocol, the details of which are set out in Appendix VI to this prospectus. We are currently applying for the registration of trademarks bearing our English brand name LILANZ in the PRC and, up to the Latest Practicable Date, we had not encountered any objection or obstacle in respect of such applications for trademark registration in the PRC. Our Group has ceased the use of LILANG as our English brand name for marketing and our products, and we have used LILANZ as our English brand name and logo for our new product collections since then. Our Directors consider that the new English brand name LILANZ represents an extension of our well-established Chinese brand name 利郎 and English brand name LILANG and believe that the LILANZ brand has become a recognized brand name in the PRC.

Beginning in 2006, we began to raise our profile both domestically and internationally. In 2006, we sponsored the international men's top model competition "Manhunt International 2006" held in the PRC during which our menswear were showcased. In 2007, we became the first menswear label from the PRC to participate in the "Milan Menswear Show" (Milano Moda Uomo) organised by the "National Chamber of Italian Fashion" (Camera Nazionale Della Moda Italiana). During the show, we presented items from our autumn and winter menswear collections, which received positive reviews from the media. In 2008, we participated in the "Japan Fashion Week in Tokyo" during which we presented our spring/summer menswear collection. In our efforts to promote our brand and appeal to a broader audience, we also appointed Mr. Daniel Wu (吳彥祖) as our brand spokesperson in August 2009 in addition to Mr. Chen Dao Ming (陳道明).

CORPORATE DEVELOPMENT

Our Group was founded in April 1995 when Lilang Fujian was established in Fujian by Lilang Enterprise Co., a private unlimited company established in Hong Kong by an uncle of the Wang Brothers, Mr. Lam Ga Lok, who held his interest in Lilang Enterprise Co. in trust for the benefit of the Wang Brothers as to 34% by Mr. Wang Dong Xing, 33% by Mr. Wang Liang Xing and 33% by Mr. Wang Cong Xing. Lilang Fujian was established as a wholly foreign owned enterprise under the law of the PRC on 24 April 1995 with an initial registered capital of HK\$6 million. As the Wang Brothers ordinarily resided in the PRC, the Wang Brothers entrusted their uncle, who is a resident in Hong Kong, to facilitate the

HISTORY AND DEVELOPMENT

establishment of Lilang Enterprise Co. and to handle other related administrative and compliance matters in Hong Kong through such trust arrangement. Under the trust arrangement, Mr. Lam was required to act in accordance with the instructions of the Wang Brothers from time to time in exercising his power as the investor of Lilang Enterprise Co. and (through Lilang Enterprise Co.) Lilang Fujian, including, but not limited to, voting power and other interest, and was accountable to the Wang Brothers for all interests, distributions, dividends, other fees, benefit and claims attributable to the assets under the trust arrangement. As advised by our legal adviser as to Hong Kong laws, such trust arrangement, which was governed by Hong Kong laws, has been legal, valid and legally binding on the parties thereof. Such trust arrangement lapsed in December 2007 after Mr. Lam Ga Lok vested back all the assets under the trust arrangement at the direction of the Wang Brothers by transferring the entire equity interest in Lilang Fujian to Lilang International at nil consideration as part of the Reorganisation as further described below.

With a view to expand our business operation, the registered capital of Lilang Fujian was increased from HK\$6 million to HK\$20 million by way of further cash contribution by Lilang Enterprise Co. with effect from March 2003.

In March 2004, Lilang International was incorporated as a limited company under the law of Hong Kong by Mr. Wang Cong Xing and his nephew, Mr. Yiu Hau Ming, who held their interests in Lilang International on trust for the benefit of the Wang Brothers. Lilang International was then beneficially owned as to 34% by Mr. Wang Dong Xing, 33% by Mr. Wang Liang Xing and 33% by Mr. Wang Cong Xing. On 25 March 2005, Lilang International established Lilang China as a wholly foreign owned enterprise under the law of the PRC with a registered capital of HK\$100 million, and established Lilang Xiamen as a wholly foreign owned enterprise under the law of the PRC with a registered capital of US\$30 million on 12 June 2006, to engage in production of diversified lines of products. While the then prevailing Companies Ordinance required Hong Kong companies to have at least two shareholders and directors and as Mr. Yiu Hau Ming was a resident in Hong Kong, the Wang Brothers entrusted Mr. Wang Cong Xing and Mr. Yiu Hau Ming to facilitate the incorporation of Lilang International through such trust arrangement, and appointed Mr. Yiu Hau Ming as one of the directors and the company secretary to handle other related administrative and corporate compliance matters in Hong Kong. Under the trust arrangement, Mr. Yiu Hau Ming and Mr. Wang Cong Xing (in respect of his interests held on trust only) were required to act in accordance with the instructions of Mr. Wang Dong Xing and Mr. Wang Liang Xing from time to time in exercising their respective powers as the shareholder of Lilang International, including, but not limited to, voting power and other interest, and were accountable to Mr. Wang Dong Xing and Mr. Wang Liang Xing for all interests, distributions, dividends, other fees, benefit and claims attributable to the assets under the trust arrangement. As advised by our legal adviser as to Hong Kong laws, such trust arrangement, which was governed by Hong Kong laws, is legal, valid and legally binding on the parties thereof. Such trust arrangement lapsed in January 2007 after Mr. Yiu Hau Ming and Mr. Wang Cong Xing (in respect of his interests held on trust) vested back and transferred all the shares in Lilang International under the trust arrangement to Mr. Wang Dong Xing and Mr. Wang Liang Xing at nil consideration as part of the Reorganisation.

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Lilang Enterprise Co., the former registered owner of Lilang Fujian, failed to contribute the entire initial and increased registered capital of Lilang Fujian within the timeframe as prescribed under the articles of association of Lilang Fujian. Further, Lilang International, the registered owner of Lilang Xiamen, failed to contribute the first instalment of the registered capital of Lilang Xiamen within the timeframe as prescribed under the articles of association of Lilang Xiamen. As advised by our legal adviser on PRC laws, the original examination and approving authorities of Lilang Fujian and Lilang Xiamen have confirmed that the registered capital of Lilang Fujian and the first instalment of the registered capital of Lilang Xiamen have subsequently been duly contributed in full, and the certificates of approval of Lilang Fujian and Lilang Xiamen are legal and valid. According to our PRC legal adviser, it is unlikely that any liability or penalty in respect of such past irregularity will be imposed on our Group. The original examination and approving authority of Lilang Xiamen has approved that the rest of the registered capital of Lilang Xiamen shall be fully paid no later than 31 December 2009. Save as aforesaid, as advised by our legal adviser on PRC laws, the respective registered capital of all of our PRC wholly foreign owned enterprises has been duly paid up by the respective contributors of such registered capital within the prescribed timeframe. Our Controlling Shareholders have agreed to indemnify our Group in respect of any losses, damages, costs and expenses arising out of or in connection with the irregularity in the contribution of registered capital of Lilang Fujian and Lilang Xiamen, details of which are set out in “Appendix VI — Statutory and General Information — Other Information — Estate duty, tax and other indemnities” to this prospectus.

As Lilang Enterprise Co. had acted as the registered owner of Lilang Fujian since its establishment only and did not have any other business activity in Hong Kong, Lilang Enterprise Co. ceased its business on 28 February 2004. On 27 June 2007, Mr. Lam Ga Lok, the sole proprietor of Lilang Enterprise Co. which was the then registered owner of Lilang Fujian, entered into an equity transfer agreement with Lilang International to transfer the entire equity interest in Lilang Fujian to Lilang International at nil consideration at the instruction of the Wang Brothers. Such transfer of equity interest in Lilang Fujian became effective on 20 December 2007 and Lilang Fujian has become a wholly-owned subsidiary of Lilang International since then.

On 10 June 2008, Lilang Holdings acquired from the Wang Brothers and the Management and Other Shareholders the entire issued share capital of Lilang International in consideration and in exchange for which Lilang Holdings allotted and issued, credited as fully paid, an aggregate of 10,000 shares of US\$1 each in its capital to Xiao Sheng International and Ming Lang Investments. Since the acquisition, Lilang Holdings has become our immediate holding company of our Group.

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Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 January 2008 and was registered with the Registrar of Companies in Hong Kong as non-Hong Kong company under Part XI of the Companies Ordinance on 4 June 2008. In contemplation of the Listing, our Group underwent the Reorganisation pursuant to which our Company became the holding company of the members of our Group. Details of the Reorganisation are set out in “Appendix VI — Statutory and General Information — Further Information about our Company — Group reorganisation” to this prospectus.

On 8 August 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the China Securities Regulatory Commission (“CSRC”), promulgated a new regulation, namely, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “Acquisition Regulations”) (關於外國投資者併購境內企業的規定), which became effective on 8 September 2006. The Acquisition Regulations require that an offshore special purpose vehicle formed for listing purposes and controlled, directly or indirectly, by PRC companies or individuals, such as our Company, shall obtain approval from the CSRC prior to the listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

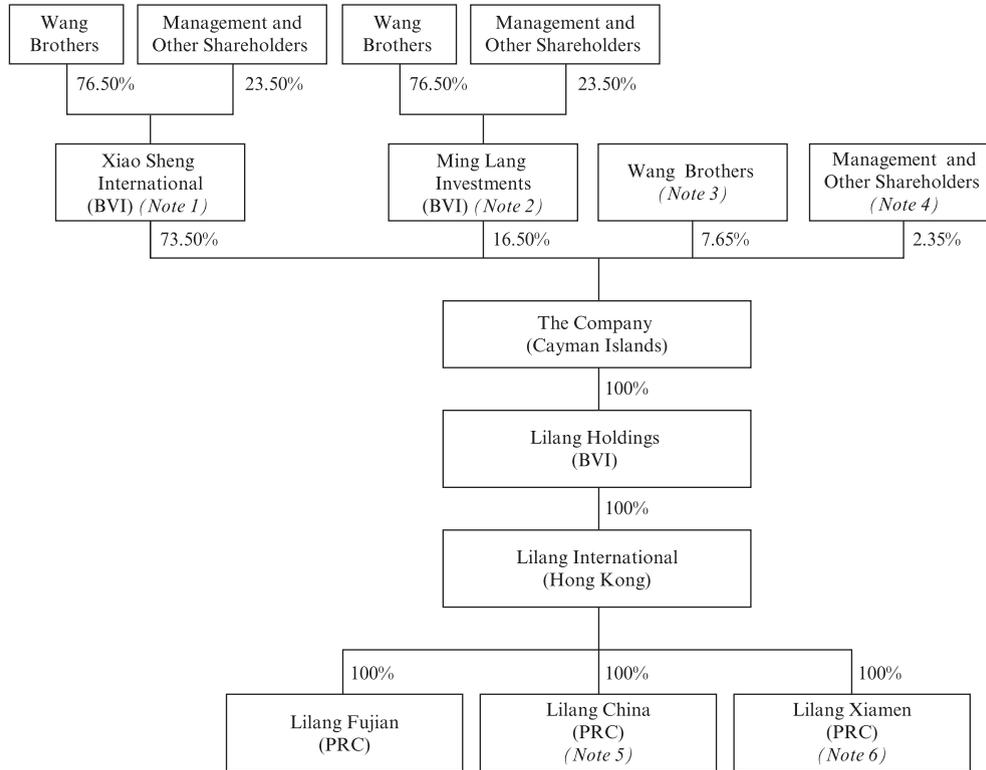
Based on their understanding of current PRC laws, regulations and rules, our legal adviser as to PRC laws have advised that the Acquisition Regulations do not apply to the acquisition of PRC subsidiaries made by our Group and that the Listing does not require approval of the CSRC, as the equity interests of all our Group’s PRC subsidiaries were acquired by entities outside the PRC before 8 September 2006, the effective date of the Acquisition Regulations, and all the requisite approvals from the relevant competent PRC regulatory authorities in respect acquisitions had been obtained. As advised by our legal adviser as to PRC laws, all necessary approvals and permits from the relevant competent PRC regulatory authorities, including the registration requirements under the SAFE Notice by the Wang Brothers and the Management and Other Shareholders, required for the implementation of the Reorganisation have been obtained.

As further advised by our legal adviser as to PRC laws, the Circular on Further Strengthening the Administration of Overseas Share Issuance and Listing (關於進一步加強在境外發行股票和上市管理的通知) promulgated by the State Council on 20 June 1997 does not apply to the Listing on the basis that no existing shareholder of the members of our Group is an enterprise established in the PRC. As advised by our PRC legal adviser, the Listing does not require approval of the CSRC.

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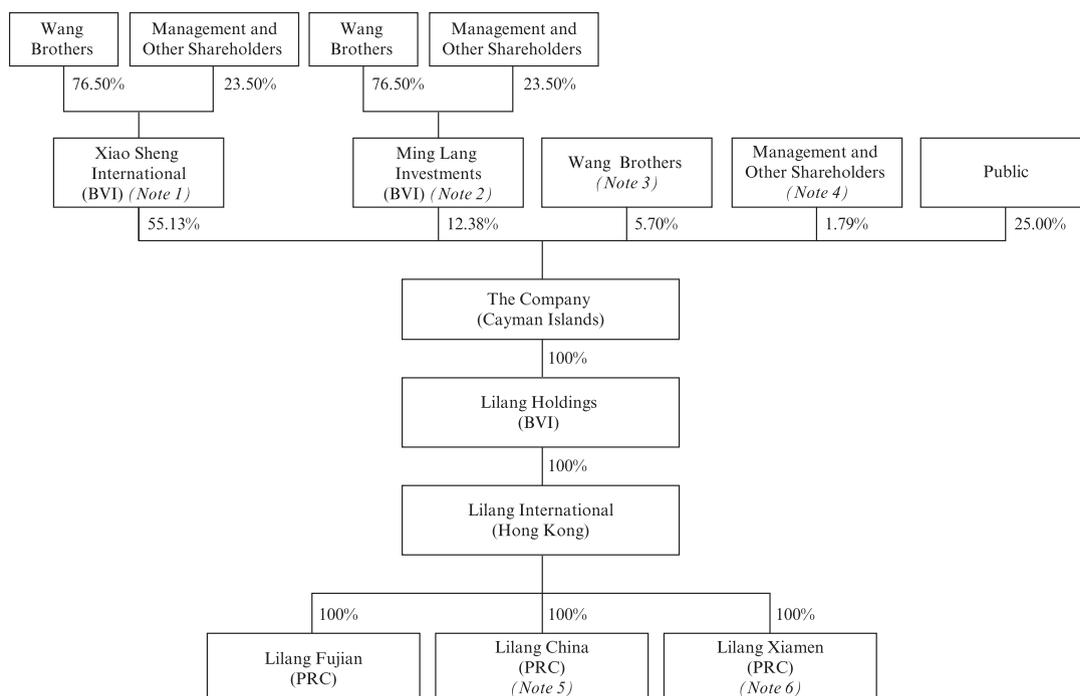
CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately before the completion of the Global Offering and the Capitalisation Issue:



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The following chart sets out the shareholding and corporate structure of our Group immediately upon completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme):



Notes:

1. Xiao Sheng International is owned as to an aggregate of 76.50% in equal proportions by the Wang Brothers, as to 8%, 5%, 3% and 3% by Mr. Cai Rong Hua, Mr. Hu Cheng Chu, Mr. Wang Ru Ping and Mr. Pan Rong Bin, respectively, all being the executive Directors, as to 1% by Mr. Wang Qiao Xing, being the elder brother of the Wang Brothers, as to 2% by Mr. Chen Wei Jin, being the brother-in-law of Mr. Wang Dong Xing and one of our employees, as to 1% by Ms. Chen Yu Hua, being an aunt of the Wang Brothers, and as to 0.5% by Mr. Xu Tian Min, being one of our employees. Under a shareholders' agreement entered into among the Wang Brothers and the Management and Other Shareholders in respect of their joint investment in Xiao Sheng International, each of the Wang Brothers and the Management and Other Shareholders has agreed to procure Xiao Sheng International not to sell, transfer or otherwise dispose of any of the Shares held or to be held by Xiao Sheng International without the prior consents of all its shareholders. Save for being one of the Shareholders of our Company, Xiao Sheng International was not related to any member of our Group as at the Latest Practicable Date. As Xiao Sheng International is a substantial Shareholder and is therefore a connected person of our Company, it is not counted as a member of the public pursuant to Rule 8.24 of the Listing Rules. The Wang Brothers and Xiao Sheng International shall, and shall procure the relevant registered holder(s) shall, comply with the restrictions on disposal of Shares during the period commencing from the Latest Practicable Date and ending on the date which is 12 months from the Listing Date as stipulated under Rule 10.07(1) of the Listing Rules.

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2. Ming Lang Investments is owned as to an aggregate of 76.50% in equal proportions by the Wang Brothers, as to 8%, 5%, 3% and 3% by Mr. Cai Rong Hua, Mr. Hu Cheng Chu, Mr. Wang Ru Ping and Mr. Pan Rong Bin, respectively, all being the executive Directors, as to 1% by Mr. Wang Qiao Xing, being the elder brother of the Wang Brothers, as to 2% by Mr. Chen Wei Jin, being the brother-in-law of Mr. Wang Dong Xing and one of our employees, as to 1% by Ms. Chen Yu Hua, being an aunt of the Wang Brothers, and as to 0.5% by Mr. Xu Tian Min, being one of our employees. Under a shareholders' agreement entered into among the Wang Brothers and the Management and Other Shareholders in respect of their joint investment in Ming Lang Investments, each of the Wang Brothers and the Management and Other Shareholders has agreed to procure Ming Lang Investments not to sell, transfer or otherwise dispose of any of the Shares held or to be held by Ming Lang Investments without the prior consents of a majority of its shareholders. Save for being one of the Shareholders of our Company, Ming Lang Investments was not related to any member of our Group as at the Latest Practicable Date. As Ming Lang Investments is a substantial Shareholder and is therefore a connected person of our Company, it is not counted as a member of the public pursuant to Rule 8.24 of the Listing Rules. The Wang Brothers and Ming Lang Investments shall, and shall procure the relevant registered holder(s) shall, comply with the restrictions on disposal of the Shares during the period commencing from the Latest Practicable Date and ending on the date which is 12 months from the Listing Date as stipulated under Rule 10.07(1) of the Listing Rules.
3. Each of the Wang Brothers will own 22,950,000 Shares, representing approximately 1.90% of our issued Shares immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and any Shares which may be allotted and issued pursuant to the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). The Wang Brothers are the executive Directors and the Shareholders of our Company. They are also the directors and senior management of some of the members of our Group. Please refer to the section headed "Directors and Senior Management" of this prospectus for further details. Save as disclosed above, each of the Wang Brothers was not related to any member of our Group as at the Latest Practicable Date. As the Wang Brothers are our Directors and therefore are connected persons of our Company, they are not counted as members of the public pursuant to Rule 8.24 of the Listing Rules. The Wang Brothers will be subject to the restrictions on disposal of Shares during the period commencing from the Latest Practicable Date and ending on the date which is 12 months from the Listing Date as set out in Rule 10.07(1) of the Listing Rules.
4. These 21,150,000 Shares, representing approximately 1.79% of our issued Shares immediately following completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be taken up under the Global Offering and any Shares which may be allotted and issued pursuant to the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), will be owned as to approximately 0.60%, 0.38%, 0.23% and 0.23% by Mr. Cai Rong Hua, Mr. Hu Cheng Chu, Mr. Wang Ru Ping, Mr. Pan Rong Bin, respectively, all being the executive Directors, and as to approximately 0.08% by Mr. Wang Qiao Xing, being the elder brother of the Wang Brothers, as to approximately 0.15% by Mr. Chen Wei Jin, being the brother-in-law of Mr. Wang Dong Xing and one of our employees, as to approximately 0.08% by Ms. Chen Yu Hua, being an aunt of the Wang Brothers, and as to approximately 0.04% by Mr. Xu Tian Min, being one of our employees. Mr. Cai Rong Hua, Mr. Hu Cheng Chu, Mr. Wang Ru Ping and Mr. Pan Rong Bin are the executive Directors of our Company. They are also the directors and senior management of some of the members of our Group. Mr. Cai Rong Hua is also the brother-in-law of Mr. Wang Liang Xing. Please refer to the section headed "Directors and Senior Management" of this prospectus for further details. Mr. Chen Wei Jin and Mr. Xu Tian Min are the employees of our Group. Save as disclosed above and for being the Shareholders of our Company, each of the Management and Other Shareholders was not related to any member of our Group as at the Latest Practicable Date. As these Management and Other Shareholders acquired their interests in our Group as a gift from the Wang Brothers on 18 February 2003 as an award for the Management and

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Other Shareholders' contribution to our Group's development and as an incentive to retain talents, their acquisition of their interest in our Group had been financed indirectly by the Wang Brothers who are connected persons of our Company, and therefore each of the Management and Other Shareholders is not counted as a member of the public pursuant to Rule 8.24(1) of the Listing Rules. None of the Management and Other Shareholders will be subject to the restrictions on disposal of Shares as set out in Rule 10.07(1) of the Listing Rules.

5. Lilang China established two branch offices in Jinjiang in the PRC on 28 April 2008 and 23 May 2008.
6. Lilang Xiamen established two branch offices in Jimei and Changting in the PRC on 27 August 2008 and 17 April 2009, respectively.

For a discussion of the undertakings from our Company, the Controlling Shareholders and Management and Other Shareholders in connection with the Global Offering, see "Underwriting — Undertakings from our Company, the Controlling Shareholders and Management and Other Shareholders".

OVERVIEW

We are one of the leading PRC menswear brands. According to a market study report we commissioned from Frost & Sullivan, our LILANZ brand (which was known as LILANG prior to September 2008) ranked first in terms of retail sales for the years ended 31 December 2007 and 2008 within the mainstream PRC brands market, which comprises second and lower tier cities, and accounted for approximately 29.0% and 31.3% of the menswear market by retail sales in the PRC in 2007 and 2008, respectively. See “Industry Overview — The PRC Menswear Market” for a further discussion. In 2007 and 2008, Forbes China magazine recognised Lilang China as one of “China’s Best Small & Medium-sized Enterprises”. As an integrated fashion enterprise, we design, source, manufacture and sell high-quality business and casual apparel for men. Founded in 1995, we have grown rapidly in recent years.

We offer our customers designs for all seasons under our LILANZ brand. Our menswear products are designed for business and casual purposes and primarily target customers between the ages of 28 and 45. Our products include suits, jackets, shirts, trousers, sweaters and accessories and are broadly divided into business formal, business casual, fashion casual and sports. According to Frost & Sullivan, we were the first menswear company among our competitors to offer a men’s business casual collection and make it our product focus.

From the establishment of our Group until September 2008, we sold our products exclusively under our Chinese brand name 利郎 and our English brand name LILANG. To differentiate ourselves from other domestic brands and to reflect our international styling, our brand went through a series of transformations in September 2008. In that regard, we introduced the first product collection designed by Mr. Ji Wen Bo under the English brand name LILANZ, which is used either in conjunction with our Chinese brand name 利郎 or on its own; updated our store theme and design; and improved our marketing strategies. Our Directors believe that the LILANZ brand has become a recognized brand name in the PRC.

We design our products in-house under the direction of Mr. Ji Wen Bo, one of the PRC’s top fashion designers with over 20 years of experience in the fashion industry. Mr. Ji Wen Bo joined us as a fashion and design consultant in 2001 and became our chief fashion designer in 2007. Our design and product development team works closely with both our suppliers and distributors on product development and designs to fine-tune our designs to suit local tastes. We also seek to establish new trends and styles for menswear in the PRC. We believe that we offer our customers a range of clothing collections that portray a “simple yet sophisticated” lifestyle. Our brand philosophy is to provide our consumers with a sense that they are making a lifestyle choice.

Our products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC. We sell substantially all of our products on a wholesale basis to distributors who subsequently sell our products to end customers through retail outlets operated by themselves or their sub-distributors, all of whom are Independent Third Parties as of the Latest Practicable Date. Under our wholesale business model, our distributors are principally responsible for selecting and ordering products and

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overseeing the operation of retail outlets. When selecting distributors, we take into account a number of factors, including geographical location, retail and management experience, financial resources and capacity for developing the retail network. We enter into distributorship agreements directly with our distributors. The agreements are generally for one-year terms. If distributors fail to comply with the distributorship agreements, we have the right to terminate the agreements.

Under our distributorship agreements, distributors are permitted to sub-contract the operation of retail outlets to sub-distributors, subject to our approval of the sub-distributorship agreement and the respective business plan. We do not have direct contractual relationships with these sub-distributors. However, our distributors are required to ensure that their sub-distributors comply with the terms and conditions of the distributorship agreements.

As at 31 December 2006, 2007, 2008 and 30 June 2009, we had 27, 28, 51 and 53 distributors, who in turn had 1,338, 1,245, 1,257 and 1,185 sub-distributors, respectively. As at 30 June 2009, our 53 distributors operated or subcontracted the operation of 2,456 retail outlets covering 31 provinces, autonomous regions and municipalities in the PRC. Along with this wholesale business model, we opened and have been operating a flagship store in Jinjiang, our first directly operated retail outlet which was established in February 2008. During the Track Record Period, sales to our distributors accounted for substantially all of our turnover.

All of the retail outlets operate under the LILANZ brand and are required to sell our products exclusively. As at 30 June 2009, there were 1,696 stand-alone stores, of which 473 were directly operated by our distributors and 1,223 by their sub-distributors, and there were 760 concessions in department stores, of which 363 were directly operated by our distributors and 397 by their sub-distributors. In order to maintain a consistent brand image across the retail outlets, we impose uniform standards for, among other things, store displays, marketing activities and daily operations, with which our distributors and their sub-distributors must comply. We believe that our extensive and well-managed distribution network has helped us build a unified brand image and increase our market penetration.

While continuing to expand our distribution network, we plan to cooperate with our distributors to open flagship stores. We plan to lease premises at prime locations in major cities in the PRC for operation thereof by our designated distributors after we renovate the premises and turn them into flagship stores. This model should allow us to have better and more direct control over the location and layout of these flagship stores. We anticipate opening one such flagship store by the end of 2009 and more flagship stores in the next few years. These flagship stores are expected to be significantly larger than the existing retail outlets operated by our distributors. We believe that these new flagship stores can help to further promote our brand image by showcasing our complete line of collections and to facilitate sales by our distributors and their sub-distributors in adjacent cities or regions. Up to the Latest Practicable Date, no agreement had been signed between our Group and our distributors for the opening of any flagship store. We expect to charge our designated

distributors for rent in respect of these premises only, and there will not be any profit sharing arrangement with these designated distributors in respect of the income to be derived from the flagship stores.

We hold sales fairs three times a year to showcase our autumn, winter, and spring/summer collections to our existing and potential distributors. We also invite sub-distributors and retail store managers, who place orders through their respective distributors, to attend the sales fairs. Most of our orders are derived from the sales fairs. During such sales fairs, we seek and obtain feedback on local fashion trends and market demand that allows us to fine-tune our product design and merchandising strategy. We believe that the sales and orders resulting from sales fairs allow us to estimate in advance the quantity of products required for the coming season. This allows us to efficiently utilise our production facilities and OEM contractors, respond quickly to market demand and manage our inventory more efficiently.

We have built our brand through our national advertising campaigns. Our television advertisements feature the well-known actor Mr. Chen Dao Ming (陳道明), who we believe epitomises our “simple yet sophisticated” lifestyle philosophy. In our efforts to promote our brand and appeal to a broader audience, we also appointed Mr. Daniel Wu (吳彥祖) as our brand spokesperson in August 2009 in addition to Mr. Chen Dao Ming (陳道明). We also advertise in fashion magazines and catalogues. Throughout our advertising campaigns, we use our slogan “simple yet sophisticated” (簡約而不簡單) to reinforce our brand image and the lifestyle our brand seeks to convey.

Recently, we began to participate in international fashion shows. In particular, we participated in the “Milan Menswear Show” (Milano Moda Uomo) and “Japan Fashion Week in Tokyo”, both of which are major international fashion shows, in 2007 and 2008, respectively. We have adopted carefully-tailored marketing and promotional strategies with a view to maximising our exposure to our key target audience. We believe that our participation in recognised fashion shows should help to enhance the prestige of our brand, thereby enhancing our brand image. In 2007, our trademark “利郎 LILANG” was recognised as a “China Well-Known Trademark” for clothing. In 2008, our 利郎 brand was awarded “The Most Influential Fashion Brand of Garment”. In 2009, our 利郎 brand was awarded the Planning Award of “2007–2008 China Apparel Brands Annual Awards” (「2007–2008中國服裝品牌年度大獎」策劃大獎) and our “利郎 LILANZ” brand was awarded the “2009 Top 10 Most Influential and Famous Apparel Brands in Asia” (2009亞洲服裝最具影響力十大馳名品牌).

We manufacture a portion of our apparel at our own production facilities in Jinjiang, Fujian and outsource the rest to OEM contractors. We also outsource the production of our accessory products. We believe this combination of in-house and outsourced production enables us to meet demand on a timely and cost-effective basis. Quality is one of our top priorities, and our quality control team monitors each stage of our production process. We also work closely with our OEM contractors to ensure that all of our apparel and accessories meet our quality standards.

COMPETITIVE STRENGTHS

We attribute our success to the following key competitive strengths:

A leading PRC casual menswear brand

According to a market study report we commissioned from Frost & Sullivan, our LILANZ brand (which was known as LILANG prior to September 2008) ranked first in terms of retail sales for the years ended 31 December 2007 and 2008 within the mainstream brands PRC market, which comprised second and lower tier cities and accounted for approximately 29.0% and 31.3% of the menswear market by retail sales in the PRC in 2007 and 2008, respectively. See the section headed “Industry Overview — The PRC Menswear Market” in this prospectus for a further discussion. According to Frost & Sullivan, we were the first menswear company among our competitors to offer a men’s business casual collection and make it our product focus. In 2007, our trademark “利郎 LILANG” was recognised by the Trademark Review and Adjudication Board in the PRC as a “China Well-Known Trademark” for clothing. In 2007 and 2008, Forbes China magazine recognised Lilang China as one of “China’s Best Small & Medium-sized Enterprises”. In 2008, our 利郎 brand was awarded “The Most Influential Fashion Brand of Garment”. In 2009, our 利郎 brand was awarded the Planning Award of “2007–2008 China Apparel Brands Annual Awards” (「2007–2008中國服裝品牌年度大獎」策劃大獎) and our “利郎 LILANZ” brand was awarded the “2009 Top 10 Most Influential and Famous Apparel Brands in Asia” (2009亞洲服裝最具影響力十大馳名品牌).

We believe that we offer our customers a range of clothing collections that portray a “simple yet sophisticated” lifestyle. We have cultivated a brand image through a combination of what we believe are innovative designs and national advertising campaigns, as well as through the rapid expansion of a national sales network that carries our uniform brand image. By maintaining and improving our brand image, we believe that we are well positioned to tap the growing PRC business casual menswear market.

Extensive and well-managed nationwide distribution network

We have an extensive distribution network throughout the PRC. As at 30 June 2009, we sold substantially all of our products on a wholesale basis to distributors who subsequently sell our products to end customers through more than 2,400 retail outlets operated by themselves or their sub-distributors throughout the PRC. We believe that the following factors have contributed to our rapid growth:

- Expanding our distribution network by increasing the number of distributors and sub-distributors in the PRC and penetrating second and lower tier cities;
- Managing our retail network in a uniform manner through collaboration with our distributors; and

- Improving our product design and merchandising strategy by refining our existing product lines and introducing new products to enhance the overall product mix and sales.

We have developed and closely manage stable relationships with our 53 distributors. Of these distributors, 26 of them (which includes their predecessors) have had business relationships with us for more than four years, with the longest period of relationship being 12 years. We require our distributors and sub-distributors to operate their retail stores according to our retail standards so as to enable us to maintain a consistent brand image. We also work closely with our distributors and their sub-distributors on site selection, store renovation, cash and inventory management, retail operations and staff training to ensure that the retail points are well managed. We believe that our extensive and well-managed distribution network has assisted us in building a unified brand image that has allowed us to increase our market penetration.

Proactive and nationwide sales and marketing strategies

Active marketing and promotion of our brand has been pivotal in strengthening our LILANZ brand name and image in the PRC. Our marketing strategy focuses on an overall brand image that portrays a “simple yet sophisticated” lifestyle, rather than individual products.

We rely on our distributors, their sub-distributors and their store managers for the sales of our products. Each year, we organise three sales fairs at our headquarters in Jinjiang, Fujian, for our distributors, their sub-distributors and their store managers so that they can place orders and learn the key themes and selling points of our new collections. We also use these opportunities to gather feedback on local fashion trends and market demand to enhance our product design and inventory management.

In addition to our seasonal sales fairs, we engage in national advertising and promotion campaigns through a variety of media channels. Since 2002, the well-known PRC actor, Mr. Chen Dao Ming (陳道明), has been our brand spokesperson. Our current contract with Mr. Chen Dao Ming (陳道明) will expire on 31 December 2010. In our efforts to promote our brand and appeal to a broader audience, we also appointed Mr. Daniel Wu (吳彥祖) as our brand spokesperson in August 2009 in addition to Mr. Chen Dao Ming (陳道明).

In 2004, we received several advertising awards from the Fujian Advertising Association (福建省廣告協會) and Fujian Consumers’ Association (福建省消費者委員會). We believe that our award-winning television advertisements, which are in short-film format, convey a sense of uniqueness for our brand and create a consistently high-profile brand image. We also employ print media channels, including magazines and billboards, to further promote the awareness of our LILANZ brand.

Furthermore, we participated in domestic fashion shows in 2005, 2006 and 2007. Recently, we began to participate in international fashion shows, including the “Milan Menswear Show” (Milano Moda Uomo) in 2007, where we were the first and only Chinese brand to participate, and “Japan Fashion Week in Tokyo” in 2008. Participating in fashion shows allows us to showcase our products on highly visible platforms both in the PRC and internationally. We anticipate that we will continue to implement various marketing and promotional strategies to maintain and enhance our brand.

Strong design and product development capability

Our “simple yet sophisticated” brand philosophy is reflected in our product lines and is manifested in what we believe to be innovative designs. We differentiate ourselves through our simple yet sophisticated menswear with quality tailoring. We design all of our products in-house under the leadership of our chief designer, Mr. Ji Wen Bo, one of the leading fashion designers in the PRC with over 20 years of industry experience.

As at the Latest Practicable Date, our design and product development team comprised 114 members, five of whom have received design awards. Our design and product development team identifies new fashion trends by visiting major fashion centres, fashion shows and exhibitions as well as by drawing inspiration from magazines and other media. We introduce new design elements into our menswear product lines in each new season. With our highly-skilled team of designers operating under the leadership of Mr. Ji Wen Bo, we have extensive experience in creating what we believe are innovative designs to reach our targeted customer base.

In February 2009, we established a new product development center in Shanghai for product design and market research and analysis to bolster our product design and development capabilities.

Our design and product development team also works closely with our suppliers and our distributors on product development and design. We collaborate with our suppliers to develop varying uses of materials and fabrics in our products. In addition, we involve our distributors in our product selection process to take advantage of their market intelligence, which helps ensure that we adapt to the constantly changing consumer trends in our local markets. We believe our strong capabilities in developing new product lines enable us to capitalise on the growing menswear market, particularly casual menswear, in the PRC.

Experienced management team with a proven track record

Our management team is led by our founders, the Wang Brothers, each of whom has over 20 years of experience in the menswear industry. The other members of our management team also have extensive experience in the menswear industry, and many of them have been part of our management team for over eight years. This core management team has led us through our rapid growth and the establishment of LILANZ as a leading menswear brand. To further enhance our management skills, we

provide in-house training to our management team and in 2006, we sent nine of our Directors and senior management, together with other employees and over 120 of our distributors and their sub-distributors, to participate in one-week management training courses at Tsinghua University in Beijing, PRC. We believe that the knowledge, skillset and strategic vision of our management team have enabled us to establish ourselves as an integrated fashion enterprise.

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To maintain our position as one of the leading menswear brands in the PRC, we intend to capitalise on our brand recognition, enhance our competitiveness and achieve sustainable sales growth. Specifically, we plan to pursue the following strategies to achieve our objectives:

Expand and diversify our product offerings

We believe our “simple yet sophisticated” design philosophy and our brand’s market position have provided us with a broad range of product opportunities. We plan to continue to capitalise on our brand value to further enhance our overall sales and profit growth through the following initiatives:

- *Continue to refine and expand our existing product lines* — We intend to further refine our existing product lines by offering more styles within our existing product categories and to introduce additional apparel products as well as to expand accessories offerings that are complementary to our current product offerings. We intend to continue to outsource the production of all of our accessory products and a portion of our apparel to OEM contractors.
- *Develop new product collections* — As we continue to expand our product lines, we plan to develop a sub-brand of our Group targeting customers aged 20 to 30. We believe the development of this new sub-brand should allow us to further showcase our LILANZ brand to our customers and should help to further promote sales growth.
- *Increase product pricing and adjust discounts to distributors* — As we further strengthen our brand and market positions, we intend to increase the average price for our products in order to help enhance our profitability. In addition, we will at our discretion gradually adjust the discounts offered to certain of our distributors so as to help enhance our overall profit margins.

Further strengthen and expand our distribution network and increase our retail coverage

We intend to continue to strengthen and expand our distribution network in order to further increase our retail presence by opening additional retail outlets, build brand awareness and showcase our expanding product portfolio. We intend to increase our retail coverage by:

- Strengthening our relationship with our existing distributors through greater interaction, such as providing on-going training and conducting site visits, and identifying new distributors to broaden our presence in existing and new markets;
- Elevating certain existing sub-distributors to distributor status and encouraging them to enroll more sub-distributors, which should, in turn, assist us in further penetrating our target markets rapidly; and
- Leasing certain premises at prime locations in major cities in the PRC for operation by our distributors as flagship stores. We believe that flagship stores in major cities can help to further promote our brand awareness and stimulate sales in adjacent cities and regions.

Further promote our LILANZ brand and enhance our marketing and promotional strategies

We believe that the strong association of our LILANZ brand with our “simple yet sophisticated” design philosophy has helped drive our brand positioning and consumers’ receptivity to our products. We intend to further build our brand and deliver a consistent brand image from product design to sales and marketing. We seek to promote and enhance our presence as a brand leader in the PRC menswear market by continuing to adopt proactive marketing strategies and to produce high quality, well-designed menswear for our target markets. In particular, we aim to increase our brand presence through:

- Multi-channel advertising strategies through national television, fashion magazines, billboards and other media channels;
- Distinctive store and product launch campaigns, including special events for new product launches and large-scale grand opening events for new stores, particularly new flagship stores;
- Participation in both domestic and international fashion shows; and
- Sponsorships of television personalities and prominent executives.

We believe that these marketing and promotion strategies should help to further strengthen our brand awareness in our targeted consumer markets and enhance consumer loyalty to our LILANZ brand.

Improve our operational and production management capabilities

We recognise that our continued business growth provides an opportunity for us to enhance the efficiency and effectiveness of our operations. In order to improve our cost structure, shorten our production cycle and swiftly adapt our production to rapidly changing fashion trends, we intend to enhance our vertically integrated operations through closer collaboration and cooperation with our raw materials suppliers and OEM contractors. We also intend to continue to outsource production to supplement our in-house capabilities.

In addition, we intend to upgrade our information systems to enable direct connections between our production and supply chain management systems to enable us to plan merchandising and logistics more efficiently. We expect this should benefit supply chain management and the management of the sales network. We also intend to continue to increase our production and warehousing capacity at our production facilities to support our sales growth.

Further strengthen our design and product development capabilities

We intend to further strengthen our design and product development platform, accelerate commercialization of design concepts, continue to develop what we believe are innovative menswear and accessories and expand our product offerings. Over the next three years, we plan to further invest in design and product development and expand our design and product development team. We plan to establish a new design and product development studio in Xiamen, Fujian Province and further expand a newly established product development centre in Shanghai, to attract and cultivate young designers from major fashion design programmes and to further strengthen our product design capabilities. Furthermore, we intend to develop collaborative programmes with major design institutes to nurture new talent. We believe that our focus on designing innovative and quality menswear should allow us to maintain our competitiveness and help to enhance our sales and overall profitability.

BRANDING AND PRODUCT PORTFOLIO**Branding**

Our Chinese brandname 利郎 and our English brandname LILANG were created by the Wang Brothers, and, from the establishment of our Group until September 2008, we sold our products exclusively under our Chinese brandname 利郎 and our English brandname LILANG. Our brand went through a series of transformations in September 2008 when we introduced the first product collection designed by Ji Wen Bo under the English brandname LILANZ which is used either in conjunction with our Chinese brandname 利郎 or on its own, updated our store theme and design, and improved our marketing strategies. To reflect our recent transformation, differentiate ourselves from other domestic brands and to reflect our international styling, we have updated our English brand name and logo to LILANZ. Our Directors believe that the LILANZ brand has become a recognized brand name in the PRC.

We believe that our widespread brand recognition has been one of the key factors in our success. Our brand name embodies the meaning of “successful gentlemen” (利郎), which highlights the profile of our target customers: men who aspire to success. We believe that we offer our customers a range of clothing collections that portray a “simple yet sophisticated” lifestyle. In 2007, our “利郎 LILANG” brand was recognised by the Trademark Review and Adjudication Board in the PRC as a “China Well-Known Trademark” for clothing. In 2008, our 利郎 brand has been awarded “The Most Influential Fashion Brand of Garment”. In 2009, our 利郎 brand has been awarded the Planning Award of “2007–2008 China Apparel Brands Annual Awards” (「2007–2008中國服裝品牌年度大獎」策劃大獎) and our “利郎 LILANZ” brand has been awarded the “2009 Top 10 Most Influential and Famous Apparel Brands in Asia” (2009亞洲服裝最具影響力十大馳名品牌).

We have carefully cultivated our brand image through a combination of what we believe are innovative designs, national advertising campaigns and rapid expansion of the national sales network that carries a uniform brand image. According to Frost & Sullivan, we were the first menswear company among our competitors to offer a men’s business casual collection and make it our product focus. Our clothing design seeks to portray a “simple yet sophisticated” lifestyle that aims at reaching successful professionals and business executives in the PRC who demand high quality, fashionable menswear. We believe that our LILANZ brand is well-positioned to capture this expanding consumer segment with high disposable income.

Products

Our heritage is in the tailoring of business suits and men’s formal wear. We bring from that heritage an attention to detail and focus on quality. We aim to offer trend-setting designs with matching styles and colours to enable consumers to mix-and-match creatively for all occasions. Design is discussed in greater detail below under the sub-section “Business — Design and Product Development”.

We have control over the creation of our products from design and sourcing to manufacturing and, in certain respects, selling. Our menswear products are designed for business and casual purposes and primarily target customers between the ages of 28 and 45. We offer products for each season in four broad collections: business formal, business casual, fashion casual and sports. Through our collections, we seek to reflect the modern gentlemen’s sense of style. We set out below the details of our four broad collections:

Business formal

Our business formal collection includes conventional business attire, such as business suits, which is traditionally designed for business-oriented occasions and formal events. Successful businessmen, especially senior executives, are our target customers. Our main offerings for this collection include suits, shirts, sweaters, pants, jackets and overcoats.

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Business casual

Our business casual collection includes apparel that is less formal yet still suitable for professional engagements. Successful businessmen, including mid and senior executives, are our target customers. Our main offerings for this collection include shirts, polo-shirts, sweaters, pants, jackets and windbreakers.

Fashion casual

Our fashion casual collection primarily caters to leisure and entertainment activities. Our target customers for this collection are generally younger businessmen who seek fashionable styles for their leisure wear. Our main offerings include polo-shirts, T-shirts, sweaters, pants, jackets and parkas.

Sports

Our sports collection includes clothing for indoor and outdoor sports such as golf, tennis, sailing and snooker. Our target customers for this collection are men who enjoy sports entertainment. Our main offerings include T-shirts, sweatshirts, pants, jackets and parkas.

SALES

General

We sell substantially all of our products to our distributors who subsequently sell our products to retail customers through retail outlets operated by themselves or their sub-distributors. Under our wholesale business model, we have direct contractual relationships with our distributors. Our distributorship agreements require that our distributors and their sub-distributors to sell LILANZ products exclusively at their outlets. During the Track Record Period, sales to our distributors accounted for substantially all of our turnover.

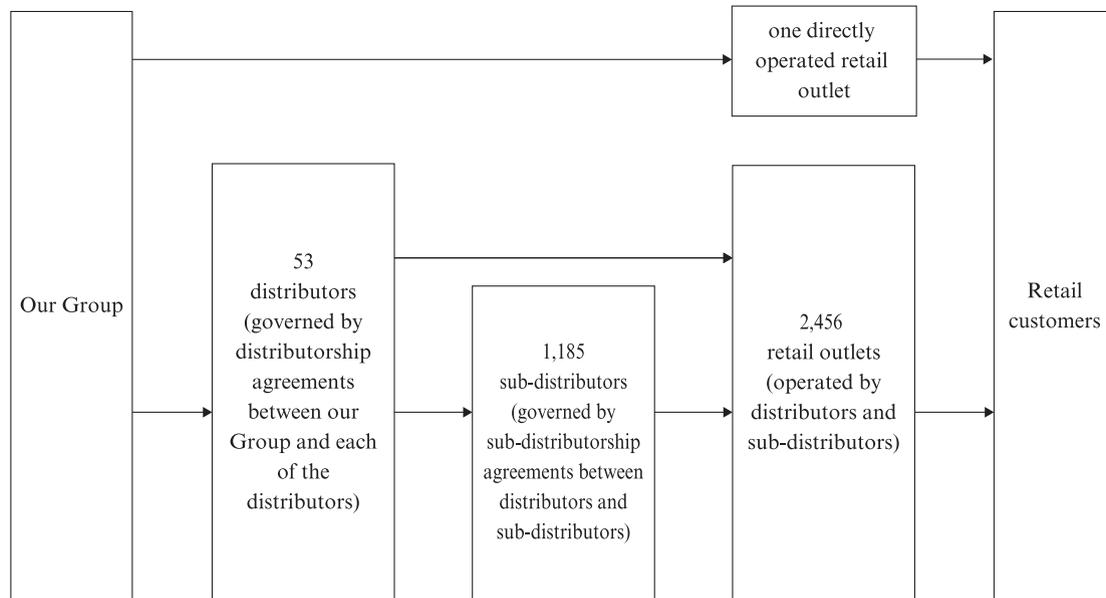
We enter into one-year distributorship agreements with each of our distributors which are reviewed and renewed annually. See “Business — Sales — Management of distributors”. Under the distributorship agreements, our distributors are required to maintain uniform standards in respect of store displays, marketing activities and daily operations as set out in our operations manual. If a distributor fails to comply with the distributorship agreements, we have the right to terminate the agreements.

Under our distributorship agreements, distributors are permitted to sub-contract the operation of retail outlets to sub-distributors, subject to our approval of the sub-distributorship agreement and the respective business plan. We do not have direct contractual relationships with these sub-distributors. However, our distributors are required to ensure that their sub-distributors comply with the terms and conditions of the distributorship agreements. During the Track Record Period, our distributors and their sub-distributors have complied with our retail policies in all material respects, and we are not aware of any non-compliance of a material nature.

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Along with this wholesale business model, we also operate a flagship store directly in Jinjiang since February 2008.

The following diagram illustrates the relationship among our Group, our distributors and their sub-distributors, retail outlets and ultimate customers as at 30 June 2009:



We manage our distributors only through distributorship agreements and we do not have any other type of control over the distributors. We do not have contractual relationships with sub-distributors and have no direct control over the retail outlets operated by our distributors or their sub-distributors, but we exert a certain degree of influence over them through the distributorship agreements or their respective sub-distributorship agreements.

Under our wholesale business model, we employ a distribution model commonly used by brand owners in the PRC. By selling directly to our distributors, we can recognise revenue up front and delegate the responsibilities of distributing our products to our distributors and their sub-distributors. This allows us to distribute our products to a wide geographical region and penetrate markets by leveraging the local market knowledge of our distributors and sub-distributors. This business model minimises inventory and sales risks to our Group and allows us to focus on our core competitive strengths of brand management and product development.

Distribution network

As at 31 December 2006, 2007, 2008 and 30 June 2009, we had 27, 28, 51 and 53 distributors, who in turn had 1,338, 1,245, 1,257 and 1,185 sub-distributors, respectively. As at 30 June 2009, our 53 distributors operated or subcontracted the operation of 2,456 retail outlets covering 31 provinces, autonomous regions and municipalities in the PRC. There

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were 1,696 stand-alone stores, of which 473 were directly operated by our distributors and 1,223 by their sub-distributors, and there were 760 concessions in department stores, of which 363 were directly operated by our distributors and 397 by their sub-distributors.

In order to broaden our presence in our existing markets and to enhance management and sales of the retail outlets in our distribution network, we have increased the number of our distributors. The number of our distributors increased from 28 as at 31 December 2007 to 51 as at 31 December 2008 and to 53 as at 30 June 2009. The increase was primarily due to the appointment of more than one distributor in a province, which enables us to better manage our distribution network especially in the case where there is a large market within a province. The number of sub-distributors increased from 1,245 as at 31 December 2007 to 1,257 as at 31 December 2008, and decreased to 1,185 as at 30 June 2009. The increase in 2008 was due to the appointment of new sub-distributors and the decrease in 2009 was primarily due to the fact that certain sub-distributors were elevated to become distributors and the number of sub-distributors have been consolidated as part of the distribution network enhancement. Therefore, the decrease in the number of sub-distributors did not have any negative impact on our business.

We aim to increase the number of retail outlets to approximately 2,600 by the end of 2009. The anticipated increase in the number of retail outlets is based on the individual expansion plans we set out for each distributor after conducting our own market analysis of, for example, area, population and consumer spending. These expansion plans serve as guidelines for our distributors to assist them to meet the minimum purchase amount under the relevant distributorship agreements. Distributors are expected to meet the expansion target specified by such plans, and, as confirmed by our Directors, many of the distributors met their targets for the year 2008. We believe that our distribution network has enabled us to (i) expand our business and accelerate sales growth at much lower costs and operational risk and (ii) achieve brand recognition throughout the PRC.

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The following table sets forth the number of distributors and retail outlets operated by our distributors and their sub-distributors by province.

	31 December 2006		31 December 2007		31 December 2008		30 June 2009	
	No. of Retail Outlets ⁽¹⁾	No. of Distributors ⁽²⁾	No. of Retail Outlets ⁽¹⁾	No. of Distributors ⁽²⁾	No. of Retail Outlets ⁽¹⁾	No. of Distributors ⁽²⁾	No. of Retail Outlets ⁽¹⁾	No. of Distributors ⁽²⁾
Beijing	43	1	54	1	69	1 ⁽³⁾	54	1 ⁽³⁾
Tianjin	7	—	12	—	12	— ⁽³⁾	7	— ⁽³⁾
Hebei	48	1	64	1	73	1	74	1
Shanxi	56	1	65	1	65	1	56	1
Inner Mongolia	34	1	25	1	27	1	29	1
Heilongjiang	115	1	112	1	112	2	121	2
Jilin	76	1	70	1	86	1	82	1
Liaoning	140	1	119	1	130	1	117	1
Jiangsu	92	1	112	1	128	1	106	2
Shanghai	2	—	3	—	24	1	32	1
Zhejiang	114	1	111	1	131	3	123	3
Anhui	107	2	132	2	153	7	161	7
Fujian	93	1	110	2	125	3	125	4
Shandong	130	1	134	1	143	2	132	2
Jiangxi	80	1	83	1	96	1	92	1
Henan	139	1	167	1	168	6	177	6
Hubei	98	1	112	1	118	1	116	1
Hunan	61	1	80	1	72	2	79	2
Guangdong	56	1	43	1	76	3	74	3
Guangxi	57	1	60	1	74	1	69	1
Hainan	17	—	17	—	23	1	26	1
Chongqing	76	1	83	1	103	1	115	2
Sichuan	114	1	131	1	146	1	140	1
Guizhou	45	1	39	1	57	2	58	2
Yunnan	67	1	79	1	91	1	95	1
Tibet	5	1	7	1	8	1	11	1
Shaanxi	59	1	77	1	89	2	94	2
Gansu	30	1	29	1	26	1 ⁽³⁾	25	1 ⁽³⁾
Qinghai	3	—	3	—	3	— ⁽³⁾	3	— ⁽³⁾
Ningxia	11	—	12	—	12	1 ⁽⁴⁾	13	— ⁽³⁾
Xinjiang	27	1	41	1	51	1	50	1
Total	<u>2,002</u>	<u>27</u>	<u>2,186</u>	<u>28</u>	<u>2,491</u>	<u>51</u>	<u>2,456</u>	<u>53</u>

Notes:

- (1) The number of retail outlets refer to retail outlets operated by our distributors and their sub-distributors.
- (2) The number of distributors are set out in accordance with their locations.
- (3) Our distributor for Beijing covers Tianjin and our distributor for Gansu covers Gansu, Qinghai and certain areas in Ningxia.
- (4) A distributor for Ningxia covers a certain area in Ningxia other than the ones covered by our distributor for Gansu.

There is no overlapping of distributors within our distribution network since each distributor is only permitted to sell LILANZ products within a defined geographical area. Furthermore, given the growing market for menswear in the PRC, there is the potential for a significant expansion of business within our distribution areas. As such, we do not believe that there is an over-concentration of retail outlets within our distribution network.

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The following table shows the number of retail outlets operated by our distributors or their sub-distributors by provinces as at 1 January 2006, 31 December 2006, 2007 and 2008 and 30 June 2009.

Region	The number of retail outlets* as at									
	1 January 2006		31 December 2006		31 December 2007		31 December 2008		30 June 2009	
	Operated by Distributors	Operated by Sub- distributors	Operated by Distributors	Operated by Sub- distributor						
Northern PRC ⁽¹⁾	12	100	30	158	55	165	55	191	61	159
North Eastern PRC ⁽²⁾	14	227	28	303	48	253	81	247	75	245
Eastern PRC ⁽³⁾	31	440	62	556	113	572	253	547	284	487
Central and Southern PRC ⁽⁴⁾	28	297	45	383	116	363	210	321	219	322
South Western PRC ⁽⁵⁾	26	161	58	249	88	251	119	286	133	286
North Western PRC ⁽⁶⁾	11	70	26	104	42	120	57	124	64	121
Total	122	1,295	249	1,753	462	1,724	775	1,716	836	1,620

Notes:

* Includes the number of stand-alone stores and concessions in the department stores.

- (1) Northern PRC includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.
- (2) North Eastern PRC includes Heilongjiang, Jilin, Liaoning.
- (3) Eastern PRC includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.
- (4) Central and Southern PRC includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.
- (5) South Western PRC includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.
- (6) North Western PRC includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

The following table shows our turnover and the corresponding percentage of our turnover by region during the Track Record Period.

Region	Years ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	(RMB million)	% of turnover	(RMB million)	% of turnover	(RMB million)	% of turnover	(RMB million)	% of turnover	(RMB million)	% of turnover
Northern PRC ⁽¹⁾	26.5	6.3	81.1	9.1	80.5	7.1	36.1	7.5	40.6	6.8
North Eastern PRC ⁽²⁾	30.7	7.3	95.5	10.8	114.2	10.0	46.9	9.7	53.9	9.0
Eastern PRC ⁽³⁾	204.2	48.9	357.0	40.3	417.6	36.8	184.0	38.0	217.0	36.2
Central and Southern PRC ⁽⁴⁾	87.8	21.0	169.7	19.2	254.9	22.4	102.1	21.1	144.9	24.1
South Western PRC ⁽⁵⁾	46.7	11.2	123.9	14.0	181.2	16.0	78.0	16.1	92.2	15.3
North Western PRC ⁽⁶⁾	22.3	5.3	58.7	6.6	87.3	7.7	36.8	7.6	51.6	8.6
Total	418.2	100.0	885.9	100.0	1,135.7	100.0	483.9	100.0	600.2	100.0

Notes:

- (1) Northern PRC includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.
- (2) North Eastern PRC includes Heilongjiang, Jilin, Liaoning.
- (3) Eastern PRC includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.
- (4) Central and Southern PRC includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.
- (5) South Western PRC includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.
- (6) North Western PRC includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

One of our expansion strategies is to cooperate with our distributors to open flagship stores in the next few years in major cities in the PRC. We plan to lease premises at prime locations in major cities in the PRC for operation thereof by our designated distributors after we renovate the premises and turn them into flagship stores. This model should allow us to have better and more direct control over the location and layout of these flagship stores. We anticipate opening one such flagship store by the end of 2009 and more flagship stores in the next few years. These flagship stores are expected to be larger than the existing retail outlets operated by our distributors. We believe that new flagship stores can help to further promote our brand image by showcasing our complete line of products and facilitate sales by our distributors and their sub-distributors in adjacent cities and regions. Up to the Latest Practicable Date, no agreement had been signed between our Group and our distributors for the opening of any flagship store. We expect to charge our designated distributors for rent in respect of these premises only, and there will not be any profit sharing arrangement with these designated distributors in respect of the income to be derived from the flagship stores.

To further enhance our brand expansion, we intend to develop a sub-brand of our Group targeting customers aged 20 to 30 who are seeking stylish casual wear. Mr. Daniel Wu (吳彥祖) may be a spokesperson for this sub-brand. We plan to set up a dedicated stand-alone design and product development team for this sub-brand, which will collaborate with designers from overseas. We expect to sell products under the new sub-brand through stand-alone stores that are separate from the LILANZ brand. We believe that these specialised retail outlets will allow us to expand our target market to younger customers, enhance our brand presence and recognition in the market and expand our product line.

Management of distributors

Our distributors are principally responsible for selecting and ordering products and overseeing the operation of retail outlets. These distributors order our products at each of our three annual sales fairs and sell them through retail outlets operated by them or sub-distributors.

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When selecting distributors, we take into account a number of factors, including geographical location, retail and management experience, financial resources and capacity for developing the retail network. Of our 53 distributors as of 30 June 2009, 26 of them (which includes their predecessors) have had business relationships with us for more than four years.

Our distributorship agreements are generally for one-year terms. We review the performance of our distributors annually and decide whether to renew the distributorship agreements. Our distributorship agreements contain the following provisions, among others:

- *Product exclusivity* — Distributors are required, and are required to procure their sub-distributors, to sell only LILANZ products at their retail outlets.
- *Geographic exclusivity* — Distributors are only permitted to sell LILANZ products within a defined geographical area.
- *Minimum purchase amount* — The distributorship agreements specify the minimum purchase amount that the distributors are expected to purchase during the year. Our distributors are required to place 70% of the minimum purchase amount at the sales fairs, with the remaining 30% as subsequent top-up orders.
- *Minimum suggested retail price* — Distributors are required to follow the uniform suggested retail price that we adopt from time to time for each product. Distributors may, with our approval, adopt a higher suggested retail price depending on market conditions within the regions in which the distributors operate.
- *Undertakings* — Distributors undertake to comply with our pricing and discount policies, adhere to our uniform store display standards and refrain from selling competing brands and counterfeit products. We have the right to terminate the appointment of our distributors who fail to provide satisfactory customer service to retail customers.
- *Payment, credit terms and delivery* — The distributorship agreements provide that our products will only be delivered to the distributor when payment is received by us. In practice, however, we may extend credit to our distributors. Please refer to “Credit policy” in this section for further details. Our distributors bear the costs of delivery.
- *Sales reports and market information* — Distributors must provide us with sales reports and market information, including trends and feedback from retail customers, on a regular basis or upon request by us. Distributors are also required to notify us immediately when they discover counterfeit products in the market.

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- *Return of goods* — Distributors must conduct quality checks upon receipt of our products and may return defective goods to us if a notice of complaint regarding the defects is given within 15 days of receipt. Return of goods is allowed in such circumstances only under the distributorship agreement. Distributors are deemed to have considered the goods as satisfactory in the absence of such complaint.
- *Sub-distributorships* — Distributors are permitted to sub-contract the operation of retail outlets to sub-distributors, subject to our approval of the sub-distributorship agreement and business plan. Distributors are required to procure their sub-distributors to comply with the terms and conditions of the distributorship agreements.
- *Right of termination* — If the distributors fail to comply with the distributorship agreements, we have the right to terminate the agreements.

Effective monitoring of our distributors and their retail outlets is critical to our success. We have a dedicated team to monitor our distributors' and their sub-distributors' performance. We require the distributors to submit sales reports on a weekly basis. All of our distributors have conformed to our policies and submitted the sales reports to us on a regular basis. This reporting system enables us to access up-to-date information on the sales performance of our distributors and their sub-distributors, which reflects the overall level of retail sales of our products. We oversee the accuracy of such weekly sales reports by reference to subsequent orders placed by our distributors. We believe that the amount of orders placed by our distributors corresponds to the actual status of our distributors and/or their sub-distributors in terms of sales and inventory. After making reasonable enquiry and reviewing the sales level of our distributors and/or sub-distributors, the Directors confirm that they are not aware of any circumstances where distributors and/or sub-distributors purchased products from us and/or distributors without intending to sell the products to their customers during the Track Record Period. The Directors are also not aware of any unreasonable or unusual build up of inventory levels at our distributors and, save for the relocation of inventory among retail outlets operated by the same distributors or sub-distributors, the Directors are not aware of any relocation of inventory among retail outlets of different operators. Based on the above, the Directors consider that our sales and delivery of our products to our distributors are in line with the seasonality of the sales of our products in the market.

We invite our distributors, as well as their sub-distributors and retail store managers, to attend our sales fairs, which take place three times a year. During the sales fairs, we are given the opportunity to meet and communicate with our distributors and their sub-distributors. Apart from participating in the three sales fairs each year, our distributors visit our Group on a regular basis and keep in contact with us via telephone and video conference, which allows us to have access to updated market information.

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Each of the distributors is subject to an annual review of its operating results, ability to maintain our brand image, retail expansion capacity, and compliance with our operation standards. In particular, we perform annual reviews of the operating results of our distributors by consolidating and analysing data from the weekly sales reports submitted by each of our distributors.

Each year, we negotiate with our distributors the minimum purchase requirement before renewing the distributorship agreements. We do not provide any rebate, commissions or incentives to our distributors or their sub-distributors in the event that they have achieved the minimum purchase amount as stipulated in their respective agreements. However, if a distributor fails to meet the minimum purchase requirement, we have the right to increase the wholesale price offered to such distributor. During each of the sales fairs, we discuss with our distributors their progress and work closely with them to ensure that the minimum purchase requirement will be satisfied.

We provide training for our distributors and their sub-distributors in the areas of customer service and product knowledge. During the Track Record Period, we organised more than 20 in-house training programmes on retail strategies and management for key distributors and sub-distributors. In 2006, we spent RMB1.0 million to sponsor over 120 of our distributors and their sub-distributors to join our Directors, senior management and some other employees in management training courses at Tsinghua University in Beijing. We established our retail management training centre at our headquarters in Jinjiang, Fujian in 2008, where we provide in-house training to new store managers and retail staff on the sales and marketing strategies as well as the LILANZ business philosophy. We believe that these investments help to improve the operations of the sales network and provide the added benefit of motivating our distributors and their sub-distributors.

During the Track Record Period, one distributorship agreement was terminated in 2006 as a result of a litigation against us involving our alleged breach of a distributorship agreement. Under the distributorship agreement in question, Lilang Fujian had authorised a former distributor (“Former Distributor”), who had no previous business relationship with us, to distribute our products in Xiangtan City, Hunan Province. However, due to unsatisfactory sales performance of the Former Distributor, Lilang Fujian, believing that they had terminated the distributorship agreement, entered into another distributorship agreement with another distributor, under which such distributor was authorised to distribute our products in Xiangtan City, Hunan Province. According to the court findings, Lilang Fujian was held to have breached the terms of the Distributorship agreement and was ordered to, among other things, pay compensation to the Former Distributor. As a result of this claim, Lilang Fujian paid a one-time compensation payment of RMB0.6 million to the Former Distributor. During the Track Record Period, no revenue was generated from the terminated distributorship agreement.

Management of retail outlets

All retail outlets exclusively sell LILANZ products. To provide uniform, quality services across the retail network, we set out in our operations manual uniform standards for, among other things, store displays, marketing activities and daily operations for our distributors and their sub-distributors, and we require our distributors and their sub-distributors to obtain our approval for the final location of each retail outlet.

To further implement our retail policies, we conduct unscheduled on-site inspections at randomly selected individual retail outlets. During the Track Record Period, our sales and marketing department conducted more than 100 on-site inspection tours, lasting from one to 72 days, during which we visited up to eight retail outlets each day. We also require our distributors to conduct regular site visits to their sub-distributors' retail outlets to check whether our operation standards are being followed. Through these inspections and visits, we seek to ensure that the terms and conditions of the distributorship agreements are being complied with. We identify and inform distributors of any non-conforming individual retail outlets and direct them to rectify the problems within a certain period of time. To the best knowledge of our Directors, all of the retail outlets have complied with our retail policies in all material respects. In addition, the sub-distributors and/or their store managers visit our Group on a regular basis during which they provide first-hand local sales information to us. We believe LILANZ retail outlets are efficiently operated and provide a pleasant experience to our retail customers.

Customer service

Building consumer loyalty is important to our success. With our encouragement, all our distributors and some of their sub-distributors offer VIP programmes under which a member enjoys a discount from the retail price and may also take advantage of promotional services such as rewards points and holiday discount offers. Each member of the VIP programmes is entitled to discounts in the region controlled by the relevant distributors only. These VIP programmes are managed independently by distributors and sub-distributors, who are responsible for monitoring the programmes. No incentive has been given to distributors or sub-distributors who offer VIP programmes to customers. To the best knowledge of our Directors, we are not aware of any non-compliance with the requirements and rules of these VIP programmes during the Track Record Period.

We provide alteration services to distributors and their sub-distributors free of charge. We will alter ancillary components and parts upon request by distributors and their sub-distributors. However, we did not provide such services during the Track Record Period as we did not receive any requests for alteration services during that period. We understand many of our distributors and their sub-distributors provide other after-sale services to retail customers, including ironing, home delivery of purchased or altered goods and shortening of trousers.

In respect of our return of goods policy, our distributors are asked to conduct quality checks upon receipt of our products and may return defective goods to us if notice of complaint about the defects is given within 15 days. Distributors are deemed to have considered the goods as satisfactory in the absence of such complaint. Where some defects

are not obvious, we may, on a case-by-case basis, allow return of goods from distributors even though the notice of complaint is served outside the 15 days period. Our Directors confirmed that for the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, the value of products returned to us accounted for RMBNil, RMB0.1 million, RMB0.7 million and RMBNil, respectively. The products returned during 2007 and 2008 were returned due to erroneous shipment to distributors.

We also stipulate that if a product is found to be unsatisfactory after purchase, retail customers may return the product to the store where the item was purchased or, provided that the product is still in good and saleable condition, exchange the item for alternative goods. We are not responsible for returned goods from individual retail customers via distributors or sub-distributors, but customers may provide feedback to us via our website and customer hotline.

Production orders and pricing strategy

We hold previews for our new products with our distributors in advance of the sales fairs, at which distributors can preview and evaluate our new products, and we exchange ideas with our distributors about current and future trends of the menswear market in the PRC. We hold sales fairs three times a year to showcase styles for autumn, winter and spring/summer to our existing and potential distributors. Our sales fairs generally take place in March to May for the autumn collection, May to July for the winter collection and August to November for the spring/summer collection. We also invite sub-distributors and retail store managers, who place orders through their respective distributors, to attend the sales fairs. Most of our orders are derived from the sales fairs. During such sales fairs, we seek and obtain feedback on local fashion trends and market demands which allow us to further enhance our product design and merchandising strategy. Our distributors are required under the distributorship agreements to place 70% of orders at our sales fairs, with the remaining 30% as subsequent top-up orders. We believe that the sales resulting from sales fairs allow us to efficiently utilise our production facilities and OEM contractors, respond quickly to market demand and manage our inventory more efficiently.

Although the distributorship agreements do not prohibit the distributors from cancelling orders, as advised by our PRC legal adviser, any purchase order placed by them is legally binding between the distributors and us and we are entitled to sue the distributors under PRC laws for order cancellations. Our distributors did not cancel any orders that they placed with us during the Track Record Period.

During the Track Record Period, the average unit selling price for our apparel was RMB120, RMB120, RMB142 and RMB128, respectively, and the average unit selling price for accessories (including footwear) was RMB15, RMB47, RMB84 and RMB86, respectively.

Starting from March 2008, we began to classify our distributors into four categories, namely tier I, II, III, and IV, according to the size of the cities they operate in, and the mix of directly managed stores and sub-distributors managed stores under their management. Different tiers of distributors will enjoy different wholesale pricing discounts, with tier I distributors enjoying the highest discounts and tier IV distributors the lowest. In the normal

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course of business, the prices that any tier of distributors shall pay for their purchases are determined by reference to the discount rate applicable to their tier and the uniform retail price fixed by us that the end consumer should pay for the product. We review the grading of distributors once a year. Prior to the adoption of this distributor grading system, we granted to all distributors a uniform discount rate for all purchases made.

Distributors are required, and are required to procure their sub-distributors, to adopt a uniform suggested retail price for each product across the PRC market with the exception of certain major cities where a higher retail price may be adopted. In 2008, the suggested retail prices of our products ranged from RMB108 to RMB12,899 for our apparel products and RMB2.5 to RMB2,099 for accessory products (including footwear). In determining the prices of our products, we usually take into account the prevailing market conditions, cost of design, cost of raw materials and production and prices set by competitors for similar items. Distributors and sub-distributors are required to follow our promotion policies adopted from time to time but have discretion, with our prior approval, to determine their own discounted prices to promote products or clear slow-moving or out-of-season items.

Credit policy

Our distributorship agreements provide for delivery of products only when payment is received by us. However, we may grant to our distributors credit periods of 60 days to 180 days depending on the circumstances, such as their credit history, payment pattern and on-going relationship with us. During the Track Record Period, we extended credit terms to all our distributors. Most purchases made by distributors are settled within 90 days from the invoice dates. We closely monitor our trade receivables by reporting results of our monthly analysis to the chief financial officer and the board of directors of our subsidiaries in the PRC. Based on these results, we adjust the relevant credit terms. We periodically review the payment status of our trade receivables and take appropriate measures to collect overdue accounts. We do not have direct contractual relationships with the sub-distributors. As such, we do not extend credit terms to the sub-distributors.

In determining bad and doubtful debt, our management takes into account the credit history and payment pattern of our distributors as well as their on-going relationship with us. For the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, we did not make any provisions for bad and doubtful debts. The policy of making provision for bad and doubtful debts has been consistently applied during the Track Record Period.

Major and related customers

As at 30 June 2009, our customers are our 53 distributors and some end-customers from our directly-operated retail outlet in Jinjiang. Of these distributors, 26 of them (which includes their predecessors) have had an established business relationship with us for more than four years, with the longest period of relationship being 12 years. We believe that our ability to maintain distributors' loyalty is important to our success. For the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009, sales attributable to our top ten customers were RMB320.9 million, RMB569.1 million, RMB602.7 million and RMB303.8 million, respectively. During the same period, sales to our top five customers

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accounted for 55.3%, 42.6%, 34.6% and 34.0%, respectively, of our turnover. Sales to our largest customer accounted for 21.1%, 13.2%, 12.7% and 12.7%, respectively, of our turnover for the same period. The number of retail outlets operated by these top five customers and their respective sub-distributors represents 44.0%, 44.7%, 31.5% and 30.8% of the total number of retail outlets operated by all our distributors and their respective sub-distributors as at 31 December 2006, 2007, 2008 and 30 June 2009.

All of our existing customers are Independent Third Parties and we do not have ownership or management control over our distributors and their sub-distributors. Save for Mr. Hu Cheng Chu and Mr. Pan Rong Bin, two of our Directors, neither our Directors nor any Shareholder or their respective associates who or which to the knowledge of our Directors hold more than 5% of the issued Shares had any interests in any of our customers throughout the Track Record Period. During the period (the “Relevant Period”) from the respective dates of establishment of the seven companies (the “Related Companies”) in which Mr. Hu Cheng Chu and Mr. Pan Rong Bin had equity interests up to the respective dates on which Mr. Hu Cheng Chu and Mr. Pan Rong Bin disposed of their equity interests in the Related Companies to Mr. Zhang Xingfa (an Independent Third Party) and one of our former distributors, Mr. Lin Jintai (being the former deputy supervisor of the CEO office of our Group who had previously worked with our Group for more than ten years) and Mr. Xu Peide (being a staff member of our finance department who had previously worked with our Group for about five years) (the “Relevant Period”), we sold our products to the Related Companies. For the years ended 31 December 2006 and 2007, 21.1% and 30.1% of our turnover was derived from the Related Companies, respectively, and 21.1% and 12.9% of our turnover was derived from these Related Companies, respectively, during the period when Mr. Hu Cheng Chu and Mr. Pan Rong Bin were still beneficial owners of these Related Companies. Our sales to the Related Companies during the year ended 31 December 2007 after Mr. Hu and Mr. Pan disposed their interests in the Related Companies to Mr. Zhang Xingfa, Mr. Lin Jintai and/or Mr. Xu Peide, as the case may be, and the year ended 31 December 2008 and the six months ended 30 June 2009 amounted to RMB152.7 million, RMB234.7 million and RMB125.4 million, respectively, representing 17.2%, 20.7%

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and 20.9% of our total turnover for the years ended 31 December 2007 and 31 December 2008 and the six months ended 30 June 2009, respectively. Certain background information of these Related Companies are set forth below:

Name of the Related Company	Province in which the Related Company operates/ estimated number of staff as at 31 December 2008	Shareholding structure of the Related Companies during the Relevant Period	Shareholding structure of the Related Companies following their disposal	Number of outlets operated by the Related Company and its sub- distributors (% to all our distributors'/sub- distributors' outlets) as at 31 December		Our amount of sales to the Related Company (% to our turnover) during the year ended 31 December during the Relevant Period	
				2006	2007	2006	2007
				RMB'000/ (%)	RMB'000/ (%)	RMB'000/ (%)	RMB'000/ (%)
合肥曉升商貿有限責任公司 (Hefei Xiaosheng Trading Co., Limited) ("Hefei Xiaosheng")	Anhui Province/ 34 staff	60% by Mr. Hu Cheng Chu and 40% by Mr. Pan Rong Bin from August 2006 until they transferred their equity interests in Hefei Xiaosheng to Mr. Zhang Xingfa and Mr. Xu Peide in September 2007 at an aggregate cash consideration of RMB1,000,000, which had been agreed among the parties and determined by reference to the aggregate registered capital contributed by Mr. Hu and Mr. Pan to Hefei Xiaosheng and its estimated value after distribution of all of its then retained profit to the former shareholders.	60% by Mr. Zhang Xingfa and 40% by Mr. Xu Peide	87/ (4.3%)	108/ (4.9%)	14,628/ (3.5%)	37,163/ (4.2%)
杭州曉星貿易有限公司 (Hangzhou Xiaoxing Trading Co., Limited) ("Hangzhou Xiaoxing")	Zhejiang Province/ 20 staff	60% by Mr. Hu Cheng Chu and 40% by Mr. Pan Rong Bin from September 2006 until they transferred their equity interests in Hangzhou Xiaosheng to Mr. Lin Jintai and Mr. Xu Peide in February 2007 at an aggregate cash consideration of RMB500,000, which had been agreed among the parties and determined by reference to the aggregate registered capital contributed by Mr. Hu and Mr. Pan to Hangzhou Xiaosheng and its estimated value after distribution of all of its then retained profit to the former shareholders.	60% by Mr. Lin Jintai and 40% by Mr. Xu Peide	114/ (5.7%)	111/ (5.1%)	17,905/ (4.3%)	4,626/ (0.5%)
長沙曉星服飾貿易有限公司 (Changsha Xiaoxing Apparel Trading Co., Limited) ("Changsha Xiaoxing")	Hunan Province/ 27 staff	45% by Mr. Hu Cheng Chu and 55% by Mr. Pan Rong Bin from July 2006 until they transferred their equity interests in Changsha Xiaosheng to Mr. Xu Peide and Mr. Lin Jintai in August 2007 at an aggregate cash consideration of RMB1,100,000, which had been agreed among the parties and determined by reference to the aggregate registered capital contributed by Mr. Hu and Mr. Pan to Changsha Xiaosheng and its estimated value after distribution of all of its then retained profit to the former shareholders.	55% by Mr. Xu Peide and 45% by Mr. Lin Jintai	61/ (3.0%)	80/ (3.7%)	19,043/ (4.6%)	15,755/ (1.8%)

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Name of the Related Company	Province in which the Related Company operates/ estimated number of staff as at 31 December 2008	Shareholding structure of the Related Companies during the Relevant Period	Shareholding structure of the Related Companies following their disposal	Number of outlets operated by the Related Company and its sub-distributors (% to all our distributors' outlets) as at 31 December		Our amount of sales to the Related Company (% to our turnover) during the year ended 31 December during the Relevant Period	
				2006	2007	2006	2007
				RMB'000/ (%)	RMB'000/ (%)	RMB'000/ (%)	RMB'000/ (%)
鄭州市凱利商貿有限責任公司 (Zhengzhou Kaili Trading Co., Limited) ("Zhengzhou Kaili")	Henan Province/ 24 staff	60% by Mr. Hu Cheng Chu and 40% by Mr. Pan Rong Bin from August 2006 until they transferred their equity interests in Zhengzhou Kaili to Mr. Lin Jintai and Mr. Xu Peide in August 2007 at an aggregate cash consideration of RMB500,000, which had been agreed among the parties and determined by reference to the aggregate registered capital contributed by Mr. Hu and Mr. Pan to Zhengzhou Kaili and its estimated value after distribution of all of its then retained profit to the former shareholders.	65.72% by Mr. Lin Jintai and 34.28% by Mr. Xu Peide	139/ (6.9%)	167/ (7.6%)	16,345/ (3.9%)	27,165/ (3.1%)
貴陽曉星商貿有限公司 (Guiyang Xiaoxing Trading Co., Limited) ("Guiyang Xiaoxing")	Guizhou Province/ 35 staff	40% by Mr. Hu Cheng Chu and 60% by Mr. Pan Rong Bin from August 2006 until they transferred their equity interests in Guiyang Xiaoxing to Mr. Lin Jintai and Mr. Xu Peide in December 2006 at an aggregate cash consideration of RMB500,000, which had been agreed among the parties and determined by reference to the aggregate registered capital contributed by Mr. Hu and Mr. Pan to Guiyang Xiaoxing and its estimated value after distribution of all of its then retained profit to the former shareholders.	60% by Mr. Lin Jintai and 40% by Mr. Xu Peide	45/ (2.2%)	39/ (1.8%)	7,017/ (1.7%)	—/ (0.0%)
長春市恩比商貿有限責任公司 (Changchun Enbi Trading Co., Limited) ("Changchun Enbi")	Jilin Province/ 30 staff	52% by Mr. Hu Cheng Chu and 48% by Mr. Pan Rong Bin from June 2006 until they transferred their equity interests in Changchun Enbi to Mr. Lin Jintai and Mr. Xu Peide in June 2007 at an aggregate cash consideration of RMB500,000, which had been agreed among the parties and determined by reference to the aggregate registered capital contributed by Mr. Hu and Mr. Pan to Changchun Enbi and its estimated value after distribution of all of its then retained profit to the former shareholders.	52% by Mr. Lin Jintai and 48% by Mr. Xu Peide	76/ (3.8%)	70/ (3.2%)	7,182/ (1.7%)	10,017/ (1.1%)

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Name of the Related Company	Province in which the Related Company operates/ estimated number of staff as at 31 December 2008	Shareholding structure of the Related Companies during the Relevant Period	Shareholding structure of the Related Companies following their disposal	Number of outlets operated by the Related Company and its sub- distributors (% to all our distributors'/sub- distributors' outlets) as at 31 December		Our amount of sales to the Related Company (% to our turnover) during the year ended 31 December during the Relevant Period	
				2006	2007	2006	2007
				RMB'000/ (%)	RMB'000/ (%)	RMB'000/ (%)	RMB'000/ (%)
西安市閩星商貿有限責任公司 (Xian Minxing Trading Co., Limited) ("Xian Minxing")	Shaanxi Province/ 30 staff	60% by Mr. Hu Cheng Chu and 40% by Mr. Pan Rong Bin from September 2006 until they transferred their equity interests in Xian Minxing to Mr. Zhang Xingfa and Mr. Xu Peide in September 2007 at an aggregate cash consideration of RMB500,000, which had been agreed among the parties and determined by reference to the aggregate registered capital contributed by Mr. Hu and Mr. Pan to Xian Minxing and its estimated value after distribution of all of its then retained profit to the former shareholders.	60% by Mr. Zhang Xingfa and 40% by Mr. Xu Peide	59/ (2.9%)	77/ (3.5%)	6,039/ (1.4%)	19,432/ (2.2%)
Total:						88,159/ (21.1%)	114,158/ (12.9%)

Mr. Hu and Mr. Pan believed that the sales made by the distributors operating in the above provinces had the potential to grow rapidly. As such, in order to enhance our sales performance in the provinces in which the Related Companies operated, Mr. Pan and Mr. Hu established the Related Companies in 2006 and took over the distributorships of our Group's products from seven former distributors in these provinces, who were Independent Third Parties. These Related Companies had been established by Mr. Pan and Mr. Hu with their own resources and neither our Group nor any of the Directors (other than Mr. Pan and Mr. Hu) and their respective associates had provided any funding or other support for the establishment of these Related Companies. Leveraging Mr. Pan's extensive experience in retail and sales in the menswear industry in the PRC, the number of retail outlets in, and the sales attributable to, these provinces have increased since the takeover of the distributorships in these provinces by these Related Companies.

In or around the end of 2006, we started planning for the Listing and proposed to promote Mr. Hu and Mr. Pan to executive directorships for their contributions to the business operations and development of our Group. In order to avoid any potential conflict of interests and to ensure that future transactions with our customers (including the Related Companies) would continue to be entered into on arm's length basis without being influenced by Mr. Hu or Mr. Pan, Mr. Hu and Mr. Pan were requested to dispose of their interests in the Related Companies. As there was no liquid market for the sale of brand distributors and there were limited potential buyers specifically familiar with the brand control and distributorship of our products, they disposed of their respective interests in the Related Companies to Mr. Zhang Xingfa, Mr. Lin Jintai and Mr. Xu Peide, who had their own financial resources to acquire these equity interests and, Mr. Lin Jintai and Mr. Xu Peide, were familiar with our Group's products and our operations. From our perspective, the past relationship of Mr. Lin Jintai and Mr. Xu Peide with the Group helped us in verifying the suitability and credit-worthiness of Mr. Lin Jintai and Mr. Xu Peide to continue to act as our distributors and customers after they acquired the Related

Companies. None of our Group, our Directors or any of their respective associates had provided any funding or support to these purchasers for their acquisitions of these equity interests.

The Related Companies have their own offices and warehouses for their operations and none of them uses any operational facilities of our Group. Having taken over the management team and staff of the Related Companies and with the support of the supply chain management and inventory control system previously established by Mr. Hu and Mr. Pan, and with the credit terms generally offered by us to our customers, so far as the Directors are aware of, the operational capital and the additional managerial and operational support required by these Related Companies after the disposal by Mr. Pan and Mr. Hu of their respective interests in the Related Companies is not significant and the Related Companies are able to operate independently and finance their operation and purchases out of purchase price received from their sub-distributors, retail shops and their internal generated cashflow. Save for the support we provide to our distributors pursuant to the distributorship agreements, neither our Group nor any of the Directors have provided any funding or other support for management or operation of these Related Companies after the disposals thereof by Mr. Pan and Mr. Hu. Save for Mr. Hu and Mr. Pan who had managed the Related Companies during the Relevant Period, none of our Directors and, so far as the Directors are aware of, none of the senior management, and/or their associates have participated in the management and operation of the Related Companies during the Track Record Period and up to the Latest Practicable Date. Our sales to the Related Companies have been and will be made on arm's length basis and on normal commercial terms.

MARKETING AND PROMOTION

Active marketing and promotion of our brand has been pivotal in strengthening the LILANZ brand name and image in the PRC. Our award-winning advertising focuses on an overall brand image that portrays a “simple yet sophisticated” lifestyle. We aim to generate interest and recognition not only among retail customers, but also among distributors, salespersons and the media. We select our promotional strategies with an eye towards efficiently reaching our target audience.

Advertising

Our national advertising focuses on building the LILANZ brand. We primarily promote our brand image and generate consumer attention through national television advertising, a promotional channel which we believe is critical to reaching our target audience. Our award-winning television advertisements, which are in short film format, showcase our latest menswear collection at unconventional locations. We believe these advertisements allow us to convey the uniqueness of our brand and create a consistently high-profile brand image. Since 2002, we have engaged the well-known PRC actor Mr. Chen Dao Ming (陳道明) to be our brand spokesperson. We believe that Mr. Chen Dao Ming (陳道明) epitomises the “simple yet sophisticated” lifestyle philosophy that LILANZ

represents. In our efforts to promote our brand and appeal to a broader audience, we also appointed Mr. Daniel Wu (吳彥祖) as our brand spokesperson in August 2009 in addition to Mr. Chen Dao Ming (陳道明).

To maintain a consistently high-profile market presence, we also promote our LILANZ brand through advertisements in fashion magazines, on billboards and in newspapers. We believe that these methods help to reinforce our television advertising, extend our coverage in the press media and further create the sense of a LILANZ lifestyle among our target consumers.

As part of our marketing strategy, we sponsored a number of marketing events, including one of the largest international men's top model competitions "Manhunt International 2006" held in the PRC, during which our menswear were showcased. In 2008, we sponsored an episode of the reality television series "Win in China", whereby contestants competed in a series of business tasks and we were one of the target clients in the show. We also sponsored the broadcast of a forum "Business can change China — today's retail industry and its trend of development in China" during which advertisements were placed. We believe that our sponsorship at these kinds of events enhances the visibility of the LILANZ brand and further connects the LILANZ brand with our intended market segment.

We also support our distributors' efforts to advertise our products on a regional and local basis on regional television, billboards and other media by providing ready-to-use and free of charge promotional pamphlets and marketing materials to our distributors and assisting them in developing regional marketing strategies. Most regional and local marketing activities require our approval. Individual distributors, and not us, are responsible for the costs associated with regional and local advertising. We believe that regional and local advertising by distributors complements our national marketing activities and contributes to strong sales growth.

Fashion shows

To promote our brand among fashion industry leaders, we have for a number of years participated in domestic fashion shows. Recently, we began to participate in international fashion shows. In 2007, following an application in which we were requested to show that we have a well-established distribution network in the PRC and that our chief designer has a positive reputation within the fashion industry, we became the first and the only Chinese menswear brand to participate in the "Milan Menswear Show" (Milano Moda Uomo), one of the major international fashion shows for menswear organised by The National Chamber for Italian Fashion (Camera Nazionale della Moda Italiana) held semiannually in Italy. During the show, we presented our autumn and winter menswear collections, highlighting those designs that infuse distinctly Chinese elements into modern Western fashion. Our designs received positive reviews from the media. In 2008, we participated in the "Japan Fashion Week in Tokyo" during which we presented our spring/summer menswear collection. We also participated in a fashion show in Taiwan and various press events in France and Korea to promote our brand and products at international levels.

We believe that the media and industry exposure we receive from fashion shows, in particular, the international exposure from the Milan show, brings prestige to our brand and creates cache for our brand among fashion critics in the PRC. This, we believe, translates into broader and more positive media coverage in the PRC and thereby enhances the LILANZ brand image.

Management of promotional activities

Our marketing team handles our national promotional activities — nationwide advertising on television, placements in magazines and newspapers, the internet, and product placement in catalogues. The team also oversees the regional promotional activities of our distributors to ensure that they are in line with our uniform standards. During the Track Record Period, our advertising and promotional expenses accounted for RMB30.5 million, RMB88.0 million, RMB127.4 million and RMB43.8 million, respectively, representing 7.3%, 9.9%, 11.2% and 7.3%, respectively, of our turnover.

DESIGN AND PRODUCT DEVELOPMENT

We believe that design is essential to our success. We define ourselves by creating simple, sophisticated menswear with quality tailoring. Through emphasis on what we believe are innovative designs, we aim to become a fashion trend-setter in the business casual menswear market within the PRC. We believe that our products portray a “simple yet sophisticated” lifestyle and are well-positioned to cater to consumers’ demands as demonstrated by our rapid sales growth.

All of our products are designed by our in-house design and product development team led by Mr. Ji Wen Bo. In 1997, Mr. Ji Wen Bo was named one of the PRC’s ten great fashion designers by the China Fashion Association. He has also been recognised by the organising committee of the China Fashion Week as the nation’s top menswear designer in 2001, 2002 and 2003, by Fashion China Magazine as “2004 Fashion Person of the Year”, and by the China Fashion Association with its “Golden Award” in 2004.

Our design and product development team conceptualises each season’s collection through an interactive process, taking into account our brand strategy, drawing inspirations from domestic and international fashion trends and collaborating with both our suppliers and distributors to fine-tune our designs. In particular, we collaborate with our suppliers to develop a variety of materials and fabrics in our products. In addition, we involve our distributors in our product selection process to take advantage of their market intelligence, which helps us to adapt to the constantly changing consumer trends of our local markets. Our designers also attend various domestic and international trade exhibitions to keep themselves abreast of the latest fashion trends.

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As at the Latest Practicable Date, our design and product development team comprised 114 members, five of whom have received design awards in the PRC. We believe that our design and product development team is innovative and passionate and that the individual experience of each of our designers helps us to bring new and exciting products to our customers. On average, we bring approximately 380 products to market each season.

In February 2009, we established a new product development centre in Shanghai for product design and market research and analysis. As at 30 June 2009, a design and product development team of four members with various exposure to the fashion industry was stationed in this new centre in Shanghai. This Shanghai-based design and product development team works closely with our Jinjiang-based design and product development team under the supervision of Mr. Ji Wen Bo. The Directors believe that this centre should help us to strengthen our product design capabilities, gauge market trends and compete more effectively against our competitors.

To further strengthen our design and product development capabilities, we are planning to establish a new design and product development studio in Xiamen, Fujian to attract and cultivate young designers from major design institutes by providing on-the-job experience. We intend to utilise part of the funding raised in the Global Offering to establish our design and product development studio, which is expected to be completed by the end of 2010.

PRODUCTION

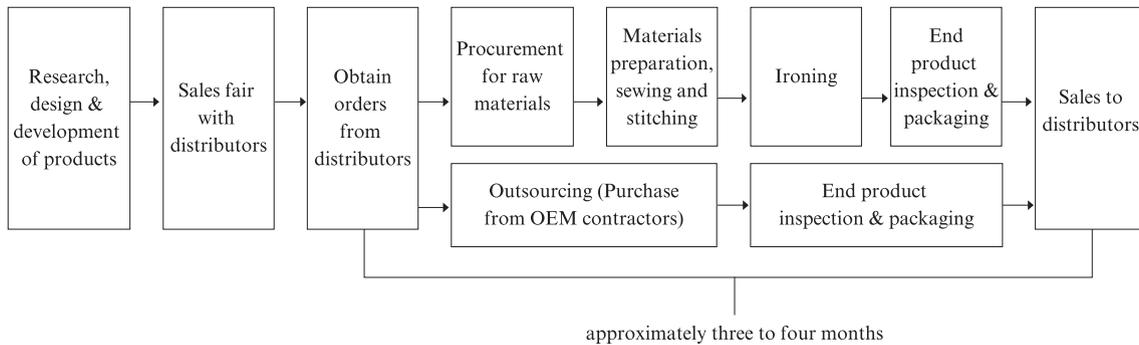
We manufacture a portion of our apparel, including our suits, jackets, shirts and trousers, in our production facilities located in Jinjiang, Longyan and Xiamen, Fujian, which has a gross floor area of approximately 34,962 sq.m. As at the Latest Practicable Date, more than 2,534 production staff worked on over 3,064 tailoring machines in 70 production lines in our production facilities. For the years ended 31 December 2006, 2007 and 2008, and the six months ended 30 June 2009, our aggregate production volume amounted to approximately 1,887,300, 2,999,900, 4,077,628 and 1,056,870 pieces of apparel, respectively. The average utilisation rate of our production facilities had reached approximately 90.6%, 86.2%, 88.8% and 75.3%, respectively, for the same periods. Such utilisation rate is calculated by taking our actual production volume for a particular period divided by the maximum annual production capacity during that particular period. In the event that there is increasing demand for our products, we can expand production capacity by increasing the number of production lines at our current production facilities and constructing new production lines in another parcel of land in Xiamen, Fujian upon the obtaining of the certificates for the construction-in-progress as discussed in the section headed “Business — Properties and facilities”. We believe that in-house production allows us to have better control over our proprietary designs while also balancing efficiency and flexibility in meeting orders and time schedules.

Upon completion of product planning, design and development processes, we produce product samples to showcase at our seasonal sales fairs for our distributors. We obtain and confirm orders from our distributors at the sales fairs and place orders thereafter with raw

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material suppliers or OEM contractors. For products manufactured at our own production facilities and OEM products, end-products will be delivered to our distributors after final quality control inspection. The distributors cannot cancel or reduce the orders placed during the sales fairs.

The following diagram illustrates our production flow:



Raw materials

The principal raw materials used in our products are cotton, wool, polyester and blended fabrics. We currently obtain our raw materials from approximately 330 domestic suppliers. Based on orders received at our seasonal sales fairs, we place orders with suppliers for raw materials. For commonly used raw materials, we typically purchase adequate quantities in anticipation of future needs. We normally make arrangements with our suppliers to deliver the materials only when we so request.

Most of our top ten raw material suppliers have had an established business relationship with us for more than two years. We enter into contracts with suppliers on an annual basis, and each of the suppliers is subject to an annual evaluation of product quality and timely delivery. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our top five raw material suppliers collectively accounted for 23.7%, 14.8%, 16.8% and 23.4%, respectively, of our total purchase of raw materials. Our largest raw material supplier accounted for 5.8%, 3.5%, 4.6% and 7.8%, respectively, of our total purchase of raw materials for the same periods. All of the five largest raw material suppliers are Independent Third Parties and none of the Directors, or their respective associates, or any Shareholder (who or which to the knowledge of the Directors) holding more than 5% of the issued Shares had any interests in any of these five largest raw material suppliers throughout the Track Record Period.

We have not encountered any material disruption to our business as a result of a shortage of raw materials, and we have not experienced and do not envisage that we will experience any material difficulties in sourcing raw materials for our requirements. We believe that our ability to maintain a stable relationship with suppliers is important to our success.

Outsourcing

We outsource to external OEM contractors the production of our accessories, products that require special production capabilities, such as leather goods, and certain of our apparel products, especially those that we believe require less special skills and involve less proprietary designs, such as certain sweaters, trousers, T-shirts and some of the suits. All of our OEM products are manufactured under the brand name of LILANZ. We believe that our outsourcing arrangements optimise our production flow and allow us to leverage the expertise and resources of OEM contractors. We also believe that outsourcing arrangements are helpful in responding to tight schedules, especially during peak production seasons.

We engage over 200 OEM contractors and most of our top ten OEM contractors have had established business relationships with us for more than one year. We assess each OEM contractor annually on its product quality, production cost and timely product delivery. We are not aware of any violation by our OEM contractors of material laws and regulations applicable to them.

We enter into short-term agreements with OEM contractors periodically which set out terms such as product details, agreed price, purchase quantity and delivery terms. The OEM contractors can request advanced deposits of up to 30% of the purchase price on a case by case basis. We then pay the remaining balance of the agreed price (less deposits paid where applicable) to OEM contractors in accordance with the terms under the respective agreements we enter into with OEM contractors. We may use multiple OEM contractors for any given product and are not bound to place any minimum order with any contractor. We have not encountered any material disruption to our business as a result of failure to obtain OEM-supplied products. We have not experienced and do not envisage that we will experience any material difficulties in obtaining the required OEM-supplied products.

For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, purchases from our top five OEM contractors accounted for 46.2%, 22.7%, 20.7% and 25.4%, respectively, of our total purchase of OEM products. Purchase from our largest OEM contractor accounted for 13.6%, 7.1%, 5.3% and 8.1%, respectively, of our total purchase of OEM products for the same periods. The Directors confirmed that all of the OEM contractors are Independent Third Parties and none of the Directors, or their respective associates, or any Shareholder (who or which to the knowledge of the Directors) holding more than 5% of the issued Shares had any interests in any of these five largest OEM contractors throughout the Track Record Period.

In addition, starting in 2007, we subcontracted certain production processes of a small portion of our products to other manufacturers, and we incurred a subcontracting expense of RMB1.6 million, RMB13.6 million, RMB3.3 million and RMB5.8 million in 2007, 2008 and the six months ended 30 June 2008 and 2009. Unlike OEM purchases, we provide raw materials to the sub-contactors for the production of these products. We believe that these sub-contracting arrangements allow us to leverage the expertise and resources of these sub-contactors and provide us with more flexibility in responding to tight schedules, while at the same time enabling us to control the quality of the raw materials used as well as certain key production processes of these products.

Quality control

We place considerable emphasis on product quality and have an established quality control system. We obtained the ISO 9001:2000 certification for our design and production processes for clothing with a term of three years commencing from March 2007. This certification is evidence that our quality control management system meets international standards. We also received “Certificate for Product Exemption from Quality Surveillance Inspection” (產品質量免檢證書) certifications with a term of three years commencing from December 2006.

As at the Latest Practicable Date, we have a team of 74 staff members in our quality control department. Our quality control team monitors each stage of the production process. Raw materials and ancillary component suppliers must pass our quality control as well as certain national health, safety and environmental standards. We conduct testing on raw materials and other components to detect defects at our own quality control centre. Those that fail to meet our standards may be returned to the suppliers for replacement. Our quality control team carries out tests on sample products for design defects and suitability of materials. During production, we carry out inspections at important stages of our production process to ensure that our standards are met, including a final inspection on finished products to ensure that the goods comply with our specifications and are free from major defects.

The team also carries out quality control on OEM products. We conduct on-site inspections on our OEM contractors before we enter into a business relationship with them. We provide technical training to OEM contractors to assist them with quality control of the production process. We also inspect finished products produced by OEM contractors.

INVENTORY CONTROL

We recognise that controlling the level of inventory is important to overall profitability. We generally plan purchases of raw materials and OEM products after each of our three seasonal sales fairs, where we confirm sales orders with our distributors. Sales orders from such sales fairs and top-up orders enable us to manage our inventory of raw materials and finished products more efficiently. We also have a stocktake sale annually to clear unsold products where employees and their families and friends are invited to attend and purchase our products at reduced prices. Our Directors confirmed that turnover derived from the annual stocktake sale accounted for less than 1.4% of the total turnover for the years ended 2006, 2007 and 2008 and the six months ended 30 June 2009. For the above reasons, we have a low inventory level of unused raw materials and unsold or obsolete finished products at the end of the year.

We have implemented a computerised inventory control system to keep track of inventory levels. It is our policy to review the obsolescence of inventories once every year based on the expected future saleability and the age of the inventories. We also carry out physical stock counts from time to time to identify obsolete or damaged goods. For obsolete, unused or damaged goods or raw materials, specific provision will be made on an item of inventory if the carrying amount is lower than the net realisable value, and such policy has been consistently applied by us throughout the Track Record Period. For the

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years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, provisions for obsolete or slow-moving raw materials were RMB0.6 million, RMB0.2 million, RMB0.2 million and RMB0.2 million, respectively, and provisions for finished goods were RMB0.8 million, RMB0.2 million, RMB0.5 million and RMB0.3 million, respectively.

As at the Latest Practicable Date, we had two warehouses in the Wuli Industrial Park. We have obtained the land use rights certificate and the relevant building ownership certificates in respect of these warehouses situated on the land.

AWARDS AND RECOGNITION

We have received over 100 awards and recognitions. A selection of these awards and recognitions received during the Track Record Period and up to the Latest Practicable Date are set out below:

<u>Year</u>	<u>Award/Recognition</u>
2009	The Planning Award of “2007–2008 China Apparel Brands Annual Awards” (「2007–2008中國服裝品牌年度大獎」策劃大獎) by the China National Garment Association (中國服裝協會) (for the 利郎 brand)
	2009 Top 10 Most Influential and Famous Apparel Brands in Asia (2009亞洲服裝最具影響力十大馳名品牌) by Asia Fashion Association (亞洲服裝協會), International Famous Brand Research Laboratory (國際知名品牌研究實驗室), China Textile and Apparel Brand Industry Enterprises Federation (中國紡織服裝品牌企業聯合會), China Enterprises Development Researching Association (中國企業發展研究會) and China Apparel Top 10 Index Research Centre (中國服裝TOP 10指數研究中心) (for the “利郎 LILANZ” brand)
	“National Brand” for the 60th national anniversary (建國60周年「國家名片」) by the China Brand Research Institute (中國品牌研究院)
2008	The Most Influential Fashion Brand of Garment (最具時尚影響力服裝名品) by China Textile News (中國紡織報社)
	China’s Best Small & Medium-sized Enterprises (2008中國潛力企業) by Forbes China (福布斯中文版)
2007	Star Enterprise with Industrial Output Value over \$500 Million in 2006 (2006年度工業產值新超5億元明星企業) by the CPC Jinjiang Municipal Committee and the People’s Government of Jinjiang Municipality (中共晉江市委晉江市人民政府)
	China’s Best Small & Medium-sized Enterprises (2007中國潛力企業) by Forbes China (福布斯中文版)
	China Well-known Trademark for clothing by the Trademark Review and Adjudication Board (for the “利郎 LILANG” trademark)

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<u>Year</u>	<u>Award/Recognition</u>
	Enterprise with High Industrial and Commercial Credibility for Year 2004–2006 (2004–2006年度工商信用良好企業) by the CPC Jinjiang Municipal Committee and the People’s Government of Jinjiang Municipality (中共晉江市委晉江市人民政府)
	Fujian Enterprise with Good Compliance with Contracts and High Credibility for Year 2005–2006 (2005–2006年度「福建省守合同重信用企業」) by Fujian Administration for Industry and Commerce (福建省工商行政管理局)
	Designated Supplier for the PRC Famous Supreme Product (中華名特優產品指定供貨單位) by the Retails and Supplies Committee in China General Chamber of Commerce (中國商業聯合會零售供貨商專業委員會) and China Business Development Centre (中國商業發展中心)
2006	Fujian Business with Advanced Quality Management (2005 年福建省質量管理先進單位) by Fujian Quality Supervision Bureau (福建省質量監督局)
	Top 300 Fujian Enterprise, Top 10 Leading Sectors in Fujian Industry, Top 300 Most Competitive Fujian Enterprises and Top 300 Fujian Privately-owned Enterprises (福建工業300強、福建工業主要行業前十強、福建工業競爭力300強、福建民營企業300強) by the Fujian Enterprise Assessment Centre and Fujian Enterprise Assessment Association (福建省企業評價中心、福建省企業評價協會)
	Fujian Famous Brand Product (福建名牌產品稱號) by the Fujian Provincial People’s Government (福建省人民政府)
	Top 300 Domestic Market Share of Fujian Enterprises (福建企業國內市場佔有率300強) by Fujian Enterprise Market Share Assessment Association and Fujian Enterprise Information Centre (福建省企業市場佔有評委會、福建省企業信息中心)
	Top 50 Domestic Market share of Fujian Textile Apparels, Shoes, Hats Manufacturing Enterprises (福建紡織服裝、鞋、帽製造業企業國內市場佔有率50強) by Fujian Enterprise Market Share Assessment Association and Fujian Enterprise Information Centre (福建省企業市場佔有評委會、福建省企業信息中心)

COMPETITION

We compete in the PRC with an increasing number of local and international players. International brands traditionally dominate the high-end market, but local brands have advantages in price and sales network and are increasingly competitive in mid- to high-end markets. We believe that we compete on the basis of brand image, design, product mix, quality, price, customer service and the breadth of our retail network. Our competitors include those menswear brands which target second and lower tier cities, and our major

competitors include, among others, Septwolves, Firs, Baoxiniao. We believe that the intense competition in the PRC menswear industry will continue in the future. See “Risk factors — Risks Relating to Our Industry — We face intense competition” and “Industry Overview”.

EMPLOYMENT

We place great emphasis on recruiting quality personnel. We recruit talent from universities and technical schools and provide on-going training and development opportunities to our staff members. Our training programmes cover topics such as sales and production, customer service, quality control, sales fairs planning and pre-employment training. We have also provided training on fire protection, workplace ethics and other areas relevant to the industry. In 2006, we sent our Directors, senior management and some other employees to participate in management training courses at Tsinghua University in Beijing. We believe that staff training plays an important role in recruiting and retaining talent and enhancing employee loyalty. Our employment benefits also include housing at our production sites to employees who meet certain criteria.

During the Track Record Period, our PRC subsidiaries made contributions to social security insurance funds (including pension insurance, unemployment insurance, medical insurance, work-related injuries insurance and maternity insurance) and housing provident funds.

Due to the relatively high mobility of our workers, especially the migrant workers of Lilang Fujian and Lilang China, and given the different levels of development in social benefits in different parts of the PRC, it is in practice difficult to develop a comprehensive system to properly administer social security contributions for all of the employees of Lilang Fujian and Lilang China. As a result, the percentage of the social security contribution (which is calculated by comparing the amount of contributions made and our actual total staff cost) of Lilang China and Lilang Fujian ranged from 0.67% to 10.82% of the total wages. Although these percentages are lower than the rate of 29.2% (which comprises contributions to (i) pension insurance at the rate of 18%; (ii) medical insurance at the rate of 7.5%; (iii) unemployment insurance at the rate of 2%; (iv) work-related injuries insurance at the rate of 1%; and (v) maternity insurance at the rate of 0.7%) as required by national laws and regulations, the authority confirmed on 15 July 2008 that Lilang Fujian and Lilang China had made all requisite contributions to the social security insurance funds in a timely manner, and that the existing number of employees involved, the contribution basis and the percentage of contribution are in compliance with the local regulations. The authority also confirmed on 17 July 2009 that Lilang Fujian and Lilang China had made all requisite contributions to the social security funds in a timely manner and confirmed again on 10 August 2009 that Lilang China and Lilang Fujian had made all requisite contributions to the social security funds in a timely manner up to 30 June 2009 and that Lilang China and Lilang Fujian will not be required to pay any outstanding contributions regarding the social security. As advised by our PRC legal adviser, Jinjiang Labour and Social Security Bureau has the requisite power and authority to give the above confirmations.

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During the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, we paid social security contributions of RMB0.3 million, RMB0.6 million, RMB1.8 million and RMB0.9 million, respectively. If the contributions had been paid based on relevant national laws and regulations, we estimate that we would have had to pay social security contributions of approximately RMB3.7 million, RMB13.5 million, RMB18.8 million and RMB7.1 million for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, respectively. As advised by our PRC legal adviser, since Lilang Fujian and Lilang China have not fully complied with the national laws and regulations in respect of the payment of social security contributions for all their employees, Lilang Fujian and Lilang China may be ordered by the relevant social insurance bureaus to pay the outstanding contributions within a prescribed time limit, and a late charge at the daily rate of 0.2% on the outstanding contributions may be imposed if such payment is not made within the prescribed time limit. Each handling officer may also be imposed of a fine up to RMB20,000. Nevertheless, our PRC legal adviser are of the opinion that since the social security authority in Jinjiang has confirmed on 15 July 2008, 17 July 2009 and 10 August 2009, among others, that Lilang Fujian and Lilang China had made all requisite contributions to the social security funds in a timely manner, there is minimal risk that Lilang Fujian and Lilang China will be penalised or requested by the relevant administration authority to make further contributions to the social security insurance funds. We have contacted Jinjiang Labour and Social Security Bureau, being the supervising authority of Lilang Fujian and Lilang China in relation to the social security insurance contribution, in connection with the outstanding contribution, but we have not been ordered by the relevant social insurance bureaus to pay any of the outstanding contribution during the Track Record Period and up to the Latest Practicable Date.

Although Jinjiang Labour and Social Security Bureau has acknowledged the above social security contribution rate, provisions of retirement benefits contributions of RMB2.2 million, RMB8.2 million, RMB10.5 million and RMB3.8 million have been accrued in the consolidated financial statements for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, which were based on 18% of salaries to employees who joined our Group during the Track Record Period and remained in service with our Group at 30 June 2009. We have not taken into account the social security contributions in respect of employees who left our Group before 30 June 2009, as we concur with our PRC legal adviser's view that there is minimal risk that Lilang Fujian and Lilang China will be penalised or requested by the relevant administration authority to make further contributions to the social security insurance funds, in particular in respect of those employees who already left our Group before 30 June 2009. Our Controlling Shareholders have also agreed to indemnify our Group in respect of any claims, damages, losses, costs, expenses, actions and proceedings arising out of or in connection with any non-compliance or alleged non-compliance by our Group with any applicable PRC laws and regulations in relation to our Group's contributions to social security insurance funds in the PRC, details of which are set out in "Appendix VI — Statutory and General Information — Other Information — Estate duty, tax and other indemnities" to this prospectus. See also "Risk Factors — Risks Relating to Our Business — We may be requested to make up any unpaid contribution to the social security insurance during the Track Record Period".

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We have adopted additional administrative efforts and procedures to ensure that social security insurance contributions will be made in compliance with the relevant laws and regulations in the future. In particular, we appointed a designated officer in June 2008, who is responsible for the management of the social security insurance contributions by our Group. The designated officer has the requisite knowledge of the legal and regulatory requirements for complying with the social security insurance contributions, and has more than three years of experience in the administration of related work. She is responsible for consolidating the list of eligible employees for participation in the relevant social insurance schemes, verifying the list with each department head and the head of the human resources department of our Group and arranging for timely contributions to the relevant social insurance funds. She is also responsible for providing briefings to our employees as to the national and local legal requirements on social security insurance to assist them in understanding the requirements and procedures involved.

Our Company has adopted the Pre-IPO Share Option Scheme and has granted options to 76 of the senior management and employees of our Group under the Pre-IPO Share Option Scheme. An aggregate of 9,611,100 Shares at 80% of the final Offer Price have been granted by us under the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme and the grant of these options is to recognise and reward the contribution of these senior management and employees of our Group to the growth and development of our Group and the listing of the Shares on the Main Board of the Stock Exchange. Details of the Pre-IPO Share Option Scheme and the options granted thereunder are set out in “Appendix VI — Statutory and General Information — Other Information — Pre-IPO Share Option Scheme” to this prospectus.

Our Company has also conditionally adopted the Share Option Scheme under which, among others, certain directors and employees of our Group may be granted options to subscribe for Shares (initially not exceeding 10% of the number of Shares in issue as at the Listing Date). A summary of the principal terms of the Share Option Scheme which is set out in “Appendix VI — Statutory and General Information — Other Information — Share Option Scheme” to this prospectus.

We maintain satisfactory working relationships with our employees and have not experienced any significant problems with our employees or disruption to our operation due to labour disputes, staff retention problems or recruitment difficulties, nor have we experienced any difficulties in the recruitment and retention of experienced staff. There is a labour union representing the employees. We believe that we maintain satisfactory working relationships with the labour union. There have never been any disputes.

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As at the Latest Practicable Date, we employed 3,251 full-time employees. The following table shows a breakdown of our employees by department as at that date:

	<u>Total number of employees</u>
Management and administration	184
Finance and accounting.	42
Sales and marketing	172
Design and product development	114
Quality control.	74
Production.	<u>2,665</u>
TOTAL	<u><u>3,251</u></u>

The PRC Labour Contract Law was adopted by the Standing Committee of the National People's Congress of PRC on 29 June 2007 and became effective on 1 January 2008. Under the PRC Labour Contract Law: (i) an employer shall make monetary compensation, which shall be based on the number of an employee's working years with the employer at the rate of one month's wage for each year, to the employee upon termination of the employment contract with certain exceptions (for example, in the circumstances where the term of a fixed-term employment contract expires and the employee does not agree to renew the contract even though the conditions offered by the employer are the same as or better than those stipulated in the current contract); (ii) the wages of an employee on probation may not be less than the lowest wage level for the same job with the employer or less than 80% of the wage agreed upon in the employment contract, and may not be less than the local minimum wage rate; (iii) if an employee has been working for the employer for a consecutive period of not less than 10 years, or if a fixed-term employment contract with an employee was entered into on two consecutive occasions, generally the employer shall enter into an open-ended employment with such employee, unless the employee requests a fixed-term employment contract; (iv) if an employer fails, in violation of the related provisions, to enter into an open-ended employment contract with an employee, it shall pay to the employee twice his wage each month, starting from the date on which an open-ended employment contract should have been entered into; (v) if an employer fails to enter into a written employment contract with an employee more than one month but less than one year after the date on which it started using him, it shall each month pay to the employee twice his wage; and (vi) if an employer hires an employee whose employment contract with another employer has not yet been terminated or ended, causing the other employer to suffer a loss, it shall be jointly and severally liable with the employee for the compensation for such loss. Our labour costs may increase due to the implementation of the new PRC Labour Contract Law.

INTELLECTUAL PROPERTY RIGHTS

We have over 80 trademark registrations in the PRC, Hong Kong, Macau, Taiwan and over 70 other countries. In addition, we use a number of trademarks, trade names, service marks, copyrights and domain names in connection with our business, see “Appendix VI — Statutory and General Information — Further information about the business of our Company — Our intellectual property rights”.

We take the following steps to protect and prevent infringement of our intellectual property rights:

- produce in-house products with proprietary designs to minimise counterfeit products;
- obtain various intellectual property registrations; and
- prohibit our distributors and sub-distributors from selling counterfeit products and require them to report instances of counterfeit products in the market.

We have encountered instances of counterfeit products sold in certain locations in the PRC market. None of these instances, however, was materially significant to the business and operations of our Group. When such counterfeit products are encountered, our distributors have reported the instances to the appropriate authorities for them to take appropriate administrative actions against the infringing parties.

In February 2009, we commenced a trademark infringement claim against an Independent Third Party for infringing our intellectual property rights by using a number of trademarks similar to those owned by us. As a result of the court findings, the defendant was ordered to, among other things, cease using the infringing marks and pay compensation to us. Pursuant to a settlement agreement subsequently entered into between the parties, it was agreed, among other things, that compensation of RMB45,000 in respect of this trademark infringement claim and the claim under the Anti-Unfair Competition Law of the PRC as discussed in the sub-section “Business — Legal proceedings” be paid to us.

Save as disclosed above, our Group has not been involved in any material intellectual property rights infringement claims or litigation during the Track Record Period.

PROPERTY AND FACILITIES**Owned properties**

We own a parcel of land located in the Wuli Industrial Park in Jinjiang City, Fujian Province, with an aggregate site area of approximately 85,267 sq.m. and ten buildings erected on such land with an aggregate gross floor area of approximately 81,597 sq.m. The land was acquired in April 2008 after a series of negotiations with the local government of Jinjiang to acquire the land.

The total amount of the land costs for the Wuli Industrial Park were RMB26.4 million, including a farmland occupational tax of RMB3.9 million. A deed tax of RMB0.8 million was imposed by the relevant authority. We paid all the relevant costs by 11 April 2008 and obtained the land use right certificate in respect of the land on 14 April 2008. We also obtained the building ownership certificate in respect of the buildings erected thereon on 8 May 2009.

We commenced the construction of the buildings at Wuli Industrial Park in October 2006. However, due to the time required by the local government in converting the use of the land and complying with the requisite procedures for removal, renovation and tender for auction of the land, we were only able to complete the acquisition of the land in April 2008.

We started to commence production at the Wuli Industrial Park in early 2008. As advised by our legal adviser as to PRC laws, we should have obtained the land use rights certificates as well as the required construction permits, namely Planning Permit for Using Construction Usage Land (建設用地規劃許可證), Construction Planning Permit (建設工程規劃許可證) and Permit to Commence Construction (建築工程施工許可證) before we commenced the construction of these buildings, and should have used these buildings only after completion of the inspection procedures in respect of the construction and acceptance of the quality thereof by the competent governmental authority in the PRC. As advised by our PRC legal adviser, under the prevailing PRC laws, the relevant land administrative authority may impose a fine of up to RMB30 per sq.m. of the land for any illegal occupation thereof, and may evict the illegal occupant and confiscate the buildings erected thereon. The relevant planning authority may order us to stop construction on the site within a prescribed time limit, and impose a fine of up to 10% of the construction cost in respect of the failure to obtain the Construction Planning Permit before commencing construction; the relevant construction administrative authority may order us to stop construction within a prescribed time limit, and impose a fine of up to 2% of the fees payable under the relevant construction contract in respect of the failure to obtain the Permit to Commence Construction before commencing construction; and the relevant construction administrative authority may order us to rectify the situation and impose a fine of up to 4% of the fees payable under the relevant construction contract for occupying the buildings before completion of inspection procedures.

As confirmed by the Planning, Construction and Building Bureau of Jinjiang in a written confirmation letter, our buildings at the Wuli Industrial Park comply with the construction and engineering planning, exploration, design, implementation, fire safety, environmental protection and other requirements and standards. It has also endorsed and permitted our construction and use of these buildings, and has waived any liability that we may have in respect of such construction and usage. Our legal adviser as to PRC laws consider that the Planning, Construction, and Building Bureau of Jinjiang is the competent authority to issue the above confirmation, and on the above basis, the risk of our Group being prohibited from using these buildings is minimal, and we will not be held liable for the construction and usage thereof.

Our Controlling Shareholders have agreed to indemnify our Group on a joint and several basis in respect of any losses, damages, costs and expenses arising out of or in connection with any such losses, damages, costs and expenses that we may incur or suffer as a result of any non-compliance of the applicable PRC laws arising out of or in connection with our occupation, construction and usage of our buildings at the Wuli Industrial Park. Please refer to “Appendix VI — Statutory and General Information — Other Information — Estate duty, tax and other indemnities” to this prospectus for further details.

We also own a parcel of land located at Qiaoying Avenue, Jimei District, Xiamen City, Fujian Province with an aggregate site area of approximately 66,503 sq.m. We plan to use this land for office, production and warehousing purposes in the future. We have obtained the land use rights certificate for this property but we have not obtained the relevant certificates for the construction-in-progress on this property.

In July 2008, we entered into commodity property sale and purchase contracts with Henan Shenglong Real Estate Co., Ltd., an Independent Third Party, for acquisition of 12 units of a commercial building in Zhengzhou, the PRC, with an aggregate gross floor area of approximately 1,067 sq.m., for an aggregate consideration of RMB28.91 million. Such properties are expected to be used by our Group for lease to its distributors for use as a flagship store. As advised by our Company’s PRC legal adviser, provided that the pre-sale conditions of the commodity properties required by the PRC laws and regulations have been met, the contracts are valid, binding and enforceable under the PRC laws in accordance with their respective terms. We will only use the premises after we have obtained the requisite title certificates under the applicable PRC laws, rules and regulations.

Leased properties

We entered into two lease agreements with Jinlang (Fujian) Investments Co., Ltd. (“Jinlang Fujian”), a company wholly owned by the Wang Brothers, under which we lease the premises of our headquarters at Lilang Industrial Park at Jinjing City, Fujian Province from Jinlang Fujian. The premises are situated on two parcels of land, with an aggregate site area of approximately 10,283 sq.m., located at Lilang Industrial Park, Nanhuan Road, Qingyang District, Jinjiang City, Fujian Province and comprise (1) two buildings with an aggregate gross floor area of approximately 17,095 sq.m. for use as our office, showroom and staff dormitory; and (2) six floors of a building with an aggregate gross floor area of approximately 10,972 sq.m. for use as the offices for our marketing department, production department and our CEO office. The lease agreement for the land and the buildings referred to in (1) above was for a term commencing from 1 March 2008 and ending on 31 December 2010, with quarterly rent payable by our Group to Jinlang Fujian of RMB329,750. The lease agreement for the land and the leased floors referred to in (2) above was for a term commencing from 1 March 2009 and ending 31 December 2010, with quarterly rent payable by our Group to Jinlang Fujian of RMB213,945. These two lease agreements have been duly registered with the Planning, Construction and Building Bureau of Jinjiang (晉江市規劃建設與房產管理局). Further details of the lease agreements are set out in “Relationship with our Controlling Shareholders — Continuing Connected Transactions”. The land and buildings referred to in (1) above (collectively, the “Disposed Premises”) were previously jointly owned by Lilang Fujian and Jinjiang Xiaosheng Apparel Enterprise Limited (“Xiao

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Sheng”), a company which is controlled by the Wang Brothers. As it is our plan to relocate our training centre and sales and marketing department to our facilities in Xiamen in the future and, after our relocation, we will only use the Disposed Premises (or a part thereof) for office space, Xiao Sheng and Lilang Fujian jointly disposed of their respective interests in the Disposed Premises to Jinlang Fujian at an aggregate cash consideration of RMB13.3 million which was payable as to RMB11.6 million to Lilang Fujian and RMB1.7 million to Xiao Sheng, and leased the Disposed Premises and the premises referred to in (2) above for the above purposes pending completion of construction of our facilities in Xiamen and the relocation of our training centre and sales and marketing department thereto. As our Group has the right to terminate the leases at any time by giving one month prior written notice, the sale-and-lease back arrangement allows us to either relocate our office to smaller premises elsewhere, or to lease less space from Jinlang Fujian if we consider appropriate.

In accordance with a lease agreement entered into between Lilang China and Jinjiang Deren Toy Co. Ltd., an Independent Third Party, on 1 March 2008, we also leased another parcel of land with a site area of approximately 7,331 sq.m. located at Meiling District, Jinjiang City, Fujian Province, together with five buildings erected thereon, with an aggregate gross floor area of approximately 12,236 sq.m., for a term commencing from 1 March 2008 and ending on 28 February 2010. The premises are used for our production purposes. As Jinjiang Deren Toy Co. Ltd. is the owner of the premises and had obtained the valid title before the lease agreement was entered into, the use by us of the premises pursuant to the lease agreement is legal under the PRC laws. However, as Jinjiang Deren Toy Co. Ltd. had failed an annual inspection required by PRC laws, its business licence was revoked by the competent authority before we entered into the lease agreement. Jinjiang Deren Toy Co. Ltd. should be in the process of being liquidated under PRC laws. Under such circumstances, our PRC legal adviser advised that the liquidation committee and the relevant court in the PRC shall have the right to invalidate the lease agreement. If the lease agreement is regarded as invalid or unenforceable by the liquidation committee or the relevant court in the PRC, we will make alternative lease arrangements. On the other hand, if the liquidation committee and the relevant court in the PRC do not invalidate the lease agreement, the lease agreement will be binding on the successor of the relevant properties for the term of the lease agreement. The lease agreement has not been registered with relevant PRC authorities as the business licence of the lessor has been revoked, but its implementation will not be influenced thereby. As our principal manufacturing function is conducted by our production facilities in Wuli Industrial Park or otherwise subcontracted to our OEM contractors, our Directors are of the view that the leased premises is not crucial to our operation and our potential inability to use such premises if the lease were determined to be invalid would not pose a material adverse impact on our business operation or financial position. Our Directors estimate that, in the event that the lease agreement is invalidated by the liquidation committee or the relevant court in the PRC, our cost for re-location of our facilities would be minimal and would not exceed RMB100,000. Our Controlling Shareholders have also agreed to indemnify our Group on a joint and several basis in respect of any loss, damages, costs and expenses arising out of or in connection with the invalidity of the lease agreement. Please refer to “Appendix VI — Statutory and General Information — Other Information — Estate duty, tax and other indemnities” to this prospectus for further details.

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We also lease from another Independent Third Party a floor of a building with an aggregate gross floor area of approximately 1,170 sq.m. located at No. 387, Huanzhu Road, Jimei District, Xiamen City, Fujian Province for a term commencing from 11 May 2009 and ending on 31 May 2010. We plan to use the premises for our additional production purposes. The relevant lease agreement has been duly registered with Xiamen Municipal Real Estate Transaction and Title Registration Centre (廈門市房地產交易權籍登記中心).

We entered into another lease agreement with an Independent Third Party under which we lease a plot of land located at Phase IV, Changting County Economic Development Zone, Longyan City, Fujian Province, together with a building erected thereon, with an aggregate gross floor area of approximately 22,281 sq.m., for a term commencing from 1 April 2009 and ending on 31 March 2010. We plan to use the premises for our production purposes. The relevant lease agreement has been duly registered with Real Estate Administration Department of Changting County (長汀縣房地產管理處).

We leased an office unit in Shanghai from an Independent Third Party, with a gross floor area of approximately 229 sq.m. located at Room 2107, No. 218 Wusong Road, Hongkou District, Shanghai City for a term commencing from 20 October 2008 and ending on 19 October 2010. The premises is used as the office of our Shanghai-based design and product development team. This office was mortgaged to a third party before we entered into the lease agreement. If the right of sale under the mortgage is enforced during the lease period and this office is transferred to a third party, this lease agreement will not be enforceable against the transferee.

We have applied for registration of the lease agreement with the relevant local Shanghai registration authorities, but such application was refused by the registration authorities, on the ground that the leased premises comprised of leased areas of one and a half rooms and it is the authorities' practice not to register any such lease agreement involving lease of part of a room. As advised by our PRC legal adviser, the absence of the registration of the lease agreement will not affect the validity of the lease agreement. As such, we do not intend to make the registration.

We also leased an office unit in Hong Kong with a floor area of approximately 2,237 sq.ft. that monitors the administration and financial affairs of our Group for a term of two years beginning in April 2008.

Details of these properties are set out in "Appendix IV — Property Valuation" to this prospectus.

ENVIRONMENTAL AND SAFETY MATTERS

Environmental

We are subject to PRC environmental laws and regulations, including the Environmental Protection Law, the Law on the Prevention and Control of Water Pollution, the Law on the Prevention and Control of Atmospheric Pollution, the Law on the Prevention and Control of Pollution From Environmental Noise and the Law on the

Prevention and Control of Environmental Pollution by Solid Waste. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

According to these environmental laws and regulations, all business operations that may cause environmental pollution and other public hazards are required to incorporate environmental protection measures into their plans and establish a reliable system for environmental protection. These operations must adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, waste water, solid waste, dust, malodorous gas, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities.

Companies are also required to carry out an environmental impact assessment before commencing construction of production facilities to install pollution treatment facilities which meet the relevant environmental standards and to treat pollutants before discharge. During the Track Record Period, we believe we have fully complied with the relevant environmental laws and regulations. We have carried out the relevant environmental impact assessments before commencing construction of our production facilities and have obtained all the required permits and environmental approvals for our production facilities.

Our expenditure during the Track Record Period in respect of applicable environmental protection requirements were RMB13,000, RMB99,900, RMB15,900 and RMB72,500, respectively. The Directors believe that the chances of encountering potential future environmental risks are minimal and therefore do not plan to undertake any additional measures to address the environmental risks.

All required permits and environmental approvals for our production facilities have been obtained. We have passed the ISO14001 certification in respect of our environmental management system in 2008, and with the assistance of the certifying organisation, we have also established internal guidelines in respect of environmental protection and provided our staff with education and training on environmental protection. Going forward, internal and external inspections in respect of environmental protection will be periodically conducted by the responsible departments and the certifying organisation, respectively.

It is further confirmed by our PRC legal adviser that, pursuant to the confirmation provided by relevant environmental protection authority, during the Track Record Period, we have fully complied with the national and local regulations in respect of environmental protection, there had not been any material pollution incidents that constituted a violation of any environmental regulations by us, and no administrative penalty had been imposed on our Group.

Our distributors have not imposed any condition on environmental protection as part of the pre-condition to place order for our products, but such conditions have been imposed by our Group on our OEM contractors.

Safety

During the Track Record Period, save for the non-compliance of our Group with the applicable PRC laws and regulations in relation to our contributions to the social security insurance funds as more particularly referred to in sub-section “Employment” above, we complied with all applicable labour and safety laws and regulations in all material respects, and strictly implemented internal safety guidelines and operating procedures. Since the commencement of our business, none of our employees has been involved in any major accident in the course of their employment and we have not been subject to disciplinary actions with respect to the labour protection issues.

We will periodically conduct inspections on the safety of our production facilities. In particular, the operation of our boilers, the quality of water supply and the hygiene conditions are inspected daily by our employees who are qualified to be special equipment operators. Further, the fire safety of our production facilities is checked at least once a month by our internal fire fighting team which comprises 50 volunteer employees from various departments as at 30 June 2009.

INSURANCE

Our insurance coverage includes statutory social insurance, property insurance and automobile insurance. None of the members of our Group maintains general product liability insurance for any of our products. Nevertheless, we believe that our practice is in line with the general practice in the PRC as product liability insurance is not required under PRC laws. Our Directors confirmed that we have not been subject to any material product liability or personal injury claims against us, or that we have not experienced damages of a material nature to administrative or production facilities, or to our properties during the Track Record Period.

LEGAL PROCEEDINGS

In February 2009, we commenced litigation proceedings against an Independent Third Party for violation of the Anti-Unfair Competition Law of the PRC and for engaging in improper competition with us by using a trading name similar to ours. As a result of the court findings, the defendant was ordered to, among other things, change its trading name and pay compensation to us. Pursuant to a settlement agreement subsequently entered into between the parties, it was agreed, among other things, that compensation of RMB45,000 in respect of this claim and the trademark infringement claim as discussed in the sub-section “Business — Intellectual property rights” of this prospectus be paid to us.

To the best knowledge of our Directors, no member of our Group is engaged in any pending or threatened litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Group that would have a material adverse effect on the results of operations or financial condition of our Group.

LEGAL COMPLIANCE

During the Track Record Period, we granted certain cash advances and loans to Jinjiang Xiaosheng, Jinjiang Menglang, Jinjiang Electricity Control Appliance Co., Ltd., or Jinjiang Electricity Control (晉江電控設備有限公司), Fujian Strait West Coast Investment Co. Ltd., or Fujian Strait (福建海峽西岸投資有限公司) to finance their own capital requirements. See “Financial Information — Liquidity and Capital Resources — Inter-enterprise financing activities” for further details.

As advised by our PRC legal adviser, these cash advances and loans contravened certain regulations relating to bank financing in the PRC, particularly Lending Regulations (貸款通則) as promulgated by the PBOC. Our PRC legal adviser further advised that we may be subject to a penalty ranging from the amount of interest we received from a loan or cash advance made by us to five times the interest we received from a loan or cash advance made by us. In addition, we may be required to pay a penalty equal to prevailing lending rate charged by banks in the PRC on the amount borrowed from Jinjiang Fengchuan Packing Co., Ltd. As advised by our PRC legal adviser, given that all the inter-enterprise loans and cash advances have been settled and that there has not been any legal disputes in respect of such loans or cash advances, the risk that we will be subject to penalties resulting from such loans or cash advances in contravention of PRC bank financing regulations is minimal.

In connection with such loans and cash advances, our Controlling Shareholders agreed to indemnify our Group in respect of any loss and liability that we may suffer as a result of any contravention of any PRC bank financing regulations. Further details of these cash advances and loans are set out in “Financial Information — Liquidity and Capital Resources — Inter-enterprise financing activities”.

In addition, in order to prevent any future non-compliance, we have ensured that all Directors are aware of the illegality of such advances/loans and will not allow any future advances or loans by or to our PRC subsidiaries in the PRC unless the advances or loans will be obtained from properly authorised banks or financial institutions and, in respect of any advances or loans to be made by our PRC subsidiaries, unless they will be made in a manner in compliance with the applicable PRC laws and regulations.

We have obtained all licences, permits or certificates necessary to conduct our current business operations. Save as disclosed in the paragraphs on “Employment”, “Property and Facilities” and “Inter-enterprises financing activities” above, our operations comply with all the relevant rules and regulations of the relevant authorities in the PRC.

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INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, we will be owned as to approximately 55.13% by Xiao Sheng International, approximately 12.38% by Ming Lang Investments, an aggregate of approximately 5.70% by the Wang Brothers, an aggregate of approximately 1.79% by the eight Management and Other Shareholders and 25.00% in public hands. Both Xiao Sheng International and Ming Lang Investments are investment holding vehicles owned as to 76.50% by the Wang Brothers and the remaining minority interest of 23.50% are owned by the eight Management and Other Shareholders whose shareholdings therein ranged from only 0.5% to 8%. As Xiao Sheng International, Ming Lang Investments and the Wang Brothers are, directly or indirectly, individually or together with the others, entitled to exercise or control the exercise of 30% or more of the voting power at our general meetings, each of Xiao Sheng International, Ming Lang Investments and the Wang Brothers is regarded as our Controlling Shareholder under the Listing Rules. The Wang Brothers, who are the executive Directors and the ultimate largest shareholders of our Company immediately prior to completion of the Global Offering and the Capitalisation Issue, were brought up in the PRC. Up to the Latest Practicable Date, the Wang Brothers had not been full time government officials of a country nor had they been full time employees of a state or government-owned or operated entity for a substantial period of time.

The Directors consider that our Group is capable of carrying on our business independent of our Controlling Shareholders and their respective associates on the following reasons:

Operational independence

We design, source, manufacture and sell high quality business and casual apparel for men. We have our own design and product development team and, under the direction of Mr. Ji Wen Bo, one of the PRC's top fashion designers, we are able to design and offer our customers stylish, high-end designs for all seasons under our LILANZ brand. We have independent access to source our production materials and other supplies for our own production, and independent access to outsource our production of external OEM contractors. None of our Controlling Shareholders is a supplier or intermediary for our Group's supplies, nor is one of our external OEM contractors. Our products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC and, save for the Wang Brothers' involvement in the management and operation of our Group in their capacity as our Directors and employees, we have independent access to our customers.

We own our own assets and properties, such as trademarks, designs, operational assets and equipment, that are significant to the business and operations of our Group. Particulars of our owned and leased properties are set out in "Business — Properties and Facilities". We will relocate our design, sales and marketing offices from the

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current location at Lilang Industrial Park, Nanhuan Road, Qingyang District, Jinjiang to our new facilities at Xiamen and, as a transitional arrangement pending complete relocation, we entered into two lease agreements with Jinlang (Fujian) Investments Co., Ltd., a company wholly owned by the Wang Brothers, for the use of our current headquarters at Lilang Industrial Park as the offices, showroom and staff dormitory. Particulars of the leases are described in the sub-section “Continuing connected transactions” of this section. As the premises of our headquarters at Lilang Industrial Park, situated at Nanhuan Road, Qingyang District, Jinjiang City are used for offices, showroom and staff dormitory purposes only, our Directors do not consider any material reliance on the Controlling Shareholders in term of our Group’s principal operating assets and properties. Save for such lease, we do not use any facilities of our Controlling Shareholders or their respective associates.

Financial independence

During the Track Record Period, several bank loans of our Group amounting to RMB125.5 million and RMB94.5 million as at 31 December 2006 and 2007, respectively, and certain bills payable of our Group amounting to RMB40.3 million, RMB149.5 million, RMBNil and RMBNil as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively, were secured by personal guarantees granted by the Wang Brothers. As at the Latest Practicable Date, all these personal guarantees have already been released by the banks.

Amounts due from our Controlling Shareholders and/or their respective associates to our Group amounted to RMB47.6 million, RMB1.3 million, RMB0.2 million and RMBNil million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively, and amounts due to our Controlling Shareholders and/or their respective associates from our Group amounted to RMB139.7 million, RMB139.4 million, RMB18.5 million and RMB10.9 million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively. RMB139.4 million due to our Controlling Shareholders and/or their respective associates have already been capitalised as fully paid Shares of our Company as part of the Reorganisation. The balance of any outstanding amounts due from/to any of the Controlling Shareholders and/or their respective associates has been repaid and settled in full.

In August 2009, China Merchants Bank granted a short-term loan facility to Lilang International for six months in an amount of HK\$15 million. Such loan facility was secured by a corporate guarantee provided by our Company and charge over bank deposits of Zhong Lee Development Co., a private unlimited company established in Hong Kong and solely owned by Mr. Wang Cong Xing, our executive Director, which will be released or lapse upon the Listing. Funds borrowed pursuant to the short-term loan facility will be used as working capital for our Group. The facility bears a fixed interest rate of 3.60% per annum. We intend to use a portion of the proceeds from the Global Offering to repay such short-term loans made pursuant to this facility. For more information on use of proceeds, please refer to “Future Plans and Use of Proceeds — Use of Proceeds”.

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Save as aforesaid, our Group does not rely on the Controlling Shareholders and/or their respective associates by virtue of their provision of financial assistance.

Management independence

Our Board comprises seven executive Directors and three independent non-executive Directors. Three directorships of our executive Directors are held by Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, who are our Controlling Shareholders.

Each of our Directors is aware of his fiduciary duties as a Director of our Company which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have an independent senior management team to carry out the business decisions of our Group independently. Our Directors are satisfied that our senior management team is able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders after the Global Offering.

CONTINUING CONNECTED TRANSACTIONS

Upon the listing, the transactions set forth below will constitute continuing connected transactions (as defined in the Listing Rules) of our Company.

Relationship between our Group and Jinlang (Fujian) Investments Co., Ltd.

Jinlang (Fujian) Investments Co., Ltd. (“**Jinlang Fujian**”), a company established in the PRC with limited liability, is principally engaged in, among others, investment in real estate. It is wholly owned by the Wang Brothers, who are three of our executive Directors, and is therefore a connected person of our Company.

Under the Listing Rules, for so long as Jinlang Fujian remains as a connected person of our Company, the leases described below would constitute continuing connected transactions upon the Listing.

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Continuing connected transactions subject to reporting and announcement requirements in respect of which a waiver has been granted by the Stock exchange

Lease of land and buildings by Jinlang Fujian to our Group

(A) 2008 Tenancy Agreement

Pursuant to an agreement (“**2008 Tenancy Agreement**”) dated 26 May 2008 and entered into between Jinlang Fujian as landlord and our Group as lessee, our Group agreed to lease (“**2008 Lease**”) a piece of land with a site area of approximately 7,418 sq.m. located at Lilang Industrial Park, Nanhuan Road, Qingyang District, Jinjiang City, Fujian Province, together with two industrial buildings erected thereon, with an aggregate gross floor area of approximately 17,095 sq.m. for a term commencing from 1 March 2008 and ending on 31 December 2010. Under the 2008 Tenancy Agreement, our Group may terminate the 2008 Lease at any time during the term of the 2008 Tenancy Agreement by serving not less than one month prior written notice to Jinlang Fujian. The leased area has been and will continue to be used for office, showroom and staff dormitory purposes. The quarterly rent payable by our Group to Jinlang Fujian under the 2008 Tenancy Agreement is RMB329,750 payable in arrears within five business days after the end of the relevant quarter. Such rent is exclusive of water and electricity charges, gas and steam fees, telephone charges, property maintenance fees and other fees in relation to the use of the premises. The rent was arrived at after arm’s length negotiation between the parties and determined by reference to the market rent of the premises.

No rent had been paid by us in respect of our use of the land and buildings in 2006 and 2007 as they were previously jointly owned by Lilang Fujian and Xiao Sheng, a company which is controlled by the Wang Brothers, prior to the sales thereof to Jinlang Fujian in February 2008. For the year ended 31 December 2008 and six months ended 30 June 2009, approximately RMB1.1 million and RMB659,500 had been paid or became payable by our Group under the 2008 Tenancy Agreement respectively.

Jones Lang LaSalle Sallmanns Limited, the property valuer of our Company, considers that such annual rent is fair and reasonable and consistent with the prevailing market rents for similar premises in similar locations.

The Directors anticipate that the rent payable by our Group to Jinlang Fujian under the 2008 Tenancy Agreement will not exceed RMB1,319,000 and RMB1,319,000 for the years ending 31 December 2009 and 2010. The annual caps represent the actual rent payable by our Group to Jinlang Fujian pursuant to the 2008 Tenancy Agreement.

(B) 2009 Tenancy Agreement

Pursuant to an agreement (“**2009 Tenancy Agreement**”, together with the 2008 Tenancy Agreement, referred to as the “**Tenancy Agreements**”) dated 1 March 2009 and entered into between Jinlang Fujian as landlord and our Group as lessee, our Group agreed to lease (“**2009 Lease**”, together with the 2008 Lease, referred to as the “**Leases**”) a piece of land with a site area of approximately 2,865 sq.m. located at Lilang Industrial Park, Nanhuan Road, Qingyang District, Jinlang City, Fujian Province, together with several floors of a

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building erected thereon, with an aggregate gross floor area of approximately 10,972 sq.m., for a term commencing from 1 March 2009 and ending on 31 December 2010. Under the 2009 Tenancy Agreement, our Group may terminate the 2009 Lease at any time during the term of the 2009 Tenancy Agreement by serving not less than one month prior written notice to Jinlang Fujian. The leased area is used as the offices of our marketing department, production department and our CEO office. The quarterly rent payable by our Group to Jinlang Fujian under the 2009 Tenancy Agreement is RMB213,945 payable in arrears within five business days after the end of the relevant quarter. Such rent is exclusive of water and electricity charges, gas and steam fees, telephone charges, property maintenance fees and other fees in relation to the use of the premises. The rent was arrived at after arm's length negotiation between the parties and determined by reference to the market rent of the premises.

Jones Lang LaSalle Sallmanns Limited, the property valuer of our Company, considers that such annual rent is fair and reasonable and consistent with the prevailing market rents for similar premises in similar locations.

No rent had been paid by us for the years ended 31 December 2006, 2007 and 2008 as the 2009 Tenancy Agreement did not exist at that time. For the six months ended 30 June 2009, approximately RMB285,260 had been paid or became payable by our Group under the 2009 Tenancy Agreement.

The Directors anticipate that the rent payable by our Group under the 2009 Tenancy Agreement will not exceed RMB713,150 for the year ending 31 December 2009 and RMB855,780 for the year ending 31 December 2010. The annual caps represent the actual rent payable by our Group to Jinlang Fujian pursuant to the 2009 Tenancy Agreement.

Waiver from compliance with the announcement requirement

The continuing connected transactions under the Tenancy Agreements are aggregated pursuant to Rules 14A.25 to 14A.27 of the Listing Rules. Based on the annual caps for the Leases under the Tenancy Agreements on an aggregated basis, it is expected that each of the percentage ratios (other than the profits ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, will exceed 0.1% but will not exceed 2.5%, and therefore such Leases are subject to the reporting and announcement requirements as set out under Rules 14A.45 to 14A.47 of the Listing Rules. Our Company has applied to the Stock Exchange, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the Leases under the Tenancy Agreements from compliance with the announcement requirement under Rule 14A.47 of the Listing Rules.

Application for waiver

(a) Reason for the application

Given that the Leases under the Tenancy Agreements were entered into prior to the Listing Date and have been disclosed in this prospectus and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, the Directors consider that compliance with the announcement requirements in respect thereof

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immediately after the Listing would add unnecessary administrative costs for us. Accordingly, our Company applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant announcement requirement under Chapter 14A of the Listing Rules.

(b) Compliance with applicable rules set out in Chapter 14A of the Listing Rules

Our Company will comply with Rules 14A.35(1), 14A.35(2), 14A.36 to 14A.40 and 14A.45 to 14A.46 of the Listing Rules in respect of the Leases under the Tenancy Agreements.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the Leases, our Company will take immediate steps to ensure compliance with such requirements within a reasonable period.

(c) Confirmation from the Directors

Our Directors (including independent non-executive Directors) consider that the Leases have been and shall be entered into in the ordinary and usual course of business and on normal commercial terms and that the respective terms of the Leases and the annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.

(d) Confirmation from the Sole Sponsor

The Sole Sponsor is of the view that the Leases have been and shall be entered into in the ordinary and usual course of business and on normal commercial terms and that the respective terms of the Leases and the annual caps set out above are fair and reasonable and in the interests of our Shareholders as a whole.

NON-COMPETE UNDERTAKING

Each of our Controlling Shareholders has confirmed that none of them is engaged in, or interested in any business (other than our Group) which, directly or indirectly, competes or may compete with our business. To protect our Group from any potential competition, the Controlling Shareholders have given an irrevocable non-compete undertaking in our favour on 4 September 2009 pursuant to which each of the Controlling Shareholders has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that at any time during the Relevant Period (as defined below), each of the Controlling Shareholders shall, and shall procure that their respective associates (other than our Group) shall:

- (i) save for the Excluded Business (as defined below), not, directly or indirectly, carry on, invest in or be engaged in any business which will or may compete with the business currently and from time to time engaged by our Group (“**Restricted Business**”) including but not limited to the marketing, sales, distribution, manufacturing and/or processing of the apparel, shoes, ties, belts, bags, hats and other products of our Group from time to time (“**Restricted Products**”);

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- (ii) not solicit any existing or then existing employee of our Group for employment by them or their respective associates (excluding our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in their capacity as our Controlling Shareholders and/or Directors for the purpose of competing with the Restricted Business; and
- (iv) in respect of any order undertaken or proposed to be undertaken by them or their respective associates involving the marketing, sales, distribution, manufacturing and/or processing of any Restricted Products, unconditionally use reasonable endeavours to procure that such customer(s) to appoint or contract directly with any member of our Group for the marketing, sales, distribution, manufacturing and/or processing of the Restricted Products under the relevant order.

For the above purpose:

- (A) the “Relevant Period” means the period commencing from the Listing Date and shall expire upon the earliest date of occurrence of the events below:
 - (a) the date on which the Controlling Shareholders (individually or taken as a whole) ceases to be the controlling shareholders for the purpose of the Listing Rules;
 - (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange;
- (B) the “Excluded Business” means any direct or indirect investments of the Controlling Shareholders and/or their respective associates (excluding our Group) in any member of our Group.

Each of our Controlling Shareholders has undertaken under the non-compete undertaking that he or it shall provide to us and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the non-compete undertaking by the Controlling Shareholders. Each of the Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the non-compete undertaking in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the non-compete undertaking by the Controlling Shareholders;

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- (ii) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the non-compete undertaking have been complied with and enforced; and
- (iv) in the event that any of our Directors and/or their respective associates has material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the non-compete undertaking, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

DIRECTORS

Executive Directors

Mr. Wang Dong Xing (王冬星先生), aged 49, is the chairman and an executive Director of our Company. He was appointed as an executive Director on 13 June 2008. Mr. Wang has been with our Group since its establishment in April 1995 and is one of the founders of our Group. He is responsible for our Group's overall business development, strategic planning and corporate management. He is also responsible for formulating operation direction, devising annual plan and financial budget and making recommendations on significant investments of our Group to the Board for approval. He completed a diploma programme for chief executive officers of enterprises (企業總裁高級研修班) from the Economics College of Peking University (北京大學經濟學院) in 2004 and is currently attending an EMBA programme organised by Lingnan College, Sun Yat-sen University (中山大學嶺南學院). He is also a representative of the Quanzhou Municipal People's Congress, Fujian Province (福建省泉州市人民代表大會) and standing vice chairman of the Jinjiang City Sewing and Apparel Association (晉江市紡織服裝協會). Mr. Wang is also vice chairman of the Jinjiang Committee of China Democratic National Construction Association (民主建國會晉江委員會), vice president of the Jinjiang Qingyang Chamber of Commerce (晉江青陽商會理事會), council chairman of the Jinjiang Qingyang Foreign Investment Enterprise Association (晉江青陽外商投資企業協會) and standing committee member of the Jinjiang Chamber of Commerce (晉江市工商聯 (總商會)). From 1985 to 1990, Mr. Wang had been the general manager of Fujian Jinjiang Qing Yang Chen Village Shoes and Hats Factory (福建省晉江市青陽陳村鞋帽三廠) and from 1990 to 1994, the general manager of Jinjiang Xiaosheng Apparel Enterprise Limited (晉江曉升服裝實業有限公司), which were principally engaged in the wholesale menswear business in the PRC, before the founding of our Group in 1995. Apart from his interest in our Group, Mr. Wang is also the sole director and one of the shareholders of Jinlang Fujian, the entity used by them for their investment in real estate and the lessor under the Tenancy Agreements as currently disclosed under the section "Relationship with our Controlling Shareholders — Continuing Connected Transactions". Mr. Wang has over 20 years of manufacturing and management experience in the menswear industry in the PRC. From 1995 to 2002, Mr. Wang had been the president and vice chairman of Lilang Fujian. He is currently the chairman and the vice chairman of Lilang Fujian and Lilang Xiamen, respectively, and is the vice chairman of Lilang China. Mr. Wang is the elder brother of Mr. Wang Liang Xing and Mr. Wang Cong Xing, who are also executive Directors of our Company. He is the brother-in-law of Mr. Chen Wei Jin, a member of the senior management of our Company. He is also one of the shareholders of Xiao Sheng International and Ming Lang Investments, the Controlling Shareholders of our Company. Mr. Wang has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Wang Liang Xing (王良星先生), aged 47, is the vice chairman, the chief executive officer and an executive Director of our Company. He was appointed as an executive Director on 13 June 2008. He has been with our Group since its establishment in April 1995 and is one of the founders of our Group. Mr. Wang is responsible for our Group's overall business development, strategic planning and corporate management. He is also responsible for the corporate development and the internal management system of our Group and

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recommending the appointment of senior management to the Board. He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006 and is currently attending an EMBA programme organised by Xiamen University (廈門大學). He is also vice chairman of the Garment and Apparel Industry Association of Fujian Province (福建省服裝服飾行業協會), vice-chairman and standing supervisor of the Enterprises Credit Management Association of Quanzhou City (泉州市企業合同信用管理協會第一屆理事會) and a supervisor of the Garment Association of the PRC (中國服裝協會). He was one of 50 persons honoured with a 2005 PRC Enterprises Trademark Award (2005中國企業商標50人). From 1987 to 1990, Mr. Wang had been the factory manager of Fujian Jinjiang Qing Yang Chen Village Shoes and Hats Factory (福建省晉江市青陽陳村鞋帽三廠) and from 1990 to 1994, chairman of Jinjiang Xiaosheng Apparel Enterprise Limited (晉江曉升服裝實業有限公司), which were principally engaged in the wholesale menswear business in the PRC, respectively before founding our Group in 1995. Apart from his interest in our Group, Mr. Wang is also one of the shareholders of Jinlang Fujian, the entity used by them for their investment in real estate and the lessor under the Tenancy Agreements as currently disclosed under the section “Relationship with our Controlling Shareholders — Continuing Connected Transactions”. He has over 20 years of manufacturing and management experience in the menswear industry in the PRC. From 1995 to 2002, Mr. Wang had been the chairman and since 2002, the vice chairman and president of Lilang Fujian. He is currently the president and vice chairman of Lilang Fujian, Lilang China and Lilang Xiamen. Mr. Wang is the brother of Mr. Wang Dong Xing and Mr. Wang Cong Xing, the executive Directors of our Company. He is a brother-in-law of Mr. Cai Rong Hua, who is an executive Director of our Company. He is also one of the shareholders of Xiao Sheng International and Ming Lang Investments, the Controlling Shareholders of our Company. Mr. Wang has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Wang Cong Xing (王聰星先生), aged 40, is the vice chairman and an executive Director of our Company. He was appointed as an executive Director on 2 January 2008. Mr. Wang has been with our Group since its establishment in April 1995 and is one of the founders of our Group. Mr. Wang is responsible for finance, quality control, information technology and product management for our Group. He is also responsible for corporate development and the internal management system of our Group and supervising the implementation of the annual, quarterly and monthly financial plans of our Group. He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. From 1987 to 1990, Mr. Wang had been the deputy factory manager of Fujian Jinjiang Qing Yang Chen Village Shoes and Hats Factory (福建省晉江市青陽陳村鞋帽三廠) and from 1990 to 1995, the deputy general manager and director of Jinjiang Xiaosheng Apparel Enterprise Limited (晉江曉升服裝實業有限公司), which were principally engaged in wholesale menswear business in the PRC, respectively before founding our Group in 1995. Apart from his interest in our Group, Mr. Wang is also one of the shareholders of Jinlang Fujian, the entity used by them for their investment in real estate and the lessor under the Tenancy Agreements as currently disclosed under the section “Relationship with our Controlling Shareholders — Continuing Connected Transactions”. He has over 20 years of manufacturing and management experience in the

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menswear industry in the PRC. From 1995 to 2002, Mr. Wang had been the vice president of Lilang Fujian. Since 2002, Mr. Wang has also been the vice president and vice chairman of Lilang Fujian. He is also currently vice president and vice chairman of Lilang Fujian and Lilang China and chairman and vice president of Lilang Xiamen. Mr. Wang is the younger brother of Mr. Wang Dong Xing and Mr. Wang Liang Xing, who are also executive Directors of our Company. He is also a director and one of the shareholders of Xiao Sheng International and Ming Lang Investments, the Controlling Shareholders of our Company. Mr. Wang has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Cai Rong Hua (蔡榮華先生), aged 41, is an executive Director of our Company. He joined our Group in April 1998 and was appointed as an executive Director on 13 June 2008. He is responsible for research and development for our Group. He is also responsible for negotiating with the major suppliers of our Group. Mr. Cai completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. Since 1998, Mr. Cai has been the vice president of Lilang Fujian. He has over 10 years of manufacturing and management experience in the menswear industry in the PRC and is currently vice president of Lilang Fujian, a director and vice president of Lilang China. Mr. Cai is the brother-in-law of Mr. Wang Liang Xing, who is an executive Director of our Company. He is also one of the shareholders of Xiao Sheng International and Ming Lang Investments, the Controlling Shareholders of our Company. Mr. Cai has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Hu Cheng Chu (胡誠初先生), aged 65, is an executive Director of our Company. He joined our Group in April 1998 and was appointed as an executive Director on 13 June 2008. He is responsible for brand management, market promotion and public relation for our Group. He is also responsible for appraising the performance of and reviewing the annual and monthly budget of the brand management department of our Group. Mr. Hu completed part-time professional political engineering course and professional administrative management course from Fudan University in 1988 and 1989, respectively, and an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院). He was previously the factory manager of the Shanghai Hua Chang Aluminium Factory (上海華昌鋁制廠). He is the vice chairman of the Quanzhou Association of Professional Managers (泉州職業經理人協會). Since 1998, Mr. Hu has been the director and vice president of Lilang Fujian. Mr. Hu is also currently director and vice president of Lilang China and Lilang Xiamen. In 2009, Mr. Hu was accredited as the top 10 planner for corporate sales and marketing in the PRC for the year 2007 and 2008 (2007–2008年中國10大企業營銷策劃人). He is also one of the shareholders of Xiao Sheng International and Ming Lang Investments, who are also Controlling Shareholders of our Company. Mr. Hu has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

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Mr. Wang Ru Ping (王如平先生), aged 47, is an executive Director of our Company. He joined our Group in April 1995 and was appointed as an executive Director on 13 June 2008. He is responsible for supervising the construction-in-progress and future development of our operational facilities as well as overseeing the maintenance and legal compliance in relation to our operational facilities. Mr. Wang completed a programme on public relations and administrative management from the Faculty of International Economics at the Adult Education College of Huaqiao University (華僑大學成人教育學院) in 2000 and a diploma programme for chief executive officers of enterprises (企業總裁高級研修班) from the Faculty of Economics at Peking University (北京大學) in 2004. He has over 10 years of manufacturing and management experience in the menswear industry in the PRC. From 1990 to 1994, Mr. Wang had been the deputy general manager of Jinjiang Xiaosheng Apparel Enterprise Limited (晉江曉升服裝實業有限公司). Since 1998, Mr. Wang has been the vice president and director of Lilang Fujian. He is also currently a vice president and director of Lilang China and Lilang Xiamen. He is also one of the shareholders of Xiao Sheng International and Ming Lang Investments, the Controlling Shareholders of our Company. Mr. Wang has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

Mr. Pan Rong Bin (潘榮彬先生), aged 36, is an executive Director of our Company. He joined our Group in February 2003 and was appointed as an executive Director on 13 June 2008. He is responsible for daily operations, marketing and distribution for our Group. He is also responsible for devising the annual marketing and distribution plan and annual marketing budget of our Group and supervising the implementation thereof. Mr. Pan completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院), the PRC in 2006. From 2001 to 2005, Mr. Pan was a representative in the Nanping Municipal People's Congress, Fujian Province (福建省南平市人民代表大會). Since 1995 to 2007, he was a member of the Chinese People's Political Consultative Conference of Jianyang City, Fujian Province (中國人民政治協商會議福建省建陽市委員會). He was honoured with the Award for the Model of Labour in Quanzhou City, Fujian Province (福建省泉州市勞動模範) in May 2006. From 1994 to 2007, he was the general manager of Fujian Jianyang Longda Trade and Development Co., Ltd. (福建建陽市隆達貿易發展有限公司). He has over 10 years of retail and sales experience in the menswear industry in the PRC. From 2003 to 2005, he had been the special assistant to the general manager and deputy head of sales and marketing department for Lilang Fujian and from 2005 to 2007, the special assistant to president and the head of sales and marketing department of Lilang China. He is currently vice president of the sales and marketing department for Lilang Fujian and Lilang China. He is also a director and vice president of Lilang Xiamen. He is also one of the shareholders of Xiao Sheng International and Ming Lang Investments, the Controlling Shareholders of our Company. Mr. Pan has not been a director of any publicly listed company during the three years preceding the date of this prospectus.

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Independent non-executive Directors

Dr. Lu Hong Te (呂鴻德博士), aged 48, is an independent non-executive Director of our Company. He joined our Group on 13 June 2008 when he was appointed as an independent non-executive Director. Dr. Lu obtained a bachelor's degree in management from National Cheng Kung University in 1983 and a master's degree and a doctoral degree in business from the Graduate Institute of Business Administration of the College of Management of National Taiwan University in 1985 and 1992, respectively. Dr. Lu is a professor at the department of business administration at Chung Yuan Christian University in Taiwan, specialising in marketing and sales management and corporate competitive strategies. He also serves as a visiting professor at several institutions, including SGP International Management Academy, Nanyang Technological University's EMBA Centre and Xiamen University's EMBA Centre, and serves as a consultant to, among others, the Chinese Association for Industrial Technology Advancement (台灣產業科技發展協進會) and the Taiwan Entrepreneurs Society Taipei/Toronto (加拿大多倫多台商會). He is an independent non-executive director of four companies in Taiwan, namely Everlight Chemical Industrial Corporation (台灣永光化學工業股份有限公司) (stock code: 1711) and Aiptek International Inc. (台灣天瀚科技股份有限公司) (stock code: 6225), the shares of which are listed on the Taiwan Stock Exchange, and Firich Enterprises Co., Ltd. (台灣伍豐科技股份有限公司) (stock code: 8076) and Lanner Electronics Inc. (台灣立端科技股份有限公司) (stock code: 6245), the shares of which are traded in the Gre Tai Securities Market (證券櫃檯買賣中心) in Taiwan. He is also an independent non-executive director of two other companies, namely Capxon International Electronic Company Limited (凱普松國際電子有限公司)(stock code: 469) and Anta Sports Products Limited (安踏體育用品有限公司 (Stock code: 2020)), the shares of which are listed on the Stock Exchange. Save as aforesaid, Dr. Lu has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Chen Tien Tui (陳天堆先生), aged 60, is an independent non-executive Director of our Company. He joined our Group on 13 June 2008 when he was appointed as an independent non-executive Director. Mr. Chen is the chief executive officer and an executive director of Victory City International Holdings Limited (stock code: 539), the shares of which are listed on the Stock Exchange. He has over 29 years experience in the textile industry. Save as aforesaid, Mr. Chen has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Mr. Nie Xing (聶星先生), aged 45, is an independent non-executive Director of our Company. He joined our Group on 13 June 2008 when he was appointed as an independent non-executive Director. Mr. Nie is a graduate from the Jiangxi University of Finance and Economics (江西財經學院) with a bachelor's degree in economics in 1986 and further obtained a master's degree in business administration from the Open University of Hong Kong (香港公開大學) in December 2000. He is the executive director and vice president of China Green (Holdings) Limited (中國綠色食品(控股)有限公司) (stock code: 904), the shares of which are listed on the Stock Exchange, and is responsible for the financial planning and analysis, management, investment and corporate financing of that group of companies. Based on his experience as a vice president of China Green (Holdings) Limited, Mr. Nie is the independent non-executive Director who fulfills the requirements of rule 3.10

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(2) of the Listing Rules. He is a former independent director of Guomai Technologies, Inc. (國脈科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange. He ceased to be the independent director of Guomai Technologies, Inc. in January 2008. Save as aforesaid, Mr. Nie has not been a director of any other publicly listed company during the three years preceding the date of this prospectus.

Under the appointment letters for the appointment of our independent non-executive Directors, each of the independent non-executive Directors is entitled to a director's fee of RMB200,000 per annum from the Listing Date. No director's fee had been paid or payable by us to our independent non-executive Directors prior to the Listing Date.

SENIOR MANAGEMENT

Mr. Ji Wen Bo (計文波先生), aged 51, is the chief fashion designer of our Group. He is a senior designer and engineer, having completed a programme in professional craftsmanship and art at Changchun University (長春大學) during the years between 1980 and 1982. In 1998, Mr. Ji was elected as one of the Ten Best Fashion Designers in the PRC and was recognised as the top national menswear designer for 2001, 2002 and 2003 by the organising committee of the China Fashion Week. In 2004, he presented a series of menswear with the theme of Oriental Spirit — Chinese Charisma (東方神韻 — 中國魅力) at the Paris — China Fashion Week (巴黎—中國時裝周) during Les Annees Chine — France (中法文化年) and was awarded the Eighth China Fashion Design “Golden Award” (金頂獎) by the China Fashion Association (中國服裝設計師協會). Mr. Ji was invited to present his own range of designs during the International Fashion Week of Pusan, Korea (韓國釜山國際時裝周) in 2006 and showcase menswear collections with the theme of “Lilang—Ji Wen Bo” (利郎—計文波) in the “Milan Menswear Show” (Milano Moda Uomo) of Italy in 2007. From 2003 to 2005, Mr. Ji was the general manager and chief fashion designer of Xidelong Fujian Sporting Goods Co., Ltd. (喜得龍福建體育用品有限公司) and the design controller of Fujian Yundun Apparel Co., Ltd. (福建雲敦服飾有限公司). In 2008, Mr. Ji also participated in fashion shows in Japan and Taiwan. Mr. Ji joined our Group as a design consultant of Lilang Fujian on 4 October 2001 and acted as chief fashion designer of Lilang Fujian and Lilang China since January 2007.

Mr. Ji Sheng (季聲先生), aged 54, is the vice president of the administration and human resources department of our Group. He has more than 16 years of experience in human resources management and corporate communication. He completed a leadership training course relating to party administration organised by the Executive Management College (行政管理學院) (previously known as Shanghai Municipal Industrial College of the Chinese Communist Party (中共上海市工業黨校)) in 1987. From August 1993 to May 2009, Mr. Ji had taken up senior management positions in various foreign-invested and domestic corporations in the PRC with management oversight in human resources management and corporate communication. Mr. Ji has been engaged by various consultancy firms and MBA programs of universities in the PRC as trainer and speaker on the topic of human resources knowledge and management skills. Mr. Ji was awarded the “Best Contribution Award” by the Antai College of Economics and Management (安泰經濟與管理學院) of Shanghai Jiaotong University (上海交通大學) in 2008 for his contribution as an instructor of its MBA

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program. Mr. Ji joined our Group on 8 June 2009 as the vice president of the administration and human resources department of Lilang China and is responsible for the human resources management and corporate communication of our Group.

Mr. Yu Cheeric (余致力先生), aged 34, is our chief financial officer and company secretary. He has more than ten years of experience in auditing, advisory business services and finance management. Mr. Yu graduated from The California State University with a Bachelor's Degree in Accountancy. He became a member of The American Institute of Certified Public Accountants on 20 October 2001. Although he is not a certified public accountant registered with the Hong Kong Institute of Certified Public Accountants, he is familiar with the IFRS, being the financial reporting standards and interpretation we have adopted for preparing our financial statements. Prior to joining our Group on 18 August 2008 as our chief financial officer and company secretary, he worked in the Assurance and Advisory Business Services department of Ernst & Young, Certified Public Accountants, and at CLP Holdings Limited and Shenzhen International Group Holdings Limited, both of which are companies listed on the main board of the Stock Exchange.

Mr. Lin Yi-Chieh (林易杰先生), aged 33, is the head of the CEO office of our Group. He obtained a master's degree in business administration from Xiamen University (廈門大學) in 2007 and completed a master programme in business administration at the University of Furtwangen in 2006. From 2002 to 2004, Mr. Lin was the quality control supervisor at Taiwan Qinglu Footwear Company (台灣清祿鞋業有限公司). From 2004 to 2005, Mr. Lin was the office manager of Taiwan Yelian Iron and Steel Company (台灣燁聯鋼鐵有限公司). Mr. Lin joined our Group as the head of the CEO office of Lilang China on 7 June 2007.

Ms. Shi Mei Ya (施美芽小姐), aged 32, is the head of the production department of our Group. She completed a programme in fine chemical engineering at Fujian Radio and TV University (福建廣播電視大學) in 1998 and an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in 2006. She completed a programme in project management and is currently attending a master programme in business administration for senior managers (高級經理工商管理碩士) at Xiamen University (廈門大學). Ms. Shi joined our Group on 1 August 1998 and had served as the office clerk, the supervisor of the distribution department, the deputy general manager of the factory for causal wear, the department head of production planning and the head of planning division for the sales and marketing department, the assistant to the head of the sales and marketing department, the head of the production department and the assistant to the president of Lilang Fujian. From 2006 to 2007, Ms. Shi had been the department head of the first division of the product management department (now known as the production department) of Lilang China. From 2007 to 2008, Ms. Shi had been the head of the production department and assistant to the vice president of the production department of Lilang China. Ms. Shi has been the head of production department of Lilang China since November 2008.

Mr. Zhang Yu Feng (章宇峰先生), aged 39, is the head of marketing in the sales and marketing department of our Group. He graduated from Shanghai University of Finance and Economics (上海財經大學) with a bachelor degree in professional trade and economics

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in 1992 and completed an EMBA core course from Chung Kong Business School (長江商學院) in 2006. From 1992 to 2007, he had worked in S. C. Johnson & Son, Inc. (美國莊臣父子公司) as sales representative and branch office manager, worked in Coty Inc. (法國科蒂化妝品集團) as regional manager and sales manager in China region, worked in Henkel AG (德國漢高公司) as National Trade Marketing Manager and National Sales Director, worked in Li Ning Company Limited (李寧有限公司) as department head targeting key clients and worked in Puma China (德國彪馬) as regional sales and marketing manager for the eastern, central and western regions. He joined our Group on 27 August 2007 and since then he has been the head of the marketing in the sales and marketing department of Lilang Fujian and Lilang China.

Mr. Zhuang Zhi Han (庄志函先生), aged 39, is the deputy financial officer of our Group. He graduated from Faculty of Accountancy from East China Technology University (華東工業大學) with a bachelor's degree in Economics major in accounting in 1994. He is currently attending a EMBA programme in Xiamen University. From 1994 to August 2008, he has been working in Xiixin Electronic Stock Company Limited (夏新電子股份有限公司) responsible for financial duties, and he started to oversee the overall financial affairs of the company since 2003. He joined our Group as the deputy financial officer of Lilang China on 1 September 2008.

Mr. Chen Wei Jin, (陳維進先生), aged 39, is the head of the administration department of our Group. He graduated from Zhangzhou Normal University (漳州師範學院) with a professional diploma in administration in July 2000 and completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in February 2006. From 1989 to 2004, he served as the general manager of Jinjiang Weixin Knitters Factory (晉江維信針織廠). From 1996 to 2004, he also worked in the Jinjiang branch office of the China Life Insurance Company Limited (中國人壽保險有限公司晉江支公司) as the general manager of the sales department, where he was recognised as Pioneer of Sales and Marketing (營銷標兵) from 1998 to 2000 and Outstanding Supervisor for the year 2002. He joined our Group on 1 March 2004 as the manager of the group ordering department of Lilang Fujian. He is also the general manager of Wuli Industrial Park of Lilang China, the manager of the group ordering department of Lilang China and the head of the administration department of Lilang China.

Ms. Chen Zhi Mei (陳志梅小姐), aged 28, is the assistant to the vice president of the sales and marketing department of our Group. She completed a programme in law at Xiamen University (廈門大學) in June 2000 and an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in February 2006. She joined our Group on 8 June 2001 as the office clerk in Lilang Fujian. From 2002 to 2005, she worked as the office head, customer service specialist, logistics invoice officer, customer service supervisor and secretary to the head of sales and marketing department of Lilang Fujian. From 2005 to 2007, she had worked as the assistant to the vice president of the sales and marketing department of Lilang China and the assistant to the head of Lilang Fujian.

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Since 2007, she has worked as the assistant to the vice president of Lilang Fujian and assistant to the vice president of the sales and marketing department of Lilang China.

Mr. Huang Ming Hai (黃明海先生), aged 34, is the assistant to the chief financial officer of our Group. He completed an advanced programme of excellent corporate operation and management (卓越企業經營管理高級課程研修班) from the School of Continuing Education of Tsinghua University (清華大學繼續教育學院) in February 2006 and is currently attending a programme in financial management at the Adult Education College of Huaqiao University (華僑大學), and is attending an advanced programme in financial leadership development (財務領袖高級研修班課程) at Commerce College of Huaqiao University (華僑大學). He joined our Group on 24 April 1995. From 1995 to 2001, he worked as the tax preparer, invoice management officer and chief accountant in Jinjiang Xiaosheng and Lilang Fujian. From 2001 to 2005, he worked as the general accountant and accounting supervisor in Lilang Fujian. From 2005 to 2007, he worked as the deputy manager of the finance department of Lilang Fujian and the deputy department head of the finance department of Lilang China.

Since 2007, he has worked as the assistant to the chief financial officer of Lilang China.

COMPANY SECRETARY

Our company secretary is Mr. Yu Cheeric. He is employed by us on a full-time basis. Please refer to his biographical details in the sub-section “Directors and senior management — senior management”.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 12 September 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of our Group.

The audit committee comprises Dr. Lu Hong Te, Mr. Chen Tien Tui and Mr. Nie Xing. Mr. Nie Xing is the chairman of the audit committee.

Remuneration committee

Our Company established a remuneration committee on 12 September 2008 with written terms of reference in compliance with the code provisions of the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The functions of this committee include the formulation and the recommendation to the Board on our Group’s policy and structures for all remuneration of our Directors and senior management of our Group, the establishment of a formal and transparent procedure for developing policy on remuneration, the determination of specific remuneration packages of all executive Directors and senior management in the manner specified in the terms of reference, the recommendation to the Board of the remuneration of non-executive Directors, review and

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approval of performance-based remuneration, and review and recommendation to our Shareholders as to the fairness and reasonableness of the terms of any Director's service agreement which is subject to the prior approval of our Shareholders in general meeting pursuant to the Listing Rules.

The remuneration committee comprises Mr. Wang Cong Xing, Mr. Nie Xing and Mr. Chen Tien Tui. Mr. Wang Cong Xing is the chairman of the remuneration committee.

Compliance adviser

Our Company expects to appoint Piper Jaffray Asia Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

REMUNERATION OF DIRECTORS AND HIGHEST PAID INDIVIDUALS DURING THE TRACK RECORD PERIOD

For the three financial years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the aggregate of the emoluments paid and benefits in kind (including discretionary bonuses) granted to our Directors by us and our subsidiaries was RMB1.1 million, RMB1.2 million, RMB2.5 million and RMB1.2 million, respectively.

During the Track Record Period, no amount was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

Save as disclosed in this prospectus, no other emoluments have been paid, or are payable, in respect of the three financial years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 by us to our Directors.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently in force, we estimate that the aggregate of the remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the financial year ending 31 December 2009 will be approximately RMB3.6 million.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to notes 6 and 7 to our consolidated financial statements, included in the accountants' report set out in Appendix I to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

<u>Name of shareholder</u>	<u>Company/Name of Group member</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Xiao Sheng International	Our Company	Beneficial owner	661,500,000 Shares (L) ⁽²⁾	55.13%
Ming Lang Investments	Our Company	Beneficial owner	148,500,000 Shares (L) ⁽³⁾	12.38%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares of our Company or the relevant Group member.
- (2) These Shares will be held by Xiao Sheng International. Xiao Sheng International is owned as to 25.5% by each of the Wang Brothers, 8% by Mr. Cai Rong Hua, 5% by Hu Cheng Chu, 3% by each of Wang Ru Ping and Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.
- (3) These Shares will be held by Ming Lang Investments. Ming Lang Investments is owned as to 25.5% by each of the Wang Brothers, 8% by Mr. Cai Rong Hua, 5% by Hu Cheng Chu, 3% by each of Wang Ru Ping and Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

<i>Authorised capital</i>	HK\$
<u>100,000,000,000</u> Shares	<u>10,000,000,000</u>

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows:

Shares issued and to be issued, fully-paid or credited as fully-paid:

2,000,000 Shares in issue	200,000
898,000,000 Shares to be issued pursuant to the Capitalisation Issue	89,800,000
<u>300,000,000</u> Shares to be issued pursuant to the Global Offering	<u>30,000,000</u>
Total:	
<u>1,200,000,000</u> Shares	<u>120,000,000</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering and the Capitalisation Issue will be as follows:

Shares issued and to be issued, fully-paid or credited as fully-paid:

2,000,000 Shares in issue	200,000
898,000,000 Shares to be issued pursuant to the Capitalisation Issue	89,800,000
<u>345,000,000</u> Shares to be issued pursuant to the Global Offering	<u>34,500,000</u>
Total:	
<u>1,245,000,000</u> Shares	<u>124,500,000</u>

SHARE CAPITAL

Assumptions

The above tables assume that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and the Capitalisation Issue is made.

Unless otherwise specified above, they do not take into account any (a) Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which have been granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme; or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred below.

Ranking

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option rank pari passu with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for the Capitalisation Issue.

Share Option Schemes

Our Company has adopted the Pre-IPO Share Option Scheme on 12 September 2008, under which options to subscribe in aggregate for 9,611,100 Shares at 80% of the final Offer Price were outstanding as at the date of this prospectus, representing approximately 0.79% of the issued share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue as enlarged by issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme assuming that all such options are exercised in full, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. Details of the Pre-IPO Share Option Scheme and the options granted thereunder are set out in “Appendix VI — Statutory and General Information — Other Information — Pre-IPO Share Option Scheme” to this prospectus.

Our Company has also conditionally adopted the Share Option Scheme on 4 September 2009. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date. Further details of the rules of the Share Option Scheme are set out in “Appendix VI — Statutory and General Information — Other Information — Share Option Scheme” to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue, excluding the Shares which may be issued pursuant to the Over-allotment Option, immediately following completion of the Global Offering and the Capitalisation Issue; and
- (b) the aggregate nominal value of share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below.

The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement in accordance with the Articles of Association, or pursuant to the exercise of options which were granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option.

This mandate will expire at the earliest of:

- the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to "Appendix VI — Statutory and General Information — Further Information about our Company — Resolutions in writing of the Shareholders passed on 12 September 2008 and 4 September 2009" to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable

SHARE CAPITAL

laws and requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in “Appendix VI — Statutory and General Information — Further Information about our Company — Securities Repurchase Mandate” to this prospectus.

This mandate will expire at the earliest of:

- the conclusion of our Company’s next annual general meeting; or
- the expiration of the period within which our Company is required by law or its Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate are set out in “Appendix VI — Statutory and General Information — Further Information about our Company — Resolutions in writing of the Shareholders passed on 12 September 2008 and 4 September 2009” to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 and accompanying notes set forth in “Appendix I — Accountants’ Report” to this Prospectus and other financial information appearing in this prospectus. Our consolidated financial statements as of and for the six months ended 30 June 2008 have not been audited. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties and, accordingly, you should not place undue reliance on any such statements. Our future results of operations and financial condition could differ materially from those discussed in this prospectus. For factors that could cause or contribute to such differences, please refer to the section titled “Risk factors” and elsewhere in this prospectus.

OVERVIEW

We are one of the leading PRC menswear brands. According to a market study report we commissioned from Frost & Sullivan, our LILANZ brand (which was known as LILANG prior to September 2008) ranked first in terms of retail sales for the years ended 31 December 2007 and 2008 within the mainstream PRC brands market, which comprises second and lower tier cities, and accounted for approximately 29.0% and 31.3% of the menswear market by retail sales in the PRC in 2007 and 2008, respectively. See “Industry Overview — The PRC Menswear Market” for a further discussion. In 2007 and 2008, Forbes China magazine recognised Lilang China as one of “China’s Best Small & Medium-sized Enterprises”. As an integrated fashion enterprise, we design, source, manufacture and sell high-quality business and casual apparel for men. We offer our customers designs for all seasons under our LILANZ brand. Our menswear products are designed for business and casual purposes and primarily target customers between the ages of 28 and 45. Our products include suits, jackets, shirts, trousers, sweaters and accessories and are broadly divided into business formal, business casual, fashion casual and sports. Our products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.

We sell substantially all of our products on a wholesale basis to distributors who subsequently sell our products to end customers through retail outlets operated by themselves or their sub-distributors, all of whom are Independent Third Parties as of the Latest Practicable Date. Under our wholesale business model, we do not have direct contractual relationship with the sub-distributors appointed by our distributors. Along with this wholesale business model, we opened and have been operating a flagship store in Jinjiang, our first retail outlet which was established in February 2008. All retail outlets operate under the LILANZ brand and are required to sell our products exclusively. As at 30 June 2009, 53 distributors operated or subcontracted the operation of 2,456 retail outlets.

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We design our products in-house under the direction of Mr. Ji Wen Bo, one of the PRC's top fashion designers over than 20 years of experience in the fashion industry. We manufacture a portion of our apparel at our own production facilities in Jinjiang, Fujian and outsource the rest to OEM contractors. We also outsource the production of our accessory products.

We have grown rapidly during the Track Record Period. Our turnover grew from RMB418.2 million for the year ended 31 December 2006 to RMB885.9 million for the year ended 31 December 2007, and to RMB1,135.7 million for the year ended 31 December 2008. Our turnover grew from RMB483.9 million for the six months ended 30 June 2008 to RMB600.2 million for the six months ended 30 June 2009. Our profit attributable to equity shareholders increased from RMB32.6 million for the year ended 31 December 2006 to RMB96.5 million for the year ended 31 December 2007, and to RMB154.1 million for the year ended 31 December 2008. Our profit attributable to equity shareholders increased from RMB69.3 million for the six months ended 30 June 2008 to RMB90.0 million for the six months ended 30 June 2009.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 2 January 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The companies that took part in the Reorganisation, which was completed on 12 September 2008, were controlled by the same group of equity holders before and after the Reorganisation. Since there was a continuation of the risks and benefits to the controlling party, the Reorganisation is considered as a business combination under common control. The financial information of our Group for the Track Record Period as set forth in "Appendix I — Accountants' Report" to this prospectus has been prepared under the merger basis of accounting as if our Group had been in existence since 1 January 2006 (or where a company included in our Group was established after 1 January 2006, since the date of its establishment). The net assets of the combining companies are consolidated using the existing book values from this group of equity holders' perspective.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of our Group for the Track Record Period as set forth in "Appendix I — Accountants' Report" to this prospectus include the results of operations of the companies now comprising our Group for the Track Record Period (or where the companies were established/incorporated at a date later than 1 January 2006, for the period from the date of establishment/incorporation to 30 June 2009). The consolidated balance sheets of our Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 have been prepared to present the consolidated assets and liabilities of our Group as at those dates. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial information of our Group. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below.

Levels of per capita disposable income and consumer spending in the PRC

We conduct all of our operations in the PRC. Economic growth in the PRC helps to drive the level of disposable income and consumer spending, which, in turn, affects the level of demand for our products. The PRC has experienced significant economic growth in recent years, achieving a CAGR for GDP of approximately 18.4% from 2001 through 2008 based on data from the NBS. According to the NBS, per capita annual disposable income of urban households, whose occupants make up the primary end customers for our products, grew from approximately US\$829 in 2001 to approximately US\$2,271 in 2008, representing a CAGR of approximately 15.5%. We believe that as disposable income has increased in the PRC, consumer spending has also increased. From 2001 through 2008, total retail sales of consumer goods grew by a CAGR of approximately 17.0%, according to data from the NBS. Furthermore, we believe that consumers in the PRC tend to be more fashion conscious and spend more on brand name products as their disposable income increases. We expect that our results of operations will continue to be significantly affected by the economic growth in the PRC. Any future slowdowns or declines in the PRC economy or consumer spending may adversely affect our business and results of operations. See “Risk Factors — Fluctuations in consumer spending caused by changes in macroeconomic conditions in the PRC may significantly affect our business, financial condition, results of operations and prospects.”

Business performance of our distributors and our ability to supervise and manage them

We sell our products to retail customers through our distributors or their sub-distributors. Our ability to increase sales is directly affected by the performance of our distributors and their sub-distributors and, in particular, the number of retail outlets that our distributors and their sub-distributors operate to sell our products.

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The table below sets forth the number of our distributors and retail outlets they and their sub-distributors operated at the dates indicated and our turnover for the periods indicated.

	As at and for the years ended 31 December			As at and for the six months ended 30 June	
	2006	2007	2008	2008	2009
Number of distributors at the end of the period	27	28	51	37	53
Number of distributors added during the period	12	1	23	9	4
Number of distributors terminated during the period	7	0	0	0	2
Number of sub-distributors at the end of the period	1,338	1,245	1,257	1,241	1,185
Number of sub-distributors added during the period	422	183	156	82	47
Number of sub-distributors terminated during the period	146	276	144	86	119
Number of retail outlets at the end of the period	2,002	2,186	2,491	2,299	2,456
Number of retail outlets added during the period	802	634	577	238	148
Number of retail outlets terminated during the period ⁽¹⁾	217	450	272	125	183
Turnover (RMB million)	418.2	885.9	1,135.7	483.9 ⁽²⁾	600.2

(1) Includes those retail outlets that were relocated to different locations within the distribution network at the discretion of the relevant distributors or sub-distributors and those smaller retail outlets that were terminated and replaced by larger retail outlets.

(2) The turnover for the six months ended 30 June 2008 is an unaudited figure.

We aim to increase the number of retail outlets to approximately 2,600 by the end of 2009. If our distributors do not continue to add new retail outlets, either by themselves or through their sub-distributors, or are otherwise unsuccessful in selling our products or we fail to effectively supervise and manage our distributors, their sub-distributors or the retail outlets they operate, our results of operations may be materially and adversely affected. See “Risk Factors — Risks Relating to Our Business — Our business may be negatively affected if our distributors or their sub-distributors fail to comply with our retail policies”, “Risk Factors — Risks Relating to Our Business — We may be unable to implement and manage future rapid growth and expansion”, “Business — Sales — Management of Distributors” and “Business — Sales — Management of Retail Outlets”.

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In addition, we rely on a small number of distributors for the sales of our products and our failure to maintain relationships with our major distributors may materially and adversely affect our results of operations. See “Risk Factors — Risks Relating to Our Business — We rely on a small number of distributors for the sales of our products and our failure to renew distributorship agreements with our major distributors or a breach of such distributorship agreements by them may materially and adversely affect our results of operations”.

Ability to maintain brand recognition

We believe that brand recognition plays a crucial role in influencing customers’ purchasing decisions. In addition, brand recognition is an important factor in our determination of the price of our products, which directly impacts our results of operations. We promote and maintain our brand name and image primarily through advertising and promotional activities and the introduction of stylish and quality designs aimed at meeting changing consumer tastes and preferences. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, our advertising and promotional expenses accounted for 7.3%, 9.9%, 11.2%, 10.9% and 7.3% of our turnover, respectively. We also plan to co-operate with our distributors to open flagship stores in major cities throughout the PRC, which we believe will allow us to further promote our brand by showcasing our complete line of products to customers. If we are unable to successfully maintain and promote our brand, our business and results of operations may be materially and adversely affected.

Seasonality and weather

Our business is affected by seasonal trends, with significantly higher levels of sales for our winter and autumn collections and lower levels of sales for our spring and summer collections. As a result, comparisons of our sales and operating results between different periods within a single year, or between different periods in different financial years, are not necessarily meaningful and cannot be relied on as indicators of our performance. See also “Risk Factors — Risks Relating to Our Business — Our business is susceptible to seasonal fluctuations and extreme or unseasonable weather conditions”.

Our business is also susceptible to extreme or unseasonable weather conditions, which could have a material adverse effect on our results of operations and financial condition. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with such unseasonable conditions. We are in the process of adjusting our product mix and broadening our product offerings to mitigate any adverse effects caused by unseasonable weather conditions. We cannot guarantee, however, that these efforts will be effective.

Competition

The menswear industry in the PRC is highly competitive with an increasing number of local and international players. We believe that we compete on the basis of brand image, design, product mix, quality, price, customer service and the breadth of our retail network. International brands traditionally dominate the high-end market, but local brands have advantages in price and sales network and are increasingly competitive in mid- to high-end markets. Our major competitors include, among others, Septwolves, Firs and Baoxiniao. We believe that the intense competition in the PRC menswear industry will continue in the future and our business and results of operations will be significantly affected by our ability to remain competitive in this industry.

External production arrangements

We outsource to external OEM contractors the production of our accessories, products that require special production capabilities, such as leather goods, and certain of our apparel products, especially those that we believe require less special skills and have less proprietary designs, such as certain sweaters, trousers, T-shirts and suits. All of our OEM products are manufactured under the brand name of LILANZ. Outsourced products represented 34.0%, 45.7%, 42.9%, 42.9% and 63.8% of our turnover for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009. The increase in outsourced products to 63.8% of our turnover for the six months ended 30 June 2009 primarily reflected increased sales of T-shirts and other products requiring less specialised production skill in the first half of 2009 as the distributors placed more orders for these products. We believe that our outsourcing arrangements allow us to leverage the expertise and resources of OEM contractors, and are also helpful in responding to tight schedules, especially during peak production seasons. See “Business — Production — Outsourcing” for further details on our outsourcing. However, our reliance on external OEM contractors exposes us to risks relating to the disruption of outsourced products manufactured by these contractors and if we are unable to maintain sufficient OEM production capacity, our business and results of operations may be materially and adversely affected. See “Risk Factors — Risks Relating to Our Business — We rely on our OEM contractors for the production of a significant portion of our products and any material disruption of outsourced products from our OEM contractors would materially and adversely affect our business and results of operations”.

In addition, starting in 2007, we subcontracted certain production processes of a small portion of our products to other manufacturers and incurred subcontracting expenses of RMB1.6 million, RMB13.6 million, RMB3.3 million and RMB5.8 million in 2007, 2008 and the six months ended 30 June 2008 and 2009, respectively. Unlike OEM purchases, we provide raw materials to the sub-contractors for the production of these products. We believe that these sub-contracting arrangements allow us to leverage the expertise and resources of these sub-contractors and provide us with more flexibility in responding to tight schedules, while at the same time enabling us to control the quality of the raw materials used as well as certain key production processes of these products. We are still evaluating the costs and benefits of subcontracting and may use more of these arrangements going forward.

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Taxation

Our PRC subsidiaries are subject to PRC income tax. In 2006 and 2007, the normal statutory PRC enterprise income tax rate and local income tax rate were 30% and 3%, respectively, of the assessable income as determined in accordance with the relevant PRC income tax rules and regulations. However, PRC national and local tax laws provide for various types of preferential tax treatments applicable to different enterprises.

Lilang Fujian is a foreign investment enterprise engaged in manufacturing activities in the PRC and was entitled to a preferential tax rate of 27% during 2006 and 2007. Effective 1 January 2008, the applicable tax rate for Lilang Fujian is 25% pursuant to the New Income Tax Law.

Lilang China is a foreign investment enterprise engaged in manufacturing activities in the PRC and was entitled to a preferential tax rate of 27% during 2006 and 2007. Effective 1 January 2008 and without taking into account any tax concessions, the applicable tax rate for Lilang China is 25% pursuant to the New Income Tax Law. Lilang China is also entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from enterprise income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate. Pursuant to Article 77 of the Rules for the Implementation of the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法實施細則), Lilang China elected to treat calendar year 2007 as the first year to enjoy the above-stated tax concessions even though it commenced operations, and recorded assessable profits, in 2006. Accordingly, Lilang China was exempted in 2007 and 2008, from PRC enterprise income tax and the applicable rate from 1 January 2009 to 31 December 2011 will be 12.5%. From 1 January 2012, the applicable tax rate for Lilang China will be 25%. The above-stated tax concessions enjoyed, or to be enjoyed, by Lilang China were approved by the Jinjiang State Tax Bureau on 16 January 2007.

Lilang Xiamen is a foreign investment enterprise engaged in manufacturing activities and established in Xiamen Special Economic Zone and is subject to PRC enterprise income tax at a rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012. Lilang Xiamen is also entitled to tax concessions whereby the profit for the first two financial years beginning from 1 January 2008 (on which the New Income Tax Law became effective) is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate. Accordingly, Lilang Xiamen has been exempted from PRC enterprise income tax in 2008 and will be exempted from PRC enterprise income tax in 2009. According to the current applicable laws and regulations. The applicable tax rate for Lilang Xiamen will be at 11.0% in 2010, 12.0% in 2011, 12.5% in 2012 and 25% beginning 1 January 2013.

The New Income Tax Law which became effective on 1 January 2008 revokes most preferential tax treatments for foreign-invested enterprises and adopts a unified income tax rate of 25% on most domestic enterprises and foreign-invested enterprises. Some of the

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existing preferential tax treatments for foreign-invested enterprises, however, will be permitted during a transition period of up to five years following the effective date of the New Income Tax Law.

Further, under the New Income Tax Law and its implementing rules, enterprises established outside the PRC with their de facto management bodies located within the PRC may be considered a PRC resident enterprise and subject to PRC enterprise income tax on their global income at the rate of 25%. Since most of our management is currently located in the PRC, we may be subject to PRC income tax at the rate of 25% on our global income. In certain circumstances, dividends received by a PRC resident enterprise from another PRC resident enterprise may be exempted from this tax, but there is no guarantee that we will qualify for this exemption.

Moreover, under the New Income Tax Law and its implementing rules, dividends payable to foreign investors that are non-resident enterprises (enterprises that do not have an establishment or place of business in the PRC, or that have such an establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Under grandfathering provisions, dividends declared and remitted out of the PRC from retained earnings as at 31 December 2007 are exempted from withholding tax. As such, we were liable for withholding tax on dividends distributed from our PRC subsidiaries in respect of profits generated since 1 January 2008. Pursuant to a tax arrangement between the PRC and Hong Kong, companies incorporated in Hong Kong may be subject to withholding taxes at a rate of 5% on dividends they receive from their PRC subsidiaries in which they directly hold at least 25% equity interests. As dividends from our PRC subsidiaries will be paid to us through Lilang International, our Hong Kong subsidiary, those dividends may be subject to a withholding tax at the rate of 5%.

Termination or revision of any of the preferential tax treatments that our PRC subsidiaries currently enjoy may have a material adverse effect on our results of operations.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The methods, estimates and judgments the Directors use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. The following sections discuss the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments, and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information.

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Property, plant and equipment

Property, plant and equipment are stated in the balance sheets at cost less accumulated depreciation and impairment losses. The cost of self-constructed items of property, plant and equipment includes cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified below. Major expenditures for improvements and renewals are recognised as separate assets. All ordinary repair and maintenance costs are expensed as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for our own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.
- Plant and machinery Ten years
- Motor vehicles Five years
- Furniture and fixtures Five years
- Office equipment Five years
- Leasehold improvements Shorter of five years or remaining term of the lease

We review annually the useful life of an asset and its residual value, if any, based on our historical experience with similar assets and taking into account anticipated technology changes. We will adjust depreciation expense for future periods if there are significant changes from previous estimation.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statements on the date of retirement or disposal.

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Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions and interpretation of tax rules. We have carefully evaluated tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future profit will be available against which the unused tax credit can be utilised, our judgment is required to assess the probability of future taxable profits. Our assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods comprises raw materials, labour and other direct costs and related production overhead based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling and distribution expenses.

We carry out physical stock counts from time to time to identify obsolete or damaged goods. We perform regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, projections of expected future saleability of goods and management experience and judgment. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value and such policy has been consistently applied by us throughout the Track Record Period. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

Revenue recognition

Provided it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statements as follows:

Sale of goods. We recognise revenue when the distributor has accepted the related risks and rewards of ownership (i.e., when the goods are shipped to the distributors, who pay for the transportation costs). Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Interest income. We recognise interest income as it accrues using the effective interest method.

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Government grants. Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognised as revenue in income statements on a systematic basis during the periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently recognised in income statements over the useful life of the asset. Unconditional discretionary government grants from the local PRC government authorities are recognised in income statements as other income on a cash receipt basis.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other receivables that are carried at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in income statements as administrative expenses. Trade and other receivables are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Subsequent recoveries of amounts previously written off are credited against administrative expenses in income statements.

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PRINCIPAL INCOME STATEMENT COMPONENTS

Turnover

We generate turnover primarily from the wholesale sales of our products to our distributors. Apparel generally accounts for substantially all of our turnover, representing more than 95% of our turnover for each of the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2008 and 2009. The following table sets forth our turnover, cost of sales, gross profit, gross profit margin, number of units sold and average unit selling price for our apparel and accessories during the Track Record Period:

	Years ended 31 December									Six months ended 30 June					
	2006			2007			2008			2008			2009		
	Apparel	Accessories	Total	Apparel	Accessories	Total	Apparel	Accessories	Total	Apparel	Accessories	Total ⁽²⁾	Apparel	Accessories	Total
(RMB'000)			(RMB'000)			(RMB'000)			(RMB'000)			(RMB'000)			
Turnover	416,139	2,056	418,195	872,382	13,539	885,921	1,096,289	39,395	1,135,684	476,956	6,989	483,945	571,008	29,168	600,176
Cost of sales	(321,068)	(1,947)	(323,015)	(642,078)	(9,942)	(652,020)	(765,027)	(26,600)	(791,627)	(335,053)	(4,726)	(339,779)	(403,193)	(20,148)	(423,341)
Gross profit	95,071	109	95,180	230,304	3,597	233,901	331,262	12,795	344,057	141,903	2,263	144,166	167,815	9,020	176,835
Gross profit margin	22.8%	5.3%	22.8%	26.4%	26.6%	26.4%	30.2%	32.5%	30.3%	29.8%	32.4%	29.8%	29.4%	30.9%	29.5%
Number of units sold	3,462,000	133,000	3,595,000	7,261,000	286,000	7,547,000	7,718,000	469,000	8,187,000	3,758,000	96,000	3,854,000	4,458,000	340,000	4,798,000
Average unit selling price (in RMB) ⁽¹⁾	120	15	116	120	47	117	142	84	139	127	73	126	128	86	125

Notes:

- (1) Average unit selling price is calculated by dividing the turnover for the year/period by the number of units sold. While this is the average unit selling price, the price per unit may vary depending on the type of apparel and accessories.
- (2) The turnover, cost of sales and gross profit for the six months ended 30 June 2008 are derived from unaudited financial statements.

The following table sets forth our turnover by sales region during the Track Record Period:

Region	Years ended 31 December						Six months ended 30 June			
	2006		2007		2008		2008		2009	
	(RMB million)	% of turnover	(RMB million)	% of turnover	(RMB million)	% of turnover	(RMB million)	% of turnover	(RMB million)	% of turnover
Northern PRC ⁽¹⁾	26.5	6.3	81.1	9.1	80.5	7.1	36.1	7.5	40.6	6.8
North Eastern PRC ⁽²⁾	30.7	7.3	95.5	10.8	114.2	10.0	46.9	9.7	53.9	9.0
Eastern PRC ⁽³⁾	204.2	48.9	357.0	40.3	417.6	36.8	184.0	38.0	217.0	36.2
Central and Southern PRC ⁽⁴⁾	87.8	21.0	169.7	19.2	254.9	22.4	102.1	21.1	144.9	24.1
South Western PRC ⁽⁵⁾	46.7	11.2	123.9	14.0	181.2	16.0	78.0	16.1	92.2	15.3
North Western PRC ⁽⁶⁾	22.3	5.3	58.7	6.6	87.3	7.7	36.8	7.6	51.6	8.6
Total	418.2	100.0	885.9	100.0	1,135.7	100.0	483.9	100.0	600.2	100.0

Notes:

- (1) Northern PRC includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.
- (2) North Eastern PRC includes Heilongjiang, Jilin and Liaoning.

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- (3) Eastern PRC includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.
- (4) Central and Southern PRC includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.
- (5) South Western PRC includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.
- (6) North Western PRC includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

Cost of sales

Cost of sales consists of cost of raw materials, direct labour, sub-contracting expenses and overhead for our own production and OEM purchases. Sub-contracting expenses consist of sub-contracting charges incurred in connection with sub-contracting arrangements. Overhead costs mainly comprise indirect labour (representing primarily staff costs for our design and product development team and production and sourcing management team), fuel, electricity, depreciation of plant and machinery, rental expenses, design fees paid to external designers of our products and product development costs.

The following table sets forth our cost of sales by production cost for the Track Record Period:

	Years ended 31 December									Six months ended 30 June					
	2006			2007			2008			2008			2009		
	(RMB million)	% of our own production	% of cost of sales	(RMB million)	% of our own production	% of cost of sales	(RMB million)	% of our own production	% of cost of sales	(RMB million)	% of our own production	% of cost of sales	(RMB million)	% of our own production	% of cost of sales
Cost of Sales															
<i>Our own production</i>															
Raw materials	187.5	86.9	58.0	294.3	82.2	45.1	369.3	80.3	46.6	161.2	81.1	47.4	134.2	81.7	31.7
Direct labour	21.2	9.8	6.6	41.8	11.7	6.4	52.0	11.3	6.6	24.0	12.1	7.1	13.2	8.0	3.1
Sub-contracting expenses	—	—	—	1.6	0.4	0.3	13.6	3.0	1.7	3.3	1.6	1.0	5.8	3.5	1.4
Overhead	7.0	3.3	2.2	20.4	5.7	3.1	24.9	5.4	3.2	10.3	5.2	3.0	11.1	6.8	2.6
Sub-total	215.7	100.0	66.8	358.1	100.0	54.9	459.8	100.0	58.1	198.8	100.0	58.5	164.3	100.0	38.8
<i>Outsourced production</i>															
OEM purchases	107.3	—	33.2	293.9	—	45.1	331.8	—	41.9	141.0	—	41.5	259.0	—	61.2
Total	323.0	—	100.0	652.0	—	100.0	791.6	—	100.0	339.8	—	100.0	423.3	—	100.0

Other revenue

Other revenue consists primarily of government grants (in the form of cash subsidies and waiver of expenses) and interest income from bank deposits.

Selling and distribution expenses

Selling and distribution expenses consist primarily of advertising and promotional expenses which include renovation subsidies provided to our distributors, sales fair expenses and staff costs and travel expenses for our marketing and sales staff. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, our selling and distribution expenses accounted for 8.9%, 11.8%, 12.9%, 12.5% and 9.1%, respectively, of our turnover. Advertising and promotional expenses accounted for the vast majority of our selling and distribution expenses, representing 81.8%, 83.9%, 87.0%, 87.4% and 80.1% of our selling and distribution expenses for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively. These

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expenses include TV and other media advertising expenses, appointment fees for spokespersons, designing fees for new corporate logos and subsidies for renovations to retail outlets provided to distributors.

Administrative expenses

Administrative expenses consist primarily of staff costs for our management and administrative personnel, depreciation and amortisation, consulting fees, electricity, cost of office supplies and travel expenses. Staff costs for our management and administrative personnel represented the largest component of our administrative expenses, representing 39.1%, 42.3%, 43.1%, 44.2% and 36.2% of our administrative expenses for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

Other operating (expenses)/income

Other operating expenses for the six months ended 30 June 2009 were RMB0.2 million, which mainly represented charitable donations of RMB0.1 million and loss on disposal of fixed assets of RMB0.1 million. Other operating income for the six months ended 30 June 2008 was RMB2.2 million, mainly consisting of a gain on disposal of fixed assets of RMB3.1 million, partially offset by the charitable donations of RMB0.5 million. Other operating income for the year ended 31 December 2008 was RMB1.9 million, primarily as a result of a gain of RMB3.1 million in connection with the disposal of our headquarter premises in Jinjiang, Fujian in February 2008 which was partially offset by charitable donations of RMB0.8 million. Other operating expenses for 2007 were RMB1.8 million, consisting of charity donations of RMB0.7 million, losses of RMB0.5 million incurred on disposal of certain fixed assets and write-off of RMB0.6 million of design fees for certain product designs which were not adopted. Other operating expenses for 2006 were RMB0.6 million, consisting of a one-time compensation payment made to a distributor who alleged a breach of sales contract against us in 2006.

Finance costs

Finance costs consist primarily of interest on bank borrowings wholly repayable within one year.

Income tax

Income tax represents amounts of PRC enterprise income tax paid by our Group. Our Group was not subject to Hong Kong profits tax or any income tax in the Cayman Islands or the BVI during the Track Record Period. Our Group's effective income tax rate, calculated as our Group's income tax expense divided by profit before taxation, was 28.6%, 1.3%, 3.4%, 2.9% and 13.3% in 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009, respectively. Our effective income tax rate decreased from 28.6% in 2006 to 1.3% in 2007, primarily because Lilang China, through which we conducted the vast majority of our business in 2007, elected to treat 2007 as the first profit-making year for PRC enterprise income tax purposes and therefore was exempted from PRC enterprise income tax in that year. Our effective income tax rate increased slightly from 1.3% in 2007 to 3.4% 2008, primarily because deferred tax liabilities were recognised in 2008 in respect of

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the undistributed profits earned by our subsidiaries in the PRC since 1 January 2008 and a PRC land appreciation tax incurred on the disposal of our headquarter premises in Jinjiang, Fujian in February 2008. Our effective income tax rate increased from 2.9% for the six months ended 30 June 2008 to 13.3% for the six months ended 30 June 2009, primarily because Lilang China was subject to the PRC enterprise income tax at 12.5% since 1 January 2009. Lilang China was exempted from the PRC enterprise income tax in 2008.

The applicable PRC enterprise income tax rates during the Track Record Period for our PRC subsidiaries, Lilang China, Lilang Fujian and Lilang Xiamen, through which we conduct all of our operations, are set out below:

	<u>Years ended 31 December</u>			<u>Six months ended</u>
				<u>30 June</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Lilang China .	27%	Tax exemption ⁽¹⁾	Tax exemption ⁽¹⁾	12.5% ⁽¹⁾
Lilang Fujian .	27%	27%	25%	25%
Lilang Xiamen	N/A	N/A	Tax exemption	Tax exemption

- (1) Lilang China elected to treat 2007 as the first profit-making year for PRC enterprise income tax purposes and therefore was exempted from PRC enterprise income tax in 2007 and 2008 and is subject to a reduced rate of 12.5% in 2009, 2010 and 2011.

See “Factors Affecting Our Results of Operations and Financial Condition — Taxation” in this section of the prospectus for more information on the applicable PRC enterprise income tax rates for our PRC subsidiaries.

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RESULTS OF OPERATIONS

The following table sets forth the summary consolidated income statement data of our Group for the Track Record Period. We have derived the summary consolidated income statement data of our Group from our consolidated financial statements which have been prepared in accordance with IFRS, set forth in the section headed “ Appendix I — Accountants’ Report” to this prospectus.

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB million, except per share data)				
	(unaudited)				
Turnover	418.2	885.9	1,135.7	483.9	600.2
Cost of sales	(323.0)	(652.0)	(791.6)	(339.8)	(423.3)
Gross profit	95.2	233.9	344.1	144.1	176.9
Other revenue	1.5	5.2	5.8	5.3	1.2
Selling and distribution expenses	(37.3)	(104.9)	(146.5)	(60.3)	(54.6)
Administrative expenses . . .	(9.2)	(22.7)	(34.3)	(15.4)	(15.2)
Other operating (expenses)/ income	(0.7)	(1.8)	1.9	2.2	(0.2)
Profit from operations	49.5	109.7	171.0	75.9	108.1
Finance costs	(3.9)	(12.0)	(11.5)	(4.6)	(4.3)
Profit before taxation	45.6	97.7	159.5	71.3	103.8
Income tax	(13.0)	(1.2)	(5.4)	(2.0)	(13.8)
Profit attributable to equity shareholders	32.6	96.5	154.1	69.3	90.0
Basic earnings per share (RMB (cents))	3.62	10.72	17.13	7.70	10.00

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The following table sets forth the summary consolidated income statement data of our Group as a percentage of consolidated turnover for the Track Record Period.

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(% of turnover)			(unaudited)	
Turnover	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(77.2%)	(73.6%)	(69.7%)	(70.2%)	(70.5%)
Gross profit	22.8%	26.4%	30.3%	29.8%	29.5%
Other revenue	0.3%	0.6%	0.5%	1.1%	0.2%
Selling and distribution expenses	(8.9%)	(11.8%)	(12.9%)	(12.5%)	(9.1%)
Administrative expenses . . .	(2.2%)	(2.6%)	(3.0%)	(3.2%)	(2.5%)
Other operating (expenses)/ income	(0.2%)	(0.2%)	0.2%	0.5%	(0.03%)
Profit from operations	11.8%	12.4%	15.1%	15.7%	18.0%
Finance costs	(0.9%)	(1.4%)	(1.0%)	(1.0%)	(0.7%)
Profit before taxation	10.9%	11.0%	14.1%	14.7%	17.3%
Income tax	(3.1%)	(0.1%)	(0.5%)	(0.4%)	(2.3%)
Profit attributable to equity shareholders	7.8%	10.9%	13.6%	14.3%	15.0%

Six months ended 30 June 2009 compared to six months ended 30 June 2008 (unaudited)

Turnover. Turnover increased by 24.0% from RMB483.9 million for the six months ended 30 June 2008 to RMB600.2 million for the six months ended 30 June 2009, primarily due to increased sales volume. The number of units we sold increased from 3,854,000 units for the six months ended 30 June 2008 to 4,798,000 units for the six months ended 30 June 2009, primarily attributable to growing recognition of our LILANZ brand, the expansion of our product offerings and the continued expansion of our distribution network. As at 30 June 2009, the number of the retail outlets operated by our distributors and their sub-distributors was 2,456, compared to 2,299 as at 30 June 2008. The overall average unit selling price of our products remained relatively stable at RMB125 for the six months ended 30 June 2009 when compared to RMB126 for the six months ended 30 June 2008. The average unit selling price of our apparel products increased from RMB127 for the six months ended 30 June 2008 to RMB128 for the six months ended 30 June 2009. The average unit selling price of our accessories products increased from RMB73 for the six months ended 30 June 2008 to RMB86 for the six months ended 30 June 2009.

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Turnover increased in all of our sales regions for the six months ended 30 June 2009 compared to the six months ended 30 June 2008: turnover generated in the Northern PRC region increased by 12.5% from RMB36.1 million for the six months ended 30 June 2008 to RMB40.6 million for the six months ended 30 June 2009; turnover generated in the North Eastern PRC region increased by 14.9% from RMB46.9 million for the six months ended 30 June 2008 to RMB53.9 million for the six months ended 30 June 2009; turnover generated in the Eastern PRC region increased by 17.9% from RMB184.0 million for the six months ended 30 June 2008 to RMB217.0 million for the six months ended 30 June 2009; turnover generated in the Central and Southern PRC region increased by 41.9% from RMB102.1 million for the six months ended 30 June 2008 to RMB144.9 million for the six months ended 30 June 2009; turnover generated in the South Western PRC region increased by 18.2% from RMB78.0 million for the six months ended 30 June 2008 to RMB92.2 million for the six months ended 30 June 2009; and turnover generated in the North Western PRC region increased by 40.2% from RMB36.8 million for the six months ended 30 June 2008 to RMB51.6 million for the six months ended 30 June 2009. The Eastern PRC region remained as our top sales region, accounting for 36.2% of our turnover for the six months ended 30 June 2009.

Cost of sales. Cost of sales increased by 24.6% from RMB339.8 million for the six months ended 30 June 2008 to RMB423.3 million for the six months ended 30 June 2009, driven by an increase in cost of outsourced production, largely due to an increase in sales of outsourced products. Cost of our own production decreased by 17.4% from RMB198.8 million for the six months ended 30 June 2008 to RMB164.3 million for the six months ended 30 June 2009. Cost of raw materials as a percentage of total cost of our own production increased slightly from 81.1% for the six months ended 30 June 2008 to 81.7% for the six months ended 30 June 2009. Overhead cost as a percentage of total cost of our own production increase from 5.2% for the six months ended 30 June 2008 to 6.8% for the six months ended 30 June 2009, primarily due to the increase in our rental expenses for our factory in Meiling and research centre in Shanghai which we leased in March 2008 and October 2008, respectively. Sub-contracting expenses as a percentage of total cost of our own production increased from 1.6% to 3.5% for the six months ended 30 June 2009, primarily due to the increase in subcontracting activities in 2009.

Cost of outsourced production increased by 83.7% from RMB141.0 million for the six months ended 30 June 2008 to RMB259.0 million for the six months ended 30 June 2009. Cost of outsourced production as a percentage of total cost of sales increase from 41.5% for the six months ended 30 June 2008 to 61.2% for the six months ended 30 June 2009, primarily as a result of the increase in the sales of outsourced products compared to self-produced products.

Gross profit and gross profit margin. Gross profit increased by 22.7% from RMB144.1 million for the six months ended 30 June 2008 to RMB176.9 million for the six months ended 30 June 2009, primarily as a result of an increase in the turnover. Our gross profit margin remained relatively stable at 29.5% for the six months ended 30 June 2009, compared to 29.8% for the six months ended 30 June 2008. The slight decrease in

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profit margin was primarily due to the fact that we sold a larger portion of lower-margin outsourced products for the first half of 2009, which was largely offset by increased economies of scale in our purchasing power as a result of increased sales volume.

Other revenue. Other revenue decreased from RMB5.3 million for the six months ended 30 June 2008 to RMB1.2 million for the six months ended 30 June 2009, primarily as a result of a decrease in interest income from deposits and a decrease in government grants.

Selling and distribution expenses. Selling and distribution expenses decreased by 9.5% from RMB60.3 million for the six months ended 30 June 2008 to RMB54.6 million for the six months ended 30 June 2009, primarily due to a decrease in advertising and promotional expenses by RMB9.0 million which was partially offset by an increase in expenses incurred for sales fairs and staff costs.

Administrative expenses. Administrative expenses decreased by 1.4% from RMB15.4 million for the six months ended 30 June 2008 to RMB15.2 million for the six months ended 30 June 2009. We anticipate a significant increase in administrative expenses going forward in connection with the needs of a listed company, including fees of professional advisors and accountants for ongoing reporting obligations and regulatory compliance.

Other operating expenses/income. We recorded other operating income of RMB2.2 million for the six months ended 30 June 2008 primarily as a result of gain on disposal of fixed assets. We recorded other operating expenses of RMB0.2 million for the six months ended 30 June 2009, consisting primarily of charitable donations and loss on disposal of fixed assets.

Finance costs. Finance costs decreased by 6.1% from RMB4.6 million for the six months ended 30 June 2008 to RMB4.3 million for the six months ended 30 June 2009, primarily as a result of a decrease in interest rates.

Profit before taxation. As a result of the foregoing factors, profit before taxation increased by 45.4% from RMB71.3 million for the six months ended 30 June 2008 to RMB103.8 million for the six months ended 30 June 2009.

Income tax. Income tax expense increased from RMB2.0 million for the six months ended 30 June 2008 to RMB13.8 million for the six months ended 30 June 2009 and our effective income tax rate increased from 2.9% for the six months ended 30 June 2008 to 13.3% for the six months ended 30 June 2009, in each case, primarily because for the six months ended 30 June 2009, Lilang China was subject to PRC enterprise income tax at a rate of 12.5% in 2009 while it was exempt from the PRC enterprise income tax in 2008.

Profit attributable to equity shareholders. As a result of the foregoing factors, profit attributable to equity shareholders increased by 29.8% from RMB69.3 million for the six months ended 30 June 2008 to RMB90.0 million for the six months ended 30 June 2009. Our net profit margin increased to 15.0% for the six months ended 30 June 2009 from 14.3% for the six months ended 30 June 2008.

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2008 compared to 2007

Turnover. Turnover increased by 28.2% from RMB885.9 million in 2007 to RMB1,135.7 million in 2008, primarily due to increases in both the average selling price and sales volume. The average unit selling price of our products increased from RMB117 in 2007 to RMB139 in 2008. This increase was attributable to a shift in product mix towards higher priced apparel and accessories. The number of units we sold also increased from 7,547,000 units in 2007 to 8,187,000 units in 2008. Such increases were the result of the growing recognition of our LILANZ brand, the expansion of our product offerings and the continued expansion of our distribution network. As at 31 December 2008, the number of the retail outlets operated by our distributors and their sub-distributors was 2,491, compared to 2,186 as at 31 December 2007.

Turnover increased in five of our sales regions in 2008 compared to 2007: turnover generated in the North Eastern PRC region increased by 19.6% from RMB95.5 million in 2007 to RMB114.2 million in 2008; turnover generated in the Eastern PRC region increased by 17.0% from RMB357.0 million in 2007 to RMB417.6 million in 2008; turnover generated in the Central and Southern PRC region increased by 50.2% from RMB169.7 million in 2007 to RMB254.9 million in 2008; turnover generated in the South Western PRC region increased by 46.2% from RMB123.9 million in 2007 to RMB181.2 million in 2008; and turnover generated in the North Western PRC region increased by 48.7% from RMB58.7 million in 2007 to RMB87.3 million in 2008. Our turnover in the Northern PRC region decreased slightly from RMB81.1 million in 2007 to RMB80.5 million in 2008. The Eastern PRC region remained as our top sales region, accounting for 36.8% of our turnover in 2008.

Cost of sales. Cost of sales increased by 21.4% from RMB652.0 million in 2007 to RMB791.6 million in 2008, driven by an increase in both cost of our own production and cost of outsourced production, largely consistent with an increase in our sales volume. Cost of our own production increased by 28.4% from RMB358.1 million for 2007 to RMB459.8 million for 2008. Cost of raw materials as a percentage of total cost of our own production decreased from 82.2% in 2007 to 80.3% in 2008. Overhead cost as a percentage of total cost of our own production decreased from 5.7% in 2007 to 5.4% in 2008, primarily due to the decrease in our rental expenses for our factory in 2008 as we leased less space for our warehouse and production in 2008 as compared to 2007 as construction of Wuli Industrial Park was completed in 2008. Sub-contracting expenses as a percentage of total cost of our own production increased from 0.4% to 3.0% in 2008. We started to sub-contract certain production processes to third party contractors on a trial basis in 2007. We sub-contracted these production processes to the third party contractors on a larger scale in 2008.

Cost of outsourced production increased by 12.9% from RMB293.9 million in 2007 to RMB331.8 million in 2008. Cost of outsourced production as a percentage of total cost of sales decreased from 45.1% in 2007 to 41.9% in 2008, primarily as a result of the decrease in the sales of outsourced products compared to self-produced products.

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Gross profit and gross profit margin. Gross profit increased by 47.1% from RMB233.9 million in 2007 to RMB344.1 million in 2008, primarily as a result of an increase in the turnover. Our gross profit margin increased to 30.3% in 2008 from 26.4% in 2007, primarily as a result of increased sales of higher margin products and greater economies of scale in our purchasing power as a result of increased sales volume in 2008.

Other revenue. Other revenue increased from RMB5.2 million in 2007 to RMB5.8 million in 2008, primarily as a result of higher government grants.

Selling and distribution expenses. Selling and distribution expenses increased by 39.6% from RMB104.9 million in 2007 to RMB146.5 million in 2008, primarily due to the increased renovation subsidies of RMB32.2 million incurred for the refurbishment of the retail outlets of our distributors in 2008.

Administrative expenses. Administrative expenses increased by 51.2% from RMB22.7 million in 2007 to RMB34.3 million in 2008, primarily due to (i) an increase in staff costs for our management and administrative personnel, which increased from RMB9.6 million in 2007 to RMB14.8 million in 2008, driven by higher average employee salary which was partially offset by a decrease in headcount in 2008 and (ii) an increase in cost of office supplies and travel expenses, which increased from RMB3.5 million to RMB5.2 million, as a result of the general expansion of our business.

Other operating expenses/income. We recorded other operating income in 2008 of RMB1.9 million primarily as a result of a gain of RMB3.1 million in connection with the disposal of our headquarter premises in Jinjiang, Fujian in February 2008 which was partially offset by our charitable donations of RMB0.8 million. We recorded other operating expenses of RMB1.8 million in 2007, consisting primarily of charitable donations of RMB0.7 million, loss of RMB0.5 million incurred on disposal of certain fixed assets and write-off of RMB0.6 million of design fees for certain product designs which were not adopted.

Finance costs. Finance costs decreased by 3.7% from RMB12.0 million in 2007 to RMB11.5 million in 2008, primarily as a result of a decrease in interest rates on our bank borrowings in the first half of the year in 2008.

Profit before taxation. As a result of the foregoing factors, profit before taxation increased by 63.2% from RMB97.7 million in 2007 to RMB159.5 million in 2008.

Income tax. Income tax expense increased by 337.6% from RMB1.2 million in 2007 to RMB5.4 million in 2008 and our effective income tax rate increased from 1.3% in 2007 to 3.4% in 2008, in each case, primarily because of the increase in profit before taxation in 2008 and the fact that deferred tax liabilities were recognised in 2008 in respect of the undistributed profits earned by the subsidiaries of our Company in the PRC since 1 January 2008 and a PRC land appreciation tax incurred on the disposal of our headquarter premises in Jinjiang, Fujian Province in February 2008.

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Profit attributable to equity shareholders. As a result of the foregoing factors, profit attributable to equity shareholders increased by 59.7% from RMB96.5 million in 2007 to RMB154.1 million in 2008. Our net profit margin increased to 13.6% in 2008 from 10.9% in 2007.

2007 compared to 2006

Turnover. Turnover increased by 111.8% from RMB418.2 million in 2006 to RMB885.9 million in 2007, primarily due to increased sales volume. The number of units sold increased from 3,595,000 units in 2006 to 7,547,000 units in 2007. Such increase was due to an expansion of distribution network and broader product offerings and stronger overall demand for our products due to the strengthening of our brand image. As at 31 December 2007, the number of the retail outlets operated by our distributors and their sub-distributors reached 2,186, compared to 2,002 as at 31 December 2006. The expansion of our product offerings was primarily due to the strengthening of our product design and development capability as Mr. Ji Wen Bo joined us full time as our chief designer in 2007. The overall average unit selling price of our products was relatively stable at RMB116 in 2006 as compared to RMB117 in 2007.

Turnover increased in all of our six sales regions in 2007 compared to 2006: turnover generated in the Northern PRC region increased by 206.0% from RMB26.5 million in 2006 to RMB81.1 million in 2007; turnover generated in the North Eastern PRC region increased by 211.1% from RMB30.7 million in 2006 to RMB95.5 million in 2007; turnover generated in the Eastern PRC region increased by 74.8% from RMB204.2 million in 2006 to RMB357.0 million in 2007; turnover generated in the Central and Southern PRC region increased by 93.3% from RMB87.8 million in 2006 to RMB169.7 million in 2007; turnover generated in the South Western PRC region increased by 165.3% from RMB46.7 million in 2006 to RMB123.9 million in 2007; and turnover generated in the North Western PRC region increased by 163.2% from RMB22.3 million in 2006 to RMB58.7 million in 2007. The Eastern PRC region remained as our top sales region, accounting for 40.3% of our turnover in 2007.

Cost of sales. Cost of sales increased by 101.9% from RMB323.0 million in 2006 to RMB652.0 million in 2007, driven by an increase in both cost of our own production and cost of outsourced production, which, in turn, was driven by a higher sales volume. Cost of our own production increased by 66.0% from RMB215.7 million for 2006 to RMB358.1 million for 2007. Cost of raw materials as a percentage of total cost of our own production decreased from 86.9% in 2006 to 82.2% in 2007, primarily due to the fact that we incurred proportionally more cost of direct labour and overhead cost in 2007. Cost of direct labour as a percentage of total cost of our own production increased from 9.8% in 2006 to 11.7% in 2007, primarily because of the increase in our provision for retirement benefit contributions in respect of our direct labour from RMB1.7 million in 2006 to RMB6.5 million in 2007 and the fact that in 2007, as compared to 2006, we produced proportionally more products requiring special skills or with special designs in house, which were generally more labour-intensive. Overhead cost as a percentage of total cost of our own production

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increased from 3.3% in 2006 to 5.7% in 2007, primarily due to an increase in cost of indirect labour, driven by higher employee headcount in our design and production team and sourcing management team.

Cost of outsourced production increased by 173.9% from RMB107.3 million in 2006 to RMB293.9 million in 2007. Cost of outsourced production as a percentage of total cost of sales increased from 33.2% in 2006 to 45.1% in 2007, primarily as a result of increase in the sales of outsourced products compared to self-produced products.

Gross profit and gross profit margin. Gross profit increased by 145.7% from RMB95.2 million in 2006 to RMB233.9 million in 2007, primarily as a result of an increase in the turnover. Our gross profit margin increased to 26.4% in 2007 from 22.8% in 2006, primarily as a result of greater economies of scale in our purchasing power as a result of increased sales volume in 2007.

Other revenue. Other revenue increased from RMB1.5 million in 2006 to RMB5.2 million in 2007, primarily as a result of the higher interest income and government grants.

Selling and distribution expenses. Selling and distribution expenses increased by 180.9% from RMB37.3 million in 2006 to RMB104.9 million in 2007, primarily due to an increase of 188.5% in advertising and promotional expenses from RMB30.5 million to RMB88.0 million.

Administrative expenses. Administrative expenses increased by 145.7% from RMB9.2 million in 2006 to RMB22.7 million in 2007, primarily due to (i) an increase in staff costs for our management and administrative personnel, which increased from RMB3.6 million in 2006 to RMB9.6 million in 2007, driven by higher employee head count and average employee salary, (ii) an increase in cost of office supplies and travel expenses, which increased from RMB1.1 million to RMB3.5 million, as a result of the general expansion of our business, and (iii) consultancy fees of RMB1.5 million paid in 2007 in respect of certain financial advice obtained by our Group in connection with a proposed reorganisation and public offering of our Group.

Other operating expenses. Other operating expenses increased from RMB0.7 million in 2006 to RMB1.8 million in 2007, consisting primarily of charity donations of RMB0.7 million, a loss of RMB0.5 million incurred on disposal of certain fixed assets and a write-off of RMB0.6 million of design fees for certain product designs which were not adopted.

Finance costs. Finance costs increased by 207.3% from RMB3.9 million in 2006 to RMB12.0 million in 2007, primarily as a result of an increase in our bank borrowings.

Profit before taxation. As a result of the foregoing factors, profit before taxation increased by 114.3% from RMB45.6 million in 2006 to RMB97.7 million in 2007.

Income tax. Income tax expense decreased by 90.6% from RMB13.0 million in 2006 to RMB1.2 million in 2007 and our effective income tax rate decreased from 28.6% in 2006 to 1.3% in 2007, in each case, primarily because Lilang China, through which we conducted

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the vast majority of our business in 2007, elected to treat 2007 as the first profit-making year for PRC enterprise income tax purposes and therefore was exempted from PRC enterprise income tax in that year.

Profit attributable to equity shareholders. As a result of the foregoing factors, profit attributable to equity shareholders increased by 196.2% from RMB32.6 million in 2006 to RMB96.5 million in 2007. Our net profit margin increased to 10.9% in 2007 from 7.8% in 2006.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, including trade payables and product development, manufacturing and operating expenses, fund capital expenditures related to the construction of new production and other facilities and repay loans and related interest. We have historically funded our cash requirements primarily from cash flow generated from operations, proceeds from a controlling shareholder and bank loans. There have been no material changes in our underlying drivers of the sources and uses of cash during the Track Record Period.

Going forward, we intend to satisfy our liquidity requirements using a combination of the proceeds from the Global Offering, cash flow generated from operations, bank loans and future debt and securities offerings. However, our ability to fund our future liquidity requirements are subject to prevailing economic conditions, the availability of debt financing and other factors, many of which are beyond our control. See “Risk factors — Risks Relating to Our Business — Our ability to obtain additional financing may be limited, which could delay or prevent the completion of one or more of our strategies.”

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The following table presents selected cash flow data from our Group's consolidated cash flow statements for the Track Record Period, as derived from "Appendix I — Accountants' Report" to this prospectus.

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	(RMB million)			(unaudited)	
Net cash (used in)/generated from operating activities . .	(109.3)	91.9	43.1	(14.1)	106.4
Net cash used in investing activities	(61.5)	(16.5)	(92.2)	(43.0)	(11.6)
Net cash generated from/ (used in) financing activities	187.4	(44.2)	44.1	28.1	(54.1)
Net increase/(decrease) in cash	16.6	31.2	(5.0)	(29.0)	40.7
Cash at the beginning of the year/period	10.6	27.3	58.5	58.5	53.6
Cash at the end of the year/period.	27.2	58.5	53.5	29.5	94.3

Operating activities

For the six months ended 30 June 2009, we had net cash generated from operating activities of RMB106.4 million which was primarily contributed by cash generated from operating profit before changes in working capital of RMB113.2 million and a decrease in other receivables of RMB95.8 million. These cash inflows were partially offset by an increase in inventories of RMB14.5 million, an increase in trade and bills receivables of RMB53.8 million and a decrease in trade and bills payables of RMB42.2 million. The increase in trade and bills receivables was primarily due to the increase in our sales.

For the six months ended 30 June 2008, net cash used in operating activities amounted to RMB14.1 million which was primarily contributed by an increase in trade and bills receivables of RMB74.6 million and decrease in trade and bills payables of RMB45.6 million. These cash outflows were partially offset by the cash generated from operations before changes in working capital of RMB75.2 million and a decrease in other receivables of RMB41.1 million.

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In 2008, we had net cash generated from operating activities of RMB43.1 million, which was primarily contributed by an operating profit before changes in working capital of RMB173.0 million. These cash inflows were partially offset by an increase in inventories of RMB75.5 million, an increase in trade and bills receivables of RMB79.4 million and a decrease in trade and bills payables of RMB38.5 million. The increase in trade and bills receivables was primarily due to the increase in our sales.

In 2007, we had net cash generated from operating activities of RMB91.9 million, which was primarily contributed by an operating profit before changes in working capital of RMB111.0 million and an increase in trade and bills payables of RMB167.5 million. These cash inflows were partially offset by an increase in trade receivables of RMB17.8 million, an increase in other receivables of RMB76.1 million, an increase in inventories of RMB55.7 million and an increase in pledged bank deposits of RMB39.0 million. The increase in trade and bills payable was primarily due to an increase in our purchase of raw materials and OEM products as a result of the increase in demand for our products; the increase in other receivables was primarily due to the increase in prepayments to suppliers and our prepaid advertising expenses and prepayment for store displays to be provided to our distributors as renovation subsidies; and the increase in inventories was primarily attributable to increases in our sales and the fact that the sales fair for the spring and summer collections in 2007 was held in October 2006, while the sales fair for the spring and summer collections in 2008 was held in September 2007, which resulted in an increase in completed products and higher inventory level as at 31 December 2007.

In 2006, we had net cash used in operating activities of RMB109.3 million, which was primarily contributed by an increase in trade receivables of RMB142.6 million, an increase in other receivables of RMB36.3 million and an increase in inventories of RMB23.3 million. These cash outflows were partially offset by an operating profit before changes in working capital of RMB51.1 million and an increase in trade and bills payables of RMB41.3 million. The increase in trade receivables was primarily due to the increase in our turnover and extended credit terms granted by us to select creditworthy distributors in 2006 to expand their retail network for our products, in line with our growth objective; the increase in other receivables was primarily due to the increase in prepayments to suppliers; the increase in inventories was primarily attributable to increases in our sales; and the increase in trade and bills payable was primarily due to an increase in our purchase of raw materials and OEM products as a result of the increase in demand for our products.

Investing activities

For the six months ended 30 June 2009, net cash used in investing activities amounted to RMB11.6 million, primarily for payments for the purchase of property, plant and equipment in connection with the construction of our production facilities in Wuli Industrial Park in the aggregate amount of RMB11.8 million.

For the six months ended 30 June 2008, net cash used in investing activities amounted to RMB43.0 million, primarily for payments for the purchase of property, plant and equipment in connection with the construction of our production facilities in Wuli Industrial Park in the aggregate amount of RMB40.7 million.

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In 2008, net cash used in investing activities amounted to RMB92.2 million, primarily for payments for the purchase of property, plant and equipment in connection with the construction of our production facilities in Wuli Industrial Park in the aggregate amount of RMB60.3 million and payment for the purchase of investment property in the aggregate amount of RMB30.1 million in connection with the premises in Zhengzhou.

In 2007, net cash used in investing activities amounted to RMB16.5 million, primarily for payments for the purchase of property, plant and equipment in connection with the construction of our production facilities in the Wuli Industrial Park in the aggregate amount of RMB60.4 million and a loan to Fujian Strait West Coast Investment Co., Ltd. (福建海峽西岸投資有限公司), or Fujian Strait, a real estate developer and an Independent Third Party, in the amount of RMB30.0 million. These cash outflows were partially offset by repayments of amounts due from Jinjiang Xiaosheng Apparel Enterprise Limited (晉江曉升服裝實業有限公司), or Jinjiang Xiaosheng, and Jinjiang Menglang Apparel Limited (晉江市猛郎服飾有限公司), or Jinjiang Menglang, each, a related party, in the aggregate amount of RMB42.5 million and repayments of the loan to Fujian Strait in the aggregate amount of RMB30.0 million. The loan to Fujian Strait was made in March 2007 and due in December 2007. The principal and accrued interest of the loan were subsequently repaid in full.

In 2006, net cash used in investing activities amounted to RMB61.5 million, primarily for payment of advances to Jinjiang Xiaosheng and Jinjiang Menglang in the aggregate amount of RMB25.2 million, payments for the construction of our production facilities in the Wuli Industrial Park in the aggregate amount of RMB12.7 million and prepayments for the purchase of land use rights for our production facilities in the Wuli Industrial Park and our planned research and product development facilities in Xiamen, Fujian in the aggregate amount of RMB16.3 million.

Financing activities

For the six months ended 30 June 2009, we had net cash used in financing activities of RMB54.1 million, which was primarily the result of repayments of bank loans in the aggregate amount of RMB212.0 million, partially offset by the proceeds from bank loans for working capital purposes in the aggregate amount of RMB170.0 million.

For the six months ended 30 June 2008, we had net cash generated from financing activities of RMB28.1 million, which was primarily contributed by proceeds from bank loans in the aggregate amount of RMB160.0 million and advances from our Controlling Shareholders of RMB16.2 million, partially offset by repayment of bank loans of RMB124.5 million and payments of expenses relating to our proposed listing of RMB19.4 million.

In 2008, we had net cash generated from financing activities of RMB44.1 million, which was primarily contributed by proceeds from bank loans for working capital purposes in the aggregate amount of RMB300.0 million and advances from a shareholder in the aggregate amount of RMB29.4 million, partially offset by repayment of bank loans in the aggregate amount of RMB254.5 million and payment of expenses relating to the proposed offering.

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In 2007, net cash used in financing activities amounted to RMB44.2 million, which was primarily the result of repayments of bank loans in the aggregate amount of RMB445.5 million and payments of interest of RMB11.6 million, partially offset by the proceeds from bank loans for working capital purposes in the aggregate amount of RMB414.5 million.

In 2006, we had net cash generated from financing activities of RMB187.4 million, which was primarily contributed by proceeds from bank loans of RMB135.5 million for working capital purposes and proceeds from a shareholder loan of RMB108.2 million, partially offset by the repayments of bank loans in the amount of RMB54.1 million.

Inter-enterprise financing activities

In addition to the loan granted by Lilang Fujian to Fujian Strait in the amount of RMB30.0 million which accrued interest in the amount of RMB2.15 million in 2007, we granted certain cash advances in an aggregate amount of RMB42.5 million to Jinjiang Xiaosheng and Jinjiang Menglang in 2006 and made a RMB1.0 million loan to Jinjiang Electricity Control Appliance Co., Ltd., or Jinjiang Electricity Control (晉江電控設備有限公司), an Independent Third Party, during the Track Record Period. Please refer to note 16 in section (C) of the Accountants' Report as set out in Appendix I to this prospectus for further details of these cash advances and loans. All such cash advances and loans were unsecured, interest-free and had been repaid in full by 31 December 2007.

As advised by our PRC legal adviser, these cash advances and loans contravened certain regulations relating to bank financing in the PRC, particularly Lending Regulations (貸款通則) as promulgated by the PBOC. Our PRC legal adviser further advised that we may be subject to a penalty ranging from the amount of interest we received from a loan or cash advance made by us to five times the interest we received from a loan or cash advance made by us. In addition, we may be required to pay a penalty equal to prevailing lending rate charged by banks in the PRC on the amount of RMB1.4 million borrowed from Jinjiang Fengchuan Packing Co., Ltd. As advised by our PRC legal adviser, given that all the inter-enterprise loans and cash advances have been settled and that there has not been any legal disputes in respect of such loans or cash advances, the risk that we will be subject to penalties resulting from such loans or cash advances in contravention of PRC bank financing regulations is minimal.

In connection with such loans and cash advances, our Controlling Shareholders agreed to indemnify our Group in respect of any loss and liability that we may suffer as a result of any contravention of any PRC bank financing regulations, details of which are set out in "Appendix VI — Statutory and General Information — Other Information — Estate duty, tax and other indemnities" to this prospectus.

In addition, in order to prevent any future non-compliance, we have ensured that all Directors are aware of the illegality of such advances/loans and will not allow any future advances or loans by or to our PRC subsidiaries in the PRC unless the advances or loans will be obtained from properly authorised banks or financial institutions and, in respect of any advances or loans to be made by our PRC subsidiaries, unless they will be made in a manner in compliance with the applicable PRC laws and regulations.

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Advances to certain related parties and third parties

During the Track Record Period, we made advances or extended loans to certain related parties and third parties, including Fujian Strait and Jinjiang Electricity Control, (each an Independent Third Party), and Jinjiang Xiaosheng, Jinjiang Menglang and Messrs. Wang Dong Xing and Wang Cong Xing, (each a related party). These advances were primarily used to support the relevant parties' short-term working capital requirements (in the case of corporate entities) and short term financial needs (in the case of individuals). All of these advances/loans were properly approved by the relevant subsidiaries of our Company and documented in the form of payment request forms signed by a director or executed loan agreement. The principal of these advances, together with applicable accrued interest, had been repaid in full.

No material changes

Our Directors confirm that, up to the Latest Practicable Date, there has been no material changes in our Group's liquidity and financial resources and capital structure since 30 June 2009 which would materially affect the discussion and analysis contained in this section "—Liquidity and Capital Resources".

INDEBTEDNESS

Bank loans

As at 31 December 2006, 2007 and 2008 and 30 June 2009, all of our bank loans were repayable within one year. Our bank loan agreements and related banking facility agreements contain covenants that are customary for PRC bank loans, including, among others, covenants requiring us to provide financial reports to the lenders and to notify the lenders (and in certain circumstances, obtain their prior consents) upon the occurrence of certain material events, and certain restrictions on our ability to provide guarantees, to dispose of assets and to distribute dividends. Other than a covenant requiring us to notify the lender upon the incurrence of material indebtedness and to obtain the lender's prior consent if such incurrence will adversely affect our ability to repay the related bank loan, none of the covenants contained in these agreements is expected to have a material impact on our ability to undertake additional debt or equity financings. Save as disclosed above, there is no other material covenant related to our outstanding debts.

As at 31 December 2006 and 2007, our bank loans of RMB125.5 million and RMB94.5 million were secured by personal guarantees granted by certain Directors and senior management of our Group. In addition, certain bank loans of RMB5.5 million as at 31 December 2006 were secured by corporate guarantees granted by certain unrelated third parties. These corporate guarantees were released upon repayment of the bank loans in 2007. The personal guarantees granted by the Directors and senior management were released in April 2008.

In August 2009, Lilang International was granted by China Merchants Bank a six-month term loan facility in an amount of HK\$15 million. Such loan facility was guaranteed by our Company and secured by a charge over bank deposits of Zhong Lee Development

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Co., a private unlimited company established in Hong Kong and solely owned by Mr. Wang Cong Xing, our executive Director, which will be released or lapse upon the Listing. Funds borrowed pursuant to the short-term loan facility will be used as working capital for our Group. The facility bears a fixed interest rate of 3.60% per annum. We intend to use a portion of the proceeds from the Global Offering to repay such short-term loans made pursuant to this facility. For more information on use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds”.

As at 31 July 2009, we had bank loans in the aggregate amount of RMB98.0 million.

Set forth below are the details of our bank loans and their respective effective interest rates:

	As at 31 December			As at 30 June	As at 31 July
	2006	2007	2008	2009	2009
	(RMB million)				
Fixed rate at 5.38%, 5.51%, 7.28%, 4.10% and 4.10% per annum at 31 December 2006, 2007 and 2008, 30 June 2009 and 31 July 2009 respectively	80.5	54.5	100.0	77.0	77.0
Floating rate at 5.81%, 6.72%, 5.31%, 5.31% and 5.31% per annum at 31 December 2006, 2007 and 2008, 30 June 2009 and 31 July 2009 respectively	45.0	40.0	40.0	21.0	21.0
	125.5	94.5	140.0	98.0	98.0

Amount due to related parties

As at 31 December 2006, 2007 and 2008, 30 June 2009 and 31 July 2009, we owed RMB139.7 million, RMB139.4 million, RMB18.5 million, RMB10.9 million and RMB7.6 million, respectively, to the Wang Brothers or any of them, being our Controlling Shareholders and executive Directors. These amounts comprise a loan for an amount of RMB139.4 million, which was of non-trade nature, unsecured, interest free and had no fixed repayment terms was granted by the Wang Brothers to our Group and the proceeds of the loan were used to fund the construction of our production facilities in the Wuli Industrial Park and our working capital. The entire amount of such loan in the aggregate amount of RMB139.4 million, has been capitalised as fully paid-up capital of our Company as part of the Reorganisation on 12 September 2008. All amounts due to the Controlling Shareholders or their respective associates have been repaid in full prior to the Listing Date.

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No other outstanding indebtedness

Except as disclosed above in this section “Indebtedness”, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees outstanding as at 31 July 2009.

CONTINGENT LIABILITIES

As at 31 December 2006, Lilang Fujian provided corporate guarantees to an independent third party, Jinjiang Shoe Enterprises Company Limited (晉江華意鞋業有限公司), or Jinjiang Shoe Enterprises, for its bank loans of RMB3.6 million, pursuant to a cross-guarantee arrangement with Jinjiang Shoe Enterprises which was terminated in October 2007. We have not recognised any deferred income in respect of the guarantee issued as its fair value cannot be reliably measured and the transaction price was not significant. During the Track Record Period, no claims had been made against us under the guarantees. The guarantees were released in October 2007.

We had no material contingent liabilities as at 31 July 2009. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving our Group.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any off-balance sheet arrangements or contingencies.

NET CURRENT ASSETS

We had net current assets of RMB331.0 million as at 31 July 2009. Our current assets as at 31 July 2009 consisted of inventories of RMB193.8 million, trade and other receivables of RMB365.9 million, amounts due from shareholders of RMB17.6 million, pledged bank deposits of RMB25.4 million and cash of RMB82.4 million. Our current liabilities as at 31 July 2009 consisted of bank loans of RMB98.0 million, trade and other payables of RMB247.0 million, amount due to related parties of RMB7.6 million and current taxation of RMB1.6 million.

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CAPITAL EXPENDITURES

The following table sets out our historical capital expenditures during the Track Record Period:

	<u>Years ended 31 December</u>			<u>Six months ended 30 June</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(RMB million)			
Capital Expenditures				
Manufacturing, office and transportation equipment, leasehold improvement	10.3	16.6	10.7	10.6
Construction in progress	12.7	58.9	32.2	5.5
Land use rights.	19.6	4.4	6.8	—
Investment property	—	—	30.1	1.0
Total.	<u>42.6</u>	<u>79.9</u>	<u>79.8</u>	<u>17.1</u>

Construction in progress represented capital expenditures for the construction of our production facilities in the Wuli Industrial Park. Land use rights represented expenditures for the purchase of land use rights for our production facilities in the Wuli Industrial Park and our planned research and product development facilities in Xiamen, Fujian province.

The following table sets forth our projected capital expenditures for the financial year ending 31 December 2009 which includes the construction in progress in connection with our product development facilities in Xiamen and product development center in Shanghai:

	<u>For the year ending 31 December 2009</u>
	(RMB million)
Manufacturing, office and transportation equipment, leasehold improvement	108.7
Construction in progress	40.5
Investment property	1.0
Total.	<u>150.2</u>

We expect to fund our capital expenditures principally with cash generated from our operations, bank loans and a portion of the net proceeds from the Global Offering.

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COMMITMENTS

Capital commitments

We had the following capital commitments outstanding at the dates indicated which were not provided for in our consolidated financial statements:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	(RMB million)			
Capital Commitments				
Contracted for	50.6	14.5	5.5	0.4
Authorised but not contracted for . .	97.5	121.2	179.5	178.9
Total	148.1	135.7	185.0	179.3

These capital commitments primarily relate to plant, property and equipment purchases for the construction of our planned research and product development facilities in Xiamen, Fujian and our production facilities in the Wuli Industrial Park. Capital commitments as at 30 June 2009 also included capital commitments authorised but not contracted for the leasing of premises as flagship stores to our distributors in 2009 and 2010.

We expect to finance our contractual commitments that were outstanding as at 30 June 2009 principally with cash generated from our operations, bank loans and a portion of the net proceeds from the Global Offering.

Investment commitments

As at 31 December 2007 and 2008 and 30 June 2009, we had commitments in respect of contribution to investments in Lilang Xiamen, a wholly owned subsidiary of our Company, of US\$25.5 million (or approximately RMB175.0 million) which is due for contribution on or before 31 December 2009. These amounts are expected to be used to fund part of our outstanding capital commitments relating to plant, property and equipment purchases for the construction of our planned research and product development facilities in Xiamen, Fujian.

We expect to finance our investment commitments that were outstanding as at 30 June 2009 principally with our internal resources.

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Operating lease commitments

We had the following future minimum lease payments payable under non-cancellable operating leases at the dates indicated:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	(RMB million)			
Operating lease commitments				
Within one year	—	—	1.7	1.6
Between one to five years	—	—	0.3	—
Total	—	—	2.0	1.6

The operating lease commitments as at 30 June 2009 relate to lease agreements we entered into in 2008 and 2009 for our offices in Hong Kong, Jinjiang, Fujian and Xiamen and a production factory in Jinjiang, Fujian.

INVENTORY ANALYSIS

During the Track Record Period, inventories were one of the principal components of our current assets. The value of our inventories accounted for 11.8%, 18.6%, 26.3% and 28.6% of our current assets as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively.

We closely monitor and control the inventory level of our raw materials and finished goods to optimise our operations. We limit the risks related to high inventory levels by planning our purchases and production and maintaining our stock of raw materials and finished goods by reference to the purchase orders received in sales fairs. We hold sales fairs three times a year to showcase styles for autumn, winter and spring/summer to our existing and potential distributors. In 2008, our sales fairs took place in March/April, May/June and August/September. For the six months ended 30 June 2009, our sales fairs took place in March/April and May/June 2009.

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The following table is a summary of our balance of inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	(RMB million)			
Inventories				
Raw materials	13.5	20.3	18.4	40.3
Work in progress	2.7	1.2	—	—
Finished goods	24.1	74.5	153.1	145.7
Total	40.3	96.0	171.5	186.0

The following table sets out the average inventory turnover days for the Track Record Period:

	Years ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
Average inventory turnover days ⁽¹⁾	32.4	38.2	61.7	76.0

- (1) Average inventory turnover days is equal to the average inventory divided by costs of sales and multiplied by 365 days (180 days, in the case of the six months ended 30 June 2009). Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period and divided by two.

The increases in our inventories during the Track Record Period were attributable in part to increases in our sales during the same period. The increase in our inventories as at 31 December 2007 as compared to 31 December 2006 was also caused by the fact that the sales fair for the spring and summer collections in 2007 was held in October 2006, while the sales fair for the spring and summer collections in 2008 was held in September 2007. Though the date of our fair, and thus the date we received orders and began procuring products to fill such orders, was moved up one month, delivery of such products to distributors remained primarily in January and February. This resulted in higher inventory as at 31 December. Average inventory turnover days increased by 5.8 days from 2006 to 2007, primarily due to the above stated difference in the timing of the sales fair for the spring and summer collections in 2006 and 2007. Average inventory turnover days increased by 23.5 days from 2007 to 2008 primarily because the sales fairs in 2008 took place one month earlier than those in 2007. In addition, the follow-up orders placed by the distributors subsequent to the sales fairs were lower than expected prior to December 2008 which was due in part to the global economic condition which resulted in a higher inventory level in December 2008. In particular, during the second half of 2008, in anticipation of the potential impact of the financial crisis on the PRC economy, we implemented certain one-time measures where we recommended to distributors that they refrain from placing follow-up orders for the spring/summer season. For the six months ended 30 June 2009, average inventory turnover days increased by 14.3 days from 2008. For the six months ended 30 June 2008, average inventory turnover days was 63.1 days. Average inventory turnover days are typically higher as at 30 June (including those for 30 June 2008 and 2009) when compared to the average inventory turnover days as at 31 December (including those for 31 December 2008 and 2009) as the turnover is significantly higher in the second half of the year and we

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typically purchase more raw materials in the first half of the year in anticipation of higher sales in the second half of the year. The inventory turnover days for the six months ended 30 June 2009 was also higher due to the fact that we made a bulk purchase of raw materials because of attractive pricing offered by our suppliers.

We make specific provisions for obsolete or damaged inventories if the carrying amount of these inventories is lower than their net realisable value. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, provisions for inventories were RMB2.3 million, RMB0.4 million, RMB2.2 million and RMB1.1 million, respectively. As at 30 June 2009, our inventories of 0 to 180 days, 181 to 365 days, and over 365 days were RMB178.5 million, RMB7.5 million and RMBNil million, respectively. Of the RMB186.0 million of inventories as at 30 June 2009, RMB72.2 million were subsequently used or sold during the one month ended 31 July 2009.

TRADE AND OTHER RECEIVABLES

Trade and bills receivables

Our trade and bills receivables primarily relate to receivables for goods sold to our distributors. Our agreements with distributors provide that our products will only be delivered to our distributors upon receipt of the payment for the products. However, we typically grant to our distributors credit periods of 60 days to 180 days depending on the circumstances, such as the distributor's credit history, repayment pattern and on-going relationship with us. See "Business — Sales — Credit Policy."

The following table sets out an aging analysis of our trade and bills receivables at the dates indicated:

	<u>As at 31 December</u>			<u>As at 30 June</u>
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(RMB million)			
Trade and bills receivables				
Within 3 months	154.1	152.5	211.0	265.0
Over 3 months to 6 months	—	17.5	28.9	20.5
Over 6 months to 1 year	—	1.9	11.4	19.6
Total	<u>154.1</u>	<u>171.9</u>	<u>251.3</u>	<u>305.1</u>

Of the RMB305.1 million of trade and bills receivables as at 30 June 2009, RMB63.0 million were subsequently settled during the one month ended 31 July 2009.

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Recently we have begun allowing our distributors in the PRC to use bank acceptance bills (which typically have credit terms of 60 to 120 days) to settle their purchases and trade receivables with us. These bills, once received by us, may be converted into cash prior to their maturity dates, subject to the payment of discount interest, or endorsed by us to settle our payables. These bills are issued by licensed banks registered in the PRC thereby substituting such banks' credit standing for that of the relevant distributors. Our bills receivable as of 31 December 2008 and 30 June 2009 were RMB1.6 million and RMB55.1 million.

The following tables sets out an aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	(RMB million)			
Trade and bills receivables				
Neither past due nor impaired	154.1	152.5	207.8	268.3
Less than 1 month past due	—	13.6	22.7	10.8
1 to 3 months past due	—	3.9	18.8	18.2
More than 3 months past due	—	1.9	2.0	7.8
Subtotal	—	19.4	43.5	36.8
Total	154.1	171.9	251.3	305.1

Trade and bills receivables that were neither past due nor impaired related to a wide range of distributors for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of distributors that have a good track record of business relationships with our Group. Based on past experience, we believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality. All of the past due balances at 31 December 2006, 2007 and 2008 have subsequently been recovered. Our Group does not hold any collateral over these balances.

The following table sets out our average trade and bills receivables turnover days for the Track Record Period:

	Years ended 31 December			Six months
	2006	2007	2008	ended 30 June 2009
Average trade and bills receivables turnover days ⁽¹⁾	61.8	57.4	58.1	71.3

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- (1) Average trade and bills receivables turnover days is equal to the average trade and bills receivables divided by turnover (plus value-added tax) and multiplied by 365 days (180 days, in the case of the six months ended 30 June 2009). Average trade and bills receivables is equal to trade and bills receivables at the beginning of the year/period plus trade and bills receivables at the end of the year/period and divided by two.

Average trade and bills receivables turnover days slightly decreased from 61.8 days in 2006 to 57.4 days in 2007 and increased to 58.1 days in 2008. Average trade and bills receivables turnover days was 71.3 days for the six months ended 30 June 2009. The average trade and bills receivables turnover days was 66.5 days for the six months ended 30 June 2008. The average trade and bills receivables turnover days is typically greater as at 30 June (including those for 30 June 2008 and 2009) when compared to 31 December (including those for 31 December 2008) as a large percentage of settlement of the orders placed by distributors subsequent to the sales fairs in May typically occurs in July and August (after the 30 June balance sheet date) while a substantial portion of orders placed by distributors subsequent to the sales fairs in September and October are typically settled prior to 31 December.

We have not had any significant bad or doubtful accounts or provided allowance for the same during the Track Record Period. For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, no provision on bad or doubtful debts was required. In determining bad and doubtful debts, our management takes into account the credit history and payment pattern of our distributors together with their on-going relationship between us. We periodically review the payment status of our trade receivables and take appropriate measures to collect overdue accounts.

Other receivables and prepayments

Other receivables and prepayments mainly comprise prepayments to suppliers, prepaid advertising expenses, renovation subsidies and prepaid listing expenses. Prepayments to suppliers amounted to RMB51.5 million, RMB88.2 million, RMB98.8 million and RMB12.7 million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively. Other receivables and prepayments, excluding prepayments to suppliers, amounted to RMB3.6 million, RMB45.2 million, RMB33.6 million and RMB24.0 million as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively. The increase of the balance as at 31 December 2007 compared to the balance as at 31 December 2006 was primarily due to our prepaid advertising expenses and renovation subsidies in the aggregate amount of RMB33.2 million recorded at 31 December 2007. The decrease in other receivables as at 31 December 2008 compared to as at 31 December 2007 was primarily due to completion of renovations on several retail outlets in 2008 and the resulting recognition of renovation subsidies relating to such retail outlets as selling expenses rather than other receivables. The decrease in other receivables as at 30 June 2009 was primarily due to a decrease in prepaid renovation subsidies and value added tax receivables.

Prepaid advertising expenses and renovation subsidies. Prepaid advertising expenses represent prepayments to our advertising agencies for advertising expenses. We do not make advertising subsidies to distributors. Prepayments for advertising expenses are recognised as expenses when the advertising programs are broadcasted. We generally make

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renovation subsidies to distributors and sub-distributors for their opening of new retail outlets and prepaid renovation subsidies represent prepayments made by us for store displays to be provided to distributors and sub-distributors as renovation subsidies. Prepayments for renovation subsidies are recognised as expenses when the renovation materials are delivered to distributors or sub-distributors. All distributors and sub-distributors opening new retail outlets can apply for renovation subsidies from us and whether renovation subsidies will be granted and the relevant amount will be determined by us based on factors such as the size and location of the new outlet.

We enter into written agreements with our advertising agencies and suppliers of renovation materials in respect of any such prepaid advertising expenses and prepayments for store renovation displays.

Our prepaid advertising expenses and renovation subsidies incurred during the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 were RMB3.0 million, RMB33.2 million, RMB4.1 million and RMB0.7 million, respectively.

TRADE AND OTHER PAYABLES

Trade and bills payables

Our trade and bills payables primarily relate to the purchase of raw materials and OEM products from our suppliers and advertising and promotional expenses, with credit terms of approximately 45 days for trade payables and three or six months for bills payables. Historically, our bills payables have generally been secured by pledged bank deposits and guaranteed by personal guarantees granted by certain Directors of our Company. The amount of bills payables guaranteed by personal guarantees from our Directors was RMB40.3 million, RMB149.5 million, RMBNil and RMBNil as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively. Such personal guarantees were released in April 2008.

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The following table sets out our trade and bills payables by components during the Track Record Period:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	(RMB million)			
Trade and bills payables				
Trade payables	19.6	38.0	51.1	70.0
Bills payable				
Purchase of materials and finished goods	43.2	165.4	114.4	69.9
Advertising and promotional expenses	—	26.9	26.3	9.8
Construction in progress	—	3.0	—	—
	43.2	195.3	140.7	79.7
Total	62.8	233.3	191.8	149.7

The following table sets out an aging analysis of our trade and bills payable as at the dates indicated:

	As at 31 December			As at 30 June
	2006	2007	2008	2009
	(RMB million)			
Trade and bills payables				
Within 3 months	49.9	225.8	137.8	133.2
Over 3 months to 6 months	10.2	3.5	50.3	5.4
Over 6 months to 1 year	0.9	1.2	2.7	8.5
Over 1 year	1.8	2.8	1.0	2.6
Total	62.8	233.3	191.8	149.7

During the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the amount of trade and bills payables was RMB62.8 million, RMB233.3 million, RMB191.8 million and RMB149.7 million, respectively. Of the RMB149.7 million of trade and bills payables as at 30 June 2009, RMB59.2 million were subsequently settled during the one month ended 31 July 2009.

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The following table sets out our average trade and bills payable turnover days for the Track Record Period:

	Years ended 31 December			Six months ended 30 June
	2006	2007	2008	2009
Average trade and bills payable turnover days ⁽¹⁾	47.6	74.5	85.0	64.9

(1) Average trade and bills payable turnover days is equal to the average trade and bills payable (excluding bills payables in relation to advertising and promotional expenses and construction in progress) divided by cost of sales and multiplied by 365 days (180 days, in the case of the six months ended 30 June 2009). Bills payables in relation to advertising and promotional expenses and construction in progress are excluded from this calculation because these expenses are not related to the determination of the average time between our purchases of raw materials and OEM products and their payment. Average trade and bills payable is equal to the trade and bills payable at the beginning of the year/period plus trade and bills payable at the end of the year/period and divided by two.

Our trade and bills payable level, primarily representing the purchase of raw materials used for our in-house production and OEM purchases, was relatively low as at 31 December 2006 primarily because of the fact that a smaller portion of our spring and summer collections for 2007 were produced before 31 December 2006. As a result, we purchased less amount of raw materials and OEM products during 2006, which led to a smaller amount of trade and bills payables being recorded as at 31 December 2006. Our trade and bills payable increased from 31 December 2006 to 31 December 2007 by 271.6% primarily due to an increase in our purchase of raw materials and OEM products as a result of the increase in demand for our products. Our trade and bills payable decreased from 31 December 2007 to 31 December 2008 by 17.8% primarily due to the fact that the 2008 spring/summer sales fair took place one month earlier than the one in 2007 resulting in a larger percentage of our purchases of raw materials being settled prior to 31 December 2008. Our trade and bills payable decreased from 31 December 2008 to 30 June 2009 by 22.0% primarily due to the fact that the sales fairs for our autumn and winter collections took place in March/April and May/June and the raw materials purchased by us subsequent to the orders placed during the sales fairs were delivered by the suppliers in July and August 2009. As such, the level of the trade and bills payable was lower as at 30 June 2009. Average trade and bills payable turnover days increased from 47.6 days in 2006 to 74.5 days in 2007 and to 85.0 days in 2008, in each case, primarily because we utilised more bills payables, which have longer terms and therefore provide us with more liquidity than trade payables.

Other payables

Other payables mainly comprise accrued salaries and wages, payables for purchases of fixed assets, retirement benefit contributions payable, value added tax payables and receipts in advance for distributor orders. Our retirement benefit contributions payable increased from RMB3.0 million as at 31 December 2006, to RMB11.2 million as at 31 December 2007, to RMB21.7 million as at 31 December 2008, and then to RMB25.4 million as at 30 June

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2009, primarily due to the increases in the number of employees to whom the payables were related. See “Business — Employment” for more information on our retirement benefits contributions.

WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to our Group, including the cash generated from operations and the estimated net proceeds of the Global Offering, our Group has sufficient working capital for its working capital requirements at least in the 12 months commencing from the date of this prospectus.

FINANCIAL RATIOS

For the years ended 31 December 2006, 2007 and 2008, our return on equity ratio, which is calculated as profit attributable to equity shareholders divided by average shareholders’ equity, was 101.2%, 99.3% and 52.7% respectively. The return on equity ratio during the years ended 31 December 2006 and 2007 were generally higher than that during the year ended 31 December 2008. The decrease in return on equity ratio was primarily due to the fact that the shareholders of our Company contributed additional capital in our Company in September 2008 which increased the shareholders’ equity.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, our total interest-bearing debt divided by total assets, was 30.8%, 14.4%, 16.2% and 11.3%, respectively. See note 29 (f) of “Appendix I — Accountants’ Report” to this prospectus for details on the adjusted net debt-to-capital ratio.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, our current ratio, which is calculated as current assets divided by current liabilities, was 1.6, 1.4, 1.6 and 2.0, respectively. Our current ratio decreased from 31 December 2006 to 31 December 2007, primarily due to an increase in our current liabilities, which was, in turn, principally caused by an increase in our investment in fixed assets in connection with the construction of our production facilities in the Wuli Industrial Park in Jinjiang, Fujian. Our current ratio increased from 31 December 2007 to 31 December 2008 primarily due to an increase in our current assets, which was, in turn, principally caused by (i) an increase in trade receivables in 2008 resulting from an increase in sales; and (ii) an increase in inventory level in 2008 which were partially offset by an increase in bank loans for our general working capital in 2008. Our current ratio increased further as at 30 June 2009, primarily due to an increase in our current assets, which was, in turn, principally caused by an increase in our cash and a decrease in bank loans resulting from the repayment of our bank loans.

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QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISKS

We are exposed to credit, liquidity, interest rate and currency risks arising in the normal course of our business. These risks are limited by our financial management policies and practices described below.

Credit risk

Our credit risk is primarily attributable to cash and bank deposits and trade and other receivables.

Our cash and bank deposits are placed with major financial institutions and the credit risk related to these deposits is low.

Trade receivables are presented net of the allowance for bad and doubtful debts. These receivables are due within 60 to 180 days from the date of billing. Typically, we do not obtain collateral from distributors. We have a certain concentration of credit risk as 33.5%, 11.5%, 12.2% and 12.2% and 60.0%, 31.7%, 24.7% and 33.7% of the total trade receivables were due from our largest customer and the five largest customers as at 31 December 2006, 2007 and 2008 and 30 June 2009, respectively.

We have a credit policy in place and our exposures to the credit risk related to trade receivables are monitored on an ongoing basis. Our credit policy requires our sales and marketing department and our finance department to review the sales volume and past payment history of each distributor and propose the applicable credit terms, which will be reviewed and approved by our chief sales and marketing officer and a Director. Our credit policy also requires us to monitor the status of our trade and other receivables, including their aging and collection status, on a monthly basis. Management does not expect any significant credit risk related to trade receivables because all of our distributors have had an ongoing business relationship with us for a substantial amount of time and we monitor the risk related to our trade receivables in accordance with our credit policy and the operations of the distributors and sub-distributors closely by requesting and reviewing their weekly sales reports. All of our distributors have conformed to our policies and submitted the inventory and sales reports to us on a regular basis.

Our maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets. As at 30 June 2009, we had cash of RMB94.3 million, pledged bank deposits of RMB27.8 million and trade and other receivables of RMB341.8 million. Except for the financial guarantees given by our Group as set forth in “Contingent Liabilities”, our Group and our Company have not provided any other guarantees which would expose our Group or Company to credit risk.

Liquidity risk

Individual operating entities within our Group are responsible for their own cash management, including any short term investment of cash surpluses and the raising of loans to cover expected cash requirements. Our policy is to regularly monitor current and expected liquidity requirements by preparing and reviewing monthly cashflow forecasts for

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the following months and allocating cash uses and resources accordingly and our compliance with lending covenants (if any), to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest rate risk

Except for bank deposits with stable interest rates, we have no other significant interest-bearing assets. We do not anticipate significant impact to interest-bearing assets resulting from changes in interest rates, because the interest rates of bank deposits are not expected to change significantly. Accordingly, our income and operating cash flows are substantially independent of changes in market interest rates. Details of the effective rates for bank deposits are disclosed in Notes 18 to our consolidated financial statements included in “Appendix I — Accountants’ Report” to this prospectus.

Our interest rate risk arises mainly from bank borrowings. Borrowings bearing variable rates expose us to cash flow interest rate risk. Borrowings bearing fixed rates expose us to fair value interest risk. We do not use derivative financial instruments to hedge our interest rate risk. See “— Indebtedness — Bank loans” for the interest rate and terms of repayments of our bank borrowings.

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if interest rates on bank borrowings had been 100 basis points higher or lower with all other variables unchanged, our profit after taxation would have changed by approximately RMB329,000, RMB292,000, RMB300,000 and RMB158,000, respectively, mainly as a result of higher or lower interest expense on variable rate borrowings. The analysis above has been prepared assuming that the change in interest rates had occurred at the balance sheet date and had been applied to bank borrowings outstanding at that date. The 100 basis point increase or decrease represents our assessment of a reasonably possible change in interest rates over the Track Record Period and to the next balance sheet date. As at 30 June 2009, we had bank loans in the amount of RMB77.0 million carrying a fixed interest rate of 4.10% and bank loans in the amount of RMB21.0 million carrying a floating interest rate of 5.31%; as at 31 December 2008, we had bank loans in the amount of RMB100.0 million carrying a fixed interest rate of 7.28% and a bank loan in the amount of RMB40.0 million carrying a floating interest rate that was 5.31%; as at 31 December 2007, we had bank loans in the amount of RMB54.5 million carrying a fixed interest rate of 5.51% and a bank loan in the amount of RMB40.0 million carrying a floating interest rate that was 6.72%; as at 31 December 2006, we had bank loans in the amount of RMB80.5 million carrying a fixed interest rate of 5.38% and a bank loan in the amount of RMB45.0 million carrying a floating interest rate that was 5.81%.

Foreign currency risk

As most of our monetary assets and liabilities are denominated in Renminbi and we conduct our business transactions principally in Renminbi, our exchange rate risk is not significant and we do not employ any financial instruments for hedging purposes.

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However, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

See also note 29 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

DIVIDEND POLICY

Our Company declared a special cash dividend of RMB53.0 million in August 2009. Such special dividend had been paid to our then Shareholders on 20 and 21 August 2009. Save as disclosed above, no other dividends were paid by us or any of our subsidiaries to their then Shareholders during the Track Record Period. The payment and the amount of any dividends will depend on the results of our operations, cash flow, financial condition, statutory and regulatory restrictions on the payment of dividends, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends on a pro rata basis according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plan or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Subject to the factors described above, we currently intend to recommend at the annual general meetings of our Company dividends of approximately 30% to 50% of our net profit available for distribution to shareholders after the Global Offering.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 31 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

For a discussion of related party transactions, see note 31 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

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DISTRIBUTABLE RESERVES

As at 30 June 2009, we had distributable reserves in the amount of RMB468.2 million available for distribution to our shareholders. Our Company declared a special dividend of RMB53.0 million in August 2009.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group, prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the equity holders of our Company as of 30 June 2009 as if the Global Offering had taken place on 30 June 2009.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 30 June 2009 or at any future date.

	Consolidated net tangible assets of our Group attributable to the equity holders of our Company as at 30 June 2009 RMB'000 ⁽¹⁾	Estimated net proceeds from the Global Offering RMB'000 ⁽²⁾	Unaudited pro forma adjusted net tangible assets of our Group attributable to the equity holders of our Company RMB'000	Unaudited pro forma adjusted net tangible assets per Share	
				RMB ⁽³⁾	HK\$ ⁽⁴⁾
Based on an Offer Price of HK\$3.20 per share	529,278	761,407	1,290,685	1.08	1.23
Based on an Offer Price of HK\$4.00 per share	529,278	966,092	1,495,370	1.25	1.42

Notes:

- (1) The consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2009 is based on the consolidated net assets of our Group attributable to the equity holders of our Company of RMB529.3 million as at 30 June 2009 extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK\$3.20 and HK\$4.00, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. The estimated net proceeds have been converted to Renminbi at the PBOC rate of HK\$1.00 to RMB0.8815 prevailing on 30 June 2009.

FINANCIAL INFORMATION

3. The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 Shares expected to be in issue following the Global Offering and Capitalisation Issue and the respective Offer Prices of HK\$3.20 and HK\$4.00, but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
4. Unaudited pro forma adjusted net tangible assets per Share are converted into Hong Kong Dollars at the PBOC rate of HK\$1.00 to RMB0.8815 prevailing on 30 June 2009.
5. With reference to the valuation of property interests of our Group as set out in Appendix IV to this Prospectus, the aggregate revalued amount of the property interests of our Group as at 30 June 2009 was approximately RMB124.8 million. The net book value of these property interests as at 30 June 2009 was RMB124.3 million. The revaluation surplus for properties for own use and lease prepayments is approximately RMB0.5 million and has not been included in the above adjusted net tangible assets of our Group. Such revaluation surplus has not been recorded in the Financial Information as set out in Appendix I to this Prospectus and will not be recorded in the consolidated financial statements of our Group for the year ending 31 December 2009 as our Group's property, plant and equipment and lease prepayments are stated at cost less accumulated depreciation or amortisation and impairment losses if any. If such revaluation surplus would be included to the financial statements of our Group for the year ending 31 December 2009, an additional depreciation of approximately RMB0.01 million per annum would be incurred.
6. No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2009 and no account has been taken of the special dividend of RMB53.0 million declared by our Company in August 2009 which had been paid to our then Shareholders on 20 and 21 August 2009.

PROFIT FORECAST

Our Directors believe that, in the absence of unforeseen circumstances and on the basis of the assumptions set out in "Appendix III — Profit Forecast" to this prospectus, our Group's consolidated net profit attributable to the equity holders for the year ending 31 December 2009 is unlikely to be less than RMB281 million (approximately HK\$319 million).

On a pro forma basis and on the assumption that our Group had been listed since 1 January 2009 and a total of 1,200,000,000 Shares were issued and outstanding during the entire year (taking no account of any Shares which may be issued upon exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme), the forecast earnings per share for the year ending 31 December 2009 is unlikely to be less than RMB0.234 (approximately HK\$0.266).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2009, and there has been no event since 30 June 2009 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, in each case except as otherwise disclosed herein.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please see the section headed “Business — Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The Directors believe that the Global Offering will raise and strengthen our corporate profile and capital base, and will provide funding for achieving our business strategies and carrying out our future plans.

The net proceeds from the Global Offering are estimated to be approximately HK\$979.9 million, before exercise of the Over-allotment Option, after deducting underwriting commissions and other estimated expenses and assuming an Offer Price of HK\$3.60 per Share, being the mid-point of the stated range of the Offer Price. The Directors intend to use such net proceeds as follows:

- approximately 15% (HK\$147.0 million) to further expand our product development studio in Shanghai and develop facilities in Xiamen, which will include a new design and product development studio, a training centre and a sales centre. We have acquired the land use right for the piece of land where the above facilities in Xiamen will be situated, and we expect that the construction of the above facilities will be completed by 2010;
- approximately 15% (HK\$147.0 million) to develop a sub-brand of our Group targeting customers aged 20 to 30, which will be dedicated as follows: approximately 20% for design and product development, approximately 10% for production machinery and equipment, approximately 30% for advertising and promotion, approximately 40% for renovation subsidies to distributors. The sub-brand products will be sold under similar business model of our Group;
- approximately 15% (HK\$147.0 million) to lease and renovate flagship stores in the next few years for the distributors to operate (including one flagship store anticipated to be opened by the end of 2009). We are in the process of looking for strategic locations to establish flagship stores. As at the Latest Practicable Date, we have not acquired any properties or entered into any leases for the purpose of the establishment of flagship stores (other than the flagship store operating at the headquarters in Jinjiang and the units acquired by us in Zhengzhou, the PRC);
- approximately 20% (HK\$195.9 million) to participate in promotional and brand building activities, such as media advertising and spokesperson engagement, and to assist distributors in refurbishing retail outlets. All distributors and sub-distributors can apply for such subsidies. The grant of subsidies and the amount thereof will be decided at our discretion after taking into consideration the size and location of the retail outlets;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 5% (HK\$49.0 million) to expand our production facilities at the Wuli Industrial Park in Jinjiang, which will be dedicated as follows: approximately 50% for constructing new manufacturing facilities and approximately 50% for acquiring machines and equipment;
- approximately 10% (HK\$98.0 million) for establishing an enterprise resource planning system, developing the required information technology network and obtaining the necessary consulting services and system software;
- approximately 10% (HK\$98.0 million) to partially repay our bank loans with principal amounts ranging from RMB1 million to RMB30 million at interest rates ranging from 2.31% and 5.58% per annum with maturity dates falling between October 2009 and February 2010. These bank loans were for working capital purposes; and
- the remaining approximately 10% (HK\$98.0 million) to provide funding for working capital and other general corporate purposes.

The net proceeds that we estimate we would receive from subscriptions for additional Shares in the event the Over-allotment Option is exercised in full is approximately HK\$139.3 million and HK\$174.1 million (assuming the lowest and highest points of the proposed Offer Price range, respectively). In the event the Over-allotment Option is exercised in full, we presently intend to apply the additional proceeds to the above uses in the proportions stated above.

If the Offer Price is fixed above or below HK\$3.60 per Share, being the mid-point of the proposed Offer Price range of HK\$3.20 to HK\$4.00 per Share, we intend to adjust the allocation of the net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes, we will deposit the net proceeds in interest-bearing demand deposits with financial institutions.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Joint Lead Managers

Merrill Lynch Far East Limited

The Hongkong and Shanghai Banking Corporation Limited

Co-Lead Manager

Piper Jaffray Asia Securities Limited

Co-Managers

Guotai Junan Securities (Hong Kong) Limited

Oriental Patron Securities Limited

Sun Hung Kai International Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offering

Public Offer Underwriting Agreement

Pursuant to the Public Offering, our Company is offering the Public Offer Shares for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, among others, the Shares to be offered as mentioned herein and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally to subscribe or procure subscribers for, their respective applicable proportions of the Public Offer Shares which are being offered but are not taken up under the Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed and becoming unconditional.

UNDERWRITING

Grounds for termination

The Sole Sponsor (on behalf of itself and the other Public Offer Underwriters) may in its absolute discretion terminate the Public Offer Underwriting Agreement with immediate effect by written notice to our Company at any time at or prior to 8:00 a.m. on the Listing Date if:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any change or prospective change (whether or not permanent) in the business or in the earnings, operations, financial or trading position or prospects of our Group or any change in capital stock or long-term debt of the Company or any other member of the Group, which (in any such case) is not set forth or contemplated in the prospectus;
 - (b) any change or development involving a prospective change or development, or any event or series of events resulting or representing or likely to result in any change or development involving a prospective change or deterioration (whether or not permanent) in local, national, regional or international financial, political, military, industrial, economic, legal framework, regulatory, fiscal, currency, credit or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any of Hong Kong, the PRC, the Cayman Islands, the United States, the United Kingdom, Singapore, Japan or any other jurisdictions where any member of our Group is incorporated (collectively, the “Relevant Jurisdictions”);
 - (c) any deterioration of any pre-existing local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions in or affecting any of the Relevant Jurisdictions;
 - (d) any new law or any change (whether or not forming part of a series of changes) or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application thereof by any court or governmental authority in or affecting any of the Relevant Jurisdictions;
 - (e) a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or foreign investment regulations in or affecting any of the Relevant Jurisdictions adversely affecting an investment in shares;
 - (f) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting any of the Relevant Jurisdictions;

UNDERWRITING

- (g) any event, act or omission which gives rise to or is likely to give rise to any liability of any of the warrantors under the Public Offer Underwriting Agreement pursuant to the indemnity contained therein;
- (h) the imposition or declaration of (i) any suspension or restriction on dealings in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or the Singapore Stock Exchange or (ii) any moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions;
- (i) the imposition of economic or other sanctions, in whatever form, directly or indirectly, in or affecting any of the Relevant Jurisdictions;
- (j) any event, or series of events, in the nature of force majeure (including without limitation, any acts of God, acts of government, declaration of a national or international emergency or war, acts or threat of war, calamity, crisis, economic sanction, riot, public disorder, civil commotion, fire, flooding, explosion, epidemic (including but not limited to severe acute respiratory syndrome or avian flu), pandemic, outbreak of disease, terrorism, strike or lockout) in or affecting any of the Relevant Jurisdictions;
- (k) any change or development or event involving a prospective change, or a materialisation of, any of the risks set out in “Risk Factors”;
- (l) any change in the system under which the value of the HK dollar or Renminbi is linked to that of the US dollar or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currency;
- (m) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (n) save as disclosed in this prospectus, a contravention by any member of our Group of the Listing Rules or applicable laws;
- (o) a prohibition on our Company for whatever reason from allotting the Shares pursuant to the terms of the Global Offering;
- (p) non-compliance of any of this prospectus or the Application Forms or any aspect of the Global Offering with the Listing Rules or any other applicable law;
- (q) a petition being presented for the winding-up or liquidation of any member of our Group or any member of our Group making any composition or arrangement with our creditors or entering into a scheme of arrangement

UNDERWRITING

with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto in respect of any member of our Group;

- (r) any loss or damage sustained by any member of our Group;
- (s) any litigation or claim of any third party being threatened or instigated against any member of our Group;
- (t) a Director being charged with an indictable offence or prohibited by the operation of law or is otherwise disqualified from taking part in the management of a company;
- (u) the chairman or chief executive officer of our Company vacating his or her office;
- (v) the commencement by any governmental, regulatory or judicial body or organisation of any public action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or judicial body or organisation that it intends to take any such action,

which in the sole and absolute opinion of the Sole Sponsor:

- (1) is or will or may individually or in the aggregate have a material adverse effect on the business, financial, trading or other condition or prospects of any member of our Group and/ or our Group taken as a whole and/ or to any present or prospective shareholder in its capacity as such;
- (2) has or will or may have a material adverse effect on the success of the Public Offering, the International Placing and/ or the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- (3) is or will or may make it impracticable, inadvisable, inexpedient or not commercially viable (i) for any material part of the Public Offer Underwriting Agreement, the International Underwriting Agreement, the Public Offering, the International Placing and/ or the Global Offering to be performed or implemented as envisaged or (ii) to proceed with or to market the Public Offering, the International Placing and/ or the Global Offering on the terms and in the manner contemplated in this prospectus;

UNDERWRITING

- (ii) any of the Public Offer Underwriters shall become aware of the fact that, or have reasonable cause to believe that:
 - (a) any of the warranties given by the warrantors under the Public Offer Underwriting Agreement is untrue, inaccurate, misleading or breached in any respect when given or as repeated as determined by the Sole Sponsor in its sole and absolute discretion, or has been declared or determined by any court or governmental authorities to be illegal, invalid or unenforceable in any material respect;
 - (b) any statement contained in this prospectus was or is untrue, incorrect or misleading in any material respect, or any matter arises or is discovered which would, if this prospectus were to be issued at that time, constitute a material omission therefrom as determined by the Sole Sponsor in its sole and absolute discretion, or that any forecasts, expressions of opinion, intention or expectation expressed in this prospectus and/or any announcements issued by our Company in connection with the Public Offering (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (c) there has been breach on the part of any of the warrantors under the Public Offer Underwriting Agreement of any of the provisions of the Public Offer Underwriting Agreement or the International Underwriting Agreement as determined by the Sole Sponsor in its sole and absolute discretion.

Undertakings from our Company, the Controlling Shareholders and Management and Other Shareholders

Our Company has undertaken to the Sole Sponsor and the other Public Offer Underwriters that the Company will, and each of the Controlling Shareholders and the Management and Other Shareholders has undertaken to procure that our Company will:

- (i) not, from the Latest Practicable Date up to and including six months from the Listing Date (“**First Six Month Period**”), except pursuant to the Global Offering (including the Over-allotment Option), the Capitalisation Issue and the exercise of any options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, without the prior written consent of the Sole Sponsor (on its behalf and on behalf of the Public Offer Underwriters), and subject always to the provisions of the Listing Rules,
 - (a) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company), either directly or indirectly, conditionally or unconditionally, any Shares or any securities convertible into or exchangeable for such Shares; or

UNDERWRITING

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares or such securities, whether any of the foregoing transactions is to be settled by delivery of Shares or such securities, in cash or otherwise; or
 - (c) offer or agree to do any of the foregoing transactions and announce any intention to effect any such transaction;
- (ii) not at any time within the period of six months immediately following the expiry of the First Six Month Period (“**Second Six Month Period**”), do any of the acts set out in paragraph (i) above such that our Controlling Shareholders in aggregate, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company;
 - (iii) in the event that our Company does any of the acts set out in paragraphs (i) and (ii) above after the expiry of the First Six Month Period or Second Six Month Period, as the case may be, take all steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Each of the Controlling Shareholders and Management and Other Shareholders has undertaken to each of the Public Offer Underwriters and our Company that it shall not, and shall procure that none of its associates (as defined in the Listing Rules) or companies controlled by it and any nominee or trustee holding in trust for it will, except pursuant to the stock borrowing agreement by Ming Lang Investments as referred to in the section “Structure and conditions of the Global Offering — Over-allotment and stabilisation” in this prospectus, without the prior written consent of the Sole Sponsor (on its behalf and on behalf of the Public Offer Underwriters):

- (i) offer, pledge, sell, mortgage, assign, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of the Company or any interest therein, beneficially owned by it or through such associates, companies, nominees or trustee as of the Listing Date (including, without limitation, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) immediately following completion of the Global Offering and the Capitalisation Issue;
- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of subscription or ownership of such share capital, or other securities or any interest therein;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) and (ii) above; or

UNDERWRITING

- (iv) offer to or agree to contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i) through (iii) above whether any of the foregoing transactions described in subsection (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, at any time during the First Six Month Period, it will not, and will procure that such associate, companies, nominee or trustee will not, without the prior written consent of the Sole Sponsor, dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares or any interest therein at any time during the Second Six Month Period, such that immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, shall not result in the Controlling Shareholders in aggregate, directly or indirectly, ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company at any time during the Second Six Months Period; and it shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market for any Shares or other securities of our Company or any interest therein.

Each of our Controlling Shareholders has also undertaken to each of our Company and the Stock Exchange that, during the period commencing on the date by reference to which disclosure of such Controlling Shareholder's direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, such Controlling Shareholder shall:

- (i) when such Controlling Shareholder pledges or charges any of the Shares or other securities of our Company beneficially owned by such Controlling Shareholder in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge (as the case may be) together with the number of Shares or securities so pledged or charged; and
- (ii) when such Controlling Shareholder receives any indication, either verbal or written, from the pledgee or chargee of any of the Shares or securities of our Company so pledged or charged shall be disposed of, immediately inform our Company of such indication.

Each of the Controlling Shareholders and the Management and Other Shareholders has undertaken to each of the Public Offer Underwriters and our Company that, within the First Six Month Period and the Second Six Month Period it shall:

- (i) if and when it pledges or charges, directly or indirectly, any Shares or other securities of our Company beneficially owned by it, immediately inform our Company and the Sole Sponsor in writing of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any securities in our Company pledged or charged by it will be disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

UNDERWRITING

Our Company shall notify the Stock Exchange as soon as our Company has been informed by any of our Controlling shareholders of the above matters (if any) and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

The International Placing

In connection with the International Placing, it is expected that our Company and the International Underwriters will enter into the International Underwriting Agreement. Under the International Underwriting Agreement, the International Underwriters will severally agree to purchase, or procure purchasers for, all Shares being sold in the International Placing.

Our Company is expected to grant to the International Underwriters the Over-allotment Option exercisable by the Sole Global Coordinator on behalf of the International Underwriters up to the 30th day after the last day for lodging application under the Public Offering, to require our Company to issue and allot up to an aggregate of 45,000,000 additional Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Placing, to, among other things, to cover over-allocations, if any, in the International Placing.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 2.75% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed or unpurchased Public Offer Shares reallocated to the International Placing, our Company will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator (on behalf of the International Underwriters). For International Offer Shares reallocated to the Public Offering, we will pay an underwriting commission, at the rate applicable to the International Placing, to the International Underwriters. In addition, our Company may, at our sole discretion, pay the Sole Global Coordinator (on behalf of the Joint Bookrunners) an additional incentive fee of up to 0.5% of the aggregate Offer Price for all the Shares sold in the Global Offering.

The aggregate underwriting commissions and fees, together with listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Global Offering are payable by us, are estimated to amount to approximately HK\$100.1 million, assuming the Offer Price of HK\$3.60 per Share, being the mid-point of the proposed Offer Price range of HK\$3.20 to HK\$4.00, and the Over-allotment Option is not exercised.

UNDERWRITING

Public Offer Underwriters' Interests in our Company

None of the Public Offer Underwriters is legally or beneficially interested in any shares of any member of our Group or has the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for or purchase securities in any member of our Company nor any interest in the Global Offering.

Restrictions on Offer of the Offer Shares

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms, and on the terms and subject to the conditions set out herein and therein. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The offering of the International Offer Shares under the International Placing will be made pursuant to an offering memorandum. The distribution of the offering memorandum and the offer of the International Offer Shares may be restricted by law in certain jurisdictions. Persons who come into possession of the offering memorandum or any of the International Offer Shares are required to inform themselves about and to observe any such restrictions. The offering memorandum contains a description of certain restrictions on the offering of the International Offer Shares under the International Placing.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The Global Offering comprises 300,000,000 Shares initially being offered by us for subscription by way of International Placing and Public Offering (assuming the Over-allotment Option is not exercised). A total of 270,000,000 Shares, representing an aggregate of 90% of the initial total number of the Offer Shares, will initially be offered under the International Placing to professional, institutional and/or other investors in Hong Kong and certain other jurisdictions outside the US in accordance with Regulation S and in the US to QIBs in reliance on Rule 144A. A total of 30,000,000 Shares, representing 10% of the initial total number of the Offer Shares, will initially be offered under the Public Offering.

The number of Shares to be offered under the Public Offering and the International Placing are subject to reallocation and, in the case of the International Placing only, the Over-allotment Option, as described below.

Investors may apply for Shares under the Public Offering or indicate an interest for Shares under the International Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offering from investors that received International Offer Shares, and to identify and reject indications of interest in the International Placing from investors that received Public Offer Shares. The Public Offering is open to members of the public in Hong Kong as well as to institutional, professional and/or other investors. The International Placing will involve selective marketing of the International Offer Shares to institutional, professional and/or other investors, which are anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Assuming the Over-allotment Option and options granted or which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme are not exercised, the Offer Shares will represent 25.00% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalisation Issue.

If the Over-allotment Option is exercised in full, the Shares comprised in the Global Offering will represent approximately 27.71% of the enlarged issued share capital of us immediately after completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-allotment Option, but takes no account of the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.

PRICE PAYABLE ON APPLICATION

The maximum Offer Price of HK\$4.00 per Share plus brokerage of 1%, trading fee payable to the Stock Exchange of 0.005% and transaction levy payable to the SFC of 0.004%, in each case of the Offer Price, amounting to a total of HK\$4,040.36 per board lot of 1,000 Public Offer Shares, is payable in full on application.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

If the Offer Price, as finally determined in the manner as set out below, is lower than the maximum Offer Price of HK\$4.00 per Share, appropriate refund payments will be made. Further details in this regard are set out in “How to Apply for the Public Offer Shares”.

DETERMINING THE OFFER PRICE

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as “bookbuilding”, is expected to continue up to, and to cease on or about Wednesday, 16 September 2009.

The Offer Price will be fixed by agreement between our Company and the Joint Bookrunners (on behalf of the Underwriters) on or before the Price Determination Date, which is expected to be on or before Thursday, 17 September 2009 or by the latest on Wednesday, 23 September 2009. If the Joint Bookrunners (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on Wednesday, 23 September 2009, the Global Offering will not proceed and will lapse.

The Offer Price will not be more than HK\$4.00 per Share and is currently expected to be not less than HK\$3.20 per Share. Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective investors during the “book-building” process, the Joint Bookrunners (on behalf of the Underwriters), thinks it appropriate (for instance, if the level of interest expressed by prospective investors is below the indicative Offer Price range stated in this prospectus), the number of Offer Shares and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the day which is the last day for lodging applications under the Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offering cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of such a change. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics, as currently set out in “Summary” and any other financial information which may change materially as a result of any such change. Applicants under the Public Offering should note that, even if the number of Offer Shares and/or the indicative Offer Price is so reduced, in no circumstances can applications be withdrawn once submitted, except where a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section before the fifth day after the time of the opening of the application

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which limits the responsibility of that person for this prospectus, in which case applications made may be revoked before the said fifth day.

In the absence of any notice being published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction of the number of Offer Shares and/or the indicative Offer Price range in the manner set out above, the Offer Price and/or the number of Offer Shares, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range and the number of Offer Shares as stated in this prospectus.

The Offer Price, the level of indication of interest in the International Placing, results of the applications and basis of allocation of the Public Offer Shares under the Public Offering are expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Thursday, 24 September 2009.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of applications for the Offer Shares in the Global Offering are conditional upon:

(a) Listing

The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including Shares which may fall to be issued upon the exercise of the Over-allotment Option and any additional Shares, up to 10% of the issued share capital of our Company as of the Listing Date, which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme); and

(b) Underwriting Agreements

- (i) the execution and delivery of the International Underwriting Agreement in accordance with its terms or otherwise, prior to, on or about the date of the Price Determination Agreement; and
- (ii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (which requires, among other things, that the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement be entered into) and the obligations under any of the Underwriting Agreements not being terminated in accordance with their terms or otherwise, prior to 8:00 a.m. on the day on which the Shares commence trading on the Main Board of the Stock Exchange.

If, for any reason, the Price Determination Agreement or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

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The consummation of each of the Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions is not fulfilled (or, where applicable, waived by the Sole Global Coordinator (on behalf of the Underwriters)) at or before 8:00 a.m. on the Listing Date the Global Offering will lapse and notice of the lapse will be published by our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, application monies will be returned, without interest. The terms on which money will be returned are set out in “Refund of your money” on the Application Forms.

In the meantime, application monies will be held in one or more separate bank account(s) with the receiving bank(s) or any other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE PUBLIC OFFERING

Pursuant to the Public Offering, our Company is initially offering 30,000,000 new Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised), for subscription to the public in Hong Kong at the Offer Price. The Public Offering is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement.

Allocation of the Public Offer Shares to investors under the Public Offering will be based solely on the level of valid applications received. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by each applicant. However, this may involve balloting, which would mean that some applicants may be allotted more Shares than others who have applied for the same number of Public Offer Shares and that applicants who are not successful in the ballot may not receive any Public Offer Shares.

For allocation purposes only, the Public Offer Shares (after taking into account of any reallocation of Offer Shares between the International Placing and the Public Offering referred to below) will be divided equally into two pools: pool A and pool B. The Public Offer Shares in pool A will initially consist of 15,000,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of HK\$5 million or less. The Public Offer Shares in pool B will initially consist of 15,000,000 Shares and will be allocated on an equitable basis to successful applicants who have applied for Public Offer Shares with a total subscription amount (excluding amounts of brokerage and Stock Exchange trading fee and SFC transaction levy) of more than HK\$5 million and up to the total value of pool B. Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy

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demand in that pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Public Offer Shares in either pool A or pool B.

The Public Offering is open to all members of the public in Hong Kong. An applicant for Shares under the Public Offering will be required to give an undertaking and confirmation in the Application Form submitted by him that he has not taken up any Shares under the International Placing nor otherwise participated in the International Placing nor has he indicated (nor will he indicate) an interest under the International Placing, and such applicant's application will be rejected if the said undertaking and confirmation is breached and/or found to be untrue (as the case may be). The Public Offering will be subject to the conditions stated in the paragraph headed "Conditions of the Global Offering" above. The attention of applicants, including nominees who wish to submit separate applications on behalf of different beneficial owners, is drawn to the information regarding multiple applications contained in "How to Apply for the Public Offer Shares" in this prospectus. Multiple or suspected multiple applications and any application for more than 100% of the Public Offer Shares in either pool A or pool B being initially being offered for subscription pursuant to the Public Offering will be rejected at the discretion of the Sole Sponsor on behalf of our Company.

THE INTERNATIONAL PLACING

Pursuant to the International Placing, our Company is initially offering 270,000,000 Shares for subscription, representing 90% of the total number of Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised).

It is expected that the International Underwriters or selling agents nominated by them on behalf of our Company will conditionally place the International Offer Shares at the Offer Price with professional, institutional and/or other investors in Hong Kong and certain other jurisdictions. Professional and/or institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and/or other securities and corporate entities which regularly invest in shares and/or other securities. In Hong Kong, retail investors should apply for the Public Offer Shares under the Public Offering, as retail investors applying for the International Offer Shares (including applying through banks and/or other institutions) are unlikely to be allocated any International Offer Shares. Prospective investors may be required to give an undertaking and confirmation that he has not applied for or taken up any Public Offer Shares.

The International Placing is subject to the same conditions as stated in the paragraph headed "Conditions of the Global Offering" above. The total number of International Offer Shares to be allotted and issued or transferred pursuant to the International Placing may change as a result of the clawback arrangement referred to in the paragraph headed "Reallocation of the Offer Shares between the Public Offering and the International Placing" below, exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Public Offering.

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Allocation of International Offer Shares to investors pursuant to the International Placing will be effected in accordance with the “book-building” process undertaken by the International Underwriters. Final allocation of the International Offer Shares pursuant to the International Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares or hold or sell its Shares, after the listing of the Shares on the Main Board of the Stock Exchange. Such allocation is generally intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid shareholder base for the benefit of us and our shareholders taken as a whole.

Professional and institutional investors may apply for Offer Shares under the Public Offering or receive Offer Shares under the International Placing. However, such investor will only receive Offer Shares under either the Public Offering or the International Placing, but not both.

REALLOCATION OF THE OFFER SHARES BETWEEN THE PUBLIC OFFERING AND THE INTERNATIONAL PLACING

The allocation of Offer Shares between the Public Offering and the International Placing is subject to adjustment on the following basis:

- (a) if the number of Shares validly applied for under the Public Offering represents 15 times or more but less than 50 times of the number of Shares initially available under the Public Offering, then an additional 60,000,000 Shares, representing 20% of the Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised) will be reallocated to the Public Offering from the International Placing, so that an aggregate of 90,000,000 Shares will be available under the Public Offering, representing 30% of the Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised);
- (b) if the number of Shares validly applied for under the Public Offering represents 50 times or more but less than 100 times of the number of Shares initially available under the Public Offering, then an additional 90,000,000 Shares, representing 30% of the Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised) will be reallocated to the Public Offering from the International Placing, so that an aggregate of 120,000,000 Shares will be available under the Public Offering, representing 40% of the Shares being offered pursuant to the Global Offering (assuming Over-allotment Option is not exercised); and
- (c) if the number of Shares validly applied for under the Public Offering represents 100 times or more of the number of Shares initially available under the Public Offering, then an additional 120,000,000 Shares, representing 40% of the Shares initially being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised) will be reallocated to the Public Offering from the International Placing, so that an aggregate of 150,000,000 Shares will be

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available under the Public Offering, representing 50% of the Shares being offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised).

International Offer Shares being offered in the International Placing may be reallocated and made available as additional Public Offer Shares at the discretion of the Joint Bookrunners (on behalf of the Underwriters) to satisfy valid applications made pursuant to the Public Offering.

If the Public Offer Shares are not fully subscribed for, the Joint Bookrunners (on behalf of the Underwriters) has the authority (but not an obligation) to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offering to the International Placing in such proportions as it deems appropriate.

The number of International Offer Shares available under the International Placing will be correspondingly reduced or increased (as the case may be) as a result of reallocation (if any) described above.

OVER-ALLOTMENT OPTION

Pursuant to the International Underwriting Agreement, we are expected to grant the International Underwriters a right, (but not an obligation), exercisable by the Sole Global Coordinator on behalf of the International Underwriters, to exercise the Over-allotment Option up to the 30th day after the last date for the lodging of applications under the Public Offering, to require our Company to issue up to an aggregate of 45,000,000 additional Shares, representing approximately 15% of the number of the Offer Shares initially available under the Global Offering. These Shares will be issued or sold (as the case be) at the Offer Price for the purpose of covering over-allocations in the International Placing, if any. Any election in respect of the Over-allotment Option may be exercised in whole or in part and from time to time.

The Offer Shares will constitute 25.00% of our issued share capital before exercise of the Over-allotment Option and approximately 27.71% of the enlarged issued share capital of our Company immediately following the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on our Company's website at www.lilanz.com and the website of the Stock Exchange at www.hkex.com.hk as soon as practicable in accordance to the requirements of the Listing Rules.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In connection with the Global Offering, the Sole Sponsor, as stabilising manager, or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of the Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilizing) Rules made under the SFO. However, there is no obligation on the stabilising manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the stabilising manager or its authorised agents and may be discontinued at any time. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 45,000,000 Shares, which is 15% of the number of Shares initially available under the Global Offering.

As a result of effecting transactions to stabilise or maintain the market price of the Shares, the stabilising manager or its authorised agents may maintain a long position in the Shares. The size of the long position, and the period for which the stabilising manager or its authorised agents will maintain the long position is at the discretion of the stabilising manager or its authorised agents and is uncertain. In the event that the stabilising manager or its authorised agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilising activity by the stabilising manager or its authorised agents is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the day on which the application lists close under the Public Offering. The stabilising period is expected to end on Friday, 16 October 2009. As a result, demand for the Shares, and its market price, may fall after the end of the stabilising period.

Any stabilising activity taken by the stabilising manager or its authorised agents may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of the Shares by the stabilising manager or its authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by investors.

In order to facilitate the settlement of over-allocations, the stabilising manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The stabilising manager or its authorised agents may borrow up to 45,000,000 Shares from Ming Lang Investments, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under a stock borrowing agreement. The stock borrowing agreement is not subject to the restrictions of rule 10.07(1) of the Listing Rules which restricts the disposal of Shares by controlling shareholders following a new listing, provided the following requirements in accordance with the provisions of rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing agreement will only be effected by the stabilising manager or its authorised agents for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Ming Lang Investments will be limited to the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Ming Lang Investments on or before the third business day, a day that is not a Saturday, Sunday or public holiday in Hong Kong, following the earlier of (i) the last day on the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- borrowing of Shares pursuant to the stock borrowing agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Ming Lang Investments in relation to the stock borrowing agreement.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. METHODS TO APPLY FOR THE PUBLIC OFFER SHARES

You may apply for the Public Offer Shares by using one of the following methods:

- using a **WHITE** or **YELLOW** Application Form; or
- giving electronic application instruction to HKSCC to cause HKSCC Nominees Limited to apply for Public Offer Shares on your behalf;
- by means of **White Form eIPO** by submitting applications online through the designated website at www.eipo.com.hk. Use **White Form eIPO** if you want the Shares issued in your own name.

You or you and your joint applicant(s) may only make one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider.

2. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and will be acquiring the Public Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a US Person (as defined in Regulation S of the US Securities Act);

If you wish to apply for Public Offer Shares online through the designated website at www.eipo.com.hk under the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **White Form eIPO** service.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Lead Managers (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

Our Company, the Sole Sponsor (for itself and on behalf of the Public Offer Underwriters) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

The Public Offer Shares are not available to existing beneficial owners of Shares, our Directors, or chief executive officers or their respective associates or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become connected persons (as defined in the Listing Rules) of our Company immediately upon completion of the Global Offering.

You should also note that you may apply for Shares under the Public Offering or indicate an interest for Shares under the International Placing, but may not do both.

3. WHICH APPLICATION METHOD YOU SHOULD USE

(a) WHITE Application Forms

Use a **WHITE** Application Form if you want the Public Offer Shares to be registered in your own name.

(b) YELLOW Application Forms

Use a **YELLOW** Application Form if you want the Public Offer Shares to be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant.

Joint applications are not permitted. You may not apply on behalf of other person(s) as a nominee.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(c) Instruct HKSCC to make an electronic application on your behalf

Instead of using a **WHITE** or **YELLOW** Application Form or **White Form eIPO** service, you may give electronic application instruction to HKSCC to cause HKSCC Nominees Limited to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) Apply through the designated White Form eIPO service

You may apply for Public Offer Shares online through the designated website at www.eipo.com.hk, referred to herein as the “**White Form eIPO**” service. In addition to any other requirements, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

Note: Except in the circumstances permitted under the Listing Rules, the Offer Shares are not available to existing beneficial owners of Shares, the Directors or chief executive of our Company or any of our subsidiaries or associates or connected persons or a US person, not outside the United States, or will not be acquiring Public Offer Shares in an offshore transaction (as defined in Regulation S) or persons who do not have a Hong Kong address.

4. WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 11 September 2009 until 12:00 noon on Wednesday, 16 September 2009 from:

Merrill Lynch Far East Limited
15th Floor, Citibank Tower
3 Garden Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Piper Jaffray Asia Securities Limited
39/F, Tower 1, Lippo Centre
89 Queensway
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27th Floor, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Oriental Patron Securities Limited
Suite 2701-3 & 2705-8
27/F, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Sun Hung Kai International Limited
12/F Citic Tower
1 Tim Mei Avenue, Central
Hong Kong

or any of the following branches of **Hang Seng Bank Limited**:

<u>Branches</u>	<u>Address</u>
Hong Kong Island:	
Head Office	83 Des Voeux Road Central
Central District Branch	Basement, Central Building, Pedder Street, Central
Causeway Bay Branch	28 Yee Woo Street
North Point Branch	335 King's Road, North Point
Kowloon:	
Tsimshatsui Branch	18 Carnarvon Road, Tsimshatsui
Mongkok Branch	677 Nathan Road, Mongkok
San Po Kong Branch	56 Tseuk Luk Street, San Po Kong
Kwun Tong Branch	70 Yue Man Square, Kwun Tong
New Territories:	
Yuen Long Branch	93 Castle Peak Road, Yuen Long
Tai Ho Road Branch	30 Tai Ho Road, Tsuen Wan

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

or any of the following branches of **The Bank of East Asia, Limited:**

<u>Branches</u>	<u>Address</u>
Hong Kong Island:	
Main Branch	10 Des Voeux Road Central
Wanchai Branch	Shop A–C, G/F, Easey Commercial Building, 253–261 Hennessy Road, Wanchai
Taikoo Shing Branch	Shop G1010–1011, Yiu Sing Mansion
Kowloon:	
Mongkok Branch	638–640 Nathan Road
Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road
Kwun Tong Branch	7 Hong Ning Road
New Territories:	
Shatin Plaza Branch	Shop 3–4, Level 1, Shatin Plaza
Tuen Mun Town Plaza Branch	Shop 2–10, UG/F, Tuen Mun Town Plaza Phase II, 3 Tuen Lung Street, Tuen Mun

- (b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 11 September 2009 until 12:00 noon on Wednesday, 16 September 2009 from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or your broker may have **YELLOW** Application Forms and this prospectus available.

5. WHEN TO APPLY FOR THE PUBLIC OFFER SHARES

(a) **WHITE** or **YELLOW** Application Forms

Your completed **WHITE** or **YELLOW** Application Form, with a cheque or banker's cashier order attached, must be lodged by 12:00 noon on Wednesday, 16 September 2009, or, if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving bankers listed under the paragraph headed "Where to collect the Application Forms" in this section at the following times:

Friday, 11 September 2009	—	9:00 a.m. to 5:00 p.m.
Saturday, 12 September 2009	—	9:00 a.m. to 1:00 p.m.
Monday, 14 September 2009	—	9:00 a.m. to 5:00 p.m.
Tuesday, 15 September 2009	—	9:00 a.m. to 5:00 p.m.
Wednesday, 16 September 2009	—	9:00 a.m. to 12:00 noon

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(b) Electronic application instructions to HKSCC

CCASS Clearing Participants or CCASS Custodian Participants should input **electronic application instructions** at the following times:

Friday, 11 September 2009	—	9:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 12 September 2009	—	8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 14 September 2009	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 15 September 2009	—	8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 16 September 2009	—	8:00 a.m. ⁽¹⁾ to 12:00 noon

⁽¹⁾ These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants or CCASS Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 11 September 2009 until 12:00 noon on Wednesday, 16 September 2009 (24 hours daily, except on the last application date).

The latest time for inputting your **electronic application instructions** via CCASS (if you are a CCASS Participant) is 12:00 noon on Wednesday, 16 September 2009 or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

(c) White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Friday, 11 September 2009 until 11:30 a.m. on Wednesday, 16 September 2009 or such later time as described under the sub-paragraph headed “Effects of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 16 September 2009, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed “Effects of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(d) Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Wednesday, 16 September 2009, except as provided in the sub-paragraph headed “Effect of bad weather conditions on the opening of the application lists” below.

No proceedings will be taken on applications for the Public Offer Shares and no allocation of any such Shares will be made until after the closing of the application lists.

(e) Effect of bad weather conditions on the opening of the application lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on Wednesday, 16 September 2009, subject to weather conditions. The application lists will not be open in relation to the Public Offering if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 16 September 2009. Instead, the application lists will be open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

6. HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

- (a) Obtain a **WHITE** or **YELLOW** Application Form
- (b) You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker’s cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.
- (c) Decide how many Public Offer Shares you want to purchase. Calculate the amount you must pay in accordance with the table of numbers and payments set out in the Application Forms on the basis of the maximum Offer Price of HK\$4.00 per Public Offer Share, plus brokerage of 1%, the SFC transaction levy of 0.004% and the Stock Exchange trading fee of 0.005%.

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- (d) Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign on the Application Form. If it is a joint application, all applicants must sign on the Application Form. If your application is made through a duly authorised attorney, our Company and the Sole Sponsor (or their respective agents or nominees) may accept or reject the application at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney. The Sole Sponsor in its capacity as agent of our Company has full discretion to accept or reject any application, in full or in part, without assigning any reasons therefor.
- (e) Each Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left-hand corner of the Application Form. If you pay by cheque, the cheque must:
- be in Hong Kong dollars;
 - not be post-dated;
 - be drawn on your Hong Kong dollar bank account in Hong Kong;
 - show your account name, which must either be pre-printed on the cheque, or be endorsed on the reverse of the cheque by an authorised signatory of the bank. This account name must correspond with the name of the applicant on the Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
 - be made payable to “Hang Seng (Nominee) Limited — China Lilang Public Offer”; and
 - be crossed “Account Payee Only”.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on our first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be issued by a licenced bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier

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order and the name on the Application Form must be the same. If it is a joint application, the name on the reverse of the banker's cashier order must be the same as the name of the first-named joint applicant;

- not be post-dated;
- be in Hong Kong dollars;
- be made payable to “Hang Seng (Nominee) Limited — China Lilang Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your banker's cashier order does not meet all these requirements.

- (f) Lodge your **WHITE** or **YELLOW** Application Forms in one of the collection boxes by the time and at one of the locations, as respectively referred to in subparagraph 4(a) above.
- (g) The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 16 September 2009. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of e-Refund payment instructions/refund cheques). The right is also reserved to retain any share certificate(s) and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.
- (h) Multiple or suspected multiple applications are liable to be rejected. Please see the paragraph headed “How many applications you can make” in this section.
- (i) In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form and sign on the first page of the application form. Only written signatures will be accepted.

- If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
- If the application is made by an individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain your full name and your Hong Kong Identity Card number; and

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- the CCASS Investor Participant should insert its CCASS Participant I.D. in the appropriate box on the **YELLOW** Application Form.
 - If the application is made by a joint individual CCASS Investor Participant:
 - the **YELLOW** Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and
 - the CCASS Participant I.D. must be inserted in the appropriate box on the **YELLOW** Application Form.
 - If you are applying as a corporate CCASS Investor Participant:
 - the **YELLOW** Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
 - the CCASS Participant I.D. and company chop (bearing the CCASS Investor Participant's company name) must be inserted in the appropriate box on the **YELLOW** Application Form.
 - Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of CCASS Participant I.D. or other similar matters may render the application invalid.
- (k) Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are required to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

7. HOW TO APPLY THROUGH THE WHITE FORM eIPO SERVICE

- (a) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO** the Shares will be issued in your own name. For the purposes of allocating Public Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.

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- (c) The designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and Hong Kong Share Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (f) You should give **electronic application instructions** through **White Form eIPO** at the times set out in paragraph (b) of the section headed “When to apply for the Public Offer Shares”.
- (g) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 16 September 2009, or such later time as described under the section headed “Effects of Bad Weather Conditions on the Opening of the Application Lists” in the section headed “When to apply for the Public Offer Shares”, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.
- (h) Warning: The application for Public Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Public Offer Shares.

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Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. As environmental protection is part of Computershare's Corporate Social Responsibility Program, Computershare Hong Kong Investor Services Limited will contribute HK\$2 per each "CHINA LILANG LIMITED" **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give electronic application instructions to HKSCC via CCASS. See "How many applications you can make" below.

8. HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

- (a) CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Public Offer Shares and to arrange for payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.
- (b) If you are a CCASS Investor Participant, you may give **electronic application instructions** to HKSCC through the CCASS Phone System by calling 2979 7888 or CCASS Internet System at <https://ip.ccass.com> (according to the procedures contained in "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

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- (c) If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares.
- (d) You are deemed to have authorised HKSCC and/or HKSCC Nominees Limited to transfer the details of your application whether submitted by you or through your designated CCASS Clearing Participant or CCASS Custodian Participant to our Company and our Hong Kong Share Registrar.
- (e) You may give **electronic application instructions** in respect of a minimum of 1,000 Public Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Public Offer Shares must be in one of the numbers set out in the table on the Application Form and in sub-paragraph 5(c) above.
- (f) Where a **WHITE** Application Form is signed by HKSCC Nominees Limited on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:
 - (i) HKSCC Nominees Limited is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form and/or this prospectus; and
 - (ii) HKSCC Nominees Limited does all the things on behalf of each of such persons as stated in the paragraph headed “Effect of making any application” below.
- (g) If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees Limited will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.
- (h) For the purpose of allocating the Public Offer Shares, HKSCC Nominees Limited shall not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given shall be treated as an applicant.
- (i) The paragraph headed “Personal data” below applies to any personal data held by the Sole Sponsor, our Company and our Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees Limited.

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Warning

Application for the Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Sole Sponsor and all other parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (a) submit the WHITE or YELLOW Application Form (as appropriate); or
- (b) go to HKSCC's Customer Service Centre to complete an application instruction input request form before 12:00 noon on Wednesday, 16 September 2009 or such later time as described under the sub-paragraph headed "Effect of bad weather conditions on the opening of the application lists" above.

9. RESULTS OF ALLOCATIONS

- Results of allocations for the Public Offering will be available from the results of allocations website at www.iporeresults.com.hk on a 24-hour basis from 8:00 a.m. on Thursday, 24 September 2009 to 12:00 midnight on Wednesday, 30 September 2009. Search by ID function will be available on our results of allocations website at www.iporeresults.com.hk. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from the Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 24 September 2009 to Sunday, 27 September 2009;
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual receiving bank branches and sub-branches from Thursday, 24 September 2009 to Saturday, 26 September 2009 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "Where to collect the Application Forms".
- Results of allocations for the Public Offering can be found in the announcement to be posted on the Company's website at www.lilanz.com and the website of the Stock Exchange at www.hkex.com.hk on Thursday, 24 September 2009.

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10. HOW MANY APPLICATIONS YOU CAN MAKE

- (a) You may make more than one application for the Public Offer Shares only if:
- You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:
 - an account number; or
 - some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner). If you do not include this information, the application will be treated as being made for your own benefit.

Multiple or suspected multiple applications are liable to be rejected.

- (b) Save as referred to (a) above, all of your applications for the Public Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
- make more than one application (whether individually or jointly with others) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **White Form eIPO** Service Provider; or
 - both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** Application Form and give **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider; or
 - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) or to the designated **White Form eIPO** Service Provider for more than 100% of the Public Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed “Structure and conditions of the Global Offering” in this prospectus; or

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- have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Offer Shares under the International Placing.
- (c) All of your applications for the Public Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**). If an application is made by an unlisted company and:
- (i) the principal business of that company is dealing in securities; and
 - (ii) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control in relation to a company means you:

- (i) control the composition of the board of directors of that company; or
 - (ii) control more than half of the voting power of that company; or
 - (iii) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).
- (d) If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

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11. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
- instruct and authorise our Company and/or the Sole Sponsor (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees Limited, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees Limited, as the case may be, to be registered as the holder of the Public Offer Shares allocated to you, and as required by the Articles;
 - represent and warrant that you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act and you are outside the United States when completing and submitting the Application Form and you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S);
 - confirm that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus (save as set out in any supplement to this prospectus) in making your application, and not on any other information or representation concerning our Company and you agree that neither our Company, the Sole Global Coordinator, the Sole Sponsor and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;
 - agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not revoke or rescind it because of an innocent misrepresentation;
 - (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
 - (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider via **White Form eIPO** service;

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- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, or to the designated **White Form eIPO** Service Provider via **White Form eIPO** service, and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;
- agree that once your application is accepted, your application will be evidenced by the results of the Public Offering made available by our Company;
- undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Placing, nor otherwise participate in the International Placing;
- warrant the truth and accuracy of the information contained in your application;
- agree to disclose to our Company, our Hong Kong Share Registrar, receiving bankers, the Sole Sponsor, the Sole Global Coordinator and the Underwriters and any of their respective officers, advisers and agents any personal data and information which they require about you or the person(s) for whose benefit you have made the application;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- undertake and agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or the name of HKSCC Nominees Limited, as the case may be, on the register of members of our Company as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque(s) (where applicable) to you or (in case of joint applicants) the first-named applicant in the application by ordinary post at your own risk to the address stated in your application (unless you have applied for 1,000,000 Public Offer Shares or more and have indicated in your application that you wish to collect your share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person then you can collect them from Computershare Hong Kong Investor Services Limited,

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at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. and 1:00 p.m. on Thursday, 24 September 2009;

- authorise our Company to despatch e-Refund payment instructions to your bank account if you have completed payment of the **White Form eIPO** application monies from a single bank account; or authorise our Company to issue and despatch refund cheque(s) to the address given on the **White Form eIPO** application if you have completed payment of the application monies from multi-bank accounts;
- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor and the Public Offer Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions set out in the Application Form and in this prospectus;
- agree that our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, agents or advisors and any other parties involved in the Global Offering are liable only for and that you have only relied upon, the information and representations contained in this prospectus and any supplement to the prospectus;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- agree with our Company and each shareholder of our Company that Shares are freely transferable by the holders thereof;
- confirm that you are aware of the restrictions on Global Offering of the Public Offer Shares described in this prospectus;
- understand that these declarations and representations will be relied upon by our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters in deciding whether or not to allocate any Public Offer Shares in response to your application and that you may be prosecuted for making a false declaration; and
- agree that the processing of your application, may be done by any of our Company’s receiving bank(s) and is not restricted to the bank at which your application was lodged.

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- (b) If you apply for the Public Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you agree that:
- any Public Offer Shares allocated to you shall be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;
 - each of HKSCC and HKSCC Nominees Limited reserves the right (1) not to accept any or part of such allotted Public Offer Shares issued in the name of HKSCC Nominees Limited or not to accept such allotted Public Offer Shares for deposit into CCASS; (2) to cause such allotted Public Offer Shares to be withdrawn from CCASS and transferred into your name at your own risk and costs; and (3) to cause such allotted Public Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allotted Public Offer Shares at your own risk to the address stated on your Application Form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees Limited may adjust the number of allotted Public Offer Shares issued in the name of HKSCC Nominees Limited;
 - neither HKSCC nor HKSCC Nominees Limited shall have any liability for the information and representations not so contained in this prospectus and the Application Forms; and
 - neither HKSCC nor HKSCC Nominees Limited shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees Limited will be liable to our Company nor any other person in respect of such things:
- instruct and authorise HKSCC to cause HKSCC Nominees Limited (acting as nominee for the CCASS Participants) to apply for the Public Offer Shares on your behalf;
 - instruct and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage fee, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is

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less than the maximum Offer Price of HK\$4.00 per Public Offer Share, refund the appropriate portion of the application money by crediting your designated bank account;

- instruct and authorise HKSCC to cause HKSCC Nominees Limited to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form;
- (in addition to the confirmations and agreements set out in paragraph (a) above) instruct and authorise HKSCC to cause HKSCC Nominees Limited to do on your behalf the following:
 - agree that the Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees Limited and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted **electronic application instructions** on your behalf;
 - undertake and agree to accept the Public Offer Shares in respect of which you have given **electronic application instructions** or any lesser number;
 - undertake and confirm that you have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Placing, nor otherwise participate in the International Placing;
 - (if the **electronic application instructions** are given for your own benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;
 - understand that the above declaration will be relied upon by our Company and the Sole Sponsor in deciding whether or not to make any allocation of the Public Offer Shares in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place the name of HKSCC Nominees Limited on the register of members of our Company as the holder of the Public Offer Shares allocated in respect of your **electronic application**

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

instructions and to send share certificates and/or refund monies in accordance with arrangements separately agreed between our Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Clearing Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;
- agree that our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for, and that you have only relied upon, the information and representations contained in this prospectus and any supplement to this prospectus;
- agree (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees Limited has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agree to disclose to our Company, our Hong Kong Share Registrar, receiving bankers, the Sole Sponsor, the Sole Global Coordinator and the Underwriters and any of their respective officers, advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- agree that any application made by HKSCC Nominees Limited on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before Friday, 9 October 2009 such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that our Company will not offer any Public Offer Shares to any person before Friday, 9 October 2009 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees Limited may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree that once the application of HKSCC Nominees Limited is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Public Offering made available by our Company; and
- agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC and read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer Shares.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allocated Public Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees Limited on your behalf cannot be revoked before Friday, 9 October 2009. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your application form or submit your **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider. This collateral contract will be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before Friday, 9 October 2009 except by means of one of the procedures referred to in this prospectus.

However, your application or the application made by HKSCC Nominees Limited on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If your application or the application made by HKSCC Nominees Limited on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If the allocation of the Public Offer Shares is void:

Your allocation of the Public Offer Shares (and the allocation to HKSCC Nominees Limited, as the case may be) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists.

(c) If you make applications under the Public Offering as well as the International Placing:

By filling in any of the Application Forms or giving **electronic application instructions** to HKSCC via CCASS or to the designated **White Form eIPO** Service Provider, you agree not to apply for International Offer Shares under the International Placing. Reasonable steps will be taken to identify and reject applications under the Public Offering from investors who have received International Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Public Offer Shares in the Public Offering.

(d) If our Company, the Sole Sponsor or the White Form eIPO Service Provider or their respective agents or nominees exercise their discretion to reject your application:

Our Company, the Sole Sponsor (for itself and on behalf of the Public Offer Underwriters) or the **White Form eIPO** Service Provider or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(e) If:

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed in accordance with the instructions as stated therein (if you apply by an Application Form);

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on our first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the International Offer Shares under the International Placing;
- your application is for more than 50% of the 30,000,000 Public Offer Shares being initially comprised under the Public Offering as referred to under the section headed "Structure and conditions of the Global Offering" in this prospectus;
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof or otherwise; or
- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed.

13. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price of the Public Offer Shares is HK\$4.00 each. You must also pay a brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004%. The proposed board lot for trading in the Shares is 1,000 Shares. This means that for every 1,000 Public Offer Shares, you will pay HK\$4,040.36. The Application Forms have tables showing the exact amount payable for numbers of Public Offer Shares.

You must pay the maximum Offer Price, brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.004% in full when you apply for the Public Offer Shares.

If your application is successful, the brokerage is paid to participants of the Stock Exchange, the Stock Exchange trading fee is paid to the Stock Exchange and the SFC transaction levy is paid to the SFC.

If the Offer Price as finally determined is less than HK\$4.00 per Public Offer Share, appropriate refund payments (including brokerage of 1%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.004% attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedures for refund are set out in the paragraph headed "Refund of your money — additional information" below.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

14. IF YOUR APPLICATION FOR THE PUBLIC OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

- (a) If you are applying using a **WHITE** Application Form and you elect to receive any share certificate(s) in your name:
- Refund cheque(s) and share certificate(s) for these applicants who apply for less than 1,000,000 Public Offer Shares or apply for 1,000,000 or more and have not indicated on your Application Forms that you will to collect share certificate(s) and/or refund cheque(s) (where applicable) in person are expected to be despatched on Thursday, 24 September 2009 to the same address as that for share certificate(s), being the address specified in the relevant Application Form.
 - Applicants who have applied on **WHITE** Application Forms for 1,000,000 Public Offer Shares or more and have indicated on their Application Forms that they wish to collect share certificate(s) and/or refund cheque(s) (where applicable) in person from our Hong Kong Share Registrar may collect share certificate(s) and/or refund cheque(s) (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 24 September 2009.
 - Applicants being individuals who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who are applying for 1,000,000 Public Offer Shares or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from the corporation stamped with the corporation's respective chops. Both individuals and authorised representatives (where applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.
 - Uncollected share certificate(s) and refund cheque(s) (where applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified on the relevant Application Forms.
- (b) If: (i) you are applying on a **YELLOW** Application Form; or (ii) you are giving **electronic application instructions** to HKSCC, and in each case you elect to have allocated Public Offer Shares deposited directly into CCASS:

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Form or electronically, as the case may be), at the close of business on Thursday, 24 September 2009 or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

- **If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:**

For Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

- **If you are applying as a CCASS Investor Participant on a YELLOW Application Form:**

Our Company is expected to make available the results of the Public Offering, including the results of CCASS Investor Participants' applications, in the manner described above in the paragraph headed "Results of allocations" on Thursday, 24 September 2009. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 24 September 2009 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

- **If you have given electronic application instructions to HKSCC:**

Our Company is expected to make available the application results of the Public Offering, including the results of CCASS Participants' applications (and in the case of CCASS Clearing Participants and CCASS Custodian Participants, our Company shall include information relating to the beneficial owner), your Hong Kong Identity Card number or passport number or Hong Kong Business Registration number or other identification code (as appropriate) in the manner described above in the paragraph headed "Results of allocations" on Thursday, 24 September 2009. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 24 September 2009 or any other date HKSCC or HKSCC Nominees Limited chooses.

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- **If you are instructing your CCASS Clearing Participant or CCASS Custodian Participant to give electronic application instructions to HKSCC on your behalf:**

You can also check the number of Public Offer Shares allocated to you and the amount of refund (where applicable) payable to you with that CCASS Clearing Participant or CCASS Custodian Participant.

- **If you are applying as a CCASS Investor Participant by giving electronic application instruction to HKSCC:**

You can also check the number of the Public Offer Shares allotted to you and the amount of refund (where applicable) payable to you via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 24 September 2009. Immediately following the credit of the Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Public Offer Shares credited to your stock account and the amount of refund credited to your designated bank account (where applicable).

- (c) **If you are applying through White Form eIPO:**

If you apply for 1,000,000 Public Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 24 September 2009, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Thursday, 24 September 2009 by ordinary post and at your own risk.

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If you paid the application monies from a single bank account and your application is wholly or partially unsuccessful and/or the Final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be despatched to your application payment bank account on or around Thursday, 24 September 2009.

If you used multi-bank accounts to pay the application monies and your application is wholly or partially unsuccessful and/or the Final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on or around Thursday, 24 September 2009, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out below in “Refund of your money — additional information.”

No receipt will be issued for application monies paid. Our Company will not issue temporary documents of title.

15. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

- (a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of e-Refund payment instructions/refund cheques will be retained for the benefit of our Company) if:
- your application is not successful, in which case our Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
 - your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
 - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
 - the conditions of Global Offering are not fulfilled in accordance with the paragraph headed “Conditions of the Global Offering” under the section headed “Structure and conditions of the Global Offering” in this prospectus.

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- (b) If you apply on a **YELLOW** Application Form for 1,000,000 Public Offer Shares or more and have indicated on your Application Form that you wish to collect your refund cheque in person, you may collect your refund cheque (where applicable) in person from our Hong Kong Share Registrar on Thursday, 24 September 2009. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed “If your application for the Public Offer Shares is successful (in whole or in part)” in this section.

If you have applied for 1,000,000 Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 1,000,000 Public Offer Shares, your refund cheque (if any) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Thursday, 24 September 2009, by ordinary post and at your own risk.

- (c) If you are applying by giving **electronic application instructions** to HKSCC to apply on your behalf, all refunds are expected to be credited to your designated bank account (if you are applying as a CCASS Investor Participant) or the designated bank account of your broker or custodian (if you are applying through a CCASS Clearing Participant or CCASS Custodian Participant) on Thursday, 24 September 2009.
- (d) If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in this section shall be made pursuant to the arrangements described above in “If our application for the Public Offer Shares is successful (in whole or in part) — If you apply through **White Form eIPO**.”

- (e) Refund cheque will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, where applicable. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your

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refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.

- (f) e-Refund payment instructions/refund cheques are expected to be despatched on or around Thursday, 24 September 2009. Our Company intends to make special efforts to avoid undue delays in refunding money.

16. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Public Offer Shares of the policies and practices of our Company and our Hong Kong Share Registrar in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of our Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), and/or the despatch of e-Refund payment instructions/refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, where applicable and verification of compliance with the terms and application procedures set out in the application forms and this prospectus and announcing results of allocations of the Public Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;

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- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees Limited;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing identities of successful applications by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and our Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as we consider necessary to confirm the accuracy of the personal data and in particular, we may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- we or our appointed agents such as financial advisers, receiving bankers and our principal share registrar and Hong Kong Share Registrar;
- HKSCC and HKSCC Nominees Limited, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Public Offer Shares to be deposited into CCASS);

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- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or by applying through **White Form eIPO**, you agree to all of the above.

(d) Access and correction of personal data

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of the company secretary or (as the case may be) our Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

17. MISCELLANEOUS

(a) Commencement of dealings in the Shares

- Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on Friday, 25 September 2009.
- The Shares will be traded in board lots of 1,000 Shares.
- The stock code of the Shares is 1234.
- Any share certificates in respect of Public Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Public Offer Underwriting Agreement.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(b) Shares will be eligible for admission into CCASS

- If the Stock Exchange grants the listing of and permission to deal in the Shares and the stock admission requirements of HKSCC are complied with, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.
- All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

11 September 2009

The Board of Directors
China Lilang Limited

Merrill Lynch Far East Limited

Dear Sirs

INTRODUCTION

We set out below our report on the financial information relating to China Lilang Limited (the "Company") and its subsidiaries (herewith collectively referred to as the "Group"), including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and consolidated cash flow statements of the Group, for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (the "Relevant Period"), the consolidated balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009, and the balance sheet of the Company as at 31 December 2008 and 30 June 2009 together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 11 September 2009 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 2 January 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 12 September 2008 (the "Reorganisation") as detailed in the section headed "Group Reorganisation" in Appendix VI to the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

The following statutory financial statements of the companies now comprising the Group, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) or the relevant accounting rules and regulations applicable to enterprises in the People’s Republic of China (the “PRC”), were audited during the Relevant Period by the respective statutory auditors as indicated below:

<u>Name of company</u>	<u>Financial period</u>	<u>Statutory auditors</u>
Lilang (Hong Kong) International Co., Limited	Years ended 31 December 2006, 2007 and 2008	KPMG
利郎(福建)時裝有限公司 Lilang (Fujian) Garment Co., Ltd (note)	Years ended 31 December 2006 and 2007	廈門新昌會計師事務所有限公司 Xiamen Xinchang Certified Public Accountants Co., Ltd (note)
	Year ended 31 December 2008	泉州衆和有限責任會計師事務所 Quanzhou Zhonghe Certified Public Accountants Co., Ltd (note)
利郎(中國)有限公司 Lilang (China) Co., Ltd (note)	Year ended 31 December 2006	泉州名城有限責任會計師事務所 Quanzhou Mingcheng Certified Public Accountants Co., Ltd (note)
	Year ended 31 December 2007	廈門新昌會計師事務所有限公司 Xiamen Xinchang Certified Public Accountants Co., Ltd (note)
	Year ended 31 December 2008	泉州衆和有限責任會計師事務所 Quanzhou Zhonghe Certified Public Accountants Co., Ltd (note)
利郎(廈門)服飾有限公司 Lilang (Xiamen) Garment Co., Ltd (note)	Period ended 31 December 2006	泉州名城有限責任會計師事務所 Quanzhou Mingcheng Certified Public Accountants Co., Ltd (note)
	Year ended 31 December 2007	廈門新昌會計師事務所有限公司 Xiamen Xinchang Certified Public Accountants Co., Ltd (note)
	Year ended 31 December 2008	泉州衆和有限責任會計師事務所 Quanzhou Zhonghe Certified Public Accountants Co., Ltd (note)

Note: The English translation of the names is for reference only. The official names of these entities are in Chinese.

As of the date of this report, save as described above, no audited financial statements have been prepared for the Company and other companies now comprising the Group, as they are investment holding companies and have not carried on any business since their respective dates of establishment/incorporation or are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of establishment/incorporation. We have, however, reviewed all significant transactions of these companies

during the Relevant Period, or where the companies were incorporated/established at a date later than 1 January 2006, for the period from their respective dates of establishment/incorporation to 30 June 2009, for the purpose of this report.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements to conform with the accounting policies referred to in Section C, which are in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). IFRSs include International Accounting Standards and their interpretations.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant’s judgment, including the assessment of the risks of material

misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies comprising the Group in respect of any period subsequent to 30 June 2009.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the consolidated results and cash flows of the Group for the Relevant Period, the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009, and the state of affairs of the Company as at 31 December 2008 and 30 June 2009.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended 30 June 2008, together with the notes thereto (the "Corresponding Financial Information"), for which the directors are responsible, 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 HKICPA. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

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

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PRESENTATION

The companies that took part in the Reorganisation were controlled by the same group of equity holders (the “Controlling Shareholders”) before and after the Reorganisation. Since there was a continuation of the risks and benefits to the Controlling Shareholders, the Reorganisation is considered as a business combination of entities under common control. Accordingly, the Financial Information has been prepared under the merger basis of accounting as if the Group had always been in existence. The net assets of the combining companies are consolidated using the existing book values from the Controlling Shareholders’ perspective.

The Financial Information relating to the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in Section B for the Relevant Period includes the results of operations of the companies comprising the Group for the Relevant Period. The consolidated balance sheets of the Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 as set out in Section B have been prepared to present the consolidated assets and liabilities of the Group as at those dates.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

<u>Name of company</u>	<u>Place and date of incorporation/ establishment</u>	<u>Issued and fully paid-up capital</u>	<u>Attributable equity interest</u>		<u>Principal activities</u>
			<u>direct</u>	<u>indirect</u>	
Lilang Holdings Limited ("Lilang Holdings")	British Virgin Islands ("BVI")/ 4 December 2007	US\$20,000 at US\$1 per share	100%	—	Investment holding
Lilang (Hong Kong) International Co., Limited ("Lilang International")	Hong Kong/ 23 March 2004	HK\$20,000 at HK\$1 per share	—	100%	Investment holding
利郎(福建)時裝有限公司 Lilang (Fujian) Garment Co., Ltd ("Lilang Fujian") (note (c))	The PRC/ 24 April 1995	Registered and fully paid-up capital of HK\$20,000,000	—	100%	Manufacturing and wholesaling of menswear and accessories
利郎(中國)有限公司 Lilang (China) Co., Ltd ("Lilang China") (note (c))	The PRC/ 25 March 2005	Registered and fully paid-up capital of HK\$100,000,000	—	100%	Manufacturing and wholesaling of menswear and accessories
利郎(廈門)服飾有限公司 Lilang (Xiamen) Garment Co., Ltd ("Lilang Xiamen") (note (c))	The PRC/ 12 June 2006	US\$4,549,926 (note (b))	—	100%	Manufacturing and wholesaling of menswear and accessories

Notes:

- (a) All entities established in the PRC are wholly foreign owned enterprises.
- (b) Registered capital of Lilang Xiamen is US\$30,000,000 of which US\$4,549,926 has been paid up during the year ended 31 December 2006. The outstanding amount of US\$25,450,074 is due for contribution on or before 31 December 2009.
- (c) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

B FINANCIAL INFORMATION**1 Consolidated income statements**

	Section C Note	Years ended 31 December			Six months ended 30 June	
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Turnover	2	418,195	885,921	1,135,684	483,945	600,176
Cost of sales	13(b)	(323,015)	(652,020)	(791,627)	(339,779)	(423,341)
Gross profit		95,180	233,901	344,057	144,166	176,835
Other revenue	3	1,545	5,243	5,868	5,325	1,227
Selling and distribution expenses		(37,338)	(104,892)	(146,469)	(60,382)	(54,662)
Administrative expenses		(9,233)	(22,681)	(34,300)	(15,406)	(15,183)
Other operating (expenses)/income		(646)	(1,844)	1,888	2,221	(183)
Profit from operations		49,508	109,727	171,044	75,924	108,034
Finance costs	4(a)	(3,904)	(11,996)	(11,551)	(4,572)	(4,295)
Profit before taxation	4	45,604	97,731	159,493	71,352	103,739
Income tax	5(a)	(13,023)	(1,225)	(5,361)	(2,038)	(13,775)
Profit attributable to equity shareholders		<u>32,581</u>	<u>96,506</u>	<u>154,132</u>	<u>69,314</u>	<u>89,964</u>
Basic earnings per share (RMB (cents))	8	<u>3.62</u>	<u>10.72</u>	<u>17.13</u>	<u>7.70</u>	<u>10.00</u>

The accompanying notes form part of the Financial Information.

2 Consolidated statements of comprehensive income

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period	32,581	96,506	154,132	69,314	89,964
Other comprehensive income for the year/period					
Exchange differences on translation of financial statement of subsidiaries outside PRC net of nil tax .	—	11	125	137	19
Total comprehensive income for the year/period	<u>32,581</u>	<u>96,517</u>	<u>154,257</u>	<u>69,451</u>	<u>89,983</u>

The accompanying notes form part of the Financial Information.

3 Consolidated balance sheets

	Section C Note	As at 31 December			As at 30 June
		2006	2007	2008	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	9	35,289	106,088	135,823	146,582
Investment property	10	—	—	30,072	30,719
Lease prepayments	11	14,669	14,357	39,875	39,455
Deposits for purchase of fixed assets . .	12	16,228	21,542	3,615	728
Deferred tax assets	26(b)	777	1,185	997	819
Total non-current assets		66,963	143,172	210,382	218,303
Current assets					
Inventories	13	40,326	96,033	171,487	186,018
Trade and other receivables	14	209,245	305,334	383,748	341,828
Amounts due from related parties	15	47,583	1,294	220	—
Loan to a third party	16	1,000	—	—	—
Pledged bank deposits	17	14,970	54,009	42,201	27,763
Cash	18	27,276	58,519	53,567	94,280
Total current assets		340,400	515,189	651,223	649,889
Current liabilities					
Bank loans	19	125,500	94,500	140,000	98,000
Trade and other payables	20	83,795	277,076	259,419	217,765
Loan from a third party	21	1,400	—	—	—
Amounts due to related parties	22	268	—	18,471	10,944
Current taxation	26(a)	8,260	—	890	6,081
Total current liabilities		219,223	371,576	418,780	332,790
Net current assets		121,177	143,613	232,443	317,099
Total assets less current liabilities		188,140	286,785	442,825	535,402
Non-current liabilities					
Deferred tax liabilities	26(b)	—	—	1,543	3,357
Loans from Controlling Shareholders . .	23	139,422	139,422	—	—
Payables for construction in progress . .		—	1,790	1,987	2,767
		139,422	141,212	3,530	6,124
Net assets		48,718	145,573	439,295	529,278
Equity					
Share capital	27	21,016	98	176	176
Reserves	28	27,702	145,475	439,119	529,102
Total equity		48,718	145,573	439,295	529,278

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

		Attributable to equity shareholders of the Company					(Accumulated losses)/retained	Total equity
Section C	Share capital	Share premium	Statutory reserve	Capital reserve	Exchange reserve	profits		
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Note 27)	(Note 27)	(Note 28(a))	(Note 28(b))	(Note 28(c))			
At 1 January 2006	21,016	—	150	390	—	(5,895)	15,661	
Equity-settled share-based payment expenses	25(a)(iii)	—	—	26	—	—	26	
Shareholders' contributions	—	—	—	450	—	—	450	
Total comprehensive income for the year	—	—	—	—	—	32,581	32,581	
Appropriation to statutory reserve	—	—	3,176	—	—	(3,176)	—	
At 31 December 2006/ 1 January 2007	21,016	—	3,326	866	—	23,510	48,718	
Shareholders' contributions	—	—	—	260	—	—	260	
Shares issued on Reorganisation	27(a)	78	—	—	—	—	78	
Elimination of paid-up capital on Reorganisation	27(b)	(20,996)	—	20,996	—	—	—	
Total comprehensive income for the year	—	—	—	—	11	96,506	96,517	
Appropriation to statutory reserve	—	—	10,680	—	—	(10,680)	—	
At 31 December 2007/ 1 January 2008	98	—	14,006	22,122	11	109,336	145,573	
Shareholders' contributions	—	—	—	139,465	—	—	139,465	
Shares issued on Reorganisation	27(c), (d)	244	139,329	—	—	—	139,573	
Elimination of paid-up capital on Reorganisation	27(d)	(166)	—	(139,407)	—	—	(139,573)	
Total comprehensive income for the year	—	—	—	—	125	154,132	154,257	
Appropriation to statutory reserve	—	—	17,758	—	—	(17,758)	—	
At 31 December 2008/ 1 January 2009	176	139,329	31,764	22,180	136	245,710	439,295	
Total comprehensive income for the period	—	—	—	—	19	89,964	89,983	
Appropriation to statutory reserve	—	—	9,847	—	—	(9,847)	—	
At 30 June 2009	<u>176</u>	<u>139,329</u>	<u>41,611</u>	<u>22,180</u>	<u>155</u>	<u>325,827</u>	<u>529,278</u>	

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

	Section C Note	Years ended 31 December			Six months ended 30 June	
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Operating activities						
Profit before taxation		45,604	97,731	159,493	71,352	103,739
Adjustments for:						
— Depreciation	4(c)	1,478	3,281	6,081	3,067	5,228
— Amortisation of lease prepayments	4(c)	22	312	694	252	420
— Fair rental value of free factory spaces provided by a shareholder	28(b)	250	260	43	43	—
— Expenses borne by shareholders	28(b)	200	—	—	—	—
— Exchange difference		—	11	125	137	20
— Equity-settled share-based payment expenses	25(a)(iii)	26	—	—	—	—
— Loss/(gain) on disposal of property, plant and equipment	4(c)	—	517	(3,081)	(3,081)	79
— Interest expense		3,864	11,616	11,000	4,319	4,169
— Interest income		(355)	(2,751)	(1,388)	(845)	(427)
Cash generated from operations before changes in working capital						
		51,089	110,977	172,967	75,244	113,228
Increase in inventories		(23,295)	(55,707)	(75,454)	(46,197)	(14,531)
Increase in trade and bills receivables		(142,567)	(17,821)	(79,369)	(74,571)	(53,840)
(Increase)/decrease in other receivables		(36,268)	(76,118)	19,108	41,122	95,760
(Increase)/decrease in amounts due from related parties		—	—	(220)	(220)	220
(Increase)/decrease in pledged bank deposits		(820)	(39,039)	11,808	12,690	14,438
Increase/(decrease) in trade and bills payables		41,316	167,501	(38,459)	(45,600)	(42,163)
Increase/(decrease) in other payables		7,435	12,010	35,497	23,702	(202)
Increase in amounts due to related parties		—	—	—	713	65
Cash (used in)/generated from operations						
		(103,110)	101,803	45,878	(13,117)	112,975
Income tax paid		(6,152)	(9,893)	(2,740)	(978)	(6,592)
Net cash (used in)/generated from operating activities						
		(109,262)	91,910	43,138	(14,095)	106,383

5 Consolidated cash flow statements (continued)

Section C Note	Years ended 31 December			Six months ended 30 June	
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000	2009 RMB'000
				(unaudited)	
Investing activities					
Payment for purchase of property, plant and equipment	(18,289)	(60,832)	(60,339)	(40,693)	(11,833)
Payment for purchase of investment property	—	—	(30,072)	—	(505)
Payment for lease prepayments	(16,300)	(4,422)	(6,801)	(6,801)	—
Proceeds from disposal of property, plant and equipment	—	903	215	215	371
Net (increase)/decrease in amount due from shareholder	(2,100)	3,786	1,294	1,294	—
(Advances to)/repayment from related companies	(25,203)	42,503	—	—	—
Loans to third parties	—	(30,000)	—	—	—
Repayment of loans to third parties	—	31,000	—	—	—
Interest income received	355	601	3,538	2,995	427
Net cash used in investing activities	(61,537)	(16,461)	(92,165)	(42,990)	(11,540)
Financing activities					
Proceeds from bank loans	135,500	414,500	300,000	160,000	170,000
Repayment of bank loans	(54,050)	(445,500)	(254,500)	(124,500)	(212,000)
Loan from a third party	1,400	—	—	—	—
Loan repaid to a third party	—	(1,400)	—	—	—
Loan from a shareholder	108,198	—	—	—	—
Advances from/(repayment to) Controlling Shareholders	264	—	29,410	16,168	(7,592)
Advances repaid to a shareholder	—	(268)	—	—	—
Capital injections	—	78	—	—	—
Payments of expenses relating to the proposed listing	—	—	(20,303)	(19,356)	—
Interest expenses paid	(3,864)	(11,616)	(10,532)	(4,183)	(4,538)
Net cash generated from/ (used in) financing activities	187,448	(44,206)	44,075	28,129	(54,130)

5 Consolidated cash flow statements (continued)

	Section C Note	Years ended 31 December			Six months ended 30 June	
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (unaudited)	2009 RMB'000
Net increase/(decrease) in cash		16,649	31,243	(4,952)	(28,956)	40,713
Cash at beginning of year/ period		10,627	27,276	58,519	58,519	53,567
Cash at end of year/period	18	27,276	58,519	53,567	29,563	94,280

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION**1 SIGNIFICANT ACCOUNTING POLICIES****(a) Statement of compliance**

The Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collective term includes International Accounting Standards and related interpretations promulgated by the International Accounting Standards Board (the “IASB”). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These are the Group’s first IFRS consolidated financial statements and IFRS 1 has been applied. The Group did not prepare any consolidated financial statements previously.

For the purposes of preparing this Financial Information, the Group has adopted all the new and revised IFRSs applicable to the Relevant Period, except for any new standards and interpretations that are not yet effective for the accounting periods beginning 1 January 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2009 are set out in note 34.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation of the Financial Information

The Financial Information for the Relevant Period comprises the Company and its subsidiaries (together referred to as the “Group”) and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

The Financial Information is presented in Renminbi (“RMB”), rounded to the nearest thousand, except for per share data. RMB is the Company’s functional and presentation currency.

The measurement basis used in the preparation of the Financial Information is the historical basis.

The preparation of the Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management on the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 33.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Financial statements of a subsidiary are included in the Financial Information from the date that control commences until the date that control ceases.

Business combinations arising from transfer of interests in entities that are under the common control of the equity holders that control the Group are accounted for using book value accounting as if the acquisition had occurred at the beginning of the earliest comparative period presented.

(d) Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheets at cost less accumulated depreciation and impairment losses (see note 1(h)).

The cost of self-constructed items of property, plant and equipment includes cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

No depreciation is provided in respect of construction in progress. Upon completion and commissioning for operation, depreciation will be provided at the appropriate rates specified below.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

— Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 40 years after the date of completion.	
— Plant and machinery	10 years
— Leasehold improvements	Shorter of 5 years or remaining term of the lease
— Motor vehicles	5 years
— Office equipment	5 years
— Furniture and fixtures	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(e) Investment property

Investment property is property owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment property is measured at cost less accumulated depreciation and impairment losses (see note 1(h)). Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life of the shorter of the unexpired term of lease and its estimated useful life, being no more than 40 years after the date of completion.

(f) Lease prepayments

Lease prepayments represent cost of acquiring land use rights paid to the PRC's governmental authorities. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 1(h)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights which are 50 years.

(g) Operating lease charges

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets under operating leases, payments under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(h) Impairment of assets***(i) Impairment of current and non-current receivables***

Current and non-current receivables that are carried at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- Current and non-current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investment property; and
- lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)).

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash

Cash comprise cash at bank and on hand, demand deposits with banks.

(n) Employee benefits

(i) Short term employee benefits and contribution to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees of the Group is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using applicable option-pricing models, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(o) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Unconditional discretionary government grants from the local Chinese government authorities are recognised in the profit or loss as other revenue on a cash receipt basis.

(r) Translation of foreign currencies

Foreign currency transactions are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into Renminbi at the average exchange rates for the period which approximates the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside the PRC, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the period in which it is incurred.

(u) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the group or a joint venture in which the group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business segment, manufacturing and sales of menswear and accessories in the PRC. Accordingly, no segmental analysis is presented.

2 TURNOVER

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

The Group sells its products through third party distributors who then sell the products through authorised LILANZ (which was known as LILANG prior to September 2008) retail outlets operated by them or department concessions all over the PRC. The Group enters into distributorship agreements with each of its distributors to distribute exclusively LILANZ products for a term of one year which is renewable at the Group's discretion. Distributors are also permitted to sub-contract the operation of retail outlets to sub-distributors, provided that the sub-distributorship agreements are approved by the Group in advance.

During the years ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009, 55.3%, 42.6%, 34.6% and 34.0% of the revenues were derived from the five largest customers, and 21.1%, 13.2%, 12.7% and 12.7% of revenues were from the largest customer.

3 OTHER REVENUE

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest income from					
— bank deposits	355	601	1,388	845	427
— advance to a third party (note (a))	—	2,150	—	—	—
Government grants					
— cash subsidies (note (b))	397	—	4,480	4,480	800
— waive of expenses (note (c))	793	2,492	—	—	—
	<u>1,545</u>	<u>5,243</u>	<u>5,868</u>	<u>5,325</u>	<u>1,227</u>

Notes:

- (a) The interest was derived from a loan of RMB30,000,000 granted to Fujian Strait West Coast Investment Co., Ltd. (福建海峽西岸投資有限公司), an independent third party, in March 2007. The loan was unsecured, interest bearing at 12% per annum and had been fully recovered in 2007.
- (b) Jinjiang Municipal Bureau of Finance granted cash subsidies to Lilang Fujian and Lilang China amounted to RMB227,000, RMB4,480,000 and RMB800,000 during the year ended 31 December 2006 and 2008 and six months ended 30 June 2009 respectively as an incentive for research and development, employee training and other corporate development purposes. The unconditional discretionary subsidies were generally available to enterprises in Jinjiang with annual taxes payable of more than RMB2,000,000.

During the year 2006, Lilang Fujian also received various other cash subsidies from Fujian Provincial Committee of Trade and Commerce (福建省經濟貿易委員會) and Qingyang Road District Office of Jinjiang Municipal of People's Government (晉江市人民政府青陽街道辦事處) amounted to RMB170,000 as rewards for its operations in Jinjiang.

As the entitlement of the above government grants was subject to approval by the local government on a case by case basis, there is no assurance that the Group will continue to enjoy such grants in the future.

- (c) During the Relevant Period, certain Villagers Committees in Jinjiang City ("Villagers Committees") (晉江市小區居民委員會), Fujian Province, the PRC, provided free factory spaces to the Group on a condition that the Group operated its production activities in certain areas in Jinjiang.

The directors of the Company estimated the market rental and electricity expenses of the factory spaces were RMB793,000, RMB2,492,000 for the year ended 31 December 2006 and 2007 respectively; the fair value of which was determined with reference to the market rental of comparable properties in Jinjiang, average electricity consumption per unit of machine, average running time of machines and local unit price of electricity. The basis for determining the fair value of expenses waiver has been reviewed by an independent professional valuer, Jones Lang LaSalle Sallmanns Limited.

The fair value of the expenses waiver is accounted for as other revenue with the corresponding amount charged to cost of sales. From November 2007 onwards, the Group moved out from the factory spaces to its self-constructed production plant and accordingly, there was no such item recognised in profit or loss since then.

4 PROFIT BEFORE TAXATION

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

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
(a) Finance costs:					
Interest on bank borrowings wholly repayable within one year	3,864	11,616	11,000	4,319	4,169
Bank charges	40	380	551	253	126
	<u>3,904</u>	<u>11,996</u>	<u>11,551</u>	<u>4,572</u>	<u>4,295</u>
(b) Staff costs:					
Contributions to defined contribution retirement plans	2,377	8,707	11,593	5,374	4,378
Salaries, wages and other benefits	26,270	56,331	74,256	32,806	22,498
Share-based compensation (note 25(a)(iii))	26	—	—	—	—
	<u>28,673</u>	<u>65,038</u>	<u>85,849</u>	<u>38,180</u>	<u>26,876</u>
(c) Other items:					
Amortisation of lease prepayments	22	312	694	252	420
Auditors' remuneration	44	44	57	22	34
Compensation claims (note 20(c))	594	—	—	—	—
Depreciation	1,478	3,281	6,081	3,067	5,228
Fair rental value of free properties occupied by the Group granted by:					
— Villagers Committees	497	1,111	—	—	—
— Controlling Shareholders	250	260	43	43	—
Loss/(gain) on disposal of property, plant and equipment	—	517	(3,081)	(3,081)	79
Operating lease rental in respect of properties	—	—	2,843	929	2,670
Research and development costs [#]	1,401	6,144	6,728	2,741	2,997
Subcontracting charges	—	1,605	13,602	3,250	5,846

[#] Research and development costs included staff costs of employees in the design, research and development department of RMB1,201,000, RMB4,895,000, RMB5,285,000 and RMB2,298,000 for the year ended 31 December 2006, 2007 and 2008 and six months ended 30 June 2009 respectively, which are also included in the total staff costs as disclosed in note 4(b).

5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

(a) Income tax in the consolidated income statements represents:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax					
Provision for PRC income tax for the year/period	13,534	1,633	2,652	210	11,776
Under-provision for PRC income tax in respect of prior year	—	—	—	—	7
	<u>13,534</u>	<u>1,633</u>	<u>2,652</u>	<u>210</u>	<u>11,783</u>
PRC Land Appreciation Tax .	—	—	978	978	—
	<u>13,534</u>	<u>1,633</u>	<u>3,630</u>	<u>1,188</u>	<u>11,783</u>
Deferred tax					
Origination and reversal of temporary differences (note 26(b))	(511)	(408)	1,731	850	1,992
	<u>13,023</u>	<u>1,225</u>	<u>5,361</u>	<u>2,038</u>	<u>13,775</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) In February 2008, the Hong Kong Government announced a decrease in profits tax rate from 17.5% to 16.5% applicable to the Group's operations in Hong Kong as from the year ended 31 December 2008. No provision was made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Period.
- (iii) PRC income tax**

Before 1 January 2008, enterprises established in the PRC are normally subject to income tax at a rate of 33%. With effect from 1 January 2008, the income tax rate was revised to 25% pursuant to the Corporate Income Tax Law of the PRC passed by the Tenth National People's Congress on 16 March 2007 (the "New Tax Law").

During the Relevant Period, the Group's subsidiaries established in the PRC enjoyed preferential tax rates lower than the rates mentioned above as either approved by the relevant tax authorities or operated in designated area with preferential tax policies, and the particulars of which are as follows:

- Lilang Fujian is a foreign investment enterprise ("FIE") engaged in manufacturing activities in the PRC and was entitled to a preferential tax rate of 27% for 2006 and 2007. From 2008 onwards, the applicable tax rate is 25%.

- Lilang China is a FIE engaged in manufacturing activities in the PRC and was entitled to a preferential tax rate of 27% and was also entitled to tax concessions whereby the profits for the first two years beginning with the first profit-making year are exempted from income tax and the profits for the subsequent three years are taxed at 50% of the applicable tax rates (the “2+3 tax holiday”). The management has elected 2007 as the first profit-making year for tax purposes.

Accordingly, Lilang China is exempted from income tax for 2007 and 2008, subject to income tax at 12.5% from 2009 to 2011, and subject to income tax at 25% from 2012 onwards.

- Lilang Xiamen is a FIE engaged in manufacturing activities in the PRC and was entitled to the 2+3 tax holiday. Further, it was established in the Xiamen Special Economic Zone and was entitled to preferential tax rate of 15%.

As at 31 December 2007, Lilang Xiamen had not yet commenced its business operations and therefore no provision for income tax was made for 2006 and 2007. The Implementation Rules of the New Tax Law (the “Implementation Rules”) and GuoFa [2007] No. 39 Notice on the Implementation of the Transitional Preferential Tax Policies (“Circular 39”) were promulgated in December 2007. Pursuant to Circular 39, Lilang Xiamen is entitled to apply the transitional rates of 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Further, Circular 39 grandfathered the 2+3 tax holiday and requires Lilang Xiamen to commence it on 1 January 2008 given it was not commenced earlier. Accordingly, Lilang Xiamen is exempted from income tax for 2008 and 2009, and is subject to income tax at 11%, 12%, 12.5% and 25% for 2010, 2011, 2012 and 2013 onwards, respectively.

(iv) PRC Land Appreciation Tax (“LAT”)

In February 2008, Lilang Fujian disposed of its land use rights in respect of a piece of land in the PRC (see notes 9 and 11). Pursuant to relevant rules and regulations in the PRC, such income from the sale transfer of state-owned land use rights is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value calculated on sales proceeds less allowable deductions.

(v) Withholding tax

The New Tax Law and the Implementation Rules also impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings accumulated beginning on 1 January 2008. Under the Agreement between the Mainland of China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion, or Mainland China/HKSAR DTA, Hong Kong tax residents which hold 25% or more of a PRC enterprise are entitled to a reduced dividend withholding tax rate of 5%. Undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax under CaiShui [2008] No. 1 Notice on Certain Preferential Corporate Income Tax Policies.

Accordingly, Lilang International will be subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits earned since 1 January 2008.

(b) Reconciliation between income tax and profit before taxation at applicable tax rates:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	45,604	97,731	159,493	71,352	103,739
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned. . . .	15,076	32,619	40,271	18,003	26,047
Tax effect of non-deductible expenses	477	2,742	2,000	423	218
Tax effect of non-taxable income	(262)	(822)	(105)	(63)	—
Effect of tax concessions	(2,268)	(33,409)	(41,978)	(18,913)	(14,958)
Effect on change in tax rates . .	—	95	—	—	—
Under-provision in prior year Land Appreciation Tax	—	—	978	978	—
Tax effect of Land Appreciation Tax	—	—	(245)	(245)	—
Tax effect of undistributed profits of PRC subsidiaries (note 26(b))	—	—	4,440	1,855	2,461
Actual income tax.	13,023	1,225	5,361	2,038	13,775

6 DIRECTORS' REMUNERATION

Details of directors' remuneration of the Company are set out below:

Year ended 31 December 2006

	<u>Fees</u>	<u>Basic salaries, allowances and other benefits</u>	<u>Contributions to retirement benefit scheme</u>	<u>Discretionary bonuses</u>	<u>Share-based compensation</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Dong Xing	—	119	21	—	—	140
Wang Liang Xing	—	299	21	—	—	320
Wang Cong Xing	—	119	21	—	—	140
Cai Rong Hua . .	—	103	19	—	—	122
Hu Cheng Chu . .	—	61	11	—	—	72
Wang Ru Ping . .	—	110	20	—	—	130
Pan Rong Bin . .	—	90	17	—	26	133
<i>Independent non-executive directors</i>						
Lu Hong Tei . . .	—	—	—	—	—	—
Chen Tien Tui . .	—	—	—	—	—	—
Nie Xing	—	—	—	—	—	—
Total	<u>—</u>	<u>901</u>	<u>130</u>	<u>—</u>	<u>26</u>	<u>1,057</u>

Year ended 31 December 2007

	<u>Fees</u>	<u>Basic salaries, allowances and other benefits</u>	<u>Contributions to retirement benefit scheme</u>	<u>Discretionary bonuses</u>	<u>Share-based compensation</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Dong Xing	—	126	24	7	—	157
Wang Liang Xing	—	132	24	7	—	163
Wang Cong Xing	—	132	24	7	—	163
Cai Rong Hua . .	—	122	22	7	—	151
Hu Cheng Chu . .	—	164	30	9	—	203
Wang Ru Ping . .	—	150	29	9	—	188
Pan Rong Bin . .	—	126	23	8	—	157
<i>Independent non-executive directors</i>						
Lu Hong Tei . . .	—	—	—	—	—	—
Chen Tien Tui . .	—	—	—	—	—	—
Nie Xing	—	—	—	—	—	—
Total	<u>—</u>	<u>952</u>	<u>176</u>	<u>54</u>	<u>—</u>	<u>1,182</u>

Year ended 31 December 2008

	<u>Fees</u>	<u>Basic salaries, allowances and other benefits</u>	<u>Contributions to retirement benefit scheme</u>	<u>Discretionary bonuses</u>	<u>Share-based compensation</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Dong Xing	—	334	13	196	—	543
Wang Liang Xing	—	172	13	156	—	341
Wang Cong Xing	—	169	13	156	—	338
Cai Rong Hua . .	—	181	12	130	—	323
Hu Cheng Chu . .	—	211	13	129	—	353
Wang Ru Ping . .	—	198	13	129	—	340
Pan Rong Bin . .	—	135	12	125	—	272
<i>Independent non-executive directors</i>						
Lu Hong Tei . . .	—	—	—	—	—	—
Chen Tien Tui . .	—	—	—	—	—	—
Nie Xing	—	—	—	—	—	—
Total	<u>—</u>	<u>1,400</u>	<u>89</u>	<u>1,021</u>	<u>—</u>	<u>2,510</u>

Six months ended 30 June 2008 (unaudited)

	Fees	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Dong Xing	—	92	7	—	—	99
Wang Liang Xing	—	72	6	—	—	78
Wang Cong Xing	—	72	6	—	—	78
Cai Rong Hua . .	—	61	5	—	—	66
Hu Cheng Chu . .	—	83	6	—	—	89
Wang Ru Ping . .	—	83	7	—	—	90
Pan Rong Bin . .	—	51	5	—	—	56
<i>Independent non-executive directors</i>						
Lu Hong Tei . . .	—	—	—	—	—	—
Chen Tien Tui . .	—	—	—	—	—	—
Nie Xing	—	—	—	—	—	—
Total	—	514	42	—	—	556

Six months ended 30 June 2009

	Fees	Basic salaries, allowances and other benefits	Contributions to retirement benefit scheme	Discretionary bonuses	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Executive directors</i>						
Wang Dong Xing	—	226	7	—	—	233
Wang Liang Xing	—	274	7	—	—	281
Wang Cong Xing	—	177	7	—	—	184
Cai Rong Hua . .	—	132	7	—	—	139
Hu Cheng Chu . .	—	130	7	—	—	137
Wang Ru Ping . .	—	130	7	—	—	137
Pan Rong Bin . .	—	121	7	—	—	128
<i>Independent non-executive directors</i>						
Lu Hong Tei . . .	—	—	—	—	—	—
Chen Tien Tui . .	—	—	—	—	—	—
Nie Xing	—	—	—	—	—	—
Total	—	1,190	49	—	—	1,239

A number of the Company's directors were granted equity interests of the Group prior to the Relevant Period, details of which are disclosed in note 25.

During the Relevant Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 7 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

7 INDIVIDUAL WITH HIGHEST EMOLUMENTS

During the year ended 31 December 2006 and 2007, four of the five highest paid individuals are also directors of the Company.

During the year ended 31 December 2008, one of the five highest paid individuals is also a director of the Company.

During the six months ended 30 June 2008 and 2009, two of the five highest paid individuals are also directors of the Company.

The emolument of the remaining individual(s) is as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	216	300	2,027	752	908
Discretionary bonuses	—	18	584	106	—
Contributions to retirement benefit scheme	6	52	38	15	23
	<u>222</u>	<u>370</u>	<u>2,649</u>	<u>873</u>	<u>931</u>

The emoluments of the remaining individual(s) with the highest emoluments are within the band RMB Nil to RMB1,000,000.

8 EARNINGS PER SHARE

The calculation of basic earnings per share during the Relevant Period is based on the profit attributable to equity shareholders of the Company for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, and on the assumption that 900,000,000 ordinary shares were in issue throughout the Relevant Period comprising 2,000,000 ordinary shares in issue as at the date of the Prospectus, 898,000,000 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the paragraph headed "Further information about our company" in Appendix VI to the Prospectus.

There were no dilutive potential ordinary shares during the relevant period and, therefore, diluted earnings per share are not presented.

9 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment	Furniture and fixtures	Sub-total	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At 1 January 2006 . . .	7,600	—	6,362	545	945	133	15,585	—	15,585
Additions	—	—	8,581	1,062	613	3	10,259	12,693	22,952
At 31 December 2006 . . .	7,600	—	14,943	1,607	1,558	136	25,844	12,693	38,537
At 1 January 2007 . . .	7,600	—	14,943	1,607	1,558	136	25,844	12,693	38,537
Additions	1,911	—	10,710	2,470	1,103	387	16,581	58,919	75,500
Transfer from construction in progress	71,123	—	95	—	—	—	71,218	(71,218)	—
Disposals	—	—	(1,366)	(476)	(19)	(1)	(1,862)	—	(1,862)
At 31 December 2007 . . .	80,634	—	24,382	3,601	2,642	522	111,781	394	112,175
At 1 January 2008 . . .	80,634	—	24,382	3,601	2,642	522	111,781	394	112,175
Additions	538	5,179	1,768	52	1,817	1,325	10,679	32,209	42,888
Transfer from construction in progress	6,805	2,296	754	—	2,181	553	12,589	(12,589)	—
Disposals	(7,600)	—	(109)	(488)	—	—	(8,197)	—	(8,197)
At 31 December 2008 . . .	80,377	7,475	26,795	3,165	6,640	2,400	126,852	20,014	146,866
At 1 January 2009 . . .	80,377	7,475	26,795	3,165	6,640	2,400	126,852	20,014	146,866
Additions	—	1,444	2,436	133	6,213	385	10,611	5,464	16,075
Transfer from construction in progress	20,404	983	—	—	1,200	—	22,587	(22,587)	—
Disposals	—	—	(620)	(110)	(3)	—	(733)	—	(733)
Exchange adjustment . . .	—	(2)	—	—	—	—	(2)	—	(2)
At 30 June 2009	100,781	9,900	28,611	3,188	14,050	2,785	159,315	2,891	162,206
Accumulated depreciation:									
At 1 January 2006 . . .	346	—	768	447	165	44	1,770	—	1,770
Charge for the year . . .	181	—	915	139	217	26	1,478	—	1,478
At 31 December 2006 . . .	527	—	1,683	586	382	70	3,248	—	3,248
At 1 January 2007 . . .	527	—	1,683	586	382	70	3,248	—	3,248
Charge for the year . . .	683	—	1,845	324	382	47	3,281	—	3,281
Written back on disposals	—	—	(376)	(50)	(15)	(1)	(442)	—	(442)
At 31 December 2007 . . .	1,210	—	3,152	860	749	116	6,087	—	6,087
At 1 January 2008 . . .	1,210	—	3,152	860	749	116	6,087	—	6,087
Charge for the year . . .	1,512	901	2,357	322	764	225	6,081	—	6,081
Written back on disposals	(782)	—	(39)	(304)	—	—	(1,125)	—	(1,125)
At 31 December 2008 . . .	1,940	901	5,470	878	1,513	341	11,043	—	11,043
At 1 January 2009 . . .	1,940	901	5,470	878	1,513	341	11,043	—	11,043
Charge for the period . . .	1,006	1,051	1,365	151	1,044	248	4,865	—	4,865
Written back on disposals	—	—	(210)	(72)	(1)	—	(283)	—	(283)
Exchange adjustment . . .	—	(1)	—	—	—	—	(1)	—	(1)
At 30 June 2009	2,946	1,951	6,625	957	2,556	589	15,624	—	15,624
Net book value:									
At 31 December 2006 . . .	7,073	—	13,260	1,021	1,176	66	22,596	12,693	35,289
At 31 December 2007 . . .	79,424	—	21,230	2,741	1,893	406	105,694	394	106,088
At 31 December 2008 . . .	78,437	6,574	21,325	2,287	5,127	2,059	115,809	20,014	135,823
At 30 June 2009	97,835	7,949	21,986	2,231	11,494	2,196	143,691	2,891	146,582

- (a) The Group's buildings are located in the PRC under medium-term lease.
- (b) At 31 December 2006 and 2007, the Group owned certain properties jointly with a related company, Jinjiang Xiaosheng Apparel Enterprise Limited (晉江曉升服裝實業有限公司) ("Jinjiang Xiaosheng") which was a company controlled by the Controlling Shareholders of the Group. The carrying value of the properties in the Group's consolidated financial statements was RMB7,073,000 and RMB6,893,000 as at 31 December 2006 and 2007, respectively. During the year ended 31 December 2006, 2007 and 2008, the Group used the properties exclusively as office, showroom and staff dormitory purposes and Jinjiang Xiaosheng agreed not to charge the Group for any compensation on the use of the properties.

In February 2008, the Group disposed of its ownership of the above mentioned properties together with the a piece of land (see note 11) on which the properties were erected to Jinlang (Fujian) Investments Co., Ltd (金郎(福建)投資有限公司) ("Jinlang Fujian"), a company established in the PRC with limited liability and wholly owned by the Controlling Shareholders at fair market value determined by an independent valuer, Jones Lang LaSalle Sallmanns Limited, of RMB11,582,000. In accordance with the agreement with Jinlang Fujian and the Controlling Shareholders, the consideration due to the Group has been deducted from the amount due to a shareholder in the balance sheet as at 31 December 2008. The gain on disposal of RMB3,120,000 has been recognised as other operating income for the year ended 31 December 2008.

Immediately after the disposal of the properties, the Group leased back the properties from Jinlang Fujian for a term commencing from 1 March 2008 and ending on 31 December 2010 at a monthly rental of RMB109,917. Such rental has been arrived at with reference to the current market rental value for comparable properties and reviewed by an independent valuer, Jones Lang LaSalle Sallmanns Limited. The leased area will continue to be used for office, showroom and staff dormitory purposes.

- (c) Construction in progress comprises costs incurred on buildings and plant and equipment not yet completed at the respective balance sheet dates.

10 INVESTMENT PROPERTY

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Cost:				
At 1 January	—	—	—	30,072
Additions	—	—	30,072	1,010
At 31 December/30 June	—	—	30,072	31,082
Accumulated depreciation:				
At 1 January	—	—	—	—
Charge for the year/period	—	—	—	363
At 31 December/30 June	—	—	—	363
Net book value:				
At 31 December/30 June	—	—	30,072	30,719

The fair value of the investment property as at 30 June 2009, as determined based on the valuation analysis on an open market value basis with reference to recent market transactions of similar properties, is estimated to be approximately RMB33,260,000 assuming that the building ownership certificates have been obtained and the property could be freely transferred. The valuations were carried out by an independent valuer, Jones Lang LaSalle Sallmanns Limited.

Investment property is located in the PRC under a medium term lease.

The building ownership certificates of the investment property have not been obtained as of 30 June 2009. The directors of the Company are of the opinion that Lilang China will be able to obtain the above mentioned ownership certificates by December 2009.

11 LEASE PREPAYMENTS

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Cost:				
At 1 January	1,123	14,758	14,758	40,848
Additions (<i>note (b)</i>)	13,635	—	27,213	—
Disposals (<i>note 9(b)</i>)	—	—	(1,123)	—
At 31 December/30 June	<u>14,758</u>	<u>14,758</u>	<u>40,848</u>	<u>40,848</u>
Accumulated amortisation:				
At 1 January	67	89	401	973
Charge for the year/period	22	312	694	420
Written back on disposals	—	—	(122)	—
At 31 December/30 June	<u>89</u>	<u>401</u>	<u>973</u>	<u>1,393</u>
Net book value:				
At 31 December/30 June	<u>14,669</u>	<u>14,357</u>	<u>39,875</u>	<u>39,455</u>

Notes:

- (a) Lease prepayments represent the Group's land use rights on leasehold land located in the PRC. At 30 June 2009, the remaining period of the land use rights ranges from 47 to 49 years.
- (b) Cost of lease prepayments acquired in 2006 included a contingent consideration of RMB3,325,000 payable to Xiamen Municipal, Resources and Housing Administrative Bureau Jimei Branch ("RHA Bureau Jimei Branch") (廈門市國土資源與房產管理局集美分局). The contingent consideration is payable if tax payables by Lilang Xiamen during the period from 1 July 2008 to 31 December 2008 are less than RMB15 million. During 2009, the RHA Bureau Jimei Branch approved to change the applicable period referred before to 1 July 2009 to 31 December 2009. The directors of the Company are of the opinion that it is not probable for Lilang Xiamen to pay taxes in excess of RMB15 million during the specified period, and therefore, the additional contingent consideration has been provided for in the Financial Information.

12 DEPOSITS FOR PURCHASE OF FIXED ASSETS

As at 31 December 2006 and 2007, included in the balances was a deposit of RMB15,990,000 and RMB20,412,000 paid to Jinjiang City Industrial Park Development and Construction Co.Ltd. (晉江市工業園區開發建設有限公司) for purchase of land use rights for 50 years in respect of a piece of land in Jinjiang City Technology and Industry Park in the PRC at a consideration of RMB26,400,000.

The land use rights certificate has been subsequently issued to Lilang China in April 2008 and the deposits were transferred as lease prepayments accordingly.

13 INVENTORIES

(a) Inventories in the consolidated balance sheets comprise:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Raw materials	13,495	20,333	18,368	40,297
Work in progress	2,694	1,239	—	—
Finished goods	24,137	74,461	153,119	145,721
	<u>40,326</u>	<u>96,033</u>	<u>171,487</u>	<u>186,018</u>

(b) An analysis of the amount of inventories recognised as an expense is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Cost of inventories sold	320,701	651,630	789,473	422,260
Write-down of inventories	2,314	390	2,154	1,081
	<u>323,015</u>	<u>652,020</u>	<u>791,627</u>	<u>423,341</u>

14 TRADE AND OTHER RECEIVABLES

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Trade receivables				
— third parties	102,485	171,923	249,732	250,032
— related companies	51,617	—	—	—
Bills receivables	—	—	1,560	55,100
	<u>154,102</u>	<u>171,923</u>	<u>251,292</u>	<u>305,132</u>
Prepayments to suppliers	51,539	88,226	98,811	12,745
Prepaid advertising expenses and renovation subsidies	3,008	33,159	4,083	738
Interest receivables on loan to a third party .	—	2,150	—	—
VAT recoverable	151	5,886	3,408	134
Other deposit, prepayments and receivables . .	<u>445</u>	<u>3,990</u>	<u>26,154</u>	<u>23,079</u>
	<u>209,245</u>	<u>305,334</u>	<u>383,748</u>	<u>341,828</u>

(a) Ageing analysis

An ageing analysis of the trade receivables is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Within 3 months	154,102	152,497	210,956	265,038
3 months to 6 months	—	17,537	28,916	20,452
6 months to 1 year	—	1,889	11,420	19,642
	<u>154,102</u>	<u>171,923</u>	<u>251,292</u>	<u>305,132</u>

All of the trade and other receivables are expected to be recovered within one year. Further details on the Group's credit policy are set out in note 29(a).

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Neither past due nor impaired	154,102	152,497	207,761	268,255
Less than 1 month past due	—	13,611	22,674	10,791
1 to 3 months past due	—	3,926	18,826	18,244
More than 3 months past due	—	1,889	2,031	7,842
	—	19,426	43,531	36,877
	<u>154,102</u>	<u>171,923</u>	<u>251,292</u>	<u>305,132</u>

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality. Receivables of RMB30,000,000 as at 30 June 2009 were secured for bank loan of RMB30,000,000 (note 19).

15 AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Amount due from a shareholder	5,080	1,294	—	—
Amounts due from related companies	42,503	—	220	—
	<u>47,583</u>	<u>1,294</u>	<u>220</u>	<u>—</u>

The balances are of non-trade nature, unsecured, interest-free and have no fixed repayment terms.

There was no provision made against the amounts due from related parties during the Relevant Period.

The amounts due from related companies as at 31 December 2006 had been fully recovered in 2007.

16 LOAN TO A THIRD PARTY

The loan was granted to an independent third party, Jinjiang Electricity Control Appliance Co., Limited (晉江電控設備有限公司), which was of non-trade nature, unsecured, interest-free and had been fully recovered in April 2007.

During the year ended 31 December 2007, a loan of RMB30,000,000 was granted to Fujian Strait West Coast Investment Co. Ltd. (福建海峽西岸投資有限公司), which was of non-trade nature, unsecured and interest-free. This loan had been fully recovered in 2007.

17 PLEDGED BANK DEPOSITS

Bank deposits have been pledged as security for bills payable (see note 20). The pledged bank deposits will be released upon the settlement of relevant bills payable.

Effective annual interest rate for pledged bank deposits was 2.34%, 0.72%, 0.36% and 1.27% as of 31 December 2006, 2007 and 2008 and 30 June 2009 respectively.

18 CASH

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Cash at bank	25,696	55,747	53,506	94,218
Cash on hand	1,580	2,772	61	62
Cash in consolidated cash flow statements. . .	27,276	58,519	53,567	94,280

Majority of the cash at bank and on hand are denominated in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Effective annual interest rate for cash at bank was 0.72% as of 31 December 2006 and 2007, and 0.36% as of 31 December 2008 and 30 June 2009.

19 BANK LOANS

All bank loans were denominated in RMB and were repayable within one year.

At 31 December 2006 and 2007, bank loans of RMB125,500,000 and RMB94,500,000 were secured by personal guarantees granted by certain directors and senior management of the Group. In addition, certain bank loans of RMB5,500,000 as at 31 December 2006, were also secured by corporate guarantees granted by certain unrelated third parties. The guarantees from independent third parties had been released upon repayment of the bank loans in December 2007 while the personal guarantees granted by directors and senior management have been released in April 2008. As at 31 December 2008 and 30 June 2009, bank loans of RMB140,000,000 and RMB98,000,000 respectively, were secured by corporate guarantees granted by subsidiaries of the Group. As at 30 June 2009, bank loans of RMB30,000,000 were secured by trade receivables of the Group (note 14).

Details of bank loans and respective effective interest rates are as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Fixed rate at 5.38%, 5.51%, 7.28% and 4.10% per annum at 31 December 2006, 2007, 2008 and 30 June 2009, respectively	80,500	54,500	100,000	77,000
Floating rate at 5.81%, 6.72%, 5.31% and 5.31% per annum at 31 December 2006, 2007, 2008 and 30 June 2009, respectively .	45,000	40,000	40,000	21,000
	<u>125,500</u>	<u>94,500</u>	<u>140,000</u>	<u>98,000</u>

The amounts of banking facilities and the utilisation at each balance sheet date are set out as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Facility amount	<u>168,699</u>	<u>414,458</u>	<u>383,000</u>	<u>603,500</u>
Utilised facility amount at the balance sheet date in respect of:				
— Bank loans	125,500	94,500	140,000	98,000
— Bills payable (<i>note 20</i>)	43,199	195,287	140,670	79,710
	<u>168,699</u>	<u>289,787</u>	<u>280,670</u>	<u>177,710</u>

20 TRADE AND OTHER PAYABLES

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Trade payables	19,575	37,981	51,146	69,943
Bills payable (<i>note a</i>)	43,199	195,287	140,670	79,710
Trade and bills payables (<i>note b</i>)	62,774	233,268	191,816	149,653
Receipts in advance	334	1,554	23,350	18,283
Accrued salaries and wages	5,507	6,101	7,374	3,808
Payables for purchase of fixed assets	8,254	19,031	6,861	7,941
Compensation payable (<i>note c</i>)	594	—	—	—
Deferred income	—	300	300	920
Retirement benefit contributions payables	3,012	11,203	21,651	25,368
VAT payables	2,430	—	—	3,716
Other payables and accruals	890	5,619	8,067	8,076
	<u>83,795</u>	<u>277,076</u>	<u>259,419</u>	<u>217,765</u>

All of the trade and other payables are expected to be settled within one year.

- (a) Bills payable as at 31 December 2006, 2007 and 2008 and 30 June 2009 were secured by pledged bank deposits as disclosed in note 17 and personal guarantees granted by certain directors of the Company amounting to RMB40,269,000, RMB149,519,000, RMBNil and RMBNil respectively.
- (b) An ageing analysis of trade and bills payables is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Within 3 months	49,876	225,758	137,818	133,242
3 months to 6 months	10,186	3,498	50,330	5,358
6 months to 1 year	880	1,184	2,685	8,503
Over 1 year	1,832	2,828	983	2,550
	<u>62,774</u>	<u>233,268</u>	<u>191,816</u>	<u>149,653</u>

- (c) The balance represents a provision for compensation payable to a distributor who made a claim against Lilang Fujian for a breach of sales contracts in 2006. The claim was settled in accordance with a compromise agreement reached between Lilang Fujian and the distributor in November 2007. The compensation was fully paid and Lilang Fujian was discharged on 19 November 2007.

21 LOAN FROM A THIRD PARTY

The loan from an independent third party, Jinjiang Fengchuan Packing Co., Ltd. (晉江市豐川包裝有限公司), was of non-trade nature, unsecured, interest-free and repayable on demand. The loan had been fully settled in December 2007.

22 AMOUNTS DUE TO RELATED PARTIES

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to a shareholder	268	—	18,471	10,879
Amount due to a related company	—	—	—	65
	<u>268</u>	<u>—</u>	<u>18,471</u>	<u>10,944</u>

The balances are of non-trade nature, unsecured, interest-free and have no fixed repayment terms. The directors of the Company confirm that amount due to a shareholder will be settled before the listing of the Company's shares on the Stock Exchange.

23 LOANS FROM CONTROLLING SHAREHOLDERS

The balance is of non-trade nature, unsecured, interest-free and has no fixed term of repayment. The Controlling Shareholders confirmed that they would not demand for repayment prior to 31 December 2009.

The loan from Controlling Shareholders of RMB139,422,000 has been capitalised as fully paid-up capital of the Company as part of the Reorganisation on 12 September 2008 (note 27(d)).

24 EMPLOYEE RETIREMENT BENEFITS**Defined contribution retirement plans**

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries now comprising the Group participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in the Fujian province whereby the Group is required to make a contribution at the rate of 18% of the eligible employees' salaries to the Scheme. The Group has accrued for the required pension fund contributions which are remitted to the respective social security offices when the contributions become due. The social security offices are responsible for making the benefit payments to the retired employee covered under the Scheme.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the scheme vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

25 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Equity compensation benefits

On 18 February 2003 (“grant date”), Wang Dong Xing, Wang Liang Xing and Wang Cong Xing, being the founding shareholders of the Group (collectively, the “Wang Brothers”), agreed to grant a 23.50% equity interests in the whole business operations out of their own equity interests at the grant date to the following key management personnel as an award to their achievement and incentive to retain talents.

(i) The terms and conditions of the equity interests granted on 18 February 2003

<u>Key management personnel entitled</u>	<u>% of equity interest granted by the Wang Brothers</u>	<u>Vesting conditions</u>
Directors		
Cai Rong Hua	8.0%	Fully vested on grant date
Hu Cheng Chu	5.0%	Fully vested on grant date
Wang Ru Ping	3.0%	Remain in service during the period from grant date to 19 March 2005
Pan Rong Bin	3.0%	Remain in service during the period from grant date to 19 March 2006
Employees		
Chen Wei Jun	2.0%	Fully vested on grant date
Chen Yu Hua	1.0%	Remain in service during the period from grant date to 19 March 2004
Wang Qiao Xing	1.0%	Remain in service during the period from grant date to 19 March 2004
Xu Tian Min	0.5%	Fully vested on grant date
	<u>23.5%</u>	

There were no other performance conditions or market conditions associated with the equity interest grant.

(ii) Details of equity interests vested during the Relevant Period

Out of 23.50% equity interest granted to key management personnel, 23.28% equity interests granted had been fully vested on or before 31 December 2005, and the remaining 0.22% equity interests granted to Pan Rong Bin was fully vested during the year ended 31 December 2006.

(iii) Fair value of equity interests granted and assumption

The fair value of services received in return for the equity interests is measured by reference to the fair value of equity interests granted at date of grant which was prepared by an independent professional valuer, Jones Lang LaSalle Sallmanns Limited. The estimate of the fair value is measured by considering market values for similar assets under an arm’s length transaction with a willing buyer and a willing seller, with adjustments made to reflect specific conditions and utility relative to market comparatives including lack of marketability.

The Group followed the transitional provision under IFRS 1, *First-time adoption of International Financial Reporting Standards*, and has not applied the recognition and measurement principles in IFRS 2, *Share-based Payment*, for equity interests granted and vested before 1 January 2006. The fair value for the relevant equity interests granted was approximately RMB2,768,000.

The fair value of the equity interest grants vested after 1 January 2006 amounted to RMB26,000, which has been charged as staff costs with a corresponding amount credited to capital reserve during the year ended 31 December 2006. In respect of fair value of the equity interest grants vested prior to 1 January 2006, it was not recognised in the Group's consolidated financial statements.

The fair value of the equity interest grants vested after 1 January 2006, which has been charged as staff costs with a corresponding amount credited to capital reserve during the Relevant Period is as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Grantees				RMB'000
Pan Rong Bin	26	—	—	—

(b) Share option scheme

The Company has adopted the Pre-IPO Share Option Scheme on 12 September 2008 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company to a maximum of 9,611,100 shares. The share option scheme shall be valid and effective for a period of 10 years ending on 11 September 2018 after which no further options will be granted. The exercise price of options may be determined by the board at its absolute discretion but in any event will not be less than the higher of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant, which must be a business day;
- (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and
- (iii) the nominal value of a share.

As at 31 December 2008 and 30 June 2009, no options were granted under the Pre-IPO Share Option Scheme.

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) Current taxation in the consolidated balance sheets represents:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
At the beginning of the year/period . . .	878	8,260	—	890
Provision for PRC income tax	13,534	1,633	2,652	11,783
Provision for PRC Land Appreciation Tax	—	—	978	—
	13,534	1,633	3,630	11,783
PRC income tax paid	(6,152)	(9,893)	(1,762)	(6,592)
PRC Land Appreciation Tax paid	—	—	(978)	—
	8,260	—	890	6,081

(b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheets and the movements during the year/period are as follows:

	Depreciation	Accrued	Others	Undistributed	Total
	charges in			profits of PRC	
	excess			of PRC	
of depreciation	allowances	expenses	subsidiaries		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax asset/ (liability) arising from:					
At 1 January 2006	45	129	92	—	266
Credited/(charged) to profit or loss (note 5(a))	1	861	(351)	—	511
At 31 December 2006	46	990	(259)	—	777
At 1 January 2007	46	990	(259)	—	777
Credited/(charged) to profit or loss (note 5(a))	—	427	(19)	—	408
At 31 December 2007	46	1,417	(278)	—	1,185

	Depreciation charges in excess of depreciation allowances			Undistributed profits of PRC subsidiaries	Total
	Accrued expenses	Others			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	46	1,417	(278)	—	1,185
(Charged)/credited to profit or loss					
(note 5(a))	(19)	2,410	318	(4,440)	(1,731)
At 31 December 2008	<u>27</u>	<u>3,827</u>	<u>40</u>	<u>(4,440)</u>	<u>(546)</u>
At 1 January 2009	27	3,827	40	(4,440)	(546)
(Charged)/credited to profit or loss					
(note 5(a))	46	416	7	(2,461)	(1,992)
At 30 June 2009	<u>73</u>	<u>4,243</u>	<u>47</u>	<u>(6,901)</u>	<u>(2,538)</u>
	<u>As at 31 December</u>			<u>As at 30 June</u>	
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	
Classification in the consolidated balance sheets:					
Net deferred tax assets	777	1,185	997	819	
Net deferred tax liabilities	—	—	(1,543)	(3,357)	
	<u>777</u>	<u>1,185</u>	<u>(546)</u>	<u>(2,538)</u>	

(c) Deferred tax liabilities not recognised

Effective 1 January 2008, the Group is subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits earned since 1 January 2008. As at 31 December 2008 and 30 June 2009, deferred tax liabilities of RMB3,552,000 and RMB5,521,000 in respect of temporary differences relating to such undistributed profits of RMB71,031,000 and RMB110,420,000 respectively (approximately 40% of the total undistributed profits earned since 1 January 2008) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that those profits will not be distributed in the foreseeable future.

There were no other significant temporary differences relating to deferred tax assets or liabilities not provided for as at 31 December 2006, 2007 and 2008 and 30 June 2009.

27 SHARE CAPITAL AND SHARE PREMIUM

Share capital in the consolidated balance sheets as at 31 December 2006 and 2007 represented the aggregate amount of paid-in capital of the companies now comprising the Group in which the equity shareholders of the Company held direct interests, after elimination of investments in subsidiaries. Share capital in the consolidated balance sheet as at 31 December 2008 and 30 June 2009 represents the issued and paid-up share capital of the Company as of that date as follows:

	As at 31 December 2008		As at 30 June 2009	
	No. of shares (‘000)	HK\$’000	No. of shares (‘000)	HK\$’000
Authorised:				
Ordinary shares of HK\$0.1 each	2,000	200	2,000	200
	<u>2,000</u>	<u>200</u>	<u>2,000</u>	<u>200</u>
	As at 31 December 2008		As at 30 June 2009	
	No. of shares (‘000)	RMB’000	No. of shares (‘000)	RMB’000
Issued and fully paid:				
Ordinary shares of HK\$0.1 each	2,000	176	2,000	176
	<u>2,000</u>	<u>176</u>	<u>2,000</u>	<u>176</u>

Shares issued on Reorganisation are summarised below.

- (a) On 4 December 2007, Lilang Holdings was incorporated and issued 10,000 ordinary shares of US\$1 each at par for cash, equivalent to RMB78,000.
- (b) In December 2007, the Wang Brothers injected their entire equity interests in Lilang Fujian to Lilang International at nil consideration. As a result of the transfer of equity interests, Lilang International became the holding company of Lilang Fujian. Accordingly, an amount equal to Lilang Fujian’s paid-up capital of RMB20,996,000 was reflected as an elimination of paid-up capital in the consolidated statements of changes in equity for the year ended 31 December 2007 and a corresponding increase of the same amount in capital reserve.
- (c) On 10 June 2008, Lilang Holdings allotted and issued 10,000 shares of US\$1 each at par for cash, equivalent to RMB68,000.
- (d) On 2 January 2008, the Company issued and allotted 1,000,000 share at nil consideration to its then shareholders. On 12 September 2008, the Company allotted and issued 1,000,000 ordinary shares with par value of HK\$0.1 each as a consideration to purchase the entire issued share capital of Lilang Holdings and as a consideration for full settlement of an amount due to Wang Brothers of RMB139,422,000 (note 23).

28 RESERVES

(a) Statutory reserve

As stipulated by regulations in the PRC, the Company’s subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

(b) Capital reserve

Contributions from equity holder during the Relevant Period and credited to capital reserve comprise the following:

- (i) Value of share-based payment compensation amounted to RMB26,000 for the year ended 31 December 2006.
- (ii) Fair value of design consultancy service rendered to Lilang Fujian and Lilang China and fair rental value of properties owned by the Wang Brothers but occupied by the Group free of charge amounted to RMB450,000, RMB260,000 and RMB43,000 for the year ended 31 December 2006, 2007 and 2008, respectively.
- (iii) Capitalisation of loan from Controlling Shareholders of RMB139,422,000 (see note 23).

(c) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies as set out in note 1(r).

(d) Distributable reserves

The Company was incorporated on 2 January 2008 and had not commenced operation as of 30 June 2009. Accordingly, there was no reserve available for distribution to shareholders as 30 June 2009.

On the basis set out in Section A above, the aggregate amount of distributable reserves at 31 December 2006, 2007 and 2008 and 30 June 2009 of the companies comprising the Group were RMB23,723,000, RMB112,226,000, RMB389,358,000 and RMB468,200,000 respectively.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and bank deposits, trade and other receivables and loan receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash and bank deposits are placed with major financial institutions.

Trade receivables are presented net of the allowance for bad and doubtful debts. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers. At the balance sheet date, the Group has a certain concentration of credit risk as the trade receivables from the five largest customers at 31 December 2006, 2007 and 2008 and 30 June 2009 represented 60.0%, 31.7%, 24.7% and 33.7% of the total trade receivables respectively, while 33.5%, 11.5%, 12.2% and 12.2% of the total trade receivables were due from the largest single customer respectively.

The Group reviews the financial background and credit worthiness of the third party to whom advances are granted and the management does not expect any significant credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets. Except for the financial guarantees given by the Group as set out in note 32, the Group or the Company does not provide any other guarantees which would expose the Group or the Company to credit risk.

The maximum exposure to credit risk in respect of the guarantees at each balance sheet date is disclosed in note 32.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash requirements. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table presents the earliest contractual settlement dates of the Group's financial liabilities at the balance sheet dates, which are based on contractual undiscounted cashflows and the earliest date the Group can be required to pay.

	As at 31 December 2006			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	129,375	—	129,375	125,500
Trade and other payables	83,795	—	83,795	83,795
Loan from a third party	1,400	—	1,400	1,400
Amounts due to related parties	268	—	268	268
Loan from Controlling Shareholders	—	139,422	139,422	139,422
	<u>214,838</u>	<u>139,422</u>	<u>354,260</u>	<u>350,385</u>
	As at 31 December 2007			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	97,033	—	97,033	94,500
Trade and other payables	277,076	—	277,076	277,076
Loan from Controlling Shareholders	—	139,422	139,422	139,422
Payables for construction in progress	—	1,790	1,790	1,790
	<u>374,109</u>	<u>141,212</u>	<u>515,321</u>	<u>512,788</u>

As at 31 December 2008				
Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	144,990	—	144,990	140,000
Trade and other payables	259,419	—	259,419	259,419
Amounts due to related parties . .	18,471	—	18,471	18,471
Payables for construction in progress	—	1,987	1,987	1,987
	<u>422,880</u>	<u>1,987</u>	<u>424,867</u>	<u>419,877</u>

As at 30 June 2009				
Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	99,938	—	99,938	98,000
Trade and other payables	217,765	—	217,765	217,765
Amounts due to related parties . .	10,944	—	10,944	10,944
Payables for construction in progress	—	2,767	2,767	2,767
	<u>328,647</u>	<u>2,767</u>	<u>331,414</u>	<u>329,476</u>

(c) Interest rate risk*(i) Interest rate profile*

Except for bank deposits with stable interest rates, the Group has no other significant interest-bearing assets. Accordingly, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Details of the effective interest rates for bank deposits are disclosed in notes 17 and 18.

The Group's interest rate risk arises mainly from bank borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings bearing fixed rates expose the Group to fair value interest rate risk. The Group does not use derivative financial instruments to hedge its interest rate risk. The interest rate and terms of repayments of borrowings are disclosed in note 19.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

(ii) Sensitivity analysis

As at 31 December 2006, 2007 and 2008 and 30 June 2009, if interest rates on bank borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax and retained profits would have decreased/increased by approximately RMB329,000,

RMB292,000, RMB300,000 and RMB158,000, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings. Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the impact on the Group's profit for the year and retained profits that would arise assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis throughout the Relevant Period.

(d) Foreign currency risk

The Group's businesses are principally conducted in RMB and most of the Group's monetary assets and liabilities are denominated in RMB. Accordingly, the directors consider the Group's exposure to foreign currency risk is not significant. The Group does not employ any financial instruments for hedging purposes.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(e) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2006, 2007 and 2008 and 30 June 2009, except for the amounts due from/to shareholders, related companies and loan to a third party which have no fixed repayment terms. Given these terms, it is not meaningful to disclose the fair value of such balances.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group uses different measures including adjusted net debt-to-capital ratio to monitor its capital. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including bank borrowings, bills payables and loan from a third party) as shown in the consolidated balance sheets less cash and bank deposits. Total capital is calculated as shareholders' funds (i.e. total equity attributable to equity shareholders of the Company), as shown in the consolidated balance sheets, plus long term loan from Controlling Shareholders and net debt.

The adjusted net debt-to-capital ratios at 31 December 2006, 2007 and 2008 and 30 June 2009 were as follows:

	Note	As at 31 December			As at
		2006	2007	2008	30 June
		RMB'000	RMB'000	RMB'000	2009
Bank loans	19	125,500	94,500	140,000	98,000
Bills payable	20	43,199	195,287	140,670	79,710
Loan from a third party	21	1,400	—	—	—
Total borrowings		170,099	289,787	280,670	177,710
Less:					
Pledged bank deposits	17	14,970	54,009	42,201	27,763
Cash	18	27,276	58,519	53,567	94,280
Net debt		127,853	177,259	184,902	55,667
Shareholders' funds		48,718	145,573	439,295	529,278
Loan from Controlling					
Shareholders	23	139,422	139,422	—	—
Total capital		315,993	462,254	624,197	584,945
Adjusted net debt-to-capital ratio . .		40%	38%	30%	10%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

30 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of plant, property and equipment outstanding at each of the balance sheet dates not provided for in the Financial Information were as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
Contracted for	50,586	14,532	5,483	413
Authorised but not contracted for	97,526	121,220	179,516	178,912
	148,112	135,752	184,999	179,325

(b) Investment commitments

At 31 December 2007 and 2008 and 30 June 2009, the Group had commitments in respect of capital contribution to investments in Lilang Xiamen of US\$25,450,074, approximately equivalent to RMB175,000,000 which is due for contribution on or before 31 December 2009.

(c) Operating lease commitments

At each of the balance sheet dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Within one year	—	—	1,679	1,626
Between one year to five years	—	—	267	—
	—	—	1,946	1,626

During the year ended 31 December 2008 and 30 June 2009, the Group entered into lease agreements for its offices in Hong Kong, Jinjiang, and Xiamen, and a production factory in Jinjiang. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

31 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the Financial Information, the Group entered into the following material related party transactions.

During the Relevant Period, the directors are of the view that the following companies are related parties of the Group:

Name of party	Relationship
Wang Dong Xing Wang Liang Xing Wang Cong Xing (collectively, the Wang Brothers)	Directors and Controlling Shareholders of the Group
晉江曉升服裝實業有限公司 Jinjiang Xiaosheng Apparel Enterprise Limited (“Jinjiang Xiaosheng”) (note (ii))	Effectively 24.2%, 22.3%, 18.6% and 9.3% owned by Wang Liang Xing, Wang Dong Xing, Wang Cong Xing and Wang Ru Ping respectively, directors and controlling shareholders of the Company. The remaining 25.6% equity interest is owned by Lam Ga Lok, an uncle of the Wang Brothers. At 23 June 2009, Jinjiang Xiaosheng was deregistered from business registration.
晉江市猛郎服飾有限公司 Jinjiang Menglang Apparel Limited (“Jinjiang Menglang”) (note (ii))	Effectively 32.5%, 30%, 25% and 12.5% owned by Wang Liang Xing, Wang Dong Xing, Wang Cong Xing and Wang Ru Ping respectively, directors and controlling shareholders of the Company. At 28 August 2008, Jinjiang Menglang was deregistered from business registration.
金郎(福建)投資有限公司 Jinlang (Fujian) Investments Co., Ltd. (note (ii))	Effectively 33.3%, 33.3% and 33.4% owned by Wang Liang Xing, Wang Dong Xing and Wang Cong Xing respectively, directors and controlling shareholders of the Company.

<u>Name of party</u>	<u>Relationship</u>
合肥曉升商貿有限責任公司 Hefei Xiaosheng Trading Co., Limited (“Hefei Xiaosheng”) (notes (i), (ii))	Historically 60% and 40% owned by Hu Cheng Chu and Pan Rong Bin respectively, directors and beneficial owners of the Group. On 30 September 2007, Hu Cheng Chu and Pan Rong Bin disposed of their interests in Hefei Xiaosheng to Xu Pei De, an ex-employee of the Group and an independent third party, and Hefei Xiaosheng is not considered a related party of the Group since then.
杭州曉星貿易有限公司 Hangzhou Xiaoxing Trading Co., Limited (“Hangzhou Xiaoxing”) (notes (i), (ii))	Historically 60% and 40% owned by Hu Cheng Chu and Pan Rong Bin respectively, directors and beneficial owners of the Group. On 28 February 2007, Hu Cheng Chu and Pan Rong Bin disposed of their interests in Hangzhou Xiaoxing to Lin Jin Tai and Xu Pei De, being ex-employees of the Group, and Hangzhou Xiaoxing is not considered a related party of the Group since then.
長沙曉星服飾貿易有限公司 Changsha Xiaoxing Apparel Trading Co., Limited (“Changsha Xiaoxing”) (notes (i), (ii))	Historically 45% and 55% were owned by Hu Cheng Chu and Pan Rong Bin respectively, directors and beneficial owners of the Group. On 31 August 2007, Hu Cheng Chu and Pan Rong Bin disposed of their interests in Changsha Xiaoxing to Lin Jin Tai and Xu Pei De, being ex-employees of the Group, and Changsha Xiaoxing is not considered a related party of the Group since then.
鄭州市凱利商貿有限責任公司 Zhengzhou Kaili Trading Co., Limited (“Zhengzhou Kaili”) (notes (i), (ii))	Historically 60% and 40% were owned by Hu Cheng Chu and Pan Rong Bin respectively, directors and beneficial owners of the Group. On 31 August 2007, Hu Cheng Chu and Pan Rong Bin disposed of their interests in Zhengzhou Kaili to Lin Jin Tai and Xu Pei De, being ex-employees of the Group, and Zhengzhou Kaili is not considered a related party of the Group since then.
貴陽曉星商貿有限公司 Guiyang Xiaoxing Trading Co., Limited (“Guiyang Xiaoxing”) (notes (i), (ii))	Historically 40% and 60% owned by Hu Cheng Chu and Pan Rong Bin respectively, directors and beneficial owners of the Group. On 31 December 2006, Hu Cheng Chu and Pan Rong Bin disposed of their interests in Guiyang Xiaoxing to Lin Jin Tai and Xu Pei De, being ex-employees of the Group, and Guiyang Xiaoxing is not considered a related party of the Group since then.

<u>Name of party</u>	<u>Relationship</u>
長春市恩比商貿有限責任公司 Changchun Enbi Trading Co., Limited ("Changchun Enbi") (notes (i),(ii))	Historically 52% and 48% owned by Hu Cheng Chu and Pan Rong Bin respectively, directors and beneficial owners of the Group. On 30 June 2007, Hu Cheng Chu and Pan Rong Bin disposed of their interest in Changchun Enbi to Lin Jin Tai and Xu Pei De, being ex-employees of the Group, and Changchun Enbi is not considered a related party of the Group since then.
西安市閩星商貿有限責任公司 Xian Minxing Trading Co., Limited ("Xian Minxing") (notes (i),(ii))	Historically 60% and 40% owned by Hu Cheng Chu and Pan Rong Bin respectively, directors and beneficial owners of the Group. On 30 September 2007, Hu Cheng Chu and Pan Rong Bin disposed of their interests in Xian Minxing to Xu Pei De, an ex-employee of the Group and an independent third party, and Xian Minxing is not considered a related party of the Group since then.

Notes:

- (i) The directors of the Company confirmed that the ex-employees acquired these companies historically owned by Hu Cheng Chu and Pan Rong Bin are independent third parties, and Hu Cheng Chu and Pan Rong Bin ceased having any beneficial interest or involvement in these companies after the disposal of their equity interests to the ex-employees, and since then, these companies are not considered related parties of the Company in accordance with the accounting policy set out in note 1(u).
- (ii) The English translation of the company names is for reference only. The official names of the companies are in Chinese.

(a) Recurring transactions

- (i) During the Relevant Period, the Wang Brothers granted Lilang Fujian the right to use a production plant owned by them at nil consideration. The directors of the Company estimated that the fair market rental for similar production plant during the years ended 31 December 2006, 2007 and 2008 was RMB250,000, RMB260,000 and RMB43,000 respectively.

The Group ceased the utilisation of the above mentioned production plant from February 2008 onwards.

- (ii) The Group leased properties from Jinlang Fujian for a term commencing from 1 March 2008 and ending on 31 December 2010 at a monthly rental of RMB109,917 and for a term commencing from 1 March 2009 and ending on 31 December 2010 at a monthly rental of RMB71,315. Rental paid and payable to Jinlang Fujian for the period from 1 March to 31 December 2008 and 1 January 2009 to 30 June 2009 amounted to RMB1,099,000 and RMB945,000 respectively.

(b) Non-recurring transactions

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cash advances to related companies (<i>note (i)</i>)					
— Jinjiang Xiaosheng	30,703	38,262	—	—	—
Cash advances to/(from) shareholders of the Company (<i>note (i)</i>)					
— Wang Dong Xing	56,080	5,842	—	—	—
— Wang Cong Xing	(264)	27,000	9,409	7,807	19,909
— Wang Brothers	(108,198)	—	—	—	—
Sales of goods to companies beneficially owned by directors of the Company (<i>note (ii)</i>)					
— Hefei Xiaosheng	14,628	37,163	—	—	—
— Hangzhou Xiaoxing	17,905	4,626	—	—	—
— Changsha Xiaoxing	19,043	15,755	—	—	—
— Zhengzhou Kaili	16,345	27,165	—	—	—
— Guiyang Xiaoxing	7,017	—	—	—	—
— Changchun Enbi	7,182	10,017	—	—	—
— Xian Minxing	6,039	19,432	—	—	—
	88,159	114,158	—	—	—
Sales of land use rights and properties					
— Jinlang Fujian	—	—	11,582	11,582	—

The directors of the Company have confirmed that the above transactions will not be continued in the future after the listing of the Company's shares on the Stock Exchange.

Notes:

- (i) The advances from/to related parties and controlling shareholders of the Group are unsecured and interest-free. The amounts disclosed above are also the maximum amounts due from the related parties during the Relevant Period.
- (ii) As confirmed by the directors of the Company, sales to these companies during the period that the directors had personal interests were made in accordance with normal commercial terms and were priced with reference to prevailing market prices and in the ordinary course of business.

(c) Balances with related parties

As at the balance sheet dates, the Group had the following balances with related parties:

	As at 31 December			As at
	2006	2007	2008	30 June
	RMB'000	RMB'000	RMB'000	2009
				RMB'000
Amounts due from related companies				
— Jinjiang Xiaosheng	30,703	—	—	—
— Jinjiang Menglang	11,800	—	—	—
— Jinlang Fujian	—	—	220	—
	<u>42,503</u>	<u>—</u>	<u>220</u>	<u>—</u>
— Hefei Xiaosheng	8,677	—	—	—
— Hangzhou Xiaoxing	9,402	—	—	—
— Changsha Xiaoxing	5,583	—	—	—
— Zhengzhou Kaili	16,706	—	—	—
— Guiyang Xiaoxing	4,264	—	—	—
— Changchun Enbi	3,915	—	—	—
— Xian Minxing	3,070	—	—	—
	<u>94,120</u>	<u>—</u>	<u>220</u>	<u>—</u>
Amounts due from shareholders				
— Wang Dong Xing	5,080	—	—	—
— Wang Cong Xing	—	1,294	—	—
	<u>5,080</u>	<u>1,294</u>	<u>—</u>	<u>—</u>
Amount due to a related company				
— Jinlang Fujian	—	—	—	65
Amounts due to shareholders				
— Wang Cong Xing	268	—	18,471	10,879
— Wang Brothers	139,422	139,422	—	—
	<u>139,690</u>	<u>139,422</u>	<u>18,471</u>	<u>10,879</u>

The amounts due from related parties are unsecured, interest-free and have no fixed terms of repayment. There was no provision made against these amounts at 31 December 2006, 2007 and 2008 and 30 June 2009. The director of the Company confirm that the balance will be settled before the listing of the Company's share on the Stock Exchange.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	Years ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Short-term employee benefits	1,188	1,526	3,784	1,329	2,189
Discretionary bonus	—	105	1,697	106	—
Contributions to defined contribution retirement benefit scheme	214	293	185	80	99
Share-based compensation	26	—	—	—	—
	<u>1,428</u>	<u>1,924</u>	<u>5,666</u>	<u>1,515</u>	<u>2,288</u>

Total remuneration is included in "staff costs" (see note 4(b)).

32 CONTINGENT LIABILITIES

At 31 December 2006, Lilang Fujian provided corporate guarantee to an independent third party, Jinjiang Shoe Enterprises Company Limited (晉江華意鞋業有限公司), for its bank loan of RMB3,600,000.

The Group did not recognised any deferred income in respect of the guarantee issued as its fair value was not reliably estimable and the guaranteed amount was not material. The guarantee was released on 15 October 2007.

During the Relevant Period, no claims had been made against the Group under any guarantees.

33 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The methods, estimates and judgments the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgments, on matters that are inherently uncertain. The critical accounting judgments in applying the Group's accounting policies are described below.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews annually the useful life of an asset and its residual value, if any, based on the Group's historical experience with similar assets and taking into account anticipated technology changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation.

(b) Impairments

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provide for impairment loss. Any change in the assumption adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the Group's net asset value.

Impairment losses for bad and doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the net profit in the year and in future years.

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets are recognised for deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future profit will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits.

(d) Net realisable value of inventories

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analysis, projections of expected future saleability of goods and management experience and judgment. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIOD

Up to the date of issue of the Financial Information, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period beginning 1 January 2009 and which have not been adopted in the Financial Information.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial position:

		Effective for accounting periods beginning on or after
Revised IFRS 3	Business combinations	1 July 2009
Amendments to IAS 27	Consolidated and separate financial statements	1 July 2009
Amendments to IAS 39	Financial instruments: Recognition and measurement — Eligible hedged items	1 July 2009
IFRIC 17	Distributions of non-cash assets to owners	1 July 2009
Improvements to IFRSs		1 July 2009 or 1 January 2010

The directors have confirmed that the Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 30 June 2009:

1. Dividend declaration

Pursuant to the Board resolution dated 12 August 2009, the Company declared dividend of approximately RMB53,040,000 to the shareholders from retained earnings. Such dividends were fully paid before listing.

2. New banking facility

In August 2009, Lilang International obtained a six-month short-term loan facility of HK\$15,000,000. The loan facility bears a fixed interest rate at 3.60% per annum and is secured by a corporate guarantee provided by the Company and bank deposits of a related company placed with the bank.

E FINANCIAL INFORMATION OF THE COMPANY

		31 December 2008	30 June 2009
	Note	<u>RMB'000</u>	<u>RMB'000</u>
Non-current assets			
Investment in subsidiaries	(a)	139,505	139,505
Current assets			
Trade and other receivables		20,303	20,253
Current liabilities			
Amounts due to subsidiaries		(20,303)	(20,253)
Net current assets		—	—
Net assets		<u>139,505</u>	<u>139,505</u>
Equity			
Share capital	(b)	176	176
Share premium	27	139,329	139,329
		<u>139,505</u>	<u>139,505</u>

Notes:

- (a) Investment in subsidiaries is stated at cost and details of subsidiaries as at 31 December 2008 and 30 June 2009 are set out in section A.
- (b) The Company was incorporated in the Cayman Islands on 2 January 2008 with an authorised capital of HK\$200,000 divided into 2,000,000 shares with par value of HK\$0.1 each. Upon incorporation, the Company issued a total of 1,000,000 shares at nil consideration to the Group's existing beneficial owners.

The Company then allotted and issued 1,000,000 shares to its then shareholders as consideration to acquire the entire issued share capital of Lilang Holdings and as full settlement of an amount of RMB139,422,000 owed by Lilang International to the Wang Brothers.

F SUBSEQUENT FINANCIAL STATEMENTS

No statutory financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.

A UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of 30 June 2009 as if the Global Offering had taken place on 30 June 2009.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 June 2009 or at any future date.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company	Unaudited pro forma adjusted net tangible assets per share	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on an Offer Price of					
HK\$3.20 per share	529,278	761,407	1,290,685	1.08	1.23
Based on an Offer Price of					
HK\$4.00 per share	529,278	966,092	1,495,370	1.25	1.42

Notes:

1. The consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2009 is based on the consolidated net assets of the Group attributable to the equity holders of the Company of RMB529.3 million as at 30 June 2009 extracted from the Accountants' Report set out in Appendix I to this Prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Prices of HK\$3.20 and HK\$4.00, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme. The estimated net proceeds have been converted to Renminbi at the PBOC rate of HK\$1.00 to RMB0.8815 prevailing on 30 June 2009.
3. The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 Shares expected to be in issue following the Global Offering and Capitalisation Issue and the respective Offer Prices of HK\$3.20 and HK\$4.00, but takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option and the options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme.
4. Unaudited pro forma adjusted net tangible assets per share are converted into Hong Kong Dollars at the PBOC rate of HK\$1.00 to RMB0.8815 prevailing on 30 June 2009.
5. With reference to the valuation of property interests of the Group as set out in Appendix IV to this Prospectus, the aggregate revalued amount of the property interests of the Group as at 30 June 2009 was approximately RMB124.8 million. The net book value of these property interests as at 30 June 2009 was RMB124.3 million. The revaluation surplus for properties for own use and lease prepayments is approximately RMB0.5 million and has not been included in the above adjusted net tangible assets of the Group. Such revaluation surplus has not been recorded in the Financial Information as set out in Appendix I to this Prospectus and will not be recorded in the consolidated financial statements of the Group for the year ending 31 December 2009 as the Group's property, plant and equipment and lease prepayments are stated at cost less accumulated depreciation or amortisation and impairment losses if any. If such revaluation surplus would be included to the financial statements of the Group for the year ending 31 December 2009, an additional depreciation of approximately RMB0.01 million per annum would be incurred.
6. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2009 and no account has been taken in respect of the special dividend of RMB53.0 million declared by our Company in August 2009 which was paid to our then Shareholders on 20 and 21 August 2009.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per share for the year ending 31 December 2009 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2009. This unaudited pro forma forecast earnings per share had been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 31 December 2009 or for any future period.

Forecast consolidated profit attributable to equity holders of the Company ⁽¹⁾⁽³⁾	Not less than RMB281 million (approximately HK\$319 million)
Unaudited pro forma forecast earnings per share ⁽²⁾⁽³⁾	Not less than RMB0.234 (approximately HK\$0.266)

Notes:

1. The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus. The Directors have prepared the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2009 based on the audited consolidated results for the six months ended 30 June 2009 and a forecast of the consolidated results for the remaining six months ending 31 December 2009.
2. The calculation of the unaudited pro forma forecast earnings per share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2009, assuming that a total of 1,200,000,000 shares had been in issued during the entire year. The calculation of the forecast earnings per share does not take into account any shares which may be issued upon the exercise of the Over-allotment Option, any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme.
3. The forecast consolidated profit attributable to equity holders and unaudited pro forma forecast earnings per share are converted into Hong Kong Dollars at the PBOC rate of HK\$1.00 to RMB0.8815 prevailing on 30 June 2009.

**C. REPORT FROM REPORTING ACCOUNTANTS ON THE UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

11 September 2009

The Board of Directors
China Lilang Limited

Dear Sirs

We report on the unaudited pro forma financial information (“the Unaudited Pro Forma Financial Information”) of China Lilang Limited (the “Company”) and its subsidiaries (collectively, the “Group”) set out in Parts (A) and (B) of Appendix II to the prospectus dated 11 September 2009 (“the Prospectus”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Global Offering might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Parts (A) and (B) of Appendix II to the Prospectus.

Responsibility

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by Paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information contained with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Our procedures on the Unaudited Pro Forma Financial Information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2009 or any future date; or
- the earnings per share of the Group for the year ending 31 December 2009 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described under “Use of Proceeds” in the section headed “Future Plans and Use of Proceeds” set out in the Prospectus.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully

KPMG

Certified Public Accountants

Hong Kong

The forecast consolidated net profit after tax attributable to equity holders of us for the year ending 31 December 2009 is set out in “Financial Information — Profit Forecast”.

A. BASIS

The Directors have prepared the forecast of consolidated net profit after tax attributable to equity holders of the Group for the year ending 31 December 2009 on the basis of the audited consolidated result for the six months ended 30 June 2009, and a forecast of the consolidated results for the remaining six months ending 31 December 2009. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 31 December 2009. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by us as summarised in Appendix I to the prospectus.

B. ASSUMPTIONS

The forecast has been prepared based on the following principal assumptions:

- there will be no material change in existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong, or any other country or territory in which we currently operate or which are otherwise material to our business;
- there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other country or territory in which we operate or with which we have arrangements or agreements, which materially adversely affect our business;
- there will be no material change in the bases or rates of taxation in the PRC or any other country or territory in which we operate, except as otherwise disclosed in this prospectus; and
- there will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing.

C. LETTERS

The following are texts of letters received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, and the Sole Sponsor in connection with the profit forecast and for the purpose of incorporating in this prospectus.

(i) Letter from reporting accountants

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

11 September 2009

The Board of Directors
China Lilang Limited

Merrill Lynch Far East Limited

Dear Sirs

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast consolidated profit attributable to the equity holders of China Lilang Limited (the "Company") in respect of the Company and its subsidiaries (collectively, the "Group") for the year ending 31 December 2009 (the "Profit Forecast"), for which the directors of the Company (the "Directors") are solely responsible, as set out under "Profit Forecast" in the section headed "Financial Information" in the prospectus of the Company dated 11 September 2009 (the "Prospectus").

The Profit Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended 30 June 2009 and a forecast of the consolidated results of the Group for the remaining six months ending 31 December 2009.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the assumptions made by the Directors as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 11 September 2009, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

(ii) Letter from the Sole Sponsor



11 September 2009

The Directors
China Lilang Limited
Suite 3402, 34th Floor
Lippo Centre, Tower One
No. 89 Queensway
Hong Kong

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity holders of China Lilang Limited (the “Company”) for the year ending 31 December 2009 (the “Profit Forecast”) as set out in the prospectus issued by the Company dated 11 September 2009 (the “Prospectus”).

We understand that the Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2009 a forecast of the consolidated results of the Group for the remaining six months ending 31 December 2009.

We have discussed with you the basis and assumption made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Forecast has been made. We have also considered the letter dated 11 September 2009 addressed to yourselves and ourselves from KPMG regarding the accounting policies, calculations and assumptions upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by KPMG, we are of the opinion that the Profit Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Merrill Lynch Far East Limited
John C. Lee
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 June 2009 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

11 September 2009

The Board of Directors
China Lilang Limited
Suite 3402, 34th Floor
Lippo Centre, Tower One
No. 89 Queensway
Hong Kong

Dear Sirs,

In accordance with your instructions to value the properties in which China Lilang Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 June 2009 (the “date of valuation”).

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

We have attributed no commercial value to the property interests in Groups I and V, which are rented by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Due to the nature of the buildings and structures of the property interest in Group II and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimisation”. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the

improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have valued the property interest in Group III which is held for future development by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have attributed no commercial value to the property interest in Group IV, which had not been assigned to the Group as at the date of valuation, thus the title of the property was not vested in the Group.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with tenancy agreement relating to the property interest in Group I and have caused searches to be made at the Hong Kong Land Registry. However, we have not search the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrance that might be

attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Jingtian & Gongcheng Attorneys at Law, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 26 years' experience in the valuation of properties in the PRC and 29 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interest rented and occupied by the Group in Hong Kong

<u>No.</u>	<u>Property</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
1.	Suite 3402 34th Floor Tower One Lippo Centre No. 89 Queensway Hong Kong	No commercial value
Sub-total:		<u>Nil</u>

Group II — Property interest held and occupied by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB	<u>Interest attributable to the Group</u>	<u>Capital value attributable to the Group as at 30 June 2009</u> RMB
2.	A parcel of land, 10 buildings and various structures located at Technology and Industry Park Jinjiang City Fujian Province The PRC	124,847,000	100%	124,847,000
Sub-total:		<u>124,847,000</u>		<u>124,847,000</u>

Group III — Property interest held for future development by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Capital value in existing state as at 30 June 2009 RMB</u>	<u>Interest attributable to the Group</u>	<u>Capital value attributable to the Group as at 30 June 2009 RMB</u>
3.	A parcel of land located at Qiaoying Avenue Jimei District Xiamen City Fujian Province The PRC	No commercial value	100%	No commercial value
Sub-total:		<u>Nil</u>		<u>Nil</u>

Group IV — Property interest contracted to be acquired by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Capital value in existing state as at 30 June 2009 RMB</u>	<u>Interest attributable to the Group</u>	<u>Capital value attributable to the Group as at 30 June 2009 RMB</u>
4.	12 units on Levels 1 and 2, Manhadun Plaza located at the eastern side of Weilai Road and the southern side of Jinshui Road Jinshui District Zhengzhou City Henan Province The PRC	No commercial value	100%	No commercial value
Sub-total:		<u>Nil</u>		<u>Nil</u>

Group V — Property interests rented and occupied by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB				
5.	2 parcels of land, 2 industrial buildings and Levels 1 to 3 and Levels 5 to 7 of a 7-storey industrial building located at Lilang Industrial Park, Nanhuan Road Qingyang District, Jinjiang City Fujian Province, the PRC	No commercial value				
6.	A parcel of land and 5 buildings located at Meiling District, Jinjiang City Fujian Province, the PRC	No commercial value				
7.	A unit on Level 1 of a 6-storey office building No. 287 Qiaoying Road, Jimei District Xiamen City, Fujian Province, the PRC	No commercial value				
8.	Level 4 of a 5-storey industrial building No. 387 Huanzhu Road, Jimei District, Xiamen City Fujian Province, the PRC	No commercial value				
9.	3 buildings located at Phase 4, Economic Development Zone, Changting County, Longyan City Fujian Province, the PRC	No commercial value				
10.	Unit 2107 on Level 21 of Baokuang International Mansion No. 218 Wusong Road, Hongkou District Shanghai, the PRC	No commercial value				
Sub-total:		<u>Nil</u>				
Grand total:		<table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Capital value in existing state as at 30 June 2009</u> RMB</th> <th style="text-align: center;"><u>Capital value attributable to the Group as at 30 June 2009</u> RMB</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;"><u>124,847,000</u></td> <td style="text-align: right;"><u>124,847,000</u></td> </tr> </tbody> </table>	<u>Capital value in existing state as at 30 June 2009</u> RMB	<u>Capital value attributable to the Group as at 30 June 2009</u> RMB	<u>124,847,000</u>	<u>124,847,000</u>
<u>Capital value in existing state as at 30 June 2009</u> RMB	<u>Capital value attributable to the Group as at 30 June 2009</u> RMB					
<u>124,847,000</u>	<u>124,847,000</u>					

VALUATION CERTIFICATE

Group I — Property interest rented and occupied by the Group in Hong Kong

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
1.	Suite 3402 34th Floor Tower One Lippo Centre No. 89 Queensway Hong Kong	<p>The property comprises a unit on the 34th floor of a 45-storey office building completed in about 1988.</p> <p>The unit has a lettable area of approximately 2,237 sq.ft.</p> <p>The property is rented by Lilang (Hong Kong) International Co., Limited, an indirect wholly-owned subsidiary of the Company, from East King Asia Limited (an independent third party) for a term of 2 years expiring on 31 March 2010, at a monthly rent of HK\$100,665, exclusive of rates, management fees, air-conditioning charges and all other outgoings but inclusive of Government rent.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

- The registered owner of the property is East King Asia Limited vide Memorial No. 07122802860084 dated 7 December 2007.
- The Tenancy Agreement of the property has been duly stamped with the Stamp Duty Office.
- The property is subject to a Deed of Mutual Covenant vide Memorial No. UB3824584 dated 31 August 1988 and Supplemental Deed of Mutual Covenant vide Memorial No. UB4877936 dated 27 June 1991.
- Pursuant to a Tenancy Agreement dated 29 April 2008, the property is rented to Lilang (Hong Kong) International Co., Limited from East King Asia Limited for a term of 2 years expiring on 31 March 2010, at a monthly rent of HK\$100,665, exclusive of rates, management fees, air-conditioning charges and all other outgoings but inclusive of Government rent.

VALUATION CERTIFICATE

Group II — Property interest held and occupied by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
2.	A parcel of land, 10 buildings and various structures located at Technology and Industry Park Jinjiang City Fujian Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 85,267 sq.m. and 10 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2009.</p> <p>The buildings have a total gross floor area of approximately 81,596.53 sq.m.</p> <p>The buildings mainly include industrial buildings, dormitories and ancillary buildings.</p> <p>The structures mainly include road, pipeline and trench.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 25 March 2058 for industrial use.</p>	The property is currently occupied by the Group for production and ancillary office purposes.	<p>124,847,000</p> <p>100% interest attributable to the Group: RMB124,847,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Jin Di He 2008 Gua Zi Di No. 001 dated 3 April 2008 entered into between Jinjiang Municipal State Land and Resources Bureau and Lilang (China) Co., Ltd. (“Lilang China”), an indirect wholly-owned subsidiary of the Company, the land use rights of the property were contracted be granted to Lilang China for a term of 50 years expiring on 25 March 2058 for industrial use. The land premium was RMB27,129,400.
2. Pursuant to a State-owned Land Use Rights Certificate — Jin Guo Yong (2008) Di No. 00335, the land use rights of a parcel of land with a site area of approximately 85,267 sq.m. have been granted to Lilang China for a term of 50 years expiring on 25 March 2058 for industrial use.
3. Pursuant to a Building Ownership Certificate — Jin Fang Quan Zheng Qing Yang Zi Di No. 01-200470-001, 10 buildings with a total gross floor area of approximately 81,596.53 sq.m. are owned by Lilang China.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Lilang China is the exclusive owner of the land use rights of the property and has the legal rights to use, transfer, lease or mortgage the land use rights of the property in accordance with the conditions stipulated in the State-owned Land Use Rights Contract within the legal land use term;
 - b. Lilang China is the exclusive owner of the 10 buildings of the property and has the legal rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the buildings; and
 - c. The property is not subject to mortgage or any other encumbrances.

VALUATION CERTIFICATE

Group III — Property interest held for future development by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
3.	A parcel of land located at Qiaoying Avenue Jimei District Xiamen City Fujian Province The PRC	The property comprises a parcel of land with a site area of approximately 66,502.84 sq.m. The land use rights of the property have been granted for a term of 50 years expiring on 27 December 2056 for industrial use.	The property is currently vacant.	No commercial value

Notes:

- Pursuant to a State-owned Land Use Rights Compensated Use Contract of Jimei District of Xiamen City dated 31 December 2006 entered into between Jimei Branch of Xiamen Municipal Land, Resources & Housing Administrative Bureau and Lilang (Xiamen) Garment Co., Ltd. ("Lilang Xiamen"), an indirect wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 66,502.84 sq.m. were contracted to be granted to Lilang Xiamen, for a term of 50 years expiring on 27 December 2056 for industrial use. The land premium was RMB9,975,427.2. Pursuant to a supplementary contract dated 18 April 2007 in relation to the above contract entered into between Jimei Branch of Xiamen Municipal Land, Resources & Housing Administrative Bureau and Lilang Xiamen, the commencement date of the main construction works on the aforesaid land should not exceed 31 October 2007 and the construction time limit should not exceed 30 June 2008. Pursuant to various subsequent official documents and as advised by Lilang Xiamen, the commencement date of the main construction works on the aforesaid land has been approved to extend to 31 December 2009. The main construction works should be completed in one year after commencement during which the charge for idle land could be exempted.
- Pursuant to a Real Estate Title Certificate — Xia Di Fang Zheng Di Di No. 00005964, the land use rights of a parcel of land with a site area of approximately 66,502.84 sq.m. have been granted to Lilang Xiamen for a term of 50 years expiring on 27 December 2056 for industrial use.
- In the valuation of this property, we have attributed no commercial value to the property as the property cannot be freely transferred as at the date of valuation. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB31,916,000 assuming that the property could be freely transferred without paying additional land premium.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. Lilang Xiamen is the exclusive owner of the land use rights of the property;
 - b. Lilang Xiamen has the legal rights to use, transfer, lease or mortgage the land use rights of the property to a third party in accordance with the conditions stipulated in the State-owned Land Use Rights Compensated Use Contract within the legal land use term. Lilang Xiamen should apply to be approved by relevant local authorities and/or pay additional land premium or leasing profit before transferring, leasing or mortgaging the land use rights of the property; and
 - c. The property is not subject to mortgage or any other encumbrances.

VALUATION CERTIFICATE

Group IV — Property interest contracted to be acquired by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
4.	12 units on Levels 1 and 2, Manhadun Plaza located at the eastern side of Weilai Road and the southern side of Jinshui Road Jinshui District Zhengzhou City Henan Province The PRC	The property comprises 12 commercial units on Levels 1 and 2 of a 3-storey commercial building completed in about 2008. The units have a total gross floor area of approximately 1,066.67 sq.m.	The property is currently vacant.	No commercial value

Notes:

1. Lilang (China) Co., Ltd. ("Lilang China") has entered into 12 Commodity Property Sale & Purchase Contracts with Henan Shenglong Real Estate Co., Ltd., an independent third party, all dated 10 July 2008 to purchase the 12 units with a total gross floor area of 1,066.67 sq.m. at a total consideration of RMB28,905,930, which had been fully paid up to the date of valuation as per the confirmation of the Group.
2. As at the date of valuation, the Building Ownership Certificates of the property have not been vested in Lilang China. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB33,260,000 assuming that all relevant title certificates have been obtained and the property could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Commodity Property Sale & Purchase Contracts are valid, binding and enforceable under the PRC laws on condition that the property is in accordance with the pre-sale conditions regulated by the PRC laws and relevant regulations; and
 - b. Lilang China will be entitled to freely transfer, lease, mortgage or otherwise dispose of the property on condition that the relevant title certificates of the property have been obtained.

VALUATION CERTIFICATE

Group V — Property interests rented and occupied by the Group in the PRC

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
5.	2 parcels of land, 2 industrial buildings, Levels 1 to 3 and Levels 5 to 7 of a 7-storey industrial building located at Lilang Industrial Park Nanhuan Road Qingyang District Jinjiang City Fujian Province The PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 10,282.66 sq.m., 2 industrial buildings and Levels 1 to 3 and Levels 5 to 7 of a 7-storey industrial building erected thereon which were all completed in about 2004.</p> <p>The buildings have a total gross floor area of approximately 28,066.57 sq.m.</p> <p>The property is rented to Lilang (China) Co., Ltd. (“Lilang China”) from Jinlang (Fujian) Investments Co., Ltd., a connected party of the Company, for terms commencing on 1 March 2008 and 1 March 2009 respectively and expiring on 31 December 2010 at a total quarterly rent of RMB543,695 exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office, exhibition, and staff quarters purposes.	No commercial value

Notes:

- Pursuant to a Tenancy Agreement dated 26 May 2008, a parcel of land with a site area of approximately 7,418 sq.m. and 2 industrial buildings with a total gross floor area of approximately 17,095.01 sq.m. erected thereon (a portion of the property) are rented to Lilang China from a connected party for a term of 2 years and 10 months commencing from 1 March 2008 and expiring on 31 December 2010 at a quarterly rent of RMB329,750 exclusive of management fees, water and electricity charges.
- Pursuant to a Tenancy Agreement dated 1 March 2009, a parcel of land with a site area of approximately 2,864.66 sq.m. and a 7-storey industrial building, Level 4 excluded, with a total gross floor area of approximately 10,971.56 sq.m. erected thereon (another portion of the property) are rented to Lilang China from a connected party for a term of one year and 10 months commencing from 1 March 2009 and expiring on 31 December 2010 at a quarterly rent of RMB213,945 exclusive of management fees, water and electricity charges.

3. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lessor is the legal owner of the property and has the legal rights to lease the property;
 - b. The Tenancy Agreements are valid, binding and enforceable under the PRC laws; and
 - c. The Tenancy Agreements have been registered with the relevant local authority.

VALUATION CERTIFICATE

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
6.	A parcel of land and 5 industrial buildings located at Meiling District Jinjiang City Fujian Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 7,331 sq.m. and 5 industrial buildings erected thereon which were completed in about 2004.</p> <p>The buildings have a total gross floor area of approximately 12,236 sq.m.</p> <p>The property is rented to Lilang (China) Co., Ltd. ("Lilang China") from an independent third party for a term of 2 years expiring on 28 February 2010, at a quarterly rent of RMB234,931.2 in 2008 and RMB277,512.5 in 2009 exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is rented to Lilang China from an independent third party for a term of 2 years expiring on 28 February 2010, at a quarterly rent of RMB234,931.2 in 2008 and RMB277,512.5 in 2009 exclusive of management fees, water and electricity charges.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreement issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. As the lessor's business licence had been revoked by the competent authority before the Tenancy Agreement was signed, the Tenancy Agreement may be invalidated or terminated by the liquidation committee or the relevant court;
 - b. Lilang China is subject to the risk that it cannot continue to occupy and use the property; and
 - c. Lilang China will not be subject to any penalties due to leasing and occupying the property.

VALUATION CERTIFICATE

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
7.	A unit on Level 1 of a 6-storey office building No. 287 Qiaoying Road Jimei District Xiamen City Fujian Province The PRC	<p>The property comprises a unit on Level 1 of a 6-storey office building together with its apportioned land use rights completed in about 2002.</p> <p>The property has a gross floor area of approximately 80.64 sq.m.</p> <p>The property is rented to Lilang (Xiamen) Garment Co., Ltd. (“Lilang Xiamen”) from an independent third party for a term of one year expiring on 15 August 2009, at a monthly rent of RMB1,672.5, exclusive of management fees, water and electricity charges.</p> <p>The Tenancy Agreement has terminated after the date of valuation.</p>	The property was occupied by the Group for office purpose as at the date of valuation.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is rented to Lilang Xiamen from an independent third party for a term of one year expiring on 15 August 2009 at a monthly rent of RMB1,672.5, exclusive of management fees, water and electricity charges.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreement issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lessor is the legal owner of the property and has the legal rights to lease the property;
 - b. The Tenancy Agreement is valid, binding and enforceable under the PRC laws; and
 - c. The Tenancy Agreement has been registered with the relevant local authority.

VALUATION CERTIFICATE

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
8.	Level 4 of a 5-storey industrial building No. 387 Huanzhu Road Jimei District Xiamen City Fujian Province The PRC	<p>The property comprises Level 4 of a 5-storey industrial building completed in about 2008.</p> <p>The property has a gross floor area of approximately 1,170.28 sq.m.</p> <p>The property is rented to Lilang (Xiamen) Garment Co., Ltd. (“Lilang Xiamen”) from an independent third party for a term expiring on 31 May 2010 at a monthly rent of RMB11,702.8 exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for production purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is rented to Lilang Xiamen from an independent third party for a term expiring on 31 May 2010 at a monthly rent of RMB11,702.8 exclusive of management fees, water and electricity charges.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreement issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lessor is the legal owner of the property and has the legal rights to lease the property;
 - b. The Tenancy Agreement is valid, binding and enforceable under the PRC laws; and
 - c. The Tenancy Agreement has been registered with the relevant local authority.

VALUATION CERTIFICATE

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
9.	3 buildings located at Phase IV, Economic Development Zone Changting County Longyan City Fujian Province The PRC	<p>The property comprises 3 buildings completed in about 2009.</p> <p>The property has a total gross floor area of approximately 22,281.2 sq.m.</p> <p>The property is rented to Lilang (Xiamen) Garment Co., Ltd. ("Lilang Xiamen") from an independent third party for a term of one year expiring on 31 March 2010 at a quarterly rent of RMB364,158 exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office, storage, production and staff quarters purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is rented to Lilang Xiamen from an independent third party for a term of one year expiring on 31 March 2010 at a quarterly rent of RMB364,158 exclusive of management fees, water and electricity charges.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreement issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lessor is the legal owner of the property and has the legal rights to lease the property;
 - b. The Tenancy Agreement is valid, binding and enforceable under the PRC laws; and
 - c. The Tenancy Agreement has been registered with the relevant local authority.

VALUATION CERTIFICATE

<u>No.</u>	<u>Property</u>	<u>Description and tenure</u>	<u>Particulars of occupancy</u>	<u>Capital value in existing state as at 30 June 2009</u> RMB
10.	Unit 2107 on Level 21 of Baokuang International Mansion No. 218 Wusong Road Hongkou District Shanghai The PRC	<p>The property comprises an office unit on Level 21 of a 36-storey office building completed in about 2006.</p> <p>The property has a gross floor area of approximately 229.41 sq.m.</p> <p>The property is rented to Lilang (China) Co., Ltd. (“Lilang China”) from an independent third party for a term of 2 years expiring on 19 October 2010 at a monthly rent of RMB43,262.9 exclusive of management fees, water and electricity charges.</p>	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement and its supplementary provisions, the property is rented to Lilang China from an independent party for a term of 2 years expiring on 19 October 2010 at a monthly rent of RMB43,262.9 exclusive of management fees, water and electricity charges.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreement issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. The lessor is the legal owner of the property and has the legal rights to lease the property;
 - b. The Tenancy Agreement is valid, binding and enforceable under the PRC laws;
 - c. The Tenancy Agreement has not been registered with the relevant local authority. However, validity of such agreement will not be affected; and
 - d. The property is subject to a mortgage, and the Tenancy Agreement is not binding to the assignee once the mortgage rights realized during the lease term.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum of Association and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association provides that the objects are unrestricted. The objects of our Company are set out in Clause 3 of the Memorandum of Association which is available for inspection at the address and during the period specified in the paragraph headed “Documents available for inspection” specified in Appendix VII to this prospectus. As an exempted company, we will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles of Association were adopted on 4 September 2009. The following is a summary of certain provisions of the Articles of Association.

(a) Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as our Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Directors may determine) and any preference shares may be issued on terms that they are liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of our Company or at the option of the holder. The Directors may issue warrants to subscribe for any class of shares or securities of our Company on such terms as they may from time to time determine.

All unissued shares in our Company shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms they shall in their absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles of Association relating to the disposal of the assets of our Company or any of our subsidiaries although the Directors may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles of Association or relevant statutes of the Cayman Islands to be exercised or done by our Company in general meeting.

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(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and the giving of security for loans to Directors

Where the shares of our Company remain listed on the Stock Exchange or on a stock exchange in such other territory as the Directors may from time to time decide, our Company may not make, without the approval of, or ratification by, our Company in general meeting, any loans to, or provide any guarantee, indemnity or security in respect of any loan to a Director or any of his associates, provided that the Articles of Association do not prohibit the granting of any loan or the provision of any guarantee, indemnity or security (i) to be applied for, or in respect of a liability incurred for any business of our Company, (ii) for the purchase by a Director (or the repayment of a loan for his purchase) of a residence where the amount of the loan, the liability under the guarantee or indemnity or the value of the security does not exceed 80% of the fair market value of such residence nor 5% of the consolidated net asset value of our Company as shown in our latest audited accounts; provided that any such loan is on normal commercial terms and is secured by a legal charge over the residence; or, (iii) of any amount to, or in respect of a liability of, a company in which our Company has an equity interest, and the amount of such loan, or the liability assumed by our Company under such guarantee, indemnity or security, does not exceed its proportional interest in such company.

(v) Financial assistance to purchase shares of our Company or our holdings company

There are no provisions in the Articles of Association relating to the giving by our Company of financial assistance for the purchase, subscription or other acquisition of shares of our Company or of our holding company. The law on this area is summarised in paragraph 4(b) below.

(vi) Disclosure of interests in contracts with our Company or any of our subsidiaries

A Director may hold any other office or place of profit with our Company (except that of an auditor) in conjunction with his office of Director for such period and upon such terms as the Directors may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Directors may determine. A Director may be or become a director or other officer of, or be otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Directors may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Directors concerning his own appointment or the appointment of any of his associates as the holder of any office or place of profit with our Company or any other company in which our Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

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Subject to the provisions of the Articles of Association, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any contract with regard thereto or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. If to the knowledge of a Director, he or any of his associates, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, he must declare the nature of his or, as the case may be, his associate(s)' interest at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest or that of his associates then exists, or in any other case at the first meeting of the Directors after he knows that he or his associate(s) is or has become so interested.

Save as otherwise provided by the Articles of Association, a Director may not vote (nor be counted in the quorum for the voting) on any resolution of the Directors approving any contract or arrangement in which he or any of his associate(s) is to his knowledge materially interested, and if he does so his vote will not be counted, but this provisions will not apply to any of the following matters, namely:

- (aa) any contract or arrangement for the giving to the Director or his associate(s) of any security or indemnity in respect of money lent by him or any of them or obligations undertaken by him for the benefit of our Company;
- (bb) any contract or arrangement for the giving by our Company of any security to a third party in respect of a debt or obligation of our Company or any company in which our Company has an interest for which the Director or his associate(s) has himself/ themselves guaranteed or secured in whole or in part;
- (cc) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of our Company to be issued pursuant to any offer or invitation to the members or debenture or other securities holders or to the public which does not provide the Director and his associate(s) any privilege not accorded to any other members or debenture or other securities holders or to the public;
- (dd) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by our Company for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer and/or for the purposes of making any representations, the giving of any covenants, undertakings or warranties or assuming any other obligations in connection with such offer;
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested by virtue only of his/their interest in shares or debentures or other securities of our Company and/or his/their being the offeror or one of the offerors or is interested in one of the offerors for the purchase or effective acquisition of such shares, debentures or other securities;
- (ff) any contract or arrangement concerning any company in which he or his associate(s) is/ are interested directly or indirectly, whether as an officer or an executive or a member of that company, other than a company in which the Director or his associates owns 5% or more of the voting equity capital or voting rights of any class of shares of such company

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(or of any third company through which his interest is derived), excluding shares which carry no voting rights at general meetings and no or nugatory dividend and return of capital rights, and excluding shares held directly or indirectly through our Company;

- (gg) any proposal or arrangement for the benefit of employees of our Company or our subsidiaries including a pension fund or retirement, death or disability benefit scheme or personal pension plan under which a Director, his associate(s) and employees of our Company or of any of our subsidiaries may benefit and which has been approved by or is subject to and conditional on approval by the relevant tax authorities for taxation purposes or relates to Directors, associate(s) of Directors and employees of our Company or any of our subsidiaries and does not give the Director or his associate(s) any privilege not accorded to the relevant class of officers of which the Director is a member and to whom such scheme or fund relates;
- (hh) any proposal concerning the adoption, modification or operation of any share scheme involving the issue or grant of options over shares or other securities by our Company to, or for the benefit of, the employees of our Company or our subsidiaries under which the Director or his associate(s) may benefit; and
- (ii) any contract, agreement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of any Director, his associate(s), officer or employee pursuant to the Articles of Association.

(vii) Remuneration

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as is from time to time determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided among the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in our Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Directors' meetings, committee meetings or general meetings, or otherwise incurred while engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who performs any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may be fixed from time to time by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration is in addition to his ordinary remuneration as a Director.

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The Directors also have power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in our Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

A Director is not required to retire upon reaching any particular age.

The Directors are entitled to attend and speak at all general meetings.

The number of Directors shall not be fewer than one. A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and our Company). Subject to the statutes and the provisions of the Articles of Association, our Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an additional Director. In addition, the Directors may appoint any person to be a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the members in general meeting. Any Director so appointed by the Directors shall hold office only until the next following general meeting of our Company and shall then be eligible for re-election at the meeting.

The Directors may from time to time entrust to and confer upon the chairman, deputy chairman, managing director, joint managing director, deputy managing director or executive director of our Company all or any of the powers of the Directors that they may think fit, provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Directors may from time to time make and impose. The Directors may delegate any of their powers to committees consisting of such member or members of their body and such other persons as they think fit, and they may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Directors.

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(ix) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge our undertaking, property and uncalled capital or any part thereof. The Directors may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular, but subject to the provisions of the Companies Law, by the issue of debentures, debenture stock, bonds or other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of our Company.

(x) Qualification shares

Directors are not required under the Articles of Association to hold any qualification shares.

(xi) Indemnity to Directors

The Articles of Association contain provisions that provide indemnity to, among other persons, the Directors from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

(b) Alterations to constitutive documents

The Memorandum of Association of our Company may be altered by our Company in general meeting. The Articles of Association may also be amended by our Company in general meeting. As more fully described in paragraph 3 below, the Articles of Association provide that, subject to certain exceptions, a special resolution is required to alter the Memorandum of Association, to approve any alteration to the Articles of Association and to change the name of our Company.

(c) Alterations of capital

Our Company may from time to time by ordinary resolution:

- (i) increase our share capital;
- (ii) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares. On any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into a consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

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- (iii) divide our shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of our share capital by the amount of the shares so cancelled;
- (v) sub-divide our shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Law, and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares;
- (vi) change the currency of denomination of our share capital; and
- (vii) make provision for the issue and allotment of shares which do not carry any voting rights.

Our Company may by special resolution reduce our issued share capital, any capital redemption reserve fund or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law. Our Company may apply our share premium account in any manner permitted by law.

(d) Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings will mutatis mutandis apply, save as to the provisions regarding the quorum of meetings, as to which see paragraph 2(s) below.

(e) Special resolutions — majority required

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives, or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given in the manner in accordance with paragraph 2(i) below. However, at all times while any part of the issued capital of our Company remains listed on the Stock Exchange, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right, (or, in the case of an annual general meeting, by all members) a resolution may be proposed and passed as a special resolution at a meeting of which a shorter notice than that specified in the Articles of Association has been given.

(f) Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid (but so that no amount paid or credited as paid on a share in advance of calls or instalments is treated for the foregoing purposes as paid on the share). So long as the shares are listed on the Stock Exchange, where any member is, under the Listing Rules (as defined in the Articles of Association), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member (whether by way of proxy or, as the case may be, corporate representative) in contravention of such requirement or restriction shall not be counted. On a poll, a member entitled to more than one vote need not use all his votes or cast all his votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll.

Where a shareholder is a clearing house (as defined in the Articles of Association) or a nominee of a clearing house, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company or at any meeting of any class of shareholders provided that the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of the Articles of Association shall be entitled to exercise the same rights and powers as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominees) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be held once in every year and within not more than 15 months after the last preceding annual general meeting or such longer period as is permissible or not prohibited under the rules of the Stock Exchange on which any securities of our Company are listed with the permission of our Company.

(h) Accounts and audit

The Directors shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by law or are necessary to give a true and fair view of the state of our Company's affairs and to show and explain our transactions.

The books of accounts are to be kept at the principal office of our Company or at such other place as the Directors think fit and shall always be open to the inspection of the Directors. No member (not being a Director) or other person has any right to inspect any account or book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Directors or by our Company in general meeting.

The Directors shall from time to time cause to be prepared and laid before our Company at our annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports and so long as any shares in our Company are listed on the Stock Exchange, the accounts of our Company shall be prepared and audited based on the generally accepted accounting principles of HKFRS or the International Financial Reporting Standards or such other standards as the Stock Exchange may permit. Every balance sheet of our Company shall be signed on behalf of the Directors by two Directors and a

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copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before our Company at our annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting, be sent to every member of, and every holder of debentures of, our Company and every other person entitled to receive notices of general meetings of our Company under the Companies Law or of the Articles of Association. Subject to due compliance with the Companies Law and the rules of the Stock Exchange, and to obtaining all necessary consents, if any, required thereunder and such consents being in full force and effect, such requirements shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Companies Law and instead of such copies, a summary financial statement derived from our Company's annual financial statements and the directors' report thereon, which shall be in the form and containing the information required by applicable laws and regulation, provided that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to a summary financial statement, a complete printed copy of our Company's annual financial statement and the directors' report thereon. If all or any of the shares or debentures of our Company are for the time being (with the consent of our Company) listed or dealt in on any stock exchange, there shall be forwarded to such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Articles of Association. Save as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of our Company at each annual general meeting, but in respect of any particular year, our Company in general meeting may delegate the fixing of such remuneration to the Directors.

(i) Notices of meetings and business to be conducted thereat

For so long as any part of the issued capital of our Company remains listed on the Stock Exchange, an annual general meeting must be called by giving notice of at least 21 clear days and not less than 20 clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by giving notice of at least 21 clear days and not less than 10 clear business days in writing and any other extraordinary general meeting shall be called by giving notice of at least 14 clear days and not less than 10 clear business days in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the place, the day and the hour of meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

(j) Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or so long as any shares in our Company are listed on the Stock Exchange, such standard form prescribed by the Stock Exchange or in any other form acceptable to the Board and may be under hand only or, if the transferor or transferee is a clearing house or its nominee(s), by hand, by machine imprinted signature or by such other means of execution as the Directors may approve from time to time; and an instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof, provided that the Directors may in their absolute discretion dispense with the requirement for the production of a transfer in writing before registering a transfer of a share, and may accept mechanically executed transfers in any case.

The Directors may, in their absolute discretion, at any time and from time to time transfer or agree to transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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Unless the Directors otherwise agree, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office for that register.

The Directors may in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom they do not approve and they may refuse to register the transfer of any shares (not being fully paid shares) on which our Company has a lien. The Directors may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly or any share issued under any share option scheme for employees upon which a restriction on transfer imposed thereby shall subsist, or where the transfer is to an infant or a person of unsound mind or under other legal disability. If the Directors refuse to register a transfer, they must within two months after the date on which the transfer was lodged with our Company send to the transferor and transferee notice of the refusal and (if the shares concerned are fully paid shares) the reasons(s) for such refusal.

The Directors may, if applicable, decline to recognise an instrument of transfer unless the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as they may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may, on giving notice by advertisement in one English and one Chinese newspaper circulating in Hong Kong, be suspended at such times and for such periods as the Directors may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

(k) Power for our Company to purchase our own shares

The Articles of Association provide that the power of our Company to purchase or otherwise acquire our shares is exercisable by the Directors upon such terms and conditions as they think fit subject to the conditions prescribed by the Companies Law.

(l) Power of any subsidiary to own securities in our Company

There are no provisions in the Articles of Association relating to ownership of securities in our Company by a subsidiary.

(m) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency but no dividend may exceed the amount recommended by the Directors. Our Company may also make a distribution out of share premium account subject to the provisions of the Companies Law.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls will for this purpose be treated as paid on the shares. The Directors may retain any dividends or other moneys payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or

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engagements in respect of which the lien exists. The Directors may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid in lieu of the whole or such part of the dividend as the Directors may think fit.

Our Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions or proceeds as aforesaid unclaimed for six years after having been declared may be forfeited by the Directors and, upon such forfeiture, shall revert to our Company and, in the case where any of the same are securities in our Company, may be re-allotted or re-issued for such consideration as the Directors think fit.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company or a meeting of the holders of any class of shares in our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him to vote on his behalf at a general meeting of our Company or at a class meeting. At any general meeting on a poll, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy. Proxies need not be members of our Company.

A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member.

(o) Corporate representatives

A corporate member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint any person or persons as our representative to attend and vote on our behalf. A corporate member represented by our representative is deemed to be present in person at the relevant meeting and its representative may vote on a poll on any resolution put at such meeting.

(p) Calls on shares and forfeiture of shares

The Directors may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part. The Directors may, if they think fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Directors may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all moneys which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of register of members

For so long as any part of the share capital is listed on the Stock Exchange, any member may inspect the principal or branch register of our Company maintained in Hong Kong without charge and require the provision to him of copies or extracts thereof in all respect as if our Company were incorporated under and is subject to the Companies Ordinance.

(r) Inspection of register of Directors

There are no provisions in the Articles of Association relating to the inspection of the register of directors and officers of our Company, since the register is not open to inspection (as to which see paragraph 4(k) below).

(s) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person and entitled to vote (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy one-third in nominal value of the issued shares of that class and, where such meeting is adjourned for want of quorum, the quorum for the adjourned meeting shall be any two members present in person and entitled to vote or by proxy (whatever the number of shares held by them).

(f) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles of Association relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands company law as summarised in paragraph 4(e) below.

(u) Procedures on liquidation

A resolution for a court or voluntary winding up of our Company must be passed by way of a special resolution.

If our Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If our Company shall be wound up (whether the liquidation is voluntary or by the court), the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of our Company and whether the assets consist of property of one kind or properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

(v) Untraceable members

Our Company may sell the shares of any member if (i) dividends or other distributions have been declared by our Company on at least three occasions during a period of 12 years and these dividends or distributions have been unclaimed on such shares; (ii) our Company has published an advertisement of our intention to sell such shares in English and in Chinese in one leading English and (unless unavailable) one leading Chinese newspaper circulating in the territory of the stock exchange on which the ordinary share capital of our Company is listed and a period of three months has elapsed since the date of the first publication of such notice; (iii) our Company has not at any time during the said periods of 12 years and three months received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operations of law; and (iv) our Company has notified the stock exchange on which the ordinary share capital of our Company is listed of our intention to sell such shares. The net proceeds of any such sale will belong to our Company and upon the receipt of such net proceeds by our Company, our Company will become indebted to the former holder of such shares for an amount equal to the amount of such net proceeds.

(w) Stock

Our Company may by ordinary resolution convert any fully paid shares into stock, and may from time to time by like resolution reconvert any stock into fully paid shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Directors may from time to time, if they think fit, fix the minimum amount of stock transferable and restrict or prohibit the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings, and other matters, as if they held the shares from which the stock arose, but no such privilege of our Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Articles of Association as are applicable to paid up shares shall apply to stock, and the words “share” and “shareholder” and “member” therein shall include “stock” and “stockholder”.

(x) Other provisions

The Articles of Association provide that, to the extent that it is not prohibited by and is in compliance with the Companies Law, if any rights attaching to any warrants which our Company may issue after the date of this document shall remain exercisable and our Company does any act which would result in the subscription price under such warrants being reduced below the par value of a Share, a subscription right reserve shall be established and applied in paying up the shortfall between the subscription price and the par value of a Share on any exercise of the warrants.

3. VARIATION OF MEMORANDUM AND ARTICLES OF ASSOCIATION

Subject to the rights of our Company set out in paragraph 2(c) above to amend our capital by ordinary resolution, the Memorandum of Association of our Company may be altered by our Company by special resolution. The Articles of Association state that a special resolution shall be required to alter the provisions of the Memorandum of Association (subject as provided above) or the Articles of Association or to change the name of our Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of our Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given in the manner in accordance with paragraph 2(i) above. Except in the case of an annual general meeting, the requirement of minimum notice period specified in the Articles of Association may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

4. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. The share premium account may be applied by a company subject to the provisions of its memorandum and articles of association in such manner as the company may from time to time determine including, but without limitation:

- (i) in paying distributions or dividends to members;
- (ii) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (iii) in redeeming or purchasing its shares as provided in the Companies Law;
- (iv) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (v) in providing for the premium payable on redemption of any shares or of any debentures of the company.

No dividend or distribution may be paid to members out of the share premium account unless immediately following the date of the proposed payment, the company is able to pay its debts as they fall due in the ordinary course of business.

A company may issue preference shares and redeemable preference shares.

The Companies Law does not contain any express provisions dealing with the variation of rights of holders of different classes of shares.

(b) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands against the provision of financial assistance for the purchase, subscription or other acquisition of its shares, though on English common law principles, the directors have a duty to act in good faith for a proper purpose in the best interests of the company, and moreover, there are restrictions on any act which amounts to a reduction of capital. Accordingly, it may, depending on the circumstances be legitimate for the directors to authorise the provision by a company of financial assistance for the purchase, subscription or other acquisition of its own shares, or the shares of its holding company.

(c) Redemption and Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its articles of associations, issue redeemable shares and, purchase its own shares, including any redeemable shares. Purchases and redemptions may only be effected out of the profits of the company or out of the proceeds of a fresh issue of shares made for the purpose, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the shares to be purchased must be provided for out of profits of the company or out of the company's share premium account, or, if so authorised by its articles of association and subject to the provisions of the Companies Law, out of capital. Any purchase by a company of its own shares may be authorised by its directors or otherwise by or in accordance with the provisions of its articles. A payment out of capital for a redemption or purchase of a company's own shares is not lawful unless immediately following the date of the proposed payment the company is able to pay its debts as they fall due in the ordinary course of business. The shares so purchased or redeemed will be treated as cancelled and the company's issued, but not its authorised, capital will be diminished accordingly.

A company is not prohibited from purchasing and may purchase its own subscription warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. A company, whether a subsidiary or a holding company, may only purchase its own shares for cancellation if it is authorised to do so in its articles of association.

(d) Dividends and distributions

A company may not pay a dividend, or make a distribution out of share premium account unless immediately following the date on which the payment is proposed to be made, the company is able to pay its debts as they fall due in the ordinary course of business.

(e) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrong doers are themselves in control of the company, or (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the court shall direct.

Any shareholder of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company shall be wound up.

Generally, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the memorandum and articles of association of the company.

(f) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary is required, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Accounting and auditing requirements

The Companies Law requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company. A company is required to keep such books of account as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(h) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(i) Taxation

There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of the present legislation. As an exempted company, our Company has received from the Governor-in-Counsel of the Cayman Islands pursuant to the Tax Concessions Law (1999 Revision) of the Cayman Islands, an undertaking that in the event of any change to the foregoing, our Company, for a period of 20 years from the date of the grant of the undertaking, will not be chargeable to tax in the Cayman Islands on its income or its capital gains arising in the Caymans Islands or elsewhere and that dividends of our Company will be payable without deductions of Cayman Islands tax. No capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Shares.

(j) Stamp duty

Certain documents (which do not include contract, notes for the sale and purchase of, or instruments of transfer of, shares in Cayman Islands companies) are subject to stamp duty which is generally calculated on an ad valorem basis.

(k) Inspection of corporate records

Neither the members of a company nor the general public have the right to inspect the register of directors and officers, the minutes, accounts or, in the case of any exempted company, the register of members. The register of mortgages and charges must be kept at the registered office of the company and must be open to inspection by any creditor or member at all reasonable times.

Members of the public have no right to inspect the constitutive documents of a company but the memorandum and articles of association must be forwarded to any member of the company upon request. If no articles of association have been registered with the Registrar of Companies, each member has the right to receive copies of special resolutions of members upon request upon payment of a nominal fee.

The location of the registered office of a company is available to the general public upon request to the Registrar of Companies.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(I) Winding up

A company may be wound up by the Cayman Islands court on application presented by the company itself, its creditors or its contributors. The Cayman Islands court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Cayman Islands court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum of association expires, or the event occurs on the occurrence of which the memorandum of association provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where a resolution has been passed for the voluntary winding up of a company, the court may make an order that the winding up should continue subject to the supervision of the court with such liberty to creditors, contributors or others to apply to the court as the court may think fit.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purposes of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice called by Public Notice in the Cayman Islands or otherwise as the Registrar of Companies may direct.

5. GENERAL

Conyers Dill & Pearman, our Company's legal adviser on Cayman Islands law, have set to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

We were incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 2 January 2008.

We have been registered in Hong Kong under Part XI of the Companies Ordinance as a non-Hong Kong company and its principal place of business in Hong Kong is at Suite 3402, 34th Floor, Lippo Centre, Tower One, No. 89 Queensway, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Yu Cheeric has been appointed as the agent for the acceptance of service of process and any notice required to be served on us in Hong Kong. The address for service of process and notice is 18G, Tower 6, Island Harbourview, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong.

We were incorporated in the Cayman Islands and is subject to Cayman Islands law. Our constitution comprises a Memorandum of Association and Articles of Association. A summary of certain relevant parts of our constitution and certain relevant aspects of Companies Law is set out in Appendix V to this prospectus.

2. Changes in share capital of our Company*(a) Increase in authorised share capital*

- (i) As of the date of incorporation of our Company, the authorised share capital was HK\$200,000 divided into 2,000,000 Shares having a par value of HK\$0.10 each. On 2 January 2008, one subscriber share of HK\$0.10 was transferred by its subscriber to Xiao Sheng International at nil consideration and an aggregate of 999,999 Shares were allotted and issued nil paid by us, as to (i) 834,999 Shares to Xiao Sheng International; and (ii) 165,000 Shares to Ming Lang Investments. The 1,000,000 nil paid Shares referred to in this paragraph were subsequently paid up in the manner described in paragraph 4 below.
- (ii) Our authorised share capital was conditionally increased to HK\$10 billion by the creation of further 99,998 million Shares pursuant to a resolution passed by the Shareholders referred to in paragraph 3 below and subject to the conditions contained therein.
- (iii) Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which have been or may be allotted and issued pursuant to the exercise of the options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme and upon the exercise of the Over-allotment Option, our authorised share capital will be HK\$10 billion divided into 100 billion Shares, of which 1,200 million Shares will be issued fully paid or credited as fully paid, and 98,800 million Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of any options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of us and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of us.

Save as disclosed herein and in paragraphs headed “Resolutions in writing of the Shareholders passed on 12 September 2008 and 4 September 2009” and “Group reorganisation” of this Appendix, there has been no alteration in the share capital of us since our incorporation.

(b) Founder shares

We have no founder shares, management shares or deferred shares.

3. Resolutions in writing of the Shareholders passed on 12 September 2008 and 4 September 2009

Written resolutions were passed by the Shareholders on 12 September 2008 and 4 September 2009 pursuant to which, among other matters:

- (a) we approved and adopted the Articles of Association;
- (b) we adopted the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in paragraph 15 of this Appendix, and the Directors were authorised to grant options to subscribe for Shares thereunder and, conditional on the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.
- (c) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the International Underwriting Agreement on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the authorised share capital of us was increased from HK\$200,000 to HK\$10 billion by the creation of further 99,998 million Shares;

- (ii) the Global Offering and the grant of the Over-allotment Option by us were approved and the Directors were authorised to allot and issue new Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
- (iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 16 of this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (iv) conditional on the share premium account of us being credited as a result of the Global Offering, the Directors were authorised to capitalise HK\$89.8 million standing to the credit of the share premium account of us by applying such sum in paying up in full at par 898 million Shares for allotment and issue to holders of Shares whose names appear on the register of members of us at the close of business on 4 September 2009 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing holdings in us and so that the Shares to be allotted and issued pursuant to this resolution should rank pari passu in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalisation;
- (v) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or under the Global Offering or the Capitalisation Issue or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of us in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and (bb) the aggregate nominal amount of the share capital of us which may be purchased by us pursuant to the authority granted to the Directors as referred to in subparagraph (vi) below, until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (vi) a general unconditional mandate (the “Repurchase Mandate”) was given to the Directors to exercise all powers of our Company to purchase Shares on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed or recognised by the SFC and the Stock Exchange for this purpose with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association, the Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vii) the extension of the general mandate to allot, issue and deal with Shares to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (vi) above.
- (d) we approved the form and substance of each of the service agreements made between our executive Directors with us, and the form and substance of each of the appointment letters made between each of our independent non-executive Directors with us.

4. Group reorganisation

The companies comprising us underwent a reorganisation to rationalise our structure in preparation for the listing of the Shares on the Stock Exchange which involved the following:

- (a) on 2 January 2008, our Company was incorporated in the Cayman Islands as an exempted company with an authorised share capital of HK\$200,000 divided into 2,000,000 Shares. On the same day, one subscriber share of HK\$0.10 was transferred by its subscriber to Xiao Sheng International at nil consideration and an aggregate of 999,999 Shares were allotted and issued at nil paid by us, as to (i) 834,999 Shares to Xiao Sheng International; and (ii) 165,000 Shares to Ming Lang Investments;
- (b) on 10 January 2007, Mr. Wang Cong Xing, an executive Director transferred to Mr. Wang Dong Xing 1,700 shares in Lilang International held by him on trust for Mr. Wang Dong Xing at nil consideration. On the same day, Mr. Yiu Hau Ming, the nephew of the Wang Brothers transferred to Mr. Wang Dong Xing and Mr. Wang Liang Xing 1,700 shares and 3,300 shares in Lilang International held by him on trust for Mr. Wang Dong Xing and Mr. Wang Liang Xiang, respectively at nil consideration;

- (c) on 27 June 2007, Mr. Lam Ga Lok, the uncle of the Wang Brothers entered into an equity transfer agreement with Lilang International for the transfer of the entire equity interest in Lilang Fujian to Lilang International held by him on trust for the Wang Brothers at nil consideration at the instruction of the Wang Brothers. Such transfer of equity interest in Lilang Fujian became effective on 20 December 2007;
- (d) on 27 December 2007, the authorised share capital of Lilang International was increased from HK\$10,000 to HK\$20,000. On the same day, Lilang International issued and allotted, credited as fully paid, an aggregate of 10,000 shares with a par value of HK\$1 each to the Wang Brothers in proportion to their respective interest in Lilang International, in consideration of and in exchange for their procuring the transfer of the entire equity interest in Lilang Fujian to Lilang International in the manner as referred to in paragraph (c) above;
- (e) on 7 January 2008, the Wang Brothers transferred an aggregate of 4,700 shares in Lilang International to the Management and Other Shareholders at nil consideration in the following manners:
- (i) as to 1,600 shares from Mr. Wang Dong Xing to Mr. Cai Rong Hua;
 - (ii) 1,000 shares from Mr. Wang Liang Xing to Mr. Hu Cheng Chu;
 - (iii) 500 shares from Mr. Wang Liang Xing to Mr. Wang Ru Ping;
 - (iv) 100 shares from Mr. Wang Cong Xing to Mr. Wang Ru Ping;
 - (v) 600 shares from Mr. Wang Cong Xing to Mr. Pan Rong Bin;
 - (vi) 400 shares from Mr. Wang Cong Xing to Mr. Chen Wei Jin;
 - (vii) 200 shares from Mr. Wang Cong Xing to each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua; and
 - (viii) 100 shares from Mr. Wang Dong Xing to Mr. Xu Tian Min.
- (f) on 10 June 2008, Lilang Holdings, the immediate holding company of us, acquired from each of the Wang Brothers and the Management and Other Shareholders, being all of the then shareholders of Lilang International, an aggregate of 20,000 shares of HK\$1 each in Lilang International, being its entire issued share capital, in consideration of and in exchange for which Lilang Holdings allotted and issued, credited as fully paid, an aggregate of 10,000 new shares of US\$1 each in its capital, as to 8,350 shares to Xiao Sheng International, and as to 1,650 shares to Ming Lang Investments, at the direction of each of the Wang Brothers and the Management and Other Shareholders;

- (g) on 12 September 2008, our Company acquired from Xiao Sheng International and Ming Lang Investments an aggregate of 20,000 shares of US\$1 each in the share capital of Lilang Holdings, being its entire issued share capital in consideration of and in exchange for which our Company, at the direction of each of Xiao Sheng International and Ming Lang Investments, (i) allotted and issued, credited as fully paid, an aggregate 940,000 Shares, as to 635,000 Shares to Xiao Sheng International, 165,000 Shares to Ming Lang Investments, an aggregate of 93,000 Shares to the Wang Brothers, and an aggregate of 47,000 Shares to the Management and Other Shareholders; and (ii) credited as fully paid at par an aggregate of 1,000,000 nil-paid Shares then held by Xiao Sheng International and Ming Lang Investments.
- (h) on 12 September 2008, our Company allotted and issued, credited as fully paid at par, an aggregate of 60,000 Shares to Wang Brothers, as to 20,000 Shares to Mr. Wang Dong Xing, 20,000 Shares to Mr. Wang Liang Xing and 20,000 Shares to Mr. Wang Cong Xing, in full satisfaction of the aggregate amount of HK\$135,490,000 payable to the Wang Brothers under the deed of loan assignment dated 12 September 2008, particulars of which are set out in paragraph 9(b) below.

Upon completion of the Reorganisation, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the accountants' report set out in Appendix I to this prospectus.

In addition to the alterations described in paragraph 4 above, the following alterations in the share capital of each of our Company's subsidiaries took place within two years immediately preceding the date of this prospectus:

- (a) on 4 December 2007, Lilang Holdings was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, with 8,350 shares and 1,650 shares allotted and issued to Xiao Sheng International and Ming Lang Investments respectively on 27 December 2007; and
- (b) on 24 December 2007, the total investment capital of Lilang China was increased from HK\$100 million to HK\$250 million.

Save as disclosed herein and in paragraph 4 of this Appendix, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Further information about our PRC establishments

We have interest in the registered capital of three wholly foreign-owned enterprises in the PRC. A summary of the corporate information of these enterprises as at the Latest Practicable Date are set out as follows:

- (a) (i) Name of the enterprise : 利郎 (中國) 有限公司 (Lilang (China) Co., Ltd.)
- (ii) Date of incorporation : 25 March 2005
- (iii) Economic nature : wholly foreign-owned enterprise
- (iv) Registered owner : Lilang International
- (v) Total investment capital : HK\$250 million
- (vi) Registered capital : HK\$100 million
- (vii) Attributable interest to us : 100%
- (viii) Term of operation : 25 March 2005 to 24 March 2035
- (ix) Scope of business : Manufacture of apparel, garment, footwear, furniture, ironware (exclusive of electroplate) and plastic products (exclusive of product categories which are subject to export quota)
- (b) (i) Name of the enterprise : 利郎 (福建) 時裝有限公司 (Lilang (Fujian) Garment Co., Ltd.)
- (ii) Date of incorporation : 24 April 1995
- (iii) Economic nature : wholly foreign-owned enterprise
- (iv) Registered owner : Lilang International
- (v) Total investment capital : HK\$25 million
- (vi) Registered capital : HK\$20 million
- (vii) Attributable interest to us : 100%
- (viii) Term of operation : 24 April 1995 to 23 April 2025
- (ix) Scope of business : Manufacture of apparel, footwear and ties (exclusive of product categories which are subject to export quota)

- (c) (i) Name of the enterprise : 利郎 (廈門) 服飾有限公司 (Lilang (Xiamen) Garment Co., Ltd.)
- (ii) Date of incorporation : 12 June 2006
- (iii) Economic nature : wholly foreign-owned enterprise
- (iv) Registered owner : Lilang International
- (v) Total investment capital : US\$30 million
- (vi) Registered capital : US\$30 million
- (vii) Attributable interest to us : 100%
- (viii) Term of operation : 12 June 2006 to 11 June 2036
- (ix) Scope of business : Manufacture, processing and distribution of apparel, garment, footwear, tannery and plastic products

7. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to a resolution in writing passed by the Shareholders on 4 September 2009, the Repurchase Mandate was given to the Directors authorising any repurchase by us of Shares on the Stock Exchange or any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of our share capital in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which were granted or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, such mandate to expire at the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) Source of funds

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of us or from sums standing to the credit of our share premium account or, if authorised by the Articles of Association and subject to the provisions of the Companies Law, out of capital.

(c) Reasons for repurchases

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our current financial position of us as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or our gearing position as compared to the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 1,200,000,000 Shares in issue immediately after the Listing, would result in up to 120,000,000 Shares being repurchased by us during the period in which the Repurchase Mandate remains in force.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY**9. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of us within the two years preceding the date of this prospectus and are or may be material:

- (a) a share purchase agreement dated 10 June 2008 entered into between (i) the Wang Brothers and the Management and Other Shareholders as vendors; and (ii) Lilang Holdings as purchaser for the acquisition by Lilang Holdings of the entire issued share capital of Lilang International, in consideration of and in exchange for which Lilang Holdings, at the direction of the Wang Brothers and the Management and Other Shareholders, allotted and issued, credited as fully paid, an aggregate of 10,000 new shares as to 8,350 shares to Xiao Sheng International and as to 1,650 shares to Ming Lang Investments;

- (b) a deed of loan assignment dated 12 September 2008 made between (i) the Wang Brothers as assignors; (ii) Lilang Holdings as the assignee and (iii) Lilang International as debtor for the assignment to Lilang Holdings of the Wang Brothers' rights, interests, title, claims and benefits to, of and in the loans respectively owed by Lilang International to the Wang Brothers in the aggregate amount of HK\$135,490,000; for an aggregate consideration of HK\$135,490,000 satisfied by the Company allotting and issuing, credited as fully paid, an aggregate of 60,000 Shares to the Wang Brothers;
- (c) a share purchase agreement dated 12 September 2008 entered into between (i) Xiao Sheng International and Ming Lang Investments as vendors; (ii) the Wang Brothers and the Management and Other Shareholders as warrantors; and (iii) our Company as purchaser for (A) the acquisition by our Company of the entire issued share capital of Lilang Holdings, in consideration of and in exchange for which our Company, at the direction of Xiao Sheng International and Ming Lang Investments, (i) allotted and issued, credited as fully paid, an aggregate of 940,000 new Shares, as to 635,000 Shares to Xiao Sheng International, 165,000 Shares to Ming Lang Investments, an aggregate of 93,000 Shares to the Wang Brothers and an aggregate of 47,000 Shares to the Management and Other Shareholders; and (ii) credited as fully paid at par the 1,000,000 nil-paid Shares then held by Xiao Sheng International and Ming Lang Investments; and (B) for the satisfaction of the consideration payable by Lilang Holdings under the deed of loan assignment referred to in (b) above by allotting and issuing, credited as fully paid, an aggregate of 60,000 Shares to the Wang Brothers;
- (d) a deed of indemnity dated 10 September 2009 executed by Xiao Sheng International, Ming Lang Investments and the Wang Brothers in favour of our Company (for ourselves and as trustee for our subsidiaries stated therein) containing the indemnities more particularly referred to in paragraph headed "Estate duty, tax and other indemnities" of this Appendix; and
- (e) the Public Offer Underwriting Agreement.

10. Our intellectual property rights*(a) Copyrights*

As at the Latest Practicable Date, we are the registered proprietor and beneficial owner of the copyrights in respect of the following designs for weave patterns:

<u>Description of the designs</u>	<u>Place of registration</u>	<u>Registration number</u>	<u>Duration of validity</u>
Weave pattern 1	PRC	13-2007-F-0270	16 January 2007 – 31 December 2057
Weave pattern 2	PRC	13-2007-F-0271	16 January 2007 – 31 December 2057
Weave pattern 3	PRC	13-2007-F-0272	16 January 2007 – 31 December 2057
Weave pattern 4	PRC	13-2007-F-0273	16 January 2007 – 31 December 2057
Weave pattern 5	PRC	13-2007-F-0274	16 January 2007 – 31 December 2057
Weave pattern 6	PRC	13-2007-F-0275	16 January 2007 – 31 December 2057
Weave pattern 7	PRC	13-2007-F-0276	16 January 2007 – 31 December 2057
Weave pattern 8	PRC	13-2007-F-0277	16 January 2007 – 31 December 2057
Weave pattern 9	PRC	13-2007-F-0278	16 January 2007 – 31 December 2057
Weave pattern 10	PRC	13-2007-F-0279	16 January 2007 – 31 December 2057
Weave pattern 11	PRC	13-2007-F-0280	16 January 2007 – 31 December 2057
Weave pattern 12	PRC	13-2007-F-0281	16 January 2007 – 31 December 2057
Weave pattern 13	PRC	13-2007-F-0282	16 January 2007 – 31 December 2057

<u>Description of the designs</u>	<u>Place of registration</u>	<u>Registration number</u>	<u>Duration of validity</u>
Weave pattern 14	PRC	13-2007-F-0283	16 January 2007 – 31 December 2057
Weave pattern 15	PRC	13-2007-F-0284	16 January 2007 – 31 December 2057
Weave pattern 16	PRC	13-2007-F-0285	16 January 2007 – 31 December 2057
Weave pattern 17	PRC	13-2007-F-0286	16 January 2007 – 31 December 2057
Weave pattern 19	PRC	13-2007-F-0287	16 January 2007 – 31 December 2057
Weave pattern 20	PRC	13-2007-F-0288	16 January 2007 – 31 December 2057
Weave pattern 21	PRC	13-2007-F-0289	16 January 2007 – 31 December 2057
Button pattern	PRC	13-2008-F0098	For a period from the date on which the copyright is first published to 31 December of the 50th year thereafter
Cuff link pattern	PRC	13-2008-F0099	For a period from the date on which the copyright is first published to 31 December of the 50th year thereafter

(b) Trade marks

As at the Latest Practicable Date, we are the registered proprietor and beneficial owner of the following trademarks which are material to the business of our Group:

<u>No.</u>	<u>Trademark</u>	<u>Place of registration</u>	<u>Class</u>	<u>Registration number</u>	<u>Duration of validity</u>
1.	 LILANG • 利郎	PRC	18 (Note 1)	3364851	28 June 2004 – 27 June 2014
2.	 LILANG • 利郎	Hong Kong	25 (Note 2)	300341414	21 December 2004 – 20 December 2014
3.	 LILANG • 利郎	Macau	25	N/015799	5 May 2005 – 5 May 2012
4.	 LILANG • 利郎	PRC	26 (Note 3)	3364867	28 September 2004 – 27 September 2014
5.	 LILANG • 利郎	PRC	25	4427955	14 December 2008 – 13 December 2018
6.		PRC	18	913083	14 December 2006 – 13 December 2016
7.		PRC	25	626989	20 January 2003 – 19 January 2013
8.		PRC	18	917013	21 December 2006 – 20 December 2016
9.	LILANG	PRC	25	1172696	7 May 2008 – 6 May 2018
10.	利郎	PRC	25	1183944	14 June 2008 – 13 June 2018
11.	利郎	Taiwan	25	01171368	1 September 2005 – 31 August 2015
12.	利郎王	PRC	25	1089056	28 August 2007 – 27 August 2017
13.		PRC	25	1144625	21 January 2008 – 20 January 2018

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
14.		PRC	25	1405096	7 June 2000 – 6 June 2010
15.		PRC	25	1405265	7 June 2000 – 6 June 2010
16.		PRC	25	1513109	28 January 2001 – 27 January 2011
17.		PRC	25	1513110	28 January 2001 – 27 January 2011
18.		Designations under the Madrid Agreement and Protocol (Note 47)	25	846116	18 March 2005 – 18 March 2015
19.		PRC	25	1593187	28 June 2001 – 27 June 2011
20.		PRC	25	1939331	28 October 2002 – 27 October 2012
21.		PRC	25	3257091	14 April 2004 – 13 April 2014
22.		PRC	25	3257092	28 February 2004 – 27 February 2014
23.		PRC	25	3257093	28 February 2004 – 27 February 2014
24.		PRC	25	3257094	28 February 2004 – 27 February 2014
25.		PRC	25	3257095	14 February 2004 – 13 February 2014
26.		PRC	25	3257096	28 February 2004 – 27 February 2014
27.		PRC	25	4439780	21 February 2009 – 20 February 2019
28.		PRC	25	4439781	21 February 2009 – 20 February 2019
29.		PRC	25	4439783	21 February 2009 – 20 February 2019

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
30.	胜利郎 SHENGLIANG	PRC	25	4439784	7 May 2009 – 6 May 2019
31.	港利郎 GANGLIANG	PRC	25	4439785	28 February 2009 – 27 February 2019
32.	赢利郎 YINGLIANG	PRC	25	4439786	28 February 2009 – 27 February 2019
33.	美利郎 MEILIANG	PRC	25	4439789	7 May 2009 – 6 May 2019
34.	利郎鹰 LILANGYING	PRC	25	4440038	21 February 2009 – 20 February 2019
35.	利郎豹 LILANGBAO	PRC	25	4440039	21 February 2009 – 20 February 2019
36.	利郎虎 LILANGHU	PRC	25	4440040	21 February 2009 – 20 February 2019
37.	利郎龙 LILANGLONG	PRC	25	4440041	28 February 2009 – 27 February 2019
38.	英利郎 YINGLIANG	PRC	25	4440042	21 February 2009 – 20 February 2019
39.	梨郎 LILANG	PRC	25	4440043	21 February 2009 – 20 February 2019
40.	莉郎 LILANG	PRC	25	4440044	21 February 2009 – 20 February 2019
41.	利琅 LILANG	PRC	25	4440045	21 February 2009 – 20 February 2019
42.	立郎 LILANG	PRC	25	4440046	21 February 2009 – 20 February 2019
43.	皇家利郎 HUANGJIALIANG	PRC	25	4440065	21 February 2009 – 20 February 2019
44.	法利郎 FALILANG	PRC	25	4439779	21 April 2009 – 20 April 2019
45.	利郎王子 LILANGWANGZI	PRC	25	4439790	21 November 2008 – 20 November 2018
46.		PRC	25	3433478	14 December 2004 – 13 December 2014

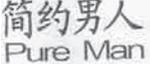
No.	Trademark	Place of registration	Class	Registration number	Duration of validity
47.		PRC	25	3433479	14 December 2004 – 13 December 2014
48.	玉领先生	PRC	25	3458736	14 January 2005 – 13 January 2015
49.	玉领先生	PRC	35 (Note 4)	3458735	28 August 2004 – 27 August 2014
50.	利郎商务服装	PRC	25	3458738	21 January 2005 – 20 January 2015
51.	黎领	PRC	25	3458740	21 January 2005 – 20 January 2015
52.	黎领	PRC	35	3458739	28 August 2004 – 27 August 2014
53.	玉领	PRC	25	3458994	14 February 2005 – 13 February 2015
54.	玉领	PRC	35	3458728	28 August 2004 – 27 August 2014
55.		Hong Kong	25	300158599	14 February 2004 – 13 February 2014
56.		Hong Kong	25	300652987	6 June 2006 – 5 June 2016
57.		Macau	25	N/022792	5 October 2007 – 5 October 2014
58.		PRC	25	4850360	28 April 2009 – 27 April 2019
59.		PRC	34 (Note 5)	5412213	7 April 2009 – 6 April 2019

No.	Trademark	Place of registration	Class	Registration number	Duration of validity
60.	利郎商务休闲	PRC	25	4119685	14 January 2008 – 13 January 2018
61.	利郎商务男装	PRC	25	4119686	14 January 2008 – 13 January 2018
62.		PRC	18	3623672	7 January 2006 – 6 January 2016
63.		PRC	25	3623673	7 January 2006 – 6 January 2016
64.	LILANZ 利郎	Hong Kong	18, 25, 35	301041524	29 January 2008 – 28 January 2018
65.	LILANZ 利郎	Macau	18	N/033904	28 August 2008 – 28 August 2015
66.	LILANZ 利郎	Macau	25	N/033906	28 August 2008 – 28 August 2015
67.	LILANZ 利郎	Macau	35	N/033908	28 August 2008 – 28 August 2015
68.	LILANZ 利郎	Taiwan	18	01341836	16 December 2008 – 15 December 2018
69.	LILANZ 利郎	Taiwan	25	01364601	1 June 2009 – 31 May 2019
70.	LILANZ 利郎	Taiwan	35	01370783	16 July 2009 – 15 July 2019
71.		Macau	18	N/033905	28 August 2008 – 28 August 2015
72.		Macau	25	N/033907	28 August 2008 – 28 August 2015
73.		Macau	35	N/033909	28 August 2008 – 28 August 2015
74.		Taiwan	25	01333213	16 October 2008 – 15 October 2018
75.		Taiwan	18	01341835	16 December 2008 – 15 December 2018
76.		Taiwan	35	01370782	16 July 2009 – 15 July 2019

<u>No.</u>	<u>Trademark</u>	<u>Place of registration</u>	<u>Class</u>	<u>Registration number</u>	<u>Duration of validity</u>
77.		Hong Kong	18, 25, 35	301041533	29 January 2008 – 28 January 2018
78.		Designations under the Madrid Agreement and Protocol (Note 48)	25	986955	1 December 2008 – 1 December 2018
79.		Japan	25	5175681	For a period of 10 years from 24 October 2008
80.		Korea	25	40-0780100	For a period of 10 years from 19 February 2009
81.		The United States of America	25	3588706	For a period of 10 years from 10 March 2009
82.		Germany	25	302008056830	29 August 2008 – 31 August 2018
83.		PRC	25	4257089	28 June 2008 – 27 June 2018

As at the Latest Practicable Date, we had applied for registration of the following trademarks, the registration of each of which has not yet been granted:

<u>No.</u>	<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>	<u>Application number</u>
1.	利郎LELO	PRC	25	22 August 2005	4850361
2.	今利郎 JINLILANG	PRC	25	29 December 2004	4439782
3.	名利郎 MINGLILANG	PRC	25	29 December 2004	4440037
4.	简约而不简单	PRC	9 (Note 6)	29 December 2004	4439605
5.	简约而不简单	PRC	11 (Note 7)	29 December 2004	4439604
6.	简约而不简单	PRC	12 (Note 8)	29 December 2004	4439603
7.	简约而不简单	PRC	18	29 December 2004	4439601
8.	简约而不简单	PRC	23 (Note 9)	29 December 2004	4439600
9.	简约而不简单	PRC	25	29 December 2004	4439598

No.	Trademark	Place of application	Class	Date of application	Application number
10.	简约而不简单	PRC	26	29 December 2004	4439597
11.	简约而不简单	PRC	28 (Note 10)	29 December 2004	4439586
12.	简约而不简单	PRC	32 (Note 11)	29 December 2004	4439585
13.	简约而不简单	PRC	33 (Note 12)	29 December 2004	4439584
14.	简约而不简单	PRC	34	29 December 2004	4439583
15.	简约而不简单	PRC	35	29 December 2004	4439582
16.	简约而不简单	PRC	41 (Note 13)	29 December 2004	4439581
17.	简约而不简单	PRC	42 (Note 14)	29 December 2004	4439580
18.	简约而不简单	PRC	43 (Note 15)	29 December 2004	4439579
19.	简约而不简单	PRC	44 (Note 16)	29 December 2004	4439578
20.	简约而不简单	PRC	45 (Note 17)	29 December 2004	4439577
21.		PRC	25	6 February 2005	4501988
22.		PRC	25	7 February 2005	4503766
23.		PRC	25	20 March 2006	5221763
24.		PRC	25	26 January 2006	5142593
25.		PRC	25	20 March 2006	5221762
26.	利郎	PRC	18	30 April 2006	5327021
27.	利郎	PRC	25	30 April 2006	5327041
28.	LILANG	PRC	18	30 April 2006	5327020
29.	LILANG	PRC	25	30 April 2006	5327040
30.		PRC	18	12 June 2006	5412211

No.	Trademark	Place of application	Class	Date of application	Application number
31.		PRC	25	12 June 2006	5411174
32.		PRC	3 (Note 18)	12 June 2006	5411164
33.		PRC	18	12 June 2006	5411158
34.		PRC	26	12 June 2006	5411165
35.		PRC	28	12 June 2006	5412214
36.		PRC	35	12 June 2006	5412212
37.	利郎商务会所	PRC	35	18 September 2006	5612889
38.	利郎商务时间	PRC	35	18 September 2006	5612888
39.		PRC	25	25 December 2006	5806450
40.		PRC	25	25 December 2006	5805277
41.		PRC	25	16 April 2007	5999893
42.		PRC	25	16 April 2007	5999891
43.		PRC	25	16 April 2007	5999892

<u>No.</u>	<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>	<u>Application number</u>
44.		PRC	25	24 September 2007	6291984
45.		PRC	18	10 December 2007	6427466
46.		PRC	25	2 November 2007	6355052
47.		PRC	35	10 December 2007	6427465
48.		PRC	18	10 December 2007	6427459
49.		PRC	25	10 December 2007	6427458
50.		PRC	35	10 December 2007	6427457
51.		PRC	18	10 December 2007	6427464
52.		PRC	25	10 December 2007	6427463
53.		PRC	35	10 December 2007	6427462
54.		PRC	18	10 December 2007	6427461
55.		PRC	25	10 December 2007	6427460
56.		PRC	18	10 December 2007	6427431
57.		PRC	25	10 December 2007	6427430

No.	Trademark	Place of application	Class	Date of application	Application number
58.		PRC	25	14 December 2007	6436503
59.	 简约 而不简单	PRC	3	14 December 2007	6436497
60.	 简约 而不简单	PRC	18	14 December 2007	6436502
61.	 简约 而不简单	PRC	23	14 December 2007	6436501
62.	 简约 而不简单	PRC	25	14 December 2007	6436500
63.	 简约 而不简单	PRC	26	14 December 2007	6436496
64.	 简约 而不简单	PRC	28	14 December 2007	6436495
65.	 简约 而不简单	PRC	32	14 December 2007	6436499
66.	 简约 而不简单	PRC	33	14 December 2007	6436498

<u>No.</u>	<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>	<u>Application number</u>
67.	 简约而不简单	PRC	34	14 December 2007	6436494
68.	 简约而不简单	PRC	35	14 December 2007	6436513
69.	Lilanz	PRC	18	20 December 2007	6447997
70.	Lilanz	PRC	25	20 December 2007	6447996
71.	Lilanz	PRC	35	20 December 2007	6447995
72.	Lilans	PRC	18	20 December 2007	6448000
73.	Lilans	PRC	25	20 December 2007	6447999
74.	Lilans	PRC	35	20 December 2007	6447998
75.		PRC	35	17 January 2008	6514173
76.		PRC	25	17 January 2008	6514154
77.		PRC	18	17 January 2008	6514155
78.		PRC	1 (Note 19)	10 September 2008	6946791
79.		PRC	2 (Note 20)	10 September 2008	6946790
80.		PRC	3	10 September 2008	6946789
81.		PRC	4 (Note 21)	10 September 2008	6946788

<u>No.</u>	<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>	<u>Application number</u>
82.		PRC	5 (<i>Note 22</i>)	10 September 2008	6946787
83.		PRC	6 (<i>Note 23</i>)	10 September 2008	6946786
84.		PRC	7 (<i>Note 24</i>)	10 September 2008	6946785
85.		PRC	8 (<i>Note 25</i>)	10 September 2008	6946784
86.		PRC	9	10 September 2008	6946783
87.		PRC	10 (<i>Note 26</i>)	10 September 2008	6946782
88.		PRC	11	10 September 2008	6946831
89.		PRC	12	10 September 2008	6946830
90.		PRC	13 (<i>Note 27</i>)	10 September 2008	6946829
91.		PRC	14 (<i>Note 28</i>)	10 September 2008	6946828
92.		PRC	15 (<i>Note 29</i>)	10 September 2008	6946827
93.		PRC	16 (<i>Note 30</i>)	10 September 2008	6946826
94.		PRC	17 (<i>Note 31</i>)	10 September 2008	6946825
95.		PRC	18	17 January 2008	6514158
96.		PRC	19 (<i>Note 32</i>)	10 September 2008	6946824
97.		PRC	20 (<i>Note 33</i>)	10 September 2008	6946823
98.		PRC	21 (<i>Note 34</i>)	10 September 2008	6946822

<u>No.</u>	<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>	<u>Application number</u>
99.		PRC	22 (<i>Note 35</i>)	10 September 2008	6946821
100.		PRC	23	10 September 2008	6946820
101.		PRC	24 (<i>Note 36</i>)	10 September 2008	6946819
102.		PRC	25	17 January 2008	6514157
103.		PRC	26	10 September 2008	6946818
104.		PRC	27 (<i>Note 37</i>)	10 September 2008	6946817
105.		PRC	28	10 September 2008	6946816
106.		PRC	29 (<i>Note 38</i>)	10 September 2008	6946815
107.		PRC	30 (<i>Note 39</i>)	10 September 2008	6946814
108.		PRC	31 (<i>Note 40</i>)	10 September 2008	6946813
109.		PRC	32	10 September 2008	6946812
110.		PRC	33	10 September 2008	6946811
111.		PRC	34	10 September 2008	6946810
112.		PRC	35	17 January 2008	6514156
113.		PRC	36 (<i>Note 41</i>)	10 September 2008	6946809
114.		PRC	37 (<i>Note 42</i>)	10 September 2008	6946808
115.		PRC	38 (<i>Note 43</i>)	10 September 2008	6946807

<u>No.</u>	<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>	<u>Application number</u>
116.		PRC	39 (<i>Note 44</i>)	10 September 2008	6946806
117.		PRC	40 (<i>Note 45</i>)	10 September 2008	6946805
118.		PRC	41	10 September 2008	6946804
119.		PRC	42	10 September 2008	6946803
120.		PRC	43	10 September 2008	6946802
121.		PRC	44	10 September 2008	6946672
122.		PRC	45	10 September 2008	6946673
123.	LILANZ 利郎	PRC	1	10 September 2008	6946674
124.	LILANZ 利郎	PRC	2	10 September 2008	6946675
125.	LILANZ 利郎	PRC	3	10 September 2008	6946676
126.	LILANZ 利郎	PRC	5	10 September 2008	6946677
127.	LILANZ 利郎	PRC	8	10 September 2008	6946678
128.	LILANZ 利郎	PRC	10	10 September 2008	6946679
129.	LILANZ 利郎	PRC	13	10 September 2008	6946680
130.	LILANZ 利郎	PRC	15	10 September 2008	6946681
131.	LILANZ 利郎	PRC	17	10 September 2008	6946662
132.	LILANZ 利郎	PRC	18	17 January 2008	6514161
133.	LILANZ 利郎	PRC	22	10 September 2008	6946663
134.	LILANZ 利郎	PRC	23	10 September 2008	6946664
135.	LILANZ 利郎	PRC	25	17 January 2008	6514160
136.	LILANZ 利郎	PRC	26	10 September 2008	6946632
137.	LILANZ 利郎	PRC	28	10 September 2008	6946665

<u>No.</u>	<u>Trademark</u>	<u>Place of application</u>	<u>Class</u>	<u>Date of application</u>	<u>Application number</u>
138.	LILANZ 利郎	PRC	33	10 September 2008	6946666
139.	LILANZ 利郎	PRC	34	10 September 2008	6946667
140.	LILANZ 利郎	PRC	35	17 January 2008	6514159
141.	LILANZ 利郎	PRC	36	10 September 2008	6946668
142.	LILANZ	PRC	35	4 May 2008	6697434
143.	LILANZ	PRC	25	4 May 2008	6697541
144.	LILANZ	PRC	18	4 May 2008	6697542
145.	 LILANZ 利郎	PRC	35	4 May 2008	6697543
146.	 LILANZ 利郎	PRC	25	4 May 2008	6697544
147.	 LILANZ 利郎	PRC	18	4 May 2008	6697545
148.	 LILANZ 利郎	Italy	25	1 April 2008	PR 2008 C 100
149.	 LILANZ 利郎	France	25	6 June 2008	08/3580455
150.	 LILANZ 利郎	Spain	25	1 April 2008	M2821037-9
151.	 LILANZ 利郎	Singapore	25	13 March 2008	T0803246A
152.	 LILANZ 利郎	The United Kingdom	25	13 March 2008	2482279
153.	 LILANZ 利郎	Australia	25	13 March 2008	1229722
154.	 LILANZ 利郎	India	25	20 March 2008	01667461

Notes:

1. The specific products under class 18 in respect of which the trademark was registered and/or applied for registration are leather and imitations of leather, and goods made of these materials and not included in other classes; animal skins, hides; trunks and travelling bags; umbrellas, parasols and walking sticks; whips, harness and saddlery.
2. The specific products under class 25 in respect of which the trademark was registered and/or applied for registration are clothing, footwear, headgear.
3. The specific products under class 26 in respect of which the trademark was registered and/or applied for registration are lace and embroidery, ribbons and braid; buttons, hooks and eyes, pins and needles; artificial flowers.
4. The specific services under class 35 in respect of which the trademark was registered and/or applied for registration are advertising; business management; business administration; office functions.
5. The specific products under class 34 in respect of which the trademark was applied for registration are tobacco; smokers' articles; matches.
6. The specific products under class 9 in respect of which the trademark was applied for registration are scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.
7. The specific products under class 11 in respect of which the trademark was applied for registration are apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.
8. The specific products under class 12 in respect of which the trademark was applied for registration are vehicles; apparatus for locomotion by land, air or water.
9. The specific products under class 23 in respect of which the trademark was applied for registration are yarns and threads, for textile use.
10. The specific products under class 28 in respect of which the trademark was applied for registration are games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.
11. The specific products under class 32 in respect of which the trademark was applied for registration are beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.
12. The specific products under class 33 in respect of which the trademark was applied for registration are alcoholic beverages (except beers).
13. The specific services under class 41 in respect of which the trademark was applied for registration are education; providing of training; entertainment; sporting and cultural activities.

14. The specific services under class 42 in respect of which the trademark was applied for registration are scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.
15. The specific services under class 43 in respect of which the trademark was applied for registration are services for providing food and drink; temporary accommodation.
16. The specific services under class 44 in respect of which the trademark was applied for registration are medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.
17. The specific services under class 45 in respect of which the trademark was applied for registration are legal services; security services for the protection of property and individuals; personal and social services rendered by others to meet the needs of individuals.
18. The specific products under class 3 in respect of which the trademark was applied for registration are bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations; soaps; perfumery, essential oils, cosmetics, hair lotions; dentifrices.
19. The specific products under class 1 in respect of which the trademark was applied for registration are chemicals used in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; manures; fire extinguishing compositions; tempering and soldering preparations; chemical substances for preserving foodstuffs; tanning substances; adhesives used in industry.
20. The specific products under class 2 in respect of which the trademark was applied for registration are paints, varnishes, lacquers; preservatives against rust and against deterioration of wood; colorants; mordants; raw natural resins; metals in foil and powder form for painters, decorators, printers and artists.
21. The specific products under class 4 in respect of which the trademark was applied for registration are industrial oils and greases; lubricants; dust absorbing, wetting and binding compositions; fuels (including motor spirit) and illuminants; candles and wicks for lighting.
22. The specific products under class 5 in respect of which the trademark was applied for registration are pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.
23. The specific products under class 6 in respect of which the trademark was applied for registration are common metals and their alloys; metal building materials; transportable buildings of metal; materials of metal for railway tracks; non-electric cables and wires of common metal; ironmongery, small items of metal hardware; pipes and tubes of metal; safes; goods of common metal not included in other classes; ores.
24. The specific products under class 7 in respect of which the trademark was applied for registration are machines and machine tools; motors and engines (except for land vehicles); machine coupling and transmission components (except for land vehicles); agricultural implements other than hand-operated; incubators for eggs.
25. The specific products under class 8 in respect of which the trademark was applied for registration are hand tools and implements (hand-operated); cutlery; side arms; razors.

26. The specific products under class 10 in respect of which the trademark was applied for registration are surgical, medical, dental and veterinary apparatus and instruments, artificial limbs, eyes and teeth; orthopedic articles; suture materials.
27. The specific products under class 13 in respect of which the trademark was applied for registration are firearms; ammunition and projectiles; explosives; fireworks.
28. The specific products under class 14 in respect of which the trademark was applied for registration are precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.
29. The specific products under class 15 in respect of which the trademark was applied for registration are musical instruments.
30. The specific products under class 16 in respect of which the trademark was applied for registration are paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.
31. The specific products under class 17 in respect of which the trademark was applied for registration are rubber, gutta-percha, gum, asbestos, mica and goods made from these materials and not included in other classes; plastics in extruded form for use in manufacture; packing, stopping and insulating materials; flexible pipes, not of metal.
32. The specific products under class 19 in respect of which the trademark was applied for registration are building materials (non-metallic); non-metallic rigid pipes for building; asphalt, pitch and bitumen; non-metallic transportable buildings; monuments, not of metal.
33. The specific products under class 20 in respect of which the trademark was applied for registration are furniture, mirrors, picture frames; goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.
34. The specific products under class 21 in respect of which the trademark was applied for registration are household or kitchen utensils and containers; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.
35. The specific products under class 22 in respect of which the trademark was applied for registration are ropes, string, nets, tents, awnings, tarpaulins, sails, sacks and bags (not included in other classes); padding and stuffing materials (except of rubber or plastics); raw fibrous textile materials.
36. The specific products under class 24 in respect of which the trademark was applied for registration are textiles and textile goods, not included in other classes; bed and table covers.
37. The specific products under class 27 in respect of which the trademark was applied for registration are carpets, rugs, mats and matting, linoleum and other materials for covering existing floors; wall hangings (non-textile).

38. The specific products under class 29 in respect of which the trademark was applied for registration are meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats.
39. The specific products under class 30 in respect of which the trademark was applied for registration are coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking-powder; salt, mustard; vinegar, sauces (condiments); spices; ice.
40. The specific products under class 31 in respect of which the trademark was applied for registration are agricultural, horticultural and forestry products and grains not included in other classes; live animals; fresh fruits and vegetables; seeds, natural plants and flowers; foodstuffs for animals, malt.
41. The specific services under class 36 in respect of which the trademark was applied for registration are insurance; financial affairs; monetary affairs; real estate affairs.
42. The specific services under class 37 in respect of which the trademark was applied for registration are building construction; repair; installation services.
43. The specific services under class 38 in respect of which the trademark was applied for registration are telecommunications.
44. The specific services under class 39 in respect of which the trademark was applied for registration are transport; packaging and storage of goods; travel arrangement.
45. The specific services under class 40 in respect of which the trademark was applied for registration are treatment of materials.
46. The descriptions of goods and services covered by the registration may vary according to the trademark practices in different countries. The descriptions of goods and services set out under notes 1 to 45 above should not be viewed as the exact descriptions of goods and services covered by registration of all countries.
47. This mark has been registered in Albania, Algeria, Antigua and Barbuda, Armenia, Australia, Austria, Azerbaijan, Belarus, Benelux, Bhutan, Bosnia and Herzegovina, Bulgaria, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Denmark, Egypt, Estonia, Finland, France, Germany, Georgia, Greece, Hungary, Iceland, Ireland, Islamic Republic of Iran, Italy, Japan, Kazakhstan, Kenya, Kyrgyzstan, Latvia, Lesotho, Liberia, Liechtenstein, Lithuania, Monaco, Mongolia, Morocco, Mozambique, Netherlands Antilles, Norway, Poland, Portugal, Republic of Korea, Republic of Moldova, Romania, Russian Federation, San Marino, Serbia and Montenegro, Sierra Leone, Singapore, Slovakia, Slovenia, Spain, Sudan, Swaziland, Sweden, Switzerland, Tajikistan, The former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, United Kingdom, United States of America, Uzbekistan, Viet Nam and Zambia through designations under the Madrid Agreement and Protocol.
48. This mark has been registered in Albania, Antigua and Barbuda, Armenia, Austria, Azerbaijan, Bahrain, Belarus, Benelux, Bhutan, Botswana, Bulgaria, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Denmark, Estonia, Finland, Georgia, Greece, Hungary, Iceland, Ireland, Islamic Republic of Iran, Kenya, Kyrgyzstan, Latvia, Lesotho, Liechtenstein, Lithuania, Monaco, Mongolia, Montenegro, Morocco, Mozambique, Namibia, Netherlands Antilles, Norway, Poland, Portugal, Republic of Moldova, Romania, Russian Federation, San Marino, Serbia, Sierra Leone, Slovakia,

Slovenia, Sultanate of Oman, Swaziland, Sweden, Switzerland, Syrian Arab Republic, The former Yugoslav Republic of Macedonia, Turkey, Turkmenistan, Ukraine, Uzbekistan, Viet Nam and Zambia through designations under the Madrid Agreement and Protocol.

(c) *Domain Name*

As at the Latest Practicable Date, we had registered the following domain name:

<u>Domain name</u>	<u>Expiry date</u>
lilang.mobi	12 June 2010
lilanz.hk	16 June 2010
中国利郎.cn	23 September 2009
中國利郎.cn	23 September 2009
中国利郎. 中国	23 September 2009
中國利郎. 中国	23 September 2009
利郎西服.cn	23 September 2009
利郎西服. 中国	23 September 2009
lilang.name	25 April 2010
利郎男装.cn	24 October 2010
利郎男装.cn	24 October 2010
利郎男装. 中国	24 October 2010
利郎男装. 中国	24 October 2010
简约.cn	30 October 2010
簡約.cn	30 October 2010
简约.中国	30 October 2010
簡約.中国	30 October 2010
商务男装.com	30 October 2010
商务男装.cn	30 October 2010
商務男装.cn	30 October 2010
商务男装.中国	30 October 2010
商務男装.中国	30 October 2010

<u>Domain name</u>	<u>Expiry date</u>
利郎男装.公司	30 October 2010
利郎男装.公司	30 October 2010
利郎男装.公司.cn	30 October 2010
利郎男装.公司.cn	30 October 2010
利郎.com	7 November 2010
lilanz.com	8 November 2010
lilanz.net	8 November 2010
lilanz.com.cn	8 November 2010
lilanz.cn	8 November 2010
lilanz.mobi	8 November 2010
lilang.com.cn	18 November 2010
lilang.com	15 December 2010
简约男人.cn	27 March 2011
簡約男人.cn	27 March 2011
简约男人.中国	27 March 2011
簡約男人.中国	27 March 2011
简约风暴.cn	27 March 2011
簡約風暴.cn	27 March 2011
简约风暴.中国	27 March 2011
簡約風暴.中国	27 March 2011
lilang.cn	28 April 2011
利郎.cn	18 August 2011
利郎.中国	18 August 2011

(d) Internet keywords

As at the Latest Practicable Date, we had registered the following internet keywords:

<u>Internet keywords</u>	<u>Expiry date</u>
利郎	22 November 2010
中国利郎	31 October 2010
中國利郎	31 October 2010
简约男人	31 October 2010
簡約男人	31 October 2010

(e) Wireless keywords

As at the Latest Practicable Date, we had registered the following wireless keywords:

<u>Wireless keywords</u>	<u>Expiry date</u>
利郎	13 September 2009
lilanz	10 June 2011

11. Connected transactions and party transactions

Save as disclosed in this prospectus headed “Business” and in note 31 to our consolidated financial statements included in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**12. Directors***(a) Disclosure of interests of the Directors*

Each of the Wang Brothers, Mr. Cai Rong Hua, Mr. Hu Cheng Chu, Mr. Wang Ru Ping, Mr. Pan Rong Bin is interested in the Reorganisation.

Save as disclosed in this prospectus, none of the Directors or their associates were engaged in any dealings with us during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Executive Directors

Each of the Wang Brothers, Mr. Cai Rong Hua, Mr. Hu Cheng Chu, Mr. Wang Ru Ping and Mr. Pan Rong Bin, being all the executive Directors, has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial fixed term of three years with effect from 4 September 2009, which shall be renewed and extended automatically for successive terms of one year upon expiry of the then current term until terminated by either party by giving not less than six months' written notice expiring at the end of the initial term of their appointment or any time thereafter to the other.

With effect from the Listing Date, each of these executive Directors is entitled to the respective basic salary set out below (subject to an annual increment after 1 January 2010 at the discretion of the Directors of not more than 8% of the annual salary immediately prior to such increase). Upon completion of every 12-month period of the terms of the service contract, each of these executive Directors shall be entitled to a guaranteed year-end bonus of an amount equivalent to his salary for one month, provided that, if any such executive Director does not complete a full 12-month period of the term of his service contract at the time of payment of such bonus, he shall be entitled to a rateable proportion (apportioned on a time basis) of the guaranteed year end bonus which he would have received had he completed a whole 12-month term.

In addition, with effect from the Listing Date, each of the executive Directors is also entitled to a discretionary management bonus in such sum as the Board may in its absolute discretion determine provided that the aggregate amount of bonuses payable to all the executive Directors for any financial year of our Company shall not exceed 5% of the audited consolidated or combined net profit attributable to the shareholders of us (after taxation and minority interests and payment of such bonuses but before extraordinary or exceptional items) in respect of that financial year of our Company. An executive Director may not vote on any resolution of the Directors regarding the amount of management bonus payable to him.

The current basic annual salaries of the executive Directors payable under their service contracts (inclusive of the said guaranteed year-end bonus) are as follows:

<u>Name</u>	<u>Annual salary (RMB)</u>
Mr. Wang Dong Xing	1,040,000
Mr. Wang Liang Xing	1,300,000
Mr. Wang Cong Xing	780,000
Mr. Cai Rong Hua	585,000
Mr. Hu Cheng Chu	585,000
Mr. Wang Ru Ping	585,000
Mr. Pan Rong Bin	585,000

Independent non-executive Directors

Each of the independent non-executive Directors has been appointed for an initial term of two years commencing from 4 September 2009, which shall be renewed and extended automatically for successive terms of two years upon expiry of the then current term until terminated by either party giving not less than three months' written notice expiring at the end of the initial term of their appointment or any time thereafter to the other. The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of the independent non-executive Directors is entitled to a director's fee of RMB200,000 per annum with effect from the Listing Date. Save for directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

- (i) The aggregate emoluments paid and benefits in kind granted by us to the Directors in respect of the financial year ended 31 December 2008 were approximately RMB2,510,000.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by us to and benefits in kind receivable by the Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2009 are expected to be approximately RMB3,640,000.

- (iii) None of the Directors or any past directors of any member of us has been paid any sum of money for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a director of any member of us or of any other office in connection with the management of the affairs of any member of us.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009.

(d) Interests and short positions of Directors in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the Global Offering and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, will be as follows:

<u>Name of Director</u>	<u>Name of Group member/associated corporation</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities (Note 1)</u>	<u>Approximate percentage of shareholding</u>
Mr. Wang Dong Xing	The Company	Beneficial owner	22,950,000 Shares (L)	1.90%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 Shares of US\$1.00 each (L)	25.5%
Mr. Wang Liang Xing	The Company	Beneficial owner	22,950,000 Shares (L)	1.90%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 Shares of US\$1.00 each (L)	25.5%
Mr. Wang Cong Xing	The Company	Beneficial owner	22,950,000 Shares (L)	1.90%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 Shares of US\$1.00 each (L)	25.5%

<u>Name of Director</u>	<u>Name of Group member/associated corporation</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities (Note 1)</u>	<u>Approximate percentage of shareholding</u>
Mr. Cai Rong Hua	The Company	Beneficial owner	7,200,000 Shares (L)	0.60%
	Xiao Sheng International (Note 2)	Beneficial owner	800 Shares of US\$1.00 each (L)	8%
Mr. Hu Cheng Chu	The Company	Beneficial owner	4,500,000 Shares (L)	0.38%
	Xiao Sheng International (Note 2)	Beneficial owner	500 Shares of US\$1.00 each (L)	5%
Mr. Wang Ru Ping	The Company	Beneficial owner	2,700,000 Shares (L)	0.23%
	Xiao Sheng International (Note 2)	Beneficial owner	300 Shares of US\$1.00 each (L)	3%
Mr. Pan Rong Bin	The Company	Beneficial owner	2,700,000 Shares (L)	0.23%
	Xiao Sheng International (Note 2)	Beneficial owner	300 Shares of US\$1.00 each (L)	3%

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 25.5% by each of the Wang Brothers, 8% by Mr. Cai Rong Hua, 5% by Hu Cheng Chu, 3% by each of Wang Ru Ping and Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.

13. Interest discloseable under the SFO and substantial shareholders

So far as is known to the Directors, immediately following completion of the Global Offering and the Capitalisation Issue (but without taking account of any Shares which may be taken up or acquired under the Global Offering and any Shares which may be allotted, and issued upon the exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed “Interests and short positions of the Directors in the shares, underlying shares or debentures of our Company and our associated corporations” above, the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2

and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of us:

<u>Name of shareholder</u>	<u>Company/Name of Group member</u>	<u>Capacity/nature of interest</u>	<u>Number and class of securities (Note 1)</u>	<u>Approximate percentage of shareholding</u>
Xiao Sheng International	The Company	Beneficial owner	661,500,000 Shares (L) (Note 2)	55.13%
Ming Lang Investments	The Company	Beneficial owner	148,500,000 Shares (L) (Note 3)	12.38%

Notes:

- (1) The letter “L” denotes the person’s long position in the shares of our Company or the relevant Group member.
- (2) These Shares will be held by Xiao Sheng International. Xiao Sheng International is owned as to 25.5% by each of the Wang Brothers, 8% by Mr. Cai Rong Hua, 5% by Hu Cheng Chu, 3% by each of Wang Ru Ping and Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.
- (3) These Shares will be held by Ming Lang Investments. Ming Lang Investments is owned as to 25.5% by each of the Wang Brothers, 8% by Mr. Cai Rong Hua, 5% by Hu Cheng Chu, 3% by each of Wang Ru Ping and Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.

14. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering and the Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of us;
- (b) none of the Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have

under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

- (c) none of the Directors nor any of the parties listed in the paragraph 24 below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of us nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors nor any of the parties listed in the paragraph 24 below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of us; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 24 below:
 - (i) is interested legally or beneficially in any securities of any member of us; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of us.

OTHER INFORMATION

15. Pre-IPO Share Option Scheme

(a) Summary of terms

The purpose of the Pre-IPO Share Option Scheme is to recognise and reward the contribution of certain directors, senior management, employees, consultants and advisers of our Group to the growth and development of our Group and the listing of the Shares on the Main Board. The principal terms of the Pre-IPO Share Option Scheme adopted by a resolution in writing passed by all Shareholders on 12 September 2008 are similar to the terms of the Share Option Scheme except that:

- (i) the classes of eligible participants are different from that provided in paragraph 16 (a)(ii);
- (ii) the subscription price for Shares under the Pre-IPO Share Option Scheme is determined at the discretion of the Directors and is not required to be subject to the restrictions under Chapter 17 of the Listing Rules;

- (iii) the general scheme limit, the individual limit applicable to each proposed grantee and the restrictions on grant of options to a connected person as referred to in paragraphs 16 (a)(iv)(bb), 16(a)(v) and 16(a)(vi), respectively, do not apply;
- (iv) the rules of the Pre-IPO Share Option Scheme were adopted unconditionally by a resolution in writing passed by all Shareholders on 12 September 2008, but the exercise of any option granted thereunder is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme within 30 days after the date of this prospectus, failing which such options granted and the Pre-IPO Share Option Scheme shall forthwith lapse, and the exercise period of options granted may not commence earlier than the first day immediately following the expiry of six months after the Listing Date;
- (v) the Directors may only grant options under the Pre-IPO Share Option Scheme at any time within a period commencing from 12 September 2008 and ending on the Latest Practicable Date;
- (vi) any offer of option made by the Directors under the Pre-IPO Share Option Scheme shall be open for acceptance for a period of up to the earlier of 21 days from the relevant offer date or the Latest Practicable Date;
- (vii) in the event of a capitalisation of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company while an option remains exercisable or the Pre-IPO Share Option Scheme remains in effect, the number or nominal amount of Shares to which the Pre-IPO Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option granted under the Pre-IPO Share Option Scheme is subject to adjustments on terms similar to that of the Share Option Scheme as referred to in paragraph 16(a)(xix) below, except that the requirement for a written confirmation from the auditors or independent financial adviser to the Directors that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules as stated in paragraph 16(a)(xix) is not applicable to the Pre-IPO Share Option Scheme and options granted thereunder.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

On 4 September 2009, options to subscribe for an aggregate of 9,611,100 Shares at 80% of the final Offer Price were granted by us to 76 of our senior management and employees under the Pre-IPO Share Option Scheme and all of these options were outstanding as at the Latest Practicable Date. Such options, if exercised in full, will

represent approximately 0.79% of the share capital of our Company immediately after completion of the Global Offering and the Capitalisation Issue and as enlarged by the issue of Shares pursuant to the exercise of all options granted under the Pre-IPO Share Option Scheme, but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme. A nominal consideration of HK\$1 had been paid by each grantee on acceptance of the options so granted. The options so granted are personal to the relevant grantees and shall not be transferable or assignable. The Directors confirm that no further option has been or will be granted under the Pre-IPO Share Option Scheme prior to the Latest Practicable Date and after the Listing Date.

(b) Outstanding options granted under the Pre-IPO Share Option Scheme

None of the directors of our Company and our subsidiaries had been granted options under the Pre-IPO Share Option Scheme.

Detail terms of the options which have been granted under the Pre-IPO Share Option Scheme and which remained outstanding as at the Latest Practicable Date are set out below:

<u>Name of grantee (position in our Group) (Note 1)</u>	<u>Residential address of grantee</u>	<u>The date on which the grantee joined our Group</u>	<u>Number of underlying Shares under the option and exercise period (see notes)</u>	<u>Approximate percentage of shareholding held upon exercise of all the options (Note 2)</u>
Senior management				
Ji Wen Bo (Chief fashion designer of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	4 October 2001	2,646,956 (Note 5)	0.219%
Lin Yi-Chieh (Head of the CEO office of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	7 June 2007	132,348 (Note 3)	0.011%
Shi Mei Ya (Head of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 August 1998	317,634 (Note 3)	0.026%
Yu Cheeric (Chief financial officer of our Group, and company secretary of our Company)	18G, Tower 6 Island Harbourview 11 Hoi Fan Road Tai Kok Tsui Kowloon	18 August 2008	397,043 (Note 3)	0.033%
Ji Sheng (Vice President of the administration and human resources department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	8 June 2009	132,348 (Note 4)	0.011%
Zhang Yu Feng (Head of marketing in the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	27 August 2007	105,878 (Note 3)	0.009%

<u>Name of grantee (position in our Group) (Note 1)</u>	<u>Residential address of grantee</u>	<u>The date on which the grantee joined our Group</u>	<u>Number of underlying Shares under the option and exercise period (see notes)</u>	<u>Approximate percentage of shareholding held upon exercise of all the options (Note 2)</u>
Chen Zhi Mei (Assistant to vice president of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	8 June 2001	317,634 (Note 3)	0.026%
Zhuang Zhi Han (Deputy financial officer of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 September 2008	105,878 (Note 4)	0.009%
Huang Ming Hai (Assistant to the chief financial officer of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	24 April 1995	264,695 (Note 3)	0.022%
<i>Other employees</i>				
Wan Guo Qing (Senior consultant of the CEO office of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	10 October 2000	449,983 (Note 3)	0.037%
Qiu Qin Qi (Assistant to vice chairman of our Company)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	24 April 1995	397,043 (Note 3)	0.033%
Yiu Hau Ming (Finance and administrative manager of Lilang International)	Room B, 8th Floor, Block 1 Kong Chian Tower, 351 Des Voeux Road West, Sai Wan, Hong Kong	23 March 2004	105,878 (Note 3)	0.009%
Yang Fan (Department head of human resources department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 August 2008	79,409 (Note 4)	0.007%
Zhao Yu (Head of the Group's Shanghai product development and planning centre)	Room 2202, Block 11, 309 Donghanyang Road, Hongkou District, Shanghai	20 June 2009	105,878 (Note 4)	0.009%
Lai Bang Fa (Senior employee of the marketing and planning department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 October 2001	105,878 (Note 3)	0.009%
Lin Jin Wen (Senior employee of the marketing and retail department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	12 March 2006	105,878 (Note 3)	0.009%
Guan Hai Wen (Department head of the information technology department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 April 2000	238,226 (Note 3)	0.02%
Fu Hua Li (Department head of the research and development management department, product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	24 April 1995	66,174 (Note 3)	0.005%

Name of grantee (position in our Group) (Note 1)	Residential address of grantee	The date on which the grantee joined our Group	Number of underlying Shares under the option and exercise period (see notes)	Approximate percentage of shareholding held upon exercise of all the options (Note 2)
Chen Guo Zhong (Assistant to the president of supply chain management committee of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	14 June 2005	79,409 (Note 3)	0.007%
Zhao Peng (Department head of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	23 February 2007	79,409 (Note 3)	0.007%
Luo Xiao Lan (Assistant to Vice President of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	18 September 2000	264,695 (Note 3)	0.022%
Wu Ping Sheng (Assistant to head of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 June 2004	66,174 (Note 3)	0.005%
Xu Li Da (Senior employee of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 January 1998	39,704 (Note 3)	0.003%
Cai Tuan Zhu (Deputy department head of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	3 April 2007	66,174 (Note 3)	0.005%
Liu Yu Yu (Deputy department head of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	13 November 1998	66,174 (Note 3)	0.005%
Li Bo (Senior employee of the tailor ordering department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	2 April 2008	52,939 (Note 3)	0.004%
Tu Hairong (Senior employee of the human resources department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	20 October 2008	39,704 (Note 3)	0.003%
Zhu Mei Ling (Senior employee of the human resources department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	20 May 2006	26,470 (Note 3)	0.002%
Wu Yi Feng (Department head of the administration department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 September 2007	52,939 (Note 3)	0.004%
Deng Li (Senior employee of the administration department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	14 May 2008	26,470 (Note 3)	0.002%
Lan Yi Qiang (Senior employee of the administration department of the Wuli Industrial Park)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	21 September 2007	26,470 (Note 3)	0.002%

<u>Name of grantee (position in our Group) (Note 1)</u>	<u>Residential address of grantee</u>	<u>The date on which the grantee joined our Group</u>	<u>Number of underlying Shares under the option and exercise period (see notes)</u>	<u>Approximate percentage of shareholding held upon exercise of all the options (Note 2)</u>
Fu Yuan Chan (Senior employee of the information technology department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	19 May 2005	39,704 (Note 3)	0.003%
Yao Wen Qiao (Senior employee of the information technology department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	3 January 2005	26,470 (Note 3)	0.002%
Liu Fu Chu (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 April 2001	66,174 (Note 3)	0.005%
Liu Cheng Sheng (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	11 February 2004	39,704 (Note 3)	0.003%
Hu Gui Bing (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	10 May 2005	39,704 (Note 3)	0.003%
Zhang Xue Bao (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	16 February 2006	39,704 (Note 3)	0.003%
Zeng Ling Jian (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	27 February 2006	39,704 (Note 3)	0.003%
Yuan Jun Liang (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	20 February 2006	39,704 (Note 3)	0.003%
Huang Guo Wen (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	2 March 2007	39,704 (Note 3)	0.003%
Huang Bin (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	6 March 2007	52,939 (Note 3)	0.004%
Jiang Ming Jie (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	30 December 2005	52,939 (Note 3)	0.004%
Zhu Shi Zhong (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	9 February 2004	52,939 (Note 3)	0.004%
Yang Ming (Senior employee of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	17 August 2002	39,704 (Note 3)	0.003%
He Zhou Xiang (Senior employee of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	10 May 2004	277,929 (Note 3)	0.023%

<u>Name of grantee (position in our Group) (Note 1)</u>	<u>Residential address of grantee</u>	<u>The date on which the grantee joined our Group</u>	<u>Number of underlying Shares under the option and exercise period (see notes)</u>	<u>Approximate percentage of shareholding held upon exercise of all the options (Note 2)</u>
Zhou Run Zhi (Senior employee of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	28 October 2002	79,409 (Note 3)	0.007%
Bao Mei (Senior employee of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 January 2004	79,409 (Note 3)	0.007%
Fang Guo Bin (Senior employee of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 February 2002	26,470 (Note 3)	0.002%
Han Ping (Senior employee of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	25 October 2007	39,704 (Note 3)	0.003%
Li Ling Ling (Senior employee of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	22 April 2006	26,470 (Note 3)	0.002%
Wu Zhong Bao (Senior employee of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	5 July 2005	26,470 (Note 3)	0.002%
Qiu Xiao Hong (Senior employee of the sales and marketing department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	27 March 2006	26,470 (Note 3)	0.002%
Lai Li Sen (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 July 2003	26,470 (Note 3)	0.002%
Yang Lian Zhu (Senior employee of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	5 June 1996	26,470 (Note 3)	0.002%
Ye Mou Jin (Senior employee of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 August 2000	26,470 (Note 3)	0.002%
Chen Qiu Mei (Senior employee of the factory affairs department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 March 2002	26,470 (Note 3)	0.002%
Lin Li Ming (Senior employee of the CEO office of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 January 2000	198,522 (Note 3)	0.016%
Xu Ling Ling (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	24 August 2003	26,470 (Note 3)	0.002%

<u>Name of grantee (position in our Group) (Note 1)</u>	<u>Residential address of grantee</u>	<u>The date on which the grantee joined our Group</u>	<u>Number of underlying Shares under the option and exercise period (see notes)</u>	<u>Approximate percentage of shareholding held upon exercise of all the options (Note 2)</u>
Yin Jun (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	11 August 2005	26,470 (Note 3)	0.002%
Wu Guo Yin (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	11 February 2006	52,939 (Note 3)	0.004%
Zheng Ya Ping (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	26 February 2007	26,470 (Note 3)	0.002%
Zeng Qing Bo (Senior employee of the supply chain management committee of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	25 July 2005	26,470 (Note 3)	0.002%
Li Wei Peng (Senior employee of the product management department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	14 April 2006	26,470 (Note 3)	0.002%
Wu Bo En (Senior employee of the group ordering department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 September 1999	26,470 (Note 3)	0.002%
Tu Lian Huan (Senior employee of the group ordering department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	24 April 1995	21,176 (Note 3)	0.002%
Zhang Bo (Senior employee of the group ordering department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	29 March 2005	21,176 (Note 3)	0.002%
Zhan Jian Feng (Senior employee of the engineering department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 December 2003	26,470 (Note 3)	0.002%
Liu Yun Qiang (Senior employee of the production department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	24 April 1996	26,470 (Note 3)	0.002%
Wang Xiao Ling (Senior employee of the finance department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 December 1997	211,756 (Note 3)	0.018%
Yuan Xiao Ting (Senior employee of the finance department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	8 June 2001	26,470 (Note 3)	0.002%
Li Cheng Xiang (Senior employee of the finance department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	14 May 2007	21,176 (Note 3)	0.002%
Lin Wei Qing (Senior employee of the finance department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	1 July 2003	79,409 (Note 3)	0.007%

<u>Name of grantee (position in our Group) (Note 1)</u>	<u>Residential address of grantee</u>	<u>The date on which the grantee joined our Group</u>	<u>Number of underlying Shares under the option and exercise period (see notes)</u>	<u>Approximate percentage of shareholding held upon exercise of all the options (Note 2)</u>
Wang Chang Li (Senior employee of the finance department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	12 June 2006	66,174 (Note 3)	0.005%
Cheng Li Ying (Senior employee of the finance department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	21 April 2000	211,756 (Note 3)	0.018%
Xu Tian Song (Senior employee of the finance department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	12 April 2005	248,814 (Note 3)	0.021%
Chen Jiang Huai (Senior employee of the finance department of our Group)	Block A, Lilang Building, No. 200 Chang Xing Road, Jinjiang, Fujian	3 November 2006	21,176 (Note 3)	0.002%
Total:			<u>9,611,100</u>	<u>0.79%</u>

Notes:

- Each grantee has undertaken to us that he/she will comply with all applicable laws, legislation and regulations (including all applicable exchange control, fiscal and other laws to which he/she is subject) in connection with the acceptance of the grant of his/her option, the holding and exercise of his/her option in accordance with the rules of the Pre-IPO Share Option Scheme, the allotment and issue of Shares to him/her upon exercise of his/her option and the holding of such Shares.
- These percentages are calculated on the basis of 1,209,611,100 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (as enlarged by the exercise in full of all the options granted under the Pre-IPO Share Option Scheme) but does not take into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, and assuming that all the options granted under the Pre-IPO Share Option Scheme are exercised in full at the same time.
- These options are exercisable by the relevant grantees during the period commencing from the day immediately following the expiry of one year period after the Listing Date, and ending on the day falling six years after the Listing Date, during which, (a) up to 30% of the options granted may be exercised on or prior to the end of the second year after the Listing Date; (b) subject to (a), up to 60% of the options granted may be exercised on or prior to the end of the third year after the Listing Date; 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.
- These options are exercisable by the relevant grantees during the period commencing from the day immediately following the expiry of two year period after the Listing Date, and ending on the day falling seven years after the Listing Date, during which, (a) up to 30% of the options granted may be exercised on or prior to the end of the third year after the Listing Date; (b)

subject to (a), up to 60% of the options granted may be exercised on or prior to the end of the fourth year after the Listing Date; 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.

- These options are exercisable by the grantee during the period commencing from the day immediately following the expiry of three year period after the Listing Date, and ending on the day falling eight years after the Listing Date, during which, (a) up to 30% of the options granted may be exercised on or prior to the end of the fourth year after the Listing Date; (b) subject to (a), up to 60% of the options granted may be exercised on or prior to the end of the fifth year after the Listing Date; 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.

The exercise of the options granted under the Pre-IPO Share Option Scheme will result in the dilution of the percentage interest in Shares of the then Shareholders and the earning per Share at the time of such our exercise. The following table illustrates the potential dilution effect on the shareholding of our Company upon completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised) in respect of the exercise of options granted under the Pre-IPO Share Option Scheme. The exercise of the options granted under the Pre-IPO Share Option Scheme will not result in the number of Shares in hands of public falling below the prescribed minimum percentage of 25%.

<i>Shareholders (Note)</i>	Number of Shares in issue after the Global Offering and the Capitalisation Issue	Approximate percentage	Number of Shares in issue after the exercise of the options granted under the Pre- IPO Share Option Scheme	Approximate percentage
Xiao Sheng International.	661,500,000	55.13%	661,500,000	54.69%
Ming Lang Investments . . .	148,500,000	12.38%	148,500,000	12.28%
Wang Brothers	68,850,000	5.70%	68,850,000	5.70%
Management and Other Shareholders	21,150,000	1.79%	21,150,000	1.74%
Grantees of share options	0	0%	9,611,100	0.79%
Other public Shareholders	300,000,000	25.00%	300,000,000	24.80%
	1,200,000,000	100%	1,209,611,100	100%

Note: Details of the Shareholders are described in the paragraph headed “Corporate Structure” under the section headed “History and Development” in this prospectus.

Save for Mr. Yiu Hau Ming, a director of one of our subsidiaries and the nephew of the Wang Brothers, who is a connected person (as defined in the Listing Rules) of our Company, none of the other grantees under the Pre-IPO Share Option Scheme are connected persons of the Company. As a condition to the grant of options to subscribe for an aggregate of 105,878 Shares, Mr. Yiu has undertaken not to exercise such options if such exercise would result in our Company failing to comply with the minimum public float requirements under Rule 8.08 of the Listing Rules.

16 Share Option Scheme

(a) Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by the then Shareholders on 4 September 2009:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, the Directors and other selected participants for their contributions to us. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of us so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(ii) Who may join

The Directors may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“Invested Entity”) in which any member of us holds an equity interest;
- (bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of us or any Invested Entity;
- (dd) any customer of any member of us or any Invested Entity;
- (ee) any person or entity that provides research, development or other technological support to any member of us or any Invested Entity;

- (ff) any shareholder of any member of us or any Invested Entity or any holder of any securities issued by any member of us or any Invested Entity;
- (gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of us or any Invested Entity;
- (hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of us;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

For avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of us to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to an offer for the grant of any option shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his contribution to the development and growth of us.

(iii) Maximum number of the Shares

- (aa) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by us must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.
- (bb) The total number of the Shares which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of us) to be granted under the Share Option Scheme and any other share option scheme of us must not in aggregate exceed 10% of the Shares in issue on the Listing Date, being 120,000,000 Shares ("General Scheme Limit").
- (cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of us

must not exceed 10% of the Shares in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of us) previously granted under the Share Option Scheme and any other share option scheme of us will not be counted. The circular sent by our Company to the Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

- (dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of us (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of our Company with such grantee and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(v) Grant of options to the Directors, chief executive or substantial shareholders of our Company or their respective associates

- (aa) Any grant of options under the Share Option Scheme to a Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who or whose associates is the proposed grantee of the options).

(bb) Where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the date of each offer for the grant, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders in general meeting. Our Company must send a circular to the Shareholders. All connected persons of our Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by the Shareholders in general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(viii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of the Shares

The Shares allotted and issued upon the exercise of an option will be subject to all the provisions of the articles of association of our Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been entered on the register of members of our Company as the holder thereof.

Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(x) Restrictions on the time of the offer for the grant of options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (bb) the deadline for our Company to publish an announcement of our results for any year, half-year under the Listing Rules, or quarterly or any

other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, no offer for the grant of options may be made.

The Directors may not make any offer for the grant of option to a participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(xi) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(xii) Rights on ceasing employment

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and shall not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not.

Eligible Employee means any employee (whether full time or part time employee, including any executive director but not any non-executive director) of our Company, any of our subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with us or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or us or the Invested Entity into disrepute), his option (to the extent not already exercised) will lapse automatically on the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (aa) (1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and us or any Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of us by reason of the cessation of its relations with us or by other reason whatsoever; and (bb) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above, his option will lapse automatically on the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, revised offer) closed or the relevant date for entitlements under such scheme of arrangement, as the case may be.

(xvii) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolutions to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(xviii) Grantee being a company wholly owned by eligible participants

If the grantee is a company wholly owned by one or more eligible participants:

- (aa) sub-paragraphs (xii), (xiii), (xiv) and (xv) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant eligible participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (xii), (xiii), (xiv) and (xv) shall occur with respect to the relevant eligible participant; and
- (bb) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant eligible participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(xix) Adjustments to the subscription price

In the event of a capitalisation issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company while an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to the number or nominal amount of Shares to which the Share Option Scheme or any option relates (insofar as it is/they are unexercised) and/or the subscription price of the option concerned and/or (unless the grantee of the option elects to waive such adjustment) the number of Shares comprised in an option or which remains comprised in an option, provided that

(aa) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (bb) the issue of Shares or other securities of us as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (cc) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (dd) any adjustment must be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(xx) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee and the approval of the Directors.

When our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by the Shareholders pursuant sub-paragraphs (iii) (cc) and (dd) above.

(xxi) Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(xxii) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable.

(xxiii) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the option period in respect of such option;
- (bb) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi), (xvii) and (xviii); and

- (cc) the date on which the Directors exercise our Company's right to cancel the option by reason of a breach of paragraph (xxii) above by the grantee.

(xxiv) Miscellaneous

- (aa) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.
- (bb) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of the Shareholders in general meeting.
- (cc) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (dd) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (ee) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the shareholders of our Company in general meeting.

(b) Present status of the Share Option Scheme

(i) Approval of the Listing Committee required

The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number being not less than that of the General Scheme Limit.

(ii) Application for approval

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(iii) Grant of option

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(iv) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

17. Estate duty, tax and other indemnities

Xiao Sheng International, Ming Lang Investments and the Wang Brothers (the “Indemnifiers”) have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (d) referred to in paragraph 9 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (i) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;
- (ii) tax liabilities (including all fines, penalties, costs, charges, expenses and interests, incidental and relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not the tax liabilities are chargeable against or attributable to any other person, firm, company or corporation, provided that the Indemnifiers are under no liability under the deed of indemnity in respect of any taxation:
 - (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 30 June 2009;

- (b) to the extent that such taxation or liability falling on any of the members of us in respect of any accounting period commencing on or after 1 July 2009 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:
- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 July 2009; and
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 30 June 2009 or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation authority of the PRC, or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the deed of indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the deed of indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 30 June 2009 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter;
- (iii) all claims, damages, losses, costs, expenses, actions and proceedings (if any) (collectively, "**Social Insurance Claims**") arising out of or in connection with any non-compliance or alleged non-compliance by any members of our Group with any applicable PRC laws and regulations in relation to our Group's contributions to social security insurance funds in the PRC on or before the Listing Date, provided that the Indemnifiers shall be under no liability under the deed of indemnity in respect of any such claims, damages, losses, costs, expenses, actions and proceedings:
- (a) to the extent that provision or reserve has been made for such Social Insurance Claims in the audited accounts of any members of our Group for any accounting period up to 30 June 2009; or

- (b) to the extent that any provision or reserve made for such Social Insurance Claims in the audited accounts of any members of our Group for any accounting period up to 30 June 2009 which is finally established to be over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such Social Insurance Claims shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this item (b) to reduce the Indemnifiers' liability in respect of Social Insurance Claims shall not be available in respect of any such liability arising thereafter.

Our wholly-owned subsidiary, Lilang Fujian, entered into various inter-enterprise financing activities in the PRC (including its borrowing for the sum of RMB1.4 million from 晉江市豐川包裝有限公司 (Jinjiang Fengchuan Packing Co., Ltd.)) which contravened certain regulations relating to bank financing in the PRC, particularly the 貸款通則 (Lending Regulations) as promulgated by the PBOC. Please see "Appendix I — Accountants' Report" for further details. As advised by our PRC legal adviser, we may be subject to a minimum penalty equal to the amount of interest we received from any loan or cash advance made by us and a maximum penalty equal to five times the interest we received from any loan or cash advance made by us. In addition, we may be required to pay a penalty equal to prevailing lending rate charged by banks in the PRC on the amount borrowed from Jinjiang Fengchuan Packing Co., Ltd.

As advised by our PRC legal adviser, given that all the inter-enterprise loans and cash advances have been settled and that there has not been any legal disputes in respect of such loans or cash advances, the risk that our Group will be subject to penalties resulting from such loans or cash advances in contravention of PRC bank financing regulations is minimal. Nevertheless, the Indemnifiers have agreed to provide indemnities on a joint and several basis in respect of all claims, damages, losses, costs, expenses, actions and proceedings arising out of or in connection with any contravention of the applicable PRC bank financing regulations arising out of these financing activities.

Under the deed of indemnity, the Indemnifiers have also undertaken to us on a joint and several basis that they will indemnify and at all times keep us fully indemnified on demand from and against all losses, damages, costs and expenses arising out of or in connection with (i) any non-compliance of the applicable PRC laws arising out of or in connection with our occupation, construction and usage of our facilities at the Wuli Industrial Park as referred to in the subsection "Business — Property and Facilities"; (ii) the invalidity of the lease agreement in respect of our leased premises at Meiling District, Jinjiang City, Fujian Province as referred to in the subsection "Business — Property and Facilities"; and (iii) the irregularity in the contribution of registered capital of Lilang Fujian and Lilang Xiamen by Lilang Enterprise Co., a former registered owner of Lilang Fujian, and Lilang International, respectively, as more particularly referred to in subsection "History and Development — Corporate development".

18. Litigation

Neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

19. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$3,650 (equivalent to approximately HK\$28,290) and are payable by our Company.

20. Promoters

- (a) Our Company does not have any promoter.
- (b) Within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to any promoters of our Company in connection with the Global Offering or the related transactions described in this prospectus.

21. Agency fees or commissions received

The Public Offer Underwriters will receive an underwriting commission of 2.75% of the aggregate Offer Price payable for the Public Offer Shares initially offered under the Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed or unpurchased Public Offer Shares reallocated to the International Placing, our Company will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator (on behalf of the International Underwriters). For International Placing Shares reallocated to the Public Offering, we will pay an underwriting commission, at the rate applicable to the International Placing, to the International Underwriters. In addition, our Company may, at our sole discretion, pay the Sole Global Coordinator (on behalf of the Joint Bookrunners) an additional incentive fee of up to 0.5% of the aggregate Offer Price for all the Shares sold in the Global Offering.

The aggregate underwriting commissions and fees, together with listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Global Offering are payable by us, are estimated to amount to approximately HK\$100.1 million, assuming the Offer Price of HK\$3.60 per Share, being the mid-point of the proposed Offer Price range of HK\$3.20 to HK\$4.00, and the Over-allotment Option is not exercised.

22. Application for listing of Shares

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may fall to be

issued pursuant to the exercise of the Over-allotment Option and any options which have been granted under the Pre-IPO Share Option Scheme and any additional Shares up to 10% of the issued share capital of our Company as at the Listing Date which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

23. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
Merrill Lynch Far East Limited	Deemed licenced under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) as defined under the SFO
KPMG	Certified public accountants
Chiu & Partners	Hong Kong solicitors' firm
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng Attorneys at Law	Qualified PRC lawyers
Jones Lang LaSalle Sallmanns Limited	Professional property surveyors and valuers

24. Consents of experts

Each of Merrill Lynch Far East Limited, KPMG, Chiu & Partners, Conyers Dill & Pearman, Jingtian & Gongcheng Attorneys at Law and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

25. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

26. Taxation of holders of Shares*(a) Hong Kong*

Dealings in Shares registered on our Company's Hong Kong register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

(c) Consultation with professional advisers

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

27. Miscellaneous*(a) Save as disclosed herein:**(i) within two years preceding the date of this prospectus:*

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

- (b) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2009 (being the date to which the latest audited consolidated financial statements of us were made up).
- (c) The Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months proceeding the date of this prospectus.

28. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** application forms;
- (b) the written consents referred to under the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” of Appendix VI to this prospectus;
- (c) the statements of adjustments made in arriving at the figures set out in their accountants’ report and giving their reasons thereof; and
- (d) certified copies of the material contracts referred to in the sub-paragraph headed “Summary of material contracts” under the paragraph headed “Further information about the business of our Company” of Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Chiu & Partners at 41st Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including 25 September 2009:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the accountants’ report of our Company received from KPMG, the text of which is set out in Appendix I to this prospectus and the related statements of adjustments;
- (c) the audited financial statements of companies comprising our Group for the years ended 31 December 2006, 2007 and 2008 (or for the period since the respective dates of incorporation of the relevant member of our Group where it is shorter), if any;
- (d) the letter from KPMG in relation to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letters from Merrill Lynch Far East Limited and KPMG in relation to the profit forecast for the year ending 31 December 2009, the text of which are set out in Appendix III to this prospectus;
- (f) the letter, summary of values and valuation certificate relating to the property interests of our Group prepared by Jones Lang LaSalle Sallmanns Limited, the text of which is set out in Appendix IV to this prospectus;
- (g) the Companies Law;

- (h) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;
- (i) the legal opinions prepared by Jingtian & Gongcheng Attorneys at Law in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (j) the material contracts referred to under the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of our Company” of Appendix VI to this prospectus;
- (k) the written consents referred to under the sub-paragraph headed “Consents of experts” under the paragraph headed “Other information” of Appendix VI to this prospectus;
- (l) the rules of the Pre-IPO Share Option Scheme and Share Option Scheme; and
- (m) the service contracts referred to in the sub-paragraph headed “Directors” in the paragraph headed “Further information about Directors and Shareholders” of Appendix VI to this prospectus.

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