LILANZ 利郎

CHINA LILANG LIMITED
中國利郎有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1234)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board of Directors (the "Board") of China Lilang Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the six months ended 30 June 2016. This announcement, containing the full text of the 2016 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.





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Financial Highlights

	Six months ended 30 June		
	2016	2015	Changes
	(RMB million)	(RMB million)	(%)
Revenue	**1,173.9**	1,188.4	-1.2
Gross profit	**480.6**	488.1	-1.5
Profit from operations	**311.1**	343.4	-9.4
Profit for the period	**266.3**	277.0	-3.9
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	**22.0**	23.0	-4.3
— Diluted	**22.0**	22.9	-3.9
Interim dividend per share	**HK13 cents**	HK13 cents	–
Special interim dividend per share	**HK5 cents**	HK6 cents	-16.7
	(%)	(%)	(% points)
Gross profit margin	**40.9**	41.1	-0.2
Operating profit margin	**26.5**	28.9	-2.4
Net profit margin	**22.7**	23.3	-0.6
Return on average shareholders' equity[1]	**9.1**	10.2	-1.1
Effective tax rate	**26.8**	28.6	-1.8
Advertising and promotional expenses and renovation subsidies (as percentage of revenue)	**7.8**	7.6	+0.2
	As at 30 June 2016	As at 31 December 2015	As at 30 June 2015
Average inventory turnover days[2]	**57**	64	58
Average trade receivables turnover days[3]	**103**	79	80
Average trade payables turnover days[4]	**78**	72	63

Notes:

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

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

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

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

Management Discussion and Analysis

INDUSTRY OVERVIEW

The global economy lacked momentum in the first half of 2016 with slackening trading activities. The Brexit referendum held in June led to high volatility in both the equity and currency markets, leaving the economic outlook even more uncertain. In China, overcapacity facing the manufacturing industry continued to discourage investments from the private sector, further slowing the economy. The government has been proactively combating the economic downward pressure by stepping up restructuring of the economy and further improving the structure of domestic demand, which helped sustain steady economic growth. According to the National Bureau of Statistics of China, GDP maintained stable growth and increased by 6.7% year on year to RMB34,063.7 billion for the first half of 2016. Employment and consumer prices remained stable. Income of both urban and rural residents kept increasing at relatively rapid rates.

In view of the uncertain economic outlook, the apparel industry in particular suffered from fragile consumer sentiment. According to the statistics from the China National Commercial Information Center, retail sales of the top 100 domestic retailing enterprises fell 3.1% year on year in the first half of 2016. The retail sales of apparel products decreased by 3.3%, representing a 7.0 percentage points drop in growth rate as compared with the corresponding period last year.

China Lilang Limited (the "Company" or "China Lilang", together with its subsidiaries known as the "Group") continued to innovate and transform its business. Adhering to the strategy of "improving product quality without raising the price", the Group is committed to improving its competitiveness through enhancing the originality and value-for-money of its products so as to capture the market. The Group also continued to improve its supply chain and retail channel management and, as a result, its channel monitoring capability and operating efficiency have improved. However, under the inevitable impact of sluggish consumer demand and fierce competition, coupled with the widespread heavy rain and flooding in June and July, retail sales performance of the Group's products was affected.

FINANCIAL REVIEW

Revenue

Revenue for the first half of 2016 decreased by 1.2% year on year to RMB1,173.9 million. Sales of the core brand "LILANZ" increased slightly by 1.1% to RMB1,094.9 million, and sales of the sub-brand "L2" decreased by 25.0% to RMB79.0 million. In view of the unsatisfactory retail sales performance of "L2", the Group repurchased off-season inventories of approximately RMB9.5 million from distributors in the first half of 2016 to relieve their pressure. Sales of "LILANZ" and "L2" accounted for approximately 93.3% (first half of 2015: 91.1%) and 6.7% (first half of 2015: 8.9%) of the total revenue respectively.

Among the product categories, tops remained the major contributor in terms of sales and accounted for 61.4% (first half of 2015: 58.9%) of the total revenue, sales of which increased by 3.1%. Sales of accessories increased by 3.5%, with footwear up by 9.1%, reflecting the popularity of new shoe products.

Revenue by Region

Sales in both the North Western China region and the Central and Southern China region increased in the first half of 2016. The North Western China region was the best performing region with its sales growing at 7.8%. Among which, sales in Shaanxi had a stable growth for the period after store realignment and conversion of smaller stores into larger stores in 2015; while sales in Xinjiang recorded a double-digit growth for the period as the local economy was more stable and due to a lower comparison base of 2015. Sales in Central and Southern China region increased by 3.3%. Among which, sales in Hunan province, the second largest market in this region by sales, recorded a double-digit growth; while sales in Henan province, its largest market by sales, experienced a single-digit drop, reflecting a relatively high level of channel inventory of the 2015 fall collections.

Management Discussion and Analysis (continued)

Sales in the South Western China region had the most significant decline of 8.1%, reflecting the impact of channel inventory of 2015 fall collections and store closures. Sales of the Northern China region decreased by 5.6%, which was mainly attributable to the under-performance of Hebei province, the largest sales province in the region, which had a double-digit decrease in sales.

The Eastern China region and the Central and Southern China region remained the top contributors to the Group's revenue, and together accounted for 56.8% (first half of 2015: 55.8%) of the total revenue. The retail stores in these two regions accounted for 51.4% (first half of 2015: 50.6%) of the Group's total number of stores.

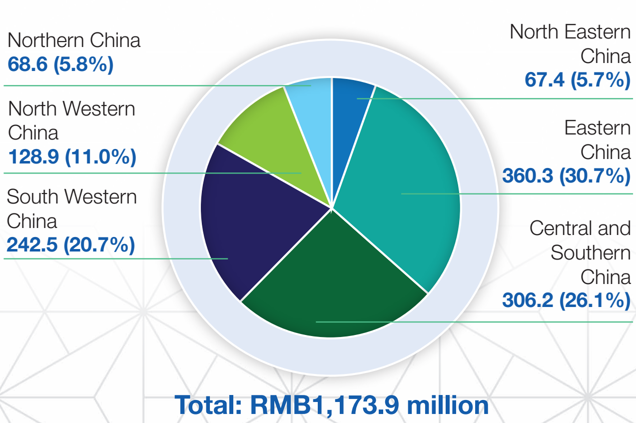
Revenue by region for the period was set out below:

	Six months ended 30 June				
	2016		2015		**Changes**
Region	**RMB million**	**% of revenue**	RMB million	% of revenue	**%**
Northern China [1]	**68.6**	**5.8%**	72.7	6.1%	**-5.6%**
North Eastern China [2]	**67.4**	**5.7%**	69.0	5.8%	**-2.3%**
Eastern China [3]	**360.3**	**30.7%**	366.6	30.8%	**-1.7%**
Central and Southern China [4]	**306.2**	**26.1%**	296.5	25.0%	**+3.3%**
South Western China [5]	**242.5**	**20.7%**	264.0	22.2%	**-8.1%**
North Western China [6]	**128.9**	**11.0%**	119.6	10.1%	**+7.8%**
Total	**1,173.9**	**100.0%**	1,188.4	100.0%	**-1.2%**

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

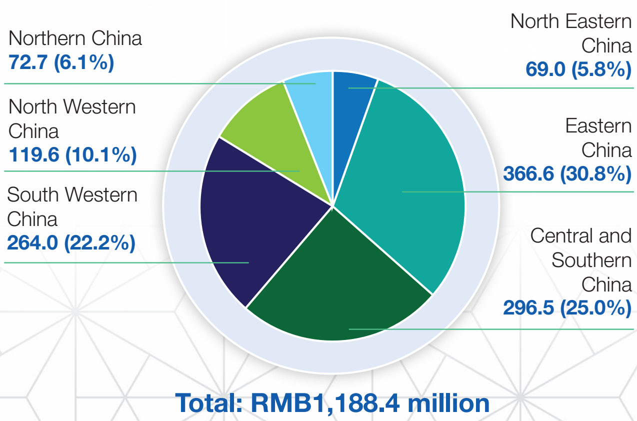
January to June 2016 Turnover by region

(RMB million)



January to June 2015 Turnover by region

(RMB million)



Gross Profit and Gross Profit Margin

Gross profit margin was slightly down by 0.2 percentage point to 40.9%. During the period, stable raw material prices and higher proportion of original design products helped the Group control production cost and maintain a stable gross profit margin when implementing the strategy of "improving product quality without raising the price".

Cost of sales decreased by 1.0% to RMB693.3 million (first half of 2015: RMB700.3 million), largely in line with the change in revenue. The Group's ongoing efforts in product research and development in a bid to enhance its products' originality led to an increase of 8.8% in its total research and development costs to RMB43.5 million for the period. Cost of in-house production, including subcontracting charges, accounted for 55.3% (first half of 2015: 50.5%) of the total cost of sales, up by 4.8 percentage points.

Included in the cost of sales for the period was provision for inventory of RMB11.1 million which mainly related to off-season inventories of "L2", including those repurchased from distributors during the period.

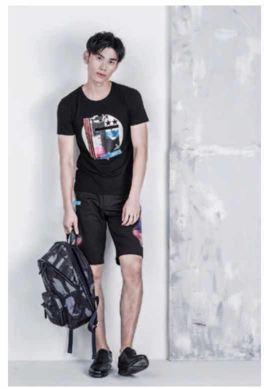
Other Net Income

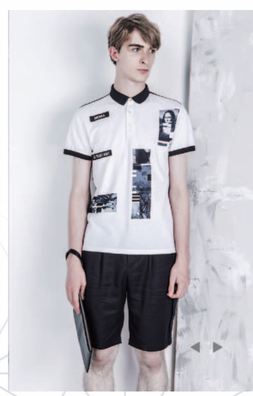
Other net income increased by RMB3.5 million to RMB36.1 million. Government grants for the period amounted to RMB35.2 million, of which the entitlements were unconditional and under the discretion of the relevant authorities.

Selling and Distribution Expenses

Selling and distribution expenses increased by 26.1% to RMB154.5 million, and accounted for 13.2% of the total revenue, up by 2.9 percentage points over the corresponding period last year. The expenses for the first half of 2016 included an additional provision for trade receivables of RMB35.1 million. As at 30 June 2016, full provision was made for all overdue trade receivables in accordance with the Group's policy.

Excluding the provision for trade receivables, selling and distribution expenses decreased by RMB3.1 million year on year to RMB119.4 million and accounted for 10.2% of the total revenue.





Advertising expenses and renovation subsidies increased by RMB0.7 million to RMB91.4 million for the period, and accounted for 7.8% of the total revenue, up by 0.2 percentage point. The four-year renovation programme for “LILANZ” stores was completed in 2015. Renovation subsidies for the period were mainly incurred on the renovation of newly opened stores and the maintenance for existing stores.

Administrative Expenses

Administrative expenses amounted to RMB46.1 million for the period, accounting for 3.9% of the total revenue, which was similar to that of the corresponding period last year.

Other Operating Expenses

Other operating expenses decreased by RMB2.5 million to RMB4.9 million, which was primarily due to a decrease in charitable donation.

Profit from Operations

Profit from operations decreased by 9.4% to RMB311.1 million, which was mainly attributable to the additional provision for trade receivables. Operating margin decreased by 2.4 percentage points to 26.5%.

Net Finance Income

Net finance income was RMB52.9 million for the period, representing an increase of RMB8.6 million year on year. During the period, foreign exchange gain of RMB26.5 million was resulted from the forward exchange contracts entered into by the Group’s subsidiaries last year to hedge their exposures to non-functional currency deposits and loans. This offset the impact of the decrease in interest income due to the lower average interest rate during the period.

Income Tax

The effective income tax rate was 26.8% for the period, representing a decrease of 1.8 percentage points year on year.

Net Profit

Net profit was RMB266.3 million, representing a decrease of 3.9%. Net profit margin decreased by 0.6 percentage point to 22.7%. Net profit attributable to the core brand “LILANZ” amounted to RMB276.0 million (first half of 2015: RMB293.7 million), representing a decrease of 6.0% year on year. Net loss attributable to the sub-brand “L2” amounted to RMB10.6 million (first half of 2015: net profit of RMB4.7 million).

Earnings per Share

Earnings per share was RMB22.0 cents, representing a decrease of 4.3%.

Interim Dividend

The Board recommended the payment of an interim dividend of HK13 cents (first half of 2015: HK13 cents) per ordinary share and a special interim dividend of HK5 cents (first half of 2015: HK6 cents) per ordinary share in respect of this financial year, making it a total dividend payment of approximately HK$217.6 million (equivalent to approximately RMB186.7 million). The interim dividend and special interim dividend will be paid in cash on or around 9 September 2016 to shareholders whose names appeared on the register of members of the Company on 26 August 2016.

BUSINESS REVIEW

Retail and Distribution Network

The Group continued to manage its retail and distribution network effectively to enhance its overall competitiveness. During the period, the Group maintained a prudent approach to new store opening and pragmatically supported its distributors in optimizing their retail store networks with a focus on improving store efficiency. Meanwhile, the Group continued to open large-scale stores in shopping malls in provincial capitals and prefecture-level cities in view of the change in consumption habit. As at the end of June 2016, the total number of such stores increased to 50 to 60, and their sales performance has been in line with expectation.

As at 30 June 2016, the Group had a total of 2,935 stores. "LILANZ" had a net decrease of 10 retail stores, mainly due to the closure of low-efficiency stores in response to the actual operating conditions and the decrease in the number of shop-in-shops in department stores. "L2" had a net decrease of 40 retail stores. Stores in Henan, Shaanxi, Hunan and Hubei, the target markets of "L2", also faced consolidation. In particular, there was a net closure of 11 stores in Henan, while the net closure in the four provinces was 13 stores in total. The stores in the four provinces together accounted for 39.6% of the total stores.

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

	Number of stores			
Region	**As at 1 January 2016**	**Opened during the period**	**Closed during the period**	**As at 30 June 2016**
Northern China	285	12	13	**284**
North Eastern China	302	4	15	**291**
Eastern China	805	25	40	**790**
Central and Southern China	726	30	38	**718**
South Western China	588	8	20	**576**
North Western China	279	5	8	**276**
	2,985	84	134	**2,935**

Sales Channel Management

The Group has adopted a distribution model under which its products are sold to end consumers through retail stores operated by distributors and their sub-distributors. Therefore, effective sales channel management would enable the Group to establish its brand presence and improve service quality so as to boost its sales and minimize its exposure to the risk of channel inventory. The Group has established a stable relationship with its distributors, and all distributors of "LILANZ" have maintained business relationships with the Group for over a decade.

The number of stores by operator and by channel was as follows:

	LILANZ		L2	
	As at 30 June 2016	As at 31 December 2015	**As at 30 June 2016**	As at 31 December 2015
By operator:				
Self-operated stores	**2**	2	**–**	–
Stores operated by distributors	**967**	994	**191**	216
Stores operated by sub-distributors	**1,681**	1,664	**94**	109
	2,650	2,660	**285**	325
By channel:				
Street stores and stores in shopping malls	**2,191**	2,186	**221**	250
Shop-in-shops in department stores	**459**	474	**64**	75
	2,650	2,660	**285**	325

As at 30 June 2016, "LILANZ" had 81 distributors and 1,103 sub-distributors, while "L2" had a total of 20 distributors (4 of which were also the distributors of "LILANZ") and 94 sub-distributors.

There were a total of 2,650 "LILANZ" retail stores with an aggregate retail areas of approximately 317,800 square meters (31 December 2015: 302,500 square meters), representing an increase of 5.1%. There were a total of 285 "L2" stores with an aggregate retail areas of approximately 32,500 square meters (31 December 2015: 36,200 square meters), representing a decrease of 10.2%.

The Group continued to provide training to the management teams of its distributors. Training courses provided to the sub-distributors in July 2016 covered team building, concepts and methods of placing orders in trade fairs, store renovation and opening promotion as well as automating and refining the management of stores. Meanwhile, the Group continued to monitor channel inventory through the ERP system, which connects to all stand-alone stores. Distributors were encouraged to place orders based on their own inventory levels and estimated sales performance as well as to operate discount stores prior to store renovation and set up temporary promotion counters in department stores in order to clear inventory.

E-channel Development

The Group believes that e-channel is an important business development platform in addition to the traditional sales channels. During the first half of 2016, the Group continued to use "T-MALL" as a major online sales channel and to develop application systems based on the WeChat platform. A customer relationship management system on the WeChat platform has been launched in the first half of 2016. The Group is still working on the system where products would be available for selection online and delivered to selected stores for fitting. The new service is expected to be launched in the fourth quarter of 2016, aiming to increase the foot traffic to its bricks-and-mortar stores and improve store efficiency.

In addition, the Group will continue to sell "LILANZ" and "L2" products through its online sales platforms. Except for off-season products, the products and prices offered online will be the same as those in the bricks-and-mortar stores.

Product Design and Development

The Group believes that product design and development is the key to success in China's menswear industry. As such, the Group continued to strengthen its design team and enhance product originality while improving the individuality of its products in order to differentiate them from those of its peers. When implementing the strategy of "improving product quality without raising the price", the Group has also been committed to cost control and the enhancement of its products' value-for-money so as to drive its product sales and maintain a stable gross profit margin. Original design products are estimated to account for nearly 65% of the Group's products for 2016, of which about 30% adopting the proprietary fabrics developed by the Group. In the medium-to-long-run, the Group intends to raise the proportion of original design products to 70%, of which 50% will adopt the proprietary fabrics developed by the Group.

As for product design, the international and domestic research and development teams for the core brand "LILANZ" worked closely and smoothly, which has added an international flavor to the brand and differentiated its products from those of its peers to a larger extent and enriched its accessory product portfolio. Meanwhile, the teams for the sub-brand "L2" continued to strive for better product design.

In the first half of 2016, the Group has engaged a foreign designer specializing in womenswear on a single season contract basis to design the 2017 fall womenswear collection. Prior to this, a domestic design team for womenswear had been set up. In addition to the fall and winter products launched since 2015, there will also be a small line of womenswear for the spring and summer collections starting 2017.

In addition, in view of the increasing sales of the high-end fashion collection with its percentage to total revenue climbing from 5% a few years ago to an estimated 13% for 2016, the Group has engaged another foreign designer in the first half of 2016 to take charge of the design of its high-end collection, with an aim to further boost the sales of that collection.

Marketing and Promotion

The Group continues to focus on store image for its brand promotion, therefore upgrading the image of large-scale stores is an integral part of it. From 2015, large-scale stores opened in first and second tier cities have adopted the sixth-generation store image which uses better quality decoration materials and design is more elegant and stylish with a higher proportion of retail area. In the second half of 2016 and 2017, the Group plans to renovate or partially upgrade about 800 stand-alone stores in prime locations with the sixth-generation store image. Special promotion sales will be held in those stores before renovation work to clear inventories.

To raise the effectiveness of its promotional campaigns, the Group continued to take different opportunities for advertising. In the first half of 2016, the Group has started to place advertisements in Electric Multiple Unit (EMU) stations, and also continued to place advertisements through various channels, such as road side billboards and advertising signs in airports as well as soft-sell advertising in magazines and newspapers. The Group also continues to engage Mr. Chen Dao Ming (陳道明), a famous actor in China, as the brand ambassador for "LILANZ".

Trade Fairs

The 2016 fall and winter trade fairs were held in the first half of 2016. The trade fair orders were affected as sales performance of retail stores in the fourth quarter of 2015 was slower than expected due to the economic environment and extreme weather, resulting in higher level of inventories of the 2015 fall and winter collections. Distributors' confidence has been undermined by the deteriorating retail environment in the second quarter of 2016 and the heavy rain and flooding in June and July. To ensure a healthy retail channel, the Group has decided to adjust the orders for fall and winter collections of "LILANZ".

For the fall collection, the core brand "LILANZ" recorded a decrease of 13% to 18% in total order value after such adjustment; average unit price had a high single-digit decrease. The sub-brand "L2" recorded a decrease of 13% to 18% in total value of orders received and a mid single-digit decrease in average unit price. Shipment of the fall products has commenced in June 2016.

For the winter collection, the core brand "LILANZ" also recorded a decrease of 13% to 18% in total order value following such adjustment; average unit price decreased by a mid single digit. The sub-brand "L2" recorded a decrease of 20% to 25% in total value of orders received with average unit price similar to last year. Shipment of the winter products has commenced in August 2016.

Headquarters, Production and Supply Chain

The construction of the Group's new headquarters commenced in the second half of 2015 and is expected to be completed in early 2018. The estimated budget for construction costs totaling approximately RMB490.0 million will be funded from internal resources of the Group. The Board of Directors believes that the new headquarters, upon completion, will provide sufficient facilities to cater for the Group's needs in its business development in the future.

The Group maintains good business relationships with its suppliers, which are beneficial for the Group to continue to improve its supply chain management and control costs by identifying more cost-efficient fabric suppliers and processing plants. While reducing the proportion of OEM purchases and increasing the proportion of original designs, the Group adheres to the strategy of "improving product quality without raising the price" and shares the benefits of its improved supply chain management with the consumers by offering them products of better value-for-money.

Awards

During the period, "LILANZ" was named by the Chinese Public Welfare Fund for Brands (中國品牌發展公益基金) and the Organizing Committee of Chinese Chain Brand Development Conference (中國品牌連鎖發展大會組委會) as the "Top 50 Chain Brands in terms of Growth Potential in China in 2015" (二零一五年中國連鎖品牌最具成長潛力50強), representing the recognition of the "LILANZ" brand and the effort by its team.

PROSPECT

The global economic outlook remains uncertain in the second half of 2016. While the impact of Brexit on the European as well as the world's economy is difficult to assess, rising geopolitical tensions continued to plague the global economic development. Against this backdrop, China's consumer market outlook is not too optimistic due to rising downward pressure on the domestic economy and increasing difficulties in the country's economic restructuring.

Sales of China's menswear industry deteriorated again in the second quarter of 2016. Selling prices would be under pressure as a result of the widespread heavy rain and flooding in June and July, coupled with the relatively high level of channel inventories for the last fall and winter collections. It is expected that the operating environment will not have a meaningful rebound in the second half of 2016, and the industry consolidation will continue. The management believes that product design and competitiveness will play a more crucial role in corporate survival in times of challenging operating environment, while the success of a brand hinges on its capability to transform and innovate as well as the value-for-money of its products.

China Lilang adheres to the strategy of "improving product quality without raising the price", and continues to spare no effort in improving product design, craftsmanship and materials, with the aim of raising the proportion of original designs, enhancing the value-for-money of its products and increasing the competitiveness of its products and brands. In the second half of 2016, the Group will maintain a prudent approach to store opening. The core brand "LILANZ" targets to maintain the existing number of stores. The Group will continue to optimize its store network, and to open stores in suitable locations through first-tier distributors. In particular, more large-scale stores will be added in shopping malls in provincial capitals and prefecture-level cities. The sub-brand "L2" will, according to the market conditions, continue to close the stores with unsatisfactory operating performance. However, the Group still expects its retail stores can achieve same-store sales growth through better products and channel management.

The 2017 spring and summer trade fairs of the Group will start on 13 August. Based on the current economic situation, the Group expects the total value of orders to decline but drop at a lower rate than that of the adjusted 2016 fall and winter trade fair numbers.

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

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow

As at 30 June 2016, the Group's total cash and bank balance was held in Renminbi (79.0%), Hong Kong Dollars (20.6%) and United States Dollars (0.4%).

As at 30 June 2016, cash and cash equivalents of the Group amounted to RMB2,021.5 million (placements of pledged deposits held at banks with maturity over 3 months totalling RMB486.7 million were regarded as investing activities in the condensed consolidated cash flow statement), representing a decrease of RMB140.2 million as compared with the cash and cash equivalents balance of RMB2,161.7 million as at 31 December 2015. The decrease was attributable to:

- Cash inflows from operating activities amounting to RMB104.8 million. This compared to RMB230.0 million for the corresponding period last year. The decrease was mainly due to the drop in profit from operations of RMB32.3 million, the increase in trade receivables balance by RMB42.1 million and also the higher amount of total income tax and dividend withholding tax paid of RMB178.3 million for the period as compared to RMB107.7 million for corresponding period last year.

- Cash inflows from investing activities amounting to RMB555.6 million, comprising mainly interest income of RMB45.1 million, and decrease in pledged bank deposits and fixed deposits held at banks with maturity over 3 months by RMB567.1 million and RMB30.0 million respectively, net of capital expenditure for property, plant, equipment and intangible assets totalling RMB86.7 million. The construction of the new headquarters has started in the second half of 2015 and RMB72.8 million was spent on the project during the period.

- Cash outflows from financing activities amounting to RMB801.1 million, mainly attributable to the payment of final dividend and special final dividend totalling RMB243.7 million in respect of the year ended 31 December 2015 and the repayment of bank loans of RMB544.0 million.

Bank Loans

As at 30 June 2016, the Group had bank loans totalling RMB460.0 million (31 December 2015: RMB1,004.0 million). The net cash position as at 30 June 2016 was as follows:

	As at 30 June 2016 RMB million	As at 31 December 2015 RMB million
Cash and bank balances (including pledged bank deposits)	**2,508.3**	3,245.6
Less: Total borrowings	**(460.0)**	(1,004.0)
Net Cash	**2,048.3**	2,241.6

As at 30 June 2016, the Group's bank loans carried interest at floating rates, and were denominated in Renminbi, secured by pledged bank deposits and repayable within 1 year or on demand.

Trade Working Capital Ratios

Inventory Turnover Days

The Group's average inventory turnover days was 57 days. The inventory balance reduced by 27.3% as compared to the corresponding period last year. The decrease was mainly attributable to the reduced orders for both the fall and winter collections and also the improving production scheduling of outsourcing plants, enabling a better management of finished goods inventory.

As at 30 June 2016, the Group made full provision for inventories aged over 1 year according to its provision policy. The inventory balance mainly represented raw materials and products for the fall and winter collections. Shipment of fall products has started in June and shipment of winter products has also commenced in August.

Trade Receivables Turnover Days

The average trade receivables turnover days was 103 days. This compared to 79 days for the year ended 31 December 2015 and 80 days for the same period last year. As in previous years, extended credit terms have been granted to distributors during the peak delivery period for fall and winter products from June to September. Also, additional credits terms have been granted to some of the distributors to encourage them to open large-scale stores in shopping malls. However, the repayment ability of distributors, in particular those of "L2", has been affected by the higher channel inventories and the slow-down of retail sales in the second quarter.

As at the end of June 2016, the Group had overdue trade receivables totalling RMB45.2 million, of which RMB23.4 million were receivables from corporate accounts in respect of sales of customized products. Full provision has been made for overdue trade receivables in accordance with the Group's provision policy. Netting the balance of RMB10.1 million provision on the book at the beginning of the year, a provision of RMB35.1 million was made for the period.

Trade Payables Turnover Days

The average trade payables turnover days was 78 days. The turnover days was 65 days based on the closing balance of the trade payables, which was in line with the average number for the corresponding period last year.

PLEDGE OF ASSETS

As at 30 June 2016, deposits with banks totalling RMB486.7 million (31 December 2015: RMB1,053.9 million) were pledged as securities for bank loans.

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2016, the Group had total capital commitments of RMB460.4 million, primarily related to the construction of the new headquarters and the development of the ERP system. The construction of the new headquarters has started in the second half of 2015 and is expected to be completed in early 2018.

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

As at 30 June 2016, the Group had no material contingent liabilities.

FINANCIAL MANAGEMENT POLICIES

The Group continues to control financial risks in a prudent manner. The functional currency of the Company is the Hong Kong Dollars and the Company's financial statements are translated into Renminbi for reporting and consolidation purposes. Foreign exchange differences arising from the translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transactions principally in Renminbi, the exchange rate risk at the Group's operational level is not significant. As at 30 June 2016, financial instruments were employed to hedge the currency risks of the non-functional currency denominated pledged bank deposits and bank loans of the related subsidiaries.

HUMAN RESOURCES

As at 30 June 2016, the Group had 2,050 staff. Total staff costs for the period amounted to approximately RMB67.3 million (the first half of 2015: RMB62.8 million).

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

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

Review Report of the Auditor

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA LILANG LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 15 to 31 which comprises the consolidated statement of financial position of China Lilang Limited (the "Company") as of 30 June 2016 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

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

8 August 2016

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2016	2015
	Notes	**RMB'000**	RMB'000
Revenue	3	**1,173,861**	1,188,364
Cost of sales		**(693,266)**	(700,299)
Gross profit		**480,595**	488,065
Other net income		**36,062**	32,611
Selling and distribution expenses		**(154,521)**	(122,540)
Administrative expenses		**(46,130)**	(47,308)
Other operating expenses		**(4,909)**	(7,388)
Profit from operations		**311,097**	343,440
Net finance income	4	**52,937**	44,342
Profit before taxation	5	**364,034**	387,782
Income tax	6	**(97,741)**	(110,817)
Profit for the period		**266,293**	276,965
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company and subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**(4,170)**	(784)
Total comprehensive income for the period		**262,123**	276,181
Earnings per share	7		
Basic (cents)		**22.0**	23.0
Diluted (cents)		**22.0**	22.9

The notes on pages 20 to 31 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 18.

Consolidated Statement of Financial Position

At 30 June 2016 — unaudited
(Expressed in Renminbi)

	Notes	**30 June 2016 RMB'000**	31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment	8	**323,045**	276,774
Investment property	9	**25,505**	–
Lease prepayments	10	**101,436**	101,145
Intangible assets		**5,454**	4,033
Deposits for purchases of property, plant and equipment and land use rights	11	**4,764**	4,490
Deferred tax assets		**34,604**	25,013
		494,808	411,455
Current assets			
Inventories	12	**142,866**	291,465
Trade and other receivables	13	**859,493**	807,149
Pledged bank deposits	14	**486,748**	1,053,852
Fixed deposits held at banks with maturity over three months	15	**–**	30,000
Cash and cash equivalents	15	**2,021,505**	2,161,712
		3,510,612	4,344,178
Current liabilities			
Bank loans	16	**459,999**	1,004,017
Trade and other payables	17	**449,430**	603,062
Current tax payable		**131,483**	198,638
		1,040,912	1,805,717
Net current assets		**2,469,700**	2,538,461
Total assets less current liabilities		**2,964,508**	2,949,916
Non-current liabilities			
Deferred tax liabilities		**34,870**	38,718
Net assets		**2,929,638**	2,911,198

Consolidated Statement of Financial Position (continued)

At 30 June 2016 — unaudited
(Expressed in Renminbi)

	30 June 2016 RMB'000	31 December 2015 RMB'000
Capital and reserves		
Share capital	**106,458**	106,458
Reserves	**2,823,180**	2,804,740
Total equity	**2,929,638**	2,911,198

The notes on pages 20 to 31 form part of this interim financial report.

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

Hong Kong, 8 August 2016

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2015	106,049	9,756	204,590	29,646	(22,827)	2,370,655	2,697,869
Changes in equity for the six months ended 30 June 2015:							
Profit for the period	–	–	–	–	–	276,965	276,965
Other comprehensive income for the period	–	–	–	–	(784)	–	(784)
Total comprehensive income for the period	–	–	–	–	(784)	276,965	276,181
Shares issued under share option schemes	185	7,861	–	(2,276)	–	–	5,770
Equity settled share-based payments	–	–	–	(914)	–	–	(914)
Dividends approved in respect of the previous year	–	–	–	–	–	(222,346)	(222,346)
Appropriation to statutory reserve	–	–	1	–	–	(1)	–
As at 30 June 2015	106,234	17,617	204,591	26,456	(23,611)	2,425,273	2,756,560
As at 1 January 2016	**106,458**	**26,711**	**207,817**	**23,775**	**(32,839)**	**2,579,276**	**2,911,198**
Changes in equity for the six months ended 30 June 2016:							
Profit for the period	**–**	**–**	**–**	**–**	**–**	**266,293**	**266,293**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**(4,170)**	**–**	**(4,170)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(4,170)**	**266,293**	**262,123**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**(243,683)**	**(243,683)**
As at 30 June 2016	**106,458**	**26,711**	**207,817**	**23,775**	**(37,009)**	**2,601,886**	**2,929,638**

The notes on pages 20 to 31 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**283,152**	337,699
PRC corporate income tax paid	**(162,282)**	(92,868)
PRC dividend withholding tax paid	**(16,053)**	(14,863)
Net cash generated from operating activities	**104,817**	229,968
Investing activities		
Payment for the purchases of property, plant and equipment, and intangible assets	**(86,720)**	(10,120)
Interest income received	**45,055**	68,255
Decrease in fixed deposits held at banks with maturity over three months	**30,000**	70,000
Decrease/(increase) in pledged bank deposits	**567,104**	(30,438)
Other cash inflows arising from investing activities	**182**	151
Net cash generated from investing activities	**555,621**	97,848
Financing activities		
Proceeds from bank loans	**–**	544,019
Repayment of bank loans	**(544,018)**	(494,186)
Dividends paid	**(243,683)**	(222,346)
Interest expense paid	**(15,655)**	(10,800)
Other cash inflows arising from financing activities	**2,252**	7,133
Net cash used in financing activities	**(801,104)**	(176,180)
Net (decrease)/increase in cash and cash equivalents	**(140,666)**	151,636
Cash and cash equivalents at 1 January (note 15)	**2,161,712**	1,845,179
Effect of foreign exchange rate changes	**459**	36
Cash and cash equivalents at 30 June (note 15)	**2,021,505**	1,996,851

The notes on pages 20 to 31 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 8 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the 2015 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes which do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements.

The interim financial report is unaudited, but has been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 14.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 9 March 2016.

2. CHANGES IN ACCOUNTING POLICIES

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

The IASB has issued a number of amendments and new standards which are not yet effective for the year ending 31 December 2016. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019

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 and financial position.

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

3. REVENUE

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

4. NET FINANCE INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income	**40,031**	56,081
Interest on bank borrowings	**(15,617)**	(10,465)
Change in fair value of forward foreign exchange contracts	**26,480**	–
Net foreign exchange gain/(loss)	**2,043**	(1,274)
	52,937	44,342

(Expressed in Renminbi)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Amortisation of lease prepayments	**1,152**	633
Amortisation of intangible assets	**1,020**	1,651
Depreciation	**11,307**	13,956
Inventory write-down (note 12)	**11,076**	419
Research and development costs	**43,511**	40,037
Subcontracting charges (note (i))	**64,032**	45,133
Provision for doubtful debts	**35,071**	–

Note:

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

6. INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current tax		
Provision for PRC corporate income tax for the period	**98,016**	100,682
Under-provision for PRC corporate income tax in respect of prior year	**6**	102
PRC dividend withholding tax (note iv)	**13,158**	19,435
	111,180	120,219
Deferred tax		
Origination of temporary differences (note iv)	**(281)**	10,033
Distribution of dividends by PRC subsidiaries	**(13,158)**	(19,435)
	97,741	110,817

6. INCOME TAX (CONTINUED)

Notes:

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

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2016 and 2015.

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

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

PRC dividend withholding tax under current tax represents tax charged by the PRC tax authority on dividends distributed by the Group's PRC subsidiaries during the period.

Origination of temporary differences included PRC dividend withholding tax of RMB9,310,000 provided for the period (2015:RMB9,695,000).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of RMB266,293,000 (2015: RMB276,965,000) and the weighted average number of ordinary shares in issue of 1,208,768,000 (2015: 1,204,791,000).

Weighted average number of ordinary shares:

	Six months ended 30 June	
	2016	2015
	'000	'000
Issued ordinary shares at 1 January	**1,208,768**	1,203,944
Effect of share options exercised	**–**	847
Weighted average number of ordinary shares	**1,208,768**	1,204,791

7. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period of RMB266,293,000 (2015: RMB276,965,000) and the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted by the Company.

Weighted average number of ordinary shares (diluted):

	Six months ended 30 June	
	2016	2015
	'000	'000
Weighted average number of ordinary shares	**1,208,768**	1,204,791
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**37**	2,200
Weighted average number of ordinary shares (diluted)	**1,208,805**	1,206,991

8. PROPERTY, PLANT AND EQUIPMENT

	2016
	RMB'000
Net book value, as at 1 January	**276,774**
Additions	**84,095**
Disposals (net carrying amount)	**(1,012)**
Transfer to investment property (note 9)	**(25,865)**
Depreciation charge for the period	**(10,947)**
Net book value, as at 30 June	**323,045**

9. INVESTMENT PROPERTY

	2016
	RMB'000
Net book value, as at 1 January	**–**
Transfer from property, plant and equipment (note 8)	**25,865**
Depreciation charge for the period	**(360)**
Net book value, as at 30 June	**25,505**

The investment property is located in the PRC under a medium-term lease.

Investment property is stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of the shorter of the unexpired term of the lease and its estimated useful life, being no more than 40 years after the date of completion.

10. LEASE PREPAYMENTS

	2016 RMB'000
Net book value, as at 1 January	**101,145**
Transfer from deposit for land use rights (note 11)	**350**
Additions	**1,093**
Amortisation for the period	**(1,152)**
Net book value, as at 30 June	**101,436**

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

11. DEPOSITS FOR PURCHASES OF PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Deposit for land use rights (note 10)	**1,500**	350
Purchase of other property, plant and equipment	**3,264**	4,140
	4,764	4,490

The deposit for land use rights of RMB350,000 as at 31 December 2015 related to two small pieces of land adjacent to the new headquarters under construction and was transferred to lease prepayments upon the issue of the land use rights certificate to the Group during the period. The total consideration for the land use rights amounted to RMB1,443,000 (note 10).

The deposit for land use rights of RMB1,500,000 as at 30 June 2016 related to another small piece of land adjacent to the new headquarters under construction. The total consideration for the land use rights is RMB7,100,000. The deposit will be transferred to lease prepayments upon the issue of the land use rights certificate to the Group.

12. INVENTORIES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Raw materials	**67,293**	86,959
Work in progress	**12,716**	5,471
Finished goods	**62,857**	199,035
	142,866	291,465

As at 30 June 2016, raw materials included materials totalling RMB42,078,000 (31 December 2015: RMB64,159,000) that were held by sub-contractors.

For the six months ended 30 June 2016, RMB11,076,000 (2015: RMB419,000) was included in the amount of inventories recognised as an expense in profit or loss, being the amount of write-down of inventories to estimated net realisable value.

13. TRADE AND OTHER RECEIVABLES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade receivables	**844,067**	766,869
Less: Provision for doubtful debts	**(45,200)**	(10,129)
Trade receivables net of provision for doubtful debts	**798,867**	756,740
Prepayments to suppliers	**32,805**	13,279
Prepaid advertising expenses	**5,106**	4,727
VAT deductible	**–**	3,911
Other deposits, prepayments and receivables	**22,715**	28,492
	859,493	807,149

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Current	**798,867**	756,740

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	**559,379**	633,187
Over 3 months but within 6 months	**211,207**	122,697
Over 6 months but within 1 year	**28,281**	856
	798,867	756,740

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

14. PLEDGED BANK DEPOSITS

	30 June 2016 RMB'000	31 December 2015 RMB'000
Amounts pledged as security for bank loans (note 16)	**486,748**	1,053,852

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

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Fixed deposits with banks within three months to maturity when placed	**–**	30,000
Cash at bank and in hand	**2,021,505**	2,131,712
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement	**2,021,505**	2,161,712
Fixed deposits with banks with more than three months to maturity when placed	**–**	30,000
	2,021,505	2,191,712

(Expressed in Renminbi)

16. BANK LOANS

As at 30 June 2016 and 31 December 2015, bank loans were secured by pledged bank deposits (also see note 14) and were repayable within one year or on demand.

17. TRADE AND OTHER PAYABLES

	30 June 2016 RMB'000	31 December 2015 RMB'000
Trade payables	**248,584**	342,660
Receipts in advance	**17,442**	35,392
Accrued salaries and wages	**12,541**	23,624
Payables for purchase of property, plant and equipment	**10,367**	8,834
Retirement benefit contribution payable	**25,657**	25,675
VAT payables	**10,255**	19,133
Derivative financial instruments (note 20)	**13,442**	39,713
Other payables and accruals	**111,142**	108,031
	449,430	603,062

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

	30 June 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	**213,252**	315,113
Over 3 months but within 6 months	**18,676**	15,329
Over 6 months but within 1 year	**9,407**	4,112
Over 1 year	**7,249**	8,106
	248,584	342,660

18. DIVIDENDS

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Declared and payable after interim period:		
Interim dividend of HK13 cents per ordinary share (2015: HK13 cents per ordinary share)	**134,810**	130,664
Special interim dividend of HK5 cents per ordinary share (2015: HK6 cents per ordinary share)	**51,850**	60,307
	186,660	190,971

The interim dividend and special interim dividend have not been recognised as liabilities as at 30 June 2016.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Final dividend in respect of the previous financial year of HK17 cents per ordinary share (2015: HK17 cents per ordinary share)	**172,609**	164,343
Special final dividend in respect of the previous financial year of HK7 cents per ordinary share (2015: HK6 cents per ordinary share)	**71,074**	58,003
	243,683	222,346

(Expressed in Renminbi)

19. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

	Pre-IPO Share Option Scheme		**Share Option Scheme**	
	Exercise price	No. of options	Exercise price	No. of options
Outstanding at 1 January 2015	HK$3.12	4,948,383	HK$6.63	1,130,000
Lapsed during the period	HK$3.12	–	HK$6.63	(500,000)
Exercised during the period	HK$3.12	(2,309,088)	–	–
Outstanding at 30 June 2015	HK$3.12	2,639,295	HK$6.63	630,000
Outstanding at 1 January 2016 and 30 June 2016	**HK$3.12**	**105,878**	**HK$6.63**	**630,000**

The share options outstanding under the Pre-IPO Share Option Scheme at 30 June 2016 will expire in September 2016.

The share options outstanding under the Share Option Scheme at 30 June 2016 had a weighted average remaining contractual life of 2.4 years.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy of forward foreign exchange contract

The fair value of forward foreign exchange contract as at 30 June 2016 represented liabilities of RMB13,442,000 (31 December 2015: RMB39,713,000), which was measured using Level 2 inputs as defined in IFRS13, *Fair value measurement*, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

The fair value of forward foreign exchange contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(b) Fair value of financial assets and liabilities carried at other than fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2016 and 31 December 2015.

21. CAPITAL COMMITMENTS

As at 30 June 2016, capital commitments not provided for in the interim financial report are as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Contracted for	**165,996**	30,415
Authorised but not contracted for	**294,437**	490,188
	460,433	520,603

22. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Short-term employee benefits	**3,581**	3,638
Contributions to defined contribution retirement benefit scheme	**52**	51
	3,633	3,689

(b) Other related party transaction

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Recurring transaction		
Lease of land and properties from Jinlang (Fujian) Investments Co., Ltd. ("Jinlang Fujian")	**1,560**	1,560

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

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

Other Information

DISCLOSURE OF INTERESTS

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

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of shareholder	Name of Group company/ associated corporation	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Mr. Wang Dong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.899%
	Xiao Sheng International Limited ("Xiao Sheng International") (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	26.289%
Mr. Wang Liang Xing	The Company	Beneficial owner	26,031,000 shares (L)	2.154%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	26.289%
Mr. Wang Cong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.899%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US$1.00 each (L)	26.289%
Mr. Cai Rong Hua	The Company	Beneficial owner	9,010,000 shares (L)	0.745%
	Xiao Sheng International (Note 2)	Beneficial owner	800 shares of US$1.00 each (L)	8.247%
Mr. Hu Cheng Chu	The Company	Beneficial owner	4,500,000 shares (L)	0.372%
	Xiao Sheng International (Note 2)	Beneficial owner	500 shares of US$1.00 each (L)	5.155%
Mr. Pan Rong Bin	The Company	Beneficial owner	2,830,000 shares (L)	0.234%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US$1.00 each (L)	3.093%

Notes:

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

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

Save as disclosed above, as at 30 June 2016, none of the Directors and chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had otherwise been notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders

As at 30 June 2016, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Xiao Sheng International	Beneficial owner	661,500,000 shares (L) (Note 2)	54.73%
Ming Lang Investments Limited ("Ming Lang Investments")	Beneficial owner	74,905,000 shares (L) (Note 3)	6.20%
Value Partners Group Limited	Interest in controlled corporation	74,386,000 shares (L)	6.15%

Notes:

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

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

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

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEMES

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

Details of the share option schemes are set out in the 2015 Annual Report of the Company.

Pre-IPO Share Option Scheme

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

	Options granted by the Company Number of underlying shares					
Name or category of participant	**As at 1 January 2016**	**Exercised**	**As at 30 June 2016**	**Exercise price per share**	**Date of grant**	**Exercise period**
Employees	105,878	–	105,878	HK$3.12	4 September 2009	Note 1

As at 30 June 2016, the number of shares to be issued upon the exercise of the outstanding options under the Pre-IPO Share Option Scheme was 105,878, representing 0.01% of the issued share capital of the Company as at that date.

Note:

1. The outstanding options at 30 June 2016 are exercisable by the grantee prior to the expiry of the exercise period on 25 September 2016, being the day falling seven years after 25 September 2009, the Listing Date, failing which the options will lapse and no longer be exercisable.

Share Option Scheme

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

	Options granted by the Company Number of underlying shares						
Name or category of participant	**As at 1 January 2016**	**Exercised**	**Lapsed**	**As at 30 June 2016**	**Exercise price per share**	**Date of grant**	**Exercise period**
Employees	630,000	–	–	630,000	HK$6.63	29 November 2011	Note 1

As at 30 June 2016, the number of shares to be issued upon the exercise of the outstanding options under the Share Option Scheme was 630,000, representing 0.05% of the issued share capital of the Company as at that date.

Note:

1. The outstanding options at 30 June 2016 are exercisable by the grantees during the period commencing from the day immediately following the expiry of one year period after 29 November 2011 (the "Date of Offer") and ending on the day falling seven years after the Date of Offer, during which, (a) up to 265,000 options granted may be exercised on or prior to the end of the second year after the Date of Offer; (b) subject to (a), up to 530,000 options granted may be exercised on or prior to the end of the third year after the Date of Offer; (c) subject to (a) and (b), up to 560,000 options granted may be exercised on or prior to the end of the fourth year after the Date of Offer; (d) subject to (a), (b) and (c), up to 590,000 options granted may be exercised on or prior to the end of the fifth year after the Date of Offer; and (e) subject to (a), (b), (c) and (d), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

CORPORATE GOVERNANCE

The Company had complied with all code provisions, including new code provisions, of the revised Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2016.

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by Directors. The Company has made specific enquiries of all the Directors, who confirmed their compliance with the required standards set out in the Model Code during the six months ended 30 June 2016.

REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors. The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The interim results of the Group for the six months ended 30 June 2016 have not been audited but they have been reviewed by KPMG, the auditor of the Company, and the Audit Committee.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the proposed interim dividend and special interim dividend, the register of members will be closed from Thursday, 25 August 2016 to Friday, 26 August 2016 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend and special interim dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 24 August 2016 for registration.

APPRECIATION

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

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

By Order of the Board
WANG DONG XING
Chairman

Hong Kong, 8 August 2016

Other Information (continued)

BOARD

Executive Directors

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

Independent Non-executive Directors

Dr. Lu Hong Te
Mr. Nie Xing
Mr. Lai Shixian

SHARE INFORMATION

Listing date: 25 September 2009
Board lot size: 1,000 shares
Number of shares in issue: 1,208,768,041 shares (As at 30 June 2016)

STOCK CODES:

Hong Kong Stock Exchange	1234
Reuters	1234.HK
Bloomberg	1234 HK

IR CONTACT

if you have any inquiries, please contact:

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Website: www.lilanz.com

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2016 Interim Report of the Company will be dispatched to shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.lilanz.com in due course. This announcement can also be accessed on the above websites.

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

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

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

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

Hong Kong, 8 August 2016