

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**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 2013**

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 2013. This announcement, containing the full text of the 2013 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

# Financial Highlights

	Six months ended 30 June		
	2013 (RMB million)	2012 (RMB million)	Changes (%)
Turnover	1,092.5	1,259.3	-13.2
Gross profit	436.7	499.4	-12.6
Profit from operations	275.0	343.6	-20.0
Profit attributable to equity shareholders	242.3	278.0	-12.8
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	20.2	23.2	-12.9
— Diluted	20.1	23.1	-13.0
Shareholders' equity per share	199.3	184.1	+8.3
Interim dividend per share	HK12 cents	HK13 cents	-7.7
Special interim dividend per share	HK5 cents	HK6 cents	-16.7
	(%)	(%)	(% points)
Gross profit margin	40.0	39.7	+0.3
Operating profit margin	25.2	27.3	-2.1
Net profit margin	22.2	22.1	+0.1
Return on average shareholders' equity <sup>(1)</sup>	10.1	12.7	-2.6
Effective tax rate	20.2	25.6	-5.4
Advertising and promotional expenses and renovation subsidies (as a percentage of turnover)	8.3	5.9	+2.4
	As at 30 June 2013	As at 31 December 2012	As at 30 June 2012
Average inventory turnover days <sup>(2)</sup>	66	55	59
Average trade receivables turnover days <sup>(3)</sup>	90	74	76
Average trade payables turnover days <sup>(4)</sup>	50	47	58

Notes:

- (1) Return on average shareholders' equity is equal to the profit attributable to equity shareholders 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 the 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 the turnover (including value-added tax) and multiplied by the number of days in the relevant period.
- (4) Average trade payables turnover days is equal to the average of the beginning and closing trade and trade bills payables balance divided by cost of sales and multiplied by the number of days in the relevant period.

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

In the first half of 2013, China's economic growth continued to decelerate and the retail market remained weak. The country's consumer confidence index hit a year-to-date low in May. Consumer sentiment showed no sign of significant recovery, affecting many businesses, which included the apparel industry. According to the National Bureau of Statistics of China, the country's gross domestic product for the first half of the year increased by 7.6% year-on-year to RMB24,800.9 billion. The growth rate was down by 0.2 percentage point when compared to that of the corresponding period last year. The growth of the apparel retail industry also slowed. Total retail sales of garments, hats, footwear and knitwear recorded a 11.9% year-on-year increase which was 5.0 percentage points lower than that of the corresponding period in 2012.

In response to the business environment of the retail industry in China, China Lilang Limited (the "Company" or "China Lilang", together with its subsidiaries, known as the "Group") adopted a prudent operation strategy of focusing on inventory clearance and improving sales channel management, with a view to maintaining a sound business foundation amid adverse market conditions. In the first half of the year, thanks to the concerted efforts of the Company and its distributors, channel inventories of last year's spring/summer collections were decreasing. It was also encouraging to note that the inventory of the 2013 spring/summer collections went down to a relatively healthy level as at the end of June and that the average same-store sales recorded a slight increase in the first half of the year. During the period, the Company provided more training for its distributors, enhanced its retail and supply chain management, upgraded the store image and continued to invest in research and development to sharpen its own competitive advantage. Notwithstanding its proactive measures to cope with market changes, the Company was not spared the adverse market conditions, and thus saw a downturn in its results for the first half of the year.

## FINANCIAL REVIEW

For the six months ended 30 June 2013, profit attributable to equity shareholders was RMB242.3 million, representing a decrease of 12.8% as compared to RMB278.0 million for the corresponding period last year. The decrease mainly reflected the impact of the aforesaid economic factors and the backlog of inventories in the sales channel on the sales performance of the Company's two brands "LILANZ" and "L2". The decline was also due to the increase in advertising expenses and renovation subsidies during the first half of the year for renovation of "LILANZ" stores in phases, which was started in 2012.

### Turnover

For the six months ended 30 June 2013, turnover decreased by 13.2% to approximately RMB1,092.5 million from RMB1,259.3 million for the same period last year. The decrease in turnover was mainly attributable to the relatively high channel inventory of the 2012 products which would need to be cleared during the year. Although retail sales remained weak, the Group adopted a consistent pricing and retail discount policy during the period. It was because it firmly believed in maintaining the status of its brands and the profitability of the distributors. The decision affected the retail sales to a certain extent.

Sales of the core brand "LILANZ" for the first half of the year amounted to RMB1,013.2 million, down by 14.0% year-on-year. The turnover of "L2" dropped slightly by 2.2% year-on-year to RMB79.3 million for the period. In the second half of last year, the Group adjusted the product strategy of its sub-brand "L2" by focusing on trendy casual wear. The move resulted in a 21.3% year-on-year decrease in the average selling price of "L2" for the first half of the year.

For the first half of 2013, sales of "LILANZ" and "L2" accounted for approximately 92.7% (the first half of 2012: 93.6%) and 7.3% (the first half of 2012: 6.4%) respectively of the total turnover.

Tops remained the major contributor by sales during the period and accounted for 61.6% (the first half of 2012: 66.1%) of total turnover. The relatively large sales volume among all product categories made it suffer more from the channel inventory issue. As a result, the sales of tops decreased by 19.1% year on year. In the past two years, the Group improved the fabric quality and cutting design of pants, better suiting the products to the market. This effort continued to have a positive effect on the sales for 2013. Sales of pants recorded a 1.8% year-on-year increase for the first half of the year, and accounted for 28.5% (the first half of 2012: 24.3%) of total turnover. Among all the product categories, accessories recorded the most impressive sales growth during the period. Sales of accessories increased by 16.3% year-on-year to RMB64.9 million, accounting for 5.9% (the first half of 2012: 4.4%) of the total turnover. The growth consolidation was mainly driven by the growth in sales of shoes and bags.

### Turnover by Region

The market of the Northern China region witnessed the strongest performance during the first half of the year with a 25.3% increase in sales. The best performing market in the region was Beijing where the Group's store efficiency improved with enhanced store management after the store consolidation in 2012. Sales in the North Eastern China region decreased by 29.9% year on year in the first half of the year because the higher proportion of concession counters in department stores made the sales there more susceptible to changes in the retail consumption environment. The Group would work on product development and design to cater to the specific needs of the local customers to boost sales in that region. During the period, the Eastern, Central and Southern China regions continued to be the major contributors to the Group's turnover, and together accounted for 58.6% (the first half of 2012: 59.3%) of total turnover.

During the period, the sub-brand "L2" adhered to its established policy to focus on developing the four provinces of Henan, Shaanxi, Hunan and Hubei into future growth drivers.



## Management Discussion and Analysis (continued)

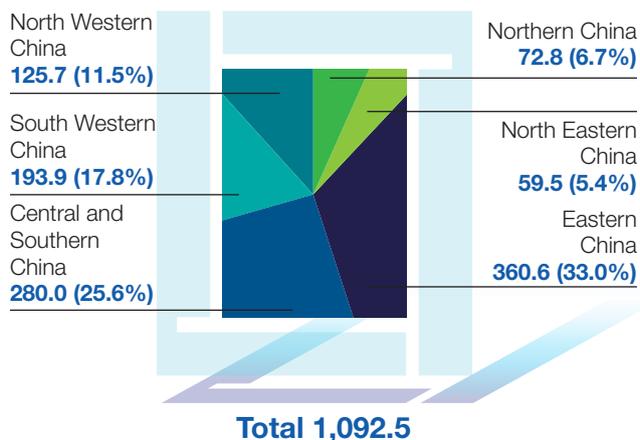
Turnover by region for the period was set out below:

Region	Six months ended 30 June				Changes %
	2013		2012		
	RMB million	% of turnover	RMB million	% of turnover	
Northern China <sup>(1)</sup>	72.8	6.7	58.1	4.6	25.3
North Eastern China <sup>(2)</sup>	59.5	5.4	84.9	6.8	-29.9
Eastern China <sup>(3)</sup>	360.6	33.0	428.4	34.0	-15.8
Central and Southern China <sup>(4)</sup>	280.0	25.6	318.9	25.3	-12.2
South Western China <sup>(5)</sup>	193.9	17.8	242.0	19.2	-19.9
North Western China <sup>(6)</sup>	125.7	11.5	127.0	10.1	-1.0
<b>Total</b>	<b>1,092.5</b>	<b>100.0</b>	<b>1,259.3</b>	<b>100.0</b>	<b>-13.2</b>

- (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.

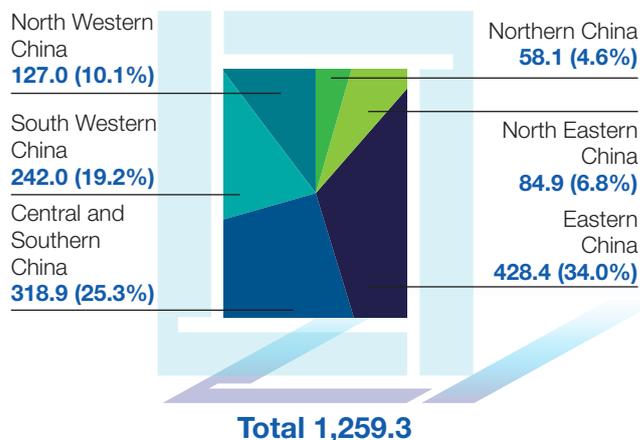
### January to June 2013 Turnover by region

(RMB million)



### January to June 2012 Turnover by region

(RMB million)





### Cost of Sales

Cost of sales decreased by 13.7% to approximately RMB655.8 million from approximately RMB759.9 million for the corresponding period last year. Stable prices of all kinds of raw materials in the first half of the year helped the Group to control cost.

The Group continued to engage in a combination of in-house-production, subcontracting arrangement (process outsourcing) and outsourced production (OEM purchases) when manufacturing its products, so as to achieve the best product quality, cost efficiency and flexibility in production arrangement. During the period, production was assigned to the Group's own facilities and subcontracting and outsourcing arrangements would be considered alternatively. This would help protect the copyrights of the Group's own design and the proportion of self-developed products increased. In the first half of the year, in-house-production accounted for approximately 44.6% of the total cost of sales, representing an increase of 7.5 percentage points as compared to that of the corresponding period last year.

### Gross Profit and Gross Profit Margin

Gross profit for the first half of 2013 decreased by 12.6% year on year to RMB436.7 million. Gross profit margin increased by 0.3 percentage point year on year to 40.0%. The increase in gross profit margin was mainly attributable to the Group's success in controlling the cost of raw materials with enhanced supply chain management.

### Selling and Distribution Expenses

During the period under review, the selling and distribution expenses amounted to RMB115.6 million, accounting for approximately 10.6% of total turnover, which represented a year-on-year increase of 2.3 percentage points.

In particular, advertising and promotional expenses and renovation subsidies totaled RMB90.1 million, which accounted for approximately 8.3% of the total turnover, up by 2.4 percentage points when compared to the 5.9% for the corresponding period last year. The increase was mainly attributable to the increase in renovation subsidies as the Group rolled out an initiative to upgrade the image of its "LILANZ" stores through renovation in phases since the second half of 2012.

### Administrative Expenses

During the period, the Group's administrative expenses decreased by RMB6.6 million year on year to RMB44.2 million, which accounted for approximately 4.1% of turnover, similar to that for the corresponding period last year.

### Other Operating Expenses

During the period, other operating expenses rose by RMB4.2 million year on year to RMB4.6 million as the Group increased charitable donations.

### Profit from Operations

Profit from operations for the first half of 2013 dropped by 20.0% year on year to RMB275.0 million from RMB343.6 million for the first half of 2012. The operating margin decreased from 27.3% to 25.2%. This reflected the decrease in turnover and the increase in advertising and promotional expenses and renovation subsidies during the period.

### Net Finance Income

During the period, the Group recorded a net finance income of RMB28.6 million, representing a decrease of RMB1.5 million over the corresponding period last year.

### Income Tax

The effective income tax rate for the period was 20.2%, down by 5.4 percentage points from 25.6% for the corresponding period last year, mainly due to the greater amount of provision made in the first half of last year. One of the Group's PRC subsidiaries has been granted the "Advanced and New Technology Enterprise" status and is entitled to a preferential tax rate of 15% in 2012 and 2013.

### Profit Attributable to Equity Shareholders of the Company

For the six months ended 30 June 2013, profit attributable to the shareholders was approximately RMB242.3 million, representing a year-on-year decrease of 12.8%. Net profit margin was 22.2%, which is similar to that of the corresponding period last year. Earnings per share were approximately 20.2 RMB cents, representing a year-on-year decrease of 12.9%.

The sub-brand "L2" recorded a profit after tax of RMB1.1 million (the first half of 2012: RMB1.6 million).

### Interim Dividend

The Board recommended the payment of an interim dividend of HK12 cents (the first half of 2012: HK13 cents) per ordinary share and a special interim dividend of HK5 cents (the first half of 2012: HK6 cents) per ordinary share in respect of the financial year, representing a total payout of approximately HK204.2 million (equivalent to approximately RMB161.9 million). The interim dividend and special interim dividend will be paid in cash on or about 6 September 2013 to shareholders whose names appear on the register of members of the Company on 28 August 2013.

## BUSINESS REVIEW

### Retail and Distribution Network

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

Region	Number of stores			As of 30 June 2013
	As of 1 January 2013	Stores opened during the period	Stores closed during the period	
Northern China	314	22	11	<b>325</b>
North Eastern China	419	6	20	<b>405</b>
Eastern China	1,043	38	39	<b>1,042</b>
Central and Southern China	796	28	43	<b>781</b>
South Western China	639	37	26	<b>650</b>
North Western China	268	18	12	<b>274</b>
	3,479	149	151	<b>3,477</b>

The Group has been striving to optimize its retail and sales network and enhance its store efficiency for a healthy and long term business development. During the first half of 2013, in light of the economic and industry environment in China, the Group realigned its store network and closed down certain under-performing retail stores. New stores opened during the period are mostly situated at prime commercial locations of prefecture-level cities. The Group maintained a conservative approach to store opening. The store realignment initiatives for “LILANZ” and “L2” proceeded as scheduled. During the first six months, “LILANZ” had a net reduction of 26 retail stores while “L2” a net addition of 24 retail stores. As of 30 June 2013, the number of the Group’s stores totaled 3,477, with a net decrease of 2 stores. Stores in Eastern China region and the region of Central and Southern China, which were the two major sales contributor to the Group, accounted for 52.4% of the total number of stores of the Group.

As of 30 June 2013, “LILANZ” had 65 distributors and 1,449 sub-distributors. There were a total of 3,201 “LILANZ” retail stores, of which 3 were self-operated flagship stores, 1,063 were directly operated by distributors and 2,135 by their sub-distributors. In terms of store category, 2,289 were stand-alone stores and the remaining 912 are shop-in-

shops in department stores. The total area of the retail stores was approximately 360,000 square meters (31 December 2012: 359,000 square meters), representing an increase of 0.3%.

As of 30 June 2013, “L2” had 40 distributors (15 of which were also the distributors of “LILANZ”) and 61 sub-distributors. There were a total of 276 “L2” retail stores, of which 182, or 65.9% of the total number of stores, were in the Eastern, Central and Southern China regions. The store network comprises one self-operated flagship store, 193 retail stores directly operated by distributors and 82 by their sub-distributors. In terms of store category, 169 were stand-alone stores and the remaining 107 were shop-in-shops in department stores. The total area of retail stores was approximately 29,500 square meters (31 December 2012: 26,700 square meters), representing an increase of 10.5%.

In view of the increasing popularity of online sales in China, the Group actively tapped into the potential of e-business channel. During the period, the Group continued to sell “LILANZ” and “L2” products online through its platforms. Except for out-of-the-season products, the products and their prices offered on the online sales platforms are the same as those in the brick-and-mortar stores.

### Sales Channel Management

During the first half of the year, the Group continued to strengthen its regular monitoring of sales channels. In addition to promoting sales of new products for spring/summer, it also encouraged its distributors to clear their old inventories by taking various measures including operating discount stores for a period of about 30 days before the commencement of business or renovation of stores and setting up temporary promotion counters in department stores. The arrangement recorded satisfactory results.

In addition, the Group will continue to provide training for its distributors and their management teams in the second half of the year, aiming at elevating the retail management skills and sales technique as well as at refining the management of the chain store business of the distributors. We expect these moves will enhance the efficiency of the retail channels.

Except for the shop-in-shops in department stores, all the Group's retail stores of "LILANZ" and "L2" are web-enabled so that the Group can access the data of sales and inventory levels of the stores with greater accuracy and thus can respond more promptly to various issues, and develop products which meet market needs better.

### Marketing and Promotion

As a continuation to the store revamp project for "LILANZ" undertaken since the latter half of 2012, the Group upgraded the store front during the period to enhance and reinforce its brand image. The measure was an integral part of the Group's brand promotion campaign. The Group had renovated approximately 300 "LILANZ" stores during the first half of 2013, and the plan for renovating 700 to 800 stores by the end of the year remained unchanged.

### Design and Product Development

The Group always attaches great importance to the style and quality of its products. Adhering to this philosophy, the Group has been committed to achieving excellence through continuous research, design and development of new products over the years. Currently we have a product design and development team of over 100 staffers for "LILANZ" in Jinjiang and a 35-strong team for "L2" in Shanghai. During the period, the Group continued to develop new fabrics in close cooperation with its suppliers so as to further control production costs, enhance products' value for money and maintain the uniqueness of the fabrics used.

During the period, the Group set up an international research and development team for its core brand "LILANZ". Headed by a group of designers from abroad, the team would bring in new ideas by adding innovative and international taste and elements to the brand's fashionable yet simple product style and designs. The move will help the Group maintain its position as a trend-setter in the business casual menswear market in China and offer a more diversified product mix to customers. It is expected that new design concepts will be adopted in the 2014 spring/summer collections.

Restructuring of "L2" product line is largely completed. The brand currently focuses on the trendy casual features which better suit the needs of its target customers.

### Trade Fairs

The 2013 fall/winter trade fairs of "LILANZ" and "L2" were held in the first half of the year. Given the difficult environment in the retail industry and the fact that the Group had controlled the order book as part of the measures to strengthen channel and inventory management in response to market conditions, order values recorded at the above trade fairs declined. The total order value at the fall trade fair of "LILANZ" recorded a 26% decrease whereas the decrease in order value at the winter fair narrowed to 16%. The order value for sub-brand "L2" at the fall trade fair remained at a similar level as that of the previous year, while that at the winter fair recorded a single-digit growth year on year. Shipment of the orders taken at the fall trade fair commenced in June 2013 while those of the winter trade fair orders are expected to begin in August 2013.

### Production and Supply Chain

In order to achieve higher efficiency in production management, the Group closed down its production plant in Changting, Fujian Province in the first half of 2013. Currently, in-house-production of the Group is entirely carried out in the plant in Wuli, Fujian Province. The plant's average utilization rate for the period was over 90%.

During the period, the Group continued the measures adopted last year to step up control on material procurement for its outsourced productions, tightening control on production costs.

### Awards

Efforts by the Group in various aspects amid the challenging business environment were appreciated by the industry and the public. During the period, the Group has won the title of "The Listed Company with the Most Remarkable Growth Potential in China's Apparel Industry" in the 2013 The Ninth China Enterprise Credibility and Competitiveness Forum Summit. The award is widely recognized in the industry and granted according to vote by professionals, journalists, the public and industry peers based on six criteria including market share, brand influence, customer satisfaction, brand reputation, social responsibility and corporate culture.

### PROSPECTS

For the second half of 2013, macro-economic uncertainty and the risk of a slower economic growth are still factors to reckon with. The lack of notable recovery in consumer confidence will continue to pose challenges and opportunities to the apparel retail industry in China. As one of the leading menswear enterprises in China, China Lilang holds a belief that investments in brand building and proactive management of sales channels are crucial to the healthy development of an enterprise in the long run. Therefore, the Group continues to implement prudent and flexible operation strategy and adheres to its brand positioning by avoiding aggressive sales discounts. Ensuring the viability of sales channels and distributors' profitability will remain the primary objective of the Group for the second half of 2013. The Group will prepare itself for its long-term development by escalating its research and development efforts and strengthening its supply chain management to further enhance the quality and value-for-money of its products.

During the first half of 2013, the Group encouraged its distributors to clear as soon as possible their inventories of the 2012 products. The stock level of 2012 spring/summer products had since been notably reduced. For the second half of the year, the Group would continue to clear the channel inventory of 2012 fall/winter products through discount stores. Reducing the amount of orders taken at trade fairs would also help control the channel inventory. The Group is confident that channel inventory level will continue to improve and will be restored to a healthy level as a result of such remedial measures. The 2014 spring/summer trade fairs are to be held in this August. With the channel inventory of the 2013 spring/summer products near to a normal level, the management is confident that the trade fair results would improve compared with the 2013 winter trade fair.

China Lilang will remain a proper pace for store opening and target number of stores. For "LILANZ", the target of the number of store openings for 2013 is about 200 and it is also expected that about 200 under-performing stores will be closed. For "L2", the store opening target for 2013 is 70 to 90 stores and approximately 50 stores are expected to be closed, so that the Group can concentrate its resources for exploring the potential of the markets in four provinces of Henan, Shaanxi, Hunan and Hubei. The Group will also continue to implement its store revamp initiative to build a new image for "LILANZ". It is confident that it will be able to meet the target of revamping 700 to 800 stores in 2013, further enhancing its brand image and sales.

Accelerating urbanisation across China will continue to help boost income levels of its citizens and lift consumer sentiment, laying a solid foundation for a recovery of the domestic consumer market in a longer term. The Group stands firm on its philosophy of providing fashionable and quality products to consumers and is optimistic about the long-term development of the menswear sector in China.

Looking ahead to the second half of the year, the Group will capitalize on the consolidation during the current period by perfecting its management and system and will stay competitive by enhancing its brand image and product design. It will also strengthen the management of the retail operation, sales channels and inventory control, thereby reinforcing the leading position of "China Lilang" in the menswear industry amid the challenging market conditions. It is also preparing itself for a healthier development in the future, so as to realize sustainable growth and reward its shareholders, employees and customers for their support.

## LIQUIDITY AND FINANCIAL RESOURCES

### Cash Flow

	Six months ended 30 June	
	2013	2012
	RMB million	RMB million
Operating cash inflow	333.1	332.2
Capital expenditure	(14.0)	(45.7)
Free cash inflow	319.1	286.5
Cash and bank balances (including pledged bank deposits)	1,897.2	1,619.2

As at 30 June 2013, the Group's total cash and bank balances were held in RMB (99.0%) and HKD (1.0%).

As at 30 June 2013, cash and cash equivalents of the Group amounted to RMB1,260.9 million (placements of fixed deposits and pledged deposits held at banks with maturity over 3 months totalling RMB160.0 million and RMB474.0 million respectively were regarded as investing activities in the condensed consolidated cash flow statement), representing an increase of RMB18.1 million as compared with the cash and cash equivalents balance of RMB1,242.8 million as at 31 December 2012. The increase was attributable to:

- Cash inflows from operating activities amounting to RMB333.1 million.

- Cash outflows from investing activities amounting to RMB60.3 million, comprising mainly increases in placements of fixed deposits and pledged deposits held at banks with maturity over three months by RMB60.0 million and RMB4.0 million respectively, and capital expenditure for property, plant and equipment, lease prepayments and intangible assets totalling RMB14.0 million.
- Cash outflows from financing activities amounting to RMB254.4 million, mainly attributable to the payment of final dividend and special final dividend totalling RMB238.1 million in respect of the year ended 31 December 2012.

### Bank Loans

As at 30 June 2013, the Group had bank loans totalling RMB436.1 million (31 December 2012: RMB443.7 million). The net cash position as at 30 June 2013 was as follows:

	<b>As at 30 June 2013 RMB million</b>	As at 31 December 2012 RMB million
Cash and bank balances (including pledged bank deposits)	<b>1,897.2</b>	1,816.7
Less: Total borrowings	<b>(436.1)</b>	(443.7)
Net cash	<b>1,461.1</b>	1,373.0

As at 30 June 2013, the Group's bank loans were all denominated in HKD, fully secured by pledged bank deposits and were repayable as follows:

	<b>As at 30 June 2013 RMB million</b>	As at 31 December 2012 RMB million
Within 1 year or on demand	<b>146.7</b>	150.2
After 1 year but within 2 years	<b>289.4</b>	293.5
Total bank loans	<b>436.1</b>	443.7

All bank loans are at floating interest rates.

### Trade Working Capital Ratios

The Group's average inventory turnover days was 66 days for the period. This compared to 55 days for the year ended 31 December 2012 and 59 days for the same period last year. The number for the period was inflated by a high beginning inventory balance. As at 30 June 2013, the inventory balance was RMB197.8 million, a decrease of RMB82.5 million from that of 31 December 2012. This mainly reflected the drop in orders and productions for the 2013 fall and winter collections. Shipment of the autumn orders had started in June and shipment of winter orders would commence in August.

The average trade receivables turnover days for the period was 90 days. This compared to 74 days for the year ended 31 December 2012. As noted in the 2012 annual report, extended trade credits have been granted to distributors as additional support during this difficult time.

The Group's average trade payables turnover days was 50 days for the period, a decrease of 8 days as compared to 58 days for the same period last year. In line with the drop in inventory balance, the trade payables balance decreased by RMB51.3 million to RMB154.9 million as at 30 June 2013.

### PLEDGE OF ASSETS

As at 30 June 2013, deposits with certain banks totalling RMB476.3 million (31 December 2012: RMB473.9 million) were pledged as securities for bank loans and bills payable.

### CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2013, the Group had total capital commitments of RMB251.2 million, primarily related to the proposed construction of a new headquarters, which has been put on hold until macro-economic environment improves, and the development of the ERP system. These capital commitments are expected to be financed by internal resources of the Group.

As at 30 June 2013, the Group had no material contingent liabilities.

### FINANCIAL MANAGEMENT POLICIES

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

### HUMAN RESOURCES

As at 30 June 2013, the Group had 1950 staff. Total staff costs for the period amounted to approximately RMB59.2 million (2012: RMB64.2 million).

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

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

# Review Report of the Auditor



## 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 34 which comprises the consolidated balance sheet of China Lilang Limited (the "Company") as of 30 June 2013 and the related consolidated statement of profit or loss and other comprehensive income and consolidated 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 2013 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

12 August 2013

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013 — unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
<b>Turnover</b>	3	<b>1,092,475</b>	1,259,289
Cost of sales		<b>(655,767)</b>	(759,867)
<b>Gross profit</b>		<b>436,708</b>	499,422
Other revenue		<b>2,774</b>	122
Selling and distribution expenses		<b>(115,616)</b>	(104,726)
Administrative expenses		<b>(44,249)</b>	(50,808)
Other operating expenses		<b>(4,569)</b>	(397)
<b>Profit from operations</b>		<b>275,048</b>	343,613
Net finance income	4	<b>28,597</b>	30,143
<b>Profit before taxation</b>	5	<b>303,645</b>	373,756
Income tax	6	<b>(61,393)</b>	(95,746)
<b>Profit attributable to equity shareholders of the Company</b>		<b>242,252</b>	278,010
<b>Other comprehensive income for the period</b>			
<b>Item that is or may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		<b>6,299</b>	(237)
<b>Total comprehensive income for the period</b>		<b>248,551</b>	277,773
<b>Earnings per share</b>	7		
Basic (cents)		<b>20.2</b>	23.2
Diluted (cents)		<b>20.1</b>	23.1

The notes on pages 20 to 34 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 19.

# Consolidated Balance Sheet

At 30 June 2013 — unaudited  
(Expressed in Renminbi)

	Note	30 June 2013 RMB'000	31 December 2012 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8	320,721	327,762
Lease prepayments	9	36,197	36,605
Intangible assets	10	6,139	6,952
Deposits for purchases of fixed assets and land use rights	11	65,516	61,451
Deferred tax assets	18(b)	20,202	21,917
Pledged bank deposits	12	319,000	320,000
		<b>767,775</b>	774,687
<b>Current assets</b>			
Inventories	13	197,802	280,287
Trade and other receivables	14	675,348	737,564
Pledged bank deposits	12	157,295	153,939
Fixed deposits held at banks with maturity over three months	15	160,000	100,000
Cash and cash equivalents	15	1,260,878	1,242,788
		<b>2,451,323</b>	2,514,578
<b>Current liabilities</b>			
Bank loans	16	146,687	150,180
Trade and other payables	17	314,426	360,283
Current tax payable	18(a)	13,435	33,693
		<b>474,548</b>	544,156
<b>Net current assets</b>		<b>1,976,775</b>	1,970,422
<b>Total assets less current liabilities</b>		<b>2,744,550</b>	2,745,109
<b>Non-current liabilities</b>			
Bank loans	16	289,409	293,497
Deferred tax liabilities	18(b)	60,904	68,696
Retention payables		910	910
		<b>351,223</b>	363,103
<b>Net assets</b>		<b>2,393,327</b>	2,382,006

## Consolidated Balance Sheet (continued)

At 30 June 2013 — unaudited  
(Expressed in Renminbi)

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
<b>Capital and reserves</b>		
Share capital	<b>105,812</b>	105,801
Reserves	<b>2,287,515</b>	2,276,205
<b>Total equity</b>	<b>2,393,327</b>	2,382,006

The notes on pages 20 to 34 form part of this interim financial report.

**Mr. Wang Dong Xing**  
*Chairman*

**Mr. Wang Liang Xing**  
*Chief Executive Officer*

**Mr. Wang Cong Xing**  
*Executive Director*

Hong Kong, 12 August 2013

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 — unaudited  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	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 2012	105,792	497,433	176,431	28,799	(24,112)	1,392,863	2,177,206
Changes in equity for the six months ended 30 June 2012:							
Profit for the period	-	-	-	-	-	278,010	278,010
Other comprehensive income for the period	-	-	-	-	(237)	-	(237)
Total comprehensive income for the period	-	-	-	-	(237)	278,010	277,773
Equity settled share-based payments	-	-	-	1,317	-	-	1,317
Dividends approved in respect of the previous year	-	(245,790)	-	-	-	-	(245,790)
Appropriation to statutory reserve	-	-	5,247	-	-	(5,247)	-
As at 30 June 2012	105,792	251,643	181,678	30,116	(24,349)	1,665,626	2,210,506
<b>As at 1 January 2013</b>	<b>105,801</b>	<b>72,976</b>	<b>199,258</b>	<b>30,988</b>	<b>(23,850)</b>	<b>1,996,833</b>	<b>2,382,006</b>
<b>Changes in equity for the six months ended 30 June 2013:</b>							
Profit for the period	-	-	-	-	-	242,252	242,252
Other comprehensive income for the period	-	-	-	-	6,299	-	6,299
Total comprehensive income for the period	-	-	-	-	6,299	242,252	248,551
Shares issued under share option schemes	11	460	-	(137)	-	-	334
Equity settled share-based payments	-	-	-	499	-	-	499
Dividends approved in respect of the previous year	-	-	-	-	-	(238,063)	(238,063)
<b>As at 30 June 2013</b>	<b>105,812</b>	<b>73,436</b>	<b>199,258</b>	<b>31,350</b>	<b>(17,551)</b>	<b>2,001,022</b>	<b>2,393,327</b>

The notes on pages 20 to 34 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2013 — unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2013 RMB'000	2012 RMB'000
<b>Net cash generated from operating activities</b>		<b>333,111</b>	332,177
<b>Net cash used in investing activities*</b>		<b>(60,271)</b>	(573,204)
<b>Net cash (used in)/generated from financing activities</b>		<b>(254,421)</b>	58,722
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,419</b>	(182,305)
<b>Cash and cash equivalents at 1 January</b>	15	<b>1,242,788</b>	1,240,977
<b>Effect of foreign exchange rate changes</b>		<b>(329)</b>	177
<b>Cash and cash equivalents at 30 June</b>	15	<b>1,260,878</b>	1,058,849

The notes on pages 20 to 34 form part of this interim financial report.

\* Net cash used in investing activities for the period includes the uplift and placement of fixed deposits held at banks with maturity over three months, which totalled RMB100,000,000 (2012: RMB nil) and RMB160,000,000 (2012: RMB250,000,000) respectively and uplift and placement of pledged bank deposits with maturity over three months totalling RMB150,000,000 (2012: RMB nil) and RMB154,000,000 (2012: RMB305,000,000) respectively.

# 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 12 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 2012 annual financial statements.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It has also 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 2012 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 2012 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 13 March 2013.

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a few amendments to IFRSs and new standards that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 10, *Consolidated Financial Statements (2011)*
- *Presentation of Items of Other Comprehensive Income* (Amendments to IAS 1)

The impacts of these developments are discussed below:

- IFRS 10 (2011) introduces a new model for determining whether the Group has control over and consequently whether the Group consolidates its investees by focusing on whether the Group has power over an investee, exposure and rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. This development has no material impact on the Group's financial statements.
- Amendments to IAS 1 revise the presentation of items of other comprehensive income to present separately items that would be reclassified to profit or loss in the future from those that would never be. The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

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

### 3. 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").

### 4. NET FINANCE INCOME

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest income	<b>34,393</b>	31,839
Interest on bank borrowings	<b>(6,137)</b>	(1,380)
Net foreign exchange gain/(loss)	<b>341</b>	(316)
	<b>28,597</b>	30,143

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
(a) Staff costs (note (i)):		
Salaries, wages and other benefits	<b>57,584</b>	61,570
Contribution to defined contribution retirement plans	<b>1,110</b>	1,342
Equity settled share-based payment expenses (note 20)	<b>499</b>	1,317
	<b>59,193</b>	64,229
(b) Other items:		
Amortisation of lease prepayments	<b>408</b>	407
Amortisation of intangible assets	<b>1,215</b>	1,073
Depreciation (note (i))	<b>14,500</b>	9,063
Auditor's remuneration	<b>1,678</b>	1,635
Cost of inventories (note (i))	<b>655,767</b>	759,867
Loss on disposal of property, plant and equipment	<b>420</b>	640
Operating lease rental in respect of properties (note (i))	<b>4,878</b>	4,564
Research and development costs (notes (i) and (ii))	<b>29,375</b>	8,165
Subcontracting charges (notes (i) and (iii))	<b>5,462</b>	19,150

Notes:

- (i) Cost of inventories sold includes research and development costs, subcontracting charges, related staff costs, depreciation and operating lease rental in respect of properties totalling RMB62,493,000 (2012: RMB59,323,000) included in items disclosed above.
- (ii) Research and development costs include salaries, wages and other benefits totalling RMB10,561,000 (2012: RMB5,409,000) for employees in the design, research and development department, which are included in the staff costs as disclosed in note 5(a).
- (iii) Subcontracting charges include service charges and auxiliary raw material costs payable to subcontractors.

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 6. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
<b>Current tax</b>		
Provision for PRC corporate income tax for the period (note 18(a))	50,127	85,577
Under-provision for PRC corporate income tax in respect of prior year	1,751	2,376
PRC dividend withholding tax (note v)	15,592	–
	<b>67,470</b>	87,953
<b>Deferred tax</b>		
Origination and reversal of temporary differences (note 18(b))	9,515	7,793
Distribution of dividends (note 18(b))	(15,592)	–
	<b>61,393</b>	95,746

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 2013 and 2012.
- (iii) Taxation for the Group’s PRC subsidiaries is calculated using the income tax rates applicable to the subsidiaries. In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance note, one of the subsidiaries has been granted Advanced and New Technology Enterprise status which entitles the subsidiary to a reduced income tax rate at 15% for 2012 and 2013. Another subsidiary was entitled to tax concessions for the year 2012 whereby the profits of that subsidiary was taxed at preferential income tax rates for that year.
- (iv) According to the Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interests of the PRC company. As all of the Group’s PRC subsidiaries are directly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of the PRC dividend withholding tax. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.
- (v) PRC dividend withholding tax represents tax charged by the PRC tax authority on dividends distributed by the Group’s PRC subsidiaries during the period.

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 7. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB242,252,000 (2012: RMB278,010,000) and the weighted average number of ordinary shares in issue of 1,200,911,000 (2012: 1,200,732,000).

Weighted average number of ordinary shares:

	Six months ended 30 June	
	2013 '000	2012 '000
Issued ordinary shares at 1 January	1,200,838	1,200,732
Effect of share options exercised	73	–
Weighted average number of ordinary shares	1,200,911	1,200,732

#### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB242,252,000 (2012: RMB278,010,000) 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	
	2013 '000	2012 '000
Weighted average number of ordinary shares	1,200,911	1,200,732
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	2,652	4,662
Weighted average number of ordinary shares (diluted)	1,203,563	1,205,394

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 8. PROPERTY, PLANT AND EQUIPMENT

	2013 RMB'000	2012 RMB'000
Net book value, as at 1 January	327,762	204,333
Additions	8,298	18,929
Disposals (net carrying amount)	(704)	(704)
Exchange adjustment (net carrying amount)	(135)	82
Depreciation charge for the period	(14,500)	(8,599)
Net book value, as at 30 June	320,721	214,041

### 9. LEASE PREPAYMENTS

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

### 10. INTANGIBLE ASSETS

Intangible assets represent the enterprise resource planning and information technology system software developed.

The amortisation charge for the period is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

### 11. DEPOSITS FOR PURCHASES OF FIXED ASSETS AND LAND USE RIGHTS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Deposit for land use rights (note (i))	64,993	60,000
Purchase of other fixed assets	523	1,451
	65,516	61,451

Note:

- (i) The deposit represented the cost for the land use rights for 50 years on a piece of leasehold land located in Jinjiang, Fujian Province, the PRC, purchased for the proposed construction of a new headquarters.

The deposit will be transferred to lease prepayments upon the issue of the land use rights certificate to the Group.

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 12. PLEDGED BANK DEPOSITS

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Amounts pledged as security for bank loans (note 16)	<b>474,000</b>	470,000
Amounts pledged as security for bills payable (note 17)	<b>2,295</b>	3,939
	<b>476,295</b>	473,939
Representing:		
Current pledged bank deposits	<b>157,295</b>	153,939
Non-current pledged bank deposits	<b>319,000</b>	320,000
	<b>476,295</b>	473,939

Pledges will be released upon the settlement of the relevant bank loans and bills payable.

### 13. INVENTORIES

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Raw materials	<b>110,495</b>	35,104
Work in progress	<b>4,882</b>	4,449
Finished goods	<b>82,425</b>	240,734
	<b>197,802</b>	280,287

As at 30 June 2013, raw materials included materials totalling RMB30,231,000 (31 December 2012: RMB712,000) that were held by sub-contractors.

During the six months ended 30 June 2013, RMB6,064,000 (2012: provision for obsolete inventories of RMB8,606,000) was recognised as a reversal of provision for obsolete inventories.

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 14. TRADE AND OTHER RECEIVABLES

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Trade receivables	<b>587,503</b>	685,840
Prepayments to suppliers	<b>42,825</b>	24,159
Prepaid advertising expenses	<b>2,384</b>	2,069
VAT deductible	<b>2,463</b>	1,358
Other deposits, prepayments and receivables	<b>40,173</b>	24,138
	<b>675,348</b>	737,564

All of the trade and other receivables are expected to be recovered or recognised as expense within one year. An ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Current	<b>569,570</b>	677,693
Less than 1 month past due	<b>16,370</b>	8,147
1-3 months past due	<b>-</b>	-
More than 3 months past due	<b>1,563</b>	-
	<b>587,503</b>	685,840

An ageing analysis of the trade receivables, based on the invoice date and none of which is considered to be individually or collectively impaired, is as follows:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Within 3 months	<b>317,098</b>	509,531
3 months to 6 months	<b>199,272</b>	165,426
6 months to 1 year	<b>69,570</b>	10,883
Over 1 year	<b>1,563</b>	-
	<b>587,503</b>	685,840

The Group grants a credit period of 90 to 240 days (2012: 90 to 240 days) to its trade customers.

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

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

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Fixed deposits with banks within three months to maturity when placed Cash at bank and in hand	<b>720,000</b> <b>540,878</b>	1,060,800 181,988
Cash and cash equivalents in the consolidated balance sheet and the condensed consolidated cash flow statement	<b>1,260,878</b>	1,242,788
Fixed deposits with banks with more than three months to maturity when placed	<b>160,000</b>	100,000
	<b>1,420,878</b>	1,342,788

### 16. BANK LOANS

As at 30 June 2013, bank loans were fully secured by pledged bank deposits (also see note 12) and were repayable as follows:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Within 1 year or on demand	<b>146,687</b>	150,180
After 1 year but within 2 years	<b>289,409</b>	293,497
	<b>436,096</b>	443,677

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 17. TRADE AND OTHER PAYABLES

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Trade payables	<b>147,294</b>	193,084
Bills payable (note 12)	<b>7,650</b>	13,130
Trade and bills payables	<b>154,944</b>	206,214
Receipts in advance	<b>54,231</b>	31,509
Accrued salaries and wages	<b>9,576</b>	14,941
Payables for purchase of fixed assets	<b>8,913</b>	10,149
Retirement benefit contribution payable	<b>26,147</b>	25,862
VAT payables	<b>15,126</b>	9,760
Other payables and accruals	<b>45,489</b>	61,848
	<b>314,426</b>	360,283

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

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Within 3 months	<b>114,695</b>	163,687
3 months to 6 months	<b>15,997</b>	29,253
6 months to 1 year	<b>18,174</b>	5,069
Over 1 year	<b>6,078</b>	8,205
	<b>154,944</b>	206,214

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 18. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

#### (a) Current tax payable in the consolidated balance sheet represents:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Provision for PRC corporate income tax for the period (note 6)	<b>50,127</b>	126,511
PRC corporate income tax paid for the current period	<b>(36,692)</b>	(92,818)
	<b>13,435</b>	33,693

#### (b) Deferred tax assets/(liabilities) recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the period are as follows:

	Deferred tax arising from				Total RMB'000
	Accrued expenses RMB'000	Cumulative tax losses of a subsidiary RMB'000	Inventory provision and others RMB'000	Undistributed profits of PRC subsidiaries RMB'000	
At 1 January 2012	6,815	–	3,370	(48,351)	(38,166)
(Charged)/credited to consolidated statement of profit or loss and other comprehensive income (note 6)	(840)	–	1,047	(8,000)	(7,793)
At 30 June 2012	5,975	–	4,417	(56,351)	(45,959)
<b>At 1 January 2013</b>	<b>5,764</b>	<b>–</b>	<b>16,153</b>	<b>(68,696)</b>	<b>(46,779)</b>
(Charged)/credited to consolidated statement of profit or loss and other comprehensive income (note 6)	<b>(1,886)</b>	<b>2,343</b>	<b>(2,172)</b>	<b>(7,800)</b>	<b>(9,515)</b>
Released upon distribution of dividends (note 6)	–	–	–	<b>15,592</b>	<b>15,592</b>
<b>At 30 June 2013</b>	<b>3,878</b>	<b>2,343</b>	<b>13,981</b>	<b>(60,904)</b>	<b>(40,702)</b>

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 18. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

#### (b) Deferred tax assets/(liabilities) recognised: (continued)

Representing:

	30 June 2013 RMB'000
Deferred tax assets	20,202
Deferred tax liabilities	(60,904)
	(40,702)

#### (c) Deferred tax liabilities not recognised

The Group is subject to 5% withholding tax on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 30 June 2013, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of RMB789,767,000 (31 December 2012: RMB702,423,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has been determined that these profits will not be distributed in the foreseeable future.

### 19. DIVIDENDS

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

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Declared and payable after interim period:		
Interim dividend of HK12 cents per ordinary share (2012: HK13 cents per ordinary share)	114,258	125,516
Special interim dividend of HK5 cents per ordinary share (2012: HK6 cents per ordinary share)	47,607	57,931
	161,865	183,447

The interim dividend and special interim dividend have not been recognised as liabilities as at 30 June 2013.

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 19. DIVIDENDS (continued)

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK19 cents per ordinary share (2012: HK19 cents per ordinary share)	180,928	183,447
Special final dividend in respect of the previous financial year, approved and paid during the period, of HK6 cents per ordinary share (2012: HK6 cents per ordinary share)	57,135	57,930
	238,063	241,377

### 20. 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	
	Exercise price	No. of options	Exercise price	No. of options
Outstanding at 1 January 2012 and At 30 June 2012	HK\$3.12	8,160,671	HK\$6.63	1,130,000
<b>Outstanding at 1 January 2013</b>	<b>HK\$3.12</b>	<b>8,054,057</b>	<b>HK\$6.63</b>	<b>1,130,000</b>
Exercised during the period	HK\$3.12	(134,994)	-	-
<b>Outstanding at 30 June 2013</b>	<b>HK\$3.12</b>	<b>7,919,063</b>	<b>HK\$6.63</b>	<b>1,130,000</b>

The share options outstanding under the Pre-IPO Share Option Scheme at 30 June 2013 had a weighted average remaining contractual life of 3.0 years.

The share options outstanding under the Share Option Scheme at 30 June 2013 had a weighted average remaining contractual life of 5.4 years.

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 21. COMMITMENTS

#### (a) Operating leases commitments

As at 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Within 1 year	<b>1,605</b>	1,732

#### (b) Capital commitments

As at 30 June 2013, capital commitments not provided for in the interim financial report are as follows:

	<b>30 June 2013 RMB'000</b>	31 December 2012 RMB'000
Contracted for	<b>5,310</b>	8,077
Authorised but not contracted for	<b>245,874</b>	249,140
	<b>251,184</b>	257,217

## Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

### 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	
	2013	2012
	RMB'000	RMB'000
Short-term employee benefits	3,575	4,156
Contributions to defined contribution retirement benefit scheme	60	59
Equity settled share-based payment expenses	161	849
	3,796	5,064

#### (b) Other related party transaction

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
<b>Recurring transaction</b>		
Lease of land and properties from Jinlang (Fujian) Investments Co., Ltd. ("Jinlang Fujian")	1,516	1,516

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 2013, 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)	1.91%
	Xiao Sheng International Limited ("Xiao Sheng International") (Note 2)	Beneficial owner	2,550 shares of US\$1.00 each (L)	25.50%
Mr. Wang Liang Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.91%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US\$1.00 each (L)	25.50%
Mr. Wang Cong Xing	The Company	Beneficial owner	22,950,000 shares (L)	1.91%
	Xiao Sheng International (Note 2)	Beneficial owner	2,550 shares of US\$1.00 each (L)	25.50%
Mr. Cai Rong Hua	The Company	Beneficial owner	9,010,000 shares (L)	0.75%
	Xiao Sheng International (Note 2)	Beneficial owner	800 shares of US\$1.00 each (L)	8.00%
Mr. Hu Cheng Chu	The Company	Beneficial owner	4,500,000 shares (L)	0.37%
	Xiao Sheng International (Note 2)	Beneficial owner	500 shares of US\$1.00 each (L)	5.00%
Mr. Wang Ru Ping	The Company	Beneficial owner	2,700,000 shares (L)	0.22%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US\$1.00 each (L)	3.00%
Mr. Pan Rong Bin	The Company	Beneficial owner	2,700,000 shares (L)	0.22%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US\$1.00 each (L)	3.00%

## Other Information (continued)

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 Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.0% by Mr. Cai Rong Hua, 5.0% by Mr. Hu Cheng Chu, 3.0% by each of Mr. Wang Ru Ping and Mr. Pan Rong Bin, 2.0% by Mr. Chen Wei Jin, 1.0% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.

Save as disclosed above, as at 30 June 2013, 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 2013, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Capacity/nature of interest	Number and class of securities (Note 1)	Approximate percentage of shareholding
Xiao Sheng International	Beneficial owner	661,500,000 shares (L) (Note 2)	55.08%
Ming Lang Investments Limited ("Ming Lang Investments")	Beneficial owner	72,205,000 shares (L) (Note 3)	6.01%

Notes:

- (1) The letter "L" denotes the person's long position in the shares of our Company.
- (2) These shares were held by Xiao Sheng International. Xiao Sheng International is owned as to 25.5% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.0% by Mr. Cai Rong Hua, 5.0% by Mr. Hu Cheng Chu, 3.0% by each of Mr. Wang Ru Ping and Mr. Pan Rong Bin, 2.0% by Mr. Chen Wei Jin, 1.0% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.
- (3) These shares were held by Ming Lang Investments. Ming Lang Investments is owned as to 25.5% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.0% by Mr. Cai Rong Hua, 5.0% by Mr. Hu Cheng Chu, 3.0% by each of Mr. Wang Ru Ping and Mr. Pan Rong Bin, 2.0% by Mr. Chen Wei Jin, 1.0% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.

Save as disclosed above, as at 30 June 2013, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

## SHARE OPTION SCHEMES

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

Details of the share option schemes are set out in the 2012 Annual Report of the Company.

### Pre-IPO Share Option Scheme

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

Name or category of participant	As at 1 January 2013	Options granted by the Company Number of underlying shares			As at 30 June 2013	Exercise price per share	Date of grant	Exercise period
		Exercised	Cancelled	Lapsed				
Employees	5,301,223	(134,994)	–	–	5,166,229	HK\$3.12	4 September 2009	Note 1
Employees	105,878	–	–	–	105,878	HK\$3.12	4 September 2009	Note 2
Employees	2,646,956	–	–	–	2,646,956	HK\$3.12	4 September 2009	Note 3
	8,054,057	(134,994)	–	–	7,919,063			

As at 30 June 2013, the number of shares to be issued upon the exercise of the outstanding options under the Pre-IPO Share Option Scheme is 7,919,063, representing 0.66% of the issued share capital of the Company as at that date.

Notes:

- The outstanding options at 30 June 2013 are exercisable by the grantees during the period commencing from the day immediately following the expiry of one year period after 25 September 2009 (the “Listing Date”), and ending on the day falling six years after the Listing Date, during which, (a) up to 1,244,707 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 2,830,556 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.
- The outstanding options at 30 June 2013 are exercisable by the 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 31,763 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 63,526 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 794,086 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 1,588,173 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.

## Share Option Scheme

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

Name or category of participant	As at 1 January 2013	Options granted by the Company Number of underlying shares			As at 30 June 2013	Exercise price per share	Date of grant	Exercise period
		Exercised	Cancelled	Lapsed				
Employees	1,130,000	–	–	–	1,130,000	HK\$6.63	29 November 2011	Note 1

As at 30 June 2013, the number of shares to be issued upon the exercise of the outstanding options under the Share Option Scheme is 1,130,000, representing 0.09% of the issued share capital of the Company as at that date.

Note:

- The options 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 710,000 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 890,000 options granted may be exercised on or prior to the end of the fifth year after the Date of Offer; and (e) subject to (a), (b), (c) and (d), all outstanding options may be exercised prior to the expiry of the said exercise period, failing which the options will lapse and no longer be exercisable.

## CORPORATE GOVERNANCE

The Company had complied with all code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2013.

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 2013.

## 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 2013 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 has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlements to the proposed interim dividend and special interim dividend, the register of members will be closed from Tuesday, 27 August 2013 to Wednesday, 28 August 2013 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend and special interim dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 26 August 2013 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, 12 August 2013

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The 2013 Interim Report of the Company will be dispatched to shareholders and published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.lilanz.com](http://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. Wang Ru Ping  
Mr. Pan Rong Bin

*Independent Non-executive Directors:*

Dr. Lu Hong Te  
Mr. Chen Tien Tui  
Mr. Nie Xing  
Mr. Lai Shixian

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

Hong Kong, 12 August 2013