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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 2011

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 2011.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2011 (RMB' million)	2010 (RMB' million)	Changes (%)
Turnover	1,032.1	786.8	+31.2
Gross profit	375.9	272.9	+37.7
Profit from operations	268.7	159.6	+68.4
Profit attributable to equity shareholders	228.2	139.9	+63.1
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	19.0	11.7	+62.4
— Diluted	18.9	11.6	+62.9
Shareholders' equity per share	161.7	137.3	+17.8
Interim dividend per share	HK11 cents	5.0	approx. +82.0
Special interim dividend per share	HK5 cents	—	N/A
	(%)	(%)	(% points)
Gross profit margin	36.4	34.7	+1.7
Operating profit margin	26.0	20.3	+5.7
Net profit margin	22.1	17.8	+4.3
Return on shareholders' equity ⁽¹⁾	12.0	8.5	+3.5
Effective tax rate	15.0	12.3	+2.7
Advertising and promotional expenses (as a percentage of turnover)	6.4	8.5	-2.1
	As at	As at	As at
	30 June 2011	31 December 2010	30 June 2010
Average inventory turnover days ⁽²⁾	49	47	53
Average trade receivables turnover days ⁽³⁾	70	65	71
Average trade payables turnover days ⁽⁴⁾	96	86	81

Notes:

- (1) Return on shareholders' equity is equal to the profit attributable to the 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 and bills 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 costs of sales and multiplied by the number of days in the relevant period.

MANAGEMENT DISCUSSION AND ANALYSIS



INDUSTRY OVERVIEW

China's economy maintained a good growth momentum in the first half of 2011. According to China's National Bureau of Statistics, China's GDP reached RMB20.4 trillion in the first half of 2011, representing a year-on-year growth of 9.6%. Total retail sales of consumer goods increased by 16.8% year-on-year to approximately RMB8.6 trillion in the first half of the year. This increase is attributable to the continuous economic growth and increased income per capita, which has improved the citizen's purchasing power and propelled development of the retail industry. Economic growth and urbanisation fuelled consumption demand, and drove forth China's apparel market. In the first half of the year, total retail sales of garments, footwear, hats and knitwear in China amounted to RMB372.7 billion, rising 23.9% year-on-year.

At the same time that the economy was rapidly expanding, raw material prices and rental costs also surged and added pressure to the manufacturing and retail industries. As a leading business casual menswear enterprise in China, China Lilang Limited (the "Company" or "China Lilang" which, together with its subsidiaries collectively the "Group") leveraged its brand value to increase its average selling price by adjusting its product mix and adding value to its products. In addition, the Group continued to streamline its supply chain to alleviate the pressure of rising raw material costs.

China Lilang enjoys significant recognition in the PRC menswear market, and is capable of catering to the consumer's pursuit of fashionable and premium products both in terms of product quality and image. Overall, changes in the macro market did not affect the Group's sales volume and selling price in the first half of the year.

The Group is pleased to announce that for the first six months ended 30 June 2011, profit attributable to equity shareholders of the Company reached RMB228.2 million, representing an increase of 63.1% compared to RMB139.9 million for the corresponding period last year.

Management Discussion and Analysis (continued)

DIVIDENDS

The Board of Directors recommended the payment of an interim dividend of HK11 cents (2010: RMB5 cents) per ordinary share and a special interim dividend of HK5 cents (2010: Nil cents) per ordinary share for the financial year, making it a total payout of HK\$192.1 million (equivalent to approximately RMB159.5 million). The dividends will be paid in cash on or about 16 September 2011 to shareholders whose names appear on the register of members of the Company on 7 September 2011.

FINANCIAL REVIEW

Turnover

During the period under review, turnover increased significantly by 31.2% to approximately RMB1,032.1 million from RMB786.8 million of the corresponding period last year. Under a market environment where consumers covet brands and quality products, consumers continued to increase their spending on middle-to-high-end menswear. The Group captured this opportunity by proactively developing and selling fashionable and premium branded apparels in response to the market's demands. During the period, the average selling price increased by 13.2% to RMB163 and the sales volume rose by 15.8% compared to the corresponding period last year. The increase in average selling price reflects the Group's

ability to effectively transfer all increasing costs to consumers as well as enhancement of product mix and design. Since "LILANZ" has more high end products in its collections, its average selling price was approximately 25% higher than that of the sub-brand "L2". It is expected that the price gap between these two brands will be maintained in the 2011 fall and winter collections.

Sub-brand "L2", which was launched in July last year, recorded turnover of approximately RMB35.6 million for the period, accounting for about 3.4% of the Group's turnover.

Turnover by Region

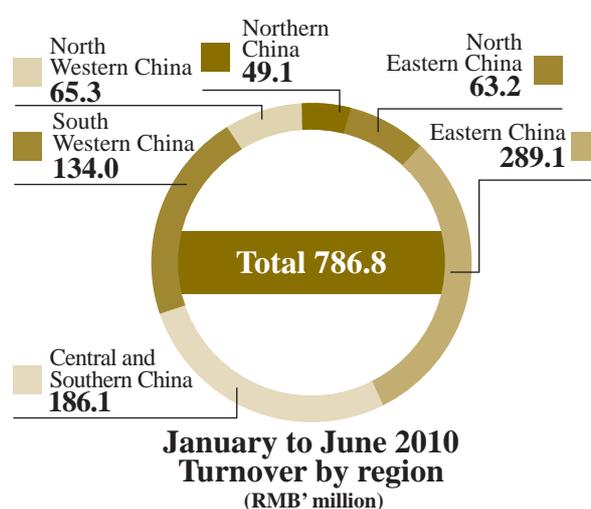
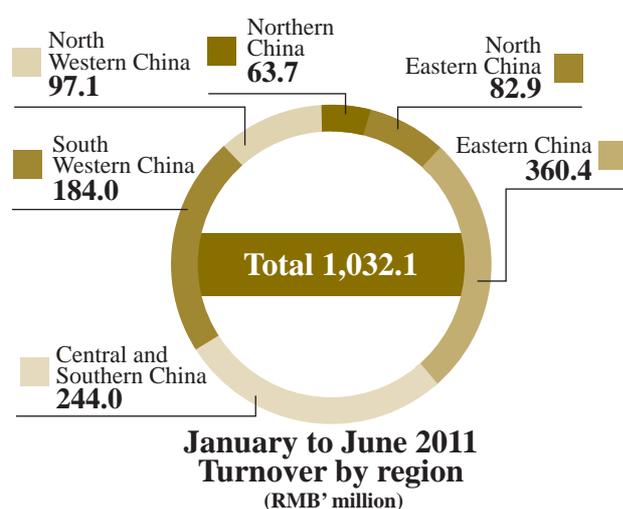
Eastern China as well as Central and Southern China remained as the Group's key turnover contribution regions and in aggregate accounted for 58.6% of the total turnover (the first half of 2010: 60.5%). North Western China region continued to benefit from the Central Government's "Go West" development plan and recorded the highest turnover growth rate of 48.7% year-on-year. In particular, turnover growth in Shaanxi province was the most outstanding, with same-store-sale growth exceeding 30% on average, and the growing trend is expected to continue.

"L2" is still in the early stage of development, and majority of its turnover also came from Eastern China as well as Central and Southern China regions, which together accounted for 68.2% of the total turnover of "L2".

Management Discussion and Analysis (continued)

Turnover by region for the period was set out as below:

	Six months ended 30 June				Changes (%)
	2011		2010		
	(RMB' million)	% of turnover	(RMB' million)	% of turnover	
Northern China ⁽¹⁾	63.7	6.2	49.1	6.2	29.7
North Eastern China ⁽²⁾	82.9	8.0	63.2	8.0	31.2
Eastern China ⁽³⁾	360.4	34.9	289.1	36.8	24.7
Central and Southern China ⁽⁴⁾	244.0	23.7	186.1	23.7	31.1
South Western China ⁽⁵⁾	184.0	17.8	134.0	17.0	37.3
North Western China ⁽⁶⁾	97.1	9.4	65.3	8.3	48.7
Total	1,032.1	100.0	786.8	100.0	31.2



- (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.

Cost of Sales

The Group's cost of sales increased by 27.6% to approximately RMB656.1 million compared with approximately RMB514.0 million for the corresponding period last year.

During the period under review, the cost of self-production and outsourced production were approximately proportional to their contributions to the total turnover. Cost of sales attributable to self-production accounted for approximately 44.3% of the total cost of sales for the period, representing a year-on-year decrease of 18.0 percentage points compared to approximately 62.3%. Self-production used during the first half of the year decreased because the manufacturing processes for spring and summer apparels such as shirts and pants are less

Management Discussion and Analysis (continued)

complicated and it was more cost efficient for the Group to source the products through OEM purchases. The Group will adjust the respective proportion of self-production, subcontracting arrangements and OEM purchases from time to time based on optimal cost efficiency and quality control. Sales in the second half of the year will mainly be of the autumn and winter collections which include

the Group's best selling items such as winter jackets and coats, and therefore the costs of self-production is expected to account for more than 50% of the total cost.

The Group's cost of sales by self-production and outsourced production for the period was analysed as follows:

	Six months ended 30 June				Changes (%)
	2011		2010		
	(RMB' million)	% of cost of sales	(RMB' million)	% of cost of sales	
Self-production					
Raw materials	133.7	20.4	217.6	42.3	-38.6
Direct labour	22.2	3.4	22.5	4.4	-1.3
Overhead (Note)	29.4	4.5	17.8	3.5	65.2
Sub-contracting charges	105.4	16.0	62.5	12.1	68.6
	290.7	44.3	320.4	62.3	-9.3
Outsourced production					
OEM purchases	365.4	55.7	193.6	37.7	88.7
Total	656.1	100.0	514.0	100.0	27.6

Note: Overhead for self-production included research and development costs, indirect production expenses, urban maintenance and construction tax as well as education surcharges that were imposed since December last year.

Gross profit margin

The Group's gross profit margin was 36.4% for the first half of this year, representing an increase of 1.7 percentage points compared to 34.7% for the first half of 2010. The improvement in gross profit margin reflected the enhancement of brand value and product mix, which enabled the sales of more high value-added products and increase in average selling price to offset the higher cost of sales. In addition, the Group continued to optimise its supply chain and collaborate with fabric suppliers to improve cost efficiency and control the escalation of costs of sales.

Other Revenue

Other revenue for the period had increased to RMB26.3 million from RMB11.3 million recorded in the corresponding period last year. This is attributable to an increase of RMB13.0 million in interest income and an increase of RMB2.4 million in government grants.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the period increased by RMB9.8 million to RMB96.0 million when compared with the corresponding period last year, and accounted for approximately 9.3% (the first half of 2010: 11.0%) of the total turnover.

Included in the amount were advertising and promotional expenses totaling RMB66.3 million, which was at a similar level as compared to RMB66.8 million for the same period last year. These expenses accounted for approximately 6.4% of the total turnover, a decrease of 2.1 percentage points from approximately 8.5% for the corresponding period last year. The Group anticipates that as a percentage of the total turnover, advertising and promotion expenses may slightly decrease on full year basis, but the actual total amount invested for the full year will not be less than that of 2010.

Administrative Expenses

The Group's administrative expenses for the period amounted to RMB41.4 million, representing an increase of RMB5.7 million year-on-year, and accounted for approximately 4.0% of the turnover (the first half of 2010: 4.5%).

Other Operating Income

Other operating income for the period included foreign exchange gain of RMB4.3 million on the Renminbi deposits held by the Group in Hong Kong.

Profit from Operations

Profit from operations rose by 68.4% to RMB268.7 million for the first half of 2011 compared to RMB159.6 million for the same period last year, reflecting increases in turnover, gross profit margin and effective control over operating expenses. Operating margin increased from 20.3% to 26.0%.

Profit Attributable to Equity Shareholders

For the six months ended 30 June 2011, the Group recorded profit attributable to equity shareholders of the Company of approximately RMB228.2 million, representing an increase of 63.1%. Net profit margin grew by 4.3 percentage points to 22.1% (first half of 2010: 17.8%). Earnings per share was RMB19.0 cents, representing a year-on-year increase of 62.4%.

The sub-brand "L2" recorded a net loss of approximately RMB5.4 million for the period.

BUSINESS REVIEW

Marketing and Promotion

One of the most valuable assets for the Group is its brands. Prominent brand image and unique brand identity adds value to the Group and its products, allowing it to stand out from the competitors in the PRC menswear market. The Group actively adjusts its marketing strategies with reference to the effectiveness of different advertising channels. During the period, the Group focused on its store image as the core element of its brand promotion, and supported the promotion with targeted marketing activities to maximize the promotional effect. In March 2011, "LILANZ", together with "L2", participated in the China Fashion Week in Beijing for the first time ever, where the Group officially introduced "L2" as a sub-brand under China Lilang, setting an important milestone in the Group's multi-brand strategy.

During the period under review, apart from subsidising its distributors the renovation of stores, the Group continued to strengthen its brand image via a large billboard advertising display at the Shanghai Hongqiao airport, and increased spending on magazines advertising. The Group also launched regional promotional programs in line with business needs, such as advertising on roadside billboards and sponsoring public relations activities for opening of flagship stores.

The stores' interior design and decoration can depict the core value of the Group's brand image. By the end of 2010, renovations had been completed for all 2,800 "LILANZ" stores. Further upgrades in some of the stores were carried out during the first half of 2011 to improve the display space.

As for the engagement of spokesperson, the Group has retained Mr. Chen Dao Ming (陳道明) as the spokesperson for "LILANZ" to accentuate the brand image. The Group will continue to identify a suitable spokesperson for "L2".

Management Discussion and Analysis (continued)

Retail and Distribution Network

The Group continued to optimise its retail and sales network in line with its business expansion needs and to improve operational efficiency. Eastern China along with Central and Southern China were still the chief turnover contributors, and together, accounted for 52.4% of the total number of stores.

For the six months ended 30 June 2011, 83 “LILANZ” retail stores were added, pushing the total number of “LILANZ” retail outlets to 2,888 as at 30 June 2011. The Group had 63 distributors and 1,352 sub-distributors for distribution of “LILANZ” products. Of a total of 2,888 “LILANZ” retail stores, 969 were directly operated by the distributors and 1,919 were operated by their sub-distributors. In addition, the retail stores consisted of 2,013 stand-alone stores and 875 concessions in department stores. The total area of “LILANZ” retail stores reached about 309,700 square meters, representing an increase of 3.6% during the period.

Since its launch in July 2010, the number of “L2” retail stores has reached 137 by the end of June 2011, 90 of which are located in Eastern China and Central and Southern China regions. Stores in these two regions accounted for 65.7% of the total number of “L2” stores and contributed 68.2% of sales. The Group had 49 distributors (21 of them are also the

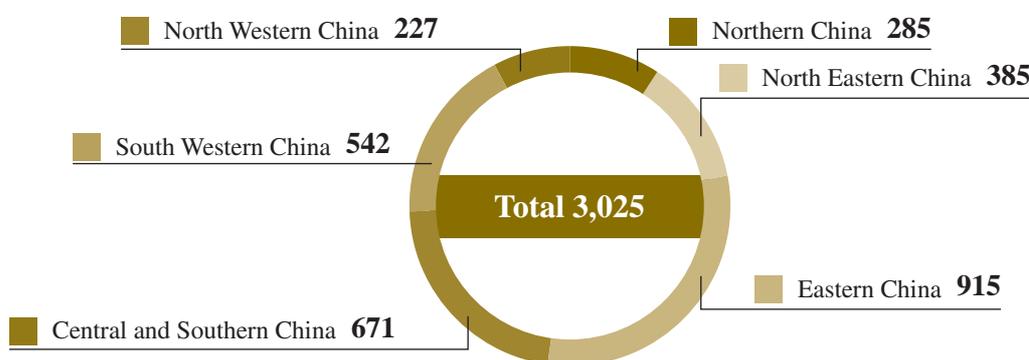
distributors of “LILANZ”) and 24 sub-distributors for distribution of “L2” products. The retail stores of the brand consisted of 84 stand-alone stores and 53 concessions in department stores, of which 112 were directly operated by the distributors and 25 were operated by their sub-distributors. The total area of “L2” retail stores reached about 14,400 square meters.

With respect to the plan of opening 20 mega “LILANZ” stores of sizes ranging from 300 to 500 square meters each in 2011, 7 had been opened during the period under review. They are located in Jiangsu (2 stores), Heilongjiang, Anhui, Liaoning, Hubei and Shanghai respectively. In addition, 12 stores with areas between 200 and 300 square meters each were opened in Sichuan, Yunnan, Guangxi, Heilongjiang, Jiangsu, Hubei, Zhejiang and Henan during the period. Among these 19 mega stores, 5 are located in provincial capitals and 6 in prefecture-level cities.

The Group launched an online sales platform for “LILANZ” during the period. In view of the fact that online business in China mainly focuses on discounted sales, the Group has no immediate plan to invest significantly to expand its online sales channel. Its contribution to the Group’s overall revenue is expected to be limited.

Changes in the number of retail outlets in various regions during the period are as follows:

Region	Number of retail outlets			As of 30 June 2011
	As of 1 January 2011	Stores opened during the period	Stores closed during the period	
Northern China	266	19	—	285
North Eastern China	376	9	—	385
Eastern China	859	65	9	915
Central and Southern China	626	45	—	671
South Western China	532	32	22	542
North Western China	226	12	11	227
Total	2,885	182	42	3,025



Number of retail outlets
As of 30 June 2011



Sales Channel Management

The Group is committed to strengthening its retail management and to continuously improving its sales channels. This includes selection of store location and store size based on local market conditions. The Group has embarked on developing software systems since late 2009 with a plan to connect the sales and inventory records of each retail outlet online by the end of 2012. This would enable the Group to obtain sales data and address specific problems more promptly. By the end of June 2011, the warehouse inventory system of all the distributors has been connected. The system connecting to approximately 700 “LILANZ” stores is under trial run and the network is expected to cover about 900 “LILANZ” stores by the end of the year. All “L2” stores have been connected on-line.

Design and Product Development

The Group has always put great emphasis on product style and quality, as it believes that product design and quality are the keys to a successful brand. In view of this, the Group continuously designs and develops new products. The Group aims at becoming a fashion trendsetter in China’s business casual menswear market through utilising unique fabrics and innovative product designs.

The design and product development team for “LILANZ”, the Group’s core brand, comprises more than 100 people and is headed by Mr. Ji Wen Bo, a renowned designer in China. The product design and development department of “L2”, the Group’s sub-brand, is located in Shanghai. The team comprises approximately 35 members and is headed by Mr. Wang Yutao, the winner of “Best Menswear Designer in China” of China Fashion Grand Awards. In addition, the Group set up a product research and development centre in Guangzhou during the second half of 2010 to nurture design talents. At present, there are around 30 employees receiving design training.

Sales Fairs

The sales fairs for the 2011 fall and winter collections of “LILANZ” were held in March and May respectively, and the order amounts increased by 28% and 34% respectively compared to that of last year. The average selling price and sales volume of the sales orders for both the fall and winter collections achieved a double-digit growth. The sales fairs for fall and winter collections of “L2”, the sub-brand launched last year, were held in January and April 2011 respectively,

Management Discussion and Analysis (continued)



and the total order amount surged significantly by 135%. Delivery of orders for the fall collections started in June 2011, while delivery of orders for the winter collections started in August 2011.

The sales fairs for 2012 spring and summer collections of the core brand “LILANZ” and sub-brand “L2” are scheduled to be held in August 2011.

Production and Supply Chain

The Group’s production plants are located in Wuli and Changting in Fujian Province; and occupy an aggregate construction area of approximately 42,000 square meters. At present, there are a total of 80 production lines within these facilities. For the first half of the year ended 30 June 2011, the production plants achieved an average utilisation rate of over 90%.

The Group continues to manufacture its products by self-production, subcontracting services and outsourcing production (OEM purchases), with an aim to optimise product quality, cost-effectiveness and production flexibility. During the period under review, the Group had not increased its production capacity and has no plans for expansion at present.

To improve production efficiency, the Group began reforming its existing production lines in the first quarter of 2011 and changed from “process based” to “product based” production line. Such change would improve production efficiency and facilitate quality control.

After streamlining its supply chain, the Group currently has about 150 outsourcing production suppliers (OEM suppliers), about 30 subcontractors and about 220 fabrics and auxiliary raw materials suppliers. The Group selected the preferred suppliers of key raw materials and products to build close partnerships with. Directing more purchases to sizable suppliers helps to control costs, product quality as well as production scheduling more effectively.

PROSPECTS

China’s economy is expected to slow down moderately in the second half of 2011 with inflation falling back accordingly. Moderate inflation will provide more opportunities for the development of middle to high-end enterprises with premium brand value and will continue to benefit the Group. As a widely recognised brand in the middle-to-high-end menswear market, the Group has endeavored to strengthen its brand value and offer various product designs to cater to consumer preferences. The second half of the year is normally the peak season for business casual menswear industry. Taking into account the sales orders for the fall and winter collections, sales growth is expected to be promising.

For the second half of the year, the Group will continue to improve and strengthen the development of “L2”, and strive to further boost distributors’ confidence in the brand by enhancing product designs and expanding product offerings. In line with the store opening plan of 150-200 stores for the full year 2011, the Group will open new stores in different regions to reinforce the sales network. The Group is confident in achieving breakeven for “L2” in 2011.

Management Discussion and Analysis (continued)

The Group continues to aim at improving sales per square meter and same-stores-sales growth. To achieve these goals, the Group will continue to cater for consumers' expectation on quality and product range, while simultaneously enhancing its product mix with an emphasis on high value-added products so as to increase the average selling price and to boost its sales and gross profit margin. The Group will also strengthen retail management through the building and training of the retail management team with an aim to improve management quality at store level.

As one of the leading menswear enterprises in China, the Group will keep upgrading its product mix and enhancing its brand image by leveraging the strength of its brand, design, product quality and distribution channels, together with its fashion sense and professional knowledge of the menswear market in China. By doing so, the Group hopes to achieve even better business performance in order to reward all parties including our shareholders, employees and customers for their support.

LIQUIDITY AND FINANCIAL RESOURCES

	Six months ended 30 June	
	2011 (RMB' million)	2010 (RMB' million)
Operating cash inflow	180.9	230.7
Capital expenditure	(20.7)	(18.7)
Free cash inflow	160.2	212.0
Cash and bank balances (including pledged bank deposits)	1,474.4	1,256.3

As at 30 June 2011, cash and cash equivalents of the Group amounted to RMB1,104.4 million (placement of fixed deposits held at banks with maturity over 3 months totalling RMB346.9 million was regarded as an investing activity in the condensed consolidated cash flow statement), representing an increase of RMB256.9 million as compared with the total cash balance of RMB847.5 million as at 31 December 2010. The increase was attributable to:

- Cash inflows from operating activities amounting to RMB180.9 million. Trade receivables increased by RMB28.3 million during the period as the Group has extended additional trade credits to certain distributors during the peak period of product delivery from June to September as an incentive for opening large stores in provincial capitals and prefecture-level cities. In addition, prepayments to suppliers increased by RMB33.3 million during the period as business of sub-brand "L2" expands and also the winter sales fair for core brand "LILANZ" was held and related purchase orders placed with suppliers earlier than last year.
- Cash inflows from investing activities amounting to RMB220.8 million, comprising mainly the net decrease in placement of fixed deposits held at banks with maturity over three months by RMB228.7 million, and capital expenditure for property, plant and equipment, construction in progress and development of software totalling RMB20.7 million.
- Cash outflows from financing activities amounting to RMB143.9 million, mainly attributable to the payment of final dividend totalling RMB144.1 million in respect of the year ended 31 December 2010.

As at 30 June 2011, total assets of the Group were RMB2,487.5 million of which current assets were RMB2,211.5 million. Total liabilities were RMB546.3 million and total equity amounted to RMB1,941.2 million. There were no outstanding bank loans.

Management Discussion and Analysis (continued)

TRADE WORKING CAPITAL RATIOS

During the period under review, the Group's overall trade working capital cycle decreased by 3 days to 23 days as compared to 26 days for the year ended 31 December 2010.

The Group's average inventory turnover days was 49 days for the period, an increase of 2 days compared to 47 days for the year ended 31 December 2010. This is in line with the trade pattern as the Group prepared for the autumn and winter sales which in aggregate account for about 70% of total annual sales. Delivery of the autumn collections has started in June.

The Group's average trade receivables turnover days for the period was 70 days as compared to 65 days for the year ended 31 December 2010. As noted in the "Liquidity and Financial Resources" section, additional trade credits have been extended to certain distributors during the peak period of product delivery from June to September as an incentive for opening large stores in provincial capitals and prefecture-level cities.

The Group's average trade payables turnover days increased by 10 days to 96 days as compared to 86 days for the year ended 31 December 2010. This was due to the relatively high opening balance of trade payables for the period. In addition, the Group had also been using more bills, which have a longer repayment term, for settlement of trade payables.

PLEDGE OF ASSETS

As at 30 June 2011, deposits with certain banks with a total amount of RMB23.1 million (31 December 2010: RMB38.1 million) were pledged as securities for bills payable. The pledged bank deposits will be released upon the settlement of relevant bills payable.

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2011, the Group had total capital commitments of RMB351.8 million, primarily related to the proposed construction of a new design and product development studio, a training centre and a sales centre (collectively, the "Operation Centre") and a new headquarters building; the development of the ERP system; and facility upgrade in the production plant in Wuli. These capital commitments are expected to be financed by internal resources of the Group.

The Operation Centre was originally proposed to be constructed in Xiamen. The Group plans to relocate the proposed Operation Centre to Jinjiang, Fujian where the headquarters of our Group is currently situated. The location is considered to be more appropriate for the establishment and operation of the Operation Centre as Jinjiang is closer to the Group's suppliers as compared to Xiamen. In addition, a new headquarters building of the Group and a management staff dormitory building are planned to be constructed thereat. The Directors believe that it will enhance the efficiency of the Group's management by locating the Operation Centre and headquarters of the Group in the same location.

The original budget for the construction of the Operation Centre was about RMB130.0 million. Due to the inclusion of a new headquarters building and a management staff dormitory building, the increase in construction material and labour costs, the budget for the proposed project has been revised to RMB280.0 million. As at the date of this report, the site for the proposed project has not been confirmed. The construction work is expected to take 4 years to complete once the site is confirmed.

Currently, the premises where the headquarters of the Group situated have been leased by the Group from a company controlled by its controlling shareholders at a rent of RMB3,031,000 per annum. The lease will be terminated when the new headquarters is ready for use.

As at 30 June 2011, 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 2011, the Group had 3,300 staff. Total staff costs for the period amounted to approximately RMB59.9 million (2010: RMB47.3 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 33 which comprises the consolidated balance sheet of China Lilang Limited (the “Company”) as of 30 June 2011 and the related consolidated statement of 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 2011 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

22 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 — unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Turnover	3	1,032,097	786,823
Cost of sales		(656,149)	(513,952)
Gross profit		375,948	272,871
Other revenue		26,311	11,335
Selling and distribution expenses		(96,017)	(86,242)
Administrative expenses		(41,431)	(35,770)
Other operating income/(expenses)		3,923	(2,545)
Profit from operations		268,734	159,649
Finance costs		(179)	(110)
Profit before taxation	4	268,555	159,539
Income tax	5	(40,315)	(19,590)
Profit attributable to equity shareholders of the Company		228,240	139,949
Other comprehensive income for the period			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		(4,372)	(5,251)
Total comprehensive income for the period		223,868	134,698
Earnings per share	6		
Basic (cents)		19.0	11.7
Diluted (cents)		18.9	11.6

The notes on pages 20 to 33 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

CONSOLIDATED BALANCE SHEET

At 30 June 2011 — unaudited (Expressed in Renminbi)

	Notes	30 June 2011 RMB'000	31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment	7	193,246	180,061
Investment property		29,850	30,035
Lease prepayments	8	37,842	38,233
Intangible assets	9	7,032	7,737
Deferred tax assets	15(b)	8,031	8,031
		276,001	264,097
Current assets			
Inventories	10	175,849	181,549
Trade and other receivables	11	560,353	500,838
Amount due from a related company	19(b)	758	—
Current tax recoverable	15(a)	221	221
Pledged bank deposits	12	23,114	38,105
Fixed deposits held at banks with maturity over three months	13	346,887	575,594
Cash and cash equivalents	13	1,104,360	847,457
		2,211,542	2,143,764
Current liabilities			
Trade and other payables	14	510,303	508,973
Amount due to a related company	19(b)	—	330
Current tax payable	15(a)	17,780	26,344
		528,083	535,647
Net current assets		1,683,459	1,608,117
Total assets less current liabilities		1,959,460	1,872,214
Non-current liabilities			
Deferred tax liabilities	15(b)	17,251	11,351
Retention payables		972	726
		18,223	12,077
Net assets		1,941,237	1,860,137

Consolidated Balance Sheet (continued)

At 30 June 2011 — unaudited (Expressed in Renminbi)

	30 June 2011 RMB'000	31 December 2010 RMB'000
Capital and reserves		
Share capital	105,781	105,775
Reserves	1,835,456	1,754,362
Total equity	1,941,237	1,860,137

The notes on pages 20 to 33 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, 22 August 2011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 — 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 2010	105,731	986,527	64,459	23,473	(1,055)	462,969	1,642,104
Changes in equity for the six months ended 30 June 2010:							
Profit for the period	—	—	—	—	—	139,949	139,949
Other comprehensive income for the period	—	—	—	—	(5,251)	—	(5,251)
Total comprehensive income for the period	—	—	—	—	(5,251)	139,949	134,698
Equity settled share-based payments	—	—	—	2,383	—	—	2,383
Dividends approved in respect of the previous year	—	(132,000)	—	—	—	—	(132,000)
Appropriation to statutory reserve	—	—	17,198	—	—	(17,198)	—
As at 30 June 2010	105,731	854,527	81,657	25,856	(6,306)	585,720	1,647,185
As at 1 January 2011	105,775	796,431	110,826	26,994	(15,219)	835,330	1,860,137
Changes in equity for the six months ended 30 June 2011:							
Profit for the period	—	—	—	—	—	228,240	228,240
Other comprehensive income for the period	—	—	—	—	(4,372)	—	(4,372)
Total comprehensive income for the period	—	—	—	—	(4,372)	228,240	223,868
Shares issued under share option schemes	6	267	—	(82)	—	—	191
Equity settled share-based payments	—	—	—	1,107	—	—	1,107
Dividends approved in respect of the previous year	—	(144,066)	—	—	—	—	(144,066)
Appropriation to statutory reserve	—	—	23,049	—	—	(23,049)	—
As at 30 June 2011	105,781	652,632	133,875	28,019	(19,591)	1,040,521	1,941,237

The notes on pages 20 to 33 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011 — unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Net cash generated from operating activities		180,898	230,706
Net cash generated from/(used in) investing activities*		220,809	(23,643)
Net cash used in financing activities		(143,875)	(133,007)
Net increase in cash and cash equivalents		257,832	74,056
Cash and cash equivalents at 1 January	13	847,457	844,051
Effect of foreign exchange rate changes		(929)	(3,436)
Cash and cash equivalents at 30 June	13	1,104,360	914,671

The notes on pages 20 to 33 form part of this interim financial report.

* Net cash generated from/(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 RMB230,000,000 (2010: RMB308,070,000) and RMB1,293,000 (2010: RMB 320,790,000) 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 22 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 2010 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 2010 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 2010 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 21 March 2011.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new Interpretation 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:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)

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

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

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") and other sales taxes.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
(a) Finance costs:		
Interest on bank borrowings	—	6
Bank charges	179	104
	179	110
(b) Staff costs (note (i)):		
Salaries, wages and other benefits	57,785	43,565
Contribution to defined contribution retirement plans	1,033	1,379
Equity settled share-based payment expenses (note 17)	1,107	2,383
	59,925	47,327
(c) Other items		
Amortisation of lease prepayments (note (i))	391	407
Amortisation of intangible assets	844	—
Depreciation (note (i))	7,835	7,037
Auditor's remuneration	873	894
Cost of inventories (note (i))	656,149	513,952
Loss on disposal of property, plant and equipment	525	1,251
Operating lease rental in respect of properties (note (i))	4,566	3,997
Research and development costs (notes (i) and (ii))	10,025	7,663
Subcontracting charges (notes (i) and (ii))	34,949	42,236

Notes:

- (i) Cost of inventories sold includes research and development costs, subcontracting charges, related staff costs, depreciation, amortisation of lease prepayments and operating lease rental in respect of properties included in items disclosed above.
- (ii) Research and development costs include salaries, wages and other benefits totalling RMB6,640,000 (2010: RMB3,140,000) for employees in the design, research and development department, which are included in the staff costs as disclosed in note 4(b).
- (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)

5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Current tax		
Provision for PRC corporate income tax for the period	34,415	24,190
Deferred tax		
Origination and reversal of temporary differences (note 15(b))	5,900	(4,600)
	40,315	19,590

- (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 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 2011 and 2010.
- (iii) In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance note, certain subsidiaries in the PRC are entitled to tax concessions whereby the profits of these subsidiaries are taxed at preferential income tax rates. Taxation for the Group’s PRC subsidiaries are calculated using the relevant income tax rates applicable to the subsidiaries.
- (iv) According to the Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interests of the PRC company. As all of the Group’s PRC subsidiaries are directly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of the PRC dividend withholding tax. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated after 31 December 2007.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

6. 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 RMB228,240,000 (2010: RMB139,949,000) and the weighted average number of ordinary shares in issue of 1,200,541,000 (2010: 1,200,000,000).

Weighted average number of ordinary shares:

	Six months ended 30 June	
	2011 '000	2010 '000
Issued ordinary shares at 1 January	1,200,519	1,200,000
Effect of share options exercised	22	—
Weighted average number of ordinary shares	1,200,541	1,200,000

(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 RMB228,240,000 (2010: RMB139,949,000) 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	
	2011 '000	2010 '000
Weighted average number of ordinary shares	1,200,541	1,200,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	6,196	5,575
Weighted average number of ordinary shares (diluted)	1,206,737	1,205,575

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

7. PROPERTY, PLANT AND EQUIPMENT

	2011 RMB'000	2010 RMB'000
Net book value, as at 1 January	156,426	148,976
Additions	5,809	9,318
Transfer from construction in progress	3,949	2,447
Disposals (net carrying amount)	(634)	(5,645)
Exchange adjustment (net carrying amount)	(2)	(3)
Depreciation charge for the period	(7,371)	(6,573)
Sub-total	158,177	148,520
Construction in progress	35,069	7,481
Net book value, as at 30 June	193,246	156,001

Movements of the construction in progress during the six months ended 30 June 2011 were as follows:

	2011 RMB'000	2010 RMB'000
As at 1 January	23,635	2,444
Additions	15,633	7,484
Transfer to property, plant and equipment	(3,949)	(2,447)
Transfer to intangible assets	(139)	—
Exchange adjustment	(111)	—
As at 30 June	35,069	7,481

8. 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.

9. INTANGIBLE ASSETS

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

10. INVENTORIES

	30 June 2011 RMB'000	31 December 2010 RMB'000
Raw materials	80,964	49,462
Work in progress	5,015	—
Finished goods	89,870	132,087
	175,849	181,549

As at 30 June 2011, raw materials included materials totalling RMB18,703,000 (31 December 2010: RMB42,237,000) that were held by sub-contractors.

11. TRADE AND OTHER RECEIVABLES

	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade receivables	479,593	451,241
Bills receivables	—	60
Trade and bills receivables	479,593	451,301
Prepayments to suppliers	69,929	36,578
Prepaid advertising expenses	1,460	1,112
VAT deductible	—	4,545
Other deposits, prepayments and receivables	9,371	7,302
	560,353	500,838

All of the trade and other receivables are expected to be recovered within one year. An ageing analysis of the trade receivables and bills receivables is as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Current	471,496	442,869
Less than 1 month past due	5,143	7,978
1-3 months past due	2,618	454
More than 3 months past due	336	—
	479,593	451,301

The Group normally grants a credit period of 90 to 180 days to its trade customers.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

12. PLEDGED BANK DEPOSITS

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

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
Fixed deposits with banks within three months to maturity when placed	522,816	646,249
Cash at bank and in hand	581,544	201,208
Cash and cash equivalents in the consolidated balance sheet and the condensed consolidated cash flow statement	1,104,360	847,457
Fixed deposits with banks with more than three months to maturity when placed	346,887	575,594
	1,451,247	1,423,051

14. TRADE AND OTHER PAYABLES

	30 June 2011 RMB'000	31 December 2010 RMB'000
Trade payables	212,177	219,802
Bills payable	128,740	156,680
Trade and bills payables	340,917	376,482
Receipts in advance	38,682	29,560
Accrued salaries and wages	14,261	12,665
Payables for purchase of fixed assets	6,649	5,280
Retirement benefit contribution payable	25,712	25,629
VAT payables	11,753	358
Other payables and accruals	72,329	58,999
	510,303	508,973

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

14. TRADE AND OTHER PAYABLES (continued)

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

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 3 months	311,294	348,373
3 months to 6 months	12,661	16,422
6 months to 1 year	12,941	4,675
Over 1 year	4,021	7,012
	340,917	376,482

15. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Provision for PRC corporate income tax	34,251	64,835
PRC corporate income tax paid	(16,471)	(38,491)
	17,780	26,344
Balance of PRC corporate income tax relating to prior year	(221)	(221)
	17,559	26,123
Representing:		
Current tax recoverable	(221)	(221)
Current tax payable	17,780	26,344
	17,559	26,123

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

15. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(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:

	Accrued expenses RMB'000	Cumulative tax losses of a subsidiary RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	4,596	—	(3,521)	(15)	1,060
Credited to consolidated statement of comprehensive income (note 5)	1,230	3,370	—	—	4,600
At 30 June 2010	5,826	3,370	(3,521)	(15)	5,660
At 1 January 2011	4,313	3,763	(11,351)	(45)	(3,320)
(Charged)/credited to consolidated statement of comprehensive income (note 5)	(25)	30	(5,900)	(5)	(5,900)
At 30 June 2011	4,288	3,793	(17,251)	(50)	(9,220)

Representing:

	30 June 2011 RMB'000
Deferred tax assets	8,031
Deferred tax liabilities	(17,251)
	(9,220)

(c) Deferred tax assets not recognised

As at 30 June 2011, the Group has not recognised deferred tax assets in respect of cumulative tax losses of a subsidiary carried forward of RMB2,005,000 (31 December 2010: RMB 1,905,000) which will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

15. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET (continued)

(d) 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 2011, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of RMB727,534,000 (31 December 2010: RMB659,320,000) 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.

16. DIVIDENDS

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Declared and payable after interim period:		
Interim dividend of HK11 cents per ordinary share (2010: RMB5 cents per ordinary share)	109,680	60,000
Special interim dividend of HK5 cents per ordinary share (2010: Nil cents per ordinary share)	49,855	—
	159,535	60,000

The interim dividend and special interim dividend have not been recognised as liabilities as at 30 June 2011.

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	
	2011 RMB'000	2010 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of RMB12 cents per ordinary share (2010: RMB11 cents per ordinary share)	144,066	132,000

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

17. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has two share option schemes, namely, the Pre-IPO Employee 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 Employee Share Option Scheme		Share Option Scheme	
	Exercise price	No. of options	Exercise price	No. of options
Outstanding at 1 January and 30 June 2010	HK\$3.12	9,611,100	—	—
Outstanding at 1 January 2011	HK\$3.12	8,840,644	—	—
Exercised during the period	HK\$3.12	(73,819)	—	—
Lapsed during the period	HK\$3.12	(467,191)	—	—
Outstanding at 30 June 2011	HK\$3.12	8,299,634	—	—

The share option outstanding at 30 June 2011 had a weighted average remaining contractual life of 4.8 years.

18. COMMITMENTS

(a) Operating leases

As at 30 June 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Within 1 year	1,671	1,656
After 1 year but within 5 years	—	204
	1,671	1,860

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

18. COMMITMENTS (continued)

(b) Capital commitments

As at 30 June 2011, capital commitments not provided for in the interim financial report are as follows:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Contracted for	5,995	4,275
Authorised but not contracted for	345,760	156,579
	351,755	160,854

19. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2011, the directors are of the view that the following parties were related parties of the Group:

<i>Name of party</i>	<i>Relationship</i>
Wang Dong Xing, Wang Liang Xing and Wang Cong Xing	Directors and Controlling Shareholders of the Group
Jinlang (Fujian) Investments Co., Ltd. ("Jinlang Fujian")	Effectively 33.3%, 33.3% and 33.4% owned by Wang Dong Xing, Wang Liang Xing and Wang Cong Xing respectively

(a) Transactions with a related party

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Recurring transactions		
Lease of land and properties — Jinlang Fujian	1,516	2,175

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

19. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Balance with a related party

As at 30 June 2011, the Group had the following balance with a related party:

	30 June 2011 RMB'000	31 December 2010 RMB'000
Amount due from/(to) a related company		
— Jinlang Fujian	758	(330)

The amount due from/(to) a related party represents a prepayment/(payable) in respect of an operating lease.

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Short-term employee benefits	4,314	2,981
Contributions to defined contribution retirement benefit scheme	25	17
Equity settled share-based payment expenses	467	815
	4,806	3,813

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2011, 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)	25.5%
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)	25.5%
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)	25.5%
Mr. Cai Rong Hua	The Company	Beneficial owner	7,200,000 shares (L)	0.60%
	Xiao Sheng International (Note 2)	Beneficial owner	800 shares of US\$1.00 each (L)	8%
Mr. Hu Cheng Chu	The Company	Beneficial owner	4,500,000 shares (L)	0.37%
	Xiao Sheng International (Note 2)	Beneficial owner	500 shares of US\$1.00 each (L)	5%
Mr. Wang Ru Ping	The Company	Beneficial owner	2,700,000 shares (L)	0.22%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US\$1.00 each (L)	3%
Mr. Pan Rong Bin	The Company	Beneficial owner	2,700,000 shares (L)	0.22%
	Xiao Sheng International (Note 2)	Beneficial owner	300 shares of US\$1.00 each (L)	3%

Notes:

1. The letter “L” denotes the Directors’ long position in the shares of our Company or the relevant associated corporation.
2. Xiao Sheng International is owned as to 25.5% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8% by Mr. Cai Rong Hua, 5% by Hu Cheng Chu, 3% by each of Wang Ru Ping and Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.

Save as disclosed above, as at 30 June 2011, 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 2011, 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)	55.10%
Ming Lang Investments Limited (“Ming Lang Investments”)	Beneficial owner	68,500,000 shares (L) (Note 3)	5.71%

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% by Mr. Cai Rong Hua, 5% by Hu Cheng Chu, 3% by each of Wang Ru Ping and Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.
- (3) These shares 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% by Mr. Cai Rong Hua, 5% by Hu Cheng Chu, 3% by each of Wang Ru Ping and Pan Rong Bin, 2% by Mr. Chen Wei Jin, 1% by each of Mr. Wang Qiao Xing and Ms. Chen Yu Hua and 0.5% by Mr. Xu Tian Min.

Save as disclosed above, as at 30 June 2011, 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.

Other Information (continued)

SHARE OPTION SCHEMES

The Company has 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 2010 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 2011	Options granted by the Company Number of underlying shares			As at 30 June 2011	Exercise price per share	Date of grant	Exercise period
		Exercised	Cancelled	Lapsed				
Employees	5,876,053	(73,819)	—	(255,434)	5,546,800	HK\$3.12	4 September 2009	Note 1
Employees	317,635	—	—	(211,757)	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
	8,840,644	(73,819)	—	(467,191)	8,299,634			

The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised during the period was HK\$11.06.

As at 30 June 2011, the number of shares to be issued upon the exercise of the outstanding options under the Pre-IPO Share Option Scheme is 8,299,634, representing 0.69% of the issued share capital of the Company as at that date.

Notes:

1. The outstanding options at 30 June 2011 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 1,325,700 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 3,168,774 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.
2. The outstanding options at 30 June 2011 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.
3. 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

No share option was outstanding or granted by the Company under the Share Option Scheme during the period.

CORPORATE GOVERNANCE

The Company has adopted its own Code of Corporate Governance, which covered all the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules. The Company had complied with all provisions of the Code during the six months ended 30 June 2011 except that the Chairman of the Board did not attend the annual general meeting held during the period as required by the Code due to an unexpected overseas trip.

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 2011.

REVIEW OF INTERIM RESULTS

The Board has established an audit committee (the “Audit Committee”) in compliance with the Listing Rules. 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 2011 have not been audited but they have been reviewed by KPMG, the auditors 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 2011.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the proposed interim dividend, the register of members will be closed from Tuesday, 6 September 2011 to Wednesday, 7 September 2011 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed 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, 5 September 2011 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, 22 August 2011

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2011 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. Wang Ru Ping
Mr. Pan Rong Bin

Independent Non-executive Directors:

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

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

Hong Kong, 22 August 2011