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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)

(Company Number: 1234)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

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 2012.

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Changes (%)
	2012 (RMB' million)	2011 (RMB' million)	
Turnover	1,259.3	1,032.1	+22.0
Gross profit	499.4	375.9	+32.9
Profit from operations	343.6	247.9	+38.6
Profit attributable to equity shareholders	278.0	228.2	+21.8
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	23.2	19.0	+22.1
— Diluted	23.1	18.9	+22.2
Shareholders' equity per share	184.1	161.7	+13.9
Interim dividend per share	HK13 cents	HK11 cents	+18.2
Special interim dividend per share	HK6 cents	HK5 cents	+20.0
	(%)	(%)	(% points)
Gross profit margin	39.7	36.4	+3.3
Operating profit margin	27.3	24.0	+3.3
Net profit margin	22.1	22.1	+0.0
Return on average shareholders' equity ⁽¹⁾	12.7	12.0	+0.7
Effective tax rate	25.6	15.0	+10.6
Advertising and promotional expenses (as a percentage of turnover)	5.9	6.4	-0.5
	As at 30 June 2012	As at 31 December 2011	As at 30 June 2011
Average inventory turnover days ⁽²⁾	59	45	49
Average trade receivables turnover days ⁽³⁾	76	63	70
Average trade payables turnover days ⁽⁴⁾	58	65	96

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 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 cost of sales and multiplied by the number of days in the relevant period.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

As the European debt crisis continued to aggravate and ravage European countries, affecting the global economy, concerns for slowing growth in China began to grow. In the first half of 2012, although the Central Government adhered to its target of maintaining steady growth, alleviating the impacts arising from external complicated economic situation, overall the slowing economic growth has impacted domestic consumption.

In the second quarter of 2012, China's economic growth was 7.6%, indicating a declining trend for six consecutive quarters. In the first half of the year, China's GDP reached approximately RMB22,710 billion, representing a year-on-year increase of 7.8%. The market, in particular in first and second tier cities, has been hit hard by weakening consumer sentiment amidst economic uncertainties. In the first half of the year, overall retail consumption growth slowed down. The apparel retail industry, although affected, managed to maintain growth at a relatively fast pace. The total retail sales of garments, hats, footwear and knitwear recorded year-on-year increase of 16.9%.

Facing macroeconomic uncertainties, China Lilang Limited (the "Company" or "China Lilang") prudently formulated its business development plans and appropriately adjusted its annual store opening strategy, as well as revised the distributors' ordering arrangement, in order to cope with market changes together with distributors. China Lilang aims at strengthening its competitive advantages to poise the Group for long-term and healthy development.

FINANCIAL REVIEW

For the six months ended 30 June 2012, profit attributable to equity shareholders was RMB278.0 million, representing an increase of 21.8% as compared to RMB228.2 million for the corresponding period last year, mainly reflecting the satisfactory growth of overall turnover driven by the sales growth of both "LILANZ" and "L2", as well as effective cost control, which offset the impact of the higher effective tax rate.

Turnover

In the first half of the year, turnover increased by 22.0% to approximately RMB1,259.3 million, as compared to RMB1,032.1 million for the corresponding period last year. Sales growth of the Group for the period had a slower pace when compared to last year due to the impacts of the economic environment. In addition, the weather during the fourth quarter last year and the first half of the year had not been working in favor of the apparel retail industry. These dragged down the sales and the replenishment orders of the spring and summer collections. However, the overall sales volume and average selling price sustained stable growth and our turnover growth rate outperformed that of the China's retail consumption.

During the period, the Group progressively enhanced the product mix and raised the average selling price by increasing the percentage of products with high added-value and higher prices. In the first half of 2012, the average selling price recorded a year-on-year increase of 6.1% to RMB173 and product sales volume increased by 14.5% to 7,258,000 pieces.

Sales of the core brand "LILANZ" continued to record steady growth, and its average selling price and sales volume went up by 8.2% and 9.3% respectively.

The sub-brand "L2" has been more sensitive to the macroeconomic situation and also the competition from international brands due to its positioning as a fashion brand for young consumers and that it operates relatively more stores in first- and second-tier cities. In the first half of the year, turnover of "L2" amounted to RMB81.0 million, rising by 127.5% year-on-year. Average selling price of "L2" was approximately 75% of that of "LILANZ".

"LILANZ" and "L2" accounted for approximately 93.6% and 6.4% of the total turnover for the period respectively.

Among all product categories, tops remained as the main product category by sales, accounting for 66.1% (the first half of 2011: 62.9%) of total turnover.

Turnover by Region

Eastern China as well as Central and Southern China regions continued to be the Group's main turnover contribution regions, accounting for 59.3% (the first half of 2011: 58.6%) of total turnover in aggregate. Sales in Central and Southern China, South Western China and North Western China regions maintained considerable growth momentum, and the growing trend is expected to continue. The sales in Eastern China grew at a more moderate pace when compared to last year due to the abnormal rainfall during the period. For Northern China and North Eastern China regions, as some of the stores operated by sub-distributors had recorded unsatisfactory performance, the Group

consolidated the stores network and closed down some of the underperforming stores during the period under review. This affected the sales performance of these regions. In the second half of the year, the Group plans to provide training to the frontline staff of the distributors to enhance their quality of service and store management. The Group believes that these would boost sales in these regions in future.

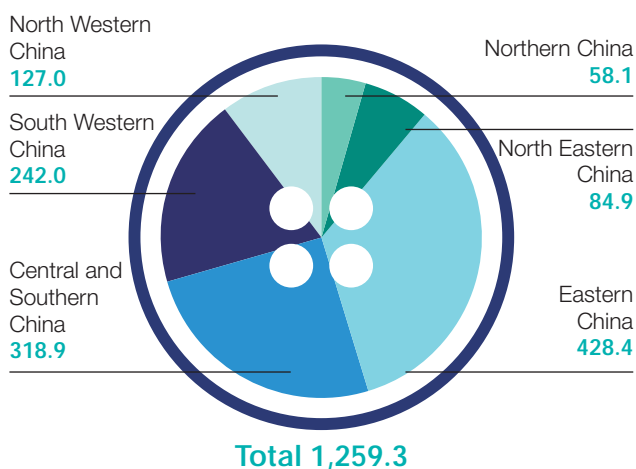
The sub-brand "L2" also emphasized the development in Eastern China as well as Central and Southern China regions. Sales from these regions accounted for approximately 73.3% (the first half of 2011: 68.2%) of total sales of "L2".

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

Region	2012		2011		Changes (%)
	RMB' million	% of turnover	RMB' million	% of turnover	
Northern China ⁽¹⁾	58.1	4.6	63.7	6.2	-8.8
North Eastern China ⁽²⁾	84.9	6.8	82.9	8.0	2.4
Eastern China ⁽³⁾	428.4	34.0	360.4	34.9	18.9
Central and Southern China ⁽⁴⁾	318.9	25.3	244.0	23.7	30.7
South Western China ⁽⁵⁾	242.0	19.2	184.0	17.8	31.5
North Western China ⁽⁶⁾	127.0	10.1	97.1	9.4	30.8
Total	1,259.3	100.0	1,032.1	100.0	22.0

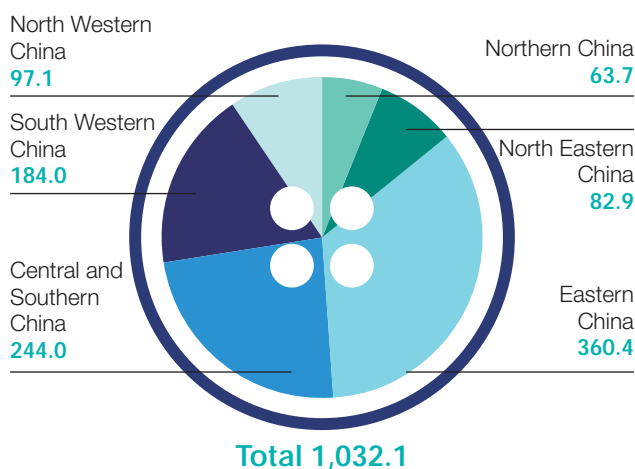
January to June 2012 Turnover by region

(RMB' million)



January to June 2011 Turnover by region

(RMB' million)



- (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

Cost of sales increased by 15.8% to approximately RMB759.9 million, from approximately RMB656.1 million for the corresponding period last year.

To support sales growth and business development, the Group continued to engage in a combination of self-production, subcontracting arrangement (process outsourcing) as well as outsourced production (OEM purchases) in manufacturing its products, so as to achieve the highest quality, cost efficiency and flexibility in production arrangement.

Own production accounted for approximately 37.1% of the total cost of sales for the period, as compared to approximately 44.3% for the corresponding period last year. The share of own production decreased mainly due to the shifting of orders from subcontracting arrangement to outsourced production. In the first half of the year, the Group further enhanced the cost-efficiency of outsourced production by requiring more OEM suppliers to purchase from designated fabrics suppliers.

Gross Profit and Gross Profit Margin

Gross profit increased by 32.9% to RMB499.4 million from RMB375.9 million in the first half of 2011. Gross profit margin increased 3.3 percentage points to 39.7% (the first half of 2011: 36.4%). The improvement in the gross profit margin was mainly contributed by the Group's streamlining of supply chain, including the selection of more cost-efficient OEM suppliers, requiring more OEM suppliers to purchase from designated fabrics suppliers and the change of suppliers' payment terms. These successfully reduced the cost of sales and improved gross profit margin. During the period, stable raw material cost also helped to improve gross profit and gross profit margin.

Selling and Distribution Expenses

During the period under review, the selling and distribution expenses amounted to RMB104.7 million, accounting for approximately 8.3% of total turnover, representing a decrease of 1.0 percentage point year on year.

Included in the selling and distribution expenses were advertising and promotional expenses and renovation subsidies totaling RMB74.4 million, which accounted for approximately 5.9% of the total turnover, representing a slight decrease of 0.5 percentage point from 6.4% for the corresponding period last year. In the second half of 2012, the Group will launch a new store image and start renovating all the stores in phases. The Group would also increase its TV advertising spending during the Olympic Games period. It is expected that advertising and promotional expenses would increase in the second half of the year as a result.

Administrative Expenses

During the period, administrative expenses were RMB50.8 million, representing an increase of RMB9.2 million year-on-year and accounting for approximately 4.0% of turnover, at a similar level as compared to the corresponding period last year.

Profit from Operations

Profit from operations rose by 38.6% to RMB343.6 million from RMB247.9 million for the corresponding period of 2011. This mainly reflected the increase in turnover and effective control over cost of sales and operating expenses. The operating margin increased from 24.0% to 27.3%.

Net Finance Income

During the period, net finance income of the Group was RMB30.1 million, representing an increase of RMB9.4 million year-on-year. Of the amount, interest income increased by RMB15.5 million and interest expenses increased by RMB1.4 million.

Income Tax

The effective income tax rate for the period was 25.6%. Tax concessions for one of the operating subsidiaries of the Group had expired in 2011. The subsidiary is subject to income tax at the standard tax rate since 2012, resulting in a higher effective tax rate.

Profit Attributable to Equity Shareholders of the Company

The Group recorded a profit attributable to equity shareholders of approximately RMB278.0 million, representing a year-on-year increase of 21.8%. Net profit margin maintained at 22.1%, a similar level as that of the corresponding period last year. Earnings per share were approximately RMB23.2 cents, representing an increase of 22.1% year-on-year.

The sub-brand "L2" recorded a profit after tax of RMB1.6 million (the first half of 2011: net loss of approximately RMB5.4 million) which was in line with the Group's expectation.

Interim Dividend

The Board recommended an interim dividend of HK13 cents (the first half of 2011: HK11 cents) per ordinary share and a special interim dividend of HK6 cents (the first half of 2011: HK5 cents) per ordinary share for the financial year, representing a total payout of about HK228.1 million (equivalent to approximately RMB186.8 million). The interim dividend and special interim dividend will be paid in cash on or about 14 September 2012 to shareholders whose names appear on the register of members of the Company on 31 August 2012.

BUSINESS REVIEW

Retail and Distribution Network

Changes in store numbers in different regions during the period were as follows:

Region	Number of stores			As of 30 June 2012
	As of 1 January 2012	Store opened during the period	Store closed during the period	
Northern China	306	13	8	311
North Eastern China	419	14	15	418
Eastern China	990	58	20	1,028
Central and Southern China	736	49	11	774
South Western China	577	36	6	607
North Western China	240	13	5	248
	3,268	183	65	3,386

The Group endeavors to optimize its retail and sales network and enhance its store efficiency in coordination with its business development. In view of the slowdown in the growth of China's economy and consumer market, the Group appropriately adjusted its pace in shop opening according to market conditions, consolidating stores with low efficiency and revising the target numbers of net openings of stores for the year to 200–250 for "LILANZ" and 80 for "L2". As of the end of June 2012, "LILANZ" had added 81 stores and "L2" 37.

Most of the stores are situated at prime commercial locations. Eastern China as well as Central and Southern China regions, the two main turnover contribution regions, accounted for 53.2% of the total number of stores of the Group.

As of 30 June 2012, the number of distributors and sub-distributors of "LILANZ" were 66 and 1,441 respectively, operating a total of 3,113 "LILANZ" retail outlets, of which 1,035 retail outlets were directly operated by distributors and 2,078 retail outlets by their sub-distributors. The retail outlets network could be divided into 2,221 stand-alone stores and 892 concession counters in department stores.

The total area of retail outlets was approximately 337,000 square meters (at the end of 2011: 326,000 square meters), representing an increase of 3.4%.

By the end of June 2012, "L2" had 273 retail outlets, of which 182 stores were located in Eastern China and Central and Southern China regions, accounting for 66.7% of the total number of stores. "L2" had a total of 52 distributors (21 of whom were also distributors of "LILANZ") and 67 sub-distributors. 188 retail outlets were directly operated by distributors and 85 retail outlets by their sub-distributors. The retail outlets network is comprised of 166 stand-alone stores and 107 concession counters in department stores. The total area of retail outlets was approximately 29,600 square meters (at the end of 2011: 25,300 square meters), representing an increase of 17.0%.

The Group has made steady progress in opening mega stores in 2012 with sizes of 300 to 500 square meters. During the period, four mega stores were opened, of which one is located in Shanghai, one in Kunming (a provincial capital city), and two in county-level cities in Zhejiang and Yunnan.

Sales Channel Management

The Group recognizes the importance of retail management to the healthy expansion and development of the business and is also aware of investment market's concern regarding retail channel control and retail inventory management of apparel enterprises operating with a distribution model. As a result, the Group endeavors to strengthen its retail management and further improve its sales channel control. Since late 2009, the Group has embarked on developing software systems with a plan to connect the sales and inventory records of each retail outlet (except those in department stores) online by the end of 2012. This exercise would enable the Group to obtain point of sales data and address specific problems promptly and accurately, and help with research and development of products meeting market needs. As at the end of June 2012, in line with the target, about 1,550 "LILANZ" stores were connected. All "L2" stores were connected online.

Marketing and Promotion

One of the most valuable assets of the Group is its brand names. Prominent brand image and unique brand identity add value to the brandnames and products of the Group, which would help to consolidate the leading position of the Group in the business casual menswear market in China. The Group adopted effective and targeted marketing strategies after evaluating the effectiveness of different advertising channels. During the period, the Group continued to focus on its store image upgrade as the core element of its brand promotion, combining with targeted marketing activities to maximize the promotional effect, and in turn enhance its brand image.

As for the store image, the Group has launched a new third-generation design for its retail outlets in July. Based on a "bamboo leaf" concept, the store front, interior wall and other decorating accessories are fashionably and elegantly designed. High-end metallic materials coupled with bright lighting effects were used to show-case the display products in a simple yet elegant style. In addition, the third-generation design has made good use of island display cabinets with an aim to improve sales efficiency. The Group intends to renovate 300 to 350 retail outlets in the second half of the year. It is expected that the whole renovation project for all retail outlets will take about three and a half years and will be completed by 2015.

During the period, the Group launched various promotional activities to strengthen its brand image, including increased spending on advertising on CCTV during UEFA EURO final tournament held in June. The Group has also made a new "LILANZ" TV commercial in New York, and has first broadcast during the London Olympics Games period.

Mr. Chen Dao Ming (陳道明) continued to be the spokesperson for the "LILANZ" brand to accentuate the brand image.

Design and Product Development

The Group always puts great emphasis on product style and quality and believes that product design and quality are the keys to a successful brand. Therefore, the Group has been committed to excellence through continuous research, design and development of new products over the past few years, focusing on fashionable and simple style while using unique fabrics and innovative product designs, and aiming at becoming the trend-setter in the business casual menswear market in China.

The product design and quality of the Group has been well recognized in the industry. During the period, the Group's core brand "LILANZ" was honored with the "Jack • The 8th China National Garment Association Award — Public Award (傑克•第八屆中國服裝品牌公眾大獎)" at the 8th China National Garment Association Award Ceremony (第八屆中國服裝品牌年度大獎頒獎典禮) held by the China National Garment Association (中國服裝協會), indicating the "LILANZ" brand's market recognition, reputation and popularity among consumers, further affirming the leadership position of "LILANZ" in the menswear market in China.

Currently, "LILANZ" has a product design and development team of over 100 staff located in Jinjiang, while the product design and development team of the sub-brand "L2" stationed in Shanghai with approximately 35 employees. In order to enhance the product research and development capability and keep abreast of market needs, the Group has established a product planning department during the period under review, which carries out market research to support product design planning, so as to offer products more closely in line with market demand. It is expected that the benefits of the product planning department on research and design can be seen starting from the 2013 spring and summer collections.

Trade Fairs

The 2012 fall and winter trade fairs of "LILANZ" and "L2" were held in March and May 2012 respectively. The total order value at fall and winter trade fairs of "LILANZ" recorded a by 16% and 11.5% year-on-year increase respectively while the total order value at fall and winter trade fairs of "L2" recorded a 61% and 40.5% year-on-year increase respectively. The average selling price of 2012 fall and winter collections of "LILANZ" enjoyed a single-digit growth. In response to the economic environment, certain strategic

adjustments have been adopted at the fall and winter trade fairs of "L2" to boost sales volume. As a result selling price had been adjusted, and the average selling price decreased accordingly. Delivery of orders for the fall collections commenced in June 2012, while delivery of orders for the winter collections has commenced in August 2012.

In addition, the Group has implemented a new ordering policy since the 2012 fall trade fair and has lowered the ordering ratio of distributors in the trade fair from 85%-90% to 80%. If the sales is good, the distributors may place replenishment orders afterward. The Group believes that the new ordering policy would offer more flexibility for the Group's production and help to control the inventory level of the distributors and enhance risk management.

The 2013 spring and summer trade fairs of "LILANZ" and "L2" are scheduled to be held from late August to mid September.

Production and Supply Chain

The Group's production plants are located at Wuli and Changting, Fujian Province, which occupy a total gross floor area of approximately 42,000 square meters. At present, there are a total of 80 production lines. The production plants achieved an average utilization rate of over 90% during the period.

In addition, the Group put more efforts on controlling the raw material procurement for outsourced production and required more OEM suppliers to purchase from designated fabrics suppliers. By shifting orders from subcontracting arrangement to outsourced production, the Group is dedicated to further controlling its production costs, optimizing production flexibility and uplifting its production capacity to meet replenishment orders.

PROSPECTS

In the face of the worsening eurozone sovereign debt crisis, the global economy experienced unprecedented difficulties.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flow

	Six months ended 30 June	
	2012	2011
	RMB' million	RMB' million
Operating cash inflow	332.2	180.9
Capital expenditure	(45.7)	(20.7)
Free cash inflow	286.5	160.2
Cash and bank balances (including pledged bank deposits)	1,619.2	1,474.4

As at 30 June 2012, the Group's total cash and bank balances were held in RMB (99.0%) and HKD (1.0%).

As at 30 June 2012, cash and cash equivalents of the Group amounted to RMB1,058.8 million (placements of fixed deposits and pledged deposits held at banks with maturity over 3 months totalling RMB250.0 million and RMB305.0 million respectively were regarded as investing activities in the condensed consolidated cash flow statement), representing a decrease of RMB182.2 million as compared with the cash and cash equivalents balance of RMB1,241.0 million as at 31 December 2011. The decrease was attributable to:

- Cash inflows from operating activities amounting to RMB332.2 million, representing the outstanding operating results.
- Cash outflows from investing activities amounting to RMB573.2 million, comprising mainly an increase in placements of fixed deposits and pledged deposits held at banks with maturity over three months by RMB250.0 million and RMB305.0 million respectively, and capital expenditure for property, plant and equipment, construction in progress and lease prepayments totalling RMB45.7 million.
- Cash inflows from financing activities amounting to RMB58.7 million, mainly attributable to the proceeds from secured bank loans totalling RMB304.5 million less the payment of final dividend and special final dividend totalling RMB245.8 million in respect of the year ended 31 December 2011.



「LILANZ」 2012 autumn collections

Bank Loans

As at 30 June 2012, the Group had bank loans totalling RMB304.5 million (31 December 2011: RMB nil). The net cash position as at 30 June 2012 was as follows:

	RMB' million
Cash and bank balances (including pledged bank deposits)	1,619.2
Less: Total borrowings	(304.5)
Net cash	1,314.7

As at 30 June 2012, the Group's bank loans were denominated in HKD (49.8%) and USD (50.2%), fully secured by pledged bank deposits and were repayable as follows:

	RMB' million
Within 1 year or on demand	153.0
After 1 year but within 2 years	151.5
Total bank loans	304.5

All bank loans are at floating interest rates.

Trade Working Capital Ratios

The Group's average inventory turnover days was 59 days for the period, an increase of 14 days compared to 45 days for the year ended 31 December 2011. This partly reflected the seasonality of the business as the Group prepared for the autumn and winter collections in the second quarter of the year, which in aggregate account for about 70% of total annual sales. The balance increased by RMB90.2 million as compared to the same period last year as the autumn and winter trade fairs had been held earlier than last year. More finished products for the autumn orders had been produced and more raw materials for the winter orders had been prepared as at 30 June 2012. Shipment of the autumn orders is made during June to August and shipment of winter orders is made during August to December.

The Group's average trade receivables turnover days for the period was 76 days as compared to 63 days for the year ended 31 December 2011 and 70 days for the same period last year. As in the same period last year, 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 decreased by 7 days to 58 days as compared to 65 days for the year ended 31 December 2011. Starting late 2011, the Group has reduced the use of bills, which have longer repayment terms, for the payments to suppliers to obtain more favorable prices. This practice has shortened the average trade payables turnover days.

PLEDGE OF ASSETS

As at 30 June 2012, deposits with certain banks totalling RMB310.4 million (31 December 2011: RMB4.0 million) were pledged as securities for bank loans and bills payable.



[L2] 2012 autumn collections

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2012, the Group had total capital commitments of RMB262.5 million, primarily related to the proposed construction of a new headquarters 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 2012, the Group had no material contingent liabilities.

FINANCIAL MANAGEMENT POLICIES

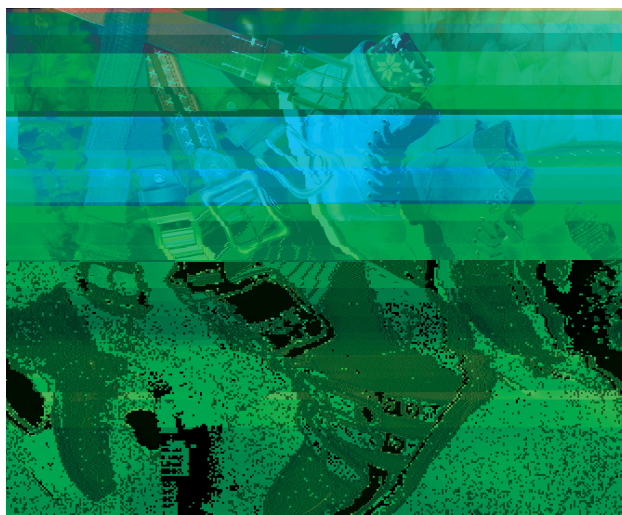
The Group continues to control financial risks in a prudent manner and proactively adopts internationally recognised corporate management standards to safeguard the interests of shareholders. The functional currency of the Company is the Hong Kong Dollar and the Company's financial statements are translated 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 2012, the Group had 3,200 staff. Total staff costs for the period amounted to approximately RMB64.2 million (2011: RMB59.9 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.



[L2] 2012 autumn collections

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 16 to 34 which comprises the consolidated balance sheet of China Lilang Limited (the "Company") as of 30 June 2012 and the related consolidated statement of 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 2012 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

15 August 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Turnover	3	1,259,289	1,032,097
Cost of sales		(759,867)	(656,149)
Gross profit		499,422	375,948
Other revenue		122	9,975
Selling and distribution expenses		(104,726)	(96,017)
Administrative expenses		(50,808)	(41,610)
Other operating expenses		(397)	(401)
Profit from operations		343,613	247,895
Net finance income	4	30,143	20,660
Profit before taxation	5	373,756	268,555
Income tax	6	(95,746)	(40,315)
Profit attributable to equity shareholders of the Company		278,010	228,240
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")		(237)	(4,372)
Total comprehensive income for the period		277,773	223,868
Earnings per share	7		
Basic (cents)		23.2	19.0
Diluted (cents)		23.1	18.9

The notes on pages 21 to 34 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 20.

CONSOLIDATED BALANCE SHEET

At 30 June 2012 — unaudited
(Expressed in Renminbi)

	Note	30 June 2012 RMB'000	31 December 2011 RMB'000
Non-current assets			
Property, plant and equipment	8	214,041	204,333
Investment property	9	28,923	29,387
Lease prepayments	10	37,012	37,419
Intangible assets	11	6,918	7,991
Deposits for purchases of fixed assets and land use rights	12	146,261	120,424
Deferred tax assets	19(b)	10,392	10,185
Pledged bank deposits	13	155,000	—
		598,547	409,739
Current assets			
Inventories	14	266,030	225,194
Trade and other receivables	15	701,669	714,791
Pledged bank deposits	13	155,378	4,040
Fixed deposits held at banks with maturity over three months	16	250,000	—
Cash and cash equivalents	16	1,058,849	1,240,977
		2,431,926	2,185,002
Current liabilities			
Bank loans	17	153,034	—
Trade and other payables	18	406,695	339,446
Current tax payable	19(a)	51,437	28,766
		611,166	368,212
Net current assets		1,820,760	1,816,790
Total assets less current liabilities		2,419,307	2,226,529
Non-current liabilities			
Bank loans	17	151,478	—
Deferred tax liabilities	19(b)	56,351	48,351
Retention payables		972	972
		208,801	49,323
Net assets		2,210,506	2,117,206

Consolidated Balance Sheet (continued)

At 30 June 2012 — unaudited
(Expressed in Renminbi)

	30 June 2012 RMB'000	31 December 2011 RMB'000
Capital and reserves		
Share capital	105,792	105,792
Reserves	2,104,714	2,071,414
Total equity	2,210,506	2,177,206

The notes on pages 21 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, 15 August 2012

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2012 RMB'000	2011 RMB'000
Net cash generated from operating activities		332,177	180,898
Net cash (used in)/generated from investing activities*		(573,204)	220,809
Net cash generated from/(used in) financing activities		58,722	(143,875)
Net (decrease)/increase in cash and cash equivalents		(182,305)	257,832
Cash and cash equivalents at 1 January	16	1,240,977	847,457
Effect of foreign exchange rate changes		177	(929)
Cash and cash equivalents at 30 June	16	1,058,849	1,104,360

The notes on pages 21 to 34 form part of this interim financial report.

* Net cash (used in)/generated from investing activities for the period includes the uplift and placement of fixed deposits held at banks with maturity over three months, which totalled RMB nil (2011: RMB230,000,000) and RMB250,000,000 (2011: RMB1,293,000) respectively and placement of pledged bank deposits with maturity over three months totalling RMB305,000,000 (2011: RMB nil).

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 15 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements.

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 2011 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 2011 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 15.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 14 March 2012.

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 that are first effective for the current accounting period of the Group and the Company. None of the developments are relevant to the Group's financial statements and 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	
	2012 RMB'000	2011 RMB'000
Interest income	31,839	16,336
Interest on bank borrowings	(1,380)	—
Net foreign exchange (loss)/gain	(316)	4,324
	30,143	20,660

Interest income and net foreign exchange (loss)/gain were included in other revenue and other operating expenses respectively in the 2011 interim report. Consistent with the classifications in the 2011 annual report, these items are now presented within net finance income to better reflect their nature. Bank charges were presented within finance costs in the 2011 interim report. Consistent with the classifications in the 2011 annual report, this item is now included in administrative expenses to better reflect its nature.

The comparative amounts for the six months ended 30 June 2011 have been reclassified accordingly.

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	
	2012 RMB'000	2011 RMB'000
(a) Staff costs (note (i)):		
Salaries, wages and other benefits	61,570	57,785
Contribution to defined contribution retirement plans	1,342	1,033
Equity settled share-based payment expenses (note 21)	1,317	1,107
	64,229	59,925
(b) Other items		
Amortisation of lease prepayments	407	391
Amortisation of intangible assets	1,073	844
Depreciation (note (i))	9,063	7,835
Auditor's remuneration	1,635	873
Cost of inventories (note (i))	759,867	656,149
Loss on disposal of property, plant and equipment	640	525
Operating lease rental in respect of properties (note (i))	4,564	4,566
Research and development costs (notes (i) and (ii))	8,165	10,025
Subcontracting charges (notes (i) and (iii))	19,150	34,949

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 RMB59,323,000 (2011: RMB74,703,000) included in items disclosed above.
- (ii) Research and development costs include salaries, wages and other benefits totalling RMB5,409,000 (2011: RMB6,640,000) 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 COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax		
Provision for PRC corporate income tax for the period	85,577	34,415
Under-provision for PRC corporate income tax in respect of prior year		

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 RMB278,010,000 (2011: RMB228,240,000) and the weighted average number of ordinary shares in issue of 1,200,732,000 (2011: 1,200,541,000).

Weighted average number of ordinary shares:

	Six months ended 30 June	
	2012 '000	2011 '000
Issued ordinary shares at 1 January	1,200,732	1,200,519
Effect of share options exercised	—	22
Weighted average number of ordinary shares	1,200,732	1,200,541

(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 RMB278,010,000 (2011: RMB228,240,000) 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	
	2012 '000	2011 '000
Weighted average number of ordinary shares	1,200,732	1,200,541
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	4,662	6,196
Weighted average number of ordinary shares (diluted)	1,205,394	1,206,737

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

8. PROPERTY, PLANT AND EQUIPMENT

	2012 RMB'000	2011 RMB'000
Net book value, as at 1 January	156,614	156,426
Additions	7,141	5,809
Transfer from construction in progress	26,107	3,949
Disposals (net carrying amount)	(704)	(634)
Exchange adjustment (net carrying amount)	2	(2)
Depreciation charge for the period	(8,599)	(7,371)
Sub-total	180,561	158,177
Construction in progress	33,480	35,069
Net book value, as at 30 June	214,041	193,246

Movements of the construction in progress during the six months ended 30 June 2012 were as follows:

	2012 RMB'000	2011 RMB'000
As at 1 January	47,719	23,635
Additions	11,788	15,633
Transfer to property, plant and equipment	(26,107)	(3,949)
Transfer to intangible assets	—	(139)
Exchange adjustment	80	(111)
As at 30 June	33,480	35,069

9. INVESTMENT PROPERTY

The investment property is located in the PRC under a medium-term lease. The property was originally intended to be leased out to a distributor as an authorised retail store and has been classified as investment property. In late 2011, the directors changed the intention and planned to use this property as a self-operated flagship store. The property is now undergoing renovation. Upon commencement of the retail operation in the second half of the year, the amount will be transferred to property, plant and equipment.

10. 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.

11. 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)

12. DEPOSITS FOR PURCHASES OF FIXED ASSETS AND LAND USE RIGHTS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Purchase of property (note (a))	85,424	85,424
Deposit for land use rights (note (b))	60,000	35,000
Purchase of other fixed assets	837	—
	146,261	120,424

- (a) This represents the full payment for a retail outlet with a gross area of approximately 679 sq. m. in a shopping mall being developed in Xian, Shaanxi Province, the PRC, which will be used as the Group's self-operated flagship store. The amount will be transferred to property, plant and equipment upon the completion of the development and the transfer of title to the Group.

The development is expected to be completed in the second half of 2012 and the flagship store will be opened thereafter.

- (b) The deposit is in respect of the purchase of the land use rights for 50 years on a piece of leasehold land located in Jinjiang, Fujian Province, the PRC for the proposed development of a new headquarters. The total consideration for the land use rights amounts to approximately RMB64,993,000.

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

13. PLEDGED BANK DEPOSITS

	30 June 2012 RMB'000	31 December 2011 RMB'000
Amounts pledged as security for bank loans (note 17)	305,000	—
Amounts pledged as security for bills payable (note 18)	5,378	4,040
	310,378	4,040
Representing:		
Current pledged bank deposits	155,378	4,040
Non-current pledged bank deposits	155,000	—
	310,378	4,040

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

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

14. INVENTORIES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Raw materials	106,525	37,389
Work in progress	—	589
Finished goods	159,505	187,216
	266,030	225,194

As at 30 June 2012, raw materials included materials totalling RMB22,814,000 (31 December 2011: RMB20,857,000) that were held by sub-contractors.

During the six months ended 30 June 2012, RMB8,606,000 (2011: RMB nil) was recognised as a reduction in the amount of inventories and an expense in the profit and loss.

15. TRADE AND OTHER RECEIVABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade receivables	595,623	639,560
Bills receivable	—	1,920
Trade and bills receivables	595,623	641,480
Prepayments to suppliers	30,707	65,031
Prepaid advertising expenses	61,677	884
VAT deductible	1,320	335
Other deposits, prepayments and receivables	12,342	7,061
	701,669	714,791

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 and bills receivable is as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Current	594,783	620,580
Less than 1 month past due	840	18,357
1–3 months past due	—	1,660
More than 3 months past due	—	883
	595,623	641,480

The Group normally grants a credit period of 90 to 240 days (2011: 90 to 180 days) to its trade customers.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Fixed deposits with banks within three months to maturity when placed	—	80,000
Cash at bank and in hand	1,058,849	1,160,977
Cash and cash equivalents in the consolidated balance sheet and the condensed consolidated cash flow statement	1,058,849	1,240,977
Fixed deposits with banks with more than three months to maturity when placed	250,000	—
	1,308,849	1,240,977

17. BANK LOANS

As at 30 June 2012, bank loans were fully secured by pledged bank deposits (also see note 13) and were repayable as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 1 year or on demand	153,034	—
After 1 year but within 2 years	151,478	—
	304,512	—

18. TRADE AND OTHER PAYABLES

	30 June 2012 RMB'000	31 December 2011 RMB'000
Trade payables	236,575	193,771
Bills payable	28,930	28,550
Trade and bills payables	265,505	222,321
Receipts in advance	41,275	11,773
Accrued salaries and wages	13,218	10,029
Payables for purchase of fixed assets	10,364	11,298
Retirement benefit contribution payable	25,821	25,744
VAT payables	319	9,008
Other payables and accruals	50,193	49,273
	406,695	339,446

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

18. 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 2012 RMB'000	31 December 2011 RMB'000
Within 3 months	232,705	191,323
3 months to 6 months	16,514	18,977
6 months to 1 year	8,874	2,984
Over 1 year	7,412	9,037
	265,505	222,321

19. INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

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

	30 June 2012 RMB'000	31 December 2011 RMB'000
Provision for PRC corporate income tax (note 6)	87,953	94,843
PRC corporate income tax paid	(36,516)	(66,077)
	51,437	28,766

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

19. 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:

	Deferred tax arising from				Total RMB'000
	Accrued expenses RMB'000	Cumulative tax losses of a subsidiary RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Others RMB'000	
At 1 January 2011	4,313	3,763	(11,351)	(45)	(3,320)
(Charged)/credited to consolidated statement of comprehensive income (note 6)	(25)	30	(5,900)	(5)	(5,900)
At 30 June 2011	4,288	3,793	(17,251)	(50)	(9,220)
At 1 January 2012	6,815	—	(48,351)	3,370	(38,166)
(Charged)/credited to consolidated statement of comprehensive income (note 6)	(840)	—	(8,000)	1,047	(7,793)
At 30 June 2012	5,975	—	(56,351)	4,417	(45,959)
Representing:					30 June 2012 RMB'000
Deferred tax assets					10,392
Deferred tax liabilities					(56,351)
					(45,959)

(c) Deferred tax assets 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 2012, deferred tax liabilities in respect of temporary differences relating to such undistributed profits of RMB586,076,000 (31 December 2011: RMB516,698,000) 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.

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

20. DIVIDENDS

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Declared and payable after interim period:		
Interim dividend of HK13 cents per ordinary share (2011: HK11 cents per ordinary share)	127,811	107,026
Special interim dividend of HK6 cents per ordinary share (2011: HK5 cents per ordinary share)	58,989	48,648
	186,800	155,674

The interim dividend and special interim dividend have not been recognised as liabilities as at 30 June 2012.

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	
	2012	2011
	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 (2011: RMB12 cents per ordinary share)	186,800	144,066
Special final dividend in respect of the previous financial year, approved and paid during the period, of HK6 cents per ordinary share (2011: nil)	58,990	—
	245,790	144,066

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

21. 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 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	—	—
Outstanding at 1 January 2012 and At 30 June 2012	HK\$3.12	8,160,671	HK\$6.63	1,130,000

The share option outstanding under the Pre-IPO Employee Share Option Scheme at 30 June 2012 had a weighted average remaining contractual life of 3.9 years.

The share option outstanding under the Share Option Scheme at 30 June 2012 had a weighted average remaining contractual life of 6.4 years.

22. COMMITMENTS

(a) Operating leases

As at 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Within 1 year	1,345	1,774
After 1 year but within 5 years	—	1,784
	1,345	3,558

(b) Capital commitments

As at 30 June 2012, capital commitments not provided for in the interim financial report are as follows:

	30 June 2012 RMB'000	31 December 2011 RMB'000
Contracted for	12,160	7,717
Authorised but not contracted for	250,374	288,734
	262,534	296,451

Notes to the Unaudited Interim Financial Report (continued)

(Expressed in Renminbi)

23. MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2012, the directors are of the view that the following parties were related parties of the Group:

Name of party	Relationship
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) Transaction with a related party

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
Recurring transaction		
Lease of land and properties — Jinlang Fujian	1,516	1,516

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.

(b) 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	
	2012 RMB'000	2011 RMB'000
Short-term employee benefits	4,156	4,314
Contributions to defined contribution retirement benefit scheme	59	25
Equity settled share-based payment expenses	849	467
	5,064	4,806

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2012, 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%

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% by Mr. Cai Rong Hua, 5% by Mr. Hu Cheng Chu, 3% by each of Mr. Wang Ru Ping and Mr. 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 2012, 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 2012, 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)	55.09%
Ming Lang Investments Limited ("Ming Lang Investments")	Beneficial owner	71,805,000 shares (L) (Note 3)	5.98%

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 Mr. Hu Cheng Chu, 3% by each of Mr. Wang Ru Ping and Mr. 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 Mr. Hu Cheng Chu, 3% by each of Mr. Wang Ru Ping and Mr. 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 2012, 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 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 2011 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 2012	Options granted by the Company Number of underlying shares			As at 30 June 2012	Exercise price per share	Date of grant	Exercise period
		Exercised	Cancelled	Lapsed				
Employees	5,407,837	—	—	—	5,407,837	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
	8,160,671	—	—	—	8,160,671			

As at 30 June 2012, the number of shares to be issued upon the exercise of the outstanding options under the Pre-IPO Share Option Scheme is 8,160,671, representing 0.68% of the issued share capital of the Company as at that date.

Notes:

- The outstanding options at 30 June 2012 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 3,029,812 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 2012 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.

Other Information (continued)

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 2012	Options granted by the Company Number of underlying shares			As at 30 June 2012	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

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements to the proposed interim dividend and special interim dividend, the register of members will be closed from Thursday, 30 August 2012 to Friday, 31 August 2012 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed interim dividend and special interim dividend, all transfers accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 29 August 2012 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, 15 August 2012

PUBLIC ANNOUNCEMENT AND INTERIM REPORT

The 2012 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
C. L. L.
K. L.
Company Secretary

Hong Kong, 15 August 2012