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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 2023

Board

Company

Group

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023 (RMB million)	2022 (RMB million)	Changes (%)
Revenue	**1,491.1**	1,397.8	+6.7
Gross profit	**772.6**	681.3	+13.4
Profit from operations	**305.4**	293.9	+3.9
Profit for the period	**270.5**	257.0	+5.2

	(RMB cents)	(RMB cents)	(%)
Earnings per share			
— Basic	**22.6**	21.5	5.1
— Diluted	**22.6**	21.5	5.1
Interim dividend per share	**HK13 cents**	HK13 cents	—
Special interim dividend per share	**HK5 cents**	HK5 cents	—

	(%)	(%)	(% points)
Gross profit margin	**51.8**	48.7	+3.1
Operating profit margin	**20.5**	21.0	-0.5
Net profit margin	**18.1**	18.4	-0.3
Return on average shareholders' equity[1]	**7.0**	6.9	+0.1
Effective tax rate	**17.5**	17.8	-0.3
Advertising, promotional and renovation expenses (as percentage of revenue)	**13.6**	8.4	+5.2

	Six months ended 30 June 2023	Year ended 31 December 2022	Six months ended 30 June 2022
Average inventory turnover days[2]	**211**	195	217
Average trade receivables turnover days[3]	**51**	54	54
Average trade payables turnover days[4]	**140**	111	91

Notes:

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, China resumed full normalcy as economic operations gradually shook off the impact of COVID-19. With the strong encouragement of consumption by the government, physical stores have resumed normal operation, and the retail market for consumer goods has rebounded. According to the National Bureau of Statistics of China, the GDP at constant price for the first half of 2023 increased by 5.5% compared with the same period in 2022[1], and the total retail sales of consumer goods increased by 8.2% year-on-year[2], of which the total retail sales of apparel, footwear, headwear and knitwear increased by 12.8% year-on-year[2].

FINANCIAL REVIEW

Revenue

As our society resumed normalcy, as for the core collection, all of the stores has resumed normal operations, coupled with the price-raising of our products in the second half of last year, its sales improved during the period. However, benefited from the improvement of efficiency in inventory management, the efforts of clearing off-season inventory during the period has reduced while certain distributors cut down orders to digest their channel inventory, therefore the sales amount of the core collection only recorded a low single-digit growth. During the period, the smart casual stores also resumed normal operations in full and sales were positive with a higher sell-out rate, recording a double-digit growth for sales. Overall, the Group's revenue for the period increased by 6.7% to RMB1,491.1 million.

By product category, tops remained the major revenue contributor, accounting for 58.8% (first half of 2022: 58.6%) of total revenue for the period, with a 6.2% increase in sales. Pants accounted for 24.4% (first half of 2022: 23.8%) of total revenue, with a 8.6% increase in sales. Sales of accessories dropped by 13.2%, of which the sales of footwear products of the core collection dropped by 15.8%. The decrease was mainly due to changes of strategy in the development of professional sports footwear and off-season inventory clearance last year.

Revenue by Region

Sales varied from region to region. Sales in Northern China grew by 15.1% as distributors in the region opened new stores.

Sales in Eastern China also grew by 11.5%, primarily benefitted from a larger proportion of the smart casual business, coupled with the fact that e-commerce business (except for WeChat Mall) was attributed to Eastern China, which experienced a significant growth for the period. In addition, customisation business for the period has recorded a significant growth.

In Central and Southern China, North-Western China, North-Eastern China and South-Western China, distributors have reduced their orders so as to clear last year's inventories, thus affecting sales performance in varying extents.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Revenue by region for the period is set out below:

	Six months ended 30 June				
	First half of 2023		First half of 2022		
Region	RMB million	% of revenue	RMB million	% of revenue	Changes (%)
Northern China[1]	**112.6**	**7.6%**	97.8	7.0%	15.1%
North-Eastern China[2]	**37.5**	**2.5%**	34.9	2.5%	7.5%
Eastern China[3]	**633.2**	**42.5%**	568.0	40.6%	11.5%
Central and Southern China[4]	**346.9**	**23.2%**	347.1	24.8%	-0.1%
South-Western China[5]	**213.2**	**14.3%**	208.0	14.9%	2.5%
North-Western China[6]	**147.7**	**9.9%**	142.0	10.2%	4.0%
Total	**1,491.1**	**100.0%**	1,397.8	100.0%	6.7%

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 and Gross Profit Margin

Cost of sales increased by 0.3% year-on-year to RMB718.5 million. The gross profit margin was 51.8%, with an increase of 3.1 percentage points year-on-year. The increase was primarily due to the relaxation of pandemic containment measures and the resumption of social activities. The smart casual business with a relatively higher gross profit margin experienced a significant growth and its percentage of sales has increased correspondingly. Moreover, in order to clear off-season inventory due to the suspension of the development of professional sports footwear, price cuts were offered for the same period last year. This year, as the off-season inventory is approaching to a healthier level, massive price cuts were unnecessary. Furthermore, there has been a write-back for part of the inventory provision due to the decrease in off-season inventory. It is worth noting that price-raising mainly began in the second half of last year, hence the unit price of sales was higher year-on-year for the first half of this year.

Other Net Income

Other net income amounted to RMB5.4 million (first half of 2022: RMB13.7 million), which included China's local government grants of RMB1.7 million (first half of 2022: RMB3.4 million). These local government grants are awarded unconditionally and at the discretion of the relevant authorities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Interim Dividend

The Board has recommended the payment of an interim dividend of HK13 cents (first half of 2022: HK13 cents) per ordinary share and a special interim dividend of HK5 cents (first half of 2022: HK5 cents) per ordinary share in respect of this financial year, making a total dividend payment of approximately HK$215.5 million (equivalent to approximately RMB200 million). The interim dividend and special interim dividend will be paid in cash on or around 22 September 2023 to shareholders whose names appear on the Company's register of members on 7 September 2023.

BUSINESS REVIEW

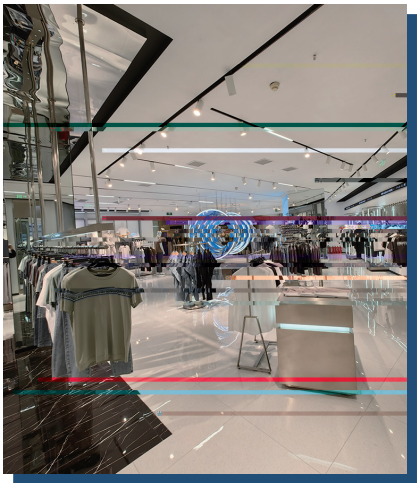
Sales Channel Management

The sales channel reform, pushed forward by the Group with three years' effort, has substantially completed in the period, and four sales channels are established: distributor and consignment model of the core collection, direct-to-retail model of the smart casual collection and direct-to retail e-commerce sales model.

The core collection currently has a total of 2,394 stores, of which 39%, or 927 stores, are operating under the consignment model, and maintain long-term cooperation with distributors to consolidate and establish a nationwide sales network to serve domestic consumers. During the period, the Group continued to pragmatically support distributors in optimizing the retail network. Apart from opening stores, it focused on enhancing the quality of stores by continuously and carefully selecting quality shopping malls and prime shopping locations, larger retail floor area and relocating or opening stores with renovations showcasing brand features to achieve our goal of increasing store efficiency.

The store network of the smart casual collection has been rectified during the period, with the location of stores being optimized and the utilization of store space being improved.The renovation of stores in Jiangsu, Qingdao and Wuhan are in progress during the period, and the sales efficiency of the stores has improved significantly.

As at the end of June 2023, LILANZ had a total of 2,646 retail stores nationwide, with the aggregate retail floor area of approximately 410,231 square meters (31 December 2022: 403,703 square meters), representing an increase of 1.6% as compared with the end of the previous year.



Changes to the number of LILANZ stores by region are as follows:

Region	Number of Stores			
	As at 1 January 2023	Opened during the period	Closed during the period	As at 30 June 2023
Northern China	252	21	14	259
North-Eastern China	151	3	12	142
Eastern China	744	34	34	744
Central and Southern China	715	21	32	704
South-Western China	502	14	15	501
North-Western China	280	21	5	296
	2,644	**114**	**112**	**2,646**

As at the end of June 2023, the number of stores in shopping malls reached 842 (31 December 2022: 835), accounting for 31.8% of the total store count and 34.3% of the total retail area and the number of outlet stores reached 60 (31 December 2022: 55).

As at 30 June 2023, 252 of the 2,646 LILANZ stores were the Group's direct-to-retail stores, with the remaining stores operated by distributors or sub-distributors, respectively. During the period, the number of distributors remained at 65, while the number of sub-distributors increased from 735 to 750. The breakdown of store numbers is as follows:

	30 June 2023		31 December 2022	
	Number of distributors	Number of stores	Number of distributors	Number of stores
Direct-to-retail stores	**–**	**252**	–	251
Distributors	**65**	**1,234**	65	1,265
Sub-distributors	**750**	**1,160**	735	1,128
Total number of stores		**2,646**		2,644
Street stores		**1,454**		1,454
Stores in shopping malls and outlet stores		**902**		890
Shop-in-shops in department stores		**290**		300
Total number of stores		**2,646**		2,644

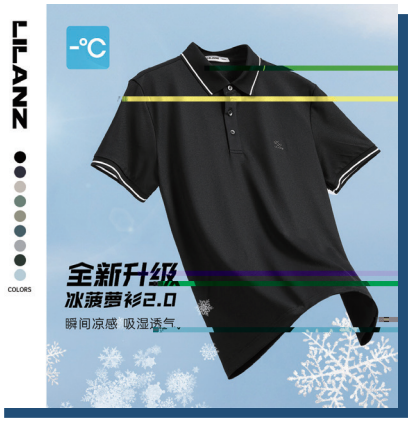
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

With respect to inventory management, the inventory balance decreased during the period, with particularly notable reductions in off-season inventory. This was mainly attributable to the opening of additional outlet stores by the Group and the set-up of an online retail channel as the default channel for regular inventory clearance. In addition, inventory turnover efficiency has increased due to the commencement of operation of the logistics centre hence, the direct-to-retail stores inventory for the core collection and smart casual collection are improving continuously. As of the end of June 2023, a provision of RMB55.8 million has been made in accordance with the Group's inventory provision policy.

New Retail Development

New retail remains one of the Group's top priorities for business development. The Group strives to promote the business of its LILANZ core collection and smart casual collection by actively integrating online services with offline in-store experiences and comprehensive logistics services. It operates under the online-only sales model of its direct-to-retail online stores and the "ordering-online-while-picking up-offline" model of WeChat Mall, respectively.

During the period, the Group organized sales promotion activities in a more flexible manner through its direct-to-retail online stores. The Group launched the ice-type polo shirt hot products on its e-commerce platform during the 618 E-commerce Shopping Festival, and responded swiftly via its in-house production plant. It will invest in intelligent workshops in the second half of the year, which further strengthen the Group's ability in quick orders replenishment, and also promote the model of selling new products with e-commerce. During the period, the retail sales for direct-to-retail online stores increased by approximately 24% year-on-year. As sales proportion of new products increased, profit margin of online stores has also further increased.



In addition, the Group continued to utilize the WeChat platform to set up stores in the WeChat Mall and provide customer relationship management services, which further took advantage of the interactive features of the social platform to capitalize on the complementary advantages of online and offline services, thus to drive the store efficiency growth and clear off-season inventory. As the efforts of clearing off-season inventory during the period has reduced, the sales for WeChat Mall have also dropped significantly.

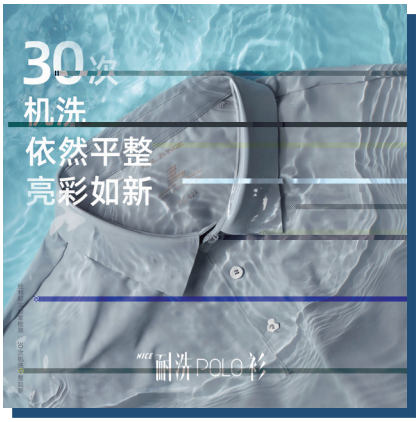
Consolidated those from the two models of direct-to-retail online stores and Wechat Mall, new retail sales grew by 2.8% year-on-year, yet the growth in profit margin was significant..

Product Design, Development and Supply Chain Management

Adhering to the strategy of providing products that represent excellent value for money, the Group continued to enhance the personalization and original design of its products to provide greater value for money and differentiate itself from its peers. The proportion of products for sale during the period with original designs was maintained at approximately 75%, and the proportion of these products utilizing proprietary fabrics developed by the Group was around 50%.

In order to solve the time-consuming process of cleaning and ironing clothes, Lilang launched washable shirts and washable polo shirts during the period. Lilang washable shirts are fabricated with DP wrinkle-free technology, which remain flat and straight even after 30 times of machine wash without ironing. Besides, the fabric has undergone a special high colors fastness dyeing process to keep the colors bright and new-looking even after multiple washes and ironing. In early August 2023, it was awarded a world record as "the shirt with the least total value of color deviation after 30 times of washing". In addition, Lilang washable polo shirts are made with 180℃ high-temperature seamless hot pressing technology that replaces the traditional sewing process. Aside from greater durability and shape retention after multiple washes, the technology results in efficient sun protection effectively resisting strong UV rays while also creating a cooling effect, leading to clothes that are comfortable and fresh to wear. After the launch of the two quality and iconic items, they have immediately become the main recommendations among the influencers of platforms such as Xiaohongshu and TikTok.

The Group's research and development department has been adhering to its technological innovation and product development principles while, designing simple, stylish and cost-effective menswear products that address the fashion needs of mainland consumers. Currently, there are around 350 members in the team, who pay meticulous attention to in all areas of operation from product design, material development to sample creation, with the aim of enhancing the overall competitiveness of the Group's products.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Brand Management and Promotion

China Lilang continues to adhere to the strategy of providing products that represent excellent value for money. It owns and operates the LILANZ brand, which sells menswear products through its core collection and smart casual collection. The core collection, which primarily targets consumers aged 25 to 45, has been well received in traditional third- and fourth-tier markets. The smart casual collection targets consumers aged 20 to 30 in first- and second-tier markets. Its simple yet stylish fashion style and cost-effective products have earn appeal of young male consumers in urban areas.

During the period, the Group focused on expanding the core brand "Lilang Minimalist Menswear", which combines fashion with culture and art to create products that are innovative and have their own unique personalities. At the same time, the Group observed the evolving needs of consumers in developing quality and iconic items, as well as enhancing the quality and performance of products to further optimize the store network and retail-end management. All of these efforts highlight the design charm of Lilang's fashion aesthetics, as well as its ability to lead the new trend of simple menswear through a multi-pronged approach. In promoting the smart casual collection, famous artist Kido Gao has been enlisted to serve as the brand ambassador and will help interpret the simple menswear design philosophy of Lilang for the 2023 new spring and summer collection. Lilang's simple and stylish menswear design is best demonstrated by Lilang's washable polo shirt, which actors Yihong Duan, Raymond Lam Fung, Guanying Peng and Hao Qin wore during their story-based video shoot for such magazines as *t mr* (Chinese edition), *Yile Manner* (藝樂Manner), *Robb Repot*, and *Oops Ne St le* (Oops新花樣). In addition, a series of brand promotion activities were effectively launched during the period to promote the brand spirit of innovation, simplicity and comfort that Lilang personifies.

Separately, the renovation work based on the seventh-generation store image of the core collection will be introduced gradually in existing stores, in which 156 stores have been renovated during the period.

Charity

Apart from engaging in brand promotion campaign, the Group is enthusiastically giving back to the society, and is committed to promoting corporate social responsibility. The Group provides appropriate help to people in need to enhance its corporate image. In June 2023, China Lilang celebrated its annual Charity Month, which also marked the sixth year of cooperation between China LiLang and Shanghai Adream Charitable Foundation. As part of the partnership, the Group and the Foundation brought the "Walk Through China" aesthetic education programme to a primary school in Tongren, Guizhou Province. Students were able to draw inspiration from regional cultures such as Dunhuang and the Miao ethnic community in creating unique fashion items with eco-friendly materials. The programme not only allowed them to appreciate the extraordinary charm of the traditional Chinese culture, but also demonstrate their artistic talents and creativity.

The Group and the Foundation also developed the programme material kits for aesthetic education and arts program, and organized teacher training by inviting members of Shanghai Institute of Visual Arts and East China Normal University to give lectures. Teachers who participated in training were able to gain professional knowledge in assisting students discover and develop their own sense of aesthetic as well as improve their aesthetic literacy.

The aesthetic education programme "Walk Through China" has been introduced to 27 schools in 13 provinces and cities nationwide. The program will officially accept school applications starting this autumn.

Awards

Lilang's simple menswear was very well received at the Eighteenth Chinese Commercial Real Estate Festival (第18屆中國商業地產節), and won two "Golden Coordinates Award" (金座標) simultaneously, and in which Lilang (China) Co., Ltd. won the "Excellent Enterprise in Retail Industry For the Year Award" (年度零售業卓越企業大獎).

At the "2023 Strong Brand Power Country (Kunming) International Summit Forum" (2023品牌強國(昆明)國際高峰論壇), Lilang was once again, honored to receive the "Pioneer of the Simple Menswear Brand Award" (首創簡約男裝品牌獎).

PROSPECTS

Looking ahead to the second half of 2023, the international environment is complicated with weakened export demand in Mainland. The real estate market will continue to be depressed, along with uncertainties, such as slowing sign of economic growth and declining employment rates. However, the central government's effort to vigorously boost the economy and encourage consumption is expected to have a positive impact on the retail market. The Group will continue to adopt flexible sales strategies, striving to maintain channel health and reduce inventory risk. Also, the Group will consolidate its store network, accelerate new retail development and enhance its brand image while striving to outperform its peers.

As reported in last year's annual report, the Group will continue to adopt a prudent store opening strategy in the second half of the year and adhere to its goal of net increase of 100 stores for the entire year of 2023. The goal is expected to achieve in the second half of the year. The improvement in retail network management will be continued by increasing the number of stores in high-quality shopping malls in provincial capitals and prefecture-level cities, relocating some existing stores in shopping malls to more favourable locations with larger store sizes within the malls to enhance store efficiency, and the further opening of stores in outlet malls as the usual channel for inventory clearance. Stores in Jiangsu, Qingdao and Wuhan will continue to be renovated in the second half of the year.

In terms of new retail, the Group will continue to promote e-commerce and consider online stores as one of the important platforms for launching new products of the Group. In the second half of the year, online stores will launch more e-commerce special edition products. Ahead of the Double 11 E-commerce Shopping Festival, the Group will launch quality and iconic items online once again. It will also utilize accurate online promotion to respond to consumers' demand for personalized clothings and enhanced wearing experiences. This will help to cultivate consumers' loyalty and increase gross profit margins, while providing another growth point for year-end results. In the second half of the year, the Group will also continue to invest in online promotional activities to drive sales growth through e-commerce live streaming on TikTok.

Furthermore, the Group will take full advantage of the mutual exchange of inventory to promote channel optimization, improve the store network, and enhance store efficiency and product sell-through rates, driving steady sales growth and achieving the target of 10% growth in the total retail sale for the 2023 year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As for retail management, the Group will enhance the Lilang Member Program by organizing more member activities and providing exclusive promotions and discounts. In addition, the Group will comprehensively strengthen its retail information system and extend its retail space through WeChat Mall mini applications. It will also connect online and offline platforms to quickly organize and analyze sales information and realize real-time data sharing, to accelerate the formulation of product strategies drive innovation and development, promote upgrade of the layout craftsmanship and expedite the launch of products.

In the second half of the year, the Group will enhance efforts to promote the brand, including the launch of a redesigned logo which will feature the word "利郎" next to the black English wording, 「LILANZ」.The thickness and the boldness of the font carry significant variations which compare favorably against the clean and sharp lines, highlighting the fashionable style of Lilang's simple menswear.

Apart from holding the autumn and winter fashion shows, the Group will sponsor a well-known variety show in the second half of the year. The brand image of Liliang's simple menswear can be showcased to a vast amount of audiences. The show is expected to enhance the brand recognition and reputation of Lilang significantly.

In addition, the Group will sponsor Chinese National Geographic's "Finest Landscape" project, which invites consumers to explore high plateaus, deserts, gorges, mountain ranges and other rich landscapes in the Mainland, and experience the beauty of nature and culture. It will also allocate funds to support the repair of Anping Bridge in Quanzhou, Fujian, a the World Heritage Site, accelerating historical conservation while promoting Chinese traditional culture, and also bringing the cultural essence of the Lilang brand to the vision of consumers.

As a capable menswear enterprise, China Lilang will continue to adhere to the strategy of providing products that offer excellent value for money, endeavour to strengthen product competitiveness, improve marketing efficiency and enhance profitability. In the long run, the Group is determined to further consolidate China Lilang's leading position in the menswear industry and realize sustainable long-term growth, which in turn will enable it to reward shareholders, staff members and customers for their support.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Bank Balances and Cash Flows

	As at 30 June 2023 RMB million	As at 31 December 2022 RMB million
Pledged bank deposits	**979.2**	281.2
Cash and cash equivalents	**936.3**	960.1
Fixed deposits held at banks	**980.6**	650.0
Total cash and bank balance	**2,896.1**	1,891.3

As at 30 June 2023, the Group had fixed deposits totalling RMB1,898.5 million (31 December 2022: RMB850.0 million). The Group's total cash and bank balance was mainly denominated in Renminbi (99.6%).

As at 30 June 2023, the Group had bank loans maturing within one year totalling RMB230.0 million (31 December 2022: RMB249.5 million) and bank loans maturing over one year totalling RMB842.4 million (31 December 2022: RMB187.0 million). All the bank loans carried interest at fixed rates.

Cash and cash equivalents balance decreased by RMB23.8 million. Major cash flow movements during the period were as follows:

— Net cash generated from operating activities amounting to RMB598.6 million. The major reconciling item between the amount of net operating cash inflow and the net profit for the period of RMB270.5 million was the decreased in trade receivables balances by RMB186.2 million. As a result of lifting of containment measures and the gradual resumption of social activities, distributors improved their cashflow situations and the collection of overdue accounts receivables was improved during the period.

— Net cash outflows from investing activities amounting to RMB1,045.8 million, comprising mainly placing of pledged deposits and fixed deposits totalling RMB1,009.0 million.

— Net cash inflows from financing activities amounting to RMB422.9 million, mainly attributable to the net drawdown of bank loans totalling RMB632.5 million, the payments of the final dividends totalling RMB148.6 million in respect of the year ended 31 December 2022, and capital and interest elements of lease rentals paid totalling RMB53.5 million.

Trade Working Capital Turnover Days

	Six months ended 30 June 2023	Year ended 31 December 2022	Six months ended 30 June 2022
Average inventory turnover days	**211**	195	217
Average trade receivables turnover days	**51**	54	54
Average trade payables turnover days	**140**	111	91

Inventory turnover days

The Group's average inventory turnover days was 211 days for the period, a decrease of 6 days as compared to the interim period last year.

Inventory balance decreased by RMB92.3 million to RMB792.8 million. The decrease was mainly attributable to improvement in efficiency of inventory management and successful clearance of off-season inventory.

As at 30 June 2023, a provision of RMB55.8 million was made in accordance with the Group's inventory provision policy.

Trade receivables turnover days

The Group's average trade receivables turnover days was 51 days for the period, as compared to 54 days for the interim period last year. Turnover

CAPITAL COMMITMENTS AND CONTINGENCIES

As at 30 June 2023, the Group had total capital commitments of RMB38.8 million, primarily related to the addition of automatic production facilities and solar panel.

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

As at 30 June 2023, the Group had no material contingent liabilities.

FINANCIAL MANAGEMENT POLICIES

The Group continues to control financial risks in a prudent manner. The functional currency of the Company is the Hong Kong Dollars and the Company's financial statements are translated into Renminbi for reporting and consolidation purposes. Foreign exchange differences arising from the translation of financial statements are directly recognized 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.

HUMAN RESOURCES

As at 30 June 2023, the Group had 3,549 staff. Total staff costs for the period amounted to approximately RMB177.0 million (first half of 2022: RMB175.4 million).

The Group places great emphasis on recruiting and training quality personnel. We recruit talents from universities and technical schools and provide pre-employment and on-going training and development opportunities to our staff members. Our training programs cover areas such as sales and production, customer service, quality control, trade fairs planning, work place 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 share option scheme to recognize, reward and promote the contribution of the employees to the growth and development of the Group. On 3 July 2020, the Group granted options to subscribe for a total of 11,500,000 shares of the Company to its employees under the share option scheme at an exercise price of HK$4.31 per share. The options will be vested during the period from 3 July 2022 to 3 July 2024.

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 19 to 37 which comprises the condensed consolidated statement of financial position of China Lilang Limited (the "Company") as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows 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 2023 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

16 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Revenue	3	**1,491,064**	1,397,753
Cost of sales		**(718,508)**	(716,404)
Gross profit		**772,556**	681,349
Other net income		**5,363**	13,735
Selling and distribution expenses		**(398,355)**	(316,165)
Administrative expenses		**(73,368)**	(84,927)
Other operating expenses		**(802)**	(63)
Profit from operations		**305,394**	293,929
Net finance income	4	**22,320**	18,726
Profit before taxation	5	**327,714**	312,655
Income tax	6	**(57,249)**	(55,648)
Profit for the period		**270,465**	257,007
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of the Company and subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**2,803**	8,223
Total comprehensive income for the period		**273,268**	265,230
Earnings per share	7		
Basic (cents)		**22.6**	21.5
Diluted (cents)		**22.6**	21.5

The notes on pages 24 to 37 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 18.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — unaudited
(Expressed in Renminbi)

	Note	30 June 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	8	**1,188,682**	1,212,944
Investment properties	9	**268,355**	271,900
Right-of-use assets	10	**241,473**	250,147
Intangible assets		**4,530**	4,679
Deposits for purchases of plant and equipment		**7,134**	9,834
Lease rental deposits		**38,552**	41,625
Pledged bank deposits	13	**917,909**	200,000
Fixed deposits held at banks	14	**980,615**	650,000
Deferred tax assets		**52,216**	64,821
		3,699,466	2,705,950
Current assets			
Inventories	11	**792,839**	885,142
Trade and other receivables	12	**645,546**	842,625
Prepaid income tax		**1,831**	2,643
Pledged bank deposits	13	**61,319**	81,227
Cash and cash equivalents	14	**936,257**	960,114
		2,437,792	2,771,751
Current liabilities			
Bank loans	15	**229,988**	249,499
Trade and other payables	16	**809,429**	887,818
Lease liabilities	17	**67,702**	75,241
Contract liabilities		**30,158**	29,346
Current tax payable		**186,721**	197,179
		1,323,998	1,439,083
Net current assets		**1,113,794**	1,332,668

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023 — unaudited
(Expressed in Renminbi)

	30 June 2023 RMB'000	31 December 2022 RMB'000
Capital and reserves		
Share capital	**105,517**	105,517
Reserves	**3,802,274**	3,676,714
Total equity	**3,907,791**	3,782,231

Authorised for issue by the board of directors in Hong Kong on 16 August 2023.

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

The notes on pages 24 to 37 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 1 January 2022	105,517	31,411	270,994	28,243	(33,000)	3,270,223	3,673,388
Changes in equity for the six months ended 30 June 2022:							
Profit for the period	—	—	—	—	—	257,007	257,007
Other comprehensive income for the period	—	—	—	—	8,223	—	8,223
Total comprehensive income for the period	—	—	—	—	8,223	257,007	265,230
Equity-settled share-based payment	—	—	—	1,449	—	—	1,449
Dividends approved in respect of the previous year	—	—	—	—	—	(163,299)	(163,299)
Appropriation to statutory reserve	—	—	150	—	—	(150)	—
As at 30 June 2022	105,517	31,411	271,144	29,692	(24,777)	3,363,781	3,776,768
As at 1 January 2023	**105,517**	**31,411**	**271,826**	**30,556**	**(33,622)**	**3,376,543**	**3,782,231**
Changes in equity for the six months ended 30 June 2023:							
Profit for the period	**—**	**—**	**—**	**—**	**—**	**270,465**	**270,465**
Other comprehensive income for the period	**—**	**—**	**—**	**—**	**2,803**	**—**	**2,803**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**2,803**	**270,465**	**273,268**
Equity-settled share-based payment	**—**	**—**	**—**	**922**	**—**	**—**	**922**
Dividends approved in respect of the previous year	**—**	**—**	**—**	**—**	**—**	**(148,630)**	**(148,630)**
Appropriation to statutory reserve	**—**	**—**	**130**	**—**	**—**	**(130)**	**—**
As at 30 June 2023	**105,517**	**31,411**	**271,956**	**31,478**	**(30,819)**	**3,498,248**	**3,907,791**

The notes on pages 24 to 37 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**651,818**	300,811
Tax paid	**(53,170)**	(54,103)
Net cash generated from operating activities	**598,648**	246,708
Investing activities		
Payments for the purchases of property, plant and equipment, and intangible assets	**(54,397)**	(231,895)
Net refund of lease rental deposits	**3,073**	1,977
Interest income received	**11,247**	25,256
Net placements of pledge deposits	**(700,000)**	(200,000)
Net placements of fixed deposits held at banks with maturity over three months	**(309,000)**	(100,000)
Other cash inflows arising from investing activities	**3,235**	398
Net cash used in investing activities	**(1,045,842)**	(504,264)
Financing activities		
Proceeds from bank loans	**882,800**	575,500
Repayment of bank loans	**(250,290)**	—
Dividends paid	**(148,630)**	(163,299)
Interest expense paid	**(7,456)**	(4,160)
Capital element of lease rentals paid	**(50,639)**	(36,554)
Interest element of lease rentals paid	**(2,850)**	(3,708)
Net cash generated from financing activities	**422,935**	367,779
Net (decrease)/increase in cash and cash equivalents	**(24,259)**	110,223
Cash and cash equivalents at 1 January	**960,114**	1,571,619
Effect of foreign exchange rate changes	**402**	(670)
Cash and cash equivalents at 30 June	**936,257**	1,681,172

The notes on pages 24 to 37 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 16 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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.

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 ("IFRSs"). 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 2022 annual financial statements.

The interim financial report is unaudited, but has been reviewed by the Company's auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 18.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2022 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 17 March 2023.

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following new and amended IFRSs issued by the IASB to this interim financial report for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Save for the disclosure below, none of the remaining new and amended IFRSs have a material impact on the Group's interim financial statements:

Amendments to IAS 12, Income taxes: *Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

3. REVENUE

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

Revenue is recognised at the point in time when the control of the goods is transferred to customers.

The Group's revenue, expenses, results, assets and liabilities are predominantly attributable to a single geographical region, which is mainland China. Therefore, no analysis by geographical regions is presented.

4. NET FINANCE INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Interest income	**38,693**	25,256
Interest on bank loans	**(10,779)**	(2,701)
Interest on lease liabilities	**(2,850)**	(3,708)
Net foreign exchange loss	**(2,744)**	(121)
	22,320	18,726

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000

6. INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax — PRC Corporate Income Tax	**43,524**	50,404
Deferred tax	**13,725**	5,244
	57,249	55,648

Notes:

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

(ii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2023 and 2022.

(iii) Taxation for the Group's PRC subsidiaries is calculated using the income tax rates applicable to the subsidiaries. In accordance with the relevant PRC Corporate Income Tax Law, regulations and implementation guidance notes, one of the subsidiaries had been granted Advanced and New Technology Enterprise status and was entitled to a reduced income tax rate at 15% for 2023. In addition, two of the Group's subsidiaries incorporated in the Tibet Autonomous Region of the PRC are entitled to a reduced income tax rate of 15% in 2023.

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

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 for the period of RMB270,465,000 (2022: RMB257,007,000) and the weighted average number of ordinary shares in issue of 1,197,485,000 (2022: 1,197,485,000).

(B) DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share is based on the profit for the period of RMB270,465,000 (2022: RMB257,007,000) 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	
	2023	2022
	'000	'000
Weighted average number of ordinary shares	**1,197,485**	1,197,485
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**—**	—
Weighted average number of ordinary shares (diluted)	**1,197,485**	1,197,485

8. PROPERTY, PLANT AND EQUIPMENT

	2023	2022
	RMB'000	RMB'000
Net book value, as at 1 January	**1,212,944**	1,200,183
Additions	**30,711**	278,365
Disposals (net carrying amount)	**(3,353)**	(377)
Depreciation charge for the period	**(51,620)**	(55,703)
Net book value, as at 30 June	**1,188,682**	1,422,468

9. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Net book value, as at 1 January	**271,900**	118,772
Depreciation charge for the period	**(3,545)**	(1,713)
Net book value, as at 30 June	**268,355**	117,059

Investment properties are stated at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the shorter of the respective unexpired terms of the leases and their estimated useful lives, being no more than 40 years after the date of completion.

10. RIGHT-OF-USE ASSETS

	2023 RMB'000	2022 RMB'000
Net book value, as at 1 January	**250,147**	289,437
Additions	**44,820**	55,092
Disposals	**(7,050)**	(21,319)
Depreciation charge for the period	**(47,427)**	(57,857)
Reversal of impairment losses/(impairment losses)	**983**	(4,358)
Net book value, as at 30 June	**241,473**	260,995

The Group's right-of-use assets contain the land use rights and properties leased for own use. The interest of land use rights in the PRC are prepaid upon acquisition. The leases related to properties are typically run for an initial period of one to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. As at 30 June 2023, rental deposits of RMB38,552,000 (31 December 2022: RMB41,625,000) were paid for the leases, which will be held by the lessors throughout the respective lease terms.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

11. INVENTORIES

(a) Inventories in the condensed consolidated statement of financial position comprise:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Raw materials	**124,207**	154,582
Work in progress	**44,406**	44,697
Finished goods	**624,226**	685,863
	792,839	885,142

(b) An analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Six months ended 30 June 2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	**702,078**	680,618
Write-down of inventories (Note 5)	**16,430**	35,786
	718,508	716,404

12.TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	**356,420**	551,927
Less: Loss allowance	**(13,981)**	(23,335)
Trade receivables, net of loss allowance	**342,439**	528,592
Prepayments to suppliers	**18,578**	2,161
Prepaid advertising expenses	**768**	2,233
VAT deductible	**217,402**	236,747
Other deposits, prepayments and receivables	**66,359**	72,892
	645,546	842,625

12.TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables net of loss allowance are expected to be recovered or recognised as expense within one year.

An ageing analysis of the trade receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 3 months	**220,904**	453,887
Over 3 months but within 6 months	**86,773**	62,891
Over 6 months but within 1 year	**34,762**	11,814
	342,439	528,592

The Group grants a credit period of 30 to 240 days (31 December 2022: 30 to 240 days) to its debtors.

The movement in the loss allowance account for trade receivables during the period is as follows:

	2023 RMB'000	2022 RMB'000
As at 1 January	**23,335**	10,639
(Reversal of impairment losses)/impairment losses for the period (Note 5)	**(9,354)**	6,775
As at 30 June	**13,981**	17,414

The Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix.

The Group keeps assessing the expected loss rates based on the Group's historical credit loss experience over the past years, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period over the expected lives of the receivables.

Normally, the Group does not obtain collateral from customers.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

13.PLEDGED BANK DEPOSITS

Bank deposits have been pledged as security for bank loans (see note 15) and bills payable (see note 16). The pledged bank deposits will be released upon the settlement of the relevant bank loans and bills payable.

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

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows		
— Cash at bank and in hand	**936,257**	960,114
Fixed deposits held at banks with maturity over three months	**980,615**	650,000
Pledged bank deposits (Note 13)	**979,228**	281,227
Total	**2,896,100**	1,891,341

15. BANK LOANS

As at 30 June 2023 and 31 December 2022, the analysis of the repayment schedule of bank loans were as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 1 year or on demand	**229,988**	249,499
After 1 year but within 2 years	**189,500**	1,000
After 2 years but within 5 years	**652,870**	186,027
Sub-total	**842,370**	187,027
Total	**1,072,358**	436,526

As at 30 June 2023, bank loans of RMB850,370,000 (31 December 2022: RMB188,027,000) was secured by the pledged bank deposit of RMB917,909,000 (31 December 2022: RMB200,000,000).

As at 30 June 2023, bank loans of RMB221,988,000 (31 December 2022: RMB248,499,000), which were discounted bank acceptance bills (financing in nature), were secured by the bank deposit of RMB24,710,000 (31 December 2022: RMB42,040,000). Discounted bank acceptance bills (financing in nature) were bills of exchange which were denominated at Renminbi, measured at amortised cost and repayable within one year.

16.TRADE AND OTHER PAYABLES

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade payables	**333,172**	418,351
Bills payable	**213,450**	161,450
Trade and bills payables	**546,622**	579,801
Accrued salaries and wages	**29,575**	38,812
Payables for purchase of property, plant and equipment	**25,043**	49,345
Retirement benefit contribution payable	**25,524**	25,524
Other payables and accruals	**182,665**	194,336
	809,429	887,818

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand. Bills payable were secured by pledged bank deposits (see note 13).

An ageing analysis of the Group's trade and bills payables based on the invoice date is as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Within 3 months	**365,792**	475,792
Over 3 months but within 6 months	**167,765**	93,718
Over 6 months but within 1 year	**12,562**	6,349
Over 1 year	**503**	3,942
	546,622	579,801

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

17. LEASE LIABILITIES

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period are as follows:

	At 30 June 2023		At 31 December 2022	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**67,702**	**69,773**	75,241	79,301
After 1 year but within 2 years	**34,684**	**37,904**	40,872	42,074
After 2 years but within 5 years	**14,620**	**15,173**	15,813	16,257
	117,006	**122,850**	131,926	137,632
Less: Total future interest expenses		**(5,844)**		(5,706)
Present value of lease liabilities		**117,006**		131,926

18. DIVIDENDS

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Declared and payable after interim period:		
Interim dividend of HK13 cents per ordinary share (2022: HK13 cents per ordinary share)	**144,376**	133,077
Special interim dividend of HK5 cents per ordinary share (2022: HK5 cents per ordinary share)	**55,529**	51,183
	199,905	184,260

The interim dividend and special interim dividend have not been recognised as liabilities as at 30 June 2023.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Final dividend in respect of the previous financial year of HK9 cents per ordinary share (2022: HK11 cents per ordinary share)	**95,548**	112,268
Special final dividend in respect of the previous financial year of HK5 cents per ordinary share (2022: HK5 cents per ordinary share)	**53,082**	51,031
	148,630	163,299

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

19. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed by the shareholders of the Company on 23 April 2019 for the purposes of providing incentives and rewards to eligible participants who contribute to the Group. On 3 July 2020, the Group granted options to subscribe for a total of 11,500,000 shares of the Company to its employees under the Share Option Scheme at an exercise price of HK$4.31 per share. The options will be vested during the period from 3 July 2022 to 3 July 2024. Details of the number and weighted average exercise price of share options granted under the Share Option Scheme during the period were as follows:

	Exercise price	No. of options
Outstanding at 1 January 2023	**HK$4.31**	**10,952,000**
Lapsed during the period	**HK$4.31**	**(25,000)**
Outstanding at 30 June 2023	**HK$4.31**	**10,927,000**
Exercisable at 30 June 2023	**HK$4.31**	**3,250,000**

The share options outstanding under the Share Option Scheme at 30 June 2023 had a weighted average remaining contractual life of 7 years.

20. COMMITMENTS

Capital commitments of the Group in respect of property, plant and equipment, and computer system and software outstanding at 30 June 2023 not provided for in the financial statements were as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Contracted for	**13,574**	13,971
Authorised but not contracted for	**25,220**	31,881
	38,794	45,852

21.MATERIAL RELATED PARTY TRANSACTIONS

(A) KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	**3,794**	3,774
Contributions to defined contribution retirement benefit scheme	**93**	67
Share-based compensation	**157**	261
	4,044	4,102

(B) RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Purchase properties from a related party	**—**	205,000
Payment for the properties purchase from a related party	**—**	123,791

(C) BALANCES WITH RELATED PARTIES

Save as disclosed elsewhere in the financial statements, the Group did not have any outstanding balances with related parties as at 30 June 2023 and 31 December 2022.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, 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 of shares (Note 1)	Number of underlying shares (Note 1&2)	Approximate percentage of shareholding
Mr. Wang Dong Xing	The Company	Beneficial owner	22,950,000 shares (L)	—	1.917%
	Xiao Sheng International Limited ("Xiao Sheng International") (Note 3)	Beneficial owner	2,550 shares of US$1.00 each (L)	—	26.289%
	The Company	Interest of spouse	1,448,000 shares (L)	—	0.121%
Mr. Wang Liang Xing	The Company	Beneficial owner	22,950,000 shares (L)	—	1.917%
	Xiao Sheng International (Note 3)	Beneficial owner	2,550 shares of US$1.00 each (L)	—	26.289%
Mr. Wang Cong Xing	The Company	Beneficial owner	22,950,000 shares (L)	—	1.917%
	Xiao Sheng International (Note 3)	Beneficial owner	2,550 shares of US$1.00 each (L)	—	26.289%
Mr. Cai Rong Hua	The Company	Beneficial owner	1,810,000 shares (L)	—	0.151%
	The Company	Settlor of a discretionary trust (Note 4)	7,200,000 shares (L)	—	0.601%
	Xiao Sheng International (Note 3)	Settlor of a discretionary trust (Note 4)	800 shares of US$1.00 each (L)	—	8.247%

Name of shareholder	Name of Group company/ associated corporation	Capacity/nature of interest	Number of shares (Note 1)	Number of underlying shares (Note 1&2)	Approximate percentage of shareholding
Mr. Hu Cheng Chu	The Company	Beneficial owner	4,500,000 shares (L)	—	0.376%
	Xiao Sheng International (Note 3)	Beneficial owner	500 shares of US$1.00 each (L)	—	5.155%
Mr. Pan Rong Bin	The Company	Beneficial owner	3,171,000 shares (L)	—	0.264%
	The Company	Interest of spouse	—	150,000 shares (L)	0.013%
	Xiao Sheng International (Note 3)	Beneficial owner	300 shares of US$1.00 each (L)	—	3.093%

Notes:

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

2. The interests in underlying shares represent the interests in share options granted pursuant to the Company's share option scheme, details of which are set out in the paragraph below headed "Share Option Scheme".

3. As at 30 June 2023, Xiao Sheng International was owned as to 26.289% by each of Mr. Wang Dong Xing, Mr. Wang Liang Xing and Mr. Wang Cong Xing, 8.247% by Jia Fa International Limited (note 4), 5.155% by Mr. Hu Cheng Chu, 3.093% by Mr. Pan Rong Bin, 2.062%8.24.5 7.(y Jia)6.1 T(

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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 recordedrin Cec ompaner (C)10.7 (ec)0.qui7 (ec)0.5 (undert(ompano

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to an ordinary resolution passed by the shareholders of the Company on 23 April 2019 for the purposes of providing incentives and rewards to eligible participants who contribute to the Group. Details of the Share Option Scheme are set out in the 2022 Annual Report of the Company.

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

Name or category of participants	Number of options					Exercise price	Date of grant	Exercise period
	As at 1 January 2023	Exercised	Cancelled	Lapsed	As at 30 June 2023			
Mr. Chen Wei Jin (note 1(a))	433,000	—	—	—	**433,000**	HK$4.31	3 July 2020	Note 2(a)
Mr. Wang Jun Hong (note 1(b))	350,000	—	—	—	**350,000**	HK$4.31	3 July 2020	Note 2(b)
Mr. Wang Zhi Yong (note 1(c))	350,000	—	—	—	**350,000**	HK$4.31	3 July 2020	Note 2(b)
Ms. Chen Zhi Mei (note 1(d))	150,000	—	—	—	**150,000**	HK$4.31	3 July 2020	Note 2(b)
Employees	9,669,000	—	—	(25,000)	**9,644,000**	HK$4.31	3 July 2020	Note 2(c)
	10,952,000	—	—	(25,000)	**10,927,000**			

Notes:

1 Options granted to associates (as defined in the Listing Rules):

a. Mr. Chen Wei Jin, the head of the group ordering department of the Group, is the brother-in-law of Mr. Wang Dong Xing, an executive Director and a controlling shareholder of the Company.

b. Mr. Wang Jun Hong, a president of the product planning department of the Group, is the son of Mr. Wang Dong Xing.

c. Mr. Wang Zhi Yong, a vice president of the sales and marketing department of the Group, is the son of Mr. Wang Liang Xing, an executive Director and a controlling shareholder of the Company.

d. Ms. Chen Zhi Mei, the assistant to the head of the sales and marketing department of the Group, is the wife of Mr. Pan Rong Bin, an executive Director of the Company.

2 Exercisable periods of options:

a. The options are exercisable by the grantee during the period commencing from the day immediately following the expiry of the two year period after the date of grant, and ending on the day falling ten years after the date of grant, during which, (i) up to 129,000 options granted may be exercised on or prior to the end of the third year after the date of grant; (ii) subject to (i), up to 130,000 options granted may be exercised on or prior to the end of the fourth year after the date of grant; and (iii) subject to (i) and (ii), 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.

b. The options are exercisable by the grantees during the period commencing from the day immediately following the expiry of the two year period after the date of grant, and ending on the day falling ten years after the date of grant, during which, (i) up to 30% of the options granted may be exercised on or prior to the end of the third year after the date of grant; (ii) subject to (i), up to 60% of the options granted may be exercised on or prior to the end of the fourth year after the date of grant; and (iii) subject to (i) and (ii), 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.

c. The options are exercisable by the grantees during the period commencing from the day immediately following the expiry of two year period after the date of grant and ending on the day falling ten years after the date of grant, during which, (a) up to 2,866,000 options granted may be exercised on or prior to the end of the third year after the date of grant; (b) subject to (a), up to 2,907,000 options granted may be exercised on or prior to the end of the fourth year after the date of grant; 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.

CORPORATE GOVERNANCE

The Company had complied with all code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2023.

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 2023.

REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors. The principal responsibilities of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group. The interim results of the Group for the six months ended 30 June 2023 have not been audited but they have been reviewed by KPMG, the auditor of the Company, and the Audit Committee.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

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, 7 September 2023 to Friday, 8 September 2023 (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, 6 September 2023 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, 16 August 2023

BOARD

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lu Hong Te
Mr. Lai Shixian
Mr. Zhang Shengman (appointed on 17 March 2023)
Mr. Nie Xing (resigned on 1 June 2023)

SHARE INFORMATION

Listing date: 25 September 2009
Board lot size: 1,000 shares
Number of shares in issue: 1,197,484,919 shares (as at 30 June 2023)

IR CONTACT

IF YOU HAVE ANY INQUIRIES, PLEASE CONTACT:

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Telephone: (852) 2526-6968
Fax: (852) 2526-6655
Email: ir@lilanz.com.hk
Website: www.lilanz.com

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

GENERAL

Executive Directors: *Independent Non-executive Directors:*

(Chairman)

(Chief Executive Officer)

China Lilang Limited
Shum Chi Chung
Company Secretary