

(For Immediate Release)

LILANZ 利郎

China Lilang Announces 2013 Interim Results Adopt Prudent Operation Strategy to Maintain Sound Business Foundation

Financial Highlights:

RMB million	For the six months ended 30 June		
	2013	2012	Change
Turnover	1,092.5	1,259.3	-13.2%
Gross profit	436.7	499.4	-12.6%
Gross profit margin	40.0%	39.7%	+0.3 p.p.
Profit attributable to shareholders	242.3	278.0	-12.8%
Earnings per share			
- Basic (RMB cents)	20.2	23.2	-12.9%
- Diluted (RMB cents)	20.1	23.1	-13.0%
Dividend per share			
- Interim dividend	12 HK cents	13 HK cents	
- <u>Special interim dividend</u>	<u>5 HK cents</u>	<u>6 HK cents</u>	
Total	17 HK cents	19 HK cents	-10.5%

(12 August 2013 – Hong Kong) **China Lilang Limited** ("China Lilang" or the "Company", together with its subsidiaries, known as the "Group"; stock code: 1234), today announces its interim results for the six months ended 30 June 2013.

For the six months ended 30 June 2013, turnover was approximately RMB1,092.5 million, decreasing by 13.2% over the same period last year. Profit attributable to equity shareholders was RMB242.3 million, representing a decrease of 12.8%. Basic earnings per share were approximately 20.2 RMB cents, representing a decrease of 12.9%. The Board of Directors recommended the payment of an interim dividend of 12 HK cents per ordinary share and a special interim dividend of 5 HK cents per ordinary share.

The decrease in turnover was mainly attributable to the relatively high channel inventory from last year which would need to be cleared during this year. Meanwhile, the Group adopted a consistent pricing and retail discount policy during the period, which affected the retail sales to a certain extent. However, the gross profit margin increased by 0.3 percentage point to 40.0% due to the Group's success in controlling the cost of raw materials through better supply chain management. Gross profit for the first half of 2013 was RMB436.7 million.

The selling and distribution expenses amounted to RMB115.6 million, or approximately 10.6% of total turnover. The expense ratio was 2.3 percentage points higher from a year ago. The increase was mainly attributable to the increase in renovation subsidies as the Group continued the store image revamp programme for its "LILANZ" stores undertaken since the second half of 2012.

The Group maintained a strong cash position. As of 30 June 2013, the Group has a net cash balance of RMB 1,461.1 million, representing a net cash of approximately RMB 1.22 per share.

Commenting on the interim results, Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said "China's economic growth continued to decelerate and the retail market remained weak. In response to the business environment of the retail industry in China, China Lilang adopted a prudent operation strategy of focusing on inventory clearance and improving sales channel management, with a view to maintaining a sound business foundation amid adverse market conditions. Thanks to the concerted efforts of the Company and our distributors, channel inventories of last year's spring/summer collections were decreasing. It was also encouraging to note that the inventory of the 2013 spring/summer collections went down to a relatively healthy level as at the end of June and that the average same-store sales recorded a slight increase in the first half of the year."

For the first half of 2013, sales of "LILANZ" and "L2" accounted for approximately 92.7% and 7.3% respectively of total turnover. Sales of the core brand "LILANZ" amounted to RMB1,013.2 million for the first half of the year, down by 14.0%. Sales of "L2" amounted to RMB79.3 million during the period, dropped slightly by 2.2%. In the second half of last year, the Group adjusted the product strategy of its sub-brand "L2" by focusing on trendy casual wear. The move resulted in a 21.3% decrease in the average selling price of "L2" for the first half of the year.

Tops, the Group's major contributor by sales, was more affected by the channel inventory problem and sales for the period decreased by 19.1%. Sales of pants grew 1.8% for the first half of the year, as the Group improved the fabric quality and the cutting design of pants in the past two years, making the products cater for market needs better. Accessories had the most impressive sales growth among all product categories. Sales of accessories increased 16.3%. The growth were mainly driven by the growth in sales of shoes and bags.

The Group has been striving to optimize its retail and sales network and enhance its store efficiency. During the first half of 2013, in light of the economic and industry conditions in China, the Group realigned its store network and closed down certain under-performing retail stores. New stores opened during the period are mostly situated at prime commercial locations of prefecture-level cities. The store realignment plans for "LILANZ" and "L2" proceeded as scheduled. During the first six months, "LILANZ" had a net reduction of 26 retail stores to 3,201 stores, the total area of the retail stores was approximately 360,000 square meters representing an increase of 0.3% as compared to 31 December 2012. While "L2" has a net addition of 24 retail outlets to 276 stores, the total area of retail outlets was approximately 29,500 square meters, increasing 10.5% as compared to 31 December 2012.

At the same time, the Group continues to advance its product design and development of new products. During the period, the Group set up an international research and development team for its core brand "LILANZ" and headed by a group of designers from abroad. It is expected that new designs will emerge in the 2014 spring/summer collections. The Group also continued to develop new fabrics in close cooperation with its suppliers so as to further control production costs, enhance products' value for money and maintain the uniqueness of the fabrics used. Restructuring of "L2" product line is largely completed. The brand currently focuses on the trendy casual features which better suit the needs of its target customers.

Stepping into the second half of the year, the Group commences the fulfillment of 2013 fall /winter trade fairs order. Shipment of the orders of "LILANZ" and "L2" taken at the fall trade fair have commenced in June 2013 while those of the winter trade fair have begun in August 2013. The Group controlled the order book as part of the measures to strengthen channel and inventory management in response to market conditions, order values recorded at the above trade fairs declined. The total order value recorded a 26% decrease at the fall trade fair of "LILANZ" and the drop narrowed to 16% at the winter fair. The order value for sub-brand "L2" at the fall trade fair was at a similar level as that of the previous year, while that at the winter fair recorded a single-digit growth year on year.

Chairman Wang Dong Xing concluded, "For the second half of 2013, the Group will capitalize on the current consolidation period by perfecting our management and system and will stay competitive by enhancing our brand image and product design. We will also strengthen the management of the retail operation, sales channels and inventory control, thereby reinforcing the leading position of China Lilang in the menswear industry amid the challenging market conditions and preparing ourselves for a healthier development in the future.

"For 'LILANZ', the target of the number of store openings for 2013 is about 200 and it is also expected that about 200 under-performing stores will be closed. For 'L2', the store opening target for 2013 is 70 to 90 stores and approximately 50 stores are expected to be closed. For the second half of the year, the Group would continue to clear the channel inventory of 2012 fall/winter products through discount stores. Reducing the amount of orders taken at the related trade fairs also helps to control the channel inventory. We are confident that channel inventory level will continue to improve and will be restored to a healthy level as a result of such remedial measures. The 2014 spring/summer trade fairs are to be held in coming weeks. With the channel inventory of the 2013 spring/summer products near to a normal level, we are confident that the trade fair results would improve compared with the 2013 winter trade fair."

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About China Lilang

China Lilang is one of the leading PRC menswear enterprises. As an integrated fashion enterprise, the Group designs, sources, manufactures and sells high-quality business casual and fashion casual menswear. Its products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC under its core brand "LILANZ" and sub-brand "L2". Its menswear products include suits, jackets, shirts, trousers, sweaters and accessories.

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