

(For Immediate Release)

# LILANZ 利郎

## China Lilang Announces its 2011 Interim Results Profit Attributable To Shareholders Surged 63.1% to Approximately RMB228 million Escalated Brand Value and Enhanced Product Value Creation

### Financial Highlights:

<i>RMB million</i>	For the six months ended 30 June		
	2011	2010	Change (%)
Turnover	1,032.1	786.8	+31.2
Gross profit	375.9	272.9	+37.7
Gross profit margin	36.4%	34.7%	+1.7 p.p.
Profit attributable to shareholders	228.2	139.9	+63.1
Earnings per share – Basic (RMB cents)	19.0	11.7	+62.4
Earnings per share – Diluted (RMB cents)	18.9	11.6	+62.9
Interim dividend per share	HK11 cents	RMB5 cents	Approx. +82.0
Special interim dividend per share	HK5 cents	Nil	N.A.

(22 August 2011 – Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiary, known as the “Group”; stock code: 1234), one of the leading menswear companies in China, is pleased to announce its interim results for the six months ended 30 June 2011.

During the period under review, the Group recorded a turnover of approximately RMB1,032.1 million, representing a year-on-year increase of 31.2%. Gross profit amounted to approximately RMB375.9 million, up 37.7%. Gross profit margin was 36.4%, or an increase of 1.7 percentage points. The improvement in gross profit margin reflected the enhancement of brand value and product mix, which enabled the sales of more high value-added products and increase in average selling price to offset the higher cost of sales. Profit attributable to shareholders reached RMB228.2 million, representing an increase of 63.1%. Basic earnings per share were RMB19.0 cents, increasing 62.4%. The Board of Directors recommended an interim dividend of HK11 cents per share and a special interim dividend of HK5 cents per share.

Mr. Wang Dong Xing, Chairman and executive Director of China Lilang, said, “China Lilang thrived on the development of the China’s business casual menswear market, and continued to enhance and capitalize on its brand value, while adjusting the product mix and adding value to its products. In March 2011, ‘LILANZ’ and ‘L2’, participated in the China Fashion Week in Beijing together for the first time ever, where the Group officially introduced ‘L2’ as a sub-brand under China Lilang. This event marked an important step in the Group’s multi-brand strategy.

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Under a market environment where consumers covet brands and quality products, consumers continued to increase their spending on middle-to-high-end menswear. The Group captured this opportunity by proactively developing and selling fashionable and premium branded apparels in response to the market's demands. At the same time, we continued to streamline our supply chain to alleviate the pressure from rising raw material costs so as to achieve the satisfactory turnover and net profit growth."

During the period under review, the Group's turnover showed significant growth. Compared to the corresponding period last year, the average selling price increased by 13.2% and the sales volume rose by 15.8%. The increase in average selling price reflects the Group's ability to effectively transfer all increasing costs to consumers, as well as enhancement of product mix and design.

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

Breaking down by region, Eastern China as well as Central and Southern China remained as the Group's key turnover contribution regions and in aggregate accounted for 58.6% of the total turnover. North Western China region continued to benefit from the Central Government's "Go West" development plan and recorded a turnover growth rate of 48.7% year-on-year. The majority of "L2"'s turnover also came from Eastern China as well as Central and Southern China regions, which together accounted for 68.2% of the total turnover for the brand.

During the period under review, the Group's average inventory turnover was 49 days, average trade receivables turnover was 70 days and average trade payables turnover was 96 days. These working capital turnover ratios remained at a healthy level.

The Group continued to optimize its retail and sales network in line with its business expansion needs and to improve operational efficiency. At 30 June, 2011, "LILANZ" had 63 distributors and 1,352 sub-distributors, operating 2,888 stores in aggregate. The total area of "LILANZ" retail outlets reached about 309,700 square meters, representing an increase of 3.6% during the period. "L2" was launched in the second half of 2010. At 30 June 2011, it had 49 distributors and 24 sub-distributors, operating a total of 137 stores. The total area of "L2" retail outlets reached about 14,400 square meters.

During the period under review, the Group dedicated great efforts in strengthening its retail management and continuously improving its sales channels. These efforts include selection of store location and store size based on local market conditions. The Group has embarked on developing software systems since late 2009 with a plan to connect the sales and inventory records of each retail outlet online by the end of 2012. This would enable the Group to obtain sales data and address specific problems more promptly. By the end of June 2011, the warehouse inventory system of all the distributors has been connected. The system connecting to approximately 700 "LILANZ" stores are under trial run and the network is expected to cover about 900 "LILANZ" stores by the end of the year.

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Looking forward, Chairman Wang said, "Moderate inflation will provide more opportunities for the development of middle to high-end enterprises with premium brand value, and since we are a widely recognized brand in the middle-to-high-end menswear market, we will continue to benefit from the economic environment. The second half of the year is normally the peak season for business casual menswear industry. Take into account the sales orders for the fall and winter collections, sales growth is expected to be promising. The Group will persist in solidifying the 'LILANZ' brand's leading position in the industry, and will continue to improve and strengthen the development of 'L2', and strive to further boost distributors' confidence in the brand by enhancing product designs and expanding product offerings. The Group will open new stores in different regions to reinforce the sales network. We are positive that the retail network expansion plans we mapped out in the beginning of the year will be on schedule. We are also confident in achieving breakeven for 'L2' this year."

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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 menswear. Its products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.

The Group offers its customers designs for all seasons under its core brand "LILANZ" and sub-brand "L2". Its menswear products are designed for business casual purposes. Its products include suits, jackets, shirts, trousers, sweaters and accessories. As at 30 June, 2011, the Group's products were sold to consumers through 3,025 retail outlets operated or subcontracted by 91 distributors nationwide.

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