

(For Immediate Release)

LILANZ 利郎

China Lilang Announces 2014 Annual Results Profit for the Year Rose by 7.5% to RMB554.9 Million Final Dividend and Special Final Dividend Increased to HK23 Cents

Financial Highlights:

<i>RMB million</i>	For the year ended 31 December		
	2014	2013	Change
Turnover	2,433.0	2,298.6	+5.8%
Gross profit	1,035.7	979.8	+5.7%
Gross profit margin	42.6%	42.6%	-
Profit for the year	554.9	516.1	+7.5%
Earnings per share			
- Basic (RMB cents)	46.17	42.97	+7.4%
- Diluted (RMB cents)	46.06	42.88	+7.4%
Final dividends per share			
- Final dividend	HK17 cents	HK16 cents	+6.3%
- <u>Special final dividend</u>	<u>HK6 cents</u>	<u>HK5 cents</u>	<u>+20.0%</u>
Total	HK23 cents	HK21 cents	+9.5%

(9 March 2015 – Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries, known as the “Group”; stock code: 1234), today announces its annual results for the year ended 31 December 2014.

For the year ended 31 December 2014, the Group’s profit for the year increased by 7.5% to RMB554.9 million. The global economy remained complicated in 2014; China’s economic growth entered the “new normal” phase; the austerity policy that discourages conspicuous consumption has affected the consumer sentiment to a certain extent. Nevertheless, China Lilang resumed sales growth during the year. The Group’s turnover increased by 5.8% to RMB2,433.0 million, consumers’ demand for the Group’s products remained stable because the Group adopted measures to boost its brand image and product designs, and offered more competitive products which were better value for money.

During the year, gross profit margin was maintained at 42.6%; operating profit margin increased by 2.7 percentage points to 28.0%; net profit margin increased by 0.3 percentage point to 22.8%.

The Group maintained strong financial position. As of 31 December 2014, the Group had a net cash balance of RMB1,936.7 million, or RMB1.61 per share.

Basic earnings per share for the year were RMB46.17 cents. The Board recommended the payment of a final dividend of HK17 cents per ordinary share and a special final dividend of HK6 cents per ordinary share. Taking into account the interim dividend paid, the payout ratio for the year was approximately 69.3%.

Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said "Sales of menswear industry in the PRC remained weak in 2014. The economic slowdown and also the indiscriminate and extensive expansion of the menswear industry under the strategy of 'brand wholesaling' rather than 'brand retailing' in the past has led to excess inventory and the winding-up of retail stores. Nevertheless, the Group believes that the channel inventory clearance was drawing to a close in the country's menswear industry, and the operating environment is improving."

He continued, "During the year, China Lilang continued to innovate and transform its business with the focus on its core competitiveness. The Group adhered to the strategy of 'improving product quality without raising the price', and strengthened its product research and development as well as its supply chain and channel management. The Group also continued with the "LILANZ" store renovation program and at the same time closed down underperforming stores. These measures resulted in continuous improvements in various performance indicators of the Group. The proportion of its original products in sales has increased and the products are better value for money. Its product designs are more individuated and give a more distinctive brand image. As for the retail channel, the nationwide restructuring of the Group's underperforming stores has largely completed. Channel inventory is back to a healthy level, retail discounts has narrowed and the average same-store sales kept growing."

In 2014, sales of the core brand "LILANZ" amounted to RMB2,199.7 million, up by 5.2%. Sales of the sub-brand "L2" amounted to RMB223.6 million, up by 17.3%. Tops remained the major contributor in terms of sales and accounted for 69.6% of the total turnover with an increase of 11.5% in sales.

As of the end of December, the Group had a total of 3,079 stores. "LILANZ" had a net decrease of 397 stores to a total of 2,783 stores. "L2" had a net increase of 21 stores to a total of 296 stores. The decrease in number of "LILANZ" stores reflected China Lilang's support in the optimization of store networks of its distributors, closing non-profitable stores and combining or relocating stores with low-efficiency in response to change in market conditions. In terms of sales channel, the Group has changed its strategy of opening stores in provincial capitals and prefecture-level cities by opening large-scale stores in shopping malls instead of street level stores in view of the change in consumption habit. In the second half of 2014, 10 large stores were opened by distributors in shopping malls in different regions and their sales performance had been satisfactory.

The Group will maintain a prudent approach to its store opening in 2015 and keep the overall store count approximate to that as at the end of 2014. The plan for opening large-scale stores in the shopping malls in provincial capitals and prefecture-level cities will continue and it is expected that 20 to 30 more such stores will be opened in 2015. For “L2”, the Group will keep on expanding its store network with a net increase of 20 to 30 stores as the annual target. It will continue to focus on four provinces with better potential for business growth, namely Henan, Shaanxi, Hunan and Hubei.

In addition, the Group continued with the renovation program for “LILANZ” stores. The Group renovated about 680 “LILANZ” stores in 2014, and has scheduled to complete the renovation of the remaining 250 to 300 stores in 2015.

Chairman Wang Dong Xing concluded, “2014 marked the fifth anniversary of the listing of China Lilang on the stock exchange in Hong Kong. Various performance indicators of the Group has been improving since its listing. Though the operating environment changed in the past three years, China Lilang still showed its brand advantages and overcome the economic and industry challenges. From 2009 to 2014, the Group recorded a compound annual growth rate (“CAGR”) of 9.3% in turnover, and 12.9% in net profit, and net profit margin maintained at levels of above 20.0%. These demonstrate the Company’s ability to maintain its profitability by enhancing its competitiveness and advantages despite retail market downturn.

“China’s menswear industry has been ushered into an era of rational consumption with great emphasis on products and retail management after the significant restructuring in the past few years. As a pioneer of the industry, China Lilang will continue to focus on building up its core competitiveness, which can be manifested in its products. In the meantime, the Group will adhere to the strategy of “improving product quality without raising the price” and will strengthen the management of its nationwide retail channels. The 2015 autumn trade fair will start this week, and we are confident about maintaining a satisfactory growth in the value of orders to be received at the 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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