

(For Immediate Release)

LILANZ 利郎

**China Lilang announces 2013 Annual Results
Net Profit amounted to RMB516 million and Final dividend
and Special final dividend totalled 21 HK cents per share
Maintained solid financial position and
a relatively healthy channel inventory level**

Financial Review:

<i>RMB million</i>	For the year ended 31 December		
	2013	2012	Change
Turnover	2,298.6	2,793.4	-17.7%
Gross profit	979.8	1,124.0	-12.8%
Gross profit margin	42.6%	40.2%	+2.4p.p
Net profit	516.1	626.8	-17.7%
Basic earnings per share (RMB cents)	42.97	52.20	-17.7%
Dividend per share			
- Final dividend	HK16 cents	HK19 cents	-15.8%
- <u>Special final dividend</u>	<u>HK5 cents</u>	<u>HK6 cents</u>	-16.7%
Total	HK21 cents	HK25 cents	

(12 March 2014 – 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 2013.

Owing to the sluggish retail market and the Group’s focus on assisting its distributors in destocking inventories in sales channels during the year, the annual results performance was affected. For 2013, the Group’s turnover decreased by 17.7% to RMB2,298.6 million as compared with the previous year. The Group’s gross profit margin for the year rose by 2.4 percentage points to 42.6% due to the write-down of inventories made last year in respect of some cancelled orders of “LILANZ” 2012 winter products. Most of these products had been sold in 2013 at above their written down values. If the effect of the impairment loss made in 2012 and the subsequent sales of those products in 2013 were excluded, the Group’s gross profit margin for 2013 would have remained at a similar level as that for 2012. Net profit decreased by 17.7% to RMB516.1 million for the year. Basic earnings per share were also down by 17.7% to RMB42.97 cents.

Although the results performance was affected by the operating environment, the Group continued to maintain solid financial position. For the year ended 31 December 2013, the Group had an operating cash inflow of RMB655.1 million. As at the end of the year, net cash balance has increased to RMB1,664.8 million, or equivalent to RMB1.37 per share.

The Board of Directors recommended a final dividend of HK16 cents per share and a special final dividend of HK5 cents per share. Taking into account the interim dividend and the special interim dividend paid, the total payout for the year amounted to HK38 cents per share, representing a payout ratio of approximately 69.1%.

Commenting on the 2013 results, Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said, "In 2013, China's apparel industry continued to face the challenges from the complicated economic environment and a relatively high channel inventory level, which resulted in a lackluster apparel market. Facing such a challenging business environment, China Lilang continued to implement flexible yet prudent business strategies, seized every opportunity to enhance its overall competitiveness and adopted a pragmatic approach to minimizing the impacts of the changes in the market."

Chairman Wang Dong Xing continued, "During the year, the Group focused on destocking channel inventories and optimizing its channel management, in an orderly manner, in accordance with its business plan formulated at the beginning of the year. As of now, most of the channel inventories dated 2012 or before have been cleared. The inventories of the 2013 collections were at a relatively healthy level, and channel management has been improved. During the year, the Group also devoted more resources to the enhancement of its product design capability by setting up an international research and development team and hiring several foreign designers to lead it. The Group also made efforts to optimize its supply chain management. Not only did these measures satisfactorily improve the fabric development and product design capability, by actively participating in every aspect of its supply chain, its efficiency was raised and production costs reduced, enabling the Group to 'improve its product quality without raising the price'."

In terms of brand, "LILANZ" was still the Group's major source of income. In 2013, sales of "LILANZ" and "L2" accounted for approximately 91.0% and 8.3% respectively of the Group's total turnover. Sales of the core brand "LILANZ" for the year decreased by 19.2% to RMB2,091.2 million, reflecting its strategy of limiting the volume of orders to destock the channel inventories. Sales of "L2" dropped slightly by 1.8% to RMB190.6 million for the year. In the second half of 2012, the Group adjusted the product strategy of its sub-brand "L2" by focusing more on trendy casual wear. The move resulted in a decrease in the average selling price of "L2" for the year.

In 2013, the Group continued to optimize its retail and sales network and enhance its store efficiency by closing down certain underperforming stores and appropriately realigned its store network. New stores opened during the year are mostly situated at prime commercial locations. In 2013, "LILANZ" recorded a net decrease of 47 retail stores to 3,180 stores while the total area of the retail stores was approximately 360,000 square meters, slightly up by 0.3%. "L2" recorded a net increase of 23 retail stores to 275 stores while the total area of the retail stores was approximately 29,800 square meters, up by 11.6%.

For the year, selling and distribution expenses amounted to RMB306.7 million, which accounted for approximately 13.3% of the total turnover, up by 1.7 percentage points. The major expense item was advertising and promotional expenses and renovation subsidies totalling RMB224.9 million, which accounted for approximately 9.8% of the total turnover, up by 0.7 percentage point when compared to the 9.1% for the previous year. In 2013, the Group continued the store image revamp project for "LILANZ" which started in the latter half of 2012 as a key measure to enhance its brand image. The Group had renovated 750 "LILANZ" stores in 2013, it is expected that the entire store revamp project will be completed in 2015.

Looking ahead to 2014, Chairman Wang Dong Xing said, "As the retail market of China has not yet shown any signs of improvement, the development of China's menswear industry will be affected in the short term. Despite the Group's satisfactory progress in clearing channel inventories, the progress made in inventory clearance of the entire industry was slower than expected and this may have a negative impact on the Group in the short term. However, after restoring our channel inventories to a relatively healthy level, we believe that the most difficult times for the Group have passed. 2014 Autumn Trade Fairs have just ended with an encouraging results, compared with the 2013 Autumn sales fairs, the Group's core brand "LILANZ" achieved a mid single-digit growth while "L2" has a growth of 10% to 15% growth in sales order value.

"As one of the leading enterprises in menswear industry in China, China Lilang will continue to consolidate its competitiveness. The Group will continue to implement prudent and flexible operation strategy and adheres to its brand positioning by avoiding aggressive sales discounts. In 2014, strengthening the supply chain management is a key area for development to the Group, and also a critical element to realize the goal of 'improving the product quality without raising the price'. Hence, the Group is committed to enhance the attractiveness and competitiveness of the brand and products by raising the cost efficiency and enhancing its products' value for money through escalating its research and development efforts, strengthening its supply chain management, increasing the proportion of innovative products in the product mix, and devoting more resources to improvement of the procurement, application and cutting of fabrics. In view of the current condition of the retail market, China Lilang will maintain a conservative approach to opening new stores in 2014. 'LILANZ' will continue to realign under-performing retail stores and it is expected that the number of stores to be closed down would be similar to the number of stores to be opened. For 'L2', the Group has set a target of a net increase of 20 to 30 stores. The Group will also continue to implement its store revamp project for LILANZ' and expect to have another 700 to 800 stores renovated in 2014. In the long run, the Group will develop towards a multi-brand strategy in order to maintain China Lilang's leading position in the menswear industry amidst a challenging market environment."

-End-

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.

For further inquiries, please contact:

iPR Ogilvy & Mather

Charis Yau/Heng Tam/Natalie Tang

Tel: (852) 2136 6183/3920 7656/3920 7640

Fax: (852) 3170 6606

E-mail: lilang@iprogilvy.com