

(For Immediate Release)

LILANZ 利郎

China Lilang Announces 2010 Annual Results Profit Attributable To Shareholders Surged 38.2% to RMB419 million Enhanced Product Mix and Boosted Brand Value

Financial Highlights:

RMB million	For the year ended 31 December		
	2010	2009	Change (%)
Turnover	2,053	1,560	31.6
Gross profit	778	551	41.2
Gross profit margin	37.9%	35.3%	+2.6 p.p
Profit attributable to shareholders	419	303	+38.2
Earnings per share – Basic (RMB cents)	34.89	30.87	+13.0
Total dividend per share (RMB cents)	17	11	+54.5
- Final dividend	5	N/A	N/A
- Interim dividend	12	11	+9.1

(20 March 2011 – Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, “China Lilang” or the “Company”, together with its subsidiary, known as the “Group”; stock code: 1234), one of the leading menswear brand companies in China, is pleased to announce its annual results for the year ended 31 December 2010.

During the year under review, the Group capitalized on the market’s growing demand for fashionable and premium branded apparel by continuing to actively promote and enhance “LILANZ” brand image and introducing more higher-end products into its product mix, which achieved satisfactory results. At the same time, the Group captured the demand for young men’s fashionable apparel in the market by launching sub-brand “L2” during the year, and the initial progress of which has been promising. These strategies have yielded satisfactory results in 2010.

During 2010, the Group recorded a turnover of approximately RMB2,053 million, representing an increase of 31.6%. Gross profit amounted to approximately RMB778 million, up 41.2% over last year. Turnover growth outpaced total cost of sales, and as a result gross profit margin saw continual improvement. In 2010, gross profit margin was 37.9%, rising 2.6 percentage points over the previous year. Profit attributable to shareholders fetched to RMB419 million, representing a year-on-year increase of 38.2%. Basic earnings per share were RMB34.89 cents, increasing 13.0% compared to last year. The Board of Directors recommended a final dividend of RMB12 cents.

Commenting on the Group’s annual results, Mr. Wang Dong Xing, Chairman of China Lilang, said, “Positive market sentiment, together with the quality products and accurate market positioning of brands ‘LILANZ’ and ‘L2’ enabled the Group to achieve encouraging performance in the year. During the year, the Group formally launched its sub-brand ‘L2’ in addition to its main brand ‘LILANZ’. The Group continued to focus on product quality optimization and enhancement of brand position as its major strategy objectives, so as to achieve the best results.”

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During the year under review, the Group capitalized on the market's growing demand for fashionable and premium branded apparel, the Group dedicated to improving product quality and product design and further enhanced the product mix for "LILANZ". In doing so, the Group successfully increased the sales mix of products with higher added-value and price point, especially for the fall and winter collections where sales of expensive items such as leather jackets and Nick garments have increased significantly, and raised the average selling price by 23.2% as compared to last year. Moreover, the group's total sales volume recorded an increase of 6.9%.

As for turnover mix by product category, tops were still the main product by sales and accounted for 75.3% of the total turnover, and the total amount recorded a year-on-year growth of 31.4%. Sales of suits recorded the most significant sales growth amongst other product categories, and had surged by 66.7%. It was mainly accredited to the well-received casual suits made with diverse fabric that were introduced by the Group during the year. The average selling price increased by 23.0% to RMB191, major reasons for the increase were the change in the Group's product mix with sales of more products with higher added-value and price point, improved sales of higher-priced products and the transfer of the increased costs to selling prices. The average selling price for various product categories ranged from 3.6% to 12.4%, except for accessories which decreased by 5.0%.

Breaking down by region, Eastern China as well as Central and Southern China continued to be the Group's main turnover contribution regions, accounting for 60.7% of total turnover in aggregate. Benefiting from the Central Government's "Go West" development plan, South Western China continued the rapid growth momentum in the first half of the year and became the fastest growth area with a considerable growth of 45.2% for the year. North Western China also recorded a high growth rate of 38.0%. Northern China have resumed sales growth after a consolidation of the retail stores in the second half of 2009 and the first half of 2010, and recorded a year-on-year increase of 36.1%.

"L2" was officially launched into the market this year. The first "L2" retail store was opened in late July in Hunan, and since then, a total of 80 outlets were opened during the year. Sales for "L2" amounted to RMB41.4 million for the year, accounting for 2% of the Group's total turnover. "L2" sales in Eastern China and Central and Southern China together accounted for 70% of the brand's revenue. The Group is satisfied with the results "L2" achieved in just a few months time, given that it is a completely new brand. The Group foresees "L2" making even higher contributions to the Group in the future.

During the period under review, the Group's average inventory turnover was 47 days, average trade receivables turnover was 65 days and average trade payables turnover days was 86 days. These working capital turnover ratios remained at a healthy level.

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Looking at the retail and distribution network, after the consolidation of retail stores in the past few years, the Group's retail stores now spread across China, covering second-tier, third-tier and fourth-tier cities within 31 provinces, autonomous region and municipalities. Most of these retail stores are located in the popular commercial area. As of 31 December, 2010, "LILANZ" had 59 distributors and 1,321 sub-distributors, operating a total of 2,805 retail stores. The total area of retail outlets is about 299,000 square meters. In addition, "L2" had 38 distributors and 9 sub-distributors, operating a total of 80 retail outlets. The total area of retail outlets is about 8,200 square meters. The Group adjusted its distribution strategy according to the market situation and leveraged the resources of the current distributors of "LILANZ" to develop the sales network of "L2" to ensure it could rapidly expand in the target market.

In respect of capacity expansion, The Group's production facilities are located in Wuli and Changting in Fujian Province, with a total of 82 production lines. For the year ended 31 December 2010, the production plants achieved an average utilization rate of over 90%. To cater for the rapidly expanding market needs and business development, in addition to outsourcing production ("OEM purchase"), the Group also increased the proportion of subcontracting services. These subcontracting arrangements allow the Group to leverage the expertise and resources of subcontractors, providing the Group with more flexibility in responding to tight schedules. At the same time, it enables the Group to have tighter control of the quality of key raw materials as well as certain key production processes. Also, to alleviate the impact of soaring raw material costs, the Group purchases 60% of raw material for fabrics directly from suppliers.

Looking forward, Mr. Wang said, "Following the steady development of China's national economy, continued urbanization and the rising national consumption power, people's mode of consumption continues to change. Consumers now pursue products with better quality and more fashionable; and their sensitivity towards brand image gradually heightens. We will continue to enhance our distribution network and management, targeting at a net increase of 200 to 250 'LILANZ' retail stores, and opening 150 to 200 'L2' retail stores in 2011. In view of the increasing popularity of internet sales across the nation, the Group has launched an online sales platform for the sub-brand 'L2' in 2010. The Group plans to develop an online sales platform for 'LILANZ' products in the second half of 2011 to tap into another source of income. As a leading menswear brand in China, Lilang will continue striving to enhance its brand image, and product qualities to bring consumers a better shopping experience, so as to seize market development opportunities and reward our shareholders, employees and customers for their support."

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About China Lilang

China Lilang is one of the leading PRC menswear brands. As an integrated fashion enterprise, the Group designs, sources, manufactures and sells high-quality business and casual apparel for men. 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 "LILANZ" brand. Its menswear products are designed for business and casual purposes. Its products include suits, jackets, shirts, trousers, sweaters and accessories and are broadly divided into business formal, business casual, fashion casual and sports. As at 31 December, 2010, the Group's products were sold to consumers through 2,885 retail outlets operated or subcontracted by 87 distributors nationwide.

The Group's sub-brand "L2" has launched officially. Its first store has been opened in Hunan in late July 2010.

For further inquiries, please contact:

iPR Ogilvy Ltd.

Natalie Tam/ Charis Yau/ Nelson Lee/ Athena Chan/ Demi Lo

Tel: (852)2136 6182/ 2136 6183/ 2136 6956/ 3920 7645/ 3920 7625

Fax: (852) 3170 6606

Email: natalie.tam@iprogilvy.com/ charis.yau@iprogilvy.com/
nelson.lee@iprogilvy.com/ athena.chan@iprogilvy.com/ demi.lo@iprogilvy.com