

(For Immediate Release)

# LILANZ 利郎

**China Lilang Announces its 2011 Annual Results  
Profit Attributable to Shareholders Surged 48.8%  
to Approximately RMB623 million  
“LILANZ” Perpetuated Healthy Growth and  
“L2” Delivered First Profit Contribution**

**Financial Highlights:**

<i>RMB million</i>	<b>For the year ended 31 December</b>		
	<b>2011</b>	2010	Change
Turnover	<b>2,708.0</b>	2,053.0	+31.9%
Gross profit	<b>1,055.5</b>	778.0	+35.7%
Gross profit margin	<b>39.0%</b>	37.9%	+1.1 p.p.
Profit attributable to shareholders	<b>623.1</b>	418.7	+48.8%
Net profit margin	<b>23.0%</b>	20.4%	+2.6 p.p.
Earnings per share			
- Basic (RMB cents)	<b>51.90</b>	34.89	+48.8%
- Diluted (RMB cents)	<b>51.66</b>	34.72	+48.8%
Dividend per share			
- Final dividend	<b>HK19 cents</b>	RMB12 cents	+28.3%
- Special final dividend	<b>HK6 cents</b>	-	N/A

(14 March 2012 – 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 annual results for the year ended 31 December 2011.

During the year under review, the Group recorded turnover of approximately RMB2,708.0 million, representing a year-on-year increase of 31.9%. Gross profit amounted to approximately RMB1,055.5 million, up 35.7%. Gross profit margin increased 1.1 percentage points to 39.0%, reflecting the successful enhancement in brand value and the upgrade of products, which in turn led to an increase in product average selling price (“ASP”) and offset the rising costs. Profit attributable to shareholders reached RMB623.1 million, representing an increase of 48.8%. Basic earnings per share were RMB51.90 cents, increasing by 48.8%. The Board of Directors recommended a final dividend of HK19 cents per share and a special final dividend of HK6 cents per share.

Mr. Wang Dong Xing, Chairman and executive Director of China Lilang, said, "As a leading business casual menswear enterprise in China, China Lilang continued to leverage on the merits of its brands, the individualized product designs and improving channel management to capture the demand of the Chinese consumers for high quality and fashionable products, and sustained a strong and steady business growth during the year.

Notwithstanding the impact of a late winter on the sales of the fall/winter collections in 2011, the overall sales volume and ASP of the Group's products sustained a satisfactory growth. In addition, the Group's sub-brand 'L2' has performed satisfactorily since its launch a little over a year ago in 2010. In 2011, 'L2' recorded a profit after tax of RMB1.7 million and contributed to the Group's overall profit for the first time."

During the year under review, profit from operations rose by 46.7% to RMB703.7 million in 2011 from RMB479.6 million in 2010, which mainly reflected increased turnover and effective control over cost of sales and operating expenses. The operating margin increased from 23.4% to 26.0%.

During the year, the product ASP increased by 13.6%, while the product sales volume rose by 15.9%. The ASP of the core brand "LILANZ" went up by 15.5% while the sales volume grew by 11.0%. In the year under review, the Group focused in upgrading the materials and quality of specific product categories such as pants and shoes, which helped to drive up the ASP. Moreover, the Group leveraged on its renowned brand name and transferred cost increases to consumers through lifting the selling prices.

In 2011, the sales of core brand "LILANZ" accounted for 95% of the total revenue. The sub-brand "L2" launched in mid-2010 also achieved satisfactory results, which recorded a turnover of RMB129.0 million for the year, an increase of over two times over that of last year, accounting for approximately 4.8% of the total turnover. Such increase in income contribution from the sub-brand was in line with the Group's expectation.

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 59.7% of total turnover in aggregate. "L2" also emphasized the development in Eastern as well as Central and Southern China. Sales from these regions accounted for approximately 70.6% of the total turnover of "L2". Tops remained as the main product category by sales, accounting for 72.2% of the total turnover. As the key items identified for materials and quality enhancement, pants and accessories saw their sales to total turnover increased by 2.3 percentage points to 17.6% and 0.9 percentage point to 4.3% respectively.

The Group endeavors to optimize its retail and sales network. Most of the stores are situated at prime commercial locations by the end of 2011 in order to achieve better store efficiency. By the end of 2011, "LILANZ" had 65 distributors and 1,416 sub-distributors, operating 3,032 stores in aggregate. The total area of "LILANZ" retail outlets reached about 326,000 square meters, representing an increase of 9% during the year. "L2" continued to expand after its launch in mid-2010. By the end of December 2011, it had 52 distributors and 51 sub-distributors, operating a total of 236 stores. The total area of "L2" retail outlets reached about 25,300 square meters.

Furthermore, the Group laid down plans to open mega stores with areas between 300 and 500 square meters each in 2011. During the year, 21 mega stores were opened. Among these, 6 mega stores are located in provincial capital cities including Shanghai, Kunming, Wuhan and Zhengzhou, and 6 are located in prefecture-level cities in Hebei, Hubei and Hunan.

The Group endeavors to strengthen retail management and to continuously improve its sales channels. Since late 2009, the Group has embarked on developing software systems with a plan to connect the sales and inventory records of each retail outlet (except those in department stores) online by the end of 2012. These would enable the Group to obtain front-line sales data and address specific problems promptly, and help the research and development of products to meet market needs. As at the end of 2011, about 1,000 "LILANZ" stores were covered. All "L2" stores were connected online.

The Group's working capital turnover ratios remained at a healthy level. As at 31 December 2011, the Group's average inventory turnover was 45 days, average trade receivables turnover was 63 days and average trade payables turnover was 65 days.

Looking forward, Chairman Wang Dong Xing said, "The global financial crisis will cast shadows over the global market in the short run, bringing challenges to the Chinese economy. In this March, the central government adjusted the target economic growth rate of 2012 to 7.5% but at the same time emphasized the focus on increasing domestic demand to stimulate consumption. As the domestic economy continues to prosper and people's livelihood improves, capable market players are presented with great opportunities.

As store rentals in some regions are showing signs of retreat, the Group slightly raises the store opening target of 'LILANZ' to 250–300 and maintain 'L2' store opening target at about 150 this year to seize the market opportunity. In addition to the self-operated 'LILANZ' flagship stores located in the headquarters in Jinjiang City, the Group plans to open two additional self-operated 'LILANZ' flagship stores in 2012. Regarding the existing 'LILANZ' stores, the Group will launch the third generation store front design in the second half of 2012 to further enhance its brand image. The Group plans to upgrade all stores in 3 years. China Lilang will adhere to its 'Simple yet Sophisticated' fashion philosophy, implement strategies to perfect and enhance our brands, improve our product mix and increase the profit level, to strengthen our leading status in the menswear industry."

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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 31 December, 2011, the Group's products were sold to consumers through 3,268 retail outlets operated or subcontracted by 96 distributors nationwide.

For further inquiries, please contact:

#### **iPR Ogilvy Ltd.**

Natalie Tam/ Charis Yau/ Veronica Hui/ Athena Chan/ Demi Lo

Tel: (852)2136 6182/ 2136 6183/ 3170 6752/ 3920 7645/ 3920 7625

Fax: (852) 3170 6606

Email: natalie.tam@iprogilvy.com/ charis.yau@iprogilvy.com/  
veronica.hui@iprogilvy.com/ athena.chan@iprogilvy.com/  
demi.lo@iprogilvy.com