

(For Immediate Release)

LILANZ 利郎

China Lilang Announces 2012 Interim Results Net Profit Rose 21.8% to About RMB278 million Consolidate Competitive Advantage for Healthy Long-term Development

Financial Highlights:

RMB million	For the six months ended 30 June		
	2012	2011	Change
Turnover	1,259.3	1,032.1	+22.0%
Gross profit	499.4	375.9	+32.9%
Gross profit margin	39.7%	36.4%	+3.3 p.p.
Profit attributable to shareholders	278.0	228.2	+21.8%
Earnings per share			
- Basic (RMB cents)	23.2	19.0	+22.1%
- Diluted (RMB cents)	23.1	18.9	+22.2%
Dividend per share			
- Interim dividend	HK13 cents	HK11 cents	+18.2%
- Special interim dividend	HK6 cents	HK5 cents	+20.0%

(15 August 2012 – Hong Kong) **China Lilang Limited** ("China Lilang" or the "Company", together with its subsidiaries, 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 2012.

For the first half of 2012, the Group's turnover rose 22.0% year-on-year to reach RMB1,259.3 million. Gross profit amounted to RMB499.4 million, posting a 32.9% growth. Profit attributable to shareholders increased by 21.8% to RMB278.0 million. Basic earnings per share were RMB23.2 cents, up by 22.1%. The Board of Directors recommended an interim dividend of HK13 cents per share and a special interim dividend of HK6 cents per share.

During the period under review, the Group's operating profitability continued to improve. Gross profit margin increased 3.3 percentage points to 39.7%, while operating margin grew from 24.0% to 27.3%. Expansion of the gross profit margin was mainly attributable to the Group's efforts in streamlining the supply chain. The Group's streamlining measures included selecting more cost-efficient OEM suppliers, requiring more OEM suppliers to use designated raw materials suppliers, and revising the suppliers' payment terms; thus, successfully reducing cost of sales and increasing gross profit. Improvement in the operating margin mainly reflected the increase in turnover and effective control over cost of sales and operating expenses.

Commenting on the interim results, Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said, "As the European debt crisis continues to aggravate and ravage European countries, disturbing the global economy, China is also experiencing the impact. The uncertain economic environment weakened consumer sentiment, which is particularly noticeable in first- and second-tier cities. In face of the market environment, China Lilang prudently formulated its business development plans and appropriately adjusted its pace of store openings for the full year. We have also revised our distributors' ordering arrangements in order to cope with market changes together with distributors, with an aim to consolidate our competitive advantage and poise China Lilang for healthy, long-term development."

During the period, due to the impact of the economic environment, combined with the unfavourable weather in the fourth quarter last year and the first half of this year, replenishment orders of the spring and summer collections were hindered. This slowed down the pace of turnover growth compared to last year. However, overall sales volume and average selling price sustained stable growth, while turnover growth rate continued to outperform that of China's retail consumption.

In the first half, the average selling price recorded a year-on-year increase of 6.1% to RMB173 and product sales volume grew by 14.5%. Sales from "LILANZ" accounted for approximately 93.6% of the total turnover and sales from "L2" accounted for approximately 6.4%. The core brand "LILANZ" continued to record steady growth and its average selling price and sales volume went up by 8.2% and 9.3% respectively. Turnover of the sub-brand "L2" rose 127.5% year-on-year to RMB81.0 million.

In terms of turnover by region, Eastern China as well as Central and Southern China regions continue to be the Group's main turnover contribution regions, accounting for 59.3% of total turnover in aggregate. Sales from Central and Southern China, South Western China and North Western China regions maintained considerable growth momentum, and the upwards trend is expected to sustain. Development of "L2" is also skewed towards Eastern as well as Central and Southern China. These regions accounted for approximately 73.3% of total sales of "L2". Among all product categories, tops remained as the main product category by sales, accounting for 66.1% of total turnover.

The 2012 fall and winter trade fairs for "LILANZ" and "L2" were held in March and May 2012 respectively. Compared to last year, the total order value from fall and winter trade fairs of "LILANZ" increased by 16% and 11.5% respectively, while the total order value from the fall and winter trade fairs of "L2" increased by 61% and 40.5% respectively. In addition, the Group has implemented a new ordering policy since the 2012 fall trade fair and has lowered the ordering rate of distributors in the trade fair from 85%-90% to 80%.

With regard to new store openings, China Lilang adopted a prudent attitude and appropriately adjusted its pace according to market conditions to reduce risks associated to stores expansion. As for the goal of opening 10 megastores in major cities, and opening two self-operated flagship stores by the end of 2012, the Group is progressing as planned. The flagship store located in Henan and the one located in Wanda Plaza in Xian are both expected to be opened in the fourth quarter this year.

As of 30 June 2012, there were 66 distributors and 1,441 sub-distributors for the "LILANZ" brand, operating a total of 3,113 retail outlets. The total area of "LILANZ" retail outlets was approximately 337,000 square meters, representing an increase of 3.4% for the period. As for the "L2" brand, there were 52 distributors and 67 sub-distributors operating a total of 273 retail outlets. The total area of "L2" retail outlets was approximately 29,600 square meters, representing an increase of 17.0% for the period.

The latest third-generation design for the Group's retail stores was launched in July. The design is based on a "bamboo-leaf" concept, which is integrated throughout the store front, interior walls and other decorative accessories to evoke fashionable yet elegant ambiance. The Group intends to renovate 300 to 350 retail outlets in the second half of this year, and expects that the whole renovation project will take about three and a half years, to be completed in 2015. Before renovations of each store take place, the Group plans to undertake clearance sales at these stores to focus on addressing channel inventory issues caused by last year's late winter, as well as this year's rainy and colder spring and summer. This will help mitigate the impact of inventory buildup to the coming fall and winter sales, and enable healthy sales growth in the future.

As at 30 June 2012, the Group's working capital turnover ratio was maintained at a healthy level. For the period, the Group's average inventory days was 59 days; average trade receivables turnover days was 76 days, and average trade payables turnover days was 58 days.

Chairman Wang Dong Xing concluded, "As a leading business casual menswear enterprise in China, the Group is cautiously optimistic towards its developments for the second half of this year. Under such challenging operating environment, the Group will consolidate and optimize its business operation in a prudent manner during the second half to lay a solid foundation for long-term growth. As for opening of new retail outlets, we have adjusted our target number of store openings to minimize the risks arising from store expansion under such unstable economic circumstances. For the full year, we target to open a net number of 200 to 250 'LILANZ' stores, and 80 'L2' stores. So far, our progress has been satisfactory.

"As third-generation stores launch in succession, preparation for construction of the new headquarters is also commencing, the Group's development have entered a new phase. Looking ahead, the Group is committed to strengthening its retail, channel and inventory management. The Group will also continue striving for excellence in terms of product design and offer consumers even better products, so as to fortify China Lilang's leading status in the menswear industry and achieve long-term growth."

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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, 2012, the Group's products were sold to consumers through 3,386 retail outlets operated or subcontracted by 97 distributors nationwide.

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