



CHINA LIANG LIMITED
中國利郎有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1234)



2011 Interim Results

August 2011

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Agenda

1. Financial Highlights

2. Business and Operational Review

3. Prospects and Strategies

4. Open Forum

Results Highlights

Turnover rose by 31.2% year-on-year to RMB1,032.1 million

Profit attributable to equity shareholders increased by 63.1% to RMB 228.2million. Earnings per share is RMB19 cents, up by 62.4% year-on-year

The Board of directors declared an interim dividend of HK11 cents per share and a special interim dividend of HK5 cents per share



Sub-brand “L2” reached RMB35.6 million in turnover, and contributed 3.4% to the Group’s total turnover

Product average selling price increased by 13.2% year-on-year, and sales volume increased by 15.8% year-on-year

Core brand “LILANZ” had 2,888 retail stores while sub-brand “L2” had 137 retail stores as at 30 June 2011

We aim to strengthen our position as one of the leading business casual menswear enterprises in the PRC

1. Financial Highlights



Financial Highlights

For the six months ended 30 June

	1H2011	1H2010	Change
Turnover (RMB million)	1,032.1	786.8	+31.2%
Gross profit (RMB million)	375.9	272.9	+37.7%
Profit from operations (RMB million)	268.7	159.6	+68.4%
Profit attributable to equity shareholders (RMB million)	228.2	139.9	+63.1%
Basic EPS (RMB cents)	19.0	11.7	+62.4%
Interim dividend per share (HK cents)	11.0	5.0 (RMB cents)	approx. +82%
Special dividend per share (HK cents)	5.0	---	N/A
<i>Profitability ratios</i>			
<i>Gross margin (%)</i>	36.4	34.7	+1.7p.p.
<i>Operating margin (%)</i>	26.0	20.3	+5.7 p.p.
<i>Net margin (%)</i>	22.1	17.8	+4.3 p.p.
<i>Effective tax rate (%)</i>	15.0	12.3	+2.7 p.p.
<i>Advertising and promotional expenses (as percentage of turnover) (%)</i>	6.4	8.5	-2.1 p.p.

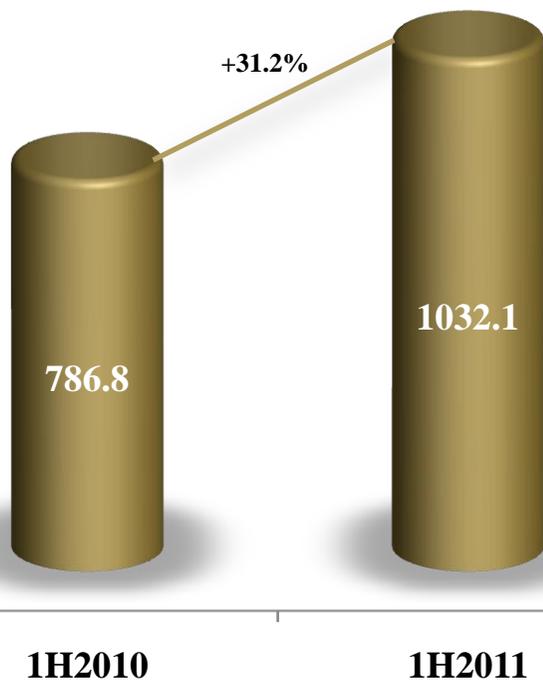
Robust Turnover Growth



Turnover

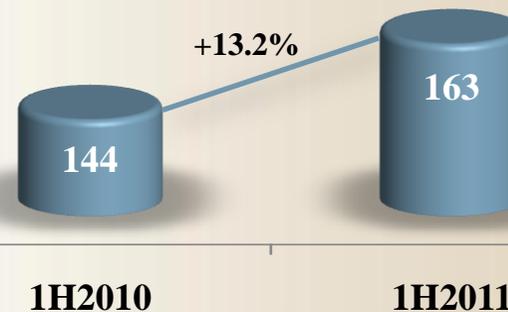
(RMB million)

Turnover increased as a result of product innovation, brand and product upgrades



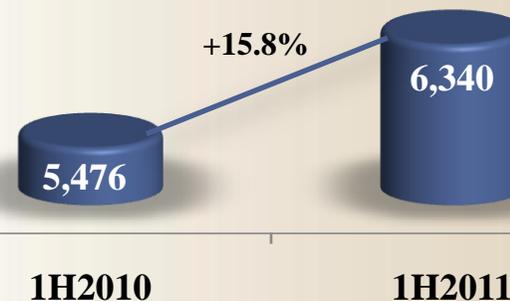
Average Selling Price

(RMB)



Total Sales Volume

(Volume '000)



Cost of Sales



COGS

(RMB million) 65.3%



1H2010

COGS

63.6%



1H2011

Adjusted proportion of OEM purchases, process outsourcing arrangement and self-production to achieve optimal balance of quality and cost-efficiency

- OEM Purchases
- Other Self-production Costs
- Process Outsourcing Charges

◆ As % of Turnover

() As % of COGS

SD&A

(RMB million) 15.5%



1H2010

- Administrative Expenses
- Other Selling and Distribution Expenses
- Advertising and Promotional Expenses

◆ As % of Turnover

13.3%



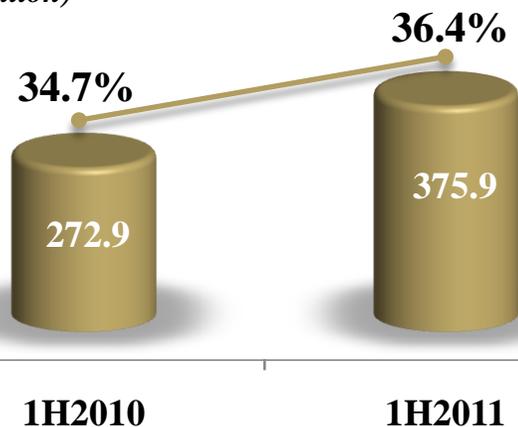
1H2011

Profit and Margins



Gross Profit and Gross Margin

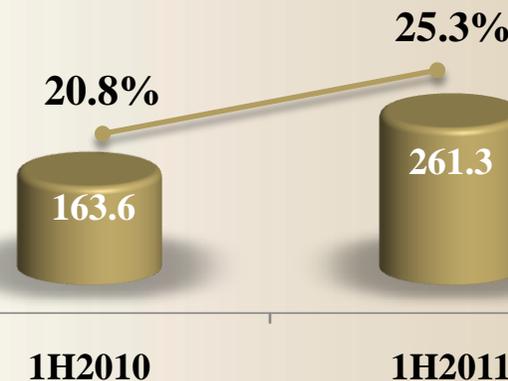
(RMB million)



- Improved product mix and raised average selling price to offset cost inflation
- Streamlined supply chain to control cost

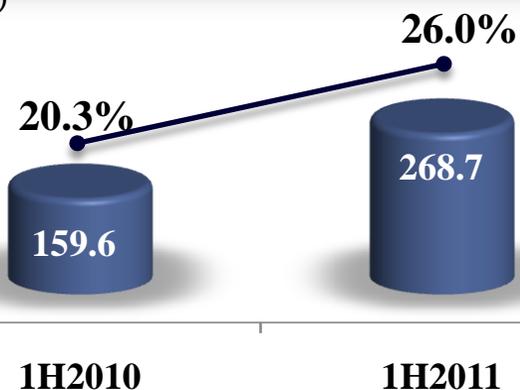
EBITDA and EBITDA Margin

(RMB million)



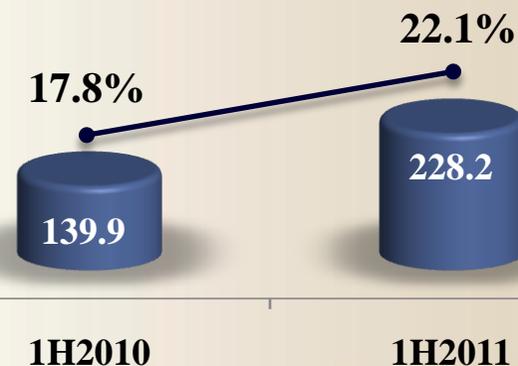
Operating Profit and Operating Margin

(RMB million)



Net Profit and Net Margin

(RMB million)



Well Managed Working Capital Cycle



	<i>As at</i>		
	30 June 2011	31 Dec 2010	30 June 2010
Average Inventory Turnover Days⁽¹⁾	49	47	53
Average Trade and Bills Receivable Turnover Days⁽²⁾	70	65	71
Average Trade and Bills Payables Turnover Days⁽³⁾	96	86	81

(1) Calculated as average of beginning and ending inventory balance divided by cost of sales and multiplied by 181 days

(2) Calculated as average of beginning and ending trade and bills receivables balance divided by revenue (include value-added tax) and multiplied by 181 days

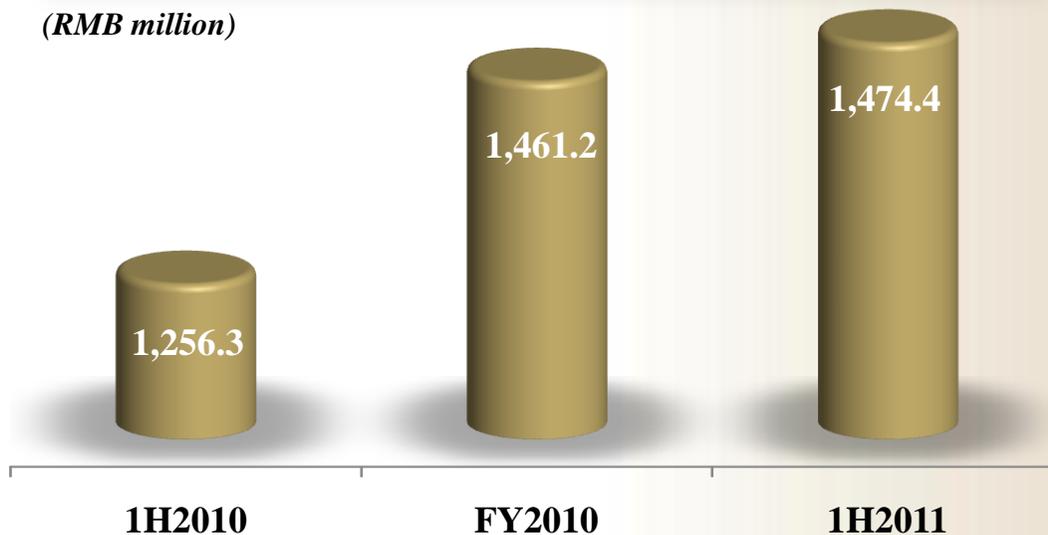
(3) Calculated as average of beginning and ending trade and bills payable balance divided by costs of sales and multiplied by 181 days

Strong Cash Position



Cash and Bank Balance

(RMB million)

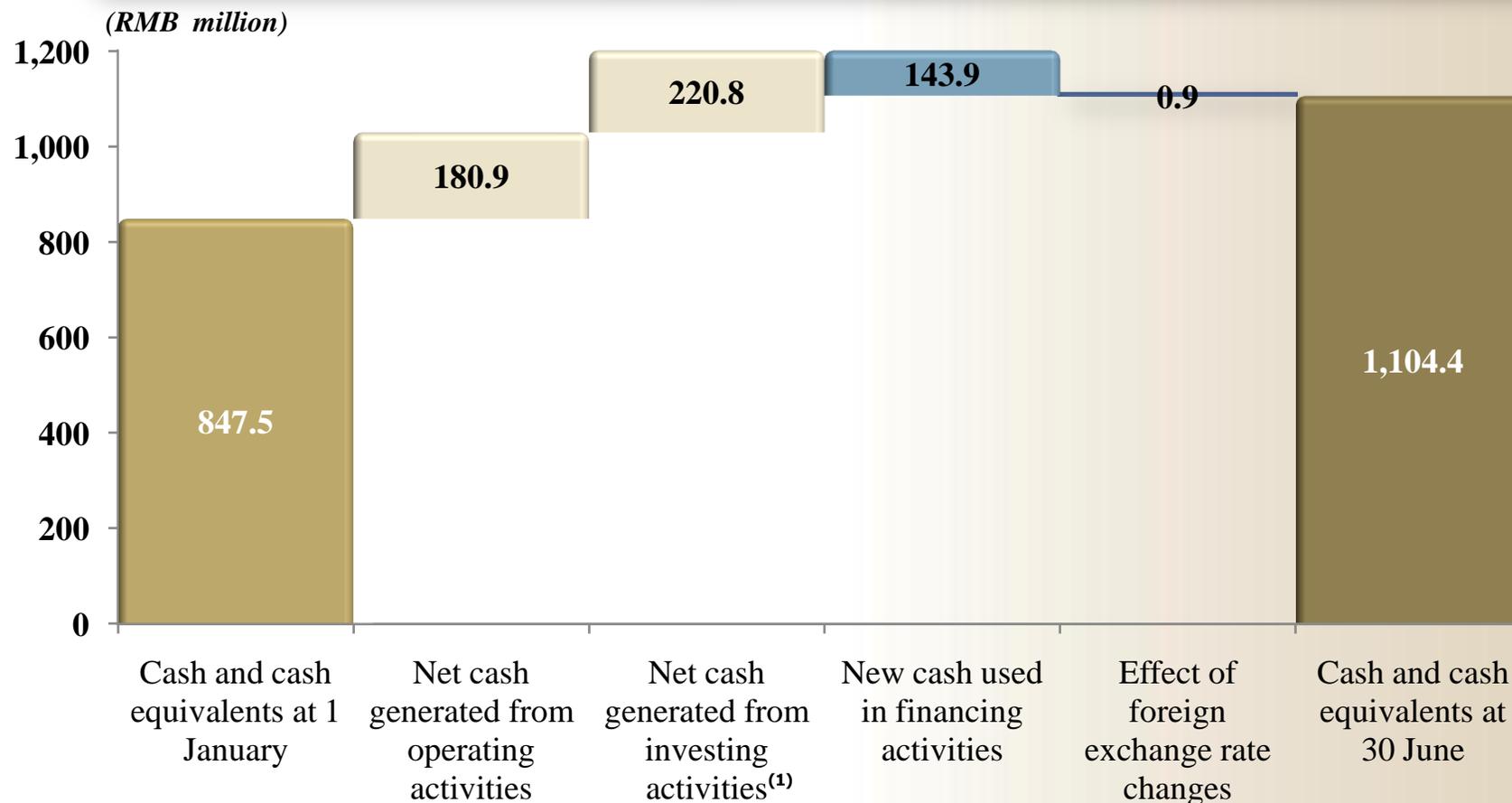


- Cash and bank balance includes time deposits with maturity over 3 months and pledged bank deposits
- The Group does not have any interesting-bearing debt

Cash Flow Statement

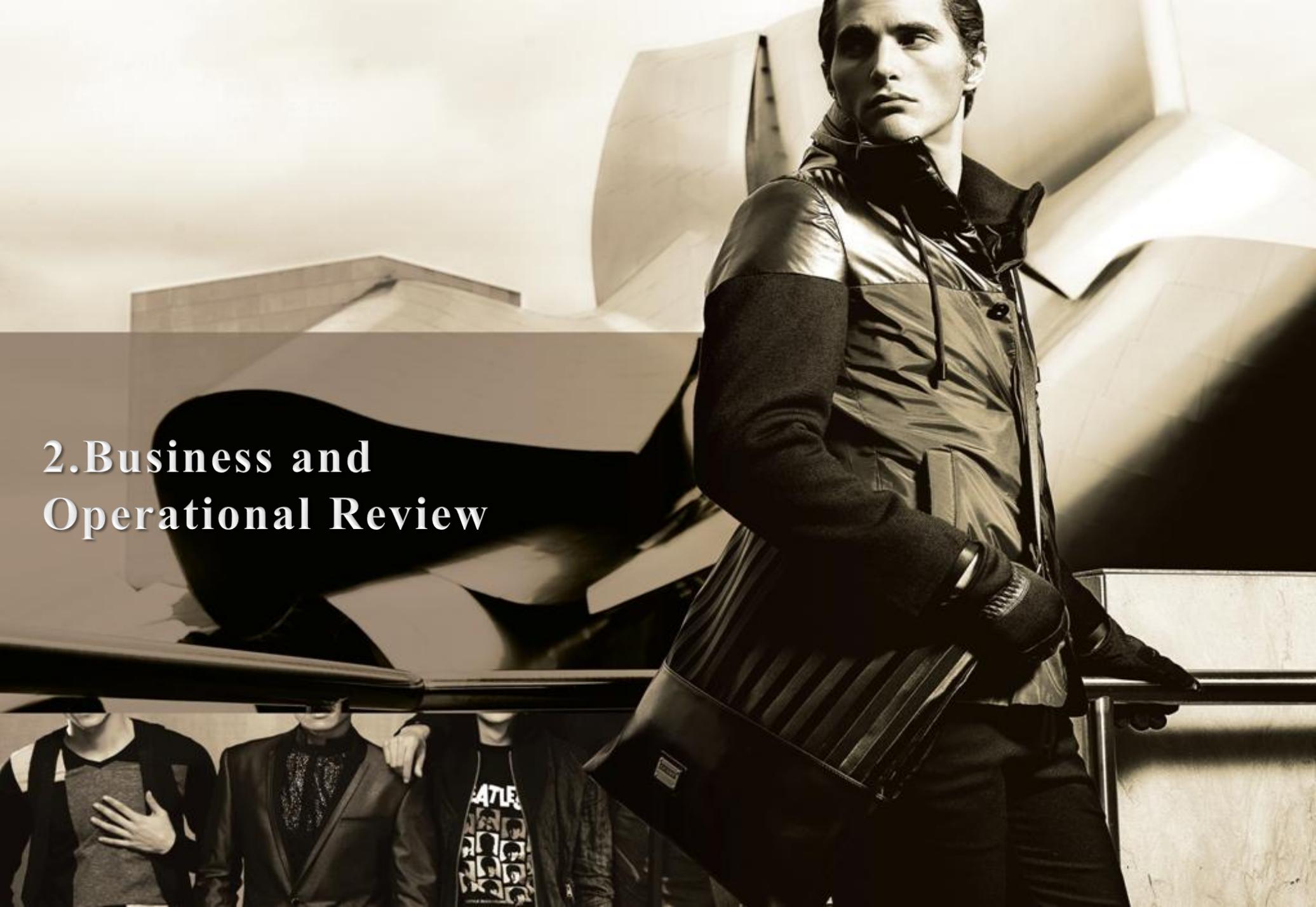


Cash and Cash Equivalents



(1) Included net withdrawal of time deposits with maturity over 3 months

2. Business and Operational Review



Branding – Marketing and Retail Outlets

Emphasis on retail stores as the core avenue for enhancing brand image

- By the end of 2010, all the 2,800 stores had been renovated according to the latest store image. Further upgrade was carried out to certain stores during the first half of 2011 to improve the display spacing

Targeted Promotional Activities

- In March 2011, “LILANZ” and “L2”, participated in the China Fashion Week in Beijing together for the first time ever, where the Group officially introduced “L2” as a sub-brand under China Lilang
- Promoted brand image via a large billboard advertising display at the Shanghai Hongqiao airport
- Increased spending on regional advertising, promotional support to distributors for opening of flagship stores, and advertising in magazines
- The Group has retained Mr. Chen Dao Ming (陳道明) as the spokesperson for “LILANZ” to accentuate the brand image



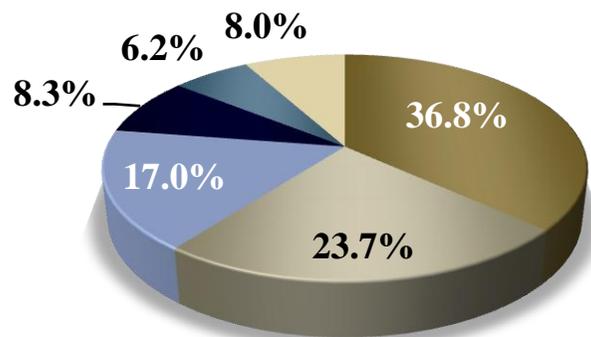
Nationwide Distribution Network



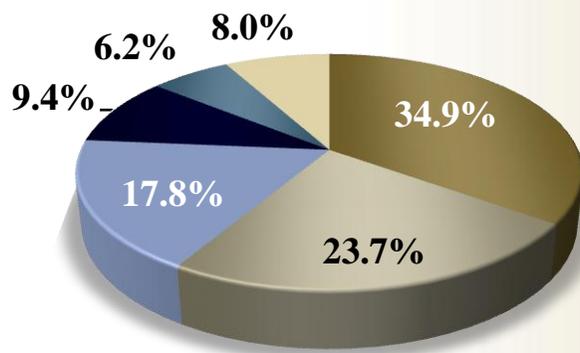
- As of 30 June 2011, there were 2,888 “LILANZ” stores and 137 “L2” stores
- The total retail area of “LILANZ” was about 309,700 m², an increase of 3.6% since year end of 2010
- Sub-brand “L2” had a total retail outlet area of 14,400 m²

Turnover by Region

1H2010



1H2011



- Eastern
- Central and Southern
- South Western
- North Western
- Northern
- North Eastern

Region	Number of Stores	
	1H2011	FY2010
Eastern	915	859
Central and Southern	671	626
North Western	227	226
South Western	542	532
Northern	285	266
North Eastern	385	376
Total	3,025	2,885

Sales Channel Management

Improved retail management system

- The Group has embarked on developing software systems since late 2009 with a plan to connect the sales and inventory records of all retail outlets on-line by the end of 2012
- By the end of 2010, warehouse inventory systems of all “LILANZ” distributors have been connected online
- By the end of June 2011, systems connecting to about 700 “LILANZ” retail outlets are under trial run
- All “L2” retail outlets are connected online

1H2011

- Systems connecting to 700 “LILANZ” retail outlets are under trial run

2H2011

- Aims to connect 900 “LILANZ” retail outlets online



Opened stores at strategic locations

- During the first half of 2011, the Group opened 7 retail outlets sized over 300m² and 12 retail outlets between the sizes 200 to 300m²
- Of these 19 stores, 5 are located in provincial capitals and 6 are located in prefecture-level cities



Continued to design fashionable, unique and creative styles which attract consumers and add value to the product

Strong product design and development capability

- Developed unique fabrics jointly with suppliers to produce menswear of exquisite simplicity with high quality tailoring techniques
- The design and product development team for “LILANZ” expanded to over 100 people and is headed by Mr. Ji Wen Bo
- The product design and development team for “L2” is located in Shanghai with 35 members led by Mr. Wang Yu Tao
- Approximately 30 employees are now under design training in the product development centre set up in Guangzhou in the second half of 2010

Production and Supply Chain

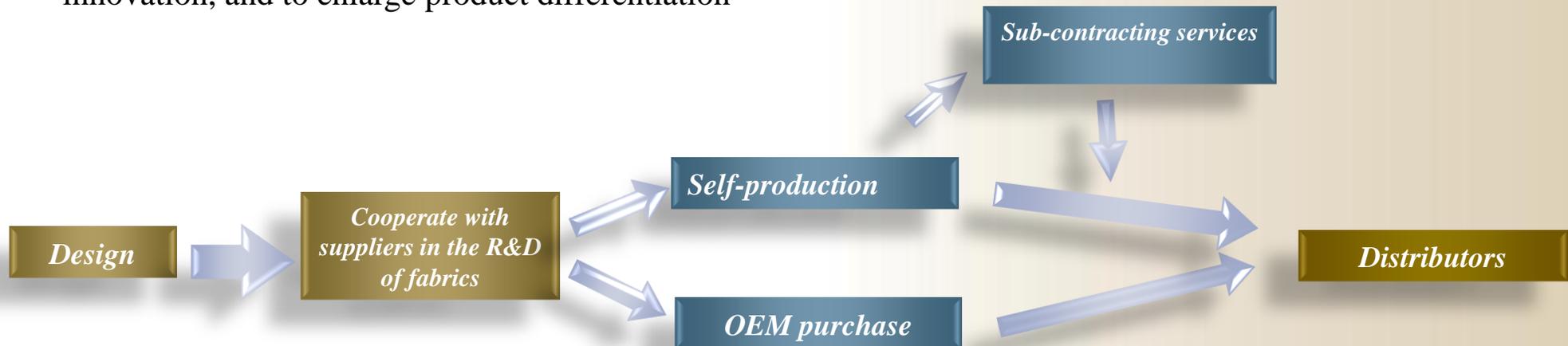


Cost and Quality Control

- Adjusted the proportion of self-production, OEM purchases and process outsourcing services to achieve optimal quality and cost efficiency
- Streamlined supply chains through partnerships with quality suppliers to better control cost and quality
- Increased direct purchases of fabrics from producers to reduce cost, and effectively alleviated the impact of soaring fabric prices

Product Innovation

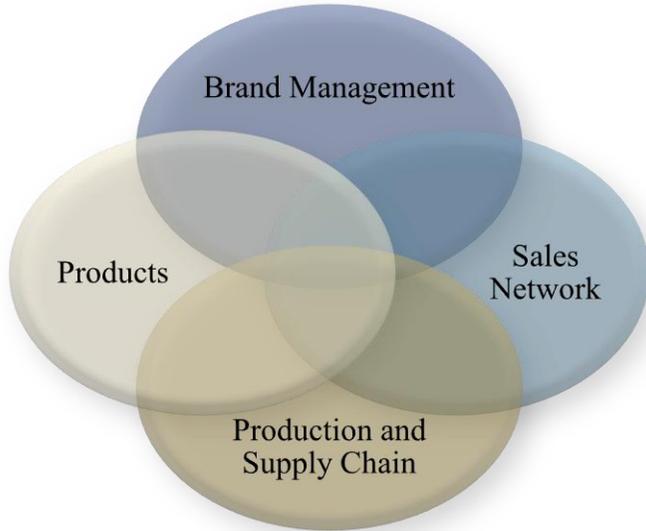
- Collaborated with suppliers in the R&D of unique quality fabrics to enhance the Group's products innovation, and to enlarge product differentiation



3. Prospects and Strategies



Prospects and Strategies



Brand Management

- Continue multi-brand strategy and expand sub-brand “L2”
- Continue to enhance store image as a key avenue to promote brand image
- Advertising support to distributors for opening flagship stores
- More regional advertising supports such as road side billboard to support regional expansion
- Retained Mr. Chen Dao Ming as spokesperson for core brand “LILANZ”

Products

- Persist in the personalized and fashionable style in product design
- Continue to upgrade the product mix to have more high value-added products
- For “L2”, continue to enhance product design and to diversify its product range

Sales Network

- Adhere to plan of strengthening distribution network by opening 200 to 250 “LILANZ” stores for the year
- Maintain committed to the full-year store opening target of 150 to 200 “L2” stores
- Strengthen retail management to improve store efficiency and boost same-store sales growth
- Target to connect 900 retail outlets online by the end of 2011

Production and Supply Chain

- Partner with sizable and quality suppliers and streamline the supply chain to improve cost control and product quality
- Continue to collaborate with fabric producers to develop innovative and premium quality fabrics

4. Open Forum



Appendix – Sales Fairs



LILANZ 利郎

