

[For Immediate Release]

# LILANZ 利郎

## China Lilang Announces 2017 Interim Results Net Profit Up by 1.6% to RMB271 Million with Improved Profit Margin Satisfactory Progress in First- and Second- tier Markets Development

### Financial Highlights:

RMB million	For the six months ended 30 June		
	2017	2016	Change
Revenue	<b>1,022.3</b>	1,173.9	-12.9%
Gross profit	<b>436.3</b>	480.6	-9.2%
Operating profit	<b>296.6</b>	311.1	-4.7%
Net profit	<b>270.6</b>	266.3	+1.6%
Earnings per share			
- Basic (RMB cents)	<b>22.4</b>	22.0	+1.8%
- Diluted (RMB cents)	<b>22.4</b>	22.0	+1.8%
Interim dividends per share			
- Interim dividend	<b>HK13 cents</b>	HK13 cents	-
- <u>Special interim dividend</u>	<b>HK5 cents</b>	<u>HK5 cents</u>	-
Total	<b>HK18 cents</b>	HK18 cents	-
Gross profit margin	<b>42.7%</b>	40.9%	+1.8p.p.
Operating profit margin	<b>29.0%</b>	26.5%	+2.5p.p.
Net profit margin	<b>26.5%</b>	22.7%	+3.8p.p.

(15 August 2017 – Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries, known as the “Group”; stock code: 1234) today announces its 2017 interim results.

For the six months ended 30 June 2017, revenue was RMB1,022.3 million and net profit was up 1.6% to RMB270.6 million. Net profit margin was up 3.8 percentage points to 26.5% for the period. The Group remained financially healthy and had sufficient cash flows.

The Board of directors recommended the payment of an interim dividend of HK13 cents per share and a special interim dividend of HK5 cents per share.

Revenue of “LILANZ” decreased by 7.9% to RMB1,008.1 million for the period as sales of 2017 spring and summer collections were reduced to keep the channel inventory healthy. The Group’s retail stores continued to achieve mid-single digit same-store sales growth.

Gross profit margin was up by 1.8 percentage points to 42.7%, mainly attributable to the smaller sales contribution from “L2” which had a lower gross profit margin. Also, while improving product quality without raising the price, the higher proportion of original design products and better supply chain management helped lower the cost of sales for “LILANZ”.

Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said “China Lilang continued to innovate and transform its business. Adhering to the strategy of ‘improving product quality without raising the price’, the Group is committed to improving its competitiveness through enhancing the originality and value-for-money of its products, and has achieved satisfactory results. In the first half of 2017, the proportion of original design products further increased to over 70%. With clearer positioning and prominent designs, ‘LILANZ’ products are fully differentiated from other brands.”

During the period, the Group maintained a prudent approach to new store opening and pragmatically supported its distributors in optimizing their retail stores networks with a focus on improving store efficiency. Meanwhile, it continued to open stores in shopping malls in provincial capitals and prefecture-level cities. As at the end of June 2017, the total number of such stores increased to about 250, and their sales performance has been in line with expectation. In addition, the Group made satisfactory progress in its development of the first- and second- tier markets with its smart casual collection. There were about 50 such stores by the end of June.

As at 30 June 2017, “LILANZ” had a total of 2,393 stores. The total store number is expected to remain at the current level in the second half of the year.

When adhering to the strategy of “improving product quality without raising the price”, the Group has also been committed to cost control and the enhancement of its products’ value-for-money so as to drive its product sales and maintain a stable gross profit margin. Original design products are expected to account for about 68% of the Group’s sales for 2017, of which about 36% adopting the proprietary fabrics developed by the Group. In the medium-to-long-run, the Group will maintain the proportion of original design products at about 70%, of which 50% will adopt the proprietary fabrics developed by the Group.

Chairman Wang Dong Xing concluded, “As consumer confidence in the PRC is improving, the prospects of the menswear industry improve steadily alongside the overall economy. While industry consolidation is expected to continue, the operating environment has returned to be more rational.”

“In the second half of the year, China Lilang will continue with the strategy of ‘improving product quality without raising the price’, and continue to spare no effort in improving product design, craftsmanship and materials. The Group will maintain a prudent approach to store opening and target to achieve sales growth of the retail stores through optimizing store network. The Group will continue to open new stores in suitable locations through first-tier distributors. In particular, more stores will be added to shopping malls in provincial capitals and prefecture-level cities. The Group will also continue to expand the specialty store network for the smart casual collection, and plan to increase the number of those stores to about 100 by the end of the year. The Group is confident that its retail stores will continue to achieve mid-single digit same-store sales growth in the second half of the year. The Group’s 2018 spring and summer trade fair has commenced on 12 August, and the management expects that the total order value will increase by low double-digit.”

-End-

## About China Lilang

China Lilang is one of the leading PRC menswear enterprises. The Group designs, sources and manufactures high-quality business casual and fashion casual menswear and sells under the “LILANZ” brand across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.

For further inquiries, please contact:

### **Unicorn Financial**

Charis Yau / Natalie Tam

Tel: (852) 3511 6242 / 3511 6241

Mob: (852) 9273 0293 / 9306 7346

Email: [charisyau@unicornfin.com](mailto:charisyau@unicornfin.com) / [natalietam@unicornfin.com](mailto:natalietam@unicornfin.com)