

[For Immediate Release]



**China Lilang Announces Strong 2018 Interim Results
Revenue up by 26.5% and Net Profit up by 25.9%
Interim Dividends Per Share up 27.8%**

(13 August 2018 – Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries, known as the “Group”; stock code: 1234) today announces its 2018 interim results.

Highlights of the results for the first half of 2018 include:

- Revenue up by 26.5% to RMB1,293.1 million;
- Net profit up by 25.9% to RMB340.7 million;
- Earnings per share up by 27.2% to RMB28.5 cents;
- Interim dividends per share up by 27.8% to HKD23 cents in aggregate;
- “LILANZ” added 102 stores with total retail floor area increasing by 11.4%;
- “LILANZ” retail stores recorded high single-digit same-store sales growth for the first half and target to achieve no less than high single-digit same-store sales growth for the second half of 2018.

Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said

“The global economy grew steadily during the first half of 2018. The economy in China maintained steady expansion. We are delighted to see that the Group achieved all-round improvements in its performances amid recovery of the consumer market and implemented its market expansion plan as scheduled. Meanwhile, the retail channel of ‘LILANZ’ was upgraded further, the store count increased, and store operating efficiency enhanced. The ‘LILANZ’ stores, which have been in operation for more than 18 months by the distributors, recorded high single-digit same-store sales growth during the first half of the year, showing the good performance at retail stores.”

For the first half ended 30 June 2018, revenue of the Group increased by 26.5% to RMB1,293.1 million. Revenue of “LILANZ” increased by 27.0% to RMB1,279.9 million. Profit from operations increased by 28.6% to RMB381.4 million and operating margin was up by 0.5 percentage point to 29.5%. Net profit increased by 25.9% to RMB340.7 million and net profit margin was slightly down by 0.2 percentage point to 26.3%. Earnings per share were RMB28.5 cents, up by 27.2%.

The improvements in results primarily reflected the continuing outperformance of retail sales of “LILANZ” over the industry peers, and channel inventory maintained at a healthy level. This boosted confidence among distributors, resulting in satisfactory growths of trade fair orders and sales for the Group.

The Group remained financially robust with healthy cash flows. The Board of directors resolved to distribute an interim dividend of HK16 cents per share and a special interim dividend of HK7 cents

per share, total interim dividends up by 27.8% year on year, thereby maintaining a relatively high payout.

The Group implemented its market expansion plan as scheduled and added 102 stores during the first half of the year, optimized the store networks in the existing markets as well as expanded to new markets. As at the end of June 2018, “LILANZ” had a total of 2,512 retail stores nationwide, and the aggregate retail floor area increased by 11.4% to about 344,900 square meters. Among them, there were 154 specialty stores for the smart casual collection, up by 65 stores. The number of stores in shopping malls increased to more than 430 by the end of June 2018, accounting for over 17.1% of the total number of stores, and their sales performance was in line with expectations.

During the first half of 2018, the core collection was launched in new markets in Jiaodong Peninsula and Southern Jiangsu through distributors. The smart casual collection was introduced in new regions including Nanjing and Suzhou. In addition, the smart casual collection has adopted in full starting from the first half of 2018 a consignment model to facilitate rapid expansion of the retail network. The preparation work for the new retail business has been in progress and online stores for the smart casual collection have started trial operation.

The Group has achieved strong order growth for three consecutive trade fairs, including a growth of 31% and 33% in the total order value for 2018 fall trade fair and 2018 winter trade fair respectively.

As for product range enhancement, the footwear and innerwear products of the Group, after several years of investments in product research and development, are well received by the market and sales continue to grow. This helps to reduce seasonal impacts of products on sales at retail stores. During the first half of the year, sales of accessories experienced significant growth and comprised over 15.0% of the revenue of “LILANZ”, with more than 70% came from footwear and innerwear products.

Looking ahead to the second half of 2018, China Lilang will continue its market expansion plan, aiming at adding a net total of no less than 200 stores for the whole year as planned. In particular, more stores will be added in shopping malls. For the core collection, in addition to expanding in the current markets, the Group will continue to open stores in new markets such as Jiaodong Peninsula, Dalian area and Southern Jiangsu to capture the booming economic development in these regions. The smart casual collection will continue to adopt the consignment model to encourage distributors to speed up store openings in Beijing, Tianjin, Shanghai, Zhejiang, as well as in markets newly developed in the first half of the year such as Nanjing and Suzhou, and also gradually expand into first- and second-tier markets with great potential, such as Zhengzhou, Hefei, Xi'an, Jiangxi and Fujian area.

The Group will continue to develop its new retail business as planned. Leveraging the brand competitiveness of “LILANZ”, the positioning of the smart casual collection and its strong business momentum that bode well for development on the online platform, the Group plans to launch its new retail business in the fourth quarter of 2018.

The Group will continue to offer consumers products of excellent value-for-the-money to gain market share, and spare no effort in improving product design, craftsmanship and materials. The Group will also continue to improve its product range and increase the proportion of season-neutral products to

drive sales growth. The design and operation centre for the smart casual collection in Shanghai and the new headquarters in Fujian will commence operation this and next year respectively. The entire operation of the Group from product research and development, design, production to sales will usher into a new era by then, thereby establishing a more robust footing for sustainable and faster growth of China Lilang.

Chairman Wang Dong Xing concluded,

“While the escalating trade friction from rising protectionism, coupled with gradual monetary tightening, will add uncertainties to the economic outlook, the economy in China is expected to maintain steady growth. The Group is cautiously optimistic about the prospects of the menswear industry. As a menswear enterprise with competitive edges and strengths, China Lilang will outperform industry peers and gain a larger share in the market. We are confident about ongoing improvement of our retail store efficiency and target to achieve same-store sales growth of no less than high single-digit for the second half of 2018. The 2019 spring and summer trade fair will commence on 16 August 2018, and the Group is confident that the order growth will not be less than that of the 2018 spring and summer trade fair. In the long run, China Lilang will adhere to its multi-brand strategy and continue to proactively enhance the competitiveness and offering of better value-for-the-money of its products to further consolidate its leading position in the menswear industry, so as to sustain long-term growth.”

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About China Lilang

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

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