

[For Immediate Release]

LILANZ 利郎

China Lilang Announces 2016 Interim Results Net Profit Drops by 3.9% to RMB266 Million Consolidate Retail Channel and Improve Efficiency Same Store Sales Continues to Expand

Financial Highlights:

<i>RMB million</i>	For the six months ended 30 June		
	2016	2015	Change
Revenue	1,173.9	1,188.4	-1.2%
Gross profit	480.6	488.1	-1.5%
Operating profit	311.1	343.4	-9.4%
Net profit	266.3	277.0	-3.9%
Earnings per share			
- Basic (RMB cents)	22.0	23.0	-4.3%
- Diluted (RMB cents)	22.0	22.9	-3.9%
Interim dividend per share			
- Interim dividend	HK13 cents	HK13 cents	-
- <u>Special interim dividend</u>	<u>HK5 cents</u>	<u>HK6 cents</u>	<u>-16.7%</u>
Total	HK18 cents	HK19 cents	-5.3%
Gross profit margin	40.9%	41.1%	-0.2p.p.
Operating profit margin	26.5%	28.9%	-2.4p.p.
Net profit margin	22.7%	23.3%	-0.6p.p.

(8 August 2016 – Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries, known as the “Group”; stock code: 1234), today announces the interim results for the six months ended 30 June 2016.

Affected by the fragile consumer sentiment, the Group’s revenue and net profit declined in the first half of the year. Net profit for the period was RMB266.3 million, representing a decrease of 3.9%. Earnings per share decreased by 4.3% to RMB22.0 cents. 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 for the period decreased by 1.2% year on year to RMB1,173.9 million. Sales of the core brand “LILANZ” increased slightly by 1.1% to RMB1,094.9 million, and sales of the sub-brand “L2” decreased by 25.0% to RMB79.0 million.

Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said “China Lilang adheres to the strategy of ‘improving product quality without raising the price’ and is committed to enhancing

the originality and value-for-money of its products so as to capture the market. The Group also continued to improve its supply chain and retail channel management and, as a result, its channel monitoring capability and operating efficiency have improved. Retail sales performance of the Group's products was inevitably affected by the sluggish consumer demand and the widespread heavy rain and flooding in June and July, but same stores sales growth in the retail level was still positive during the first half of the year."

During the period, the Group continued to open large-scale stores in shopping malls in provincial capitals and prefecture-level cities in view of the change in consumption habit. As at the end of June 2016, the total number of such stores increased to 50 to 60, and their sales performance has been in line with expectation. As at 30 June 2016, the Group had a total of 2,935 stores. "LILANZ" had a net decrease of 10 retail stores, mainly due to the closure of low-efficiency stores in response to the actual operating conditions and the decrease in the number of shop-in-shops in department stores. "L2" had a net decrease of 40 retail stores.

On E-channel development, the Group continued to use "T-MALL" as a major online sales channel. In addition, the Group is still working on the system where products would be available for selection online and delivered to selected stores for fitting using the WeChat platform. The new service is expected to be launched in the fourth quarter of 2016, aiming to increase the foot traffic to its bricks-and-mortar stores and improve store efficiency.

In the first half of 2016, the Group has engaged a foreign designer specializing in womenswear on a single season contract basis to design the 2017 fall womenswear collection. A domestic design team for womenswear had also been set up. In addition to the fall and winter products launched since 2015, there will also be a small line of womenswear for the spring and summer collections starting 2017. In addition, in view of the increasing sales of the high-end fashion collection with its percentage to total revenue climbing from 5% a few years ago to an estimated 13% for 2016, the Group has engaged another foreign designer in the first half of 2016 to take charge of the design of its high-end collection, with an aim to further boost the sales of that collection.

When implementing 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 estimated to account for nearly 65% of the Group's products for 2016, of which about 30% adopting the proprietary fabrics developed by the Group. In the medium-to-long-run, the Group intends to raise the proportion of original design products to 70%, of which 50% will adopt the proprietary fabrics developed by the Group.

Chairman Wang Dong Xing concluded, "Sales of China's menswear industry deteriorated again in the second quarter of 2016. The widespread heavy rain and flooding in June and July, and the relatively high level of channel inventories for the last fall and winter collections, would put selling prices under pressure. It is expected that the operating environment will not have a meaningful rebound in the second half of 2016, and the industry consolidation will continue.

“In the second half of 2016, the Group will maintain a prudent approach to store opening. The core brand ‘LILANZ’ targets to maintain the existing number of stores. The Group will continue to optimize its store network, and to open stores in suitable locations through first-tier distributors. In particular, more large-scale stores will be added in shopping malls in provincial capitals and prefecture-level cities. The sub-brand ‘L2’ will continue to close the stores with unsatisfactory operating performance according to the market conditions. However, the Group still expects its retail stores can achieve same-store sales growth through better products and channel management. In a long run, China Lilang will further consolidate its leading position in the menswear industry, so as to sustain a 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 and manufactures high-quality business casual and fashion casual menswear and sells under its core brand “LILANZ” and sub-brand “L2” across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.

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