

[For Immediate Release]

# LILANZ 利郎

## China Lilang Announces 2016 Annual Results Net Profit Dropped by 13.6% to RMB540 Million First Launch “LILANZ” Smart Casual Collection Specialty Stores For Expansion to First- and Second-tier Markets

### Financial Highlights:

RMB million	For the year ended 31 December		
	2016	2015	Change
Revenue	2,411.6	2,689.1	-10.3%
Gross profit	995.9	1,142.8	-12.9%
Operating profit	663.4	794.1	-16.5%
Net profit	539.9	625.2	-13.6%
Earnings per share			
- Basic (RMB cents)	44.66	51.83	-13.8%
- Diluted (RMB cents)	44.66	51.77	-13.7%
Final dividends per share			
- Final dividend	HK16 cents	HK17 cents	
- <u>Special final dividend</u>	<u>HK6 cents</u>	<u>HK7 cents</u>	
Total	HK22 cents	HK24 cents	
Gross profit margin	41.3%	42.5%	-1.2p.p.
Operating profit margin	27.5%	29.5%	-2.0p.p.
Net profit margin	22.4%	23.2%	-0.8p.p.

(13 March 2017 – Hong Kong) **China Lilang Limited** (“China Lilang”, together with its subsidiaries known as the “Group”; stock code: 1234), today announces the annual results for the year ended 31 December 2016.

Revenue and profit of the Group dropped for 2016. Revenue decreased by 10.3% year-on-year to RMB2,411.6 million and net profit decreased by 13.6% to RMB539.9 million. In response to the economic environment, the Group adjusted down distributors’ orders for its 2016 fall and winter collections and also continued to adjust its retail store network with a view to ensure a healthy level of channel inventory and maintain its overall competitiveness. Despite weaker results, the Group has strengthened its business and continued outperforming its peers.

The Board recommended the payment of a final dividend of HK16 cents per ordinary share and a special final dividend of HK6 cents per ordinary share, which will bring the total dividend for the year to HK40 cents per ordinary share.

Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said “In view of the uncertain economic outlook, the apparel industry continued to suffer from fragile consumer

sentiment, and the menswear industry showed no clear signs of recovery. We continued to innovate and transform our business and adhere to the strategy of 'improving product quality without raising the price', as a result, store efficiency has improved and the healthy development of the channel is maintained. The retail stores continued to achieve mid-single digit same-store sales growth."

During the year, the Group extended the market position of the core brand "LILANZ" and focused on developing first- and second-tier markets. The Group has opened specialty stores for "LILANZ" smart casual collection on a pilot basis in cities such as Beijing, Shanghai and Tianjin in the second half of the year, which has received positive response from the market. Therefore, the Group plans to step up its efforts in product design and market development of such collection. It will establish a separate design and operation centre for the smart casual collection in Shanghai in the second half of 2017, so as to keep the brand abreast of market trends, better promote the holistic development of the collection and expand its market share effectively.

As for the sub-brand "L2", the business performance has been unsatisfactory due to the sluggish consumer demand and fierce competition. After assessing the prospects and investment return of "L2", the Group has decided to discontinue the operation of "L2" from fall 2017.

For 2016, sales of "LILANZ" decreased by 8.7% to RMB2,238.0 million, and net profit attributable to "LILANZ" decreased by 10.9% to RMB600.5 million; sales of "L2" decreased by 25.2% to RMB173.6 million. Net loss attributable to "L2" after provisions for the proposed discontinuation of business amounted to RMB49.6 million.

The sales of the high-end collection continued to increase, with its percentage to total revenue climbing from approximately 5% a few years ago to approximately 13% in 2016. This growth in percentage to sales is particularly obvious in the stores in shopping malls in first- and second-tier cities. Tops remained the major contributor in terms of sales and accounted for 66.0%.

As at 31 December 2016, the Group had a total of 2,575 stores. During the year, "LILANZ" had a net decrease of 260 retail stores at 2,400 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. The total store number of "LILANZ" is expected to be broadly steady in 2017. "L2" had a net decrease of 150 retail stores at 175 retail stores.

The Group sees e-channel as an important business development platform and plans to establish a dedicated team in the second half of 2017 to explore online sales business more aggressively.

Looking forward to 2017, Chairman Wang Dong Xing said, "The Group will focus its resources on developing 'LILANZ'. The smart casual collection will be one of the key areas of development of the Group in the coming years, particularly the expansion into first- and second-tier markets with this collection. The Group expects its retail stores to continue to achieve positive same-store sales growth through better products, effective channel management and optimization of the store network.

“The 2017 fall trade fair just ended in early March. We are glad that the number of trade fair orders increased and the Group has recorded a high single-digit growth in order value. The Group will continue with its direction over the past few years and adhere to the strategy of “improving product quality without raising the price”. The Board is confident that the Group will continue to outperform other industry peers and targets to gain market share amid the industry consolidation.”

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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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