

[For Immediate Release]



China Lilang Announces 2017 Annual Results Net Profit Grows by 13.2% And Dividends Increase To Implement Expansion Plans in 2018 on Improving Consumer Market

Results Highlights:

- Profit for the year up by 13.2% to RMB611.0 million, net profit margin increased to 25.0%.
- Total revenue up 1.2% to RMB2,441.1 million; revenue from “LILANZ” brand up by 7.9% to RMB2,413.9 million.
- Gross margin up 0.2 percentage point to 41.5%.
- Earnings per share increased by 13.5% to RMB50.71 cents.
- Recommended the payment of a final dividend of HK18 cents per share and a special final dividend of HK8 cents per share, making an increase of 10% in total dividend payment of HK44 cents per share for the year.
- Improvement in operating efficiency at the retail channel with same-store sales growth rose to almost 10% in the fourth quarter.
- “LILANZ” had a total of 2,410 retail stores nationwide, adding 10 stores during the year, with aggregate retail area increased by 6.8% to about 309,600 square meters.
- The smart casual collection which targets the first- and second-tier markets continued to expand the specialty store network to 89 stores as at the end of 2017.

(6 March 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 2017 annual results.

Revenue for the year ended 31 December 2017 increased by 1.2% to RMB2,441.1 million; and revenue from the “LILANZ” brand increased by 7.9% to RMB2,413.9 million, as orders for the autumn and winter collections improved, while sales of the smart casual collection launched in 2016 increased considerably. Net profit was RMB611.0 million for the year, up by 13.2%. Net profit margin increased by 2.6 percentage points to 25.0%.

The Group remained financially healthy and had sufficient cash flows. The Board of directors recommended the payment of a final dividend of HK18 cents per share and a special final dividend of HK8 cents per share, making a total dividend payment of HK44 cents per share for the year, up by 10% year on year.

Gross profit margin was up by 0.2 percentage point to 41.5%. 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 “In 2017, the global economic environment gradually improved and the economy of China maintained a stable growth.

The overall consumer sentiment was positive and operating conditions were in good state, benefitting the overall development of the menswear industry in China. China Lilang continued to focus on the enhancement of its own competitive edges. The Group has successfully capitalized on its brand competitiveness and operational capability built over the past three decades since establishment to consolidate its market position in China's menswear industry and achieved satisfactory growth in results amid improved market conditions in the second half of the year."

During the year, the Group continued to assist distributors to plan the distribution, locations and the number of their stores, and pragmatically supported its distributors in optimizing their retail network. Where necessary, stores were relocated to better locations to improve store efficiency. Same-store sales growth rose from mid-single digit at the beginning of the year to almost 10% in the fourth quarter, reflecting an improvement in operating efficiency at the retail end.

As of 31 December 2017, "LILANZ" had a total of 2,410 retail stores nationwide, adding 10 stores during the year, with aggregate retail area increased by 6.8% to about 309,600 square meters. Distributors continued to open large-scale stores in shopping malls in provincial capitals and prefectural-level cities. The number of stores in shopping malls has increased to more than 300 by the year end, accounting for over 10% of the total, and their sales performance has been in line with expectations. The smart casual collection, which was launched in late 2016 to target the first- and second-tier markets, has received satisfactory response from the market, supporting continued expansion of the specialty store network of the collection. As of the end of 2017, there were 89 stores of the smart casual collection.

As retail sales of "LILANZ" continued to outperform other industry peers, and channel inventory has returned to a healthy level, the distributors had high confidence in the Group's products. As a result, "LILANZ" recorded satisfactory performance in the three trade fairs of the 2017 fall, winter, and the 2018 spring and summer collections. The 2018 spring and summer trade fair was held in August 2017. The total order value (based on wholesale prices) recorded an increase of 21% year on year.

While reducing the proportion of OEM purchases and increasing the proportion of original design products, the Group adheres to the "improving product quality without raising the price" strategy and shares the benefits from its improved supply chain management with consumers by offering them products of higher value-for-money. Original design products accounted for about 68% of the sales by style in 2017, of which about 36% adopting the proprietary fabrics developed by the Group. In the medium- to long-run, the proportion of original design products will be maintained at about 70%, and the target for products adopting the proprietary fabrics developed by the Group is 50%.

Looking ahead to 2018, the Group is prepared to implement a series of expansion plans to ride on the improving consumer market. The Group will continue to invest in the brand "LILANZ". In addition to enhancing same-store efficiency and cementing its current market position, the Group will also strive to tap new markets. This year, the main collections of "LILANZ" will expand and the Group will open stores in currently untapped markets, such as Jiaodong Peninsula, Dalian area and Southern Jiangsu. And the smart casual collection of "LILANZ" will expand and the Group will open stores in the first- and second-tier markets of great potential, such as Zhengzhou, Hefei, Xi'an, Jiangxi and Fujian. At the same time, the Group will take the market opportunities and step up its expansion of the smart casual

collection to encourage distributors to speed up store opening by adopting a consignment model. The Group targets to add 150 smart casual collection stores in 2018. Together with the stores of the smart casual collection, the plan is to add not less than 200 “LILANZ” stores.

The Group will launch its new retail business this summer. Leveraging the brand competitiveness of “LILANZ”, the positioning of the smart casual collection being suitable for online development and its offline store network, the Group will sell the same products of the smart casual collection online for the same prices as in the offline stores, integrating online service with offline shopping experience. It is expected to bring in sales growth starting from the second half of 2018.

The Group will strive to offer customers with products of excellent value-for-money and continue to spare no effort in improving product design, craftsmanship and materials, with the aim of gaining market shares. As the design and operation centre for the smart casual collection in Shanghai and the new headquarters in Fujian will be put into operation this year and next year respectively, the entire operations of the Group from product research and development, design, production to sales will advance to a new stage by then, thus laying a more solid foundation for a sustainable and faster growth of China Lilang.

Chairman Wang Dong Xing concluded, “As an old saying goes, a man should be able to stand firm on its own feet at the age of thirty (三十而立). Over the past three decades, the entire team of China Lilang has made some achievements through dedication and hard work, persistence and strife over breakthroughs. Now “LILANZ” is a brand with style and elegance, the Group’s positioning is clearer and its competitive advantages more distinct. The Group will seize the new start in 2018 and continue to thoroughly explore opportunities offered by the main collection of “LILANZ”, cultivate the smart casual collection, launch the new retail business, develop multiple brands, and expand its collections. The Group will adhere to its multi-brand strategy, proactively enhance the competitiveness and value for-money of its products and also develop new market to make China Lilang a century-old menswear brand enterprise, so as to sustain a long-term growth. The 2018 fall trade fair has commenced on 3 March, and the Group is confident that the total order value will report at least a low double-digit percentage 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 and casual apparel for men 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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