

(For Immediate Release)

# LILANZ 利郎

## China Lilang Announces 2014 Interim Results The Strategy of “Improving Product Quality without Raising the Price” Began to Yield Results Interim Net Profit Rose to RMB248 million With Improved Profit Margins

### Financial Highlights:

<i>RMB million</i>	For the six months ended 30 June		
	2014	2013	Change
Turnover	1,090.5	1,092.5	-0.2%
Gross profit	445.8	436.7	+2.1%
Gross profit margin	40.9%	40.0%	+0.9p.p.
Profit attributable to shareholders	248.1	242.3	+2.4%
Earnings per share			
- Basic (RMB cents)	20.7	20.2	+2.5%
- Diluted (RMB cents)	20.6	20.1	+2.5%
Dividend per share			
- Interim dividend	HK12 cents	HK12 cents	
- <u>Special interim dividend</u>	<u>HK5 cents</u>	<u>HK5 cents</u>	
Total	HK17 cents	HK17 cents	-

(11 August 2014 – Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries, known as the “Group”; stock code: 1234), today announces its interim results for the six months ended 30 June 2014.

For the six months ended 30 June 2014, the Group’s profit attributable to shareholders amounted to RMB248.1 million, representing an increase of 2.4%. Turnover slightly decreased by 0.2% during the period, reflecting the effect of the weak retail market and also the decline in the average selling price of its products as the Group implements its strategy of “improving product quality without raising the price” and shares the fruit of its cost-saving measures with the consumers. Nonetheless, the enhancement in the overall profitability of the Group offset the decrease in turnover, resulting in profit growth.

During the first half of the year, gross profit margin increased by 0.9 percentage point to 40.9%; operating profit margin increased by 1.9 percentage points to 27.1%; net profit margin increased by 0.5 percentage point to 22.7%. Meanwhile, the Group maintained strong financial position. As of 30 June 2014, the Group has a net cash balance of RMB1,667.0 million, which is equivalent to RMB1.39 per share.

Earnings per share for the first half of the year were RMB20.7 cents, representing an increase of 2.5%. The Board recommended the payment of an interim dividend of HK12 cents per ordinary share and a special interim dividend of HK5 cents per ordinary share.

Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said “Menswear industry in the PRC is still subject to the weak market sentiment, showing no obvious improvement in sales. Nevertheless, China Lilang has targeted to upgrade its core competitiveness since last year. In addition to channel inventory clearance and channel management improvement, the Group also invested in product research and development to increase the proportion of its original products with an aim to address the issue of product homogeneity amongst the industry. Besides, the Company improved the competitiveness of its products and brands through strengthening its research and development and supply chain management as the Group implements the strategy of ‘improving product quality without raising the price’. The aforesaid measures began to yield results during the first half of the year and the Group outperformed other industry players, which was reflected by various performance indicators of its retail channel. Channel inventory was brought back to a healthy level and the average same-store sales recorded low-single digit growth.”

In the first half of the year, sales of the core brand “LILANZ” amounted to RMB991.7 million, down by 2.1%. Sales of the sub-brand “L2” amounted to RMB95.3 million, up by 20.2%. Tops remained the major contributor in terms of sales and accounted for 67.5% of the total turnover with an increase of 8.9% in sales.

China Lilang continued to help distributors to optimize their store networks. On the one hand, the Group closes non-profitable stores and combines or relocates stores with low-efficiency in response to the business environment; on the other hand, it has changed its strategy of opening stores in provincial capital and prefecture-level cities by opening stores in shopping malls instead of opening street level stores in view of the change in consumption habit. “LILANZ” recorded a net decrease of 158 stores during the first half of the year to 3,022 stores, with a decrease of 4.2% in the total area of retail stores to 345,000 square meters. “L2” had a net increase of 18 stores to 293 stores, with an increase of 8.8% in the total area of retail stores to 32,100 square meters. As of 30 June 2014, the Group had 3,315 stores in total. The Group has renovated about 300 “LILANZ” stores during the period.

In the second half of 2014, the Group will continue to realign those “LILANZ” stores of low efficiency and maintain a conservative approach to the opening of new stores to improve operation efficiency of the stores. As for “L2”, the Group will expand the brand’s retail network with a net increase of 20 to 30 stores in 2014 as scheduled. The revamp program for “LILANZ” stores will continue. It is expected that 700 to 800 stores will be renovated this year and the revamp program for all the stores will be completed in early 2015.

Product homogeneity is still a serious issue in the PRC menswear industry. The Group believes that product design and development is the key to success in the industry. As such, the Group continued to strengthen its design team and enhance product originality. In the long term, the Group aims to raise the proportion of its original designs in sales to 70%.

Chairman Wang Dong Xing concluded, “To capture the opportunities arising from the industry consolidation, China Lilang had made an early step to enhance its core competitiveness last year and has since been making good progress. For the second half of the year, the Group will continue with the policy of ‘improving product quality without raising the price’. The Group will further strengthen the research and development and its supply chain management with an aim of increasing the proportion of its original products in sales and of enhancing the products’ value for money. The move will improve the competitiveness of its products and brands.

“The Group adheres to its philosophy of providing fashionable, quality and individuated products for consumers and is optimistic about the long-term development of the menswear market in China. The 2015 spring/summer trade fair will be held in late August, and management is confident that the trade fair order will continue to grow. Meanwhile, as various measures are progressing smoothly, it is expected that the retail stores of the Group will be able to achieve a low or mid-single digit average growth in same-store sales in the second half of the year.”

*-End-*

### **About China Lilang**

China Lilang is one of the leading PRC menswear enterprises. As an integrated fashion enterprise, the Group designs, sources, manufactures and sells high-quality business casual and fashion casual menswear. Its products are sold across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC under its core brand “LILANZ” and sub-brand “L2”. Its menswear products include suits, jackets, shirts, trousers, sweaters and accessories.

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