

[For Immediate Release]

LILANZ 利郎

China Lilang Announces 2015 Interim Results Net Profit Grew by 11.6% to RMB277 Million Consistent Acceleration of Same-Store Sales Growth Healthy Operation with Improved Efficiency

Financial Highlights:

<i>RMB million</i>	For the six months ended 30 June		
	2015	2014	Change
Revenue	1,188.4	1,090.5	+9.0%
Gross profit	488.1	445.8	+9.5%
Operating profit	343.4	295.0	+16.4%
Net profit	277.0	248.1	+11.6%
Earnings per share			
- Basic (RMB cents)	23.0	20.7	+11.1%
- Diluted (RMB cents)	22.9	20.6	+11.2%
Interim dividend per share			
- Interim dividend	HK13 cents	HK12 cents	+8.3%
- <u>Special interim dividend</u>	<u>HK6 cents</u>	<u>HK5 cents</u>	<u>+20.0%</u>
Total	HK19 cents	HK17 cents	+11.8%
Gross profit margin	41.1%	40.9%	+0.2p.p.
Operating profit margin	28.9%	27.1%	+1.8p.p.
Net profit margin	23.3%	22.7%	+0.6p.p.

(10 August 2015 – 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 2015.

For the six month ended 30 June 2015, the Group’s net profit increased by 11.6% to RMB277.0 million. Basic earnings per share for the period rose by 11.1% to RMB23.0 cents. The increase in profit is mainly attributable to revenue growth and gross profit margin expansion. During the period, revenue increased by 9.0% to RMB 1,188.4 million, reflecting the effect of the Group’s strategy of “improving product quality without raising the price”, which made the “LILANZ” products more attractive and enabled the group to win the market and improve sales performance at its retail store.

The Board recommended the payment of an interim dividend of HK13 cents per share and a special interim dividend of HK6 cents per share.

Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said "During the first half of 2015, the operating environment of the menswear industry in mainland China is better than it was last year and the channel inventory has improved. However, the rate of recovery is slow. China Lilang continued to innovate and transform its business. Adhering to the strategy of "improving product quality without raising the price", the Group is committed to improving its competitiveness through enhancing the originality and value-for-money of its products so as to win the market. The Group also continued to improve its supply chain and retail channel management and, as a result, its channel control capability and operating efficiency have improved. During the first half of the year, the Group continued to outperform the rivals with consistent acceleration of same-store sales growth and continuous growth in trade fair order values. Meanwhile, the retail network was run with enhanced professionalism, leading to improved store efficiency and the consistently healthy level of channel inventory. The Group's core competitiveness has been improved and its efforts have been widely recognized."

During the first half of 2015, sales of the core brand "LILANZ" increased by 9.2% to RMB1,083.2 million. Sales of the sub-brand "L2" increased by 10.4% to RMB105.2 million. Tops remained the major contributor in terms of sales and accounted for 58.9% of the total revenue.

As at 30 June 2015, the Group had a total of 3,080 stores. During the period, "LILANZ" had a net decrease of 15 retail stores to 2,768 stores. "L2" had a net increase of 16 retail stores to 312 stores. Since the second half of 2014, the Group has changed its store opening strategy in provincial capitals and prefecture-level cities by opening large-scale stores in shopping malls instead of doing so at street level. During the first half of 2015, distributors of "LILANZ" added 15 large-scale stores in shopping malls across different regions and achieved satisfactory sales performance.

In the second half of the year, the Group will remain prudent when opening new stores under its core brand "LILANZ" and intends to maintain the store number similar to that as at the end of 2014. The plan of opening large-scale stores in shopping malls in provincial capitals and prefecture-level cities will continue and a total of 20 to 30 such new stores are expected to be opened this year. As for "L2", the Group will keep the plan to add 20 to 30 stores this year with a focus on the four provinces which have better potential for growth, namely Henan, Shaanxi, Hunan and Hubei. In addition, the Group renovated about 200 "LILANZ" stores in the first half of the year, and has scheduled to complete the renovation of the remaining 80 stores in the second half of the year.

Chairman Wang Dong Xing concluded, "The economic outlook of the world is still uncertain in the second half of 2015, characterized by slow economic growth. The recovery of mainland China's menswear industry still lacks momentum. In the short run, consumer confidence and sentiment will still be affected by the economic uncertainty while the inclination of consumers to prize products for their individuation and comfort creates changes to the consumer market. As such, the competitiveness of a menswear brand hinges on its capability to transform and innovate as well as the value for money of its products.

"In this regard, the Group will continue to implement the strategy of "improving product quality without raising the price" in the second half of 2015 and will spare no effort to improve product design, workmanship and materials, with the aim of raising the proportion of original designs, enhancing the value for money of its products and increasing the competitiveness of its products and brands. The 2016 spring and summer trade fair of the Group will be held in mid- and late August. The management is confident that the order value will continue to grow. Further, the Group will continue to take various measures to improve store efficiency and aims to achieve a high single-digit percentage growth in same-store sales in the second half of the year."

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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, 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, coats, shirts, trousers, sweaters and accessories.

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