

[For Immediate Release]



China Lilang Announces 2018 Annual Results Net Profit and Revenue Hit Record Highs Full Year Dividends Per Share up 22.7%

(13 March 2019 – Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries, known as the “Group”; stock code: 1234) today announces its annual results for the year ended 31 December 2018.

Results Highlights

- Group revenue increased by 29.8% to RMB3.17 billion, with LILANZ’s revenue grew by 30.7%.
- Profit from operations increased by 31.8% to RMB881.9 million.
- Net profit increased by 22.9% to RMB751.2 million and EPS grew by 23.7% to RMB62.74 cents.
- Final dividend of HK21 cents per share and special final dividend of HK10 cents per share are recommended, making the full year dividends per share increased by 22.7% to HK54 cents.
- 260 retail stores were added, exceeding the target for the year.
- Same-stores sales saw high single-digit or better growth on average for four consecutive quarters.

Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said,

“China Lilang achieved initial success in 2018 following efforts to create all-round improvements over the past few years. Improved operating conditions and more distinct business advantages resulted in both revenue and profit hitting record highs, and the Group saw our fastest growth in seven years. 2018 also saw the first year the Group start to realize a market expansion after continuous efforts to improve products and channel management, with 260 retail stores added and the average floor area of retail stores increased. The operating efficiency of the Group’s retail stores also kept improving.”

For the year ended 31 December 2018, Group revenue increased by 29.8% to RMB3,167.9 million. Revenue of LILANZ increased by 30.7% to RMB3,154.7 million. Profit from operations increased by 31.8% to RMB881.9 million and operating margin was up by 0.4 percentage point to 27.8%. Net profit increased by 22.9% to RMB751.2 million and net profit margin was down by 1.3 percentage points to 23.7%. Earnings per share were RMB62.74 cents, up by 23.7%.

The Group remained financially robust with healthy cash flows. The Board of Directors has recommended the payment of a final dividend of HK21 cents per share and a special final dividend of HK10 cents per share. Including the interim dividends paid, total dividends for the year is HK54 cents per share, maintaining a relatively high payout ratio.

The improved performances were primarily driven by the strong order growth at all trade fairs for

2018. Some product categories such as footwear and pants also saw additional orders. Retail sales of the stores operated by distributors continued to perform well. Retail stores in operation for more than 18 months recorded high single-digit or better average same-store sales growth for four consecutive quarters.

A total of 260 LILANZ retail stores were added during the year, exceeding the target set earlier in the year. As at 31 December 2018, there were a total of 2,670 LILANZ retail stores nationwide. Of the total, 212 were specialty stores for the smart casual collection, an increase of 123 stores. The aggregate retail floor area of LILANZ retail stores increased by 22.7% year on year to about 379,900 square meters.

The Group continued to promote upgrading of our sales channel with the percentage of stores directly operated by first-tier distributors increased further to over 50%. The number of stores in shopping malls increased to more than 600 by the end of 2018, accounting for more than one-fifth of the total store count, with their sales performance being in line with expectations. The Group plans to launch a pilot of our seventh-generation store image in the second half of 2019 to further upgrade our brand image.

Geographically, the Group tapped into new markets as scheduled. Our core collection was launched through distributors in new markets in Jiaodong Peninsula and Southern Jiangsu while our smart casual collection was gradually introduced on a consignment basis in provinces including Henan, Anhui, Shaanxi, Jiangxi, Fujian and Jiangsu. The Group also continued to advance the development of our new retail business, with online stores for the smart casual collection officially commencing business in the fourth quarter, and the design and operation center in Shanghai for the smart casual collection also commencing operation in the same quarter.

Looking into 2019, China Lilang will steadily continue with our market expansion, targeting to add about 200 stores during the year. New stores for the core collection will primarily be added in third- and fourth-tier markets. We will continue to adopt the consignment model for the smart casual collection, focusing on expanding in the Beijing and Shanghai markets, while continuing to develop first- and second-tier markets in Qingdao, Tianjin, Zhengzhou, Xi'an, Hefei and Zhejiang area. Meanwhile, the Group will continue to upgrade our sales channel and add more stores in shopping malls.

New retail is a long-term development focus area for the Group. Building on the opening of our online smart casual collection stores and the launch of our design and operation center for the smart casual collection, the Group will increase brand promotion activities, particularly to improve the online brand awareness of LILANZ, and invest more in increasing traffic to our online stores to further drive sales. This is expected to produce continuing sales growth in the coming three to five years.

China Lilang will continue our mission of offering our consumers products of excellent value-for-money and spare no efforts to continuously improve our product design, craftsmanship and materials. The Group will also continue to enrich our product range and increase the proportion of season neutral products to drive sales growth.

Lilang Creative Park (利郎創意園), the Group's new headquarters, is expected to officially launch in the second half of the year. The new headquarters will usher new era for all Group operations — from product research and development, to design, production and sales — and establish a robust footing for a sustainable and faster growth.

Chairman Wang Dong Xing concluded,

“The Group is cautiously optimistic about the prospects of the menswear industry in 2019 and believes that the fluctuating economic environment will accelerate industry consolidation. As a menswear enterprise with strengths and competitive edges, China Lilang will continue to grow from strength to strength and gain a larger share in the market. The Group is committed to improving our retail store efficiency and targets achieving at least high single digit same-store sales growth for 2019. In a positive indication of things to come, our 2019 autumn trade fair concluded in early March 2019, and recorded 21% growth in total orders. In the long run, China Lilang will adhere to our multi-brand strategy, continue to enhance product competitiveness and value-for-money in a proactive manner, further consolidate our leading position in the menswear industry to sustain 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 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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