

LILANZ 利郎

China Lilang Announces 2019 Interim Results

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Revenue up by 19.1% and Net Profit up by 14.0% Interim Dividends Per Share Grow by 13.0%

(13 August 2019 - Hong Kong) **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries, known as the “Group”; stock code: 1234) has today announced its 2019 interim results.

Results Highlights

- Revenue up by 19.1% to RMB1,540.0 million; revenue of “LILANZ” up by 20.3%
 - Net profit up by 14.0% to RMB 388.5 million
 - Earnings per share up by 14.0% to RMB32.5 cents
 - Interim dividends per share up by 13.0% to HK26 cents in aggregate
 - Total number of retail stores up by 83 and the number of stores in shopping malls increased to about 680
 - Retail stores recorded high single-digit same-store sales growth for the first half and maintains target of high single-digit growth for the second half
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Mr. Wang Dong Xing, Chairman and Executive Director of China Lilang, said: *Afg Jg le bfcæb m g ampmp re rpæwrf r g f bmmcb gac ctcp we p emnd cl flage n pbsar bc gl npt gge n pbsar ugf crept scdmpk mlcw ufgc aac cp rge aflc rpl dmpk rgl lb f afgtcb rc bw epurf g s gc æsr bs pge rfcncpnb, rrfc clb nd slc 0. /7 JGJ L fb mr nd 0 531 ærg mæ l rgl ugc æn æ cl rge lcr gæ c nd l mæ bs pge rfcncpnb lb rfc mæ lcu w bbcæ æ k g w mæ g fman g e k , clu fgc rfc Epsn f anl r g scb g argc ætmpr mbct c m lcu ærg s gc lb c epurf nd ns pml gc mæ aac cp reb bs pge rfc dærf dwe p*

For the first half ended 30 June 2019, revenue of the Group increased by 19.1% year-on-year to RMB1,540.0 million. Revenue of “LILANZ” rose by 20.3%. Profit from operations increased by 21.9% to RMB464.8 million and operating profit margin was up by 0.7 percentage point to 30.2%. Net profit increased by 14.0% to RMB388.5 million. Earnings per share were RMB32.5 cents, up by 14.0%.

The improvement in results primarily reflects better sales efficiency of LILANZ retail stores. Retail stores in operation for more than 18 months recorded high single-digit same-store sales growth during the period.

The Group remained financially robust with healthy cash flows. The Board of Directors has resolved to declare an interim dividend payment of HK18 cents per share and a special interim dividend of HK8 cents per share, making total interim dividends up by 13.0% year-on-year and thereby maintaining a relatively high dividend payout.

The Group implemented its market expansion plan as scheduled and added 83 retail stores in the first half year, moving towards its goal of net opening of approximately 200 stores for the full year. As at the end of June 2019, LILANZ had a total of 2,753 retail stores nationwide. Among them, there were 255 specialty stores for the smart casual collection, up by 43 stores during the period. The aggregate retail floor area of LILANZ retail stores increased by 3.7% as compared with the end of 2018 to about 394,100 square meters.

In addition, the Group continued to promote the upgrade of its sales channels and optimize its retail network. Its distributors continued to open more stores in shopping malls in provincial capitals and prefectural level cities, with the number of stores in shopping malls increasing to more than 680 by the end of June 2019, accounting for almost one quarter of the total store count. In addition, the proportion of stores operated by distributors to the total store count kept increasing. This reflects the Group's growing presence in first- and second-tier markets and its improving standards in retail management.

As for new retail business development, the Group has set up online stores on major online sales platforms for both the LILANZ core collection and smart casual collection. It also provides customer relations management services via the WeChat platform. During the period, the Group organized various activities to promote the online businesses of the two collections, including the launch of online special edition products, commissioning KOLs to promote products, placing advertisements on renowned web portals and cooperating with the search engine of Baidu to increase traffic. E-commerce sales for the period recorded encouraging year-on-year growth.

In the second half of 2019, the Group will continue its market expansion efforts and maintains its target of adding around 200 stores for the full year. Stores for the core collection will be opened mainly in third- and fourth-tier markets. As for the market expansion of the smart casual collection, the Group plans to optimize its strategy, putting more efforts to develop markets in provincial capital cities such as Zhengzhou, Xi'an, Hefei, Changsha, Guiyang and Nanchang. In Zhejiang, Wenzhou, Suzhou, Nanjing, Qingdao and Tianjin, the Group will gradually develop the brand, and stores will only be opened in key shopping areas. As for the Beijing and Shanghai markets, the Group will focus on brand building and promotion to supplement business development in other markets.

New retail business remains one of the Group's top priorities for future business development. Special edition hot items were launched on the June 18 online shopping day and recorded satisfactory sales. In the second half, more online special editions of specific product categories will be launched. More products and styles will also be added on the online stores to boost customer flow.

With regard to brand promotion, China Lilang will continue to upgrade the shopping experience that it provides. The more fashionable 7th generation store image will be adopted in some of the new stores of the core collection on a pilot basis in the second half year, with plan to roll-out to other stores in phases starting 2020. The Group is also actively preparing to launch crossover products with other IPs for the 2020 spring and summer collections so as to enlarge the customer base through different channels.

The operation center for the smart casual collection in Shanghai has started operation in the fourth quarter of last year and new talents in areas such as product design and brand promotion are expected to be on board in the second half of this year. The new headquarters in Fujian is still under renovation and the commencement of operations will be postponed until 2020.

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