

[For Immediate Release]

**China Lilang Announces 2016 Interim Results  
Net Profit Drops by 3.9% to RMB266 Million  
Consolidate Retail Channel and Improve Efficiency  
Same Store Sales Continues to Expand**

Financial Highlights:

RMB million

For the six months ended 30 June

the originality and value-for-money of its products so as to capture the market. The Group also continued to improve its supply chain and retail channel management and, as a result, its channel monitoring capability and operating efficiency have improved. Retail sales performance of the Group's products was inevitably affected by the sluggish consumer demand and the widespread heavy rain and flooding in June and July, but same stores sales growth in the retail level was still positive during the first half of the year.

During the period, the Group continued to open large scale stores in shopping malls in provincial capitals and prefecture level cities in view of the change in consumption habit. As at the end of June 2016, the total number of such stores increased to 560, and their sales performance has been in line with expectation. As at 30 June 2016, the Group had a total of 2,935 stores, a decrease of 10 retail stores, mainly due to the closure of low-efficiency stores in response to the actual operating conditions and the decrease in the number of shop-in-shops in department stores. The Group also closed 40 retail stores.

On E-channel development, the Group continued to improve its online retail platform. In addition, the Group is still working on the system where products would be available for selection online and delivered to selected stores for fitting using the WeChat platform. The new service is expected to be launched in the fourth quarter of 2016, aiming to increase the foot traffic to its bricks-and-mortar stores and improve store efficiency.

In the first half of 2016, the Group has engaged a foreign designer specializing in womenswear on a single season contract basis to design the 2017 fall womenswear collection. A domestic design team for womenswear had also been set up. In addition to the fall and winter products launched since 2015, there will also be a small line of womenswear for the spring and summer collections starting 2017. In addition, in view of the increasing sales of the high end fashion collection with its percentage to total revenue climbing from 5% a few years ago to an estimated 13% for 2016, the Group has engaged another foreign designer in the first half of 2016 to take charge of the design of its high-end collection, with an aim to further boost the sales of that collection.

The Group has also been committed to cost control and the enhancement of its products to drive its product sales and maintain a stable gross profit margin. Original design products are estimated to account for nearly 65% of the total sales, of which 50% will adopt the proprietary fabrics developed by the Group. In the medium-to-long-run, the Group intends to raise the proportion of original design products to 70%, of which 50% will adopt the proprietary fabrics developed by the Group.

Chairman Wang Dong Xing concluded that the Group's performance in the first half of 2016 was satisfactory. He stated that the Group will continue to focus on product quality and retail channel management to drive its sales and improve its operating efficiency.

On the second half of 2016, the Group will maintain a prudent approach to store opening. The core brand LILANZ targets to maintain the existing number of stores. The Group will continue to optimize its store network, and to open stores in suitable locations through first-tier distributors. In particular, more large-scale stores will be added in shopping malls in provincial capitals and prefecture-level cities. The subbrand L2 will continue to close the stores with unsatisfactory operating performance according to the market conditions. However, the Group still expects its retail stores can achieve same-store sales growth through better products and channel management. In a long run, China Lilang will further consolidate its leading position in the menswear industry, so as 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 casual and fashion casual menswear and sells through an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.

For further inquiries, please contact:

Y Communications

Charis Yau/ Natalie Tang

Tel: (852) 2254 8848 / 2254 8838

Mob: (852) 9273 0293 / 6021 6644

Email: [cyau@ycom.hk](mailto:cyau@ycom.hk) / [ntang@ycom.hk](mailto:ntang@ycom.hk)