



China Lilang Announces 2023 Interim Results

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Revenue Up by 6.7% to RMB1,491 Million Net Profit Amounts to RMB270.5 Million Interim Dividends of HK18 Cents Per Share

(16 August 2023 – Hong Kong) **China Lilang Limited** (“China Lilang”, or the “Company”, together with its subsidiaries, the “Group”; stock code: 1234) today announced its interim results for the six months ended 30 June 2023.

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

“In the first half year, the society in Mainland China has returned to normalcy and the economy has gradually emerged from COVID-19’s impact, with physical stores resuming normal operation and the consumer goods retail market recovering. We have also benefitted from the lifting of lockdown and control measures and the resumption of social activities, and have used the opportunity to upgrade Lilang’s brand strategy. The store image renovation works, which were previously delayed by the pandemic, have continued to proceed. We hope to present a more fashionable and younger brand image with a new store image, in a bid to capture greater attention and gain popularity among consumers. During the reporting period, total retail sales of the Group’s products maintained positive growth, achieving single-digit growth year-on-year.”

For the six months ended 30 June 2023, the Group’s revenue increased by 6.7% year-on-year to RMB1,491 million. Profit from operations was up by 3.9% to RMB305 million. Gross profit margin was 51.8%, an increase of 3.1 percentage points year-on-year. The growth was mainly attributable to the relaxation of lockdown and control measures and the resumption of social activities. The smart casual business, which has higher gross profit margins, showed significant growth and its sales proportion also increased correspondingly. During the same period last year, the Group cleared off-season inventories by reducing prices, following a decision to cease the development of professional sports shoes. Hence, the Group was able to achieve a healthier off-season product inventory level this year. Such decrease in off-season inventory allowed the Group to write back some of its inventory provision. In addition, since the price increase began mainly in the second half of 2022, the unit sales price in the first half of 2023 was therefore higher than the same period last year. Net profit increased by 5.2% to RMB270.5 million, while net profit margin declined by 0.3 percentage point to 18.1%. Earnings per share was RMB22.6 cents.

During the reporting period, the Group maintained a healthy financial position with sufficient cash flow. The Board of Directors has resolved to pay an interim dividend of HK13 cents per share (2022 Interim: HK13 cents) and a special interim dividend of HK5 cents per share (2022 Interim: HK5 cents), maintaining a stable payout ratio.

The Group has established four sales channels following a reform of the sales channels, namely: core collection distribution and consignment models, direct-to-retail model of the smart casual collection, and e-commerce. The Group currently operates 2,394 core collection stores, 39% of which adopt the consignment operation model. During the reporting period, the Group continued to support distributors by optimizing the retail network. The Group also optimized store locations and space utilization of its smart casual business, while store renovations in Jiangsu, Qingdao and Wuhan continue apace, significantly improving sales efficiency as a result. The Group has a total of 2,646 retail stores nationwide, of which 252 are direct-to-retail stores, while 842 stores are in shopping malls, accounting for approximately 31.8% of the total store count and approximately 34.3% of total retail floor area. The Group also has 60 outlet stores. During the reporting period, both inventory balance and off-season inventory decreased, mainly because the Group added outlet stores and online retail channels. That, plus the commencement of operation of the logistics center, has raised the efficiency of inventory turnover, and the inventory of core collection and smart casual direct-to-retail stores continue to improve.

New retail remains one of the Group's top priorities for business development, and the Group has been actively promoting the business of its LILANZ core collection and smart casual collection. These businesses are operated through the online-only sales model of its direct-to-retail online stores, as well as the ordering-online-while-picking-up-offline model of WeChat Mall. During the reporting period, the Group organized sales promotions through its direct-to-retail online stores, and launched the ice-type polo shirt hot products, during the 618 E-commerce Shopping Festival, boosting retail sales of online stores by approximately 24% year-on-year. In addition, the Group utilized its WeChat business platform to set up stores in WeChat Mall and provide customer relationship management services, taking advantage of the social platform's interactive features to drive store efficiency and clear off-season inventory. Sales from the WeChat Mall business dropped year-on-year due to the slower off-season inventory clearance. During the reporting period, consolidated new retail sales only grew by 2.8%, but profit margins increased significantly.

In terms of brand management and promotion, the Group has focused on developing China Lilang's core 'minimalist menswear' brand concept, which combines fashion with culture and art, creating distinctive product features with original designs. The Group has also developed quality iconic items to improve product quality and performance, optimized the store network, and strengthened management of the retail end, with the objective of revealing Lilang's fashion aesthetics and leading a new trend of simple menswear with a multi-pronged approach. As for the promotion of the smart casual business,

the Group has appointed celebrities as spokespersons and conducted large-scale promotional campaigns, which effectively improved brand awareness and reputation. In addition, the renovation work involving the core collection's seventh-generation store image has gradually expanded to existing stores, further enhancing the brand image and consumers' shopping experience.

Looking at the second half of 2023, in light of multiple uncertainties – including a complex international environment, weakening Mainland export demand, continuous sluggish real estate market, slowdown in economic growth, and declining employment rates – the central government will vigorously drive economic growth and encourage consumption to support the retail market. Thus, the outlook for the retail market remains cautiously optimistic. The Group will also continue to adopt a flexible sales strategy, strive to enhance its brand image, consolidate its store network, drive new retail development, maintain healthy channels and reduce inventory risks, which will help the Group to outperform industry peers.

In the second half year, the Group will remain cautious in opening new stores and adhere to its goal of net increase of 100 stores for the entire year of 2023. The goal is expected to achieve in the second half of the year. In addition to opening more stores in high-quality shopping malls in provincial capitals and prefecture-level cities, some of the existing shopping mall stores will be relocated to better locations or larger spaces in malls to improve store efficiency. More outlet stores will also be opened as a channel for clearing inventory. In addition, China Lilang will continue to make store-related adjustments in Jiangsu, Qingdao and Wuhan in the second half year.

For new retail, the Group will continue to promote e-commerce, using online stores as one of the key platforms for new product launches. In the second half year, the online stores will launch more e-commerce special edition products, while unique and iconic items will be launched online before the Double 11 Shopping Festival to meet consumer demand for personalized clothing and better wearing experiences, and thereby improve the gross profit margin and create new growth drivers for the full-year results. The Group will also drive sales growth in different locations through live streaming on Douyin. These initiatives are aimed at fostering consumer loyalty and improving performance. Moreover, the Group plans to invest in intelligent workshops in the second half year to further enhance its ability to quickly replenish orders and to implement the product launch on e-commerce channels.

China Lilang will continue to leverage the mutual exchange of inventory and the complementary advantages of WeChat Mall stores and physical stores to optimize channels, improve the store network, and increase store efficiency and product sell-through rate, so as to drive steady sales growth and achieve the target of 10% total retail sales increase in 2023. In addition, its membership program will be enhanced by organizing more diverse membership activities, as well as offering exclusive offers and discounts. The Group will also fully strengthen the retail information system, extend the retail space

through WeChat mini-programs and other means, and connect online with offline platforms to expedite product planning, innovative research and development, upgrade of clothing pattern technologies, and product launches.

Mr. Wang Dong Xing, Chairman of China Lilang, concluded: *"In the face of multiple challenges, China Lilang will continue to respond proactively, be cautiously optimistic, adopt a flexible sales strategy, consolidate its store network, accelerate the development of new retail, and enhance its brand image and sales efficiency in order to maintain stable performance 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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