



China Lilang Announces 2022 Interim Results

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Revenue Up 3.2% to RMB1,398 Million Net Profit Amounts to RMB257 Million Interim Dividends of HK18 Cents Per Share

(Hong Kong - 19 August 2022) - **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries the “Group”; stock code: 1234) has today announced its 2022 interim results.

Results Highlights

- Revenue increased by 3.2% to RMB1,398 million
- Net profit was RMB257 million
- Earnings per share was RMB21.5 cents
- Interim dividends totalled HK18 cents per share
- During the first half of the year, the total retail sales of the Group’s products achieved low single-digit growth year-on-year

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

“In the first half of the year, the international environment was complex and severe, with frequent domestic outbreaks of the novel coronavirus pandemic (the “Pandemic”). This put pressure on consumer market operations. However, as the Pandemic prevention and control situation improved and the policies to promote consumption took effect, consumer demand was gradually released and the consumer market gradually recovered, with the domestic economy as a whole showing a steady recovery. In the first half of 2022, China Lilang actively responded to the challenges posed by the Pandemic, and steadily implemented a series of reform initiatives. During the period, the total retail sales of the Group’s products maintained positive growth, achieving low single-digit growth year-on-year.”

For the six months ended 30 June 2022, the Group’s revenue increased by 3.2% year-on-year to RMB1,398 million. Profit from operations was RMB294 million. Due to the impact of the delayed recognition of sales resulting from the shift from the core collection distribution model to the consignment model, which has a higher proportion of total retail sales with a lower gross profit margin, and the rise in raw material prices during the period, the overall gross profit margin decreased by 0.8 percentage points year-on-year to 48.7%. Net profit decreased by 5.3% to RMB257 million. The net profit margin declined by 1.6 percentage points to 18.4%. Earnings per share was RMB21.5 cents.

During the 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 (2021 Interim: HK13 cents) and a special interim dividend of HK5 cents per share (2021 Interim: HK5 cents), continuing to maintain a stable payout ratio.

During the period, the Group steadily implemented a series of reform initiatives. Last year, the Group converted stores from the core collection to the consignment model for operation. Thus far, nearly 40% of core collection stores are operating under the consignment model. The Group continued to pragmatically support distributors in optimising the retail network by closing certain underperforming stores while opening stores in carefully selected quality shopping malls and prime shop locations. The Group also promoted the increased use of the WeChat platform in physical stores to achieve higher store efficiency. To further enhance the efficiency of the smart casual collection stores, the Group revamped its store network, optimised the store locations by moving closer to first- and second-tier markets, and enhanced the space layout of stores during the period. The Group had a total of 2,627 retail stores nationwide, representing a net decrease of 106 stores during the period. Among them, the number of stores in shopping malls amounted to 818, accounting for 31.1% of the total store count and 33.3% of the total retail area; and the number of outlet stores reached 48.

New retail remains one of the Group's top priorities for business development. The Group strives to promote the business of its LILANZ core collection and smart casual collection by actively integrating online services with offline in-store experiences and comprehensive logistics services. Following the shift of the e-commerce online store operations to the direct-to-retail model, the Group can organise sales promotion and e-commerce live streaming in a more flexible manner, and e-commerce was used more effectively for inventory clearance. On the other hand, logistics was hampered by the Pandemic, and the retail sales value of online stores for the period slightly increased by 1% year-on-year. While sales acceleration in the past two years mainly focused on inventory clearance, the Group is increasing the proportion of seasonal product sales during the period. In addition to gradually adding more new products to its online sales channels and launching new products during the 618 shopping festival, the Group reorganised its in-house production plant in a prompt manner and added seven production lines. This demonstrated the Group's ability to replenish orders in a swift manner, marking the continuous development of the new model of selling new products online.

As for brand management and promotion, the Group continued to enhance the personalisation and original design of its products to provide greater value for money. During the period, the Group formed a co-branding partnership with *Chinese National Geography* magazine and artist Cao Yu (Leo), and LESS IS MORE formed a co-branding partnership with the science fiction "*The Three-Body Universe*" for its shop image. Han Han, the Group's brand ambassador, has a new film, "*Only Fools Rush In*", scheduled for release on the first day of the Lunar New Year, and Lilang has officially announced that it is the official menswear partner for the film. In addition, the LESS IS MORE summer collection by brand ambassador Gao Hanyu was launched. This series of brand promotion activities has effectively boosted the rejuvenation of the brand and enhanced its brand power.

Looking ahead to the second half of 2022, despite the uncertain macro environment, the Group will continue to adopt flexible sales strategies, striving to maintain channel health and reduce inventory risk. The Group will also consolidate its store network, accelerate new retail development and enhance its brand image while striving to outperform its peers.

With approximately 40% of the core collection stores operating under the consignment model and the smart casual collection stores and online shops operating under the self-operated model, the Group's control over its sale channels has been strengthened. In the second half year, the Group will take full advantage of the mutual exchange of inventory and the complementary advantages of its WeChat Mall stores and physical stores to promote channel optimisation, improve the store network, and enhance store efficiency, brand promotion and product sell through rates in order to better capture the recovery of the consumer market. In consideration of uncertainties in the macro environment, the total retail sales growth target for the year 2022 has been revised from more than 10% to single-digit growth.

In the second half of the year, the Group will adopt a prudent store opening strategy with a view to maintaining steady growth and profitability. It will optimise its store network in Hefei, Nanchang, Jiangsu and other regions to increase the number of stores in quality shopping malls and expand the virtual inventories of its stores to enhance store efficiency. Due to the uncertainty of the Pandemic, the Group has adopted a more prudent approach to store openings to maintain the same number of stores as the previous year, which means an increase of approximately 100 stores in the second half of the year.

As for new retail, the Group will continue to promote e-commerce. Other than being a channel for inventory clearance, online stores are becoming an important tool for the Group to launch more new products. The Group will launch a special online edition of its environmentally friendly collection in the second half of the year. Prior to the 11 November shopping festival, the Group will launch unique, quality items online, creating an outstanding consumer experience with precise online promotions to respond to individual needs in the market, develop consumer loyalty and raise gross profit margins, providing a new growth point for the full year's performance.

As for retail management, the Group will enhance the Lilang Member Programme by organising more member activities and providing exclusive promotions and discounts. The Group will enhance its marketing capabilities and strengthen its retail information system. In terms of product design, the Group will bring environmental protection and sustainable development elements into its products, and will launch an ecofriendlyproducts collection starting from the spring and summer seasons and thereafter quarterly. Such plan reflects the Group's commitment to responding to the national goal of achieving carbon peaking by 2030 and carbon neutrality by 2060.

In addition, the new logistics centre aims to commence full operation before September 2022, which will see its logistics arrangements ready for the peak e-commerce season. The new logistics centre will be powered by an intelligent system that can optimise the Group's nationwide logistics network and facilitate the effective delivery of goods to stores, thus further enhancing its inventory control and logistics efficiency.

Chairman Wang Dong Xing concluded:

“Although the macro environment is uncertain as the Pandemic in Mainland China is not yet fully under control, the real estate market is unstable and there are frequent international political issues. However, with the Pandemic gradually easing and the central government implementing economic stimulus measures to accelerate economic recovery and revive consumer confidence, the Group is cautiously optimistic about the retail market. In the long run, China Lilang will retain its multi-brand strategy as it endeavours to strengthen its product competitiveness and value for money to further consolidate its leading position in the menswear industry and realise sustainable long-term growth to reward its shareholders, staff and customers for their support.”

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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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