



China Lilang Announces 2022 Annual Results

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Revenue at RMB3,086 Million Net Profit at RMB448 Million Total Dividend for the year at HK32 Cents Per Share

(Hong Kong - 17 March 2023) - **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries the “Group”; stock code: 1234) has today announced its 2022 annual results.

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

“In 2022, lockdowns and control measures were imposed one after another to address the fluctuating coronavirus pandemic, slowing down economic development and, at the same time, dampening consumer sentiment as in-store shopping and social activities were refrained, of which the apparel industry bore the brunt with negative growth recorded in retail sales of apparel for the year. Operating in such a challenging business environment, the Group actively responded to the changing market by continuously facilitating new retail business, promoting sales and driving store efficiency.”

In 2022, the Group’s revenue decreased by 8.7% year-on-year to RMB3,086 million. Net profit decreased by 4.3% year-on-year to RMB448 million, mainly due to the decrease in overall revenue as the Pandemic weighed heavily on the offline retail business, with certain stores being temporarily suspended due to the pandemic prevention and control measures, and rebates provided to distributors by the Group during the year. The gross profit margin was 46.0%, representing an increase of 4.1 percentage points year-on-year, which was primarily attributable to the inventory provision of RMB120 million recorded in 2021 and the writeback of inventory provision of RMB22.26 million during the year. Earnings per share were RMB37.42 cents, down by 4.3%.

During the year, the Group maintained a healthy financial position with sufficient cash flow. The Board of Directors recommended payment of a final dividend of HK9 cents per share and a special final dividend of HK5 cents per share, together with the interim dividend already distributed, the total dividend for the year amounted to HK32 cents per share, maintaining a stable payout ratio.

The Group actively develop the business in WeChat Mall during the year to take advantage of the interactive features of the social platform and capitalise on the complementary advantages of online and offline services, thus driving store efficiency growth. The Group gradually transformed its online sales service from a channel for off-season inventory clearance to a platform mainly for advertising its brand image, and promoted sales through sales promotion, e-commerce live streaming and other campaigns, such as the launch of pants hot products on e-commerce platforms during the 618 E-Commerce Shopping Festival and the premier launch of quality and hot items, hydrophobic downs, online prior to the Double 11 Shopping Festival. Although retail sales decreased by 0.4% under a stagnant market, a significant increase in gross profit was recorded mainly due to higher unit price of new product sales and sales proportion of new products increased. The new retail business started generating net profit.

However, physical stores' sales were strongly affected by the Pandemic, the Group decisively closed certain underperforming stores and slowed down its plan to open new stores, thus falling short of the target of maintaining the same number of stores throughout the year as the beginning of the year. As of the end of the previous year, the Group had 2,644 stores, representing a decrease of 89 stores as compared to the end of 2021. The Group further optimised its nationwide sales network by relocating approximately 50 stores to premium locations of first- and second-tier cities, so as to enhance store efficiency and utilisation of store space.

Thus far, nearly 40% of core collection stores are operating under the consignment model. During the year, the Group continued to consolidate and develop its nationwide sales network through long-term partnership with distributors, in order to reach more consumers across China. At the same time, the Group pragmatically supported distributors in optimizing the retail network by opening stores in carefully selected quality shopping malls and prime shop locations. The Group also promoted increased usage of the WeChat platform in physical stores to achieve higher store efficiency. On the other hand, smart casual collection stores and online stores were converted to direct-to-retail mode in 2020 and 2021, respectively. By the end of 2022, the Group had a total of 251 smart casual collection stores, and other stores were operated by distributors or sub-distributors respectively.

With respect to inventory management, despite weaker sales caused by the volatile Pandemic situation, the effort put into inventory clearance by the Group was effective, and the inventory balance during the year approximated that of last year.

On the brand promotion front, the Group has been on the forefront of the apparel industry by promoting its key products with the newly-created virtual ambassador, Li Li, so as to show China Lilang's brand concepts with simple menswear and attract young consumers' attention. Moreover, the Group continued to work with its brand ambassador, Han Han, by being the official menswear partner for his new film "Only Fools Rush In" and launching co-branding products with him and the *Chinese National Geography* magazine. China Lilang has also co-partnered with artist Cao Yu (Leo), and LESS IS MORE has formed a co-branding partnership with the science fiction, *The Three-Body Universe*, for its shop image.

Looking ahead to 2023, the Pandemic situation has gradually stabilised, foot traffic has increased significantly, and social and economic activities are picking up. Besides, multiple provinces and cities have introduced intensive policies to promote consumption, providing strong support to boost market confidence and consumption levels. The Group maintains a wait-and-see attitude towards the retail market in the first half of next year, but adopts a cautiously optimistic outlook on the full year.

China Lilang will adopt a prudent store opening approach to improve its sales network. The Group is aiming for a net increase of approximately 100 stores in the next year, and plans to continue to open stores in quality shopping malls in provincial capitals and prefecture level cities. The Group will also open more stores at outlet malls and use them as the default channel for inventory clearance. The Group aims to grow its total retail sales for the year 2023 by 10% or more.

The Group will step up efforts to promote its new retail business, cultivate the business model of selling at online stores and delivery to offline stores, and introduce better services, to provide more convenient and satisfactory shopping experiences to customers. Instead of being just a channel of the Group for inventory clearance, online stores will also become an important tool for the Group to launch new products. It is expected that in 2023, proportion of new products sold from e-commerce will further increase. Together with precise online promotions, the Group will drive traffic and cultivate customer loyalty, and thereby promote growth in online sales, striving to achieve significant growth in sales from e-commerce business during the year.

Chairman Wang Dong Xing concluded:

“The Pandemic has accelerated the market consolidation of the retail sector and realised the principle of the survival of the fittest. As a capable menswear enterprise, China Lilang will continue to adhere to its strategy of providing products that offer excellent value for money in the following year in a bid to strengthen its product competitiveness. The efforts made during the past few years enabled the Group to build internally a strong supply chain and inventory management capabilities and to add externally channels of consignment model, retail and e-commerce along with the original distributor model. All of the new channels have been on the right track and recorded profits. In the long run, the Group determines to further consolidate its leading position in China’s menswear industry and realise sustainable long-term growth, which in turn will enable it to reward shareholders, staff members 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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