



China Lilang Announces 2023 Annual Results

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Revenue Up by 14.8% year-on-year to RMB3.544 Billion
Net Profit Up by 18.4% year-on-year to RMB530 Million
Total Dividend for the Year at HK36 Cents Per Share

(Hong Kong - 18 March 2024) - **China Lilang Limited** (“China Lilang” or the “Company”, together with its subsidiaries, the “Group”; stock code: 1234) today announced its 2023 annual results.

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

“In 2023, China welcomed its first year of recovery after three years of pandemic. Despite the continued complex and ever-changing global situation, the economy in Mainland demonstrated resilience. Under the guidance of the encourage consumption policy by the Central Government, the retail market has gradually recovered and achieved a moderate growth in the second half of the year. During the year, the Group pushed forward the Lilang brand’s strategic upgrade, achieving both revenue and profit growth, and laying a solid foundation for future sustainable development.”

For the year ended 31 December 2023, the Group’s revenue increased by 14.8% year-on-year to RMB3.544 billion. The increase in sales was mainly due to the resumption of normal operations of all stores together with the resumption of social activities. In addition, the turnover of smart casual business increased significantly by 35.2% due to the opening of more new stores and the increase in single-store sales and average unit price. The distributors of the core collection had to digest the inventory from 2022, which suppressed the order growth in 2023. Sales of the core collection increased by 10.7%.

Gross profit margin was 48.2%, an increase of 2.2 percentage points year-on-year. This was attributable to the significant growth in sales of the self-operated smart casual business during the year, and an increase in the proportion of high-end products in total sales as a result of the strategy of maintaining high quality and value. Net profit climbed by 18.4% year-on-year to RMB530 million. Net profit margin increased by 0.5 percentage points to 15.0%. Basic earnings per share were RMB44.30 cents, representing a year-on-year increase of 18.4%.

During the year, the Group maintained a healthy financial position and sufficient cash flow. The Board of Directors has recommended the payment of a final dividend of HK13 cents per share and a special final dividend of HK5 cents per share. Together with the interim dividend already paid, total dividend for the year amounted to HK36 cents per share, representing an increase of 12.5% from last year, and maintaining a stable dividend payout ratio.

The Group continued to promote its new retail business by vigorously developing interactive and entertaining live-streaming sales models to enhance consumer's online shopping experience and stimulate their desire to buy. Leveraging the complementary advantages of direct-to-retail online stores and WeChat Mall, the e-commerce business achieved a growth rate of 17.6% for the year, outperforming the overall growth rate.

The Group has been actively reforming its sales channels. After three years of hard work, the Group has established four sales channels: the distribution and consignment models of the core collection, the direct-to-retail stores of the smart casual collection and the direct-to-retail stores under the e-commerce sales model. This has allowed the Group to closely match its products and services with the purchasing patterns of Chinese menswear consumers and drive sales growth. During the year, each of the sales channel has recorded profit and sales per store increased significantly, further reflecting the effectiveness of the sales channel reform. As of the end of 2023, the Group had a total of 2,695 stores, including 302 smart casual collection stores and a total of 2,393 core collection stores, representing a net year-on-year increase of 51 stores.

With respect to inventory management, 22 more outlet stores were opened and sold seasonal products that were not sold in other stores. The sold-out rate of core collection and smart casual stores has increased. The new logistics center became operational, together with its intelligent logistics system has accelerated the delivery speed of goods to stores, while improving inventory control and achieving cost reduction. As at the end of 2023, the Group's average inventory turnover days decreased by 25 days from the end of 2022 to 170 days, reflecting a more efficient level of inventory management.

In terms of brand promotion, the Group sells menswear products comprising two collections – the core collection and the smart casual collection. It continues to provide consumers with high-quality simple menswear and new wearing experiences for fashionable items, enhancing the brand's appeal through the concept of "Simplified Design Excellent Quality". During the year, the Group launched a re-designed logo. Based on the original logo, the visual proportion and graphic design have been optimized to enhance the brand's vitality and sense of fashion. In addition, store spaces use immersive technology installations that create a chic environment suitable for young people.

Looking at 2024, faced with an ever-changing international environment and domestic economic challenges, the Central Government has designated 2024 as the “Year of Consumption Promotion” to boost market confidence and stimulate the vitality of the retail sector. China Lilang has responded positively. It plans to further upgrade the brand image of “Lilang Minimalist Menswear” through innovative product development and differentiated brand strategies, coupled with a sales channel that is more geared towards young consumers, to cater for and lead in satisfying the needs of consumers, as well as further enhance its sales performance.

The Group plans to achieve a net increase of 100-200 stores, particularly in upscale shopping malls and outlet malls in provincial capitals and prefecture-level cities. It will also vigorously develop a new retail business, offering personalized shopping experiences via live-streaming on Tik Tok, in order to have close contact with consumers. The Group aims for the new retail business to achieve year-on-year sales growth of 20% and overall sales growth of 15% in 2024. In addition, the Group plans to complete the seventh-generation renovation project for 400 stores to enhance the brand image and shopping experience of consumers.

In terms of product positioning, the Group will continue its strategy of providing products that represent “high quality and value” and will continuously introduce innovative and differentiated new products to meet consumers’ desire for personalized clothing. With the successful inventory clearance and further reduction of off-season inventory, the Group will intensify the launch of new products to increase the proportion of higher-priced new items, thereby improving the average selling price and the overall profitability of the products.

To enrich the product portfolio of China Lilang and strategically upgrade the existing brands, the Group has implemented a new “multi-brand and internationalization” development strategy and is actively seeking collaborations with other brands to provide consumers with diversified choices and to meet their different clothing preferences. With a well-established sales network in the Mainland China, and an increasingly interconnected global market, the Group plans to propel the brand to the global stage, expanding into the overseas markets. The Group believes that the internationalization of its brand will not only bring about a new style for the Group and enrich the product design, but also broaden its sources of revenue and welcome more market opportunities.

Mr. Wang Dong Xing concluded:

“In the long run, China Lilang will steadfastly uphold its mission to deliver stylish menswear with superior quality and value to its customers; enhancing the competitiveness of our brand with unique product designs and marketing promotions; and further consolidating the Group’s leading position in the menswear industry, thereby enabling sustainable and long-term growth of the business for our supportive shareholders, colleagues and customers.”

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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