



## China Lilang Announces 2024 Interim Results

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**Revenue Up by 7.3% to RMB1,600 Million  
Net Profit Increased by 3.6% to RMB280 Million  
Interim Dividend of HK18 Cents Per Share**

(13 August 2024 – 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 2024.

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

*“In the first half of 2024, despite the complex and challenging international environment, total retail sales in terms of consumer goods across China increased by 3.7% year-on-year, of which retail sales of apparel, footwear, headwear and knitwear increased by only 1.3% year-on-year. While the growth rate was relatively low compared to those of the national gross domestic product and total retail sales, it still underscored the market's stable development. Consumers in the clothing sector exhibited a more cautious spending behavior, leading to a rise in demand for high-value products and promotional offerings. Moreover, escalating competition among clothing brands prompted adjustments in product pricing, promotional strategies, and market positioning across the industry. In response to the challenging market environment, China Lilang has enlisted famous artists to serve as brand ambassadors, together with its diversified publicity strategies, and together with its diversified publicity strategies, China Lilang has increased the promotion of its e-commerce business, responding to the personalization needs of the new generation of consumers and their strong on cost-effectiveness. This enabled the Group to outperform its competitors and increase its market shares.”*

For the six months ended 30 June 2024, the Group’s sales revenue increased by 7.3% to RMB1,600.0 million. This increase was mainly attributable to the in-store operation and e-commerce of the smart casual collection during the first half of the year. This resulted in an increase of 17.3%, maintaining the growth from the fourth quarter of the previous year. Net profit of the Group amounted to RMB280.1 million, an increase of 3.6% year-on-year, with a net profit margin of 17.5%. Gross profit margin was 50.0%. Earnings per share were RMB23.4 cents, an increase of 3.6% year-on-year.

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 (2023 Interim: HK13 cents) and a special interim dividend of HK5 cents per share (2023 Interim: HK5 cents), thereby maintaining a stable payout ratio.

Faced with an ever-evolving market environment and the increasing diversification of consumer demands, China Lilang has unwaveringly embraced the changes in its sales channels, striving to achieve healthy growth with higher quality. As a pioneer of the Group's retail business, the “LESS IS MORE” smart casual collection has not only achieved remarkable results after years of cultivation, but also accumulated valuable direct-to-retail experience for the Group. Therefore, the Group decided to first implement the DTC model (hybrid operation of direct-to-retail stores and distributors stores) of the Lilanz core collection in Heilongjiang during the period, in order to replace the previous distributor business model and increase the proportion of the DTC model adopted by the Group.

During the period, the Group continuously and pragmatically optimized its distributor retail network by adopting a strategy of opening new stores in prime locations within premium shopping malls. These strategic openings, together with renovations highlighting the brand's characteristics, have attracted customers and boosted sales. The Group continues to consolidate and develop its nationwide sales network through long-term partnerships with distributors, with the aim of improving services for domestic consumers. As of the end of June 2024, the Group had a total of 2,709 stores, including 297 smart casual collection stores and 2,412 core collection stores, with a net increase of 14 stores from the end of last year.

The Group has intensified its efforts to develop the reach of its new retail business by further covering more platforms including “Pinduoduo” to continuously provide high-quality and highly-interactive content on its online platforms and, to facilitate in-depth interactions with consumers, which would cultivate a deep emotional connection between China Lilang's brand and its consumers, and, in turn, encourage their loyalty. The Group initiated e-commerce promotion activities and simultaneously launched more e-commerce products on platforms such as TikTok, Tmall, JD.com and VIPS during the 618 E-commerce Shopping Festival, ascending to rank fourth in the menswear industry in terms of sales in T-mall. In addition, the Group comprehensively upgraded its retail management system to achieve seamless docking of online-offline platforms and real-time data sharing; the Group further leveraged the interactive features of social platforms to open stores and provided customer relationship management services on WeChat Mall, leveraging the complementary advantages of online and offline services, thus promoting the growth of store efficiency. The Group achieved a 37% year-on-year increase in new retail sales during the period.

In terms of inventory management, the Group opened four more outlet stores during the period to sell seasonal products that were not sold in other stores, while using its e-commerce platform as an important channel for inventory clearance. The Group also leveraged the intelligent logistics system of the new logistics center to bring inventory products to the market quickly, so as to promote the transformation of inventory sales through activities such as flexible product promotion and e-commerce live streaming.

In terms of product design and development, the Group adhered to the brand philosophy of “Simplicity but not Simple”, implemented the strategy of “Simplified Design, Excellent Quality” by increasing investment in research and development, and insisted on improving the quality/price ratio of its products through technological innovation. The Group appointed Xu Kai as its new brand ambassador of LESS IS MORE at the beginning of the year, and continued to incorporate Chinese intangible cultural heritage into its products by collaborating with renowned designers and integrating modern design with traditional culture, further consolidating the brand’s position in the young business apparel market and becoming the preferred brand of young business professionals. During the period, China Lilang sponsored a trendy video clips and China Lilang’s ambassador Gem made an appearance at the brand meetup at Zhengzhou Shanshan Outlets, introducing Lilang’s brand philosophy and increasing the public’s brand awareness of China Lilang by creating a trending topic.

The Group has entered into a joint venture agreement with its partners, contributing RMB150.0 million in capital and holding a 54% equity interest. The official launch of MUNSINGWEAR brand products is expected next year. This move will further enhance the Group’s ability to meet the diverse needs of its consumers, in line with the Group’s “multi-brand” development strategy.

Looking ahead to the second half of 2024, the weak retail market has caused the menswear industry to undergo market consolidation, with brands with homogenized products, a single distribution channel and unhealthy cash flow facing the possibility of being phased out. China Lilang will seize this opportunity, actively expand its market share, further solidify its position, and strive to become an iconic player in the market. The Group will focus on leveraging the advantages of sales channel reform, continuously optimizing its store network, accelerating the development of new retail business, and continuously launching innovative and differentiated new products to meet the demands of consumers.

The Group will continue to adopt a pragmatic store opening strategy in the second half of the year, prioritizing the opening of new stores in prime locations at premium shopping malls in provincial capitals and prefecture-level cities, and closing underperforming stores to achieve better overall store performance. The Group will also continue to expand the scale of store openings in outlets and shopping malls to attract consumers with competitive prices. To enhance its brand image, the Group plans to complete the 7th generation renovation project for 400 stores by 2024, cultivating a more memorable “Simplicity but not Simple” brand image through visual elements with a sense of technology and a youthful and fashionable design, to cultivate.

The Group will also proactively develop its new retail business and continuously strengthen online promotion to drive development with innovation. Through e-commerce live streaming on popular social media platforms such as TikTok and Xiaohongshu, the Group can reach consumers across the country to drive sales growth. The Group plans to launch the “E-Commerce Special Edition Products of the Environmental Collection” and hot and iconic items in the fall of this year to meet customers’ desires for both environmental protection and fashion, while preparing for the upcoming Double 11 Shopping Festival. Through the implementation of the new series of retail measures, the Group aims to achieve new retail business growth of 30% or more this year.

The Group grasped consumers’ growing demand for high value, proactively deepened its core strategy of “Simplified Design, Excellent Quality”, providing high product quality at attractive prices, and continuously launched innovative and differentiated new products to provide consumers with a more value-for-money shopping experience. The Group implemented a “Multi-brand and Internationalization” development strategy and enriched its product mix by collaborating with international companies to revitalize its brands. The Group has reached an agreement and will be granted the franchise of MUNSINGWEAR in the PRC market through the establishment of a joint venture, which is expected to commence operations in 2025. As for the expansion into the Southeast Asian markets, the Group has initiated the formation of a new company and is preparing to open its first international store in Malaysia. The initiative aims to bring premium, value-for-money Chinese menswear to overseas markets, while broadening its revenue sources, and embracing more market opportunities.

In light of the current changes in the consumer market, the Group has revised its full-year store opening target for 2024 from 100-200 to 50-100, with the new stores mainly located in shopping malls and outlets. The overall sales growth target has also been adjusted from 15% to 10%.

The Group will also strictly control costs to improve efficiency and ensure profitability. It will prudently revise the store opening plan, and review market promotion plans, in order to focus resources on target consumer groups and achieve profit maximization.

**Mr. Wang Dong Xing, Chairman of China Lilang**, concluded: *“Despite the challenges in the macro environment, the Mainland China market size is huge and the overall operation of economy remains stable, and there is strong demand for high-cost-effective products, leading the Group to remain cautiously optimistic. China Lilang will continue to leverage its competitive advantages, actively adopt flexible sales strategies, strengthen its store network, and accelerate the development of new retail. The Group will also enhance its brand image and sales efficiency to further consolidate China Lilang’s leading position in the menswear industry and realize sustainable long-term growth, which in turn will enable the Group to reward its shareholders, employees and customers for their support.”*

### **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 brands of 「利郎 LILANZ」及「利郎 LESS IS MORE」 across an extensive distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC.

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