

LILANZ 利郎

HONG KONG\_2017.03



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# AGENDA

- ▶ Results Highlights
- ▶ Financial Review
- ▶ Business & Operational Review
- ▶ Outlook & Strategy
- ▶ Open Forum

RESULTS  
HIGHLIGHTS

业绩亮点

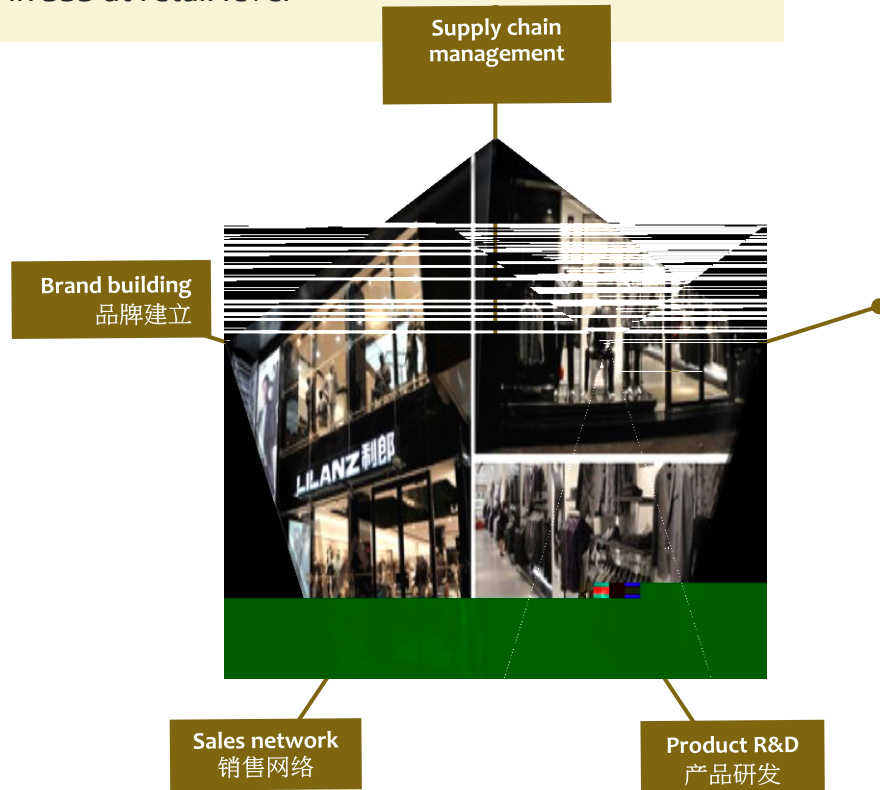


# ENHANCED COMPETITIVE STRENGTHS

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- ▶ Economic outlook uncertain and weak consumer demand continued
- ▶ Adhere to strategy of “improving product quality without raising price”
- ▶ Store efficiency has improved & channel remains healthy
- ▶ Achieved mid-single digit growth in SSS at retail level

- ▶
- ▶
- ▶
- ▶



# SOLID PERFORMANCE

	<u>FY2015</u>	
	<u>RMB mn</u>	
	2,689.1	-10.3%
	1,142.8	-12.9%
	794.1	-16.5%
	625.2	-13.6%
	51.83	-13.8%
	51.77	-13.7%
	17.0	
	7.0	
	42.5%	-1.2p.p.
	29.5%	-2.0p.p.
	23.2%	-0.8p.p.
	22.3%	-4.1p.p.
	27.6%	+0.1p.p.
	8.3%	-0.3p.p.

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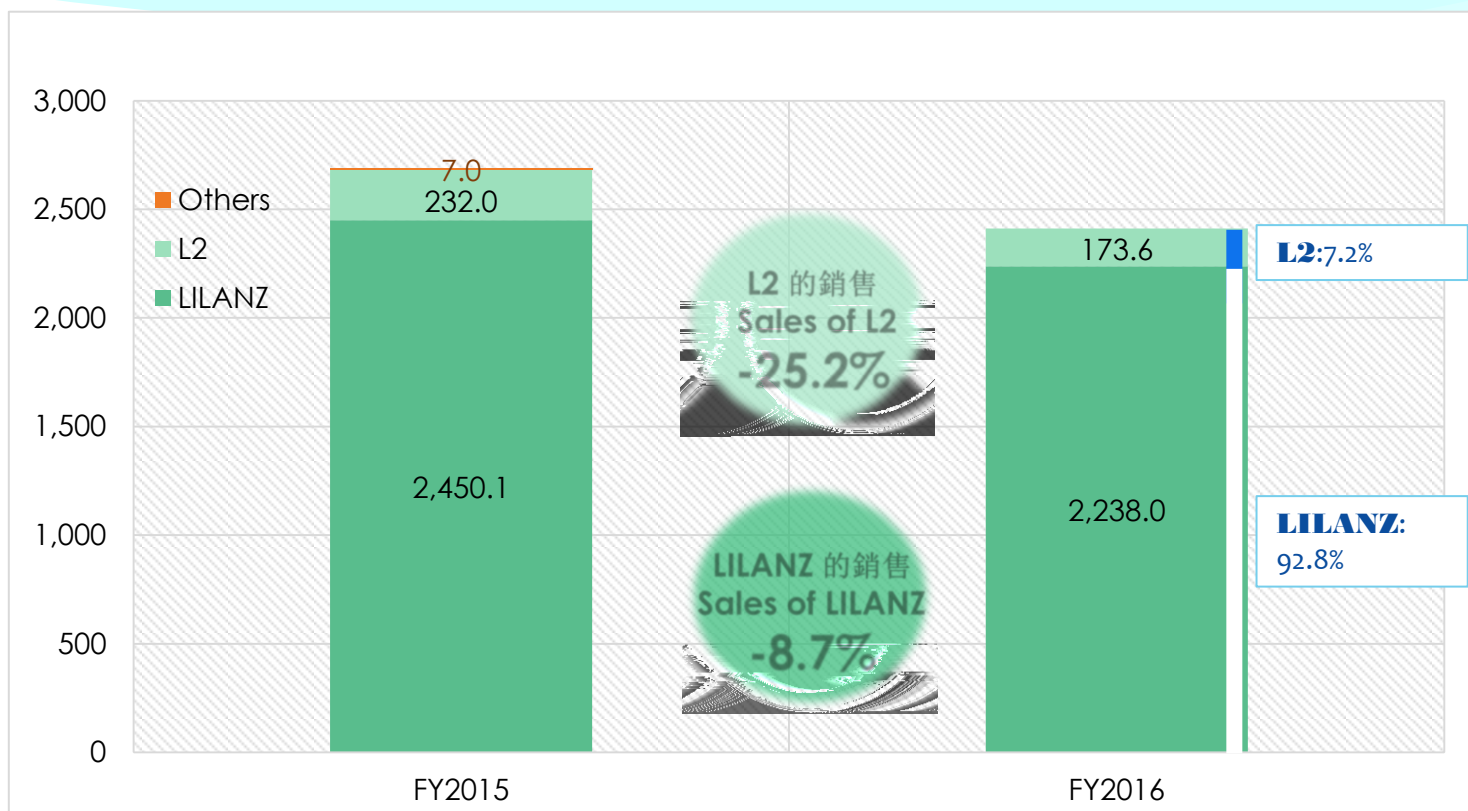
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# FINANCIAL REVIEW

财务表现回顾



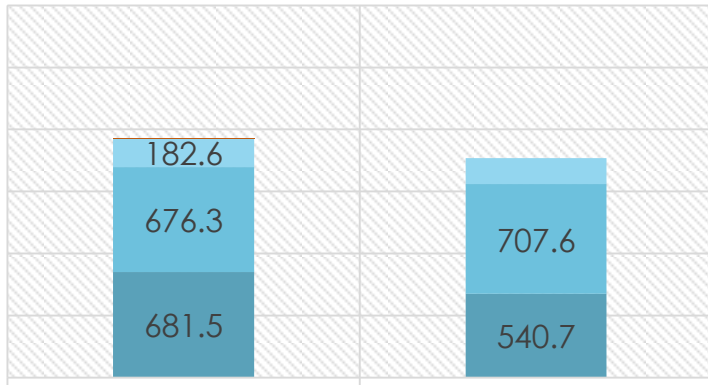
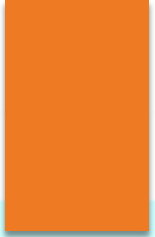
# REVENUE ANALYSIS



- ▲ In 2016, **L2** repurchased off-season inventories of about RMB22.0 mn from distributors
- 2016 **L2** 2,200



# COST OF SALES



# SD&A EXPENSES

(RMB mn)

223.3 -13.8%

62.4 -4.0%

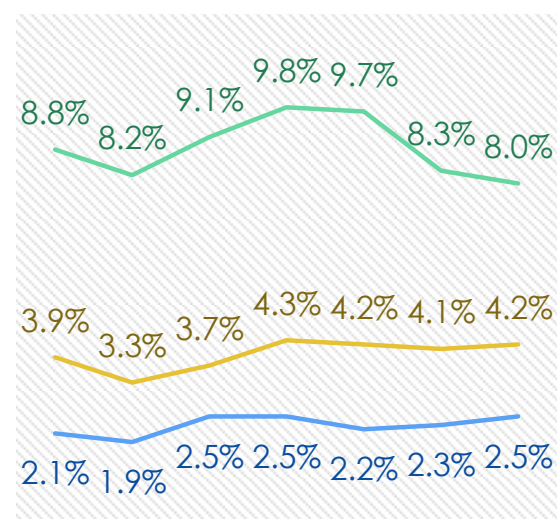
285.7 -11.7%

- N/A

109.5 -8.0%

109.5 +56.4%

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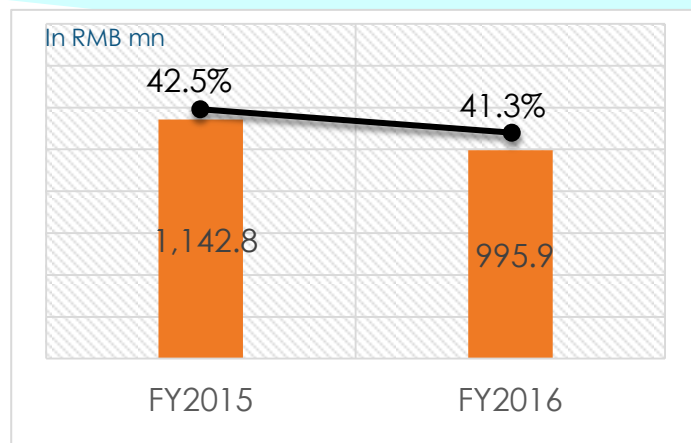
Other administrative expenses

Other selling and distribution expenses

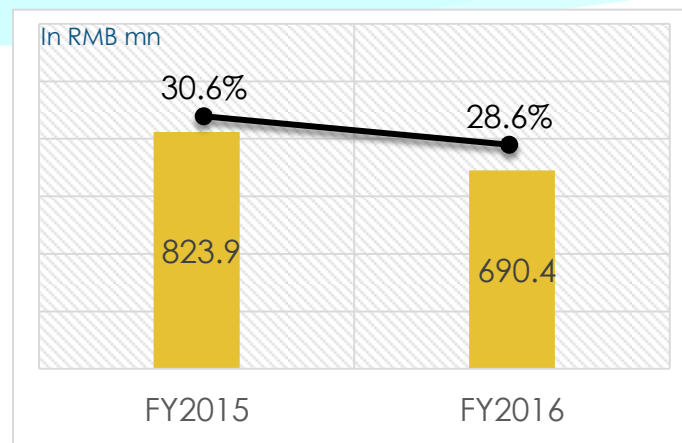
Advertising and promotional expenses

# PROFIT & MARGIN

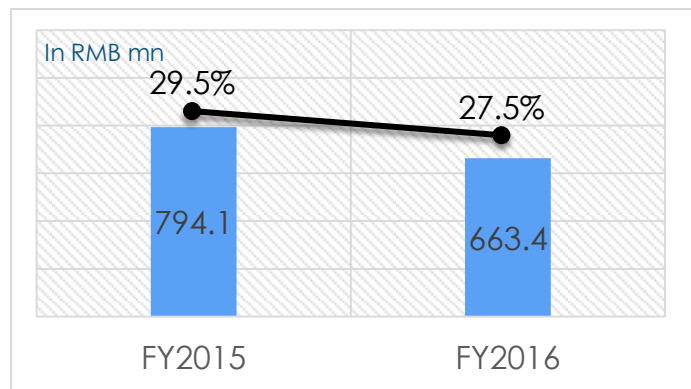
## Gross profit & margin



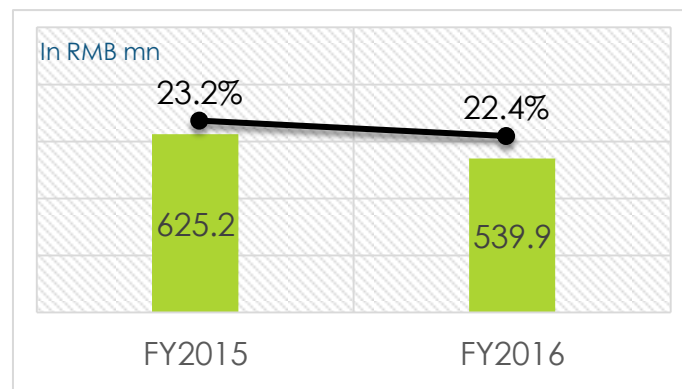
## EBITDA & EBITDA margin



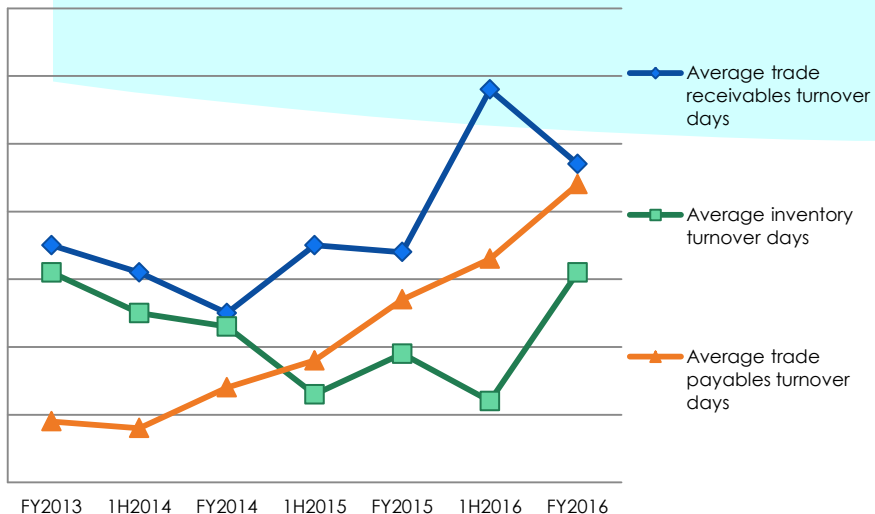
## Operating profit & margin



## Net profit & margin



# WORKING CAPITAL CYCLE



- ▲ Total inventory balance increased by RMB2.9 mn to RMB294.4 mn
- ▲ **LILANZ** inventory:
  - reduced by RMB11.8 mn to RMB257.5 mn, reflecting high single digit % drop in 2017 S/S orders
  - Y.E. inventory mostly 2016 winter products delivered in January 2017 and 2017 S/S products
- ▲ **L2** inventory:
  - RMB36.9 mn net of provision
  - 100% provision made for inventory aged over 1 year

▲		2.9	294.4	.
▲ <b>LILANZ</b>	:			
•		11.8	257.5	2017
•				
•		2017	1	2016
▲ <b>L2</b>	:			
•			36.9	
•			100%	

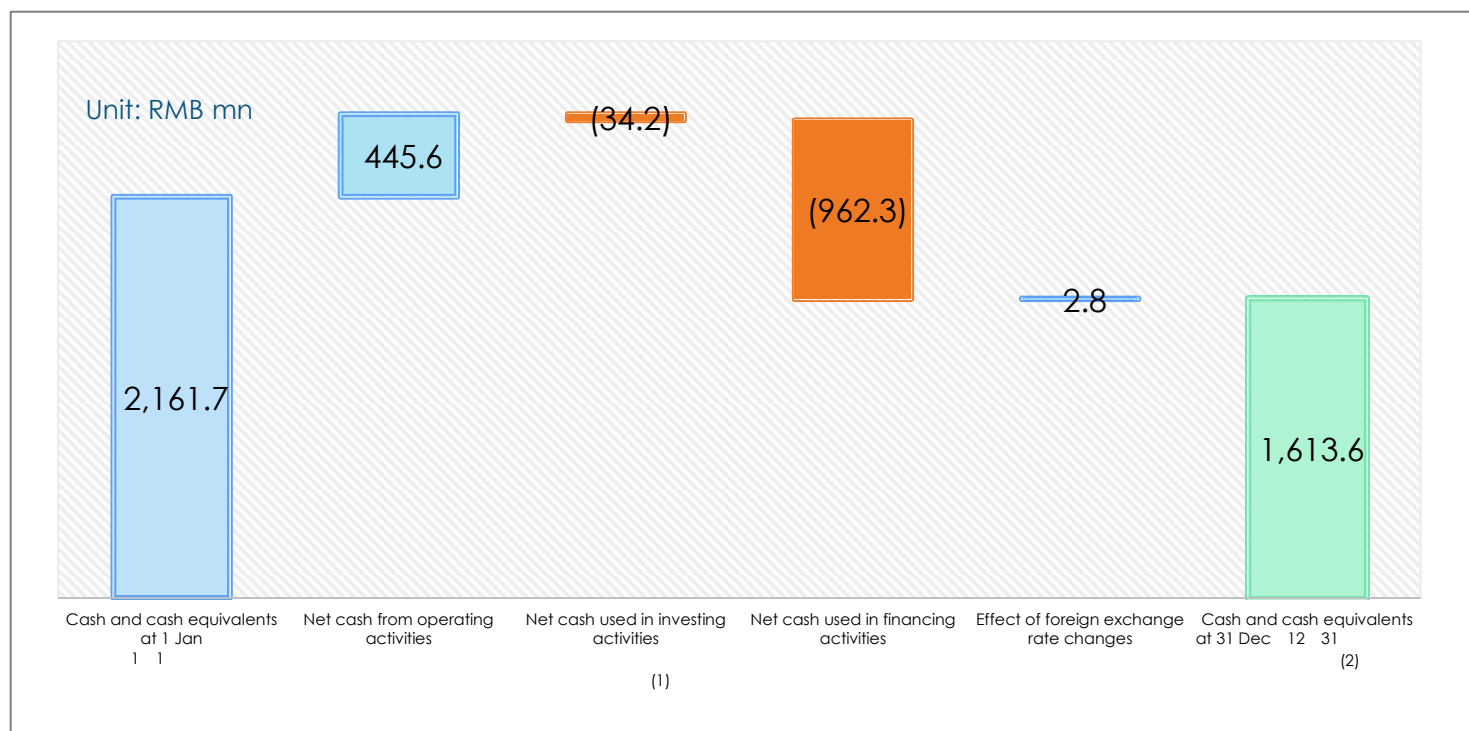
- ▲ Balance decreased by 11.8% to RMB667.7 mn (net of provision)
- ▲ **LILANZ** AR balance decreased 5.6% to RMB638.0 mn, reflecting:
  - Drop in sales of 2016 winter products
  - Additional credits to some distributors as incentive for opening large stores in shopping malls
- ▲ Full provision made for **LILANZ** overdue AR balances totaling RMB9.2 mn
- ▲ **L2** AR net balance RMB29.7 mn after provision of RMB71.5 mn.

▲	11.8%	667.7	
▲ <b>LILANZ</b>		5.6%	638.0
•	2016		
•			
▲ <b>LILANZ</b>		9.2	
▲ <b>L2</b>		71.5	29.7

- ▲ The balance of trade and bills payables remained at a similar lever as of last year

▲ 2015

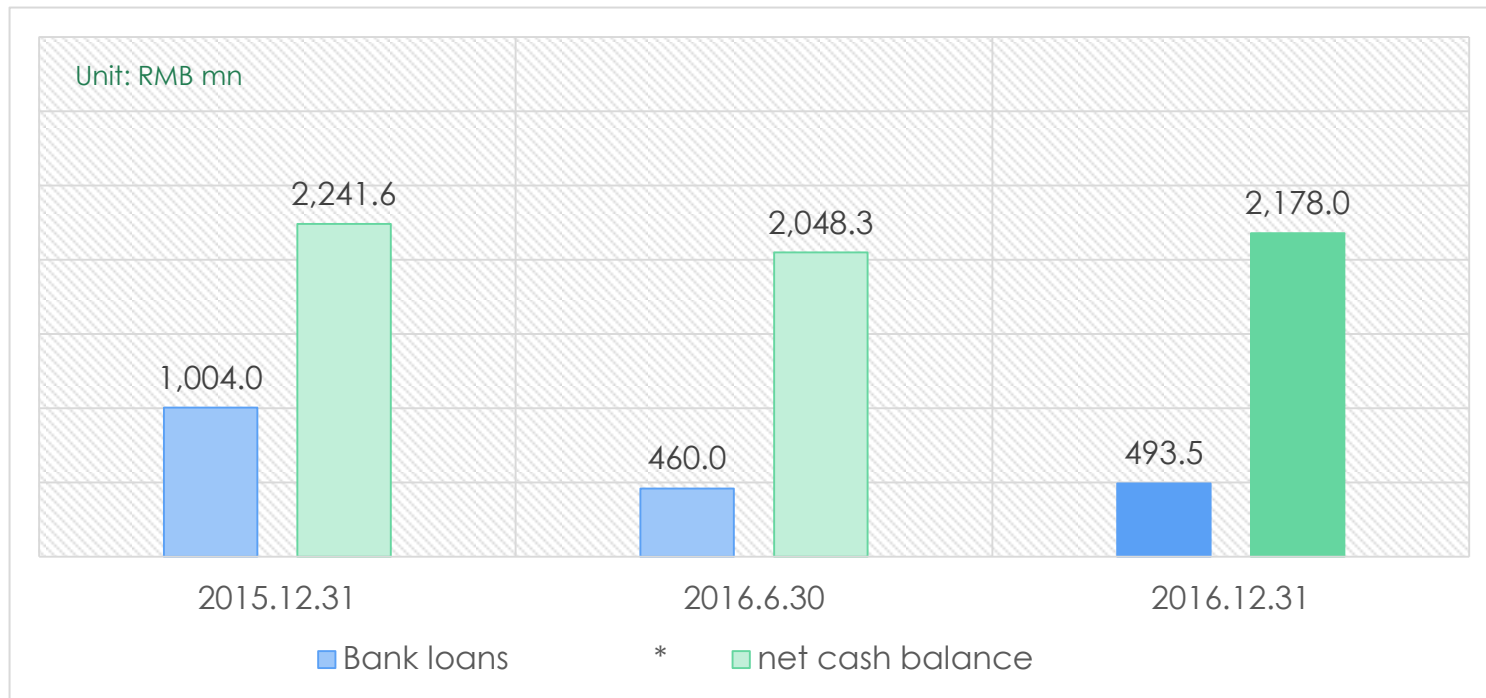
# CASH FLOW



(1) Include placements of time deposits and pledged bank deposits with maturity over 3 months

(2) Excluded fixed deposits held at banks with maturity over 3 months and bank deposits pledged as security for bank loans

# HEALTHY AND STRONG CASH POSITION



\* Secured by pledged bank deposits

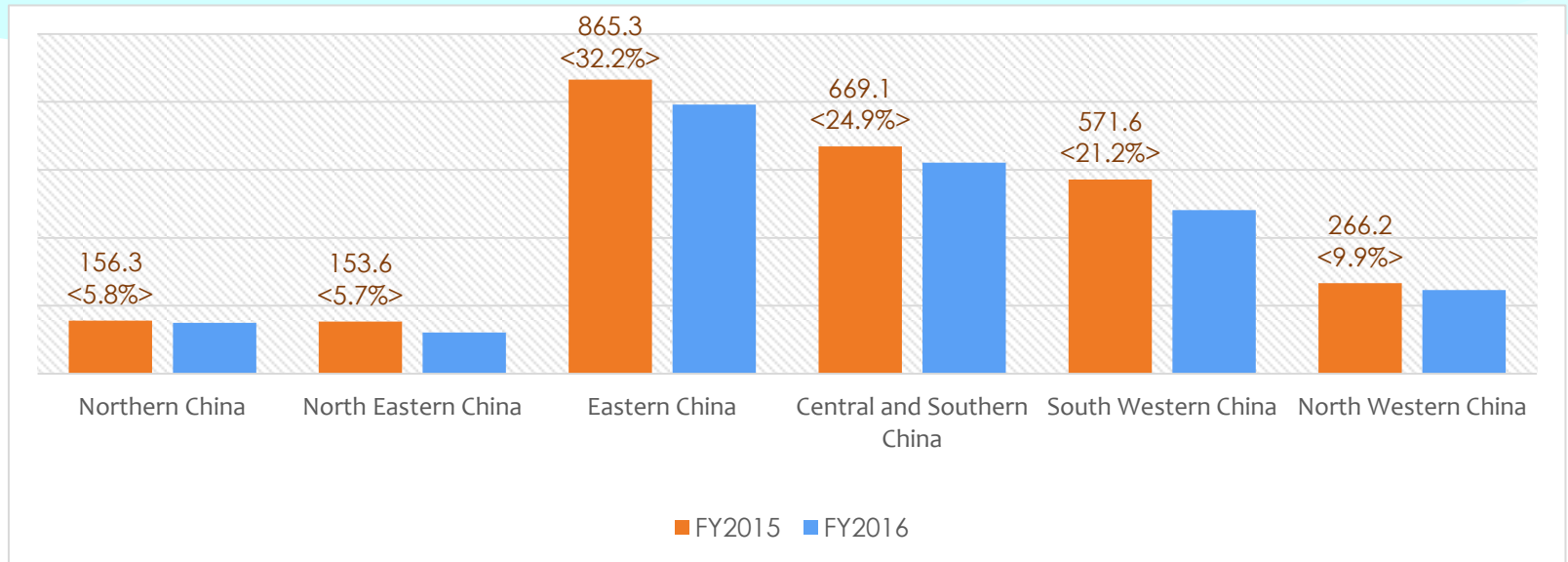
# BUSINESS & OPERATIONAL REVIEW

业务回顾



# NATIONWIDE DISTRIBUTION NETWORK

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store count	(As at)	2016.1.1	Net change
Northern China		285	-45
North Eastern China		302	-55
Eastern China		805	-138
Central and Southern China	华	726	-89
South Western China	华	588	-64
North Western China		279	-19
		<u>2,985</u>	<u>-410</u>

# SALES CHANNEL MANAGEMENT

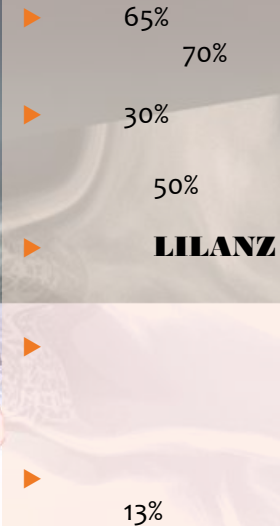
- ▶ Continued to open stores in shopping malls with over 100 such stores in total as at year end, and sales performance in line with expectation
- ▶ Opened new specialty stores for **LILANZ**'s smart casual collection in 2H 2016 in 1<sup>st</sup> and 2<sup>nd</sup> tier cities on pilot basis, with encouraging initial sales performance
- ▶ Continued to monitor all stand-alone stores with ERP systems
- ▶ Continued to provide training to distributors
- ▶ Plans to establish an independent team for online sales in 2H 2017 to explore online sales business more aggressively

- ▶ 100
- ▶ 2016  
**LILANZ**
- ▶ ERP
- ▶ 2017



# PRODUCT DESIGN AND DEVELOPMENT

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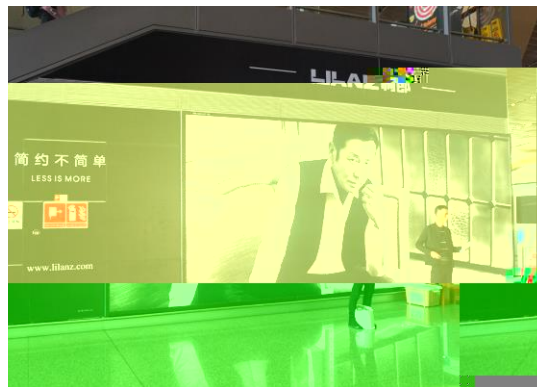
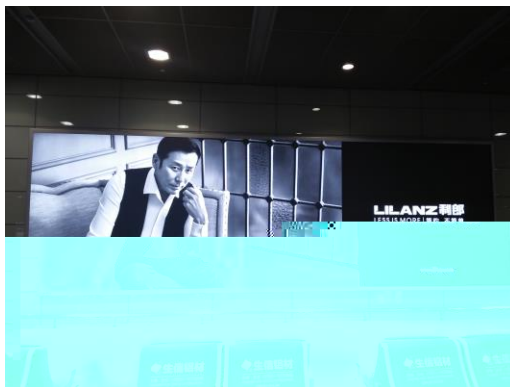


- ▶ Products of original designs accounted for ~65%, and target set at 70%
- ▶ ~30% of original designed products adopted the Group's proprietary fabrics, and target set at 50%
- ▶ Expanded and enriched **LILANZ** smart casual collection with encouraging market response
- ▶ Domestic design team for womenswear was set up, plans to have a small line of womenswear every fall and winter seasons for sales in large stores
- ▶ Growing sales of high-end collection especially in stores opened in shopping malls in 1<sup>st</sup> and 2<sup>nd</sup> tier cities, accounting for 13% of total sales

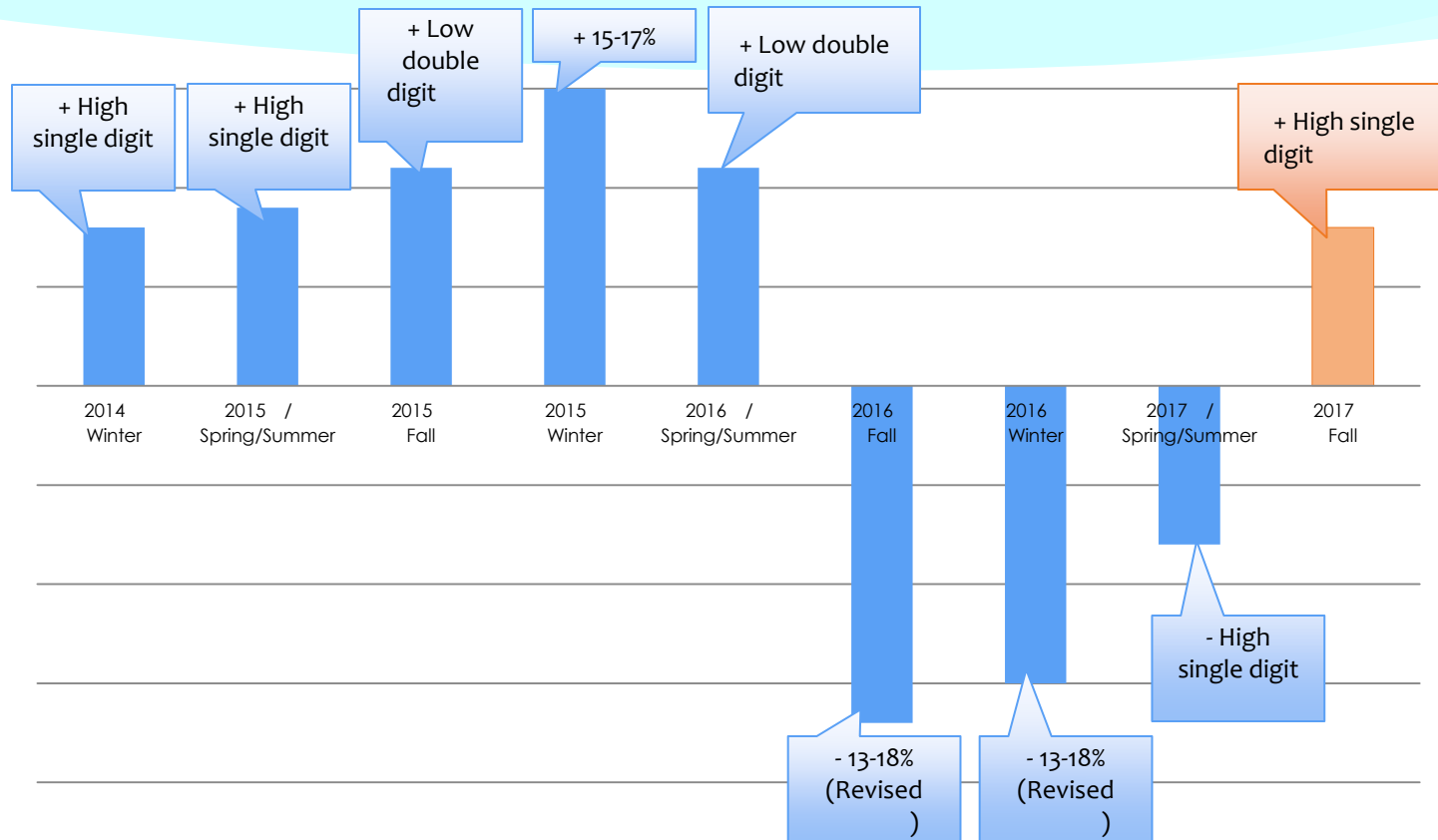
# MARKETING & PROMOTION

- ▶ Continued to focus on store image for brand promotion
- ▶ Since 2015, all newly opened large-scaled stores in 1<sup>st</sup> and 2<sup>nd</sup> tier cities have adopted the six-generation store image, using high-end materials to display an elegant style with better use of retail space
- ▶ To renovate or partially upgrade about 800 stand-alone stores in suitable locations with this sixth-generation store image in 2H 2016 and 2017, and clearance sales would be held in those stores before renovation. 350 stores had been done.
- ▶ Started to place advertisements in EMU stations, and continued to advertise through advertising signs in airports and road side billboards and put soft-sell advertising in magazines and newspapers

▶	2015		
▶	2016	2017	
	800		
			350
▶			



# TREND OF LILANZ TRADE FAIR RESULTS



# OUTLOOK & STRATEGY

前景与策略



# PRUDENT & FLEXIBLE OPERATION STRATEGY

- ▶ Adheres to “improving product quality without raising the price” strategy, and continues to improve product design, craftsmanship and materials, with the aim of raising the proportion of original designs, enhancing the value-for-money of its products and increasing the competitiveness of its products and brand
- ▶ To consolidate existing market in 3<sup>rd</sup> and 4<sup>th</sup> tier cities, and to increase presence in 1<sup>st</sup> and 2<sup>nd</sup> tier cities to boost overall sales
- ▶ In view of the satisfactory sales performance of the trial launch of **LILANZ** smart casual collection specialty stores in certain 1<sup>st</sup> and 2<sup>nd</sup> tier cities, step up efforts in its product design and market development and establish separate design and operation centre for this collection in Shanghai in 2H 2017
- ▶ Prudent store opening plan, and expects its retail stores to continue recording same-store sales growth through better products, improving channel management and optimizing store network.
- ▶ Set up dedicated team for online sales in 2H 2017 to explore online sales business more aggressively
- ▶ 2017 fall trade fair orders improved to a high single-digit growth

**LILANZ**

2017

2017

2017

# OPEN FORUM

问答时间



# CONSOLIDATED STATEMENT

## OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

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FY2015

Cost of sales	2,689,093
	(1,546,244)
	1,142,849
Other net income	54,309
Selling and distribution expenses	(285,671)
Administrative expenses	(109,506)
Other operating expenses	(7,838)
	794,143
Net finance income	69,441
	863,584
Income tax	(238,419)
	625,165
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the PRC	(10,012)
	615,153
Basic (RMB cents)	51.83
Diluted (RMB cents)	51.77

