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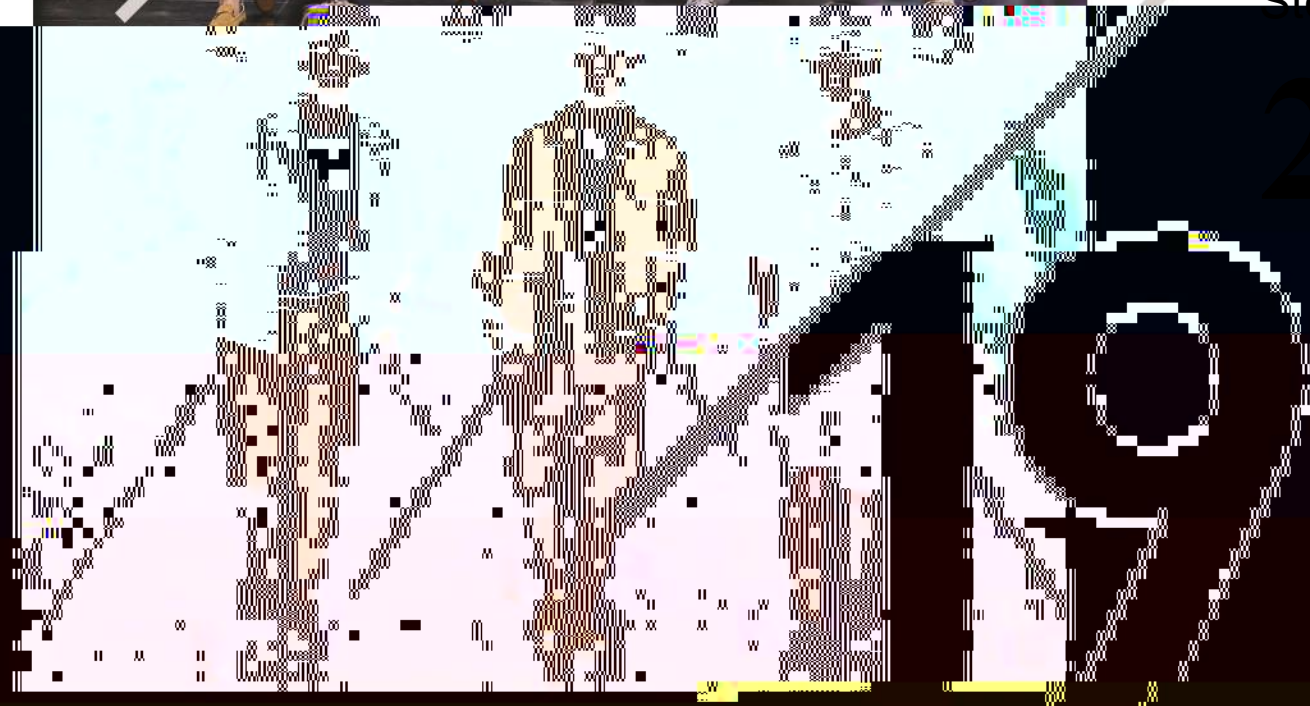


LILANZ

CHINA LILANG LI

中國利郎有限公司

Stock Code: 1234



Agenda ZIHÉ

01

Results Highlights

02

Financial Review

03

Business and Operational Review

04

Outlook and Strategy

05

Open Forum



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RESULTS HIGHLIGHTS

2019 Annual Results Remained Solid

Revenue

Increased by 15.5% to RMB 3,658.5 mn
15.5% 3,658.5

Net Profit

Up by 8.1% to RMB812.2 mn
8.1% 812.2

EPS

Up by 8.1% to RMB67.82 cents
67.82 8.1%

No. of stores

A net increase of 145 during the year
145

SSS

Average mid single-digit growth for the year

Retail sales
of online stores
网店零售额

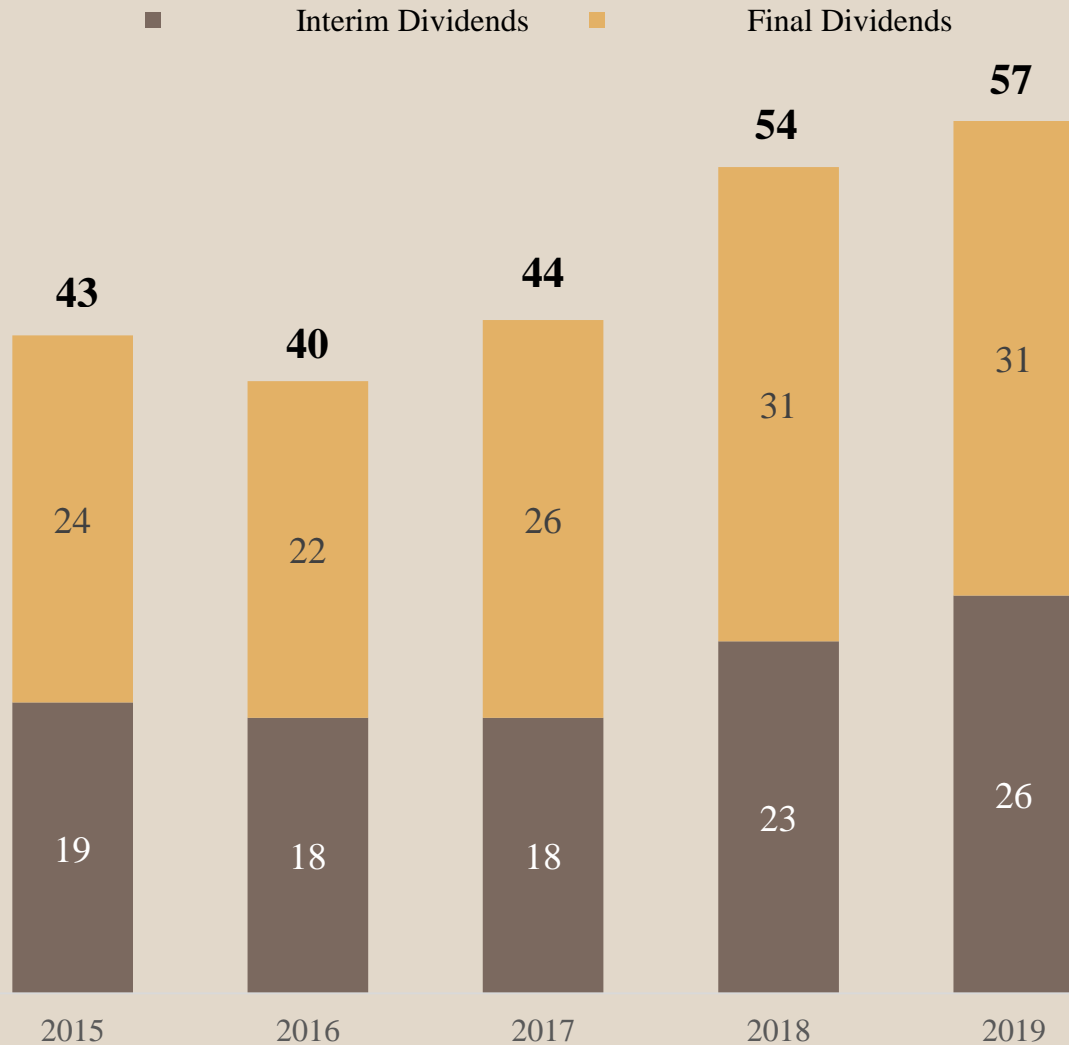
Recorded a significant increase
over last year
较去年大幅增长



Maintaining High Dividend Payout

(HK cents)

Dividends per share



■ Final dividend HK21 cents per share and
Special Final dividend HK10 cents per share

■ 21 10

■ Interim dividend HK18 cents per share and
Special interim dividend HK8 cents per share

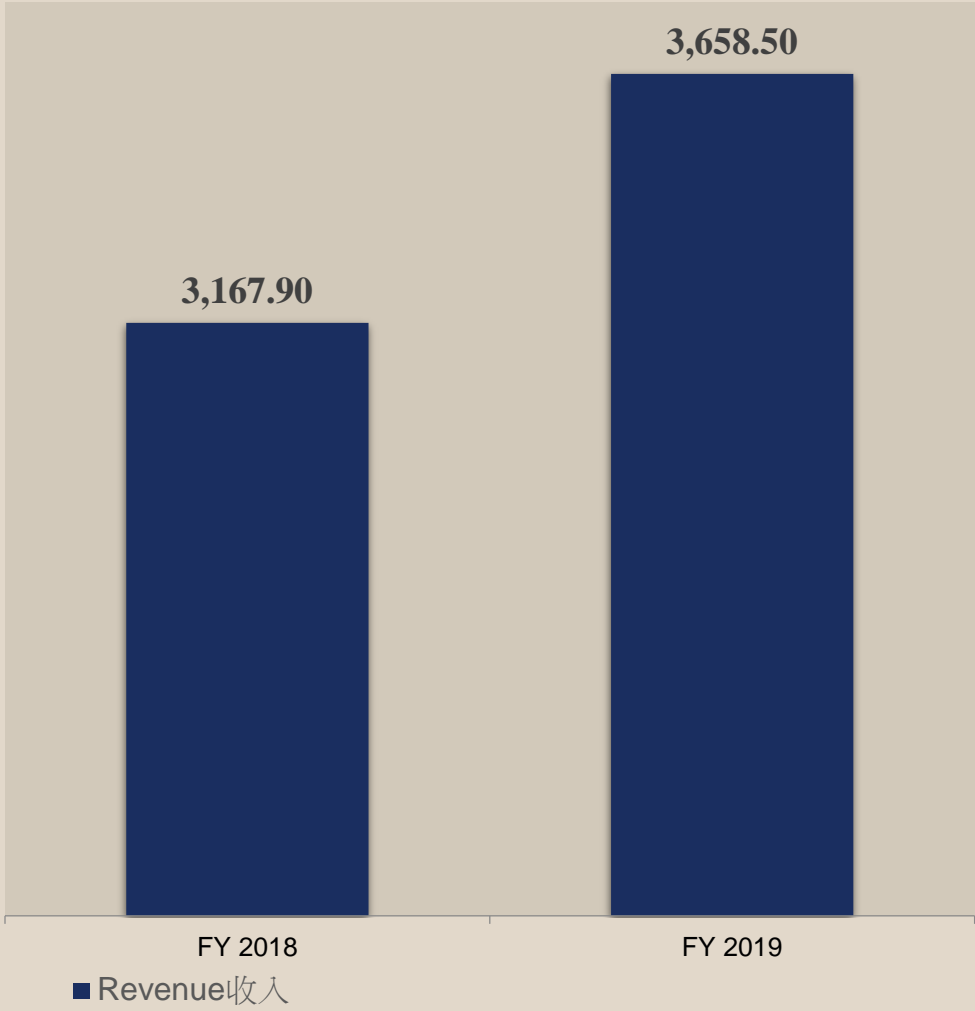
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■ **Total dividends for 2019: HK57 cents per share**

■ **2019 : 57**



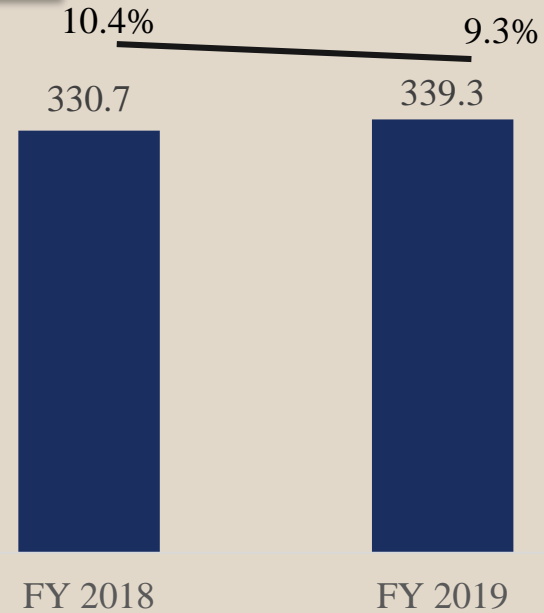
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FINANCIAL REVIEW



SD & A Expenses

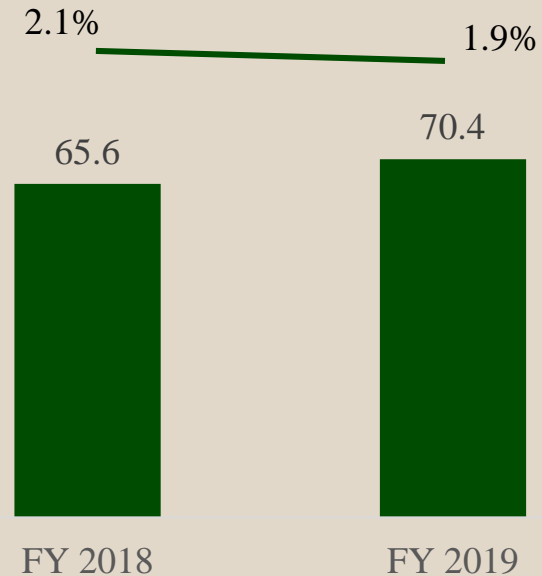
Advertising and Promotional Expenses

(RMB mn)



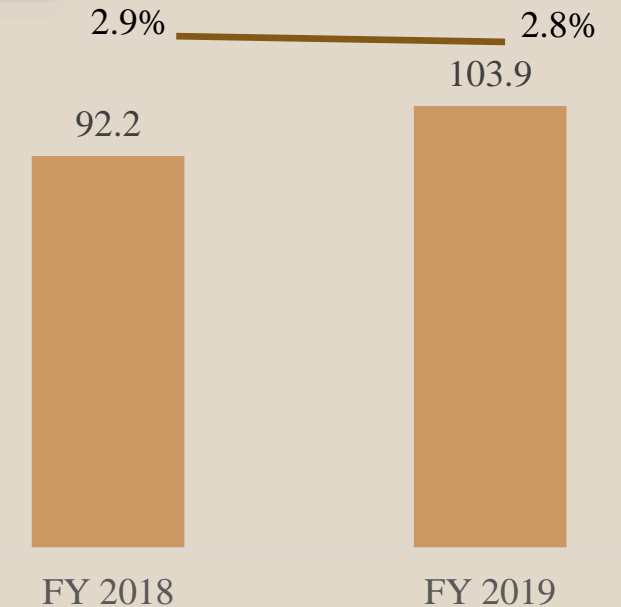
Other Selling and Distribution Expenses

(RMB mn)



Administrative Expenses

(RMB mn)



- More advertising and promotional activities particularly via the online channel
- Renovation subsidies reduced as fewer new store openings
- Expenses ratio dropped as revenue increased

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- Additional transportation and courier expenses as online business and business of smart casual collection expanded.
- Expenses ratio dropped as revenue increased

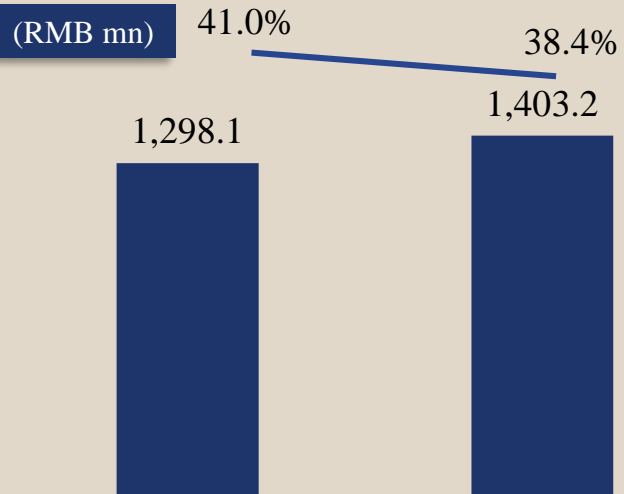
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- Administrative expenses increased as :
 - the operation center for the smart casual collection in Shanghai commenced operation in Q4 2018
 - Improved meal benefits for staff
-
-
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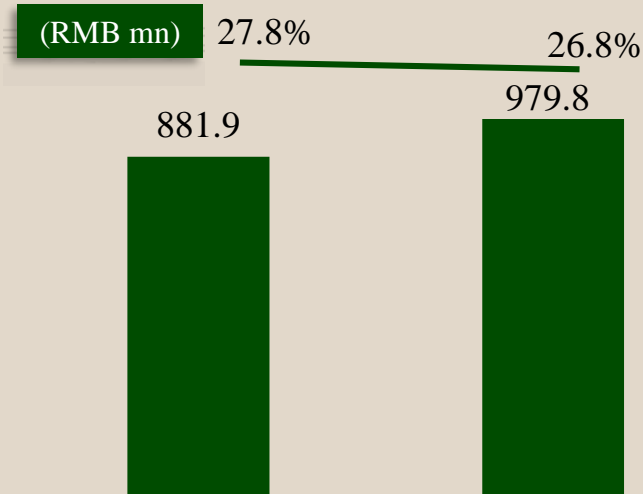
2018

Profit & Margin

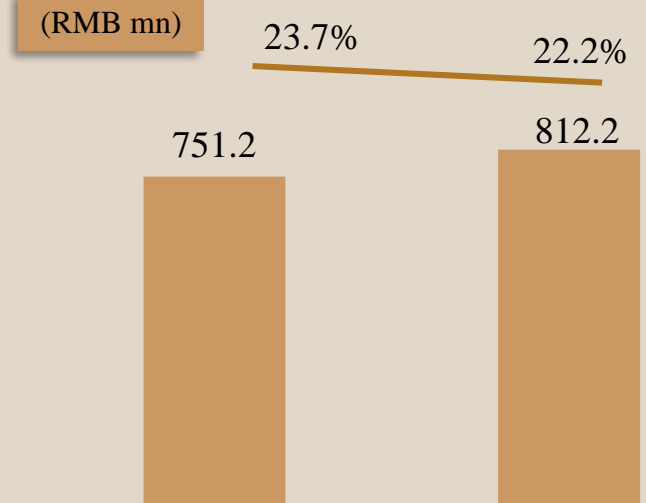
Gross Profit & Margin



Operating Profit & Margin



Net Profit & Margin



- GP margin dropped 2.6 pp due to :
 - rebates provided to distributors as incentive for discount sales of the 2019 fall and winter inventories
 - the disposal of the 2018 inventories of the smart casual collection at low margin
- 2.6
 -
 -

- Operating margin decreased by 1.0 pp to 26.8% as gross profit margin dropped
- 1.0

- Net profit margin declined by 1.5 pp
- 1.5

Working Capital Cycle

Average Trade Receivables Turnover Days

(Days)



- AR balance increased by 16.4% to RMB957.3 mn as revenue increased by 15.5% y-o-y.
- Repayments from certain distributors in Q4 were slightly affected by the slower than expected retail sales due to the mild winter.

○	16.4%	
○	957.3	15.5%
○		

Average Inventory Turnover Days

(Days)



- Inventory balance increased by RMB12.8 mn to RMB689.2 mn.
- Improved control over consignment inventories of the smart casual collection.
- Excessive 2018 inventories of the smart casual collection were sold during the year for clearance sales online and in discount stores.

○	12.8	
○	689.2	
○		
○		

Average Trade Payables Turnover Days

(Days)



- AP turnover days based on year end balance was 84 days.
- AP balance dropped by RMB89.4 mn to RMB517.7 mn as the large AP balance at the end of 2018 due to the increase of consignment inventories of the smart casual collection in Q4 of 2018, was settled during the year.

○		84
○	89.4	
○	517.7	2018
		2018

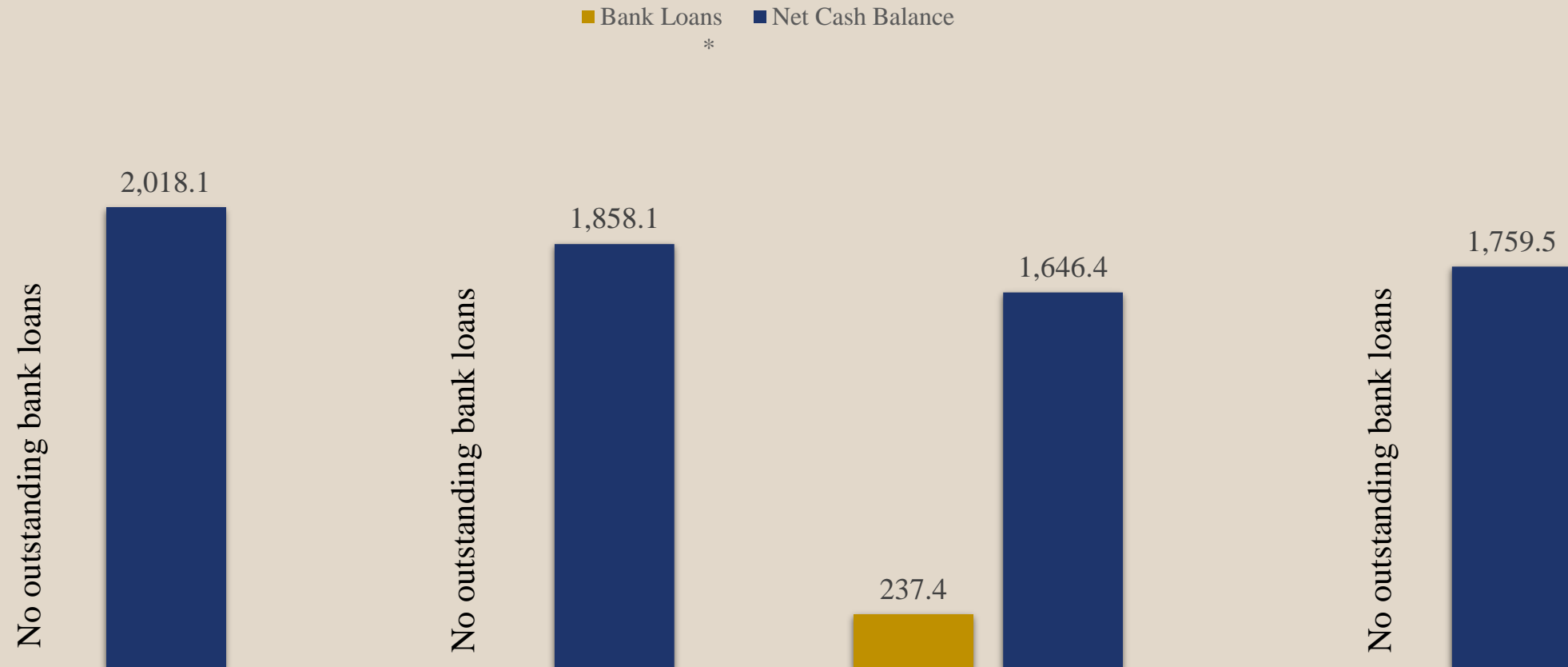
Cash Flow

<u>RMB mn</u>	<u>FY 2019</u>									
Net cash generated from operating activities	609.2	Operating cash inflow								
Net cash used in investing activities	(85.1)	<ul style="list-style-type: none"> ○ The major reconciling items with net profit for the year <ul style="list-style-type: none"> ➢ AR balance up by RMB134.8 mn mainly due to increase in revenue ➢ AP balance dropped by RMB89.4 mn as the large AP balance at the end of 2018 due to the increase in consignment inventories of the smart casual collection late last year, was settled during the year. ○ <table style="margin-left: 20px; border-collapse: collapse;"> <tr> <td style="width: 20px;">➢</td> <td style="width: 50px;"></td> <td style="text-align: right;">134.8</td> </tr> <tr> <td>➢</td> <td></td> <td style="text-align: right;">89.4</td> </tr> </table> 	➢		134.8	➢		89.4		
➢		134.8								
➢		89.4								
Net cash used in financing activities	(616.9)									
Net decrease in cash and cash equivalents	92.8	Investing cash outflow								
Cash and cash equivalents as at 1 Jan 1 1	1,842.8	<ul style="list-style-type: none"> ○ Capex of RMB136.9 mn less interest income of RMB51.7 mn ○ <table style="margin-left: 20px; border-collapse: collapse;"> <tr> <td style="width: 20px;"></td> <td style="width: 50px; text-align: right;">136.9</td> <td style="width: 50px; text-align: right;">51.7</td> </tr> </table> 		136.9	51.7					
	136.9	51.7								
Effect of foreign exchange rate changes	0.6	Financing cash outflow								
Cash and cash equivalents at 31 Dec 12 31	1,750.6	<ul style="list-style-type: none"> ○ Payments of 2018 final dividends and 2019 interim dividends totalling RMB611.6 mn <table style="margin-left: 20px; border-collapse: collapse; width: 100%;"> <tr> <td style="width: 33%;"></td> <td style="width: 33%; text-align: center;">2018</td> <td style="width: 33%; text-align: center;">2019</td> <td style="width: 33%;"></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">611.6</td> </tr> </table> 		2018	2019					611.6
	2018	2019								
			611.6							

Healthy & Strong Cash Position

(RMB mn)

Total Cash and Bank Balance



* Secured by pledged bank deposits



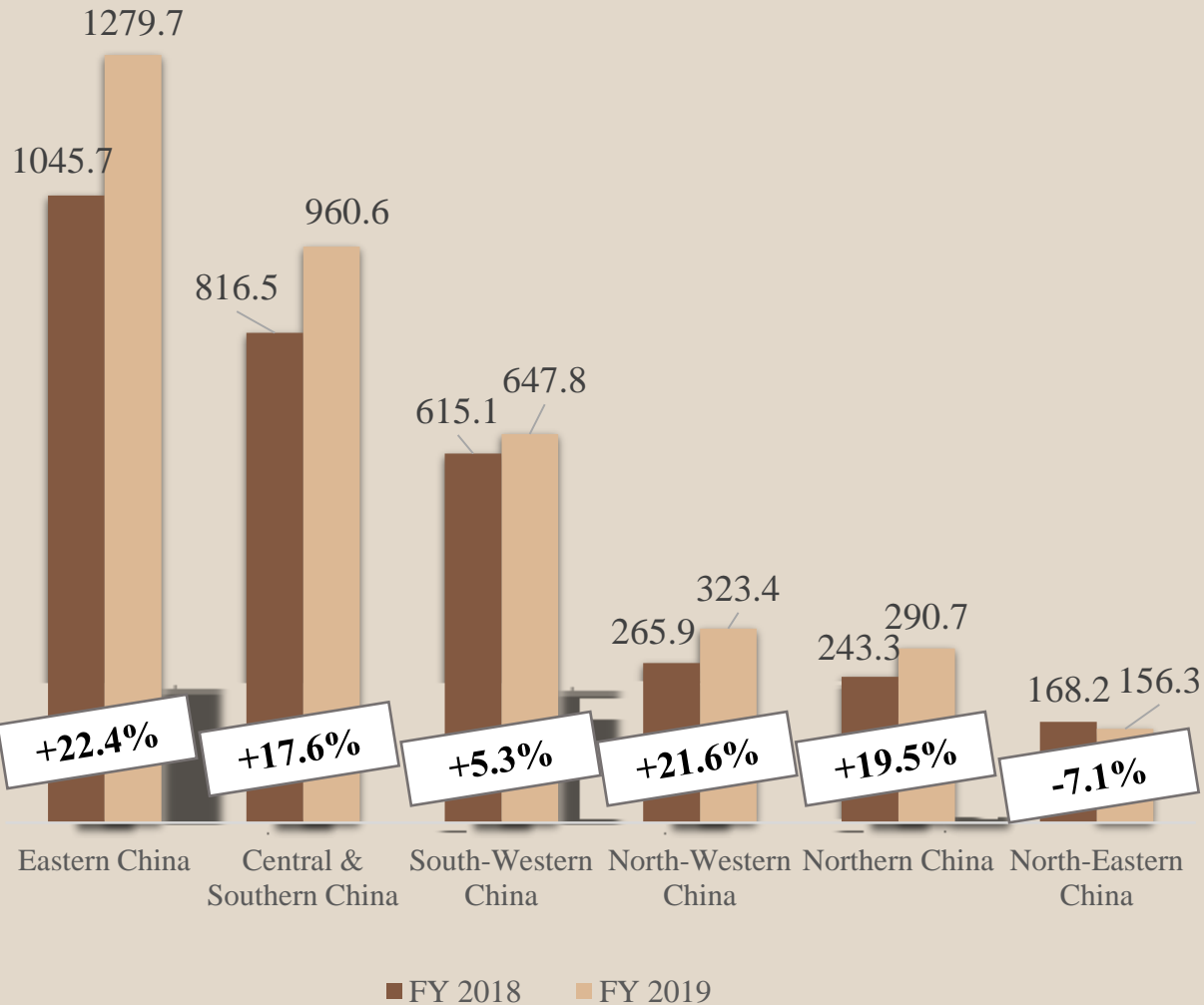
LILANZ
2020 SPRING // THE NEW LOOK

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BUSINESS & OPERATIONAL REVIEW

Sales Channel Management

销售渠道管理

Sales by region



Store Count by Region

	2019-1-1		2019-12-31	
	Opened	Closed	Opened	Closed
Eastern China	764	158	112	810
Central and Southern China	677	79	42	714
South-Western China	482	65	42	505
North-Western China	262	49	23	288
Northern China	278	50	29	299
North-Eastern China	207	24	32	199
Total	2,670	425	280	2,815
Total Retail Floor Space (sqm)	379,900			406,400 (+7.0 %)

New Retail Business Development

- ✓ Launched limited edition products online
- ✓ Commissioned influencers to promote products
- ✓ Placed advertisements on renowned web portals
- ✓ Collaboration with Baidu

Sales on the Double Eleven Online Shopping Festival significantly increased over last year

Organized various promotional activities to boost customer flows

- ✓
- ✓

- ✓ Helped distributors to destock
- ✓ Significant boost to customer flows

- ✓
- ✓
- ✓
- ✓



LILANZ
2019利郎电商 双十一战报
1.3 亿
7分钟破2018年双十一全天销售记录
流水同比增长630%
售罄率达51.1%
简约而不简单



Product Design, Development and Supply Chain Management

- A 440-membered strong R& D team comprising international and local talents designing fashionable and stylish products of excellent value-for-money
- The proportion of originally-designed products is about the target level of 70%; about 50% of these products, also the target level, utilizing proprietary fabrics
- Sustainable fashion initiatives:
 - launching an environmentally-friendly jeans collection using 7 recycled plastic bottles for each pair of jeans in 2020 spring and summer collections
 - adopting latest washing technology in the washing process of jeans products, saving labour and energy, and reducing water consumption by 20%
- Increasing the proportion of season-neutral products such as lightweight down jackets, jeans and shirts to further reduce the impact of extreme weather on sales



2020

(2020 SS Trade Fair)



2020

(2020 SS Trade Fair)

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Marketing, Promotion & Awards

○ The

Alifish Innovative



! 5- ÌJ D# OUTLOOK & STRATEGY

2020 Outlook

Impact of COVID-19 Epidemic

- The COVID-19 epidemic has halted much of the economic activity in China since late January and most of LILANZ were temporarily closed
- By mid-March, about 70% of LILANZ stores have resumed operation
- Despite a strong run before the CNY in January, total retail sales for Q1 is expected to decline by over 40% year-on-year
- Plan to reduce the production of 2020 fall products to facilitate the destocking of the spring channel inventories
- Consider granting sales rebates to distributors who are most affected as subsidies for discount clearance sales of the spring products
- Estimate that the financial performance for 1H2020 will be adversely affected

 **Adopt a prudent strategy**

LILANZ

70% LILANZ

40%

2020

 **... "Zæ0 EBD#**

PRUDENT & Flexible Operation Strategy

Channel Management

Strengthening retail management to enhance store efficiency:

- ✓ Core collection:
 - continue to encourage 1st tier distributors to operate more direct-retail stores to further improve retail management
 - reduce percentage of pre-orders starting 2020 fall trade fair to lower channel inventory risk
- ✓ Smart casual collection:
 - plan to replace the current consignment model with a direct-retail model in autumn 2020 to strengthen various retail management areas such as inventory, market expansion, brand marketing and training of retail personnel
- ✓ Continue upgrading the channel and open more stores in quality shopping malls
- ✓ Plan to open more stores in outlet malls and department stores to facilitate cleaning up channel inventories in a timely manner

Target Store Count: Certain underperformed distributors or low efficiency street stores will be closed and the total number of stores to remain at the current level

- ✓ :
- :
- 2020
- ✓ :
- 2020
- ✓
- ✓
- ✓

PRUDENT & Flexible Operation Strategy ()

Product Positioning

- ✓ value-for-
- ✓ Enhance the fashion and design elements of the smart casual collection to improve its pricing structure and profitability

New Retail Business Development

- ✓ Continue to drive online sales by:
 - further boosting customer flows,
 - increasing online marketing
 - launching online special editions and IP cross-over products

Brand Promotion

- ✓ More activities through various channels to promote its brand, in particular the online channels
- ✓ Plan to roll-out the 7th-generation store image for the core collection to 100-200 existing stores

Total retail sales target for 2H 2020:

No less than mid single-digit growth

[Redacted]

- ✓
- ✓

[Redacted]

- ✓

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/IP

[Redacted]

- ✓
- ✓

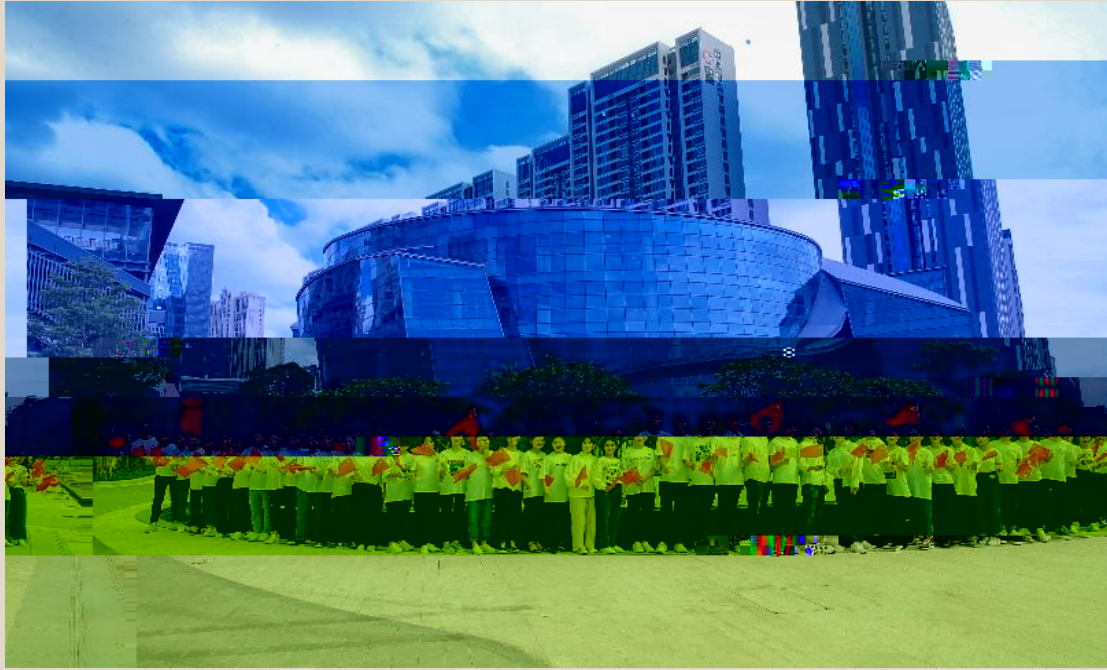
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2020

:

Construction of the New Headquarters and New Logistics Park



- The construction of the new headquarters in Fujian has been completed and the renovation work is in progress. It is expected to begin operation by the year-end

○



- Construction of the new logistics park commenced in December 2019 and Phase I is targeted to open in late 2021

○

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