



LILIANZ

CHINA LILIANZ LIMITED

中國利郎有限公司

Stock Code: 1234

2020

中期報告

Agenda 议程



01

Results Highlights

02

Financial Review

03

Business and Operational Review

04

Outlook and Strategy

05

Open Forum



业绩重点
RESULTS HIGHLIGHTS

2020 Interim Results Adversely Impacted by COVID-19

Revenue down by 29.0% to RMB1,093.3 mn
29.0% 1,093.3

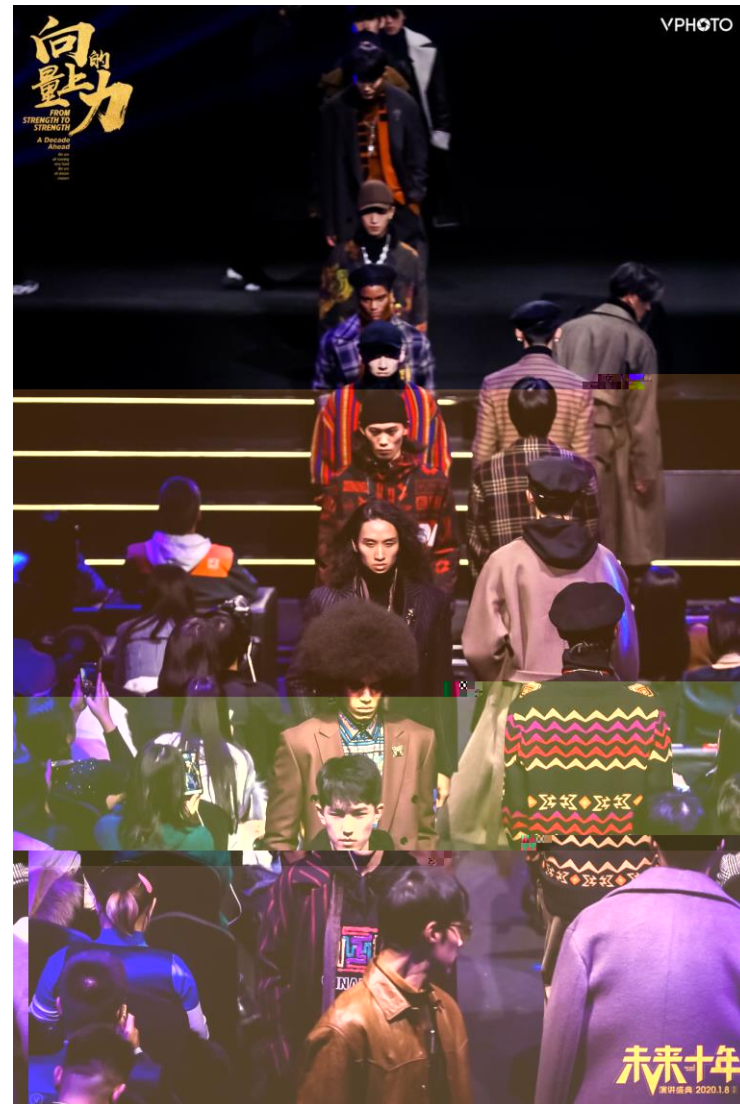
Net profit down by 30.8% to RMB268.9 mn; EPS down by 30.8% to RMB22.5 cents
30.8% 268.9 22.5 30.8%

Total retail sales down by 30% to 35%
30% 35%

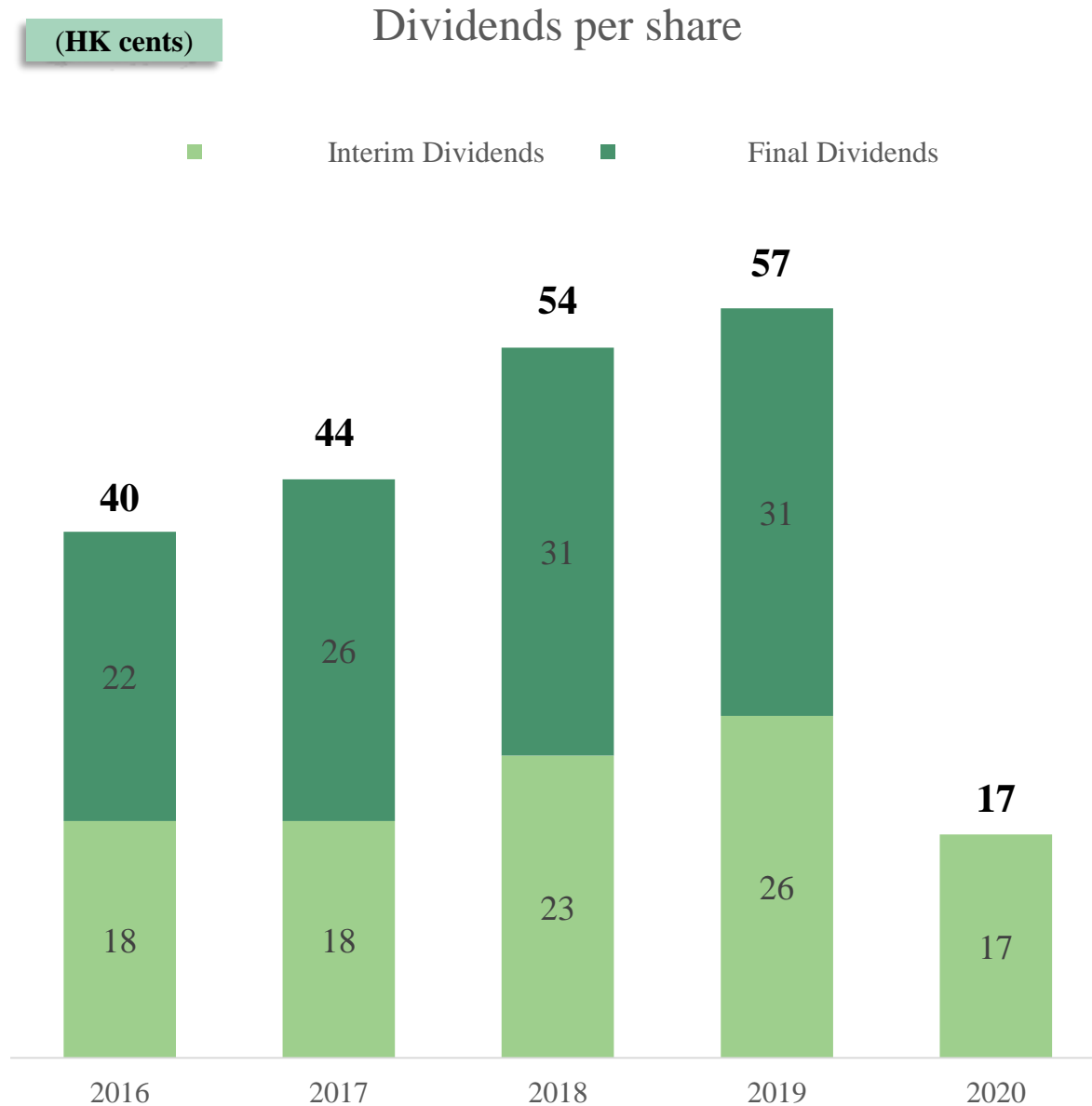
Online retail sales up by more than 1.5 times; sales by physical stores to VIP customers via the CRM system in the WeChat platform also increased substantially
1.5 VIP

Extended credit periods and cancelled some spring and summer orders to support distributors

Strictly controlled pre-order levels of the fall and winter trade fairs to reduce the risk of further inventory backlog



Maintaining Relatively High Dividend Payout



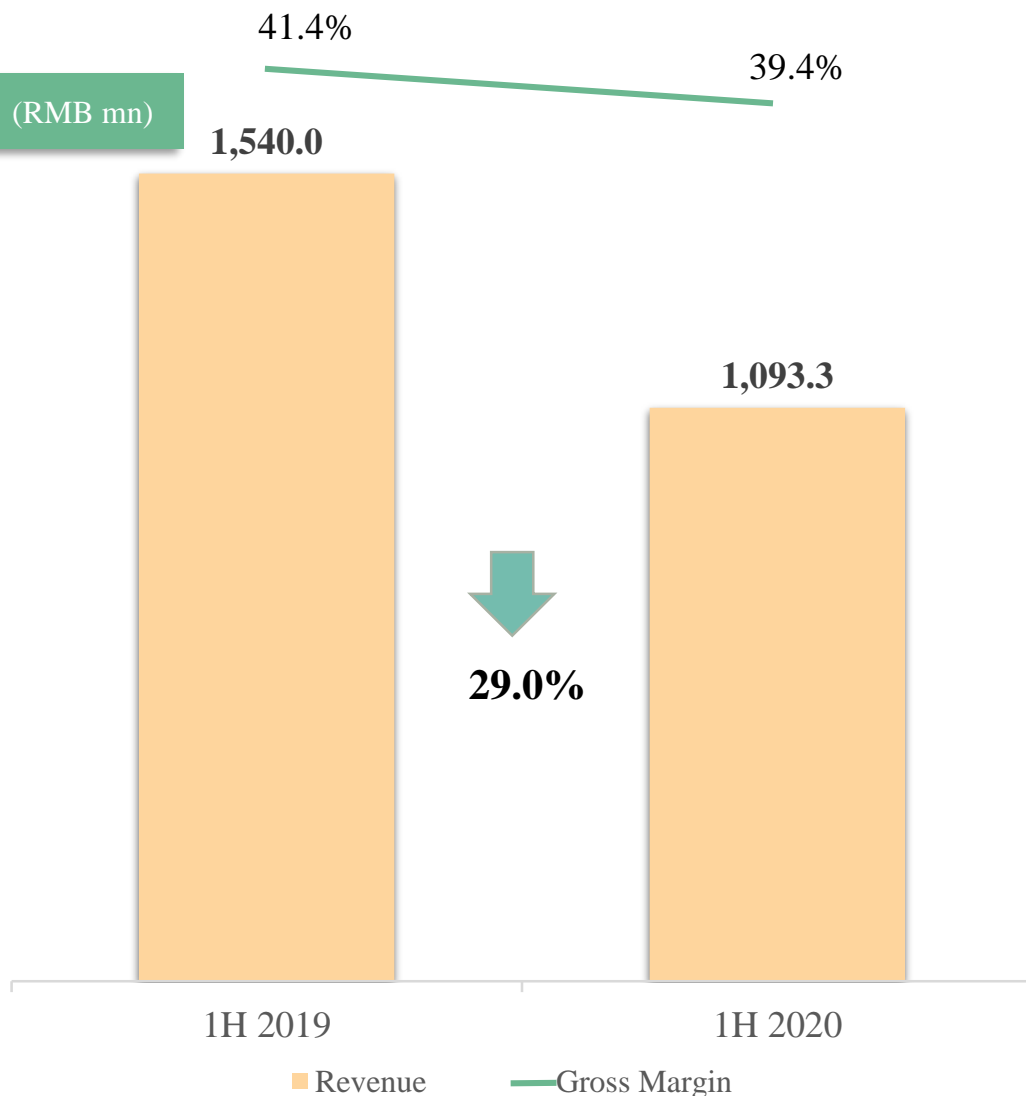
- ▶ Interim dividend HK12 cents per share and Special interim dividend HK5 cents per share

- ▶ 12
5



财务表现回顾 FINANCIAL REVIEW

Revenue and Gross Margin



Revenue

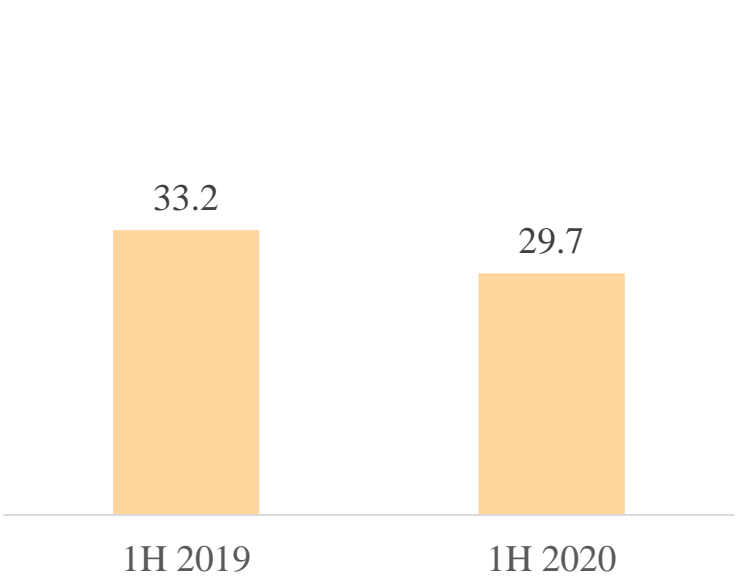
- Revenue decreased by 29.0% to RMB1,093.3 mn
- Cancelled S/S orders of about RMB140.0 mn to reduce channel inventory pressures of distributors
- Sales of fall products in 1H 2020 were significantly lower y-o-y as:
 - 2020 fall pre-orders were reduced to facilitate destocking of channel inventories from spring and to reduce the risk of further inventory backlog
 - fall trade fair was delayed by more than 1 month as compared to last year

- 29.0%
- 1,093.3
- 1.4
- 2020
 -
 - 1

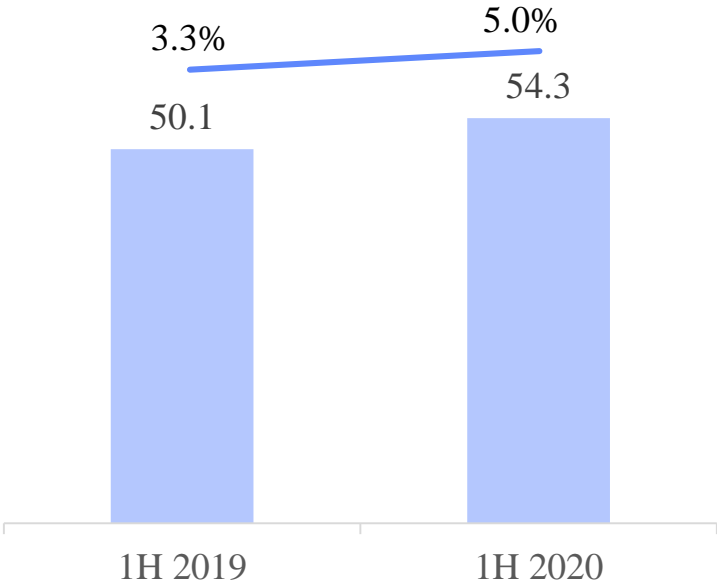
Gross Margin

- GP margin dropped by 2.0 pp to 39.4% due to the higher fixed production overhead (including research and development costs) to revenue ratio as sales revenue declined
- 2.0
- 39.4%

Other Selling and Distribution Expenses

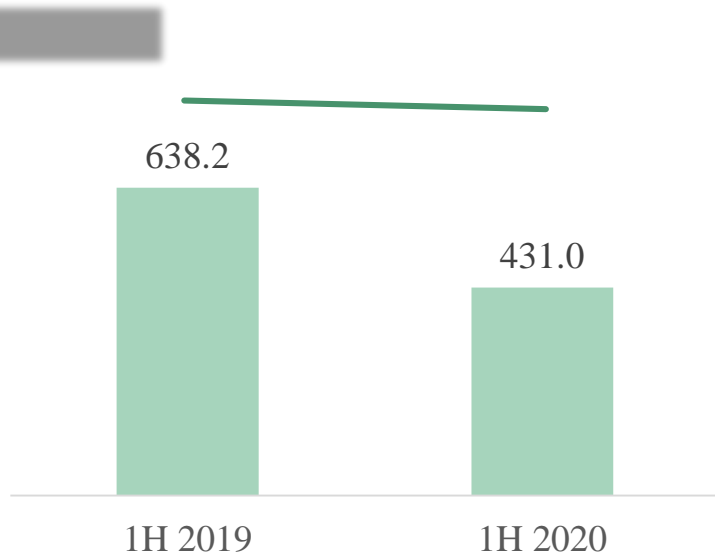


Administrative Expenses

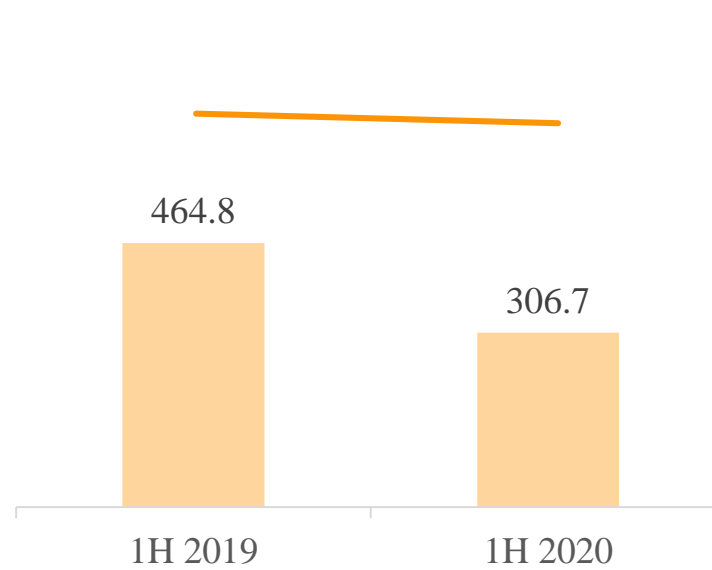


Profit & Margin

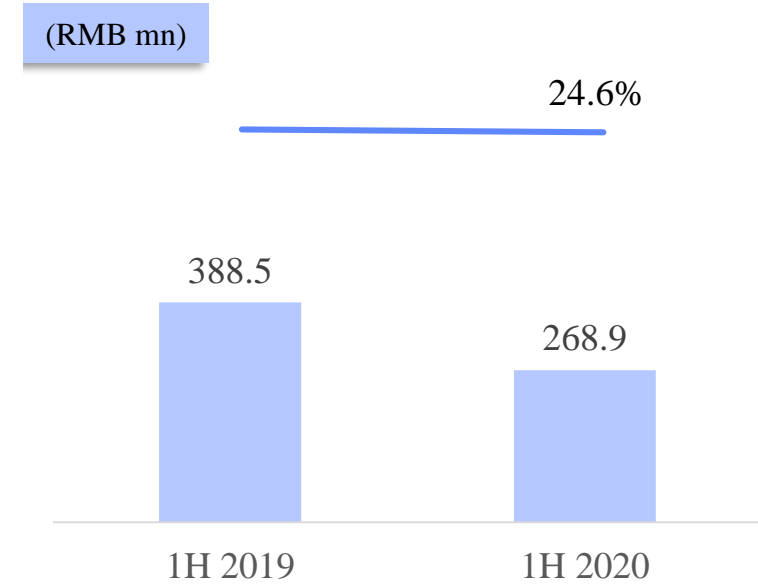
Gross Profit & Margin



Operating Profit & Margin

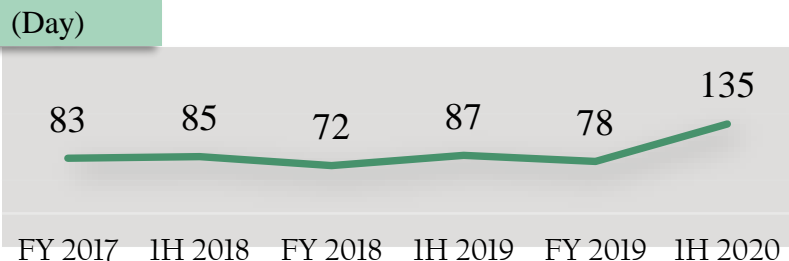


Net Profit & Margin



Working Capital Cycle

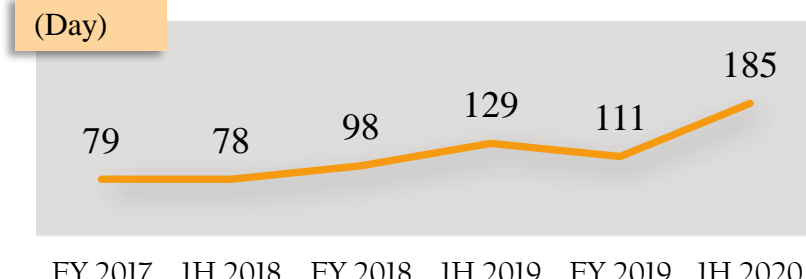
Average Trade Receivables Turnover Days



- Credit periods were extended to support distributors
- AR balance down by RMB75.1 mn over the period to RMB882.3 mn and up by RMB7.6 mn as compared to interim period last year
- AR ageing is expected to improve in 2H 2020 as retail sales further pick up and inventory clearance accelerates
- At 30 June 2020, AR provision of RMB16.6 mn was made

○				
○		75.1		
○	882.3		7.6	
○		2020		
○	2020	6	30	16.6

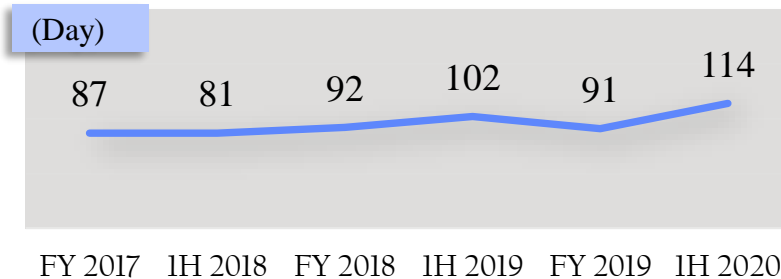
Average Inventory Turnover Days



- Inventory balance dropped RMB35.4 mn over the period to RMB653.9 mn and up by RMB44.0 mn as compared to interim period last year
- Inventory balance included 2020 S/S inventories of the core collection of about RMB78.0 mn as the Group cancelled orders to reduce inventory pressure of distributors
- At 30 June 2020, inventory provision of RMB3.4 mn was made

○		35.4		653.9
○			44.0	
○		2020		78.0
○	2020	6	30	3.4

Average Trade Payables Turnover Days



- AP turnover days based on period end balance was 85 days compared to 81 days for the interim period last year
- AP balance down by RMB208.6 mn over the period to RMB309.2 mn
- AP balance down by RMB96.6 mn as compared to the interim period last year, which mainly reflected the decrease in 2020 fall and winter trade fair orders

○			85	, 2019
○	81			
○			208.6	
○	309.2			
○	2019			96.6
			2020	

Cash Flows

RMB mn	1H 2020
Net cash generated from operating activities	117.3
Net cash used in investing activities	63.3
Net cash used in financing activities	71.7
Net decrease in cash and cash equivalents	17.7
Cash and cash equivalents as at 1 Jan 1 1	1,750.6
Effect of foreign exchange rate changes	0.6
Cash and cash equivalents at 30 Jun 6 30	1,733.5

Operating cash inflows

- Major reconciling items with net profit for the period:
 - AP and other payable balances down by RMB208.6 mn and RMB 49.3 mn respectively as revenue and operating expenses decreased, impact partly offset by:
 - decreases in AR and inventory balances by 75.1 mn and RMB35.4 mn respectively

○				
○	208.6	49.3		
○			75.1	35.4

Investing cash outflows

- CAPEX of RMB87.7mn less interest income of RMB24.3 mn
- | | | |
|---|------|------|
| ○ | 87.7 | 24.3 |
|---|------|------|

Financing cash outflows

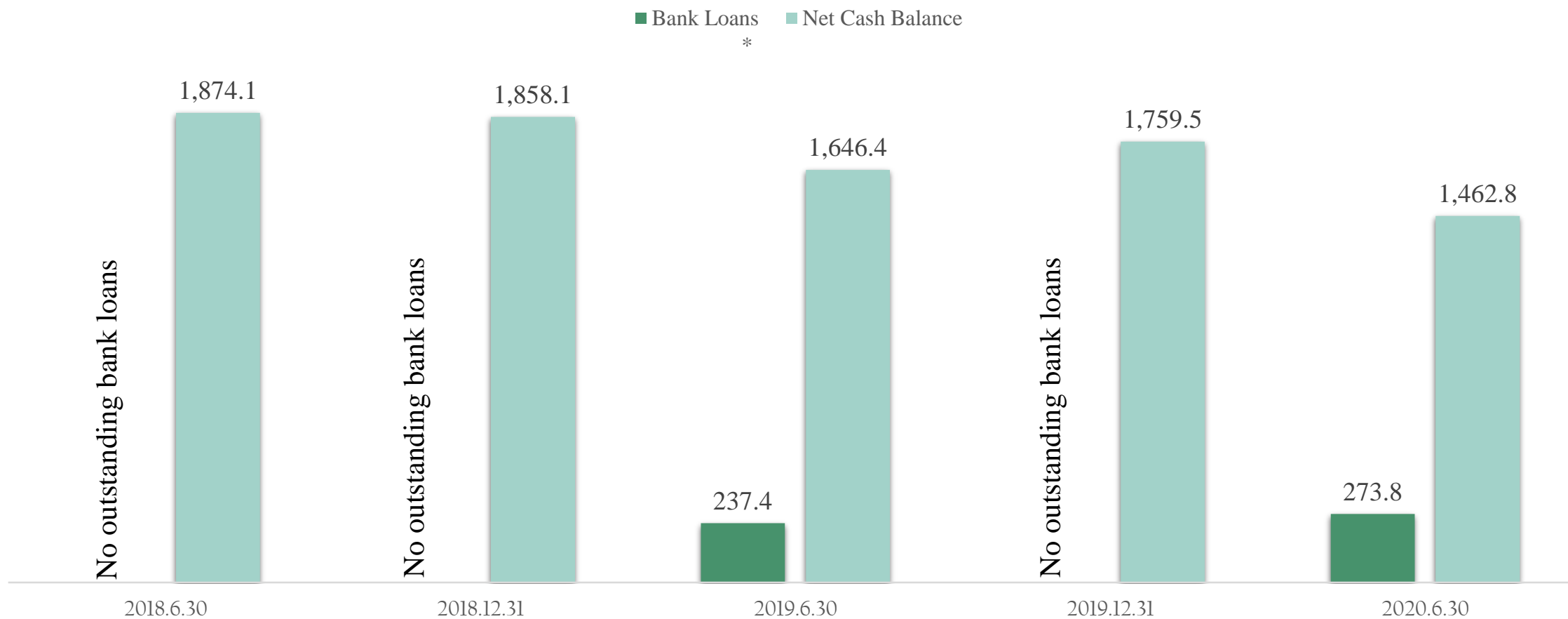
- Payment of 2019 final dividends RMB341.7 mn less proceeds from bank loans RMB273.8 mn

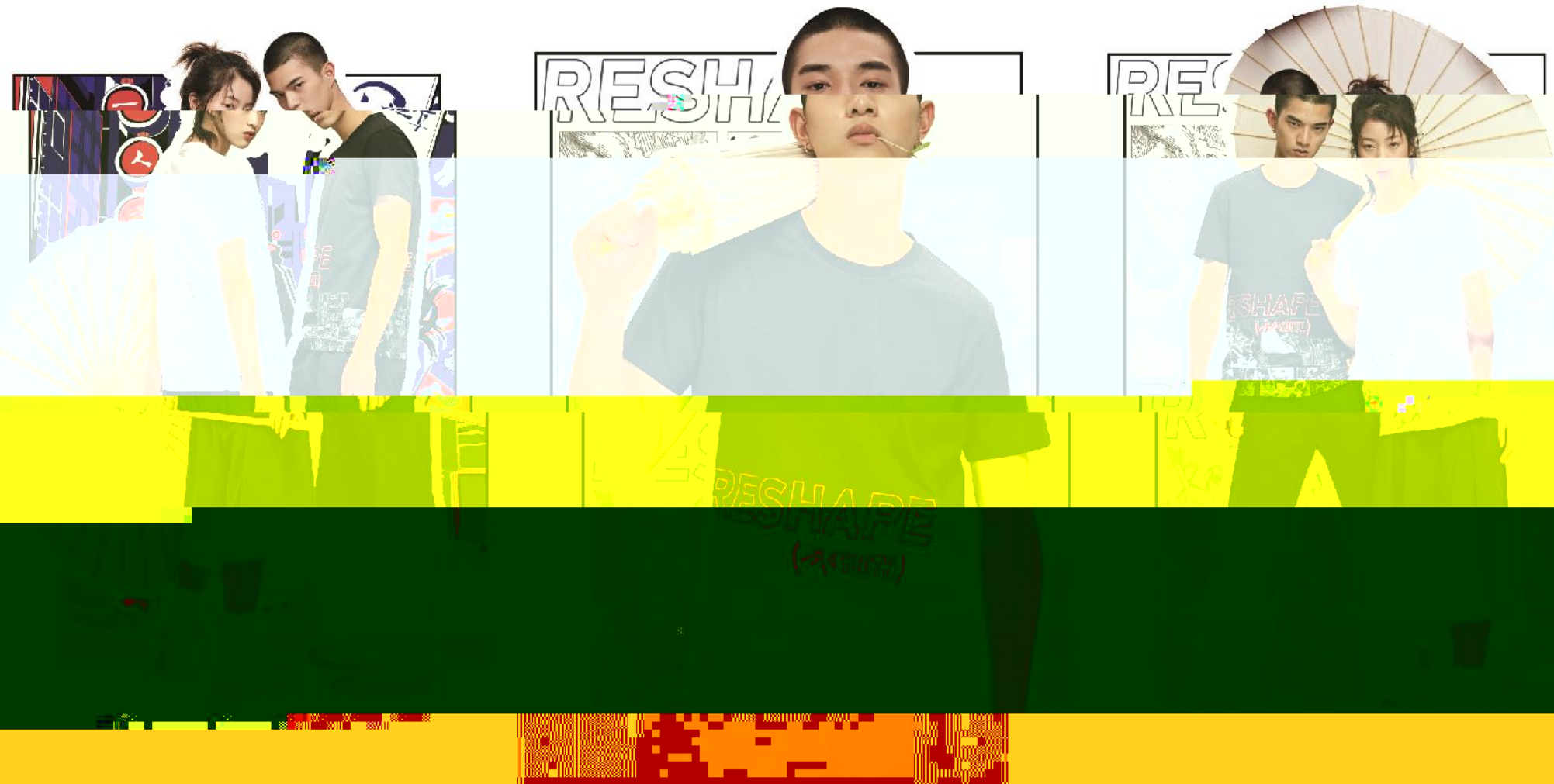
○	2019	341.7	273.8
---	------	-------	-------

Healthy & Strong Cash Position

(RMB mn)

Total Cash and Bank Balance





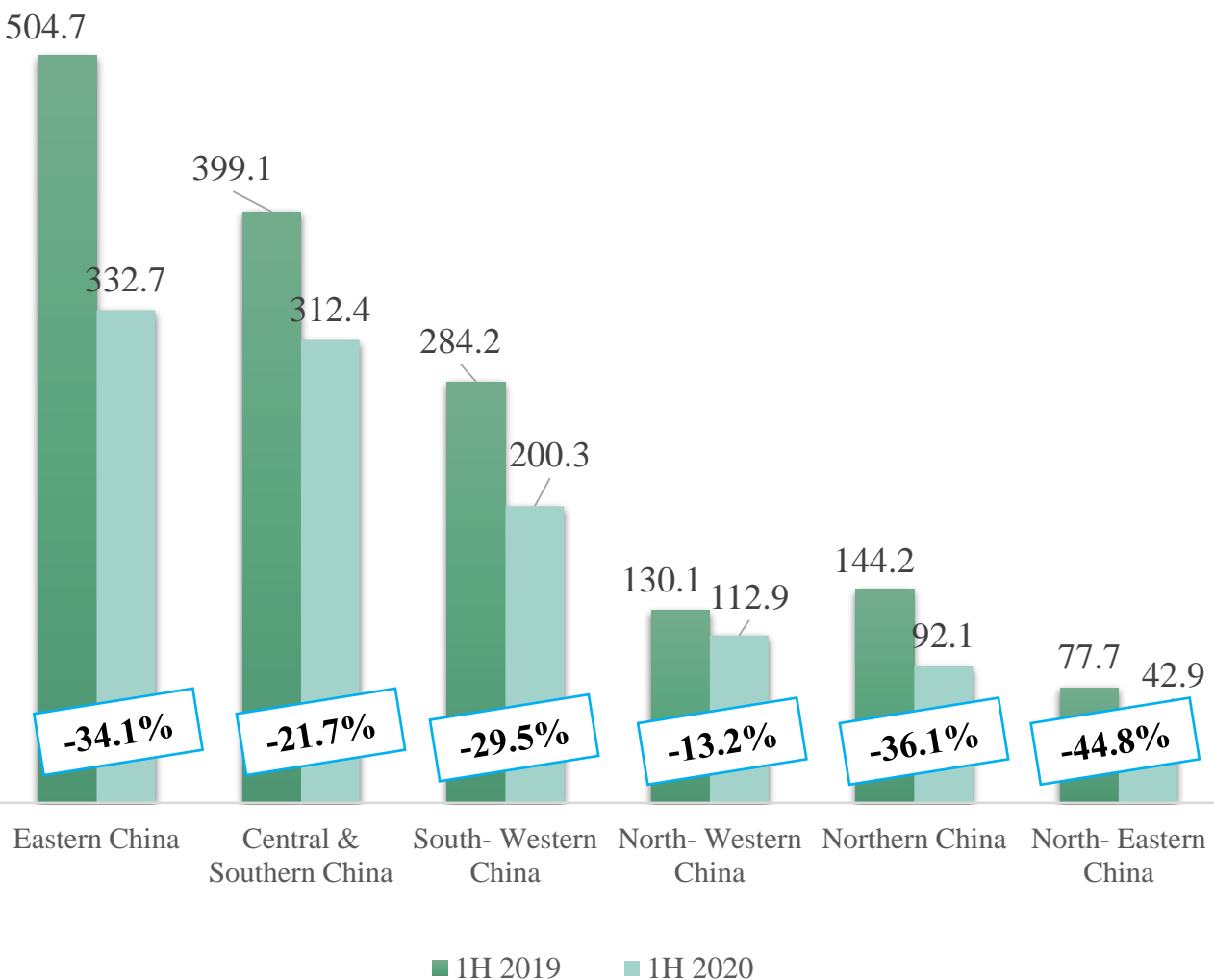
业务及营运回顾

BUSINESS & OPERATIONAL REVIEW

Sales Channel Management

Sales by region 各区銷售

(RMB mn)



2020-1-1 Open Close 2020-6-30

Eastern China	810	10	65	755
Central and Southern China	714	36	29	721
South Western China	505	16	31	490
North Western China	288	6	16	278
Northern China	299	5	26	278
North Eastern China	199	2	6	195
Total	2,815	75	173	2,717

Total Retail Floor Space (sqm)	406,400	390,400 (-3.9%)
------------------------------------	---------	---------------------------

Sales Channel Management (Bnms)

Continue to optimize retail store network

- Store count decreased by 98 to 2,717, of which 268 were stores for the smart casual collection
- About **768** stores in shopping malls, accounting for **28%** of total store count and **31%** of total retail area
-
-

Support distributors in coping with COVID-19 and alleviate channel inventory pressure :

- Extended credit periods to distributors
- Cancelled some of the spring and summer orders
- Reduced the products of the fall collection to facilitate the destocking of the spring inventory in 2H 2020
- Reduced pre-order levels of distributors in the 2020 fall and winter trade fairs to reduce the risk of further backlog of channel inventory. Sufficient production capacity was in place to cope with possible supplementary orders

At 30 June 2020, except the flagship store in the headquarters, all retail stores were operated by distributors

2020 6 30



-
-
-
-

2020

New Retail Development

Actively promoted e-commerce to alleviate the impact of low consumer traffic to retail stores after the outbreak of Pandemic:

- Increased online advertising activities and online sales promotion to boost e-commerce traffic
- Encouraged distributors to fully use the CRM system on the WeChat platform to increase sales to VIP customers.

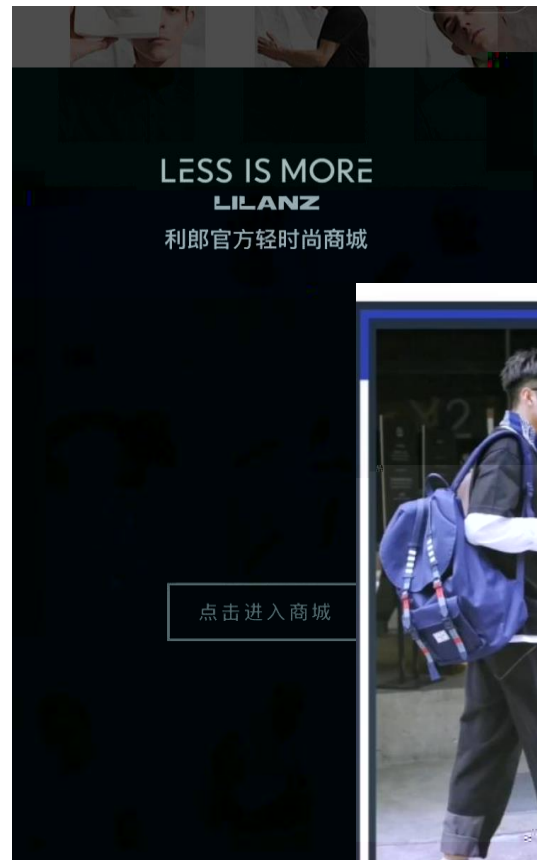
○
○ VIP

Promising progress
achieved



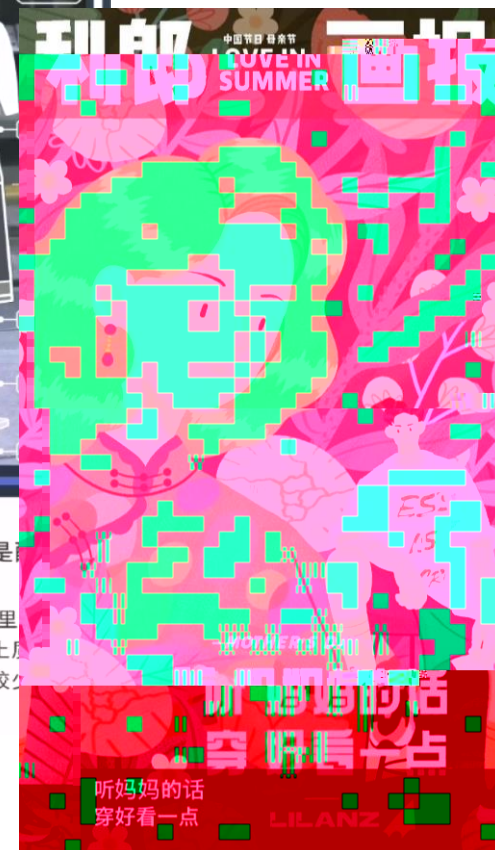
- Online retail sales **up by more than 1.5 times y-o-y**
- Sales by the physical stores to VIP customers via the CRM system on the WeChat platform also increased substantially

○
○ 1.5 VIP



◆ 男生春季穿搭 ◆ 黑白T恤叠穿就是BOY ✨

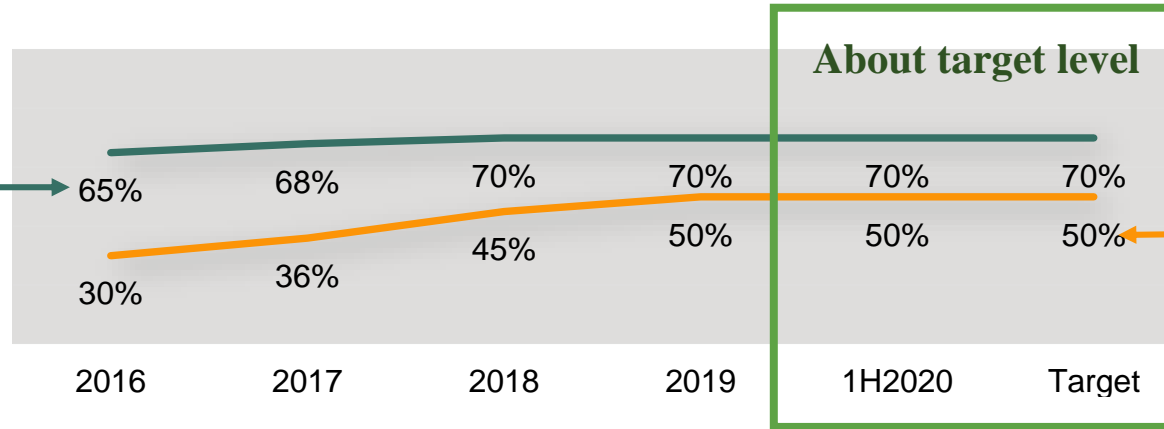
☀️ 周末，和朋友约在X2看展喝咖啡，这里安静舒适。整体建筑室内外都是素混凝土。一楼是咖啡，二楼是艺术展。早上人比较少，门口还有阳光哦，拍照很有调调的。



Product Design & Development

% of original design products (by style) out of total

()



of original design products adopted

Enhancing the fashion elements and design of smart casual collection in stages starting from the 2020 summer collection

Sustainability initiatives: Launched an environmentally-friendly jeans collection in 2020 spring and summer collections; and

Adopted the latest washing technology in the washing process of the jeans products to effectively save labor, water and energy consumption and reduce wastes

;

International and local R&D teams comprising 440 people

With the objective of meeting fashion needs of money menswear products that are simple yet fashionable in style

440

-for-



2020 Spring and Summer New Product Release Show

Marketing & Promotion

- In the 2020 SS collections, **launched a number of IP crossover series** and carried out promotional campaigns to complement the launches

- **Sponsored** the costumes of actors in **the urban** **ghs c q l F ds L q q h c n q M n s** broadcast in CCTV 8 and several online stations, **greatly enhancing the brand awareness and reputation of LILANZ**

- **CCTV 8**
LILANZ

- **Commissioned a number of influencers** to **showcase new products** on various online platforms such as Tik Tok, Xiaohongshu.com, Weibo and Douyu.com, **attracting market attention and enhancing brand value**

- Continued to **participate in the Advertising Festival of Chinese College Students** to solicit publicity plans and ideas for its brand and products from college students. The activity had **engaged more than one million** college students, **further enhancing the brand awareness of KHK MY I n m f s g d x n t m f b n m r t l d q c d l n f q o g l b**



前景与策略

OUTLOOK & STRATEGY

Prudent & Flexible Operation Strategy

Reduce inventory and keep the channels healthy

Reduced pre-orders of distributors in the **2020 fall and winter trade fairs** to facilitate the destocking of the spring products in 2H 2020 and to reduce the risk of further inventory backlog

To **open stores in outlet malls** to accelerate inventory clearance

Continue to arrange **promotional sales online**

Continue to **monitor the inventory level** via the **ERP system**

Smart casual collection - direct-retail model

Objective: to strengthen inventory management, market expansion, brand marketing and training of retail personnel

On 1 July 2020, **228 existing stores** of the smart casual collection have been **converted to direct-retail model**.

Other 40 stores will continue **to be operated by distributors**, and some of which are expected to be closed when the existing sales agreements expire

Total consideration for the transfer is **RMB143.0 mn**, of which **compensation to distributors for market development expenses** of **RMB50.1 million** will be **recognized as expense** in the 2H 2020

Cautious in store network expansion in 2H 2020 :

Add stores in outlet malls

Continue to open stores in quality shopping malls

Expect some non-performing stores will be closed

Target store count by end of 2020: similar to 2019 year end level

2020

2019

Prudent & Flexible Operation Strategy (Bnms)

New Retail

Continue to **conduct brand advertising and promotion** on Baidu, Weibo, Tik Tok, and other portals and organize **various promotional sales events** to **attract more traffic to the online stores**

Encourage distributors to **fully utilize** the CRM system via **WeChat as a sales platform**

Brand Promotion

Launch a number of **crossover collections** in 2H 2020

Appointed a **new brand ambassador** and start a new round of brand promotion in Q4

The plan of rolling out the **7th generation store image** of the core collection to existing stores will be adjusted to cover **10 to 20 stores** in 2020

Product Positioning

Continue to adhere to the strategy of **providing products of excellent value-for-money**

Continue to **gradually enhance the fashion elements and design of the smart casual collection** to improve the profitability of the collection in the long run

Retail sales performance target in 2H 2020 : 2020 :
total retail sales at no less than mid-single-digit growth

DISCLAIMER

The information contained in this presentation is intended solely for your personal reference. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning China Lilang representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.

In addition, the information contains projections and forward-aspect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No e correct. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects.

This presentation does not constitute an offer or invitation to purchase or subscribe for any securities or financial instruments or to provide any investment service or investment advice, and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto.



答问時間
OPEN FORUM