

CHINA LILA LIMITED  
中國利郎有限公司

Stock Code: 1234



LESS IS MORE

# Agenda

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**Financial Review**

**03**

**Business and Operational Review**

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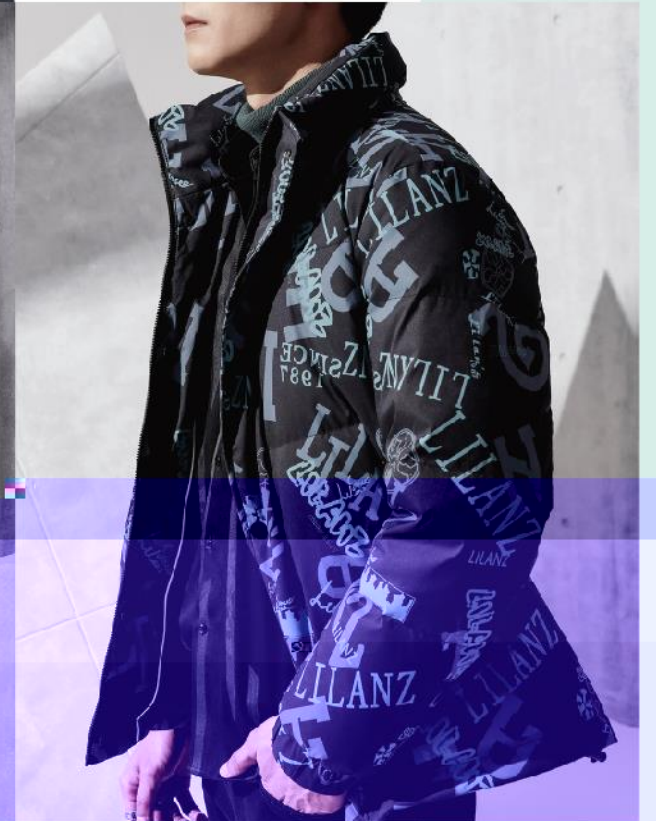
**Outlook and Strategy**

**05**

**Open Forum**



# RESULTS HIGHLIGHTS



# Retail Sales Value Exceeds Target As Strategic Reforms Implemented

Achieved a satisfactory sales performance, due to reform of the sales model and successful implementation of the channel optimisation, product rejuvenation and internet-plus strategies

About 40% of core collection stores operated in consignment model  
40%

Smart casual collection stores and online stores switched to a direct-to-retail model, with a total of 290 direct-to-retail stores by year end, a net increase of 3 stores, accounting for about 10% of the total number of stores

1

290

3

Retail sales through online channel increased by about 20% to about RMB500 million, due to effective use of e-commerce to clear inventory and efforts to expand online sales

20%

5

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# Healthy Financial Position and Stable Dividend Payout

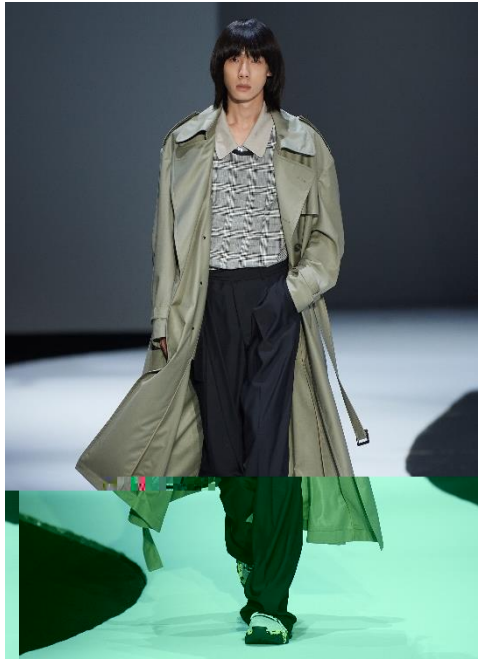
Revenue up by 26.1% YoY to RMB 3,379.5 million  
26.1% 33.8

Net profit was down by 16.0% to RMB 468.1 million; EPS were RMB39.09 cents  
16.0% 4.7  
39.09

Final dividend HK11 cents per share and Special Final dividend HK5 cents per share to be distributed  
11 5

Total dividends for 2021 amounted to HK34 cents per share  
2021 34

Maintained a stable payout ratio

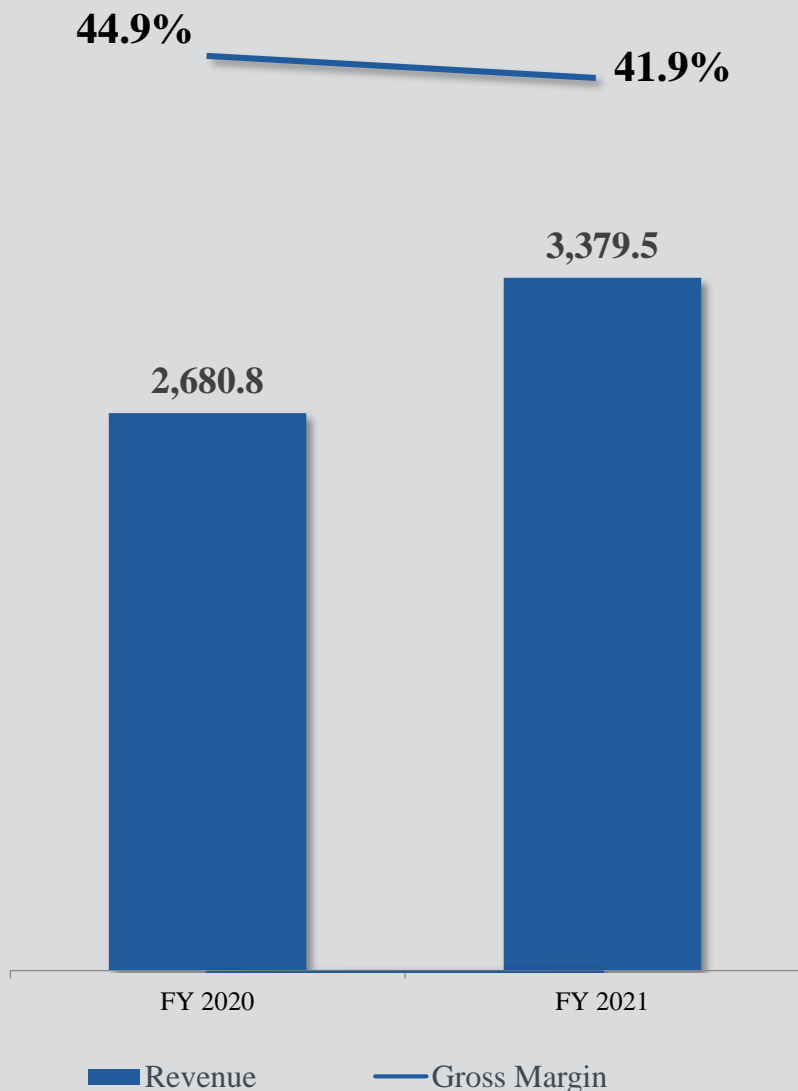


# FINANCIAL REVIEW

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# Revenue and Gross Margin

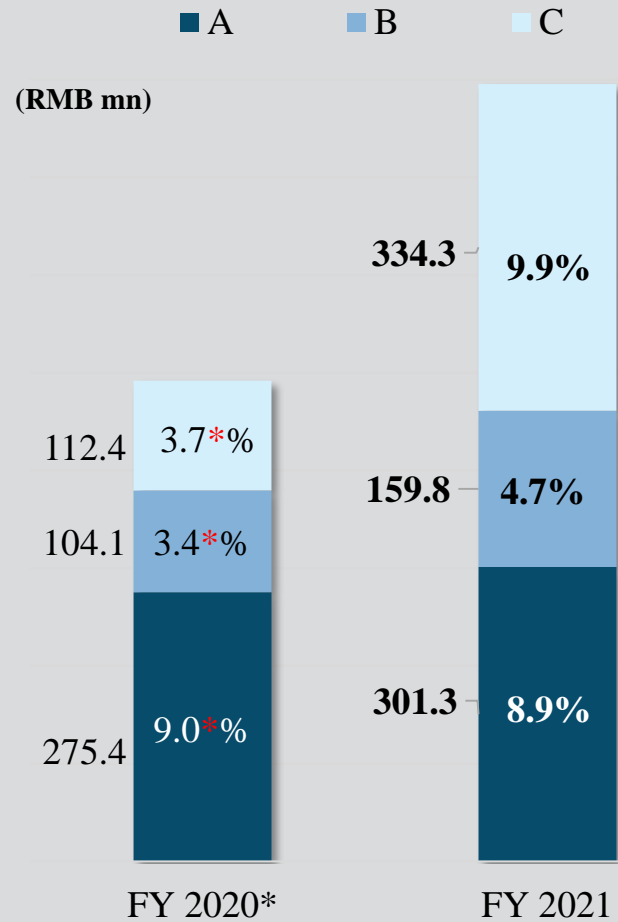


- Revenue up by 26.1% to RMB 3,379.5 mn
  - Revenue of smart casual collection up by 32.9% :
    - Sales of smart casual collection were recognised at retail value, after having switched to the direct-to-retail model since July 2020
  - Revenue of core collection up by 24.4% (5.4% for 2020 revenue before inventory buy-back):
    - The delay in sales recognition by certain stores after switching to consignment model had an impact on revenue
    - About 68% of RMB 390 million repurchased inventory of core collection due to the conversion of certain stores to the consignment model was sold in 2021, and a sales revenue of about RMB260.0 million was recognised.
- GP margin down by 3.0 p.p. to 41.9% YoY.
  - Recorded an inventory provision of RMB122.2 million in 2021, reflecting a change in the development strategy of footwear products and the disposal of off-season inventory
  - The retail gross profit of the smart casual collection was higher than the wholesale gross profit, which offset the increase in fixed cost of sales caused by the decline in sales
- Excluding the impact of inventory provision, the GP margin was about 45.5%, up by 0.6 p.p. YoY

# SD & A Expenses

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## Selling and Distribution Expenses



Selling and distribution expenses amounted to 795.3 mn, up by 303.4 mn from 2020:

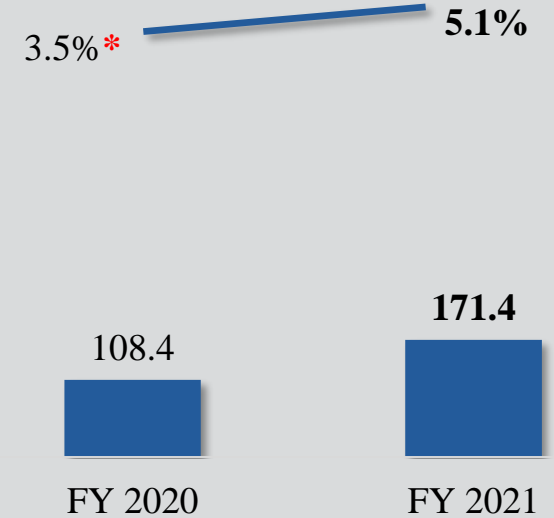
- A. Advertising and renovation subsidy expenses accounted for 8.9% to revenue which is similar to 2020
- B. Other Selling and expenses comprised mainly salaries, renovation and distribution expenses, accounted for 4.7% of and revenue and up by 1.3p.p Increase was mainly driven by opening of new stores
- C. Self-operated stores operating expenses for smart casual collection and online store, accounting for 9.9%, up by 6.2p.p and included store rental, property management fee, salaries and online platform charges.

	795.3	2020
303.4		
A.	8.9%	2020
B.	4.7%	
1.3		
C.	9.9%	
6.2		

## Administrative Expenses

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(RMB mn)



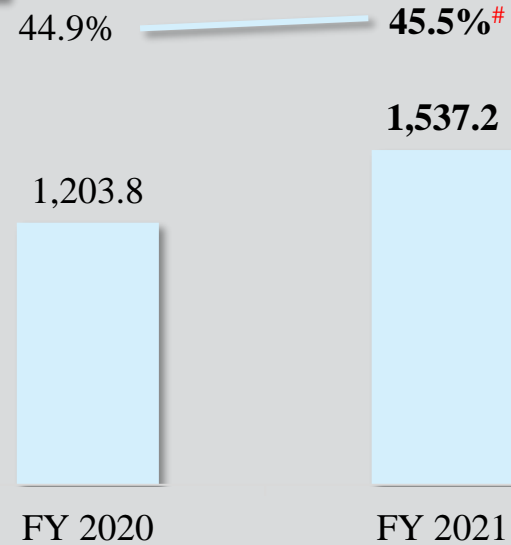
- The increase was due to the additional depreciation and renovation expenses incurred for the operation of the headquarters and the creative park
- The impairment losses for the relevant right-of-use assets for certain underperforming smart casual collection stores

\* Ratio of expense to revenue before provision of inventory buy-back

# Profit & Margin

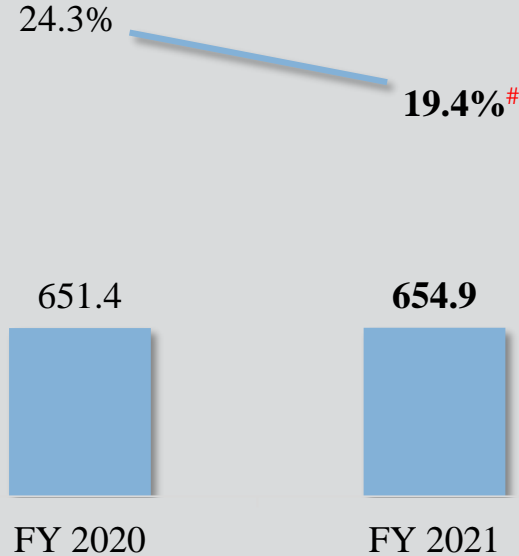
## Gross Profit & Margin

(RMB mn)



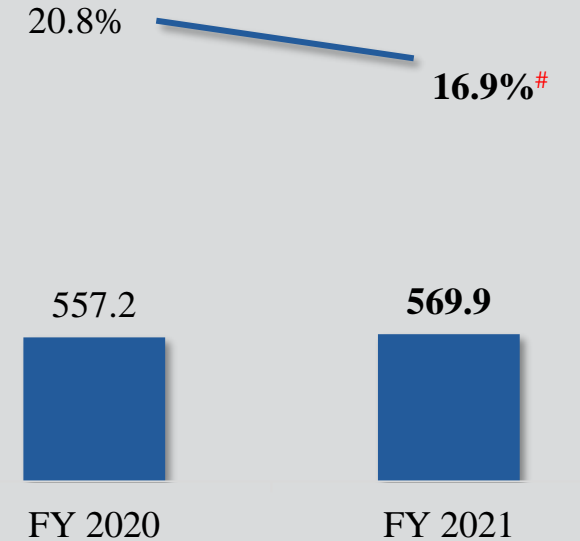
(RMB mn)

## Operating Profit & Margin



(RMB mn)

## Net Profit & Margin



- Excluding the impact of inventory provision, the GP margin was about 45.5%, up by 0.6 p.p. YoY
  - Recorded an inventory provision of RMB122.2 million in 2021
  - Retail gross profit of the smart casual collection was higher

	0.6	45.5%
2021	122.2	

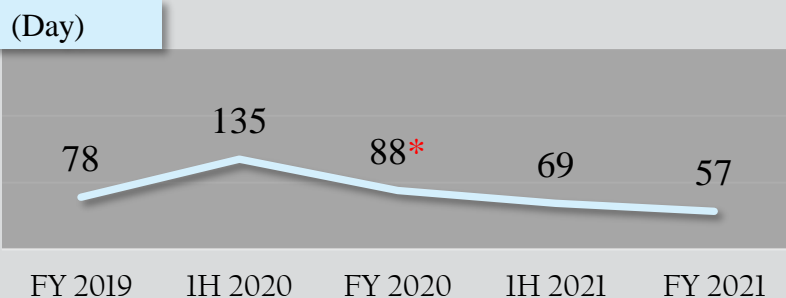
- Excluding inventory provision, profit from operations would increase by RMB3.5 million, and the operating profit margin would be 19.4%, down by 4.9 percentage points YoY

	3.5	19.4%
	4.9	

- Excluding inventory provision, net profit would reach RMB569.9 million, up by 2.3% from 2020

2020	2.3%	569.9
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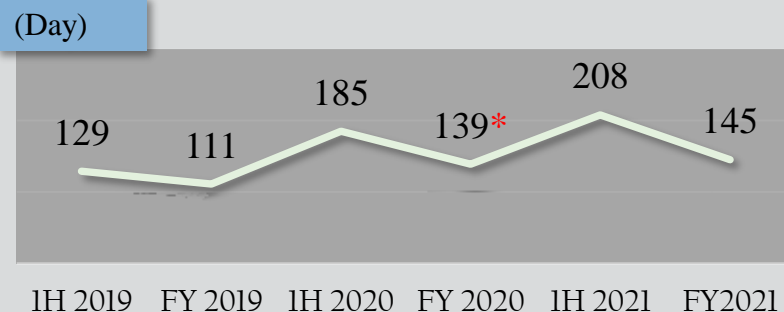
## Average Trade Receivables Turnover Days



- Successful inventory clearance efforts in 2H2021, coupled with the improved financial liquidity of distributors compared with the interim period
- The improved turnover of trade receivables following the conversion of the smart casual collection to the direct-to-retail model
- The average trade receivable turnover days for the year fell to 46 days based on the trade receivables as at the end of the year

46

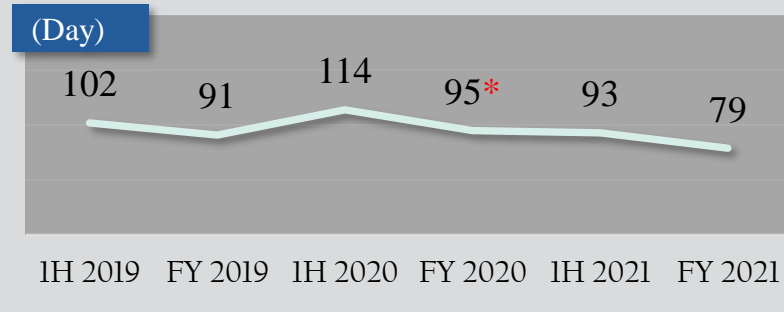
## Average Inventory Turnover Days



- Inventory balance up by RMB226.7 mn to RMB893.7 mn, mainly attributable to core collection after converting about 40% of stores to consignment model
- Inventory balance of smart casual collection continued to improve
- At 31 December 2021, inventory provision of RMB137.7 mn was made

		226.7		893.7
			40%	
	2021	12	31	137.7

## Average Trade Payables Turnover Days



- If based on period-end balance, turnover days was 81 days
- AP balance up by RMB25.1 mn

81  
25.1

\*Based on turnover / cost of sales before provision for inventory buy-back in 2020

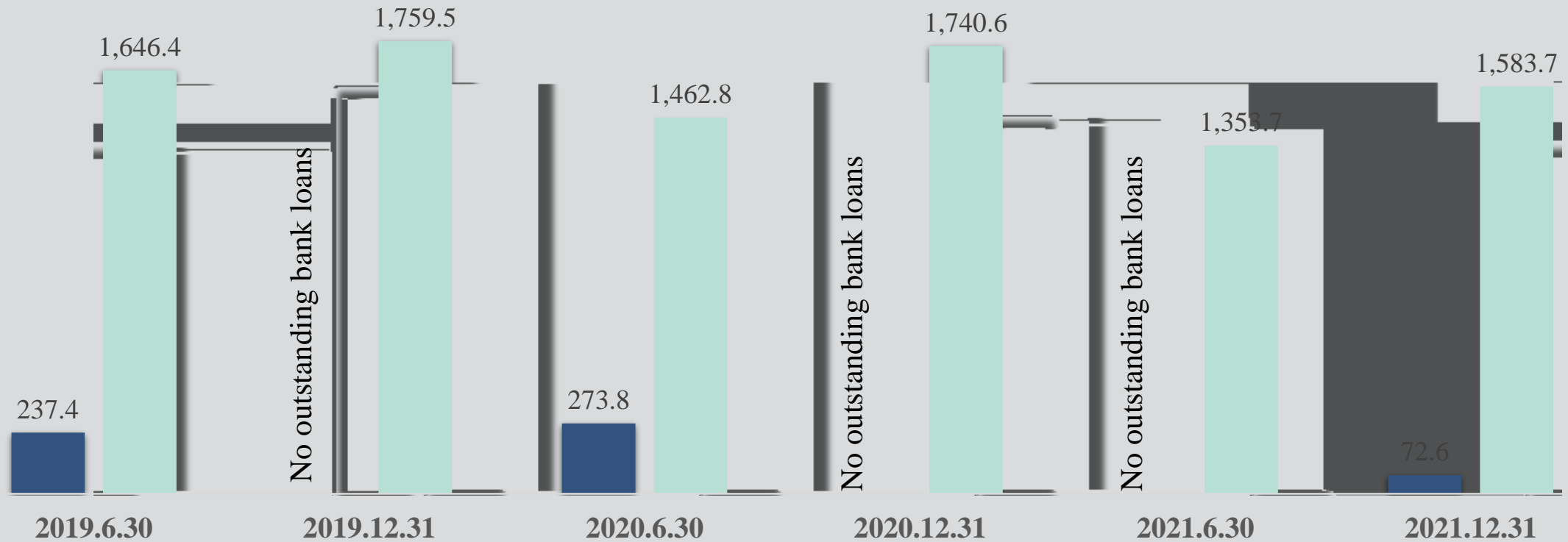
# Cash Flows

RMB mn	FY 2021							
<b>Net cash generated from operating activities</b>	<b>598.5</b>	<b>Operating cash inflows</b> <ul style="list-style-type: none"> <li>▪ The major reconciling items with net profit for the year :               <ul style="list-style-type: none"> <li>▪ Depreciation of RMB220.8 mn which is mainly due to the charge of depreciation on addition of new head quarter and the creative park</li> </ul> </li> </ul>						
<b>Net cash used in investing activities</b>	<b>280.0</b>	<ul style="list-style-type: none"> <li>▪               <ul style="list-style-type: none"> <li>▪ 220.8</li> </ul> </li> </ul>						
<b>Net cash used in financing activities</b>	<b>482.9</b>							
<b>Net decrease in cash and cash equivalents</b>	<b>164.4</b>	<b>Investing cash outflows</b> <ul style="list-style-type: none"> <li>▪ CAPEX of RMB316.0 mn less interest income of RMB34.4 mn and the net proceed of RMB1.6 mn from the disposal of property, plant and equipment</li> </ul>						
Cash and cash equivalents as at 1 Jan 1 1	1,738.9	<ul style="list-style-type: none"> <li>▪               <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; text-align: right;">316.0</td> <td style="width: 50%; text-align: right;">34.4</td> </tr> <tr> <td></td> <td style="text-align: right;">1.6</td> </tr> </table> </li> </ul>	316.0	34.4		1.6		
316.0	34.4							
	1.6							
Effect of foreign exchange rate changes	2.9							
<b>Cash and cash equivalents at 31 Dec</b> 12 31	<b>1,571.6</b>	<b>Financing cash outflows</b> <ul style="list-style-type: none"> <li>▪ Payments of 2020 final dividends and 2021 interim dividends totalling RMB446.5 mn and lease rental payments totalling RMB99.3 mn</li> </ul>						
		<ul style="list-style-type: none"> <li>▪               <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; text-align: center;">2020</td> <td style="width: 33%; text-align: center;">2021</td> <td style="width: 33%; text-align: right;">446.5</td> </tr> <tr> <td></td> <td style="text-align: center;">99.3</td> <td></td> </tr> </table> </li> </ul>	2020	2021	446.5		99.3	
2020	2021	446.5						
	99.3							

## Total Cash and Bank Balance

(RMB mn)

■ Bank Loans ■ Net Cash Balance



# BUSINESS & OPERATIONAL REVIEW

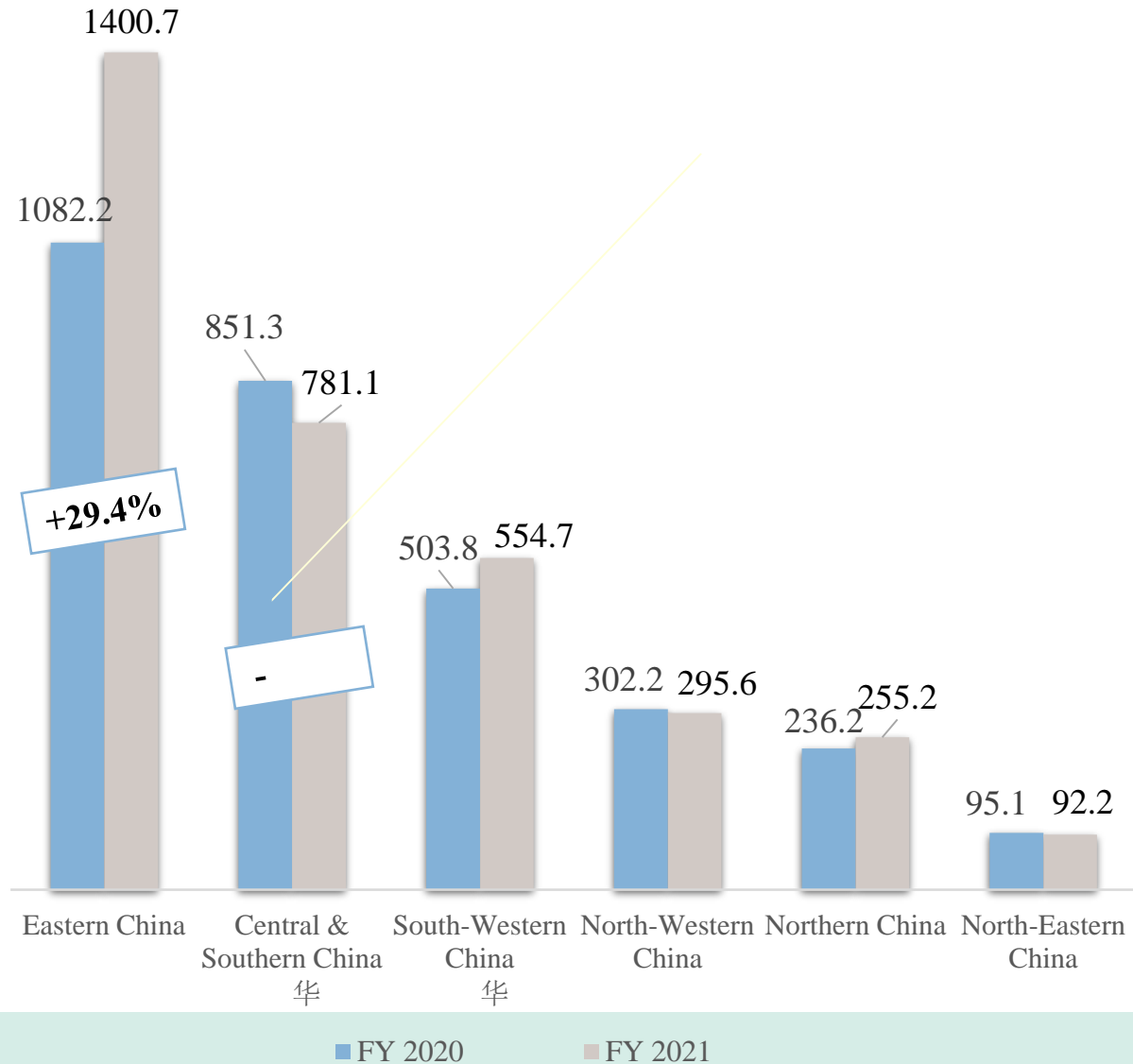


NEW DOWN FEATHER



CHIMABILI x LILANZ

## Sales by region



# Optimise Store Network

- Opened stores in carefully selected quality shopping malls and other premium locations and closed underperforming stores
- Parallel development of three channels
  - Smart casual collection stores + Online stores -- Direct-to-retail model
  - Core collection -- Distributors + Consignment model
- Introduced a consignment model for the core collection stores in SS2021 and a total of 966 stores were operated as franchise stores by end of 2021
- Smart casual collection stores and online stores converted to the direct-to-retail model in 2H2020 and early 2021 respectively
- 852 stores in shopping malls (about 31% of total store count and about 33.1% of total retail floor space) and 49 outlet stores by year end
- Better realised the benefits of effective inventory management after sales channel conversion
- Inventory level remains healthy as efforts to clear inventories by offering discounts and promotions and sales in outlet stores continued

	+	--	
	--	+	
2021			2021
966			
		2020	2021
			852
31%		33.1%	49

**Direct-to-retail stores**

Stores **290**

+3

**69** Distributors (-21)

Stores **1,303**

-45

**733** Sub-distributors (-14)

Stores **1,140**

+14

Total store count as at 31 December 2021: **2,733**

2021 12 31 **2,733**

**2,443** core collection stores **290** smart casual collection stores

# New Retail Business Development

## Online Stores Converted to Self-Operated Stores



- 2021 Online sales (including sales through Wechat Platform) about RMB500 million, increased by about 20%
- Launch more proactively promotional activities such as online sales and live streaming
- 5
- 20%

## More New Products for Online Sales



- New special edition pant products launched in online stores during 6.18 shopping festival
- Reorganised in-house production plant and added 7 production lines to produce swiftly orders in small batches
- 6.18

## Actively Utilised WeChat Platform



- Provided customer relationship management services and to set up stores in the WeChat Mall
- Take advantage of the interactive features of social platforms to facilitate brand promotion and promote sales



- 50%
- 77%



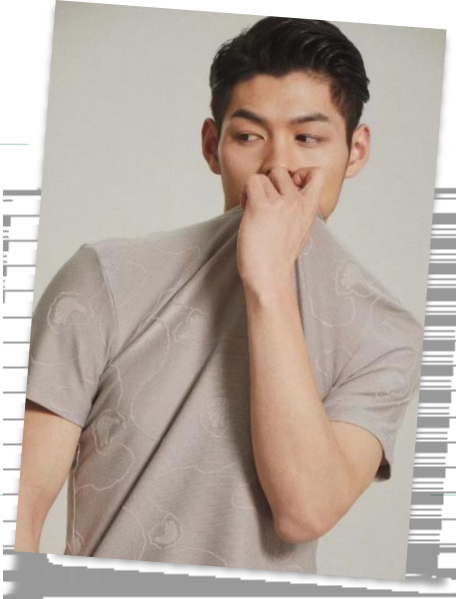
### Enhance personalisation and original design of products

- About 77% products sold are originally designed products
- Among which about 50% utilised proprietary fabrics internally developed

### Enhance capability of launching fast-moving products

- Began to partner with new suppliers to provide materials for fast moving products last year, together with rapid replenishment capability of in-house production plant, to enable the launch of more fast-moving developed fast-moving products online

- 2021



### and market competitiveness

- Completed the upgrade of the fashion and design elements of the smart casual collection products in SS2021
- Improved market competitiveness while adhering to the strategy of providing products that represent excellent value-for-money, leading to GP margin expansion for smart casual collection

### Strong research and development team

- 440
- 2021

- About 440 members comprising international and local talents
- After the new headquarters opened in Fujian in early 2021, designers were provided with a better creative communication platform



[ xw wnh( /2021, Speaking the  
**Truth** (q( pdkp(P i v(Han  
participated

2021

TV

2022

# Marketing, Promotion & Awards ( )

Sponsored Youku Video's "**I Decide Who I Am**"

Continued to cooperate with **Adream Foundation**

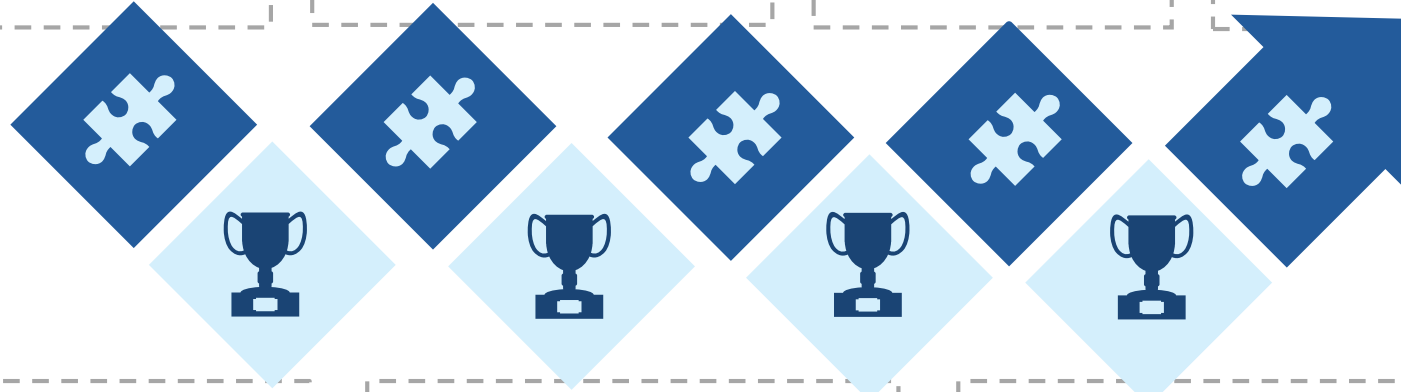
Cooperated with **Baidu Marketing** to organise an **AI-based fun sports meeting**

Participated in **the Academy Award of Advertising Festival of Chinese College Students**

Partnered with Su Xiping to develop several **collaborative collections** which were simultaneously launched at the Museum of Contemporary Art & Planning Exhibition

!

AI



"**Creative Communication Gold Case**" award in the 10th ADMEN International Awards in : 8: 94i vl ( pn / **Gold Award for the 2021 IAI**

/2021 Country with Strong **Brand Power National Craftsmanship Brand** by Asiabrand

"2021 Top 100 Leading Brands in China" by Winshang

-2021 Innovative and Advanced Retail

2021

ADMEN

2021 IAI

Asiabrand  
2021

2021  
TOP100

2020-2021

# OUTLOOK & STRATEGY



# Prudent Operation Strategy

**Continue to adopt a prudent strategy for store openings to enhance sales network**



- With the reform of sales channels largely completed, the Group has more effective control over its sales channels
- Open stores in quality shopping malls in provincial capitals and prefecture-level cities
- Open stores in outlet malls as the usual channel for inventory clearance

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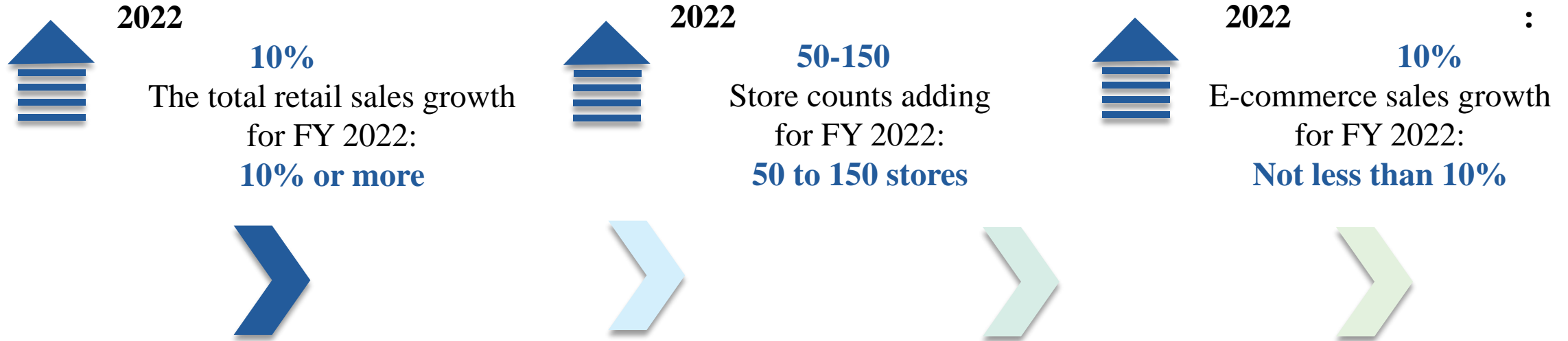


## New Retail

- Further develop online sales & offline delivery model
- 



## Operational Targets



- Plans to roll-out the 7<sup>th</sup> generation store image upgrade to over 500 core collection stores
- 500
- Smart casual collection to further enhance the fashion and design elements of the products, strengthen expansion of new stores in 3 provinces and 4 cities as key target markets, improve operational efficiency
- 3 4

# Progress on the New Logistics Park

- Phase I of the new logistics centre is expected to commence operation before May 2022 to better prepare for the logistics arrangement during the e-commerce peak seasons

2022 5



- The new logistics centre will be powered by an intelligence system, which is expected to facilitate effective delivery of goods to stores and further enhance the inventory control



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# OPEN FORUM

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THE GREAT ADVENTURE  
在冒险中

