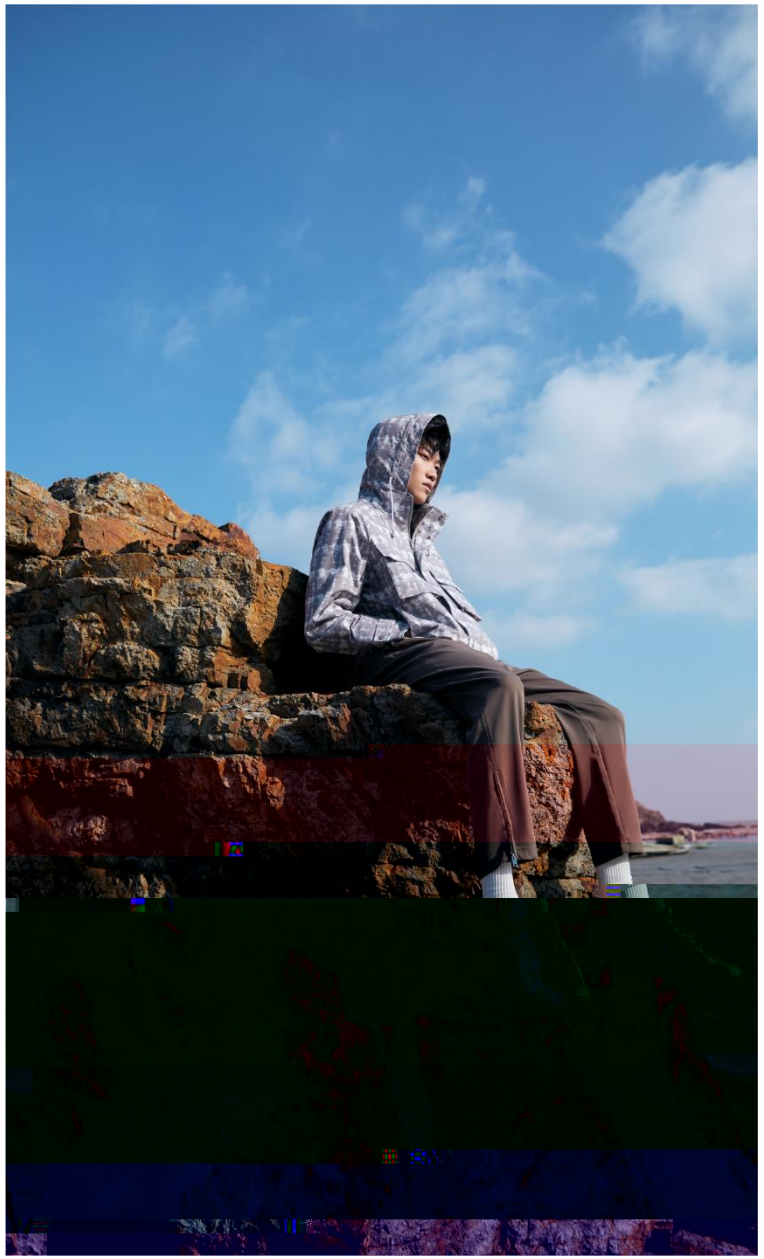


Agenda

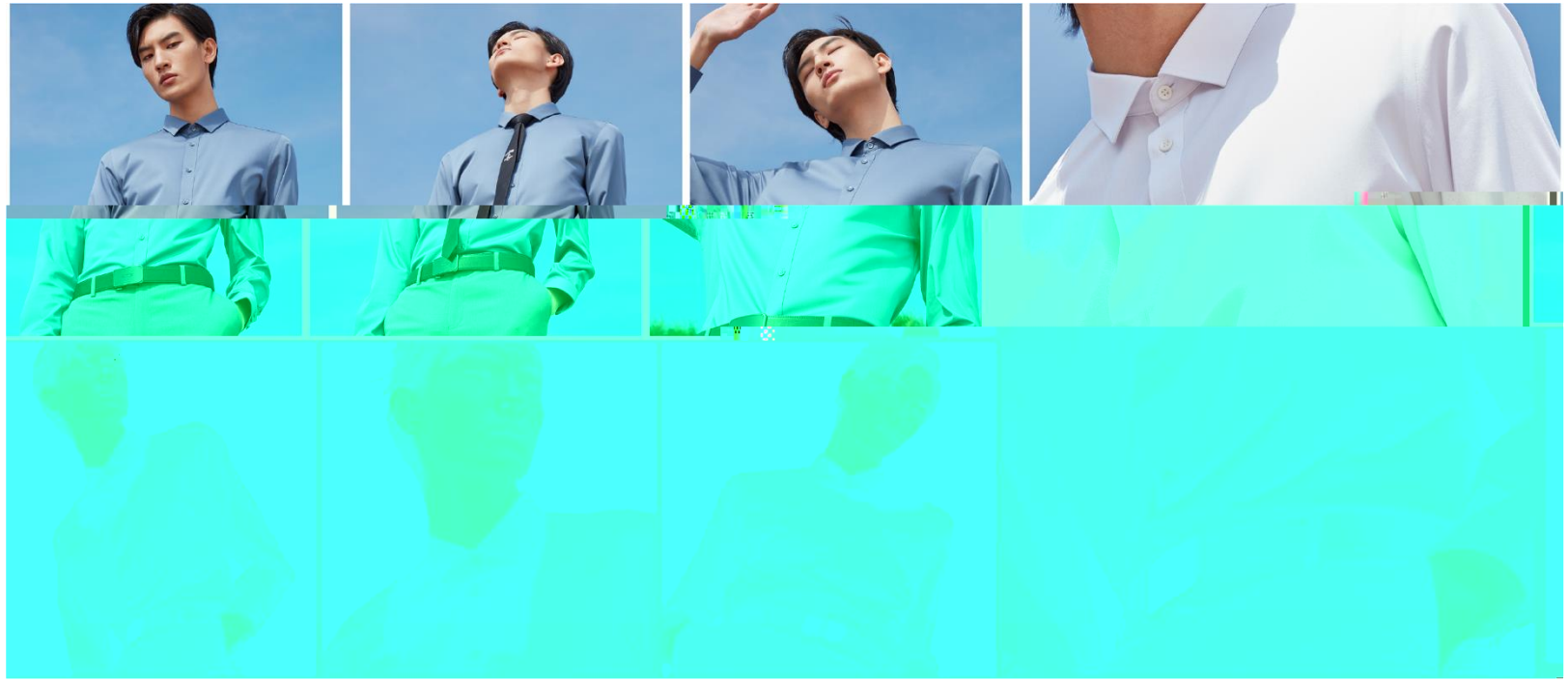
01 Results Highlights

02 Financial Review

03 Business and Operational Review

04 Outlook and Strategy

05

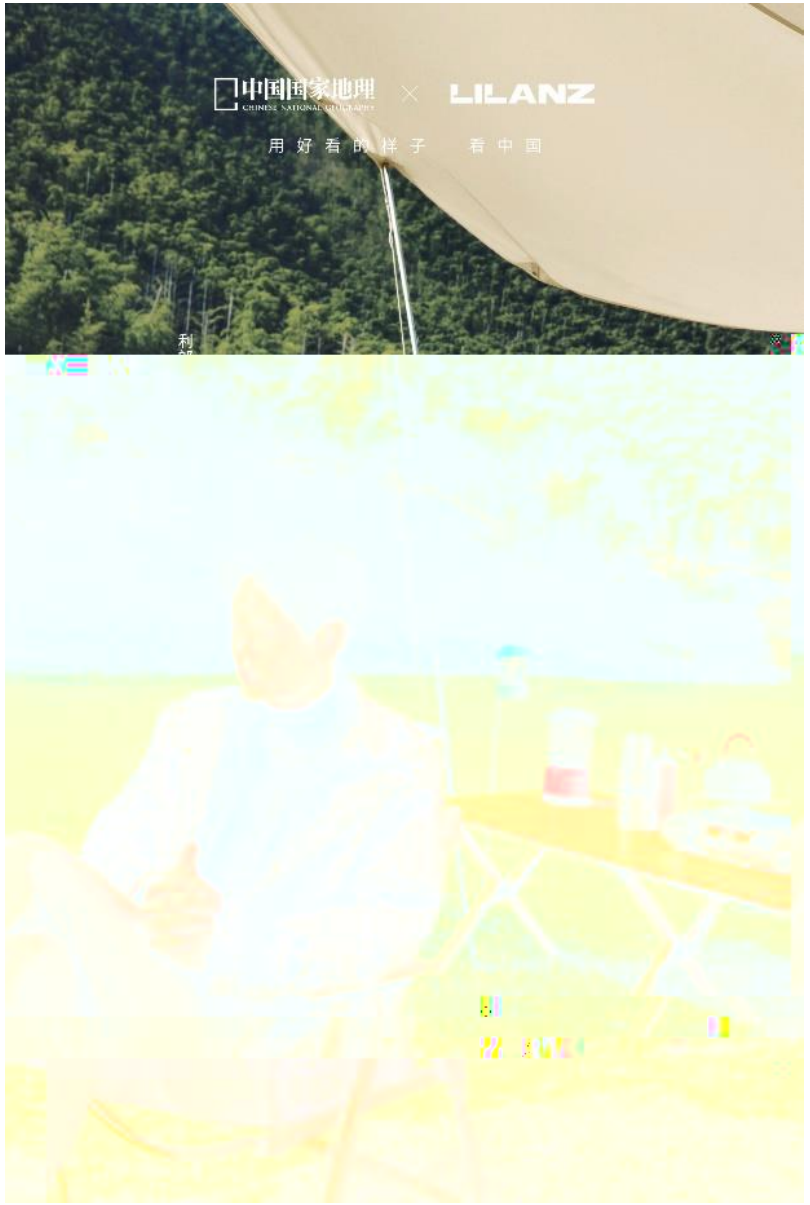


01

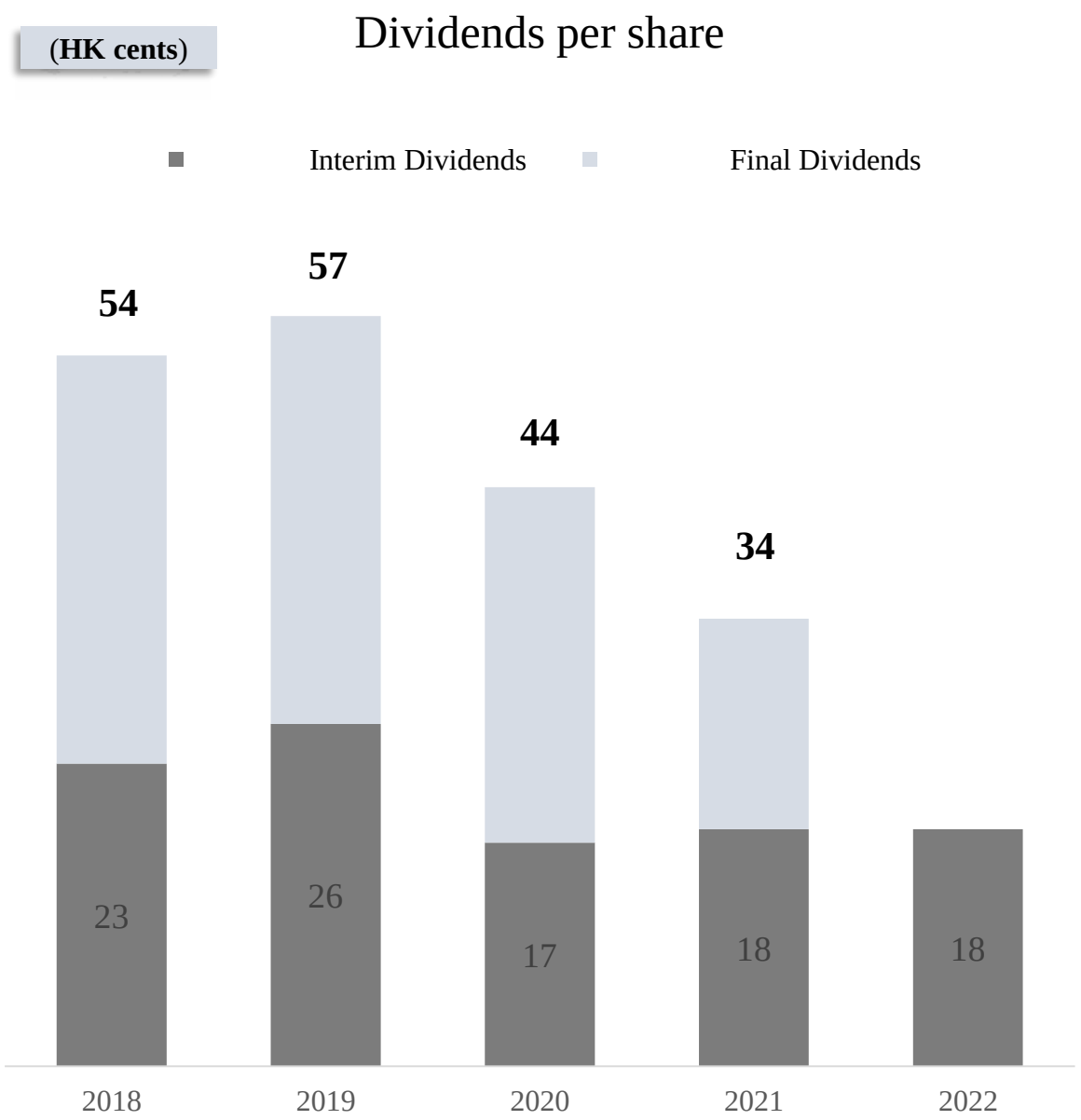
Results Highlights

2022 Interim Results affected by COVID-19 and Business Transformation
东

- Revenue Up by 3.2% to RMB 1,397.8 mn
  3.2% 1,397.8
- Net Profit down by 5.3% to RMB 257.0 mn; EPS Down by 5.3%
  5.3% 257.0 5.3%
- Retail sales through online channel slightly increased by about 1% to about RMB 229 mn
  1% 229
- Core Collection and Smart Casual Stores decreased by 73 and 33 stores to 2,361 and 266 stores respectively at period end
  个 分 73 33 2,361 266
- In 1H 2022, total retail sales of LILANZ products achieved low-single-digit growth YOY
  LILANZ



Maintaining Relatively High Dividend Payout



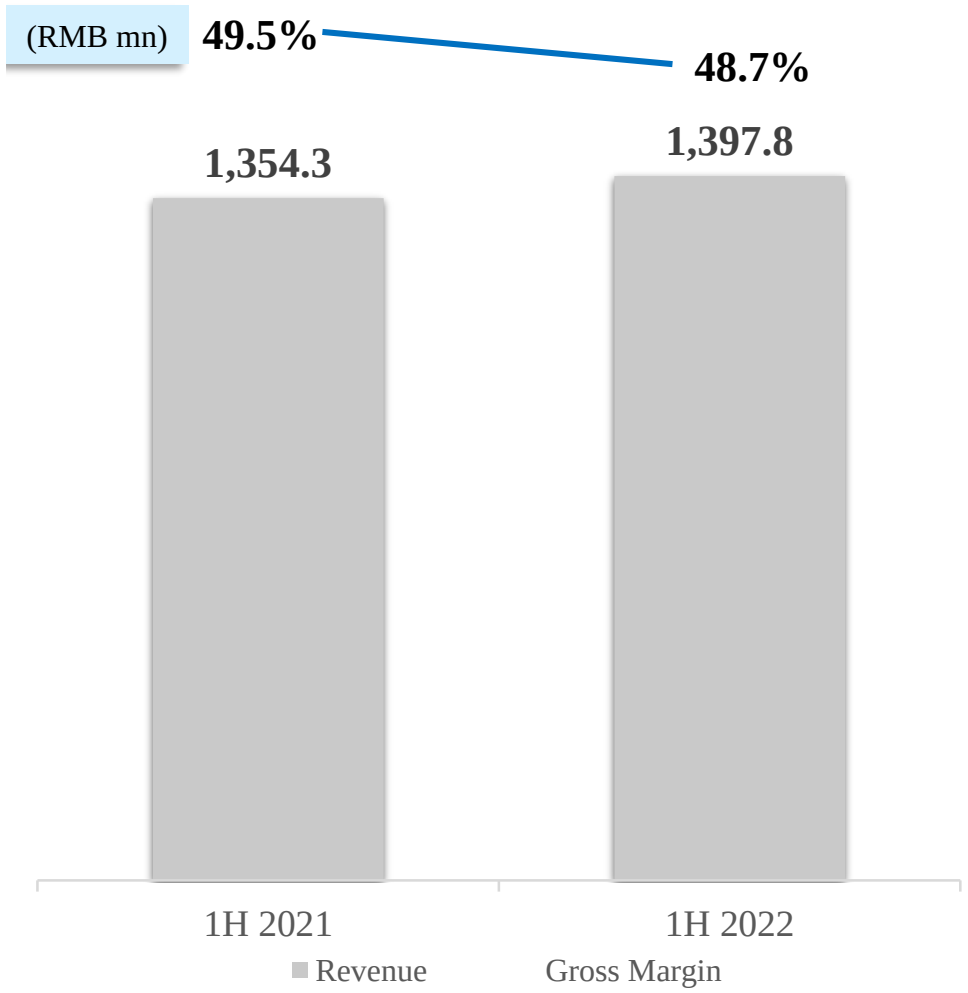
Interim dividend） HK13 cents per share and
Special interim dividend） HK5 cents per share

东 ）13
东 ）5

02

Financial Review

Revenue and Gross Margin



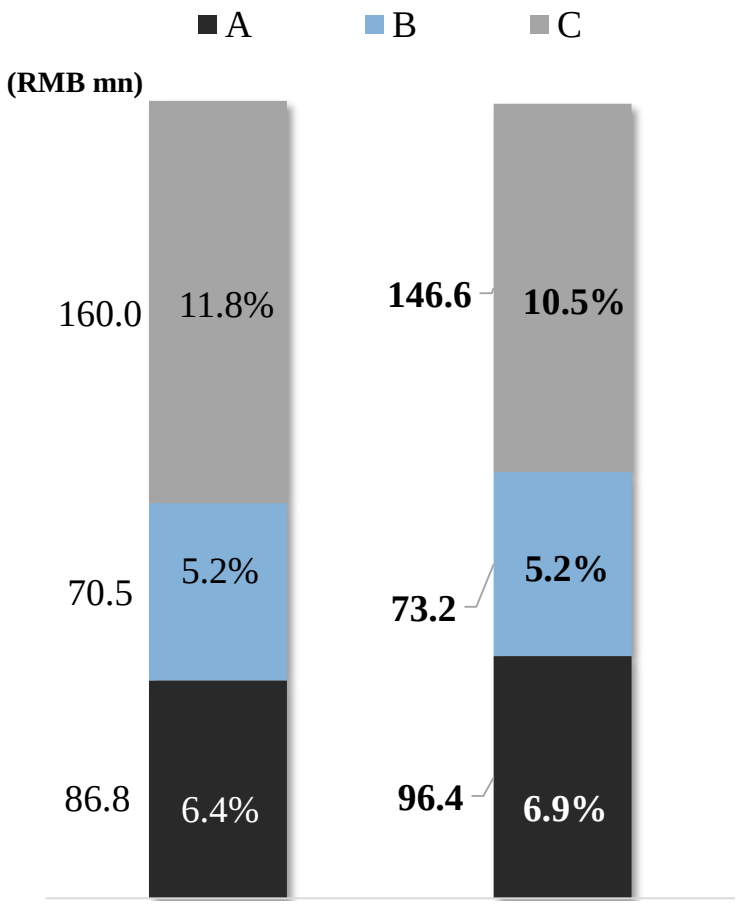
Revenue

Revenue up by 3.2% to RMB1,397.8 mn

- Core collection: Sales revenue surged for the Core Collection. The point of sales

SD & A Expenses

Selling and Distribution Expenses



Selling and distribution expenses amounted to RMB316.2 mn, down by RMB1.2 mn yoy:

A. Advertising and renovation subsidy expenses accounted for 6.9% to revenue which is similar to 2021

B. Other Selling and expenses comprised mainly salaries, renovation and distribution expenses, accounted for 5.2% to revenue, which is similar to 2021

C. Self-operated stores operating expenses for smart casual collection and online store, accounted for 10.5% to revenue, down by 1.3p.p. It included store rental, property management fee, salaries and online platform charges. Decrease reflects shutdown of several smart casual retail stores during the period.

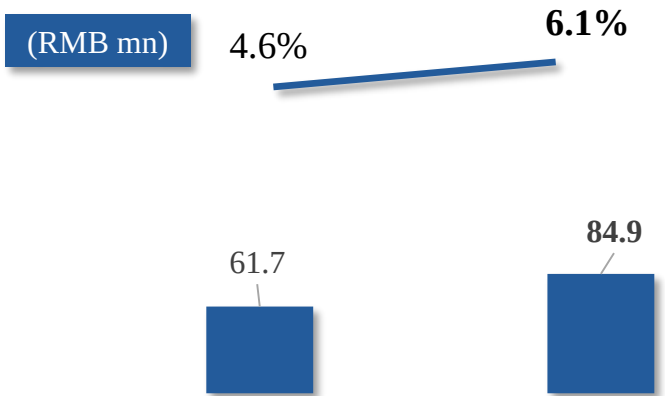
316.2 1.2

A. 保 6.9% 2021

B. 入 5.2%
2021

C. 10.5%
1.3
兴

Administrative Expenses



- Administrative expenses amounted to RMB84.9 mn, up by RMB23.2 mn yoy
- 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 accounts receivable and the relevant right-of-use assets for certain under-performing smart casual collection stores

84.9 23.2

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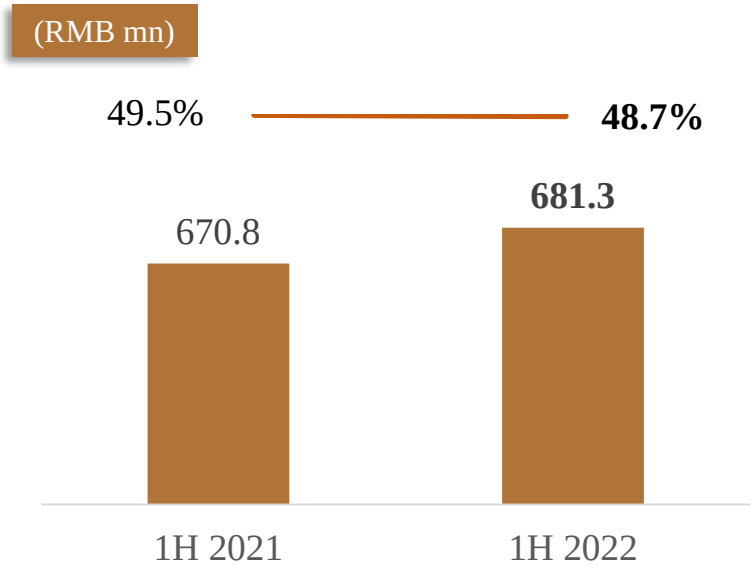
Profit & Margin

Gross Profit & Margin



GP margin slightly down by 0.8 p.p. due to:

- Higher proportion of sales from Core Collection which has lower GP margin

0.8)

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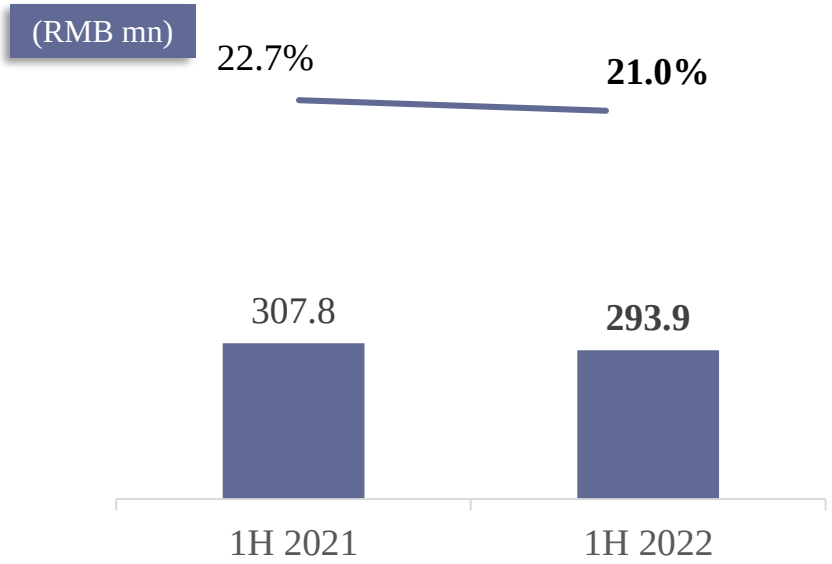
Operating Profit & Margin



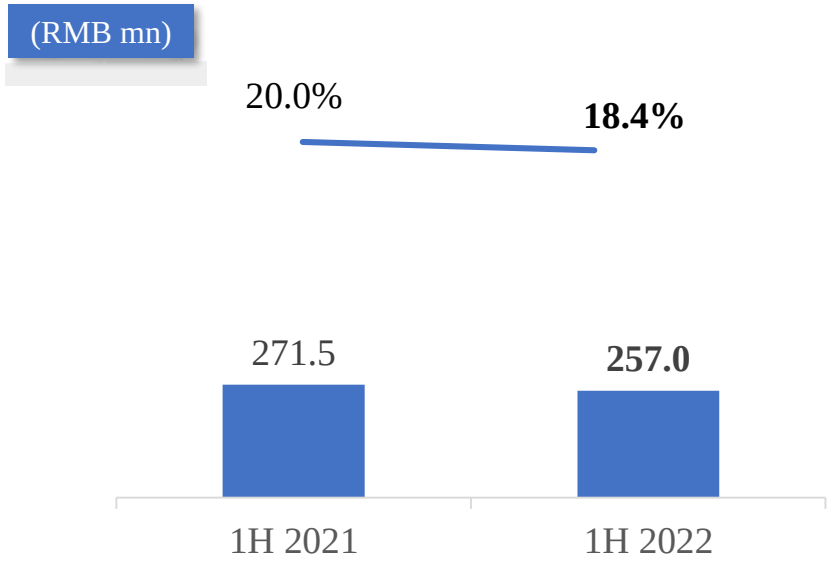
OP margin down by 1.7 p.p. to 21.0% , due to:

- Decrease in GP margin
- Increase in administrative expenses

1.7 21.0%)

-
-

Net Profit & Margin



NP margin down by 1.6 p.p. to 18.4%

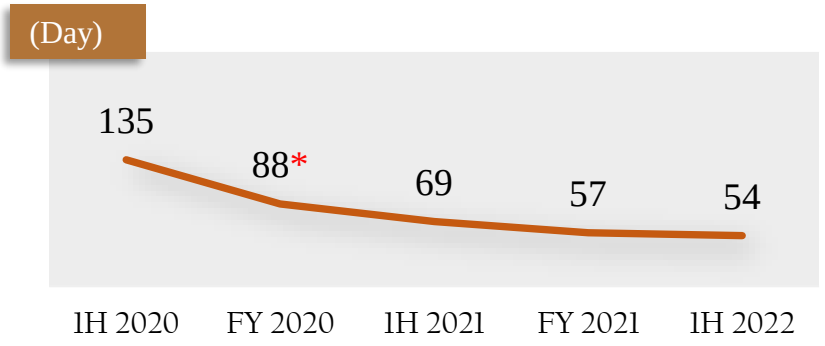
- Decrease in GP margin
- Increase in administrative expenses

1.6 18.4%

-
-

Working Capital Cycle

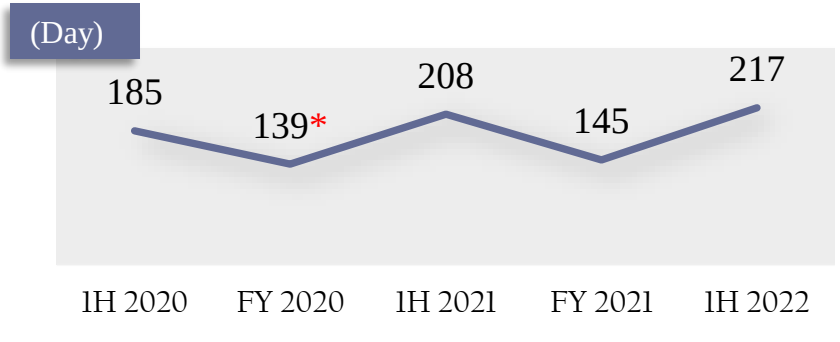
Average Trade Receivables Turnover Days



Turnover days reduced as sales revenue reduced in Q2
At 30 June 2022, AR provision of RMB17.4 mn was made

2022 6 30
17.4

Average Inventory Turnover Days

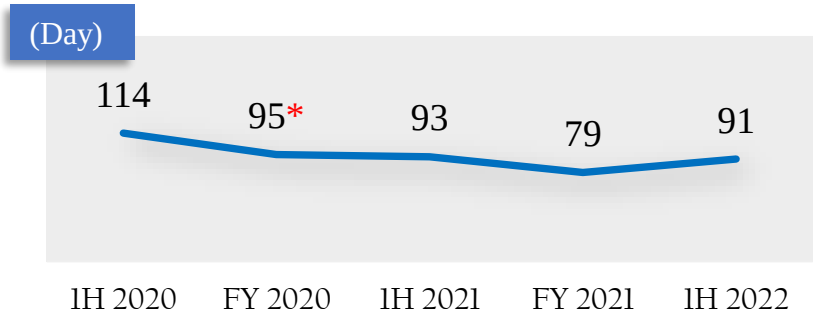


Inventory balance down by RMB67.5 mn to RMB826.2 mn
Inventory balance of core collection increase due to delayed launch of 2022 Fall items.
Inventory balance of smart casual collection continued to improve
At 30 June 2022, inventory provision of RMB114.7 mn was made

67.5
826.2
个 分 2022

2022 6 30
114.7

Average Trade Payables Turnover Days



AP balance down by RMB141.9 mn
Production and delivery schedules of some of the products have been adjusted backward because of inventory management enhanced as a result of mutual exchange of inventory and strengthed control over channel

141.9

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

Cash Flows

RMB mn	1H 2022
Net cash generated from operating activities	246.7
Net cash used in investing activities	504.3
Net cash generated from financing activities	367.8
Net increase in cash and cash equivalents	110.2
Cash and cash equivalents as at 1 Jan 1 1	1,571.6
Effect of foreign exchange rate changes	0.7
Cash and cash equivalents at 30 Jun 6 30	1,681.2

Operating cash inflows

Major reconciling items with net profit for the period:

AP balance down by RMB190.1 mn as control over channel and inventory management enhanced, production and delivery schedules for some of the products have been adjusted backward

兴 个 ）

190.1

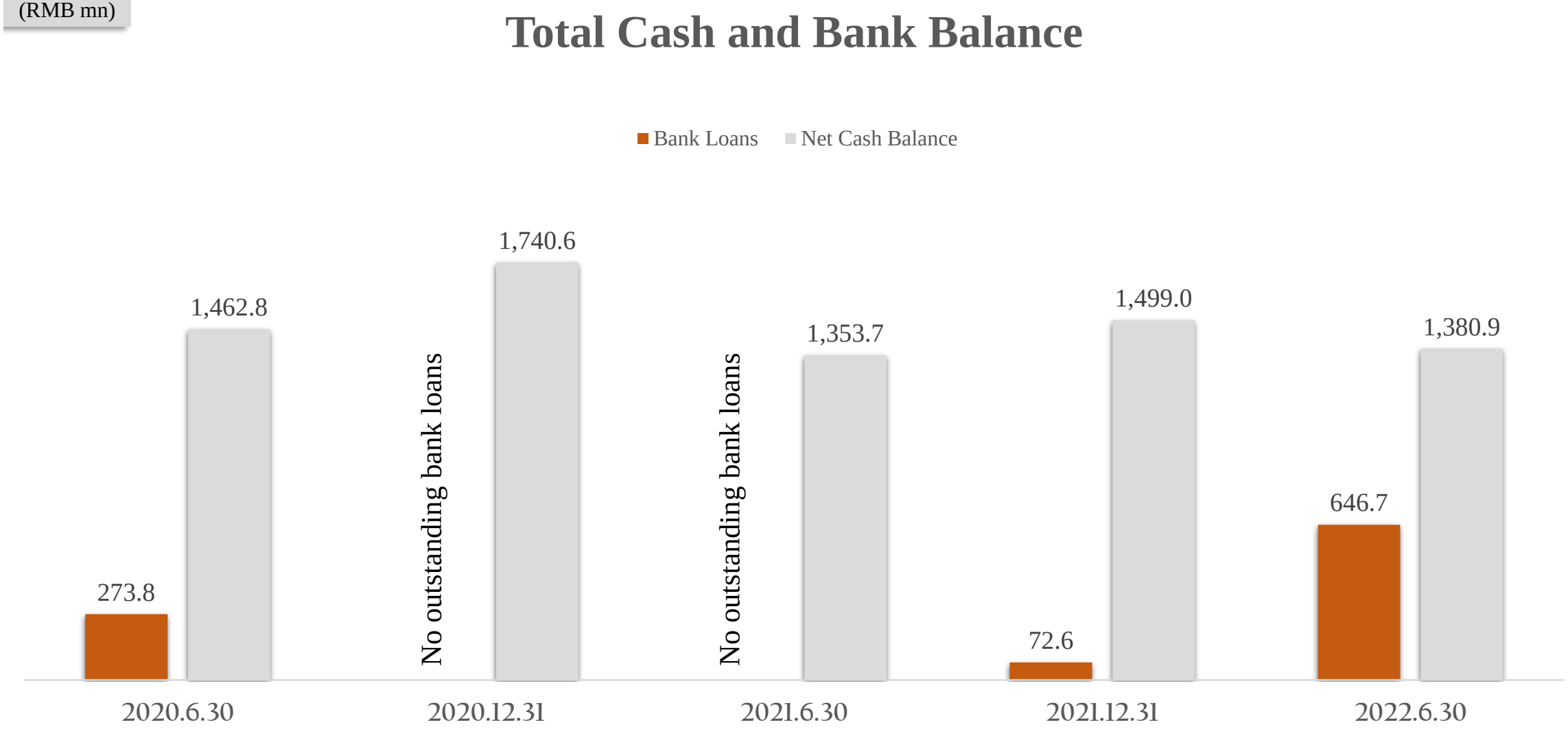
CAPEX of RMB231.9 mn and placement of time deposit of RMB300.0 mn

231.9 300.0

New bank loans totalling RMB575.5 mn. Payment of 2021 final dividends RMB

Healthy & Strong Cash Position

(RMB mn)



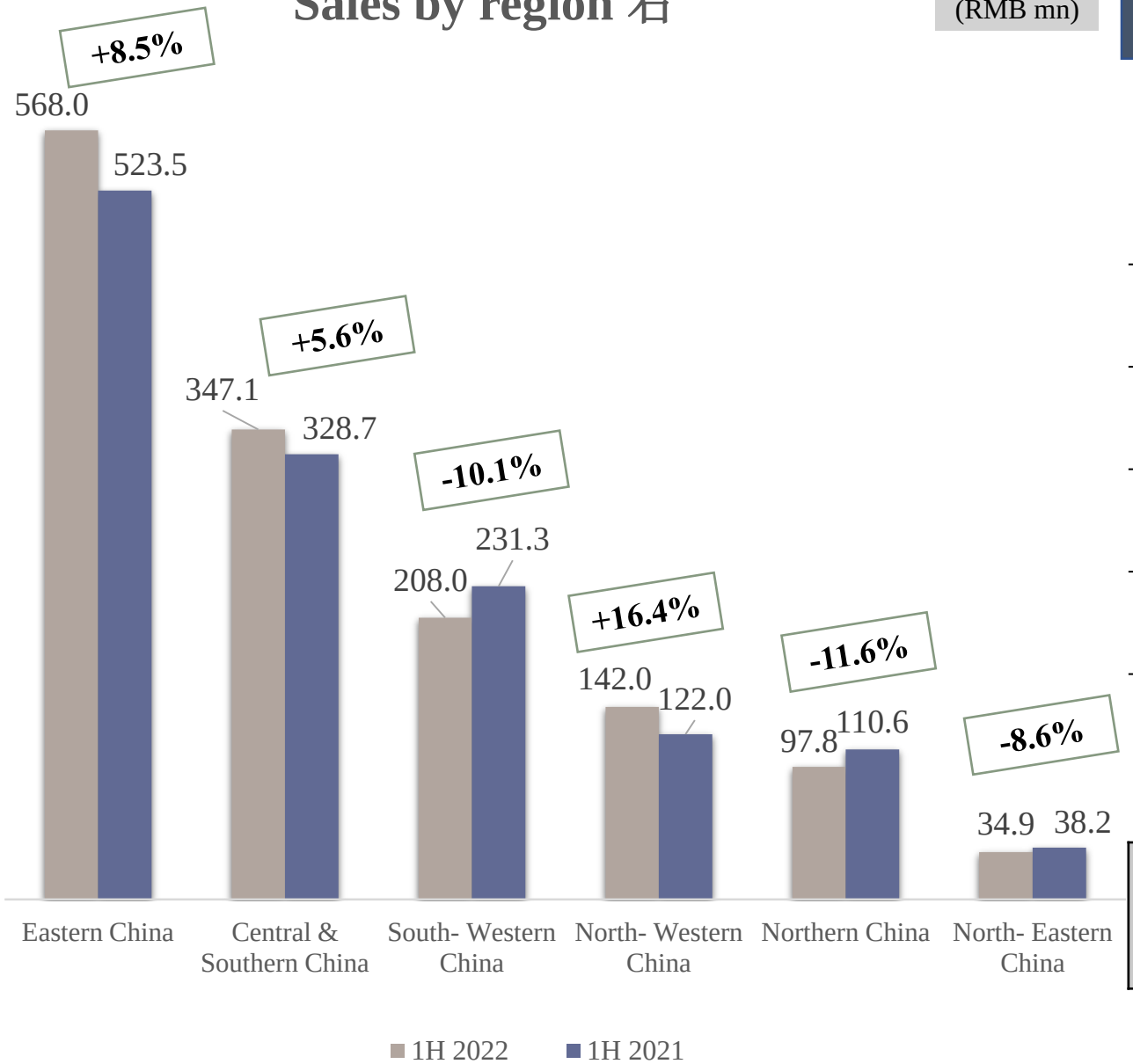
03

Business and Operational Review

Sales Channel Management

Sales by region 右

(RMB mn)



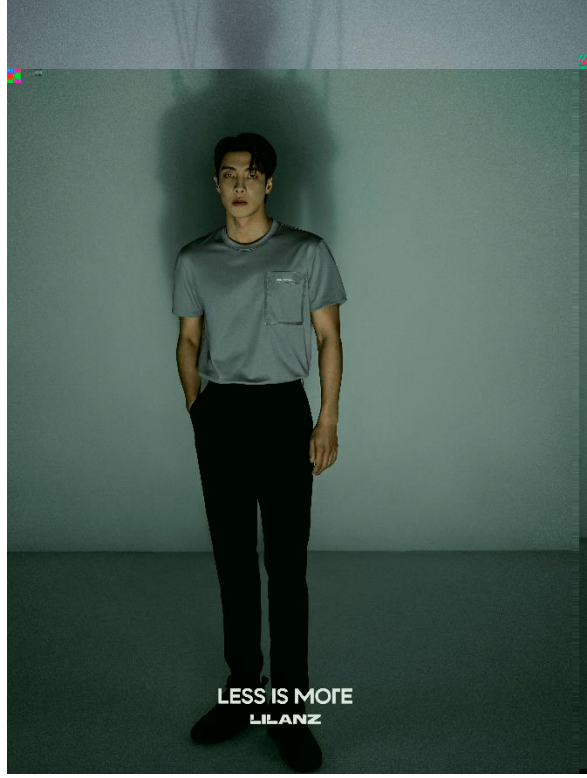
Store Count by Region 右

	2022-1-1	Open	Close	2022-6-30
Eastern China	784	23	80	**727**
Central and Southern China	736	31	57	**710**
South-Western China	508	18	23	**503**
North-Western China	275	13	20	**268**
Northern China	272	7	18	**261**
North-Eastern China	158	3	3	**158**
Total	2,733	95	201	**2,627**
Total Retail Floor Space (sqm)	404,020			**393,597** (-2.6%)

Sales Channel Management (Con't)

✧ **Optimised retail network:**
✓ Closed underperforming stores and opened stores in carefully-selected quality shopping malls
✓ Store network and display space enhancement of the smart casual collection in various regions by stages
✓ Rolling out the 7th generation store image to existing core collection stores
✓ **Channel upgrade continued**: **818** stores in shopping malls, accounting for about **31%** of total store count and about **33%** of the total retail floor space

✧ 包)
✓
✓ 包 分
✓ 个 分 7 保 100
✓) 818 31% 33%



Total store count as at 30 June 2022: **2,627**
➢ **2,361** core collection stores; **266** smart casual collection stores

2022 6 30) **2,627**
➢ **2,361** 个 分 **266** 分

Direct-to-retail stores
Stores **257** -33

65 Distributors (-4)
Stores **1,256** -47

720 Sub-distributors (-13)
Stores **1,114** -26

Enhancing Inventory Management

Sell-through rate of the 2022 SS collections has decreased by around 10 points due to resurgence of the Pandemic from March to May
Inventory level of smart casual collection decreased continuously while that of core collection increased due to delay in launch of Spring collections

2022
10
个 分

New Retail Business Development

Online Stores Converted to Direct-to-Retail Model

Promotional sales online and e-commerce live streaming were more flexibly organized
Delivery logistic was hampered by Pandemic
The retail sales value of online stores slightly up by 1% YOY

Actively Promote Business of Using the WeChat Platform

Use WeChat platform to provide customer relationship management service
Capitalise on the complementary advantages of online and offline services to drive store efficiency growth

Added More New Products for Online Sales

Launched new special edition of pants products for online stores during the 618 shopping festival
Produced swiftly in-house by adding 7 production lines for small batch orders

6.18

Product Design, Development and Supply Chain Management

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- ） 70%
- 2022 ） 75%
- 分
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- 522

Adhere to the personality-themed and original designs of products

- 1H 2022: the proportion of originally designed products was maintained at about 70% among products sold
- 2022 summer collection: expected to be further increased to around 75%

Increased products' markup rate based on product design and market competitiveness

- Upgrade of the fashion elements and design of products of the smart casual collection
- While adhering to the strategy of providing products that represent excellent value-for- & product design and market competitiveness

Adding fast-developed products capability

- Developing new suppliers in sourcing materials for fast-developed products, able to launch more fast-developed products online with in-house production capability to produce small batch orders swiftly

Strong research and development team

- About 522 members comprising international and local talents

Marketing & Promotion

Launched a series of brand promotion activities

,

- **Became the official menswear partner of the new film “Only Fools Rush in” of brand ambassador**

）

- **Formed a co-branding partnership with *Chinese National Geography* magazine and artist Cao Yu (Leo).　　东**

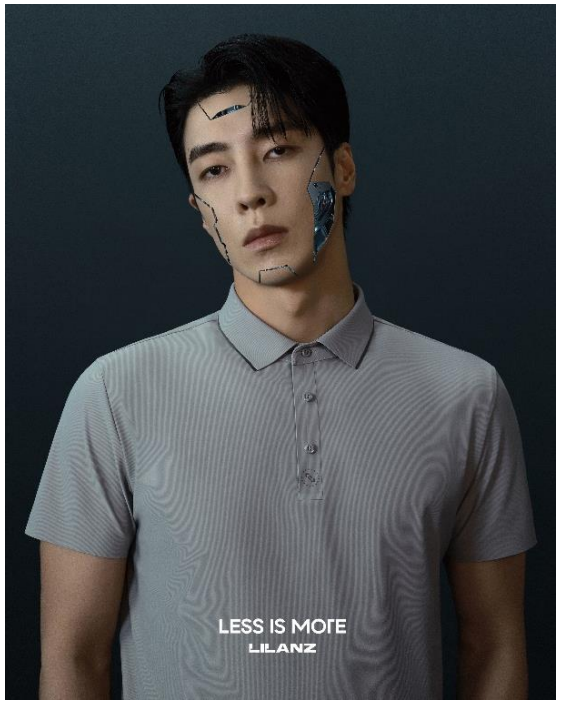
Leo

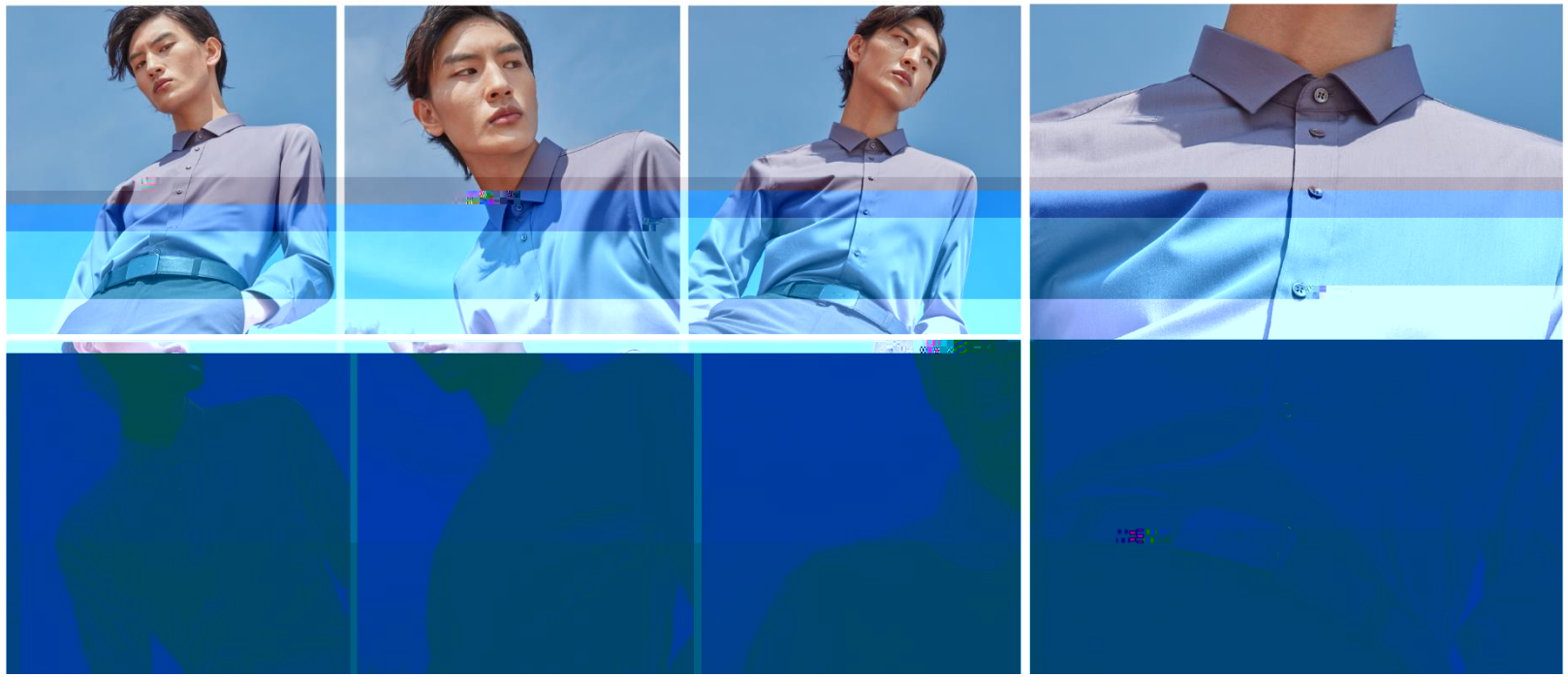
- **LESS IS MORE has formed a co-branding partnership with science fiction “*The Three-Body Universe*” for its shop image.**

LESS IS MORE

- **Launched summer collection of LESS IS MORE brand ambassador Gao Hanyu**

LESS IS MORE　　分





04

Outlook and Strategy

Prudent & Flexible Operation Strategy

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Continue to optimise store network and retail management

- ✓ Strictly select and open stores in suitable shop locations in quality shopping malls to replace street stores with low efficiency
- ✓ Add stores in outlets as a recurring channel for inventory clearance
- ✓ Smart casual collection: Continue store network and display space enhancement work in various regions by stages and will cover stores in Hefei, Nanchang, Jiangsu and other regions in 2H 2022
- ✓ Enhance Lilang Member Program and strengthen retail information system to realise real-time data sharing
- ✓ Objective: further enhance store efficiency and product sell-through rate

Operational Targets

- ✧ **2022 ）**
  - ➢ **10%**
    保
- ✧ **2022 ）**
  - ➢ **50-150**
    保

- ✧ **The total retail sales growth for FY 2022:**
  - ➢ **Revised from 10% or more to single-digit growth**
- ✧ **Store counts adding in FY 2022:**
  - ➢ **Revised from 50 to 150 stores to same number of FY2021**

Prudent & Flexible Operation Strategy (Con’t)

New Retail

Launching special online edition of the environmental friendly collection

Launching unique and quality items online before November 11 shopping festival

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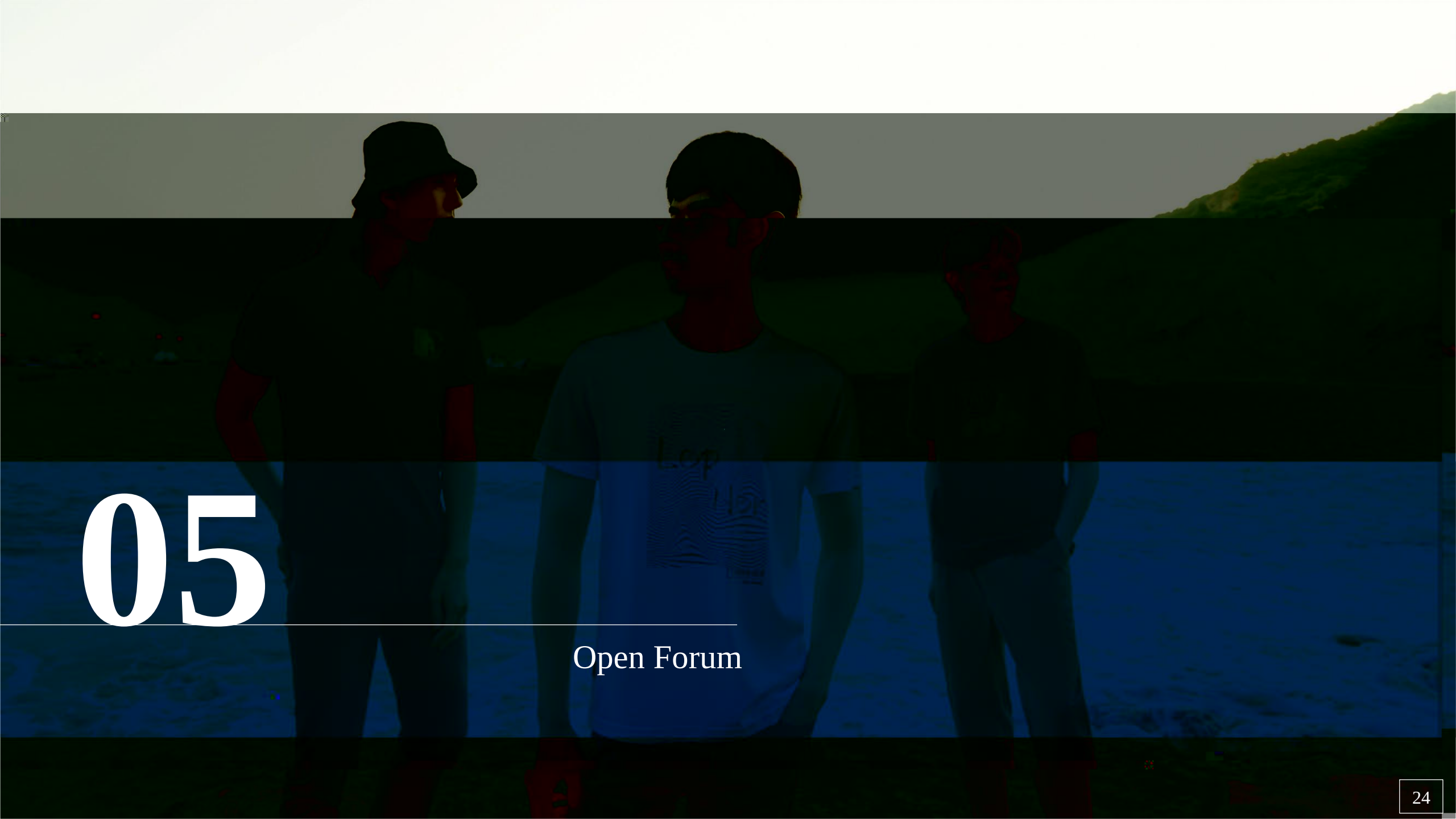
Construction of the New Headquarters and New Logistics Park

The new logistics centre aims at commencing operation before September this year, which will effectively enhance inventory management and logistics efficiency

9

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



05

Open Forum