

Annual Results Announcement

2017



LILANZ

CHINA LIANG LIMITED
中國利郎有限公司

www.lilanz.com



AGENDA Results Highlights

Financial Review

Business and Operational Review

Outlook and Strategy

Open Forum



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业绩亮点

OBPRI P
EF EIF EP



Improving Financial Performance & Strengthening Competitiveness

Competitiveness strengthened as products' originality and value-for-money significantly enhanced following the successful implementation of "improving product quality without raising the price" strategy



Retail channel management improved and channel remained at healthy state; store operating efficiency improved, SSSG accelerated during 2H to about 10% in Q4



Smart casual collection making good progress, adopting consignment sales model in 2H to speed up store opening to grasp market opportunities



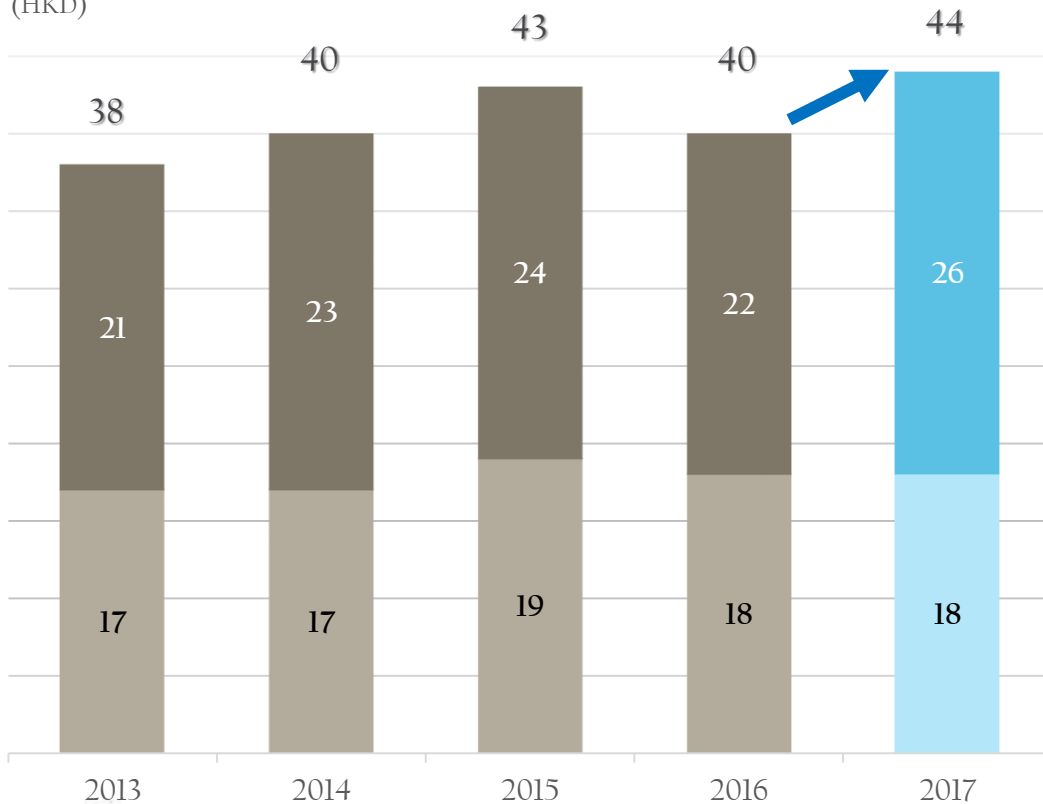
Improved results with net profit growth at 13.2% to RMB611.0 mn, and net margin up to 25.0%

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Maintaining High Dividend Payout

(HKD)



2017 Final Dividends

Proposed final dividend
HK18 cents per share and
 special final dividend
HK8 cents per share

18
8



Interim dividends per share
 (incl. special dividend per share)
 ()

Final dividends per share
 (incl. special dividend per share)
 ()



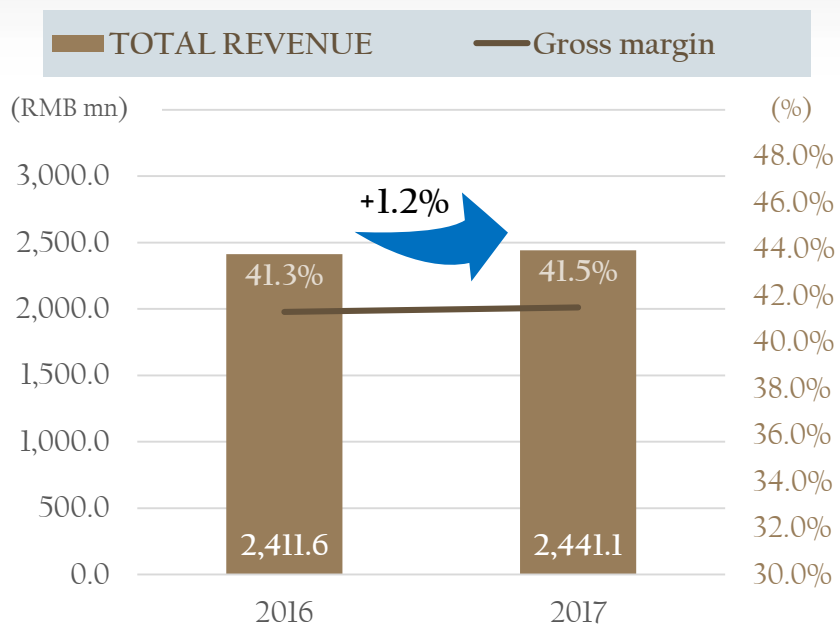
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财务表现回顾

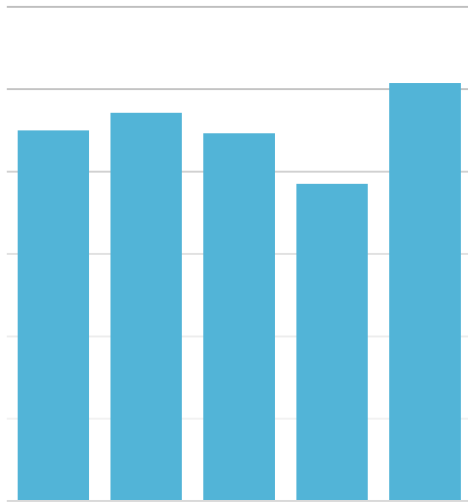
CRK K F I
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Revenue and Gross Margin



SD & A Expenses



Profit & Margin Trend

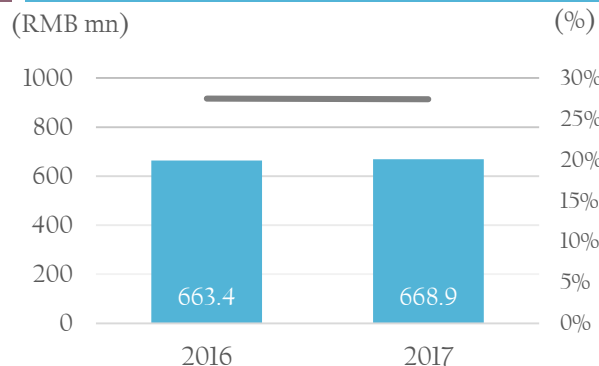
Gross profit & margin

毛利及毛利率



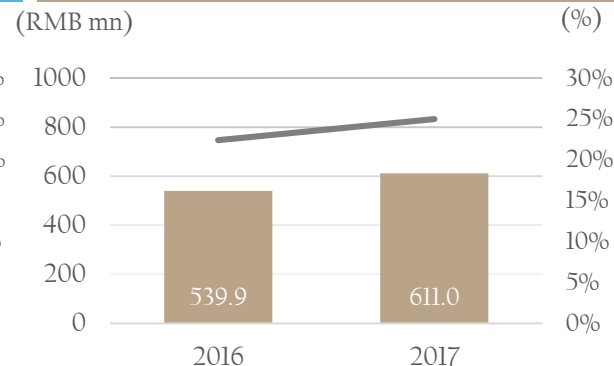
Operating profit & margin

經營利潤及經營利潤率



Net profit & margin

淨利潤及淨利潤率



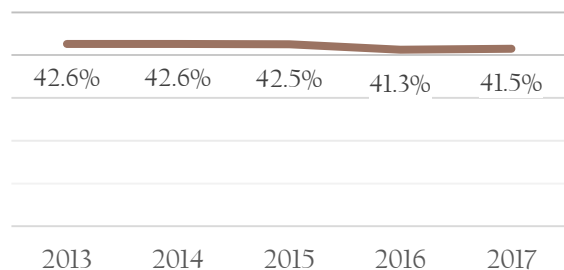
Higher proportion of original design products and better supply chain management helped lower cost of sales

Lower government grants and higher renovation expenses offset effect of 2016 AR provision for L2

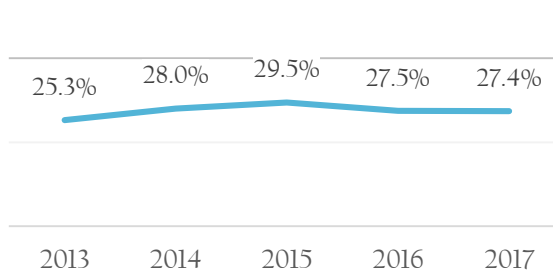
Lower effective tax rate in 2017

5-YEAR PROFITABILITY TREND

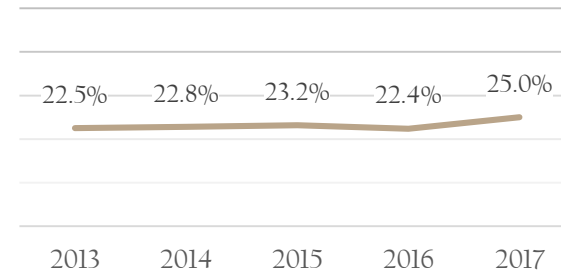
Gross margin



Operating margin

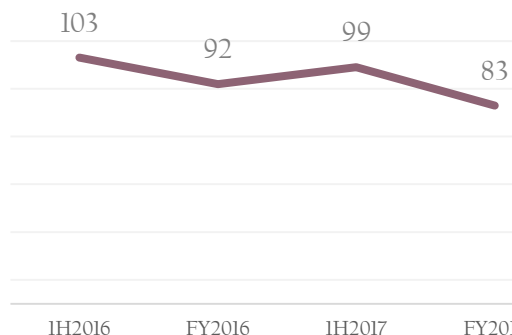


Net margin



Working Capital Cycle

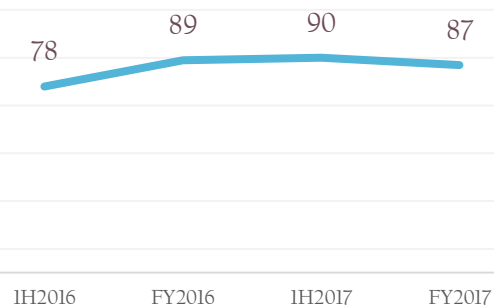
— Average trade receivables turnover days



— Average inventory turnover days



— Average trade payables turnover days



Trade Receivables

Improved AR ageing and turnover days
LILANZ AR balance decreased by 1.2% to RMB630.5 mn despite sales increase of winter products
L2 AR balance net of provision dropped to RMB6.5 mn

LILANZ	1.2%	630.5
L2		6.5

Inventories

LILANZ inventory balance up by RMB51.1 mn to RMB308.6 mn:
Increase in 2018 spring and summer orders
Balance included consignment inventories of smart casual collection
L2 inventory net of provision reduced to RMB14.7 mn

LILANZ	51.1	308.6
2018		
L2	14.7	

Trade Payables

Average turnover days similar to 2016 level.
2016

Cash Flow

Operating cash inflow

Cash generated from operations of RMB677.7 mn
 Net of tax payment RMB191.5 mn,
 including dividend W/H tax of RMB74.4 mn

677.7
 191.5
 74.4

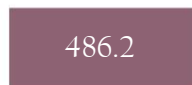
Cash used in financing activities

Payments of dividends	RMB420.4 mn
Net repayment of bank loans	RMB493.5 mn
Share buy-backs	RMB60.2 mn

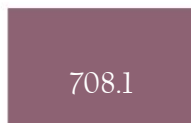
(RMB mn)



Cash and cash equivalents
 现金及现金等价物
 As at 1 Jan



Operating activities



Investing cash inflow

Decreases in pledged bank deposits and fixed deposits totalling RMB860.9 mn
 Net of CAPEX of RMB224.9 mn

Investing activities (1)



Financing activities

(4.4)

Forex effect



Cash and cash equivalents
 现金及现金等价物
 As at 31 Dec (2)

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

3

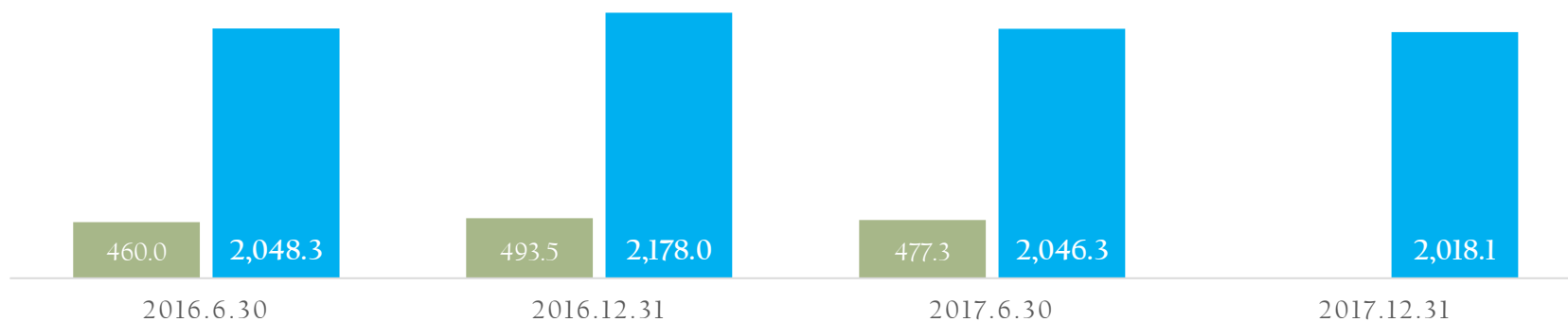
(2) Exclude time deposits and pledged bank deposits with maturity over 3 months

3

Healthy & Strong Cash Position

■ Bank loans * ■ net cash balance

(RMB mn)



No outstanding bank loans at 31 December 2017

2017 12 31

* Secured by pledged bank deposits





Sales Channel Management

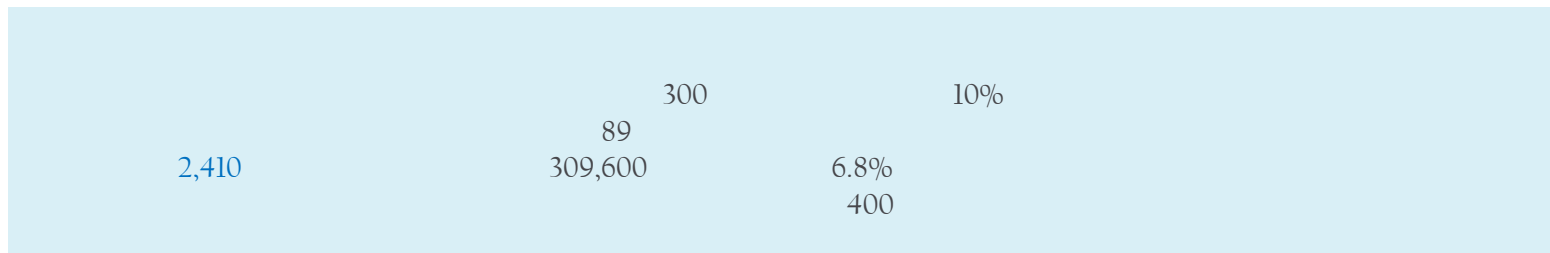
Work with distributors to plan the distribution, location and number of the store network to enhance store efficiency

Continue to open stores in shopping malls; over 300 such stores by year end, over 10% of total store count

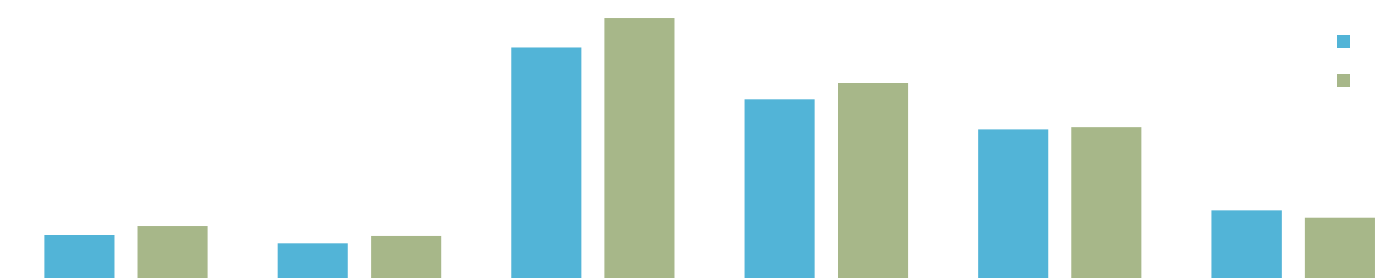
Smart casual collection well received by market, supporting expansion to 89 stores

2,410 stores nationwide with total floor area of 309,600 sq.m., up 6.8%

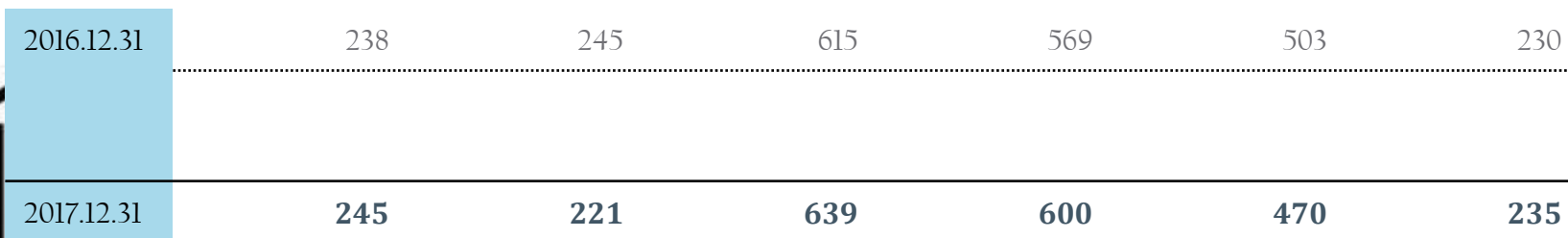
Unified brand image, renovated or partially upgraded about 400 stores with the 6th generation store image



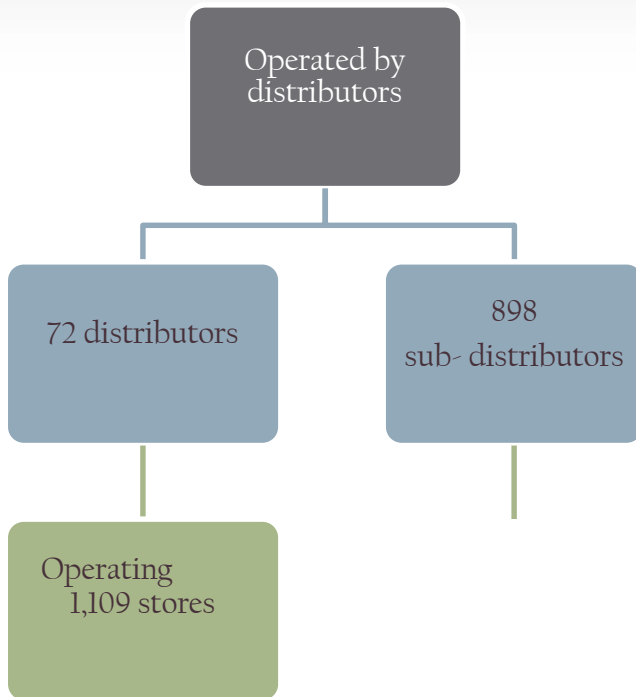
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Revenue by region
(RMB mn)



Store count by region



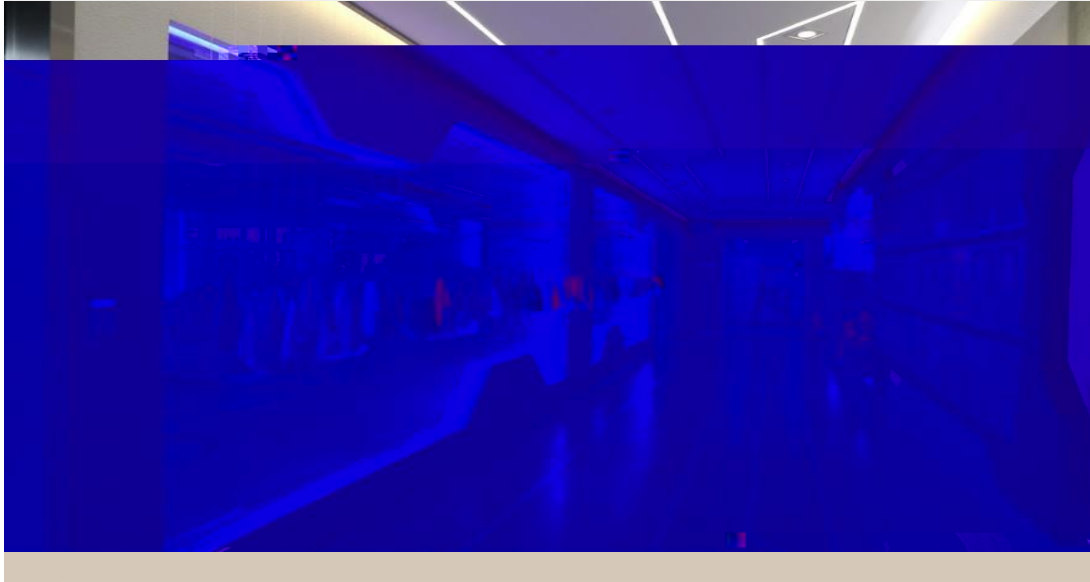
Sales Channel Management (Con't)



- ✓ Over 10 years of business relationship with all LILANZ first tier distributors
- ✓ ERP system monitoring all stand-alone stores; healthy channel inventory and satisfactory retail discount levels
- ✓ Continued to provide training to distributors
- ✓ Started building professional team to launch new retail business in 2018

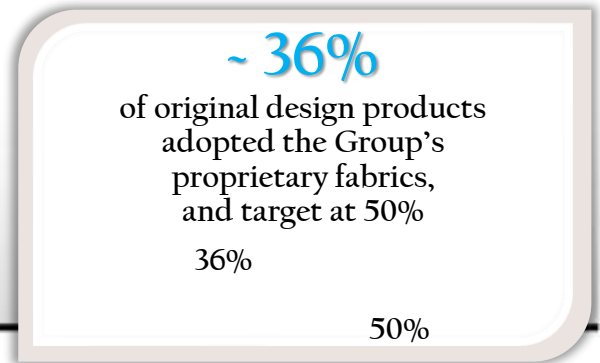
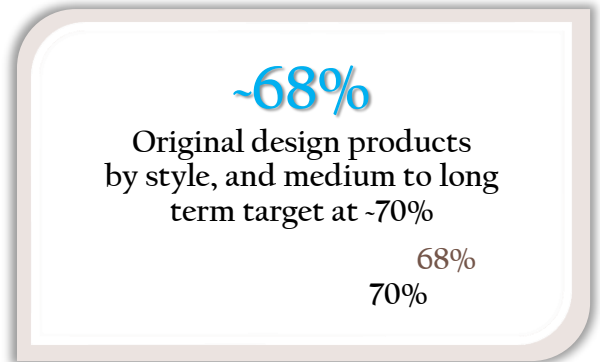


Product Design & Development



- In-house fabric development center to allow flexibility and ensure product quality and better cost control
- Operates state-approved fabric testing center to ensure fabrics used are in compliance with national standards
- Stable and flexible relationship with suppliers
- International and local designers worked closely together, and newly set up separate design team for smart casual collection
- Fujian's new headquarters to complete construction in 2H 2018; Shanghai's design and operational center of the smart casual collection will be put into use in 2H 2018

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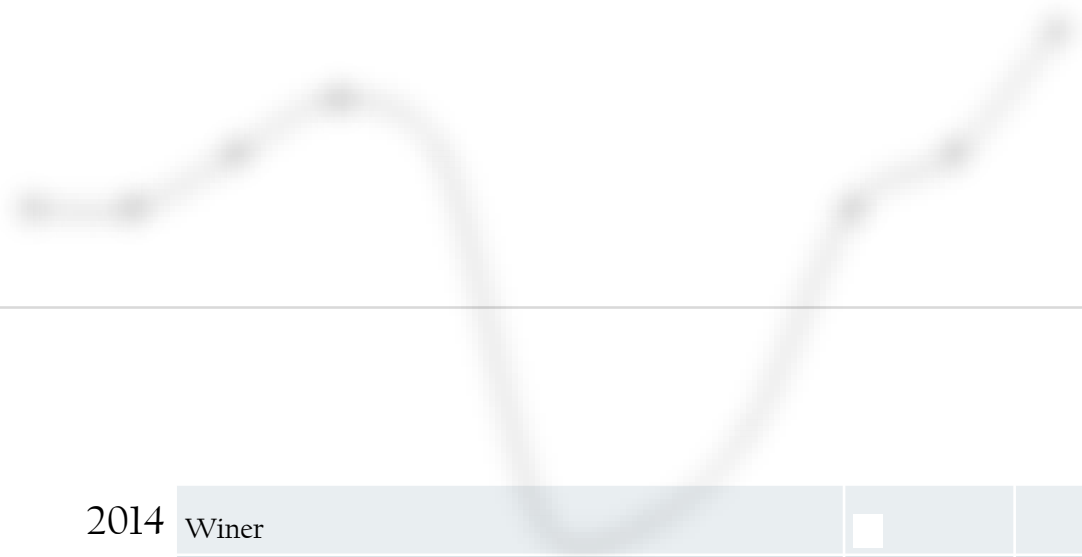


Marketing & Promotion

- Operating main collection and smart casual collection under “LILANZ” brand to target different customer needs
- Advertising and promotion through advertising signs in EMU and EMU stations, airports, roadside billboards as well as soft-sell advertising in newspaper and magazines
- Sponsored the Chinese Football Association Cup Final
- Promotion activities via WeChat account
- Conducted a nationwide promotion campaign - “Stylish Man”



Encouraging Trends of LILANZ Trade Fair Orders



2014	Winer	■	High single digit
	Spring/Summer	■	High single digit
	Fall	■	Low double digit
2015	Winter	■	15 - 17%
	Spring/Summer	■	Low double digit
	Fall	■	13 - 18%
2016	Winer	■	13 - 18%
	Spring/Summer	■	High single digit
	Fall	■	High single digit
2017	Winter	■	Low double digit
	Spring/Summer		21%

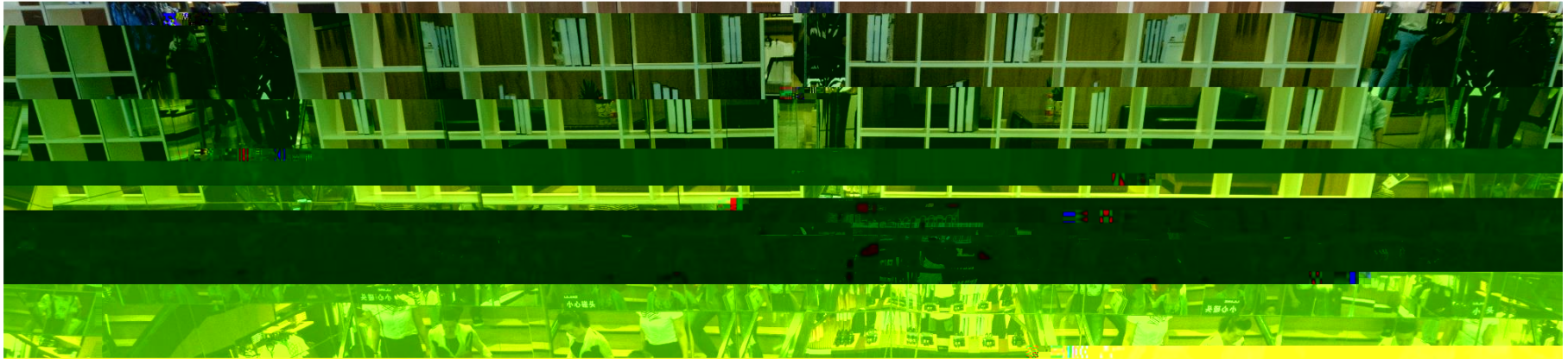


前景及策略

LR ILLH
PO BV



MULTI-PRONGED STRATEGY FOR MARKET EXPANSION



1. LILANZ's main collection will open stores in untapped markets such as Jiaodong Peninsula, Dalian, Sunan
2. Focus on developing the smart casual collection and speed up store opening by adopting consignment model; expand to Zhengzhou, Hefei, Xi'an, Jiangxi, Fujian area; target to add 150 stores in 2018
3. LILANZ total store number (incl. smart casual collection stores) target to increase by not less than 200 in 2018 esp, more stores in shopping malls
4. Launch "new retail" business in 2018 summer with smart casual collection, aiming to bring in sales growth in 2H

1. LILANZ
2. 150 2018
- 3.3. LILANZ

POSITIVE OUTLOOK



5. Corporate mission to offer consumers with products of excellent value-for-money, advancing from “improving product quality without raising the price” strategy
6. The design and operation centre for the smart casual collection in Shanghai and the new headquarters in Fujian would be put into operation this and next year respectively; the entire operation of the Group will advance to a new stage by then, laying a more solid foundation for sustainable and faster growth of China Lilanz
7. FY2018 target SSSG no less than high single-digit
8. Autumn 2018 trade fair commenced on 3 Mar, expecting order growth no less than low double-digit

5.

6.

7. 2018

8. 2018

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问答时间

L MBK CL OR

