



# LILANZ

CHINA LILANG LIMITED

中國利郎有限公司

Stock Code: 1234

## 2019 Interim Results

# Agenda



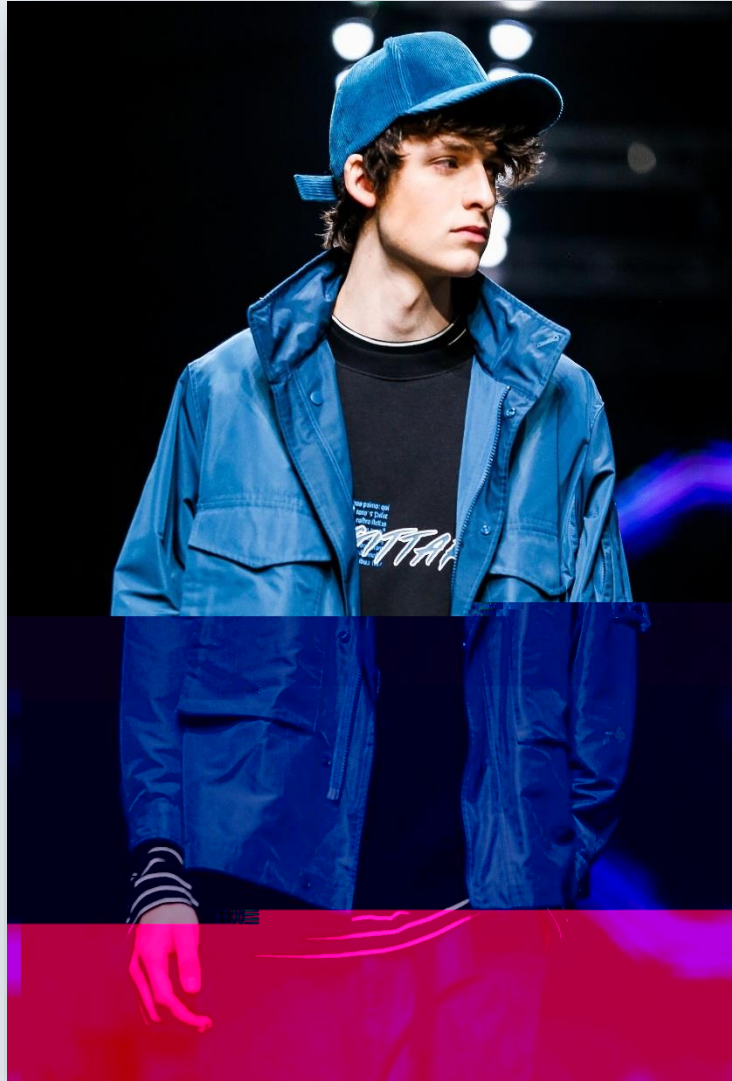
Picture taken during 2019 Fall Trade Fair  
2019

- ▶ Results Highlights
- ▶ Financial Review
- ▶ Business and Operational Review
- ▶ Outlook and Strategy
- ▶ Open Forum



## RESULTS HIGHLIGHTS

# 2019 Interim Results Recorded Continuous Growth



Revenue up by 19.1% to RMB1,540.0 mn with LILANZ revenue grew 20.3%

19.1%	1,540.0	LILANZ	20.3%
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Net profit up by 14.0% to RMB388.5 mn; EPS up by 14.0% to RMB32.5 cents

14.0%	388.5	32.5
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Average high single-digit SSS growth with channel inventory maintained at healthy level

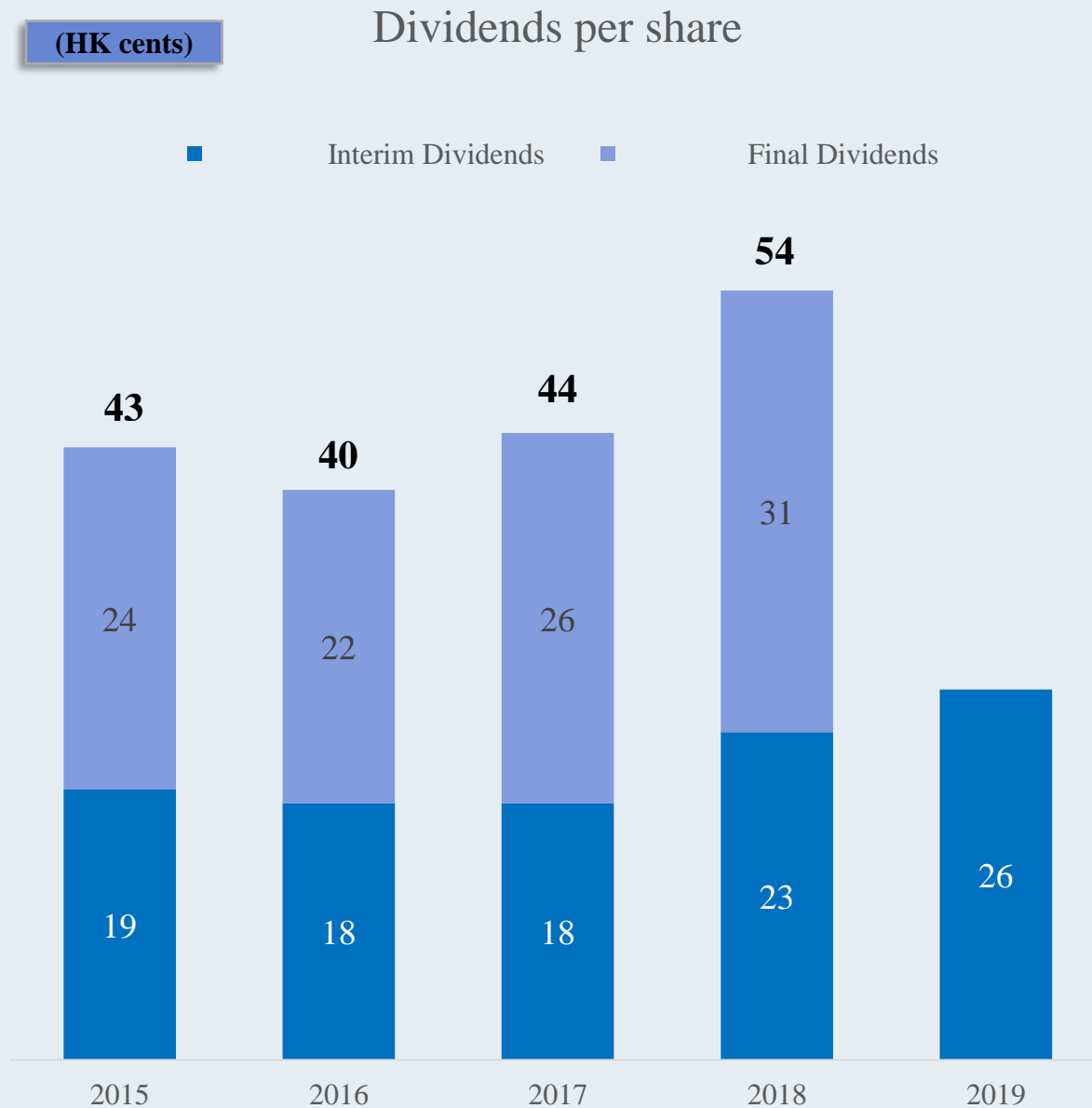
Market expansion on track and 83 stores added in 1H2019

83

Sales of online stores accelerated in 1H2019

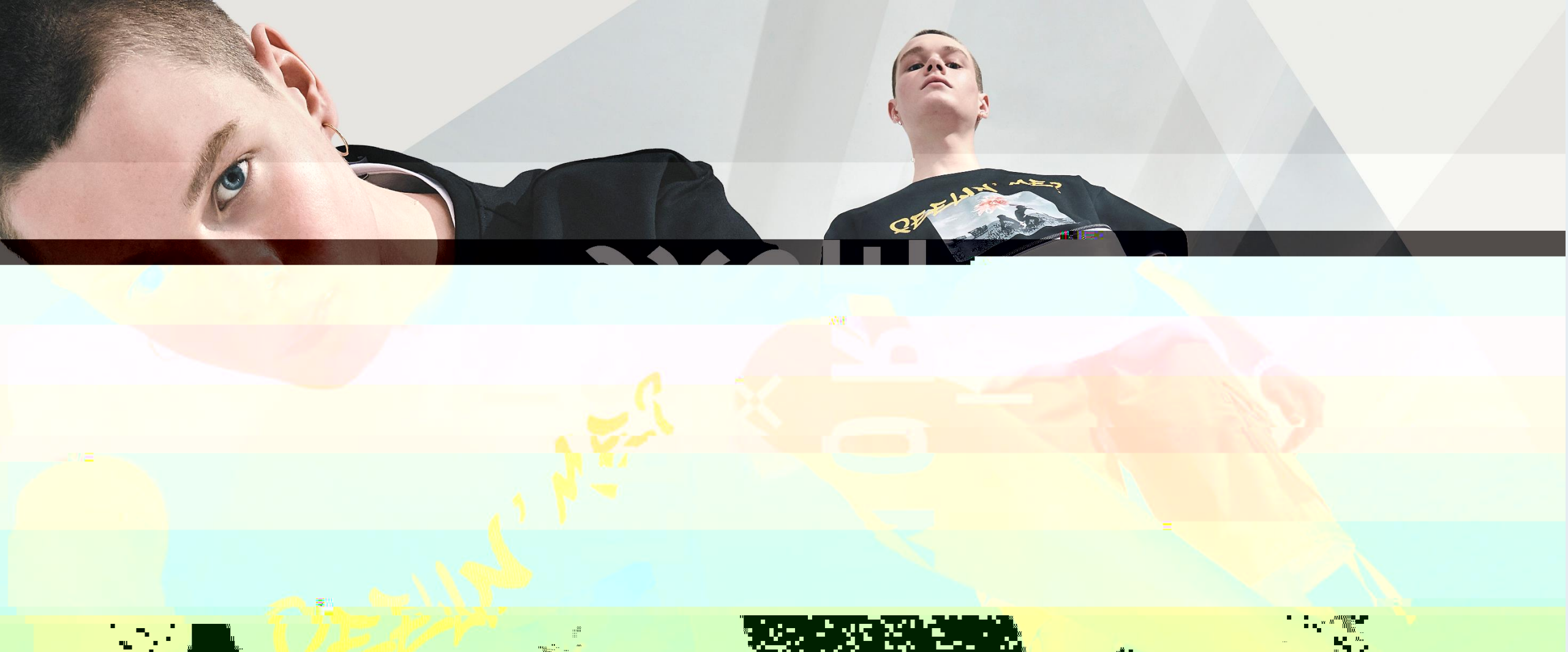
上半年网店销售增长加快

# Maintaining High Dividend Payout



- ▶ Interim dividend HK18 cents per share and Special interim dividend HK8 cents per share

- ▶ 18  
8



## FINANCIAL REVIEW

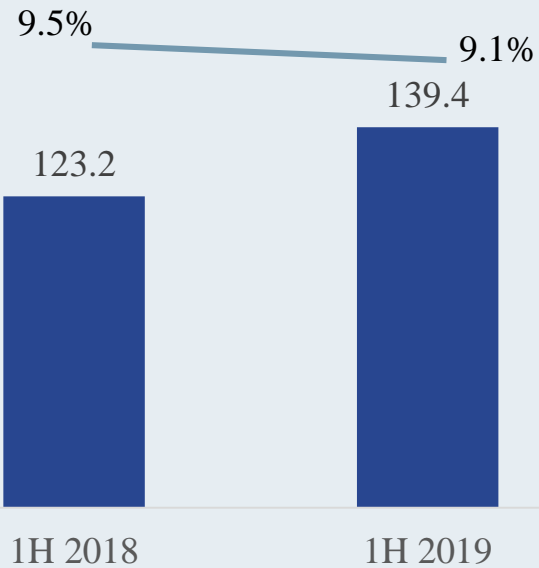


1H 2018

# SD & A Expenses

## Advertising and Promotional Expenses

(RMB mn)

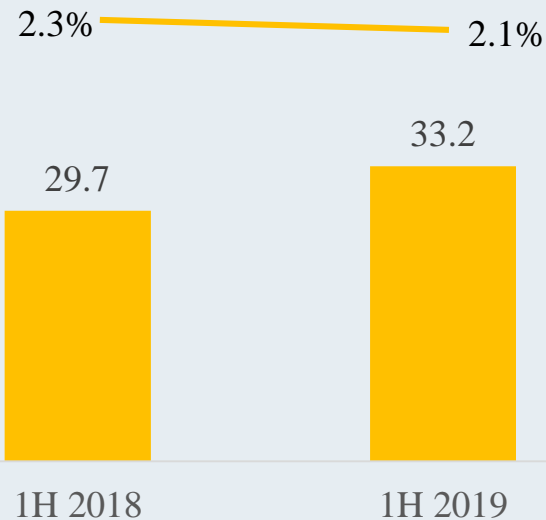


- Higher advertising expenses
- More renovation subsidies as 191 stores were opened and shelves for footwear products were added in more stores

- 
- 191

## Other Selling and Distribution Expenses

(RMB mn)

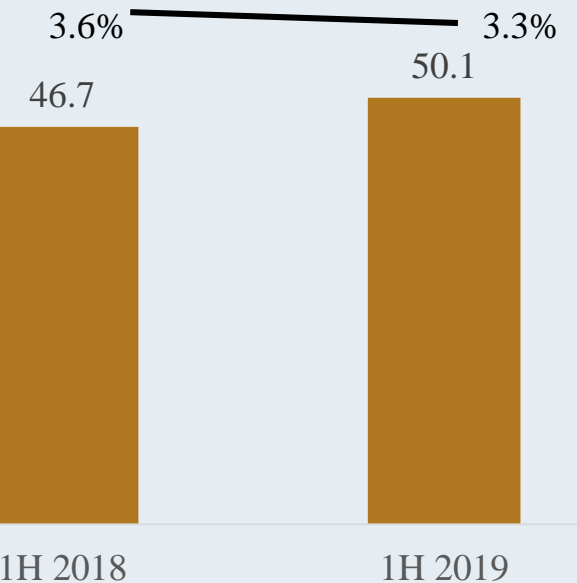


- S&D expenses other than A&P expenses increased as business expanded
- Expense ratio dropped as revenue increased

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## Administrative Expenses

(RMB mn)

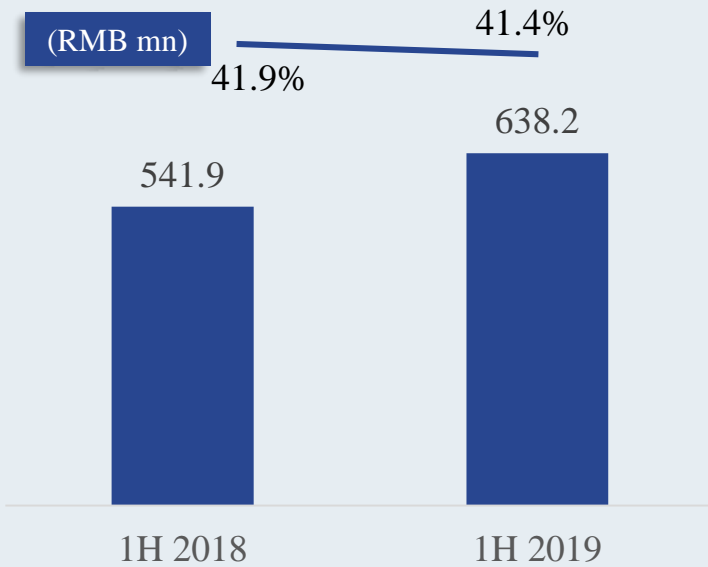


- Administrative expenses increased as the operation center for the smart casual collection in Shanghai commenced operation in Q4 2018
- Expense ratio dropped as revenue increased

- 
-

# Profit & Margin

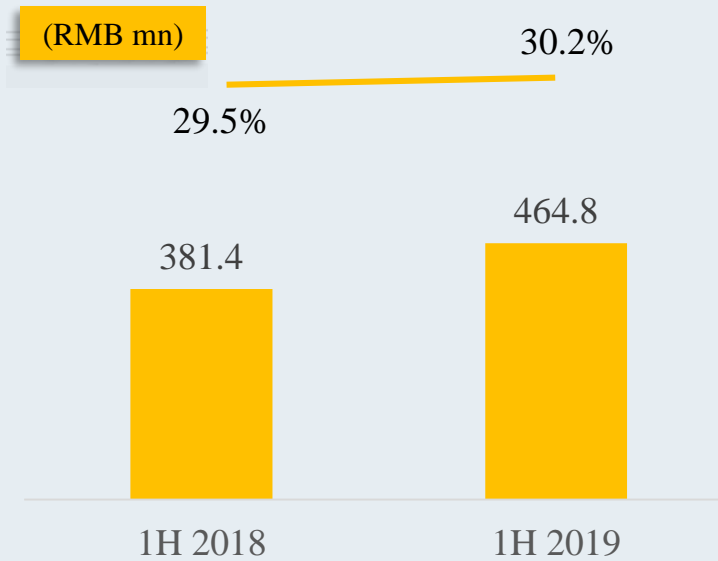
## Gross Profit & Margin



- products of excellent value-for-the-money so as to gain market

○

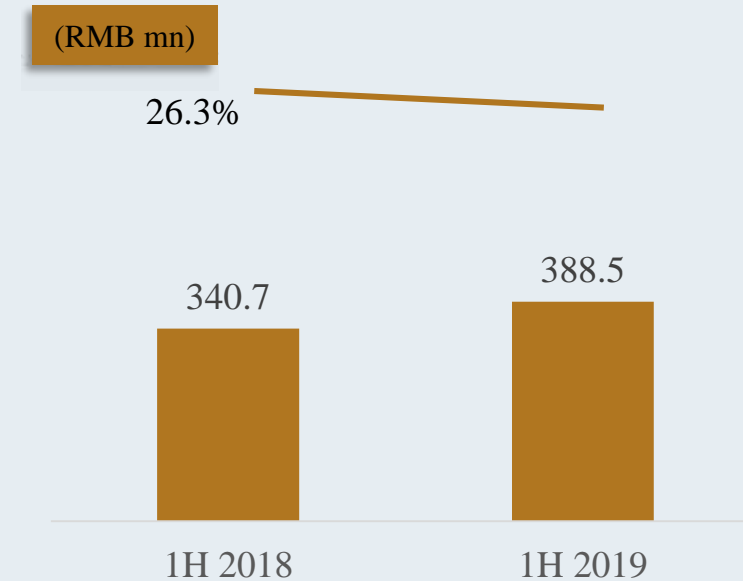
## Operating Profit & Margin



- Operating profit margin improved mainly due to the lower expenses ratios as sales increased

○

## Net Profit & Margin



- Net profit margin declined by 1.1 percentage point due to an increase in effective income tax rate

○

1.1

# Working Capital Cycle

## Average Trade Receivables Turnover Days

(Day)



## Average Inventory Turnover Days



## Average Trade Payables Turnover Days



- AR balance up by 11.7% to RMB874.6 mn as



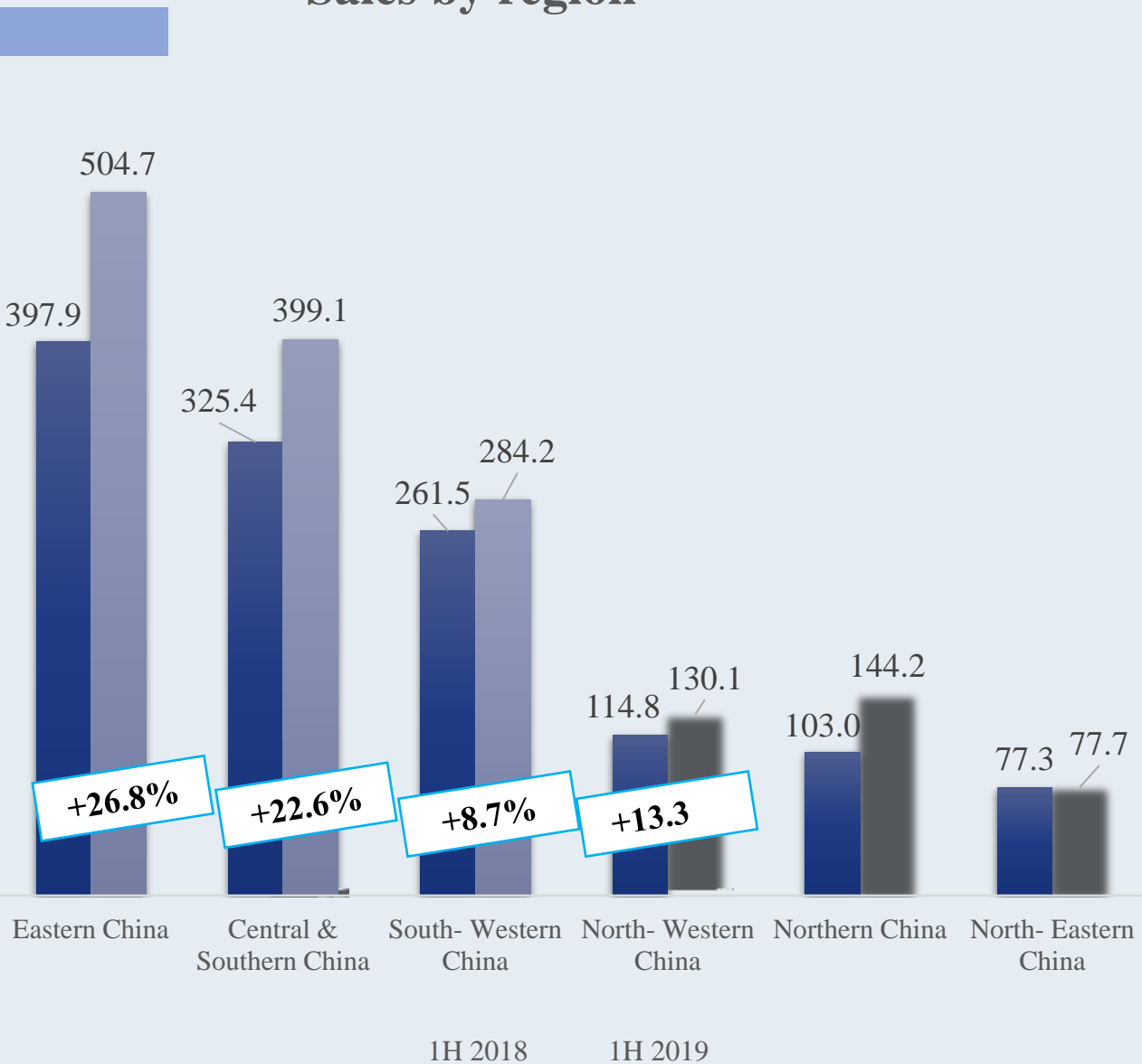




## **BUSINESS & OPERATIONAL REVIEW**

# Sales Channel Management

## Sales by region

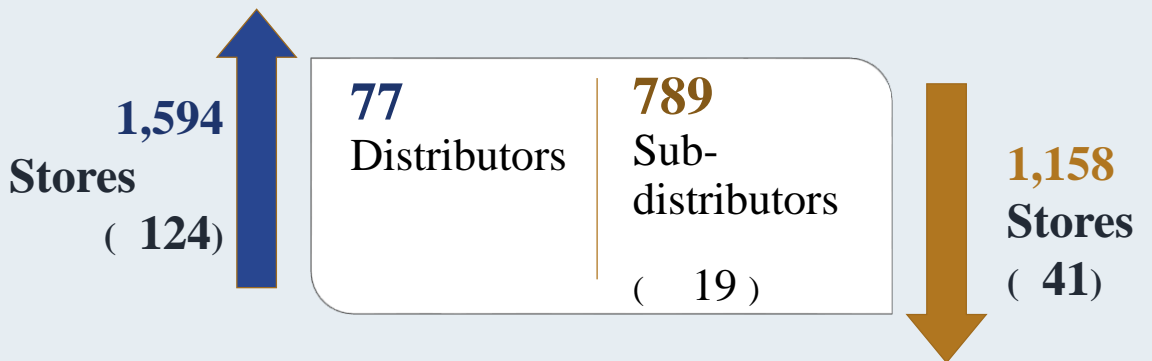


	2019-1-1	Opened	Closed	2019-6-30
Eastern China	764	66	48	<b>782</b>
Central and Southern China	677	46	14	<b>709</b>
South Western China	482	24	16	<b>490</b>
North Western China	262	20	15	<b>267</b>
Northern China	278	27	8	<b>297</b>
North Eastern China	207	8	7	<b>208</b>
<b>Total</b>	<b>2,670</b>	<b>191</b>	<b>108</b>	<b>2,753</b>
<b>Total Retail Floor Space</b>	<b>379,900</b>			<b>394,100</b> (+3.70 %)
(sqm )				

# Sales Channel Management ( )



Except the flagship store in the headquarters, all retail stores are operated by distributors



**Channel upgrade: Over 680 stores in shopping malls**  
**680**

Increase in number of stores operated by 1<sup>st</sup> tier distributors due to

- Growing foothold in 1st and 2nd tier markets
- Result of continuous upgrade of retail management, phasing out sub-distributors with sub-optimal management standards
- 
- 

**Over 10 years** of business relationship with all LILANZ distributors

LILANZ **10**



Ongoing measures enhancing sales channel management:

- ERP system monitoring all stand-alone stores; healthy channel inventory and satisfactory retail discount levels
- Continue to provide training to distributors
- ERP
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# New Retail Development

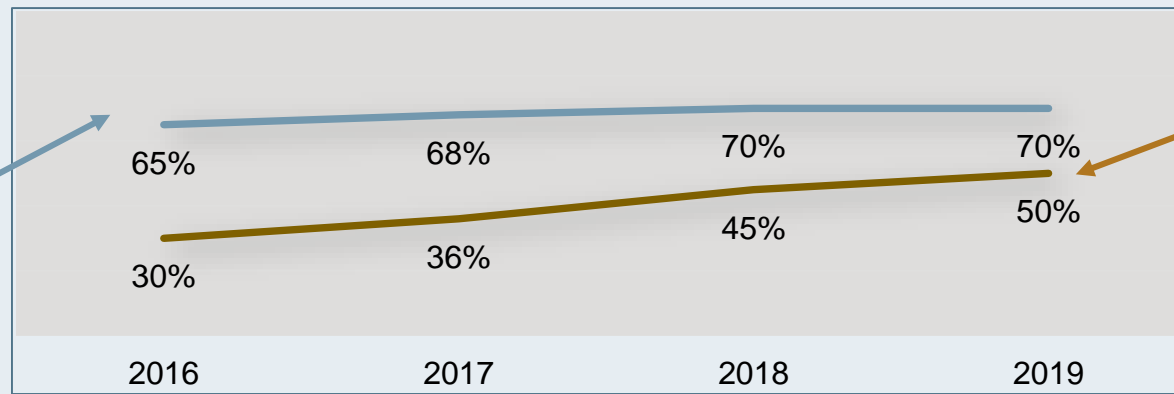
# Product Design & Development

- International and local R&D teams totaling around **400** people, showing talents in the R&D of products with excellent value-for-the-
- The operation center for the smart casual collection in Shanghai has started operation in the fourth quarter of last year; Staff recruitment is currently underway
- **400**
- ;
- Kept on enriching its product mix, especially adding more youthful and fashionable products to meet the demand of customers of first- and second-tier markets and of shopping malls
- Increased the proportion of season-neutral products to further reduce the potentially adverse impact of extreme weather on sales and improve overall sales efficiency
- Supports
- 
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% of original design products (by style) out of total

% of original design products adopted



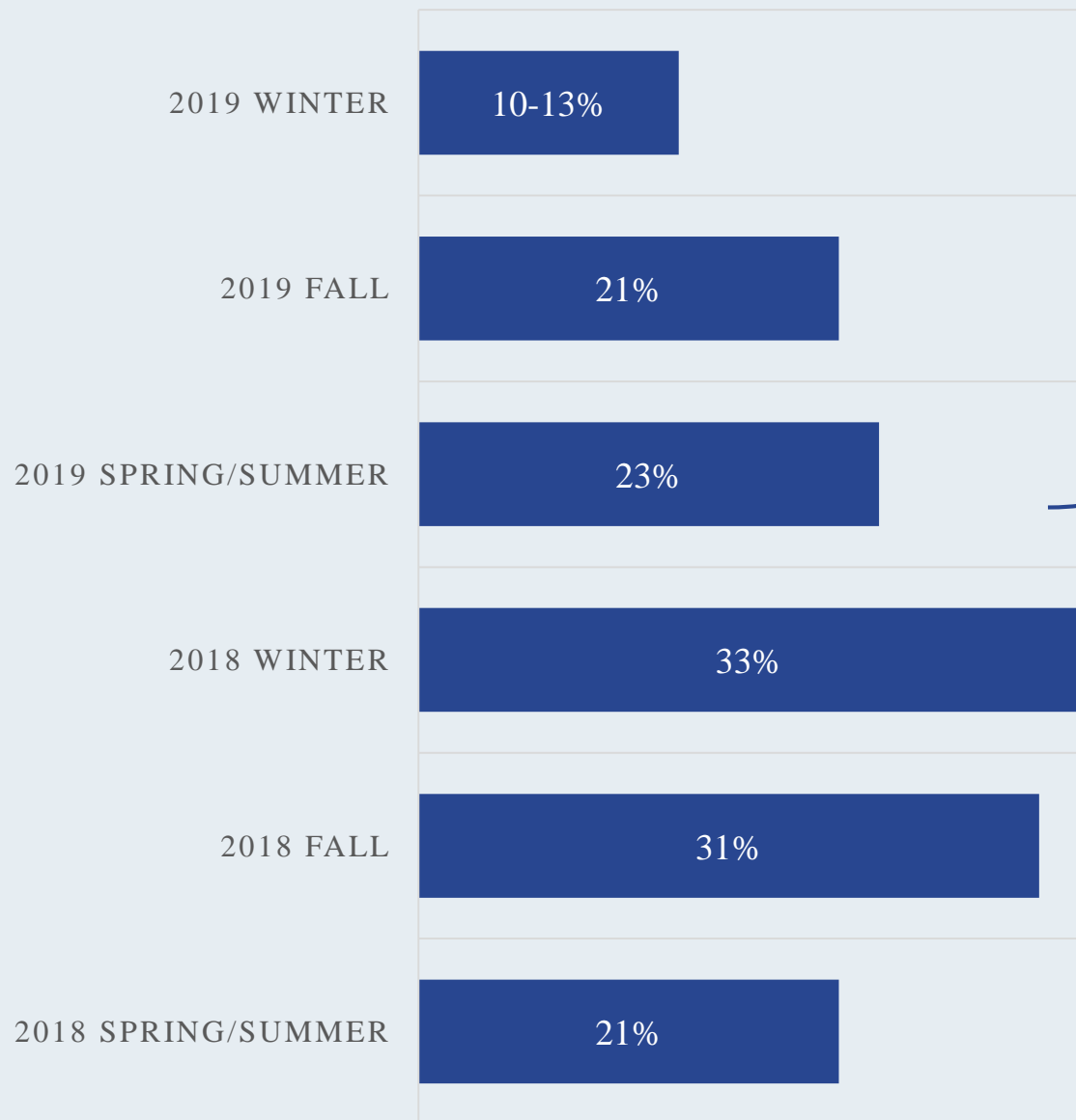
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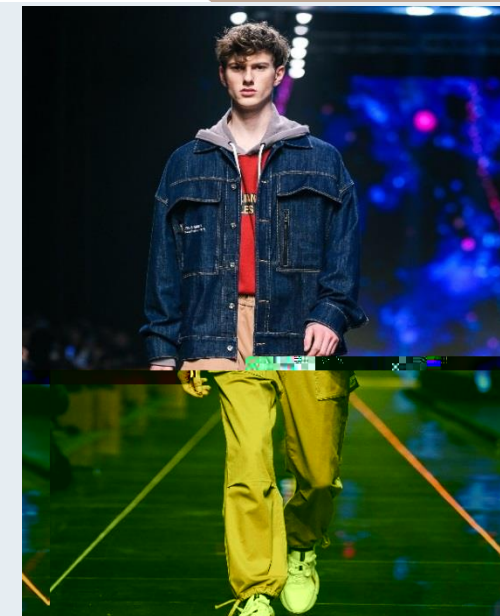
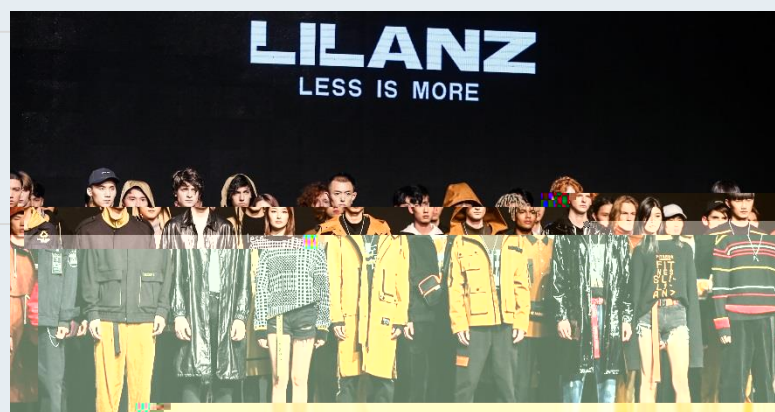
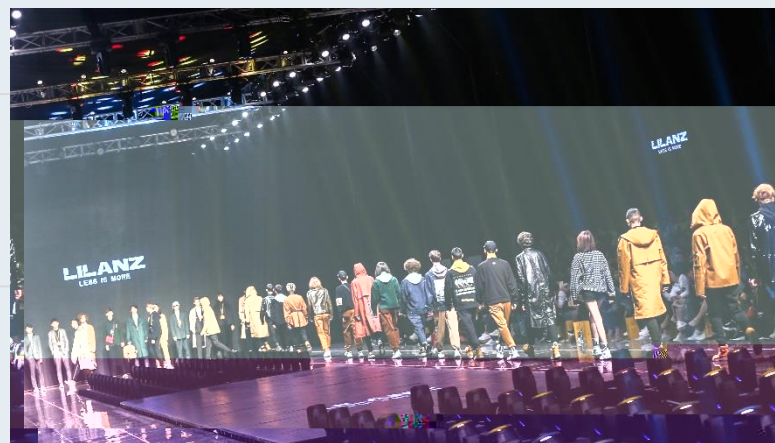
Appointed celebrities to shoot photos and KOLs for

# Stable 2019 Trade Fair Orders Growth

## 2019



Stable order growth in 2019 trade fairs 2019





## OUTLOOK & STRATEGY

# Cautiously Optimistic, Continue Expansion Plan in 2H 2019

## 2019

### Retail Channel Expansion and Upgrade

- Continue the market expansion plan, target to add around 200 stores FY2019
- 3<sup>rd</sup>- and 4<sup>th</sup>-tier cities
- Smart casual collection continue to focus in provincial capitals and prefecture level cities, adopting different store expansion strategies for 3 classes of provinces/cities.
- Continue to add more stores in shopping malls
- 200
- 3 4
- 3 /
- 

### New Retail Development

- To launch more online special editions of specific product categories
- To add more products and styles on the online stores to boost customer flow.
- 
- 

### Brand Promotion

- Continue to upgrade in-store shopping experience
- More fashionable 7<sup>th</sup> generation store image will be adopted in some of the new stores of the core collection on pilot basis
- Actively preparing IP crossover products for the 2020 SS collections
- 
- 
- (IP)

# Operating Targets for 2H 2019



- High single-digit SSSG
- 2020 SS trade fair orders like-to-like growth of no less than high single-digit 2020



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