



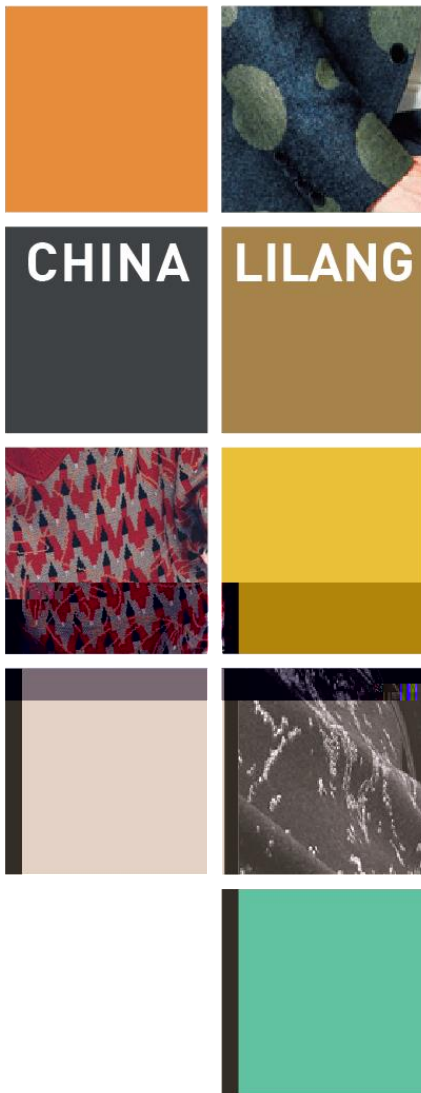
LILANZ

CHINA LILANG LIMITED

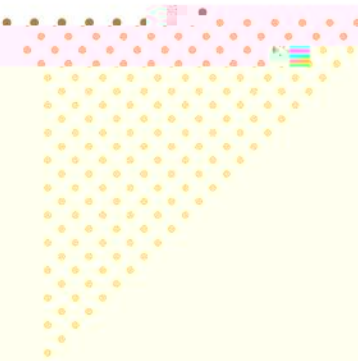
中國利安有限公司

2020
ANNUAL
RESULTS

Agenda



- 01 Results Highlights 业绩亮点
- 02 Financial Review 财务表现回顾
- 03 Business and Operational Review 业务及营运回顾
- 04 Outlook and Strategy 前景及策略
- 05 Open Forum 问答时间



RESULTS HIGHLIGHTS



CHINA DAILY



2020 Annual Results Affected by COVID-19 and Channel Inventory Destocking

Revenue

Down by 26.7% to RMB 2,680.8 mn, after provision for inventory buy-back of RMB390.0 mn

2,680.8	390.0	26.7%
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Net Profit

Down by 31.4% to RMB 557.2mn; EPS Down by 31.4%

31.4%	557.2	31.4%
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Total Retail Sales

Q4 up by 10%-15%; FY down by 10%-15%

10%-15%	10%-15%
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Online Stores Retail Sales

Up by over 1.2 times

1.2

Healthy channel

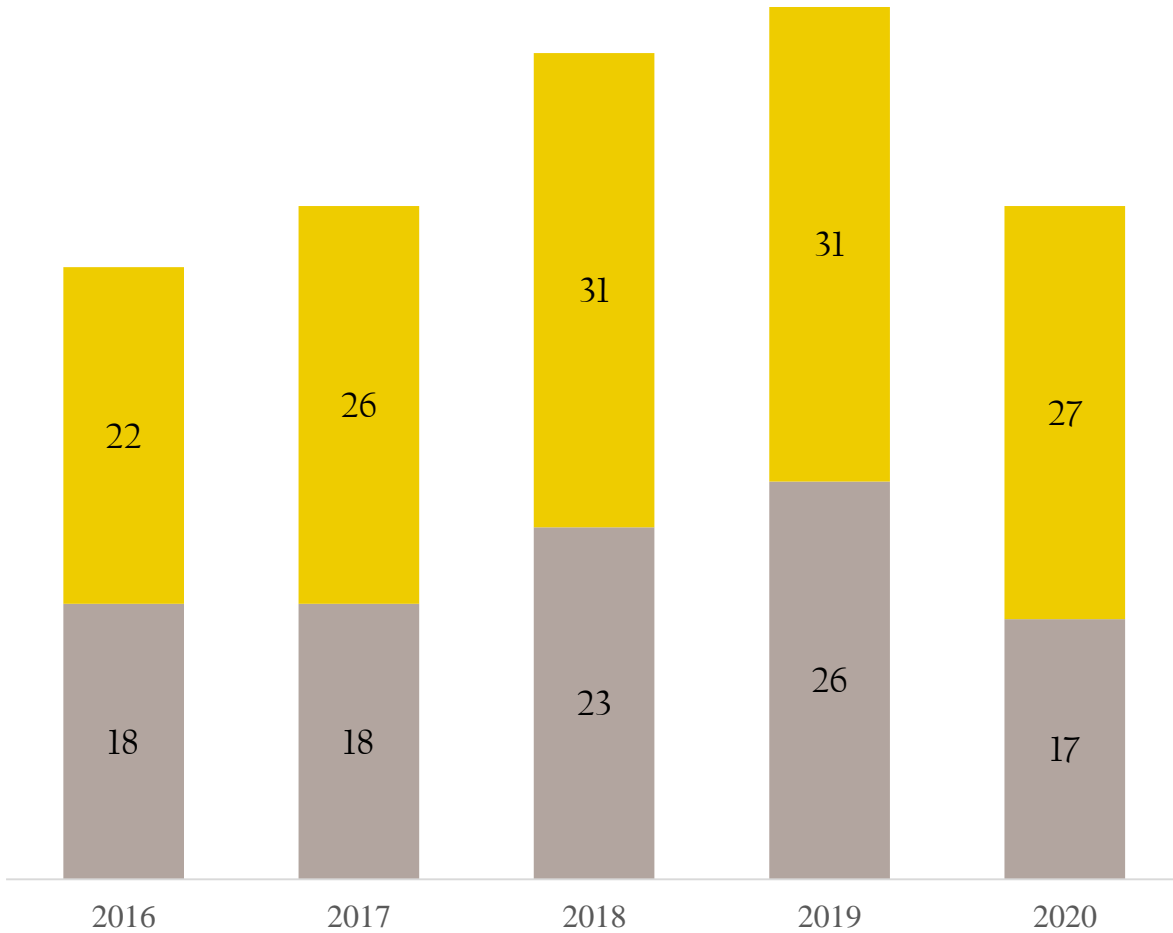
Inventory clearance accelerated in 2H 2020, inventory level and its ageing improved

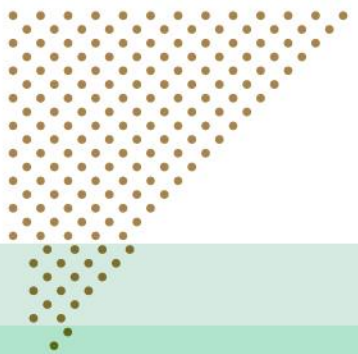


Maintaining High Dividend Payout

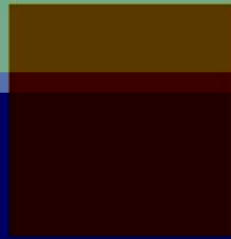
Dividends per share

■ Interim Dividends ■





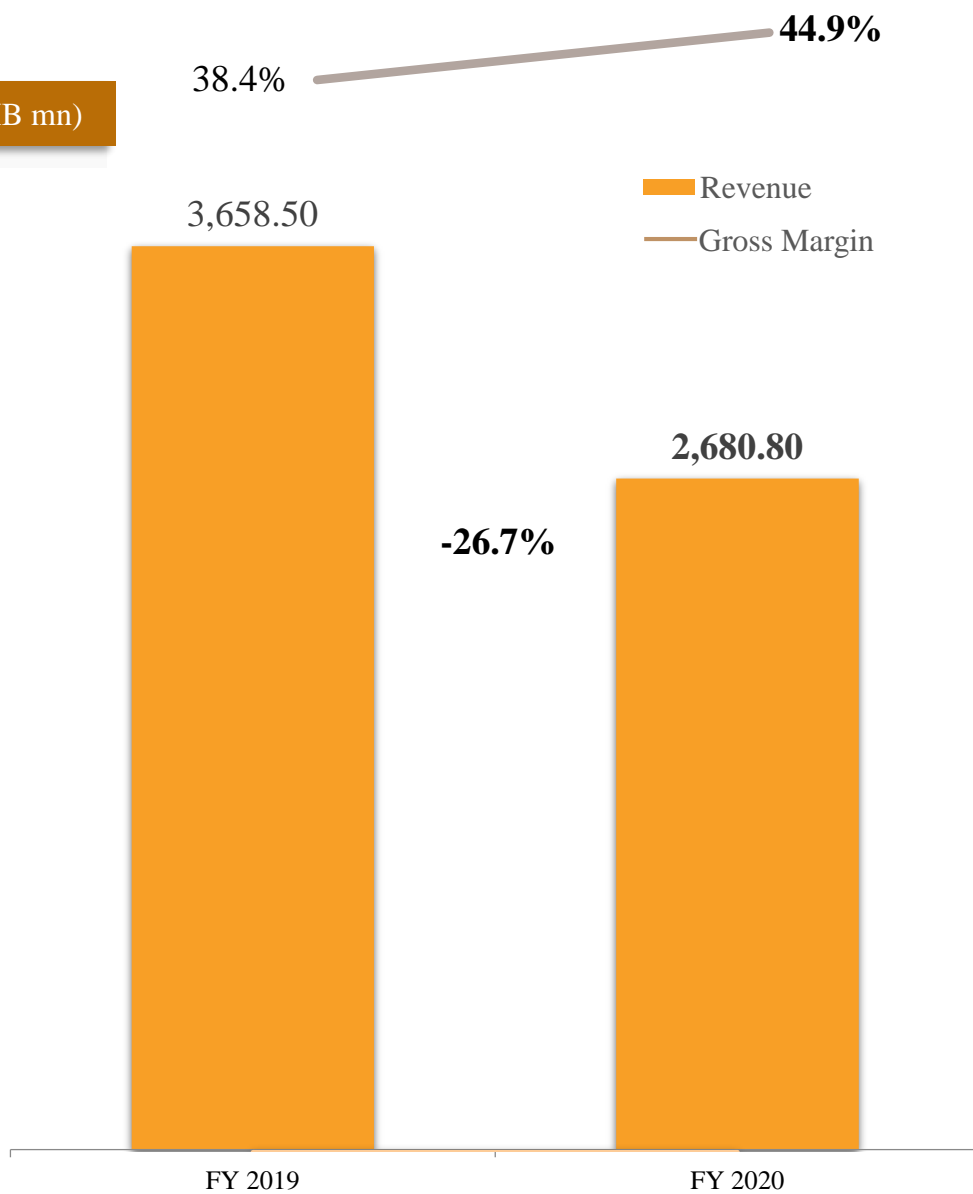
FINANCIAL REVIEW



我和世界 挺搭的

Revenue and Gross Margin

(RMB mn)



Revenue Declined

- Revenue decreased by 26.7% to HK\$2,680.8 mn after the provision for inventory buy-back of RMB390.0 million; excluding such provision, revenue down by 16.1% to RMB3,070.8 mn
- Revenue for smart casual collection recognised at retail value in 2H 2020
- Total retail sales for the year decreased by 10% to 15%
- Cancelled some S/S orders and reduced F/W pre-orders to facilitate destocking

○	26.7%	2,680.8	390.0
		16.1%	3,070.8
➤	2020		
➤		10%	15%
➤			

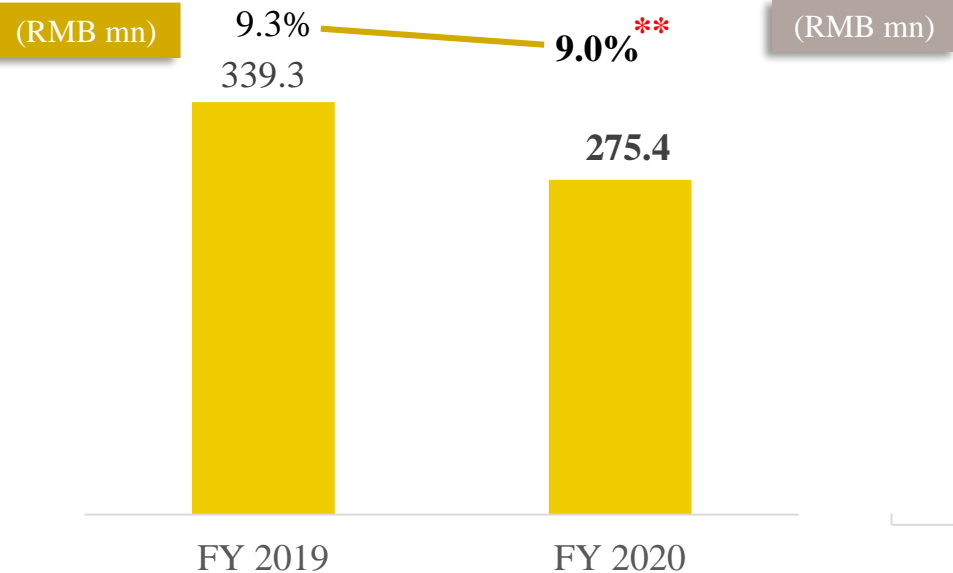
Higher Gross Margin

- Gross profit margin was 44.9%, up by 6.5 percentage points due to:
 - Proposed inventory buy-back at below normal wholesale price
 - Relatively low 2019 GP margin due to an one-off sales rebate
 - Retail GP margin of the smart casual collection in 2H 2020 was higher than that of wholesale

○	44.9%	6.5
➤		
➤	2019	
➤	2020	

SD & A Expenses

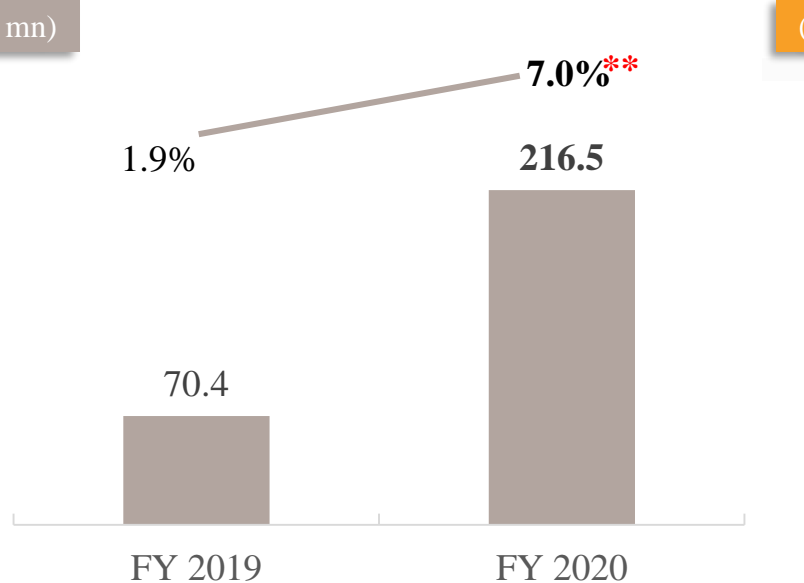
Advertising and Promotional Expenses 广告及推广开支



- Advertising expenses increased as there were more brand promotion activities in 2020
- Renovation subsidies decreased substantially as the number of store openings dropped
- Renovation costs for direct-retailing stores opened in 2H 2020 were capitalised as fixed assets

- 2020
- 2020
- 2020

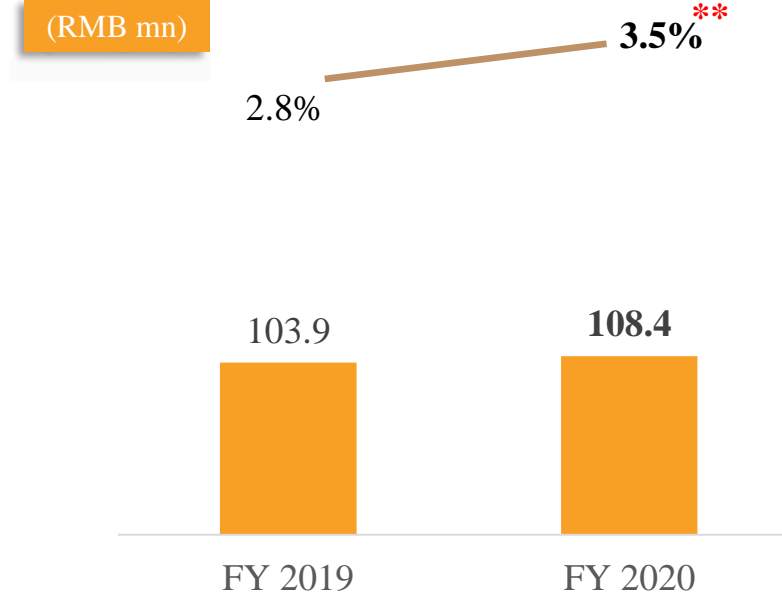
Other Selling and Distribution Expenses 其他销售及分销开支



- The sharp increase was primarily attributable to the operating expenses of the stores of the smart casual collection after conversion to direct-retailing in 2H 2020

- 2020

Administrative Expenses 行政开支



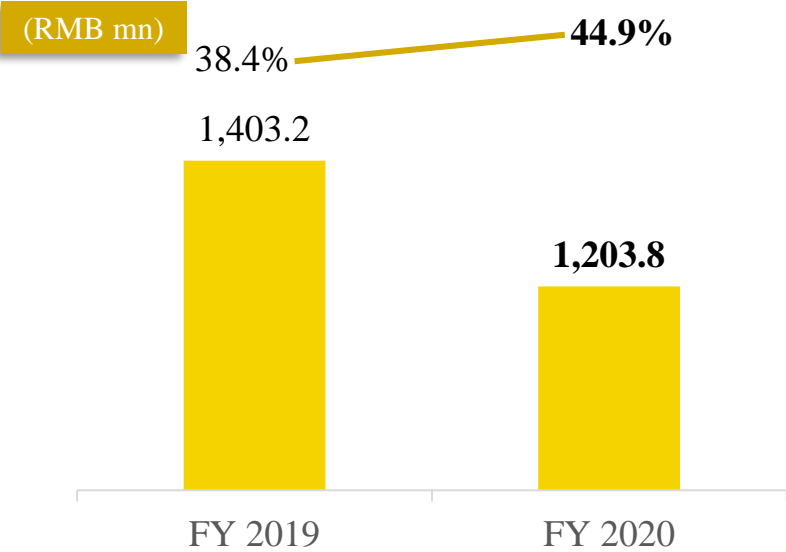
- Administrative expenses for 2020 included a loss allowance for trade receivables of RMB7.4 million

- 2020
- 7.4

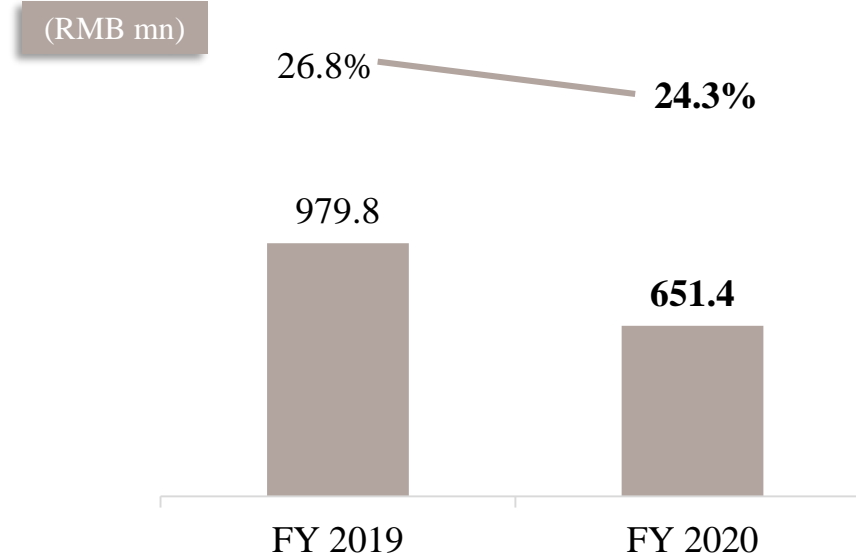
** Ratio of expense to revenue before provision of inventory buy-back

Profit & Margin

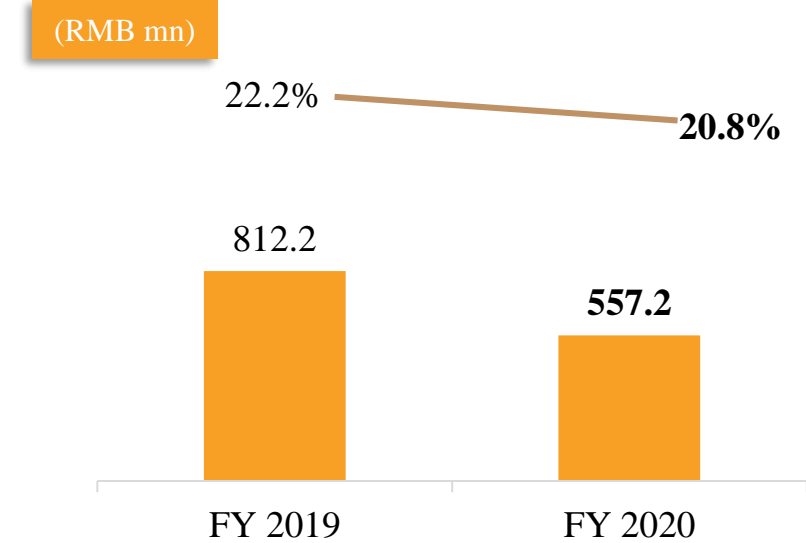
Gross Profit & Margin 毛利及毛利率



Operating Profit & Margin 经营利润及经营利润率



Net Profit & Margin 净利润及净利润率



- GP margin up by 6.5 pp due to:
 - Proposed inventory buy-back at price below normal wholesale price
 - Relatively low 2019 GP margin due to an one-off sales rebate
 - Retail GP margin of the smart casual collection in 2H 2020 was higher than that of wholesale

- 6.5
- 2019
- 2020

- Operating profit was down by 33.5% due to the decrease in sales and the provision for inventory buy-back
- OP margin dropped by 2.5 pp mainly due to:
 - Higher selling expenses for the direct-retailing stores of smart casual collection in 2H 2020
 - Compensation of RMB50.8 mn paid to distributors i.r.o. the conversion of smart casual collection to direct-retailing

- 33.5%
- 2.5
- 2020
- 50.8

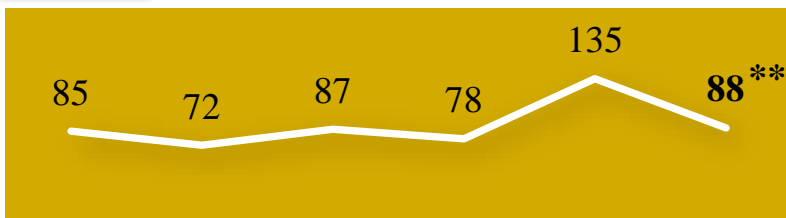
- Net profit was down by 31.4% due to the decrease in sales and the provision for inventory buy-back
- Effective tax rate down by 0.9 pp

- 31.4%
- 0.9

Working Capital Cycle

Average Trade Receivables Turnover Days 平均应收贸易账款周转天数

(Days)



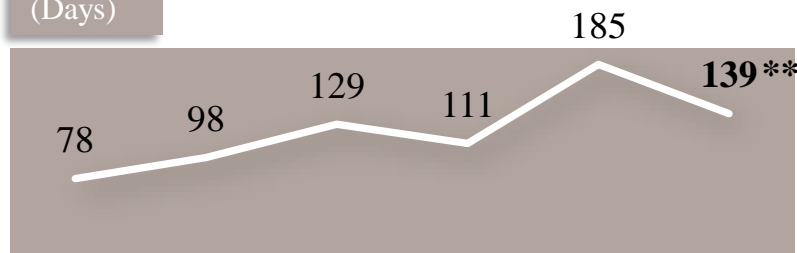
IH 2018 FY 2018 IH 2019 FY 2019 IH 2020 FY 2020

- Turnover days based on year-end balance was 75 days.
- AR balance reduced by 245.6 mn to RMB711.7 mn

○	75
○	245.6
	711.7

Average Inventory Turnover Days 平均存货周转天数

(Days)



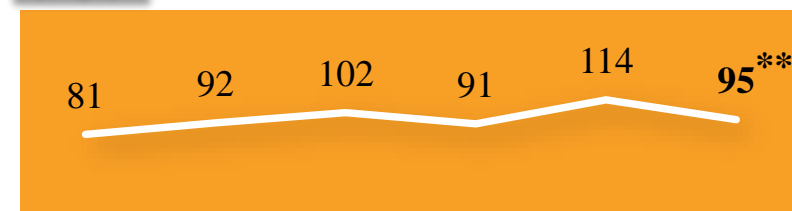
IH 2018 FY 2018 IH 2019 FY 2019 IH 2020 FY 2020

- Total inventory balance decreased by RMB22.2 mn to RMB667.1 mn,
- Smart casual collection: balance reduced as inventory control improved.
- Core collection: balance increased and included inventories of RMB60.2 mn resulting from 2020 S/S cancelled orders
- Inventories of about RMB309.1 mn subject to buy-back as part of the conversion of 1,388 core collection stores to consignment model in 2021 was included as other assets in the 2020 financial statements

○		22.2		667.1
○				
○		2020		60.2
○	2021	1,388		309.1
		2020		

Average Trade Payables Turnover Days 平均应付贸易账款周转天数

(Days)



IH 2018 FY 2018 IH 2019 FY 2019 IH 2020 FY 2020

- There was no material change in the payment terms with suppliers.

○

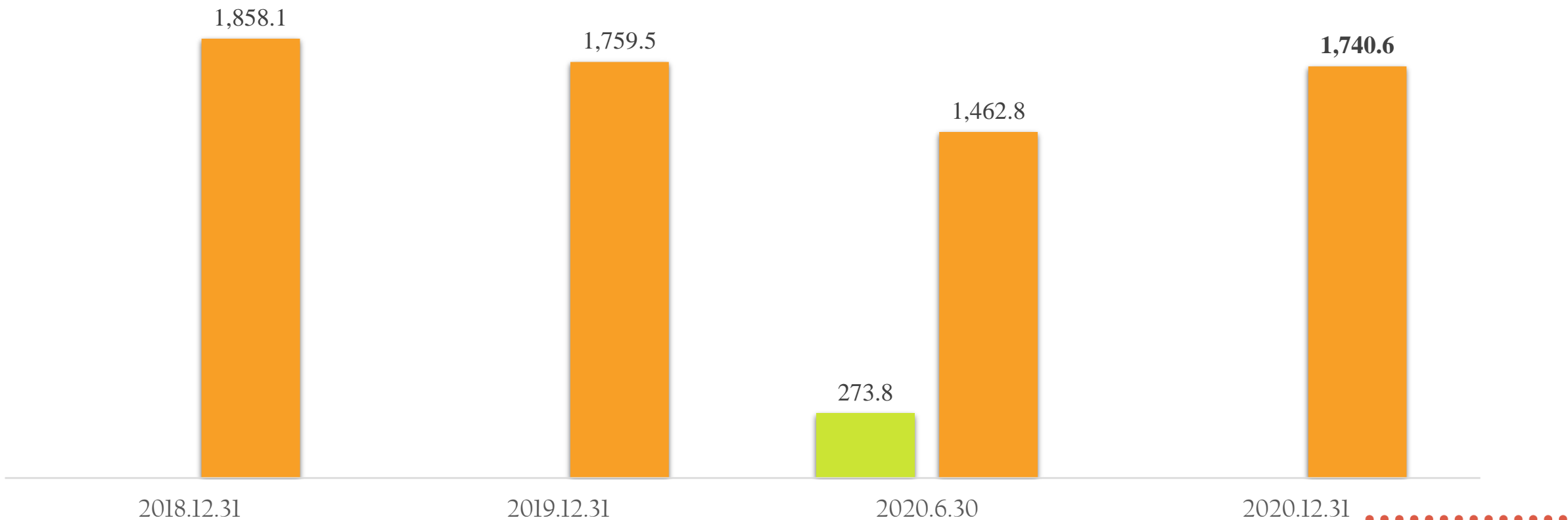
**
Based on turnover / cost of sales before provision for inventory buy-back

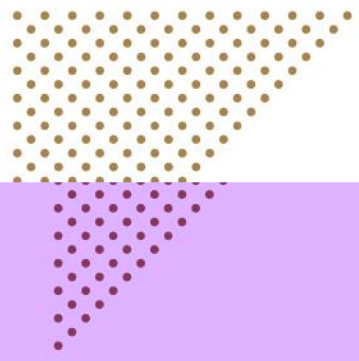
Healthy & Strong Cash Position

(RMB mn)

Total Cash and Bank Balance 银行及现金结余

■ Bank Loans ■ Net Cash Balance
*





BUSINESS & OPERATIONAL REVIEW

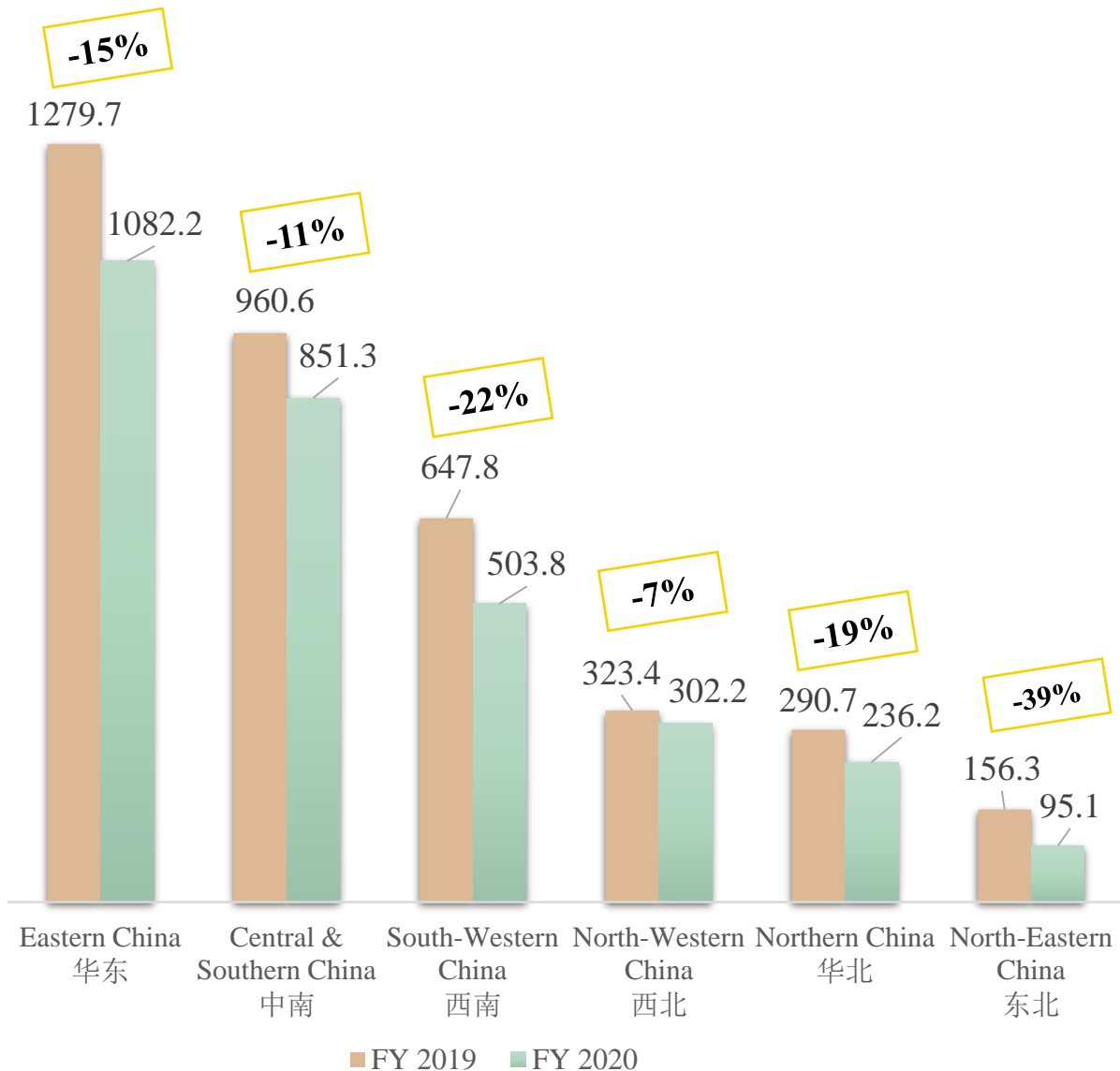


Sales Channel Management

Sales by region

**

(RMB mn)



Store Count by Region

	2020-1-1	Opened 开店	Closed 关店	2020-12-31
Eastern China 华东	810	79	99	790
Central and Southern China 中南	714	83	70	727
South-Western China 西南	505	47	58	494
North-Western China 西北	288	20	37	271
Northern China 华北	299	34	39	294
North-Eastern China 东北	199	8	22	185
Total 总数	2,815	271	325	2,761
Total Retail Floor Space 总店铺面积 (sqm 平方米)	406,400			398,900 (-1.8 %)

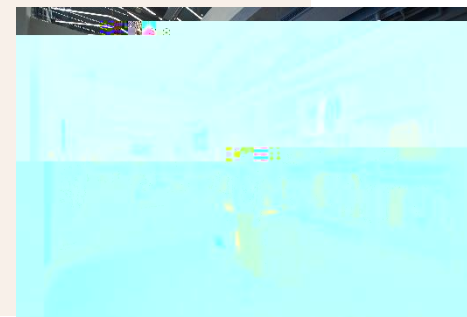
** Before provision for inventory buy-back

Sales Channel Management (Con't)

Enhanced control over sales channel: Converted smart casual collection to direct-retailing in 2H 2020

Optimized retail network:

- ✓ Closed underperforming stores and opened stores in carefully-selected quality shopping malls
- ✓ **Channel upgrade continued:** 807 stores in shopping malls, accounting for about 29% of total store count and about 32% of the total retail floor space
- ✓ Opened 36 outlet stores as recurring channel for inventory clearance



2020				
✓				
✓		807	29%	32%
✓	36			

Total store count as at 31 December 2020: **2,761**

➢ **2,466** core collection stores; **295** smart casual collection stores

2020	12	31	2,761
➢	2,466		295



Kept Channel Healthy

- Monitored store sales and inventory via ERP system
- Cancelled some 2020 S/S orders and reduced 2020 F/W pre-orders
- Organised online and offline promotions to accelerate destocking

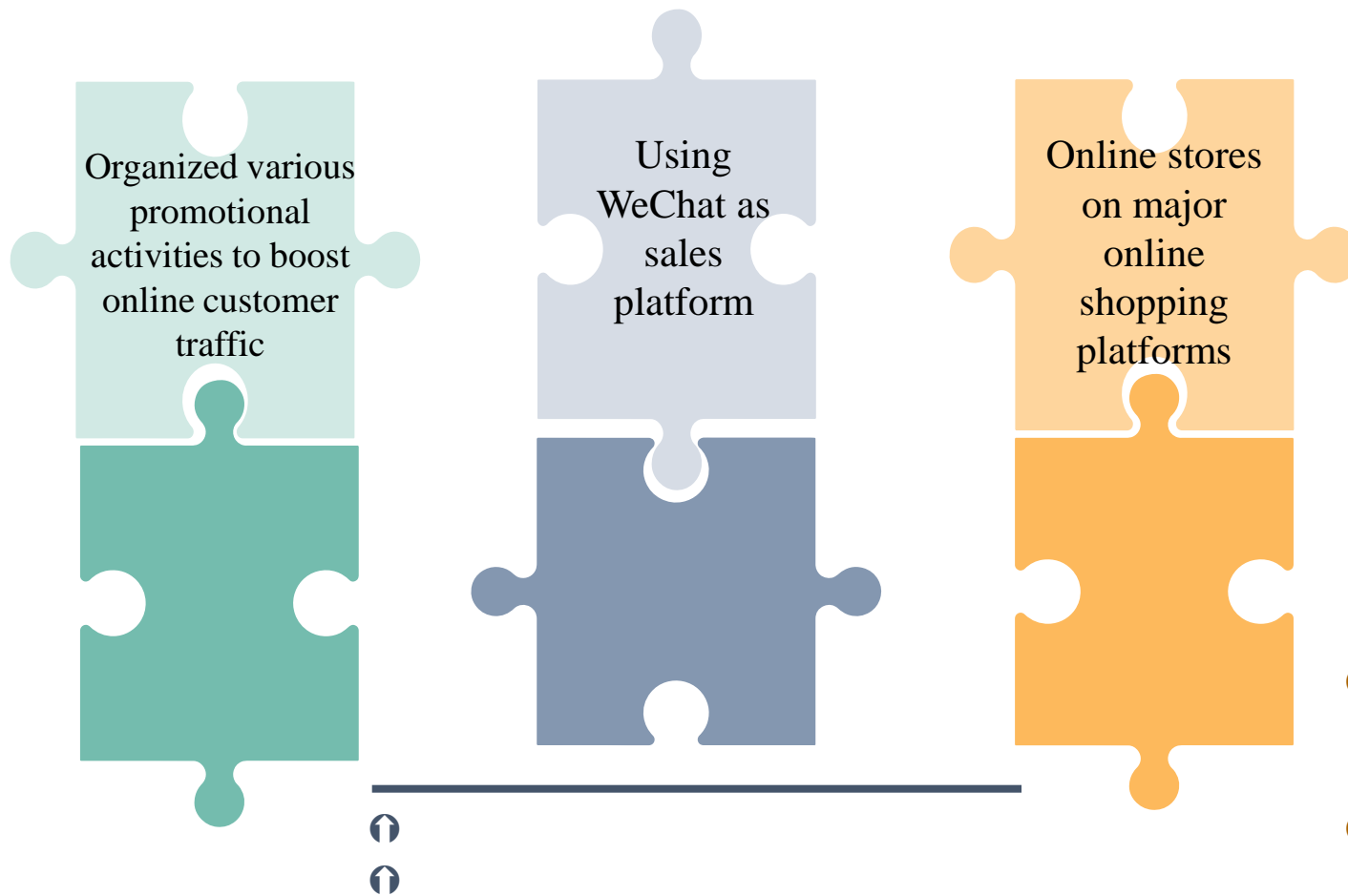
- ERP 2020
- 2020
- 2020

New Retail Business Development

- 📌 Opened stores in WeChat Mall
- 📌 Enlarged virtual inventory and increased sales efficiency of individual stores



- 📌 Placed ads on web portals & commissioned internet celebrities to promote products



- 📌 Online store sales increased by more than 1.2 times

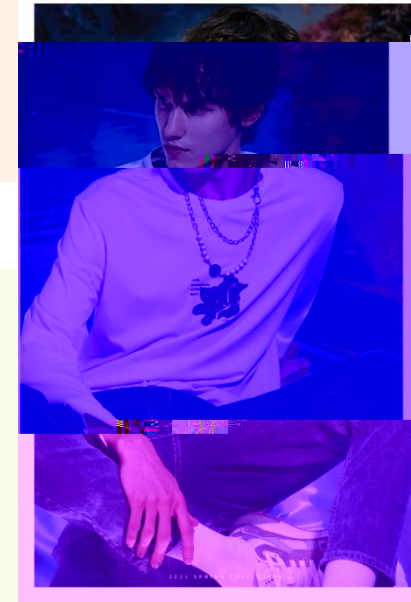


1.2

Product Design, Development and Supply Chain Management



- **Adhere to personality-themed and original designs for products**
 - Proportion of originally-designed products for the year : about target level of 70%
 - Of which using proprietary fabrics: about target level of 50%
- **Strong research and development team:** about 450 members comprising international and local talents
- **Sustainable fashion initiatives:**
 - launch an eco-friendly jeans collection in 2020 SS seasons that are made of blended fabrics of cotton yarn and polyester yarn extracted from recycled plastic bottles
 - Adopt the latest washing technology in the washing process of jeans products to save labour and energy, and reduce water consumption



- ➤ 70%
- ➤ 50%
- 450
- ➤ 2020
- ➤

Marketing, Promotion & Awards

Launched a variety of brand promotional events which attracted extensive market attention and won multiple awards in the advertising industry:

New LILANZ brand ambassadors LILANZ

Engaged two top artists, Han Han and Li Dan,
as brand ambassadors

LILANZ

Launched crossover products with **China Daily**,
US graffiti artist Jean Michel HERRON (1941-1984),
the 1980s,etc

The promotional campaign for **the LILANZ X CHINA DAILY products** won the "**Gold Case Award**" and was accredited amo7 484.94 Tm171BDFEJE

Marketing, Promotion & Awards (Con't)

Continued to work with the Academy Award of Advertising Festival of Chinese College Students

Solicited publicity plans and ideas for its brand and products from college students



The in-depth interactive communication in colleges i.r.o. the promotion of LILANZ as the business wear brand of the new generation won the **"Brand Rejuvenation Award"** and the **"Top 10 Brand Rejuvenation Cases Award"** in **ADMEN International Award Presentation Ceremony**

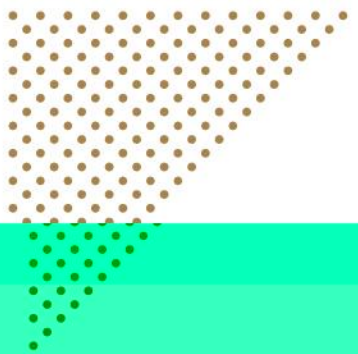
ADMEN



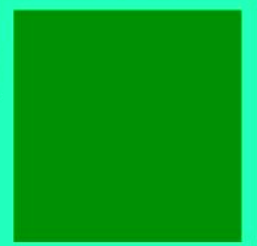
Other brand promotional events

- Sponsored the costumes of actors in an urban hit drama, **"Who Says I Can't Get Married?"**
- Placed advertisements on web portals
- Engaged internet celebrities to promote products online, etc.





OUTLOOK & STRATEGY



Cautiously Optimistic, Expand in 2021 Prudently

2021

Target to add 100 to 150 stores in 2021

- ✓ Continue channel upgrade and open more stores in quality shopping malls
- ✓ Plan to open more stores in outlet malls as recurring channel for inventory clearance



Up 10% or more



Total retail sales target 2021

2021

100-150

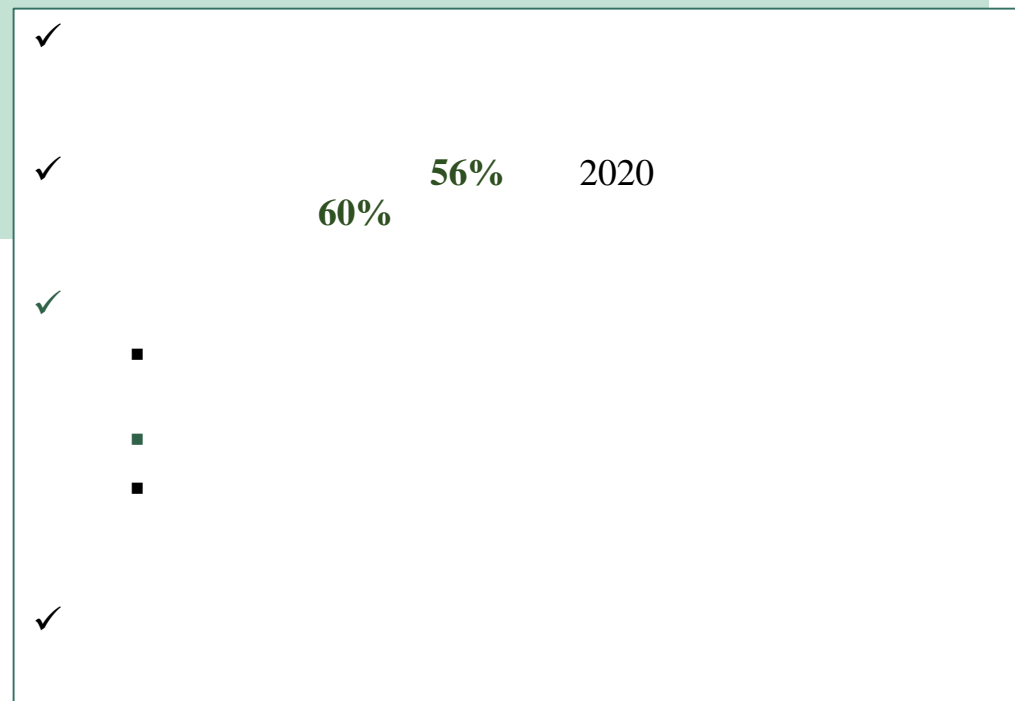


Further Strengthening the Management and Control of Retail Network

Core Collection – Convert 1,388 stores to Consignment Model starting 2021 SS seasons

- ✓ Covering stores of selected **distributors with higher management capability** in Fujian, Shaanxi, Guizhou, Henan etc
- ✓ Accounting for **about 56%** of total core collection **stores** and **about 60% of sales** of core collection in 2020 before provision for inventory buy-back
- ✓ **Objectives:**
 - **Strengthening inventory management** as inventory transfers become flexible and buffer inventory for individual stores could be reduced
 - Help to **improve sales efficiency with expanded virtual inventories**
 - Continue to **leverage the retail management talents of distributors** while using the **Group’s financial resources to accelerate channel upgrade in particular regions**
- ✓ **To increase wholesale prices** to cover inventory risk

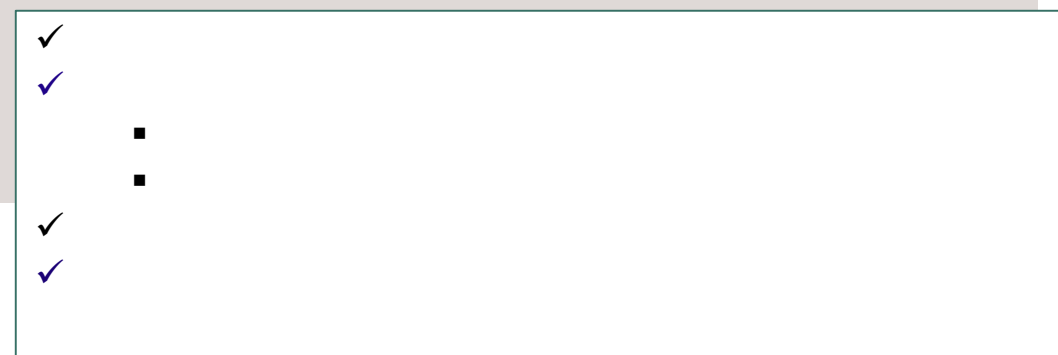
– 1,388 2021



New Retail Business – Convert to self-operation

- ✓ **Convert online stores to self-operating stores**
- ✓ **Objectives:**
 - Enhance **management and control**
 - Facilitate the **launch of more special edition products online**
- ✓ Plan to launch **eco-friendly special edition products** online in F/W collections
- ✓ **Stores in Wechat Mall** complementing the physical stores to increase sales efficiency

–



Prudent & Flexible Operation Strategy

Brand Promotion

- ✓ To carry out **various activities** in **various channels** to promote products and LILANZ brand
- ✓ **Continue** to launch **crossover products** with China Daily or other IP
- ✓ Plan to **roll-out the 7th-generation store image** for the core collection to cover **about 500 existing stores** in 2021
- ✓ Plan to launch a new store image for the smart casual collection in 2H 2021

Product Positioning

- ✓ **providing products of excellent value-for-money**
- ✓ The gradual **enhancement of fashion and design elements of the smart casual collection** will be completed in the 2021 SS seasons, and is **expected to improve profitability** of the collection.



✓

✓

✓

✓

2021

2021

500

LILANZ



✓

✓

2021





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OPEN FORUM

