

LILANZ

CHINA LILANZ LIMITED

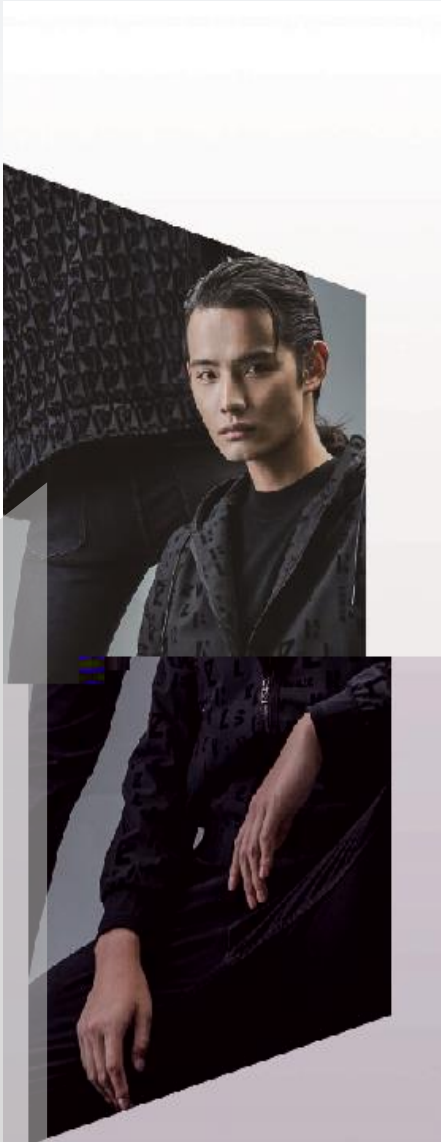
中國利蘭有限公司

Stock Code: 1234

2020

IS
EMOR

Agenda



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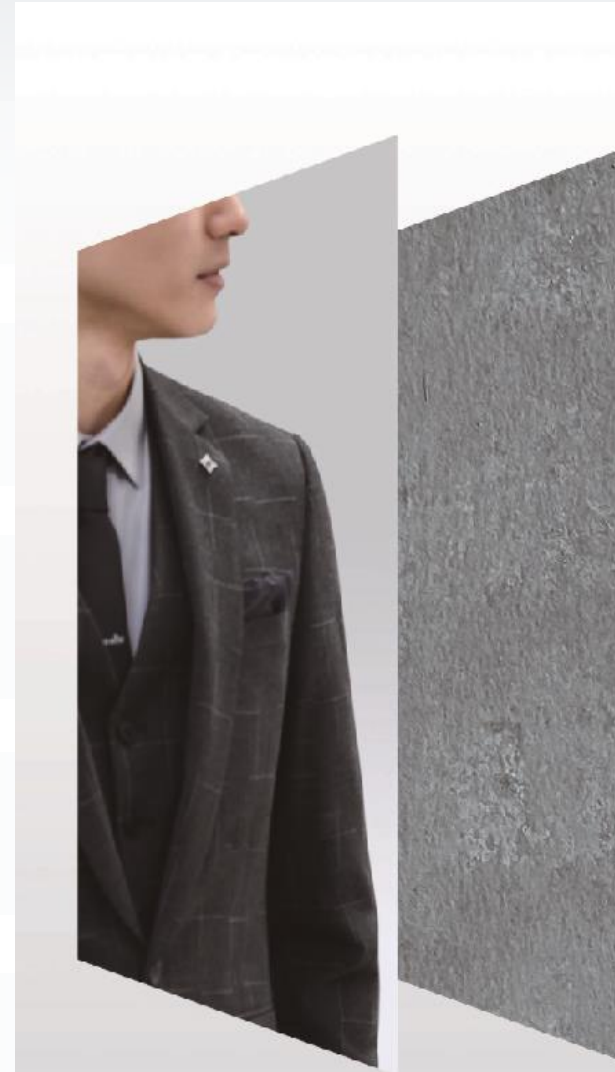
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Open Forum





LILANZ

RESULTS HIGHLIGHTS

Steady Business Development under the Implementation of a series of Business Model Reforms

994 stores (about 40%) of the core collection converted to consignment model and share inventories via online warehouse, resulting to higher sell-through rate of 2021 SS products

994	40%	2021
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Online stores turned self-operated, strengthening e-commerce channel management; expanding virtual inventories of physical stores via stores in WeChat Mall to improve store efficiency

GP margin significantly up by 10.1 p.p. to 49.5% due to increased markup rate starting 2021 SS seasons and smart casual T-shirts

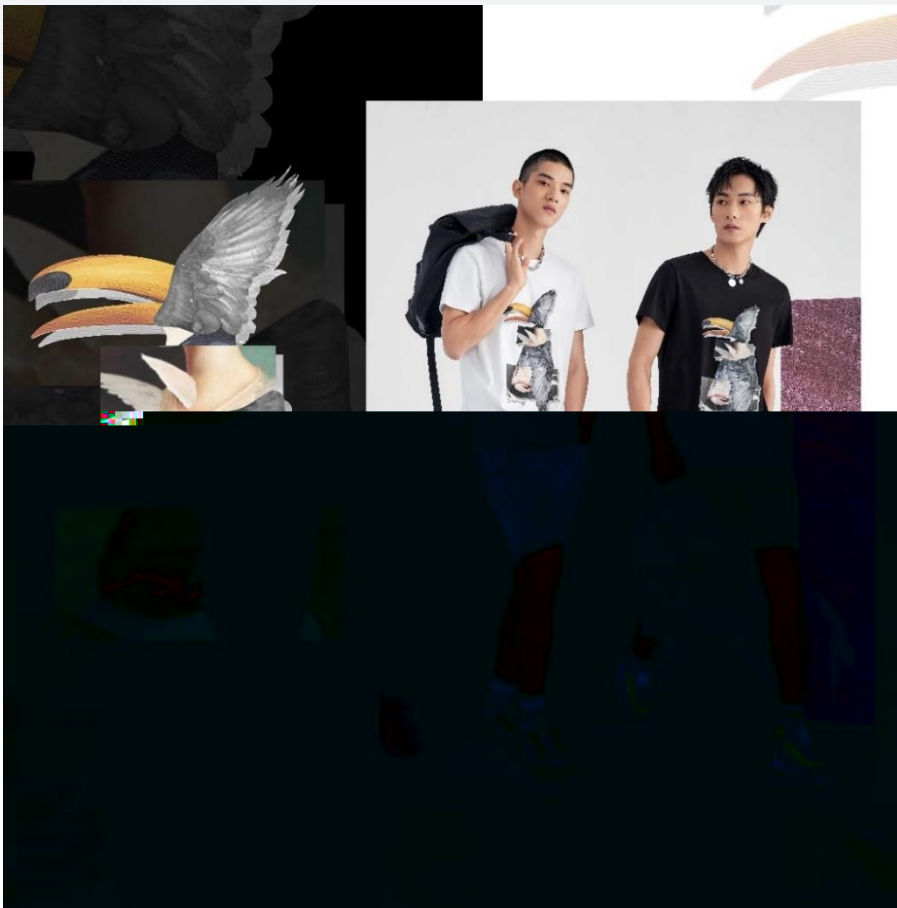
10.1	49.5%
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Revenue up by 23.9% to RMB 1,354.3 million; net profit up by 0.9% to RMB 271.5 million; earnings per share were RMB 22.7 cents, up by 0.9%; figures reflected the impacts of changes in business models

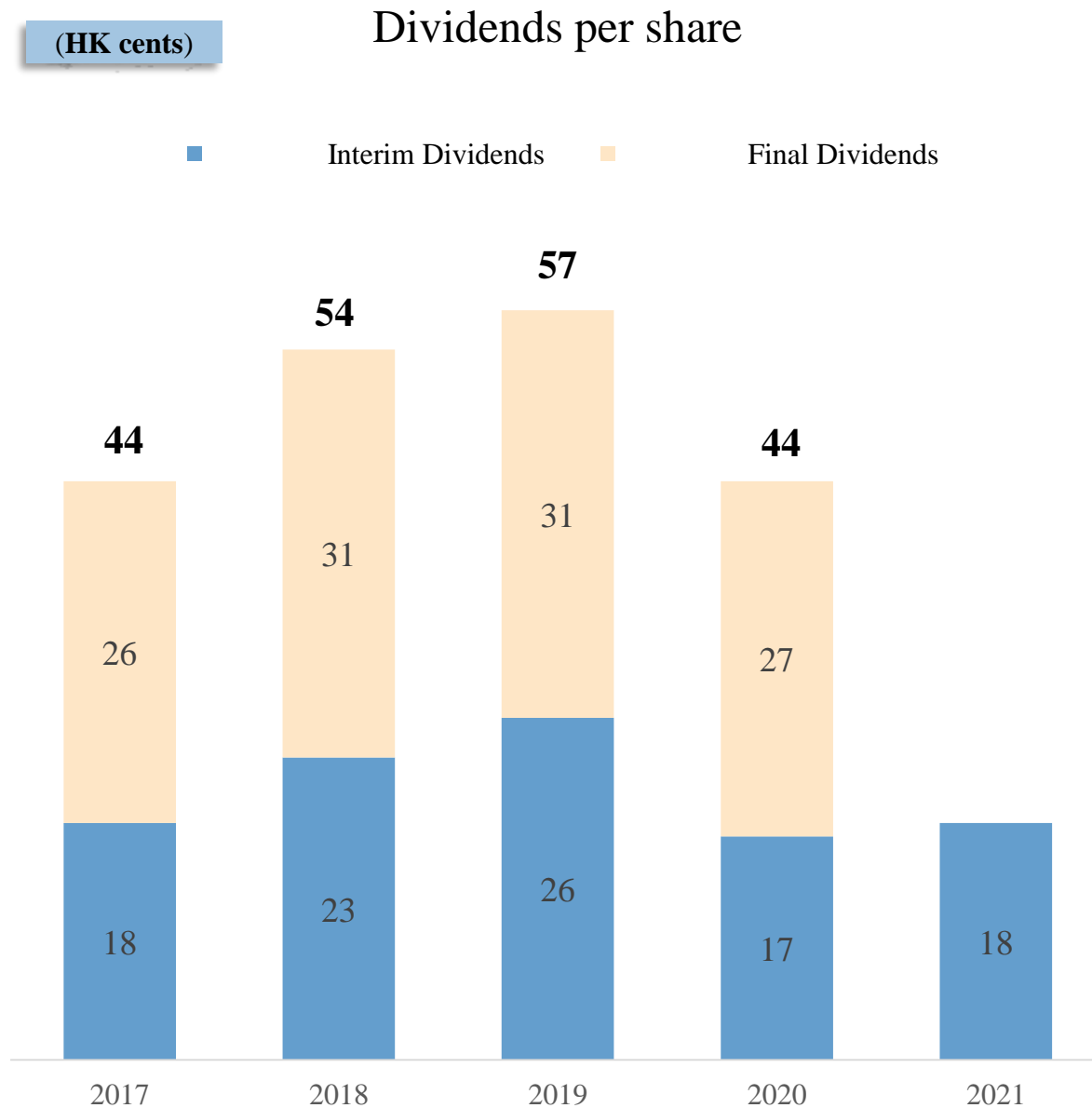
23.9%	1,354.3	0.9%	271.5
22.7	0.9%		

In 1H 2021, total retail sales of LILANZ products up by 25% to 30% YOY

LILANZ	25%	30%
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Maintaining Relatively High Dividend Payout



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

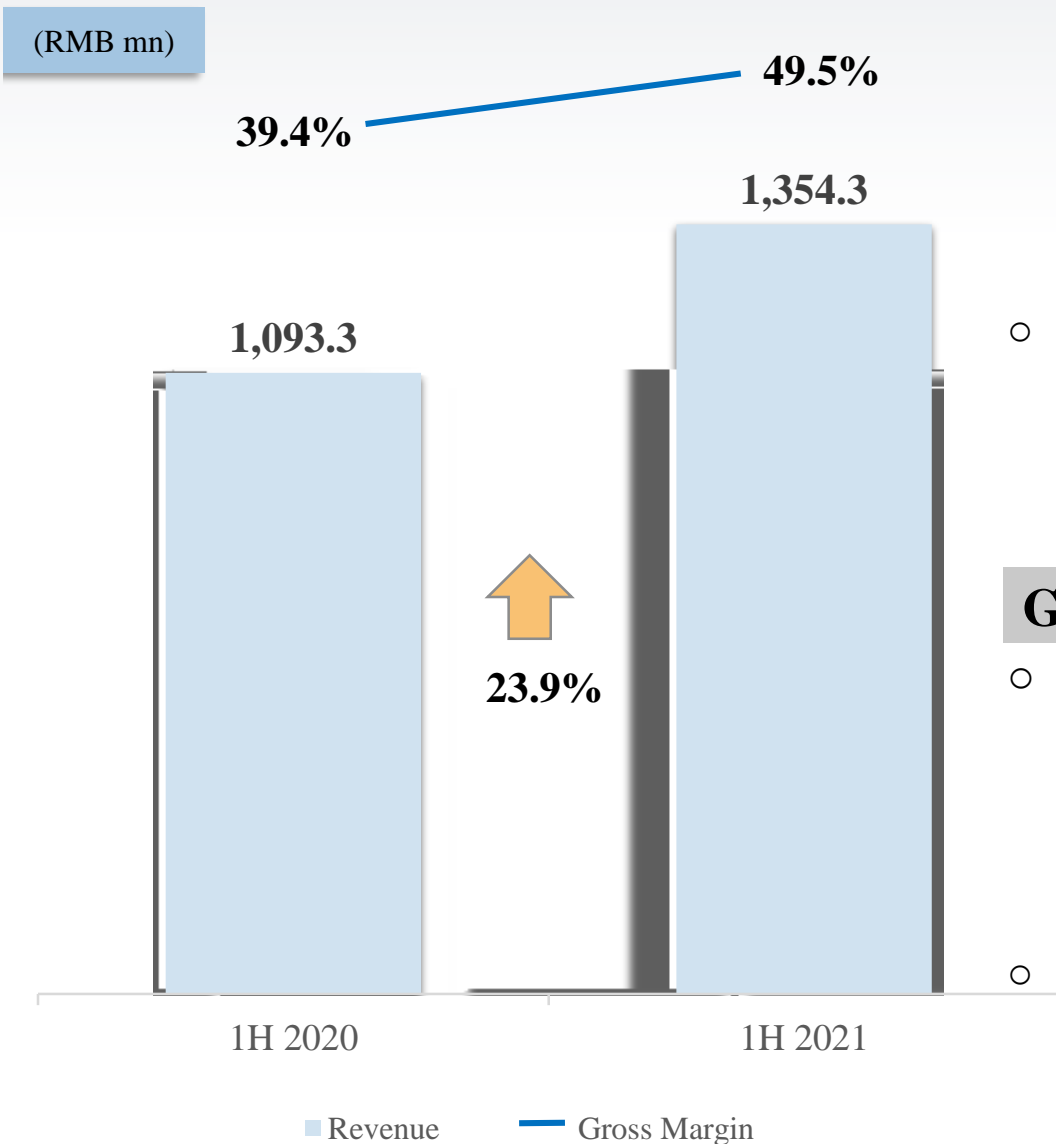
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FINANCIAL REVIEW

LILANZ



Revenue and Gross Margin



Revenue

- Revenue up by 23.9% to RMB1,354.3 mn
 - Smart casual collection: Most of the stores switched to direct-to-retail in July 2020, sales for the period recognised at retail value
 - Core collection: Wholesale business recorded double-digit sales growth, yet the point of sales recognition of about 40% of the stores was delayed after switching to consignment model, and thus, total sales only slightly increased

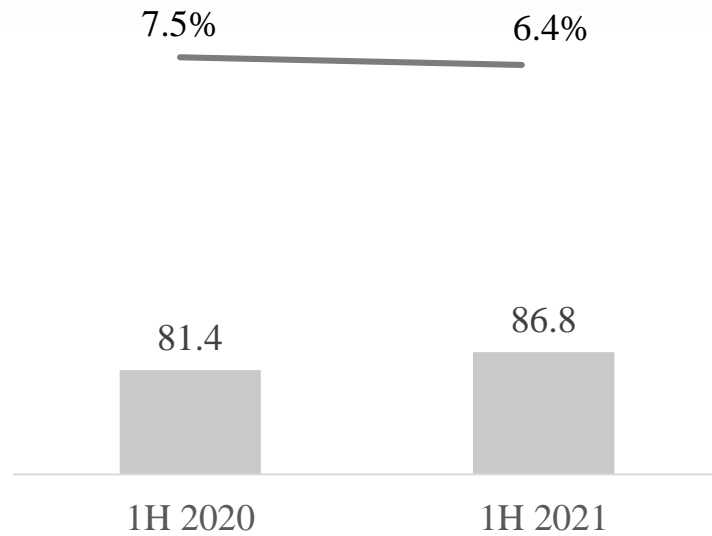
Gross Margin

- GP margin significantly up by 10.1 pp to 49.5%
 - Increased markup rate of particular products based on product design and market competitiveness starting from the 2021 SS seasons
 - Retail GP margin of the smart casual collection was higher than the wholesale GP margin in the same period last year

SD & A Expenses

Advertising and Promotional Expenses

(RMB mn)

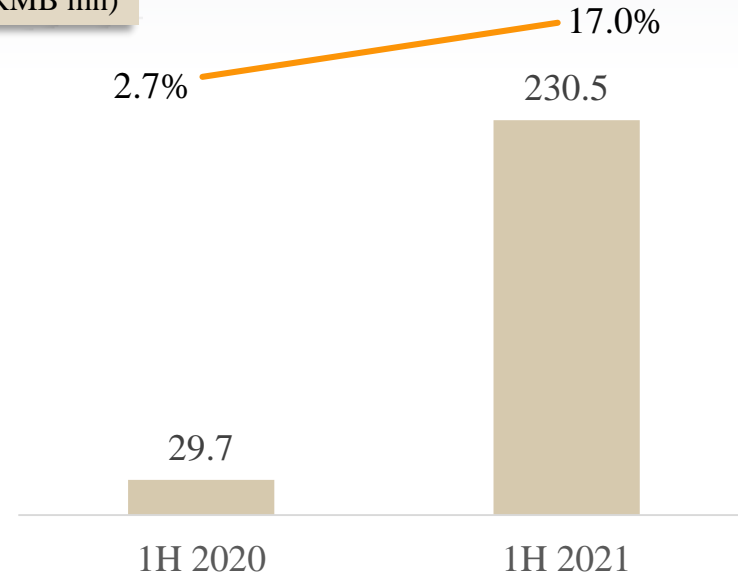


- Brand advertising expenses at similar level as in the same period last year
- Renovation subsidies rose due to higher number of new stores and the roll-out of new store image of core collection

-
-

Other Selling and Distribution Expenses

(RMB mn)

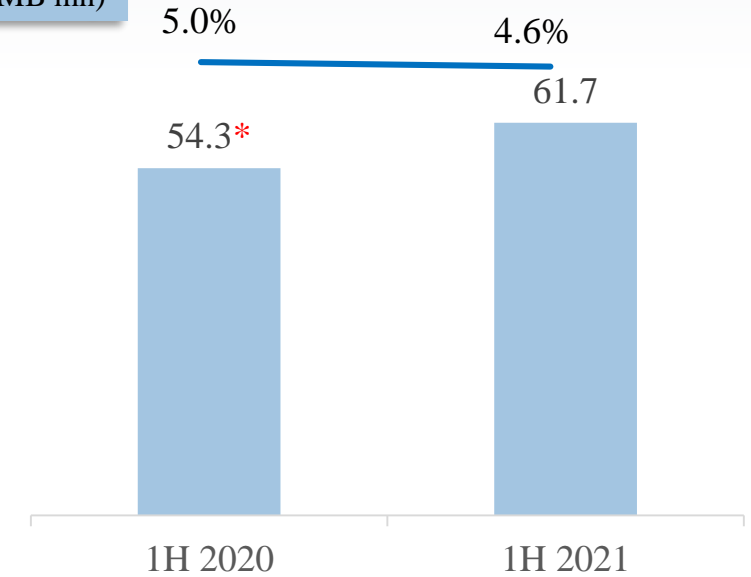


- The sharp increase in expenses was attributable to the operating expenses of the smart casual collection stores after conversion to direct-to-retail model in 2H 2020

- 2020

Administrative Expenses

(RMB mn)



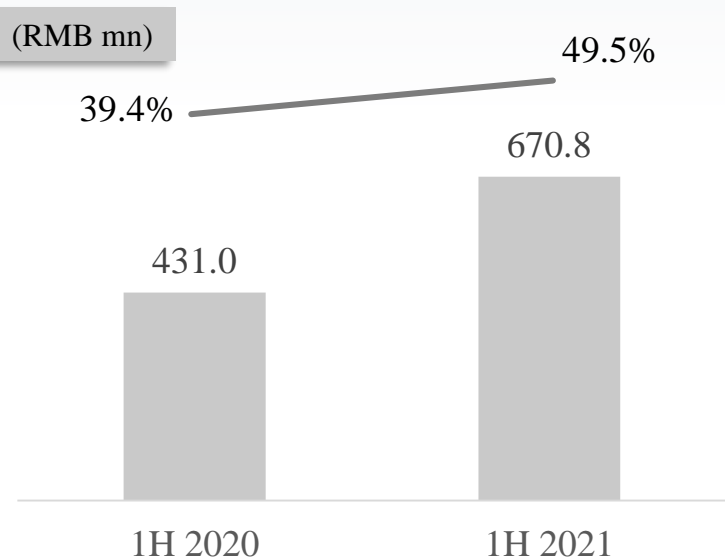
- Depreciation and property management expenses increased as the new head-quarters started operating in Q1

-

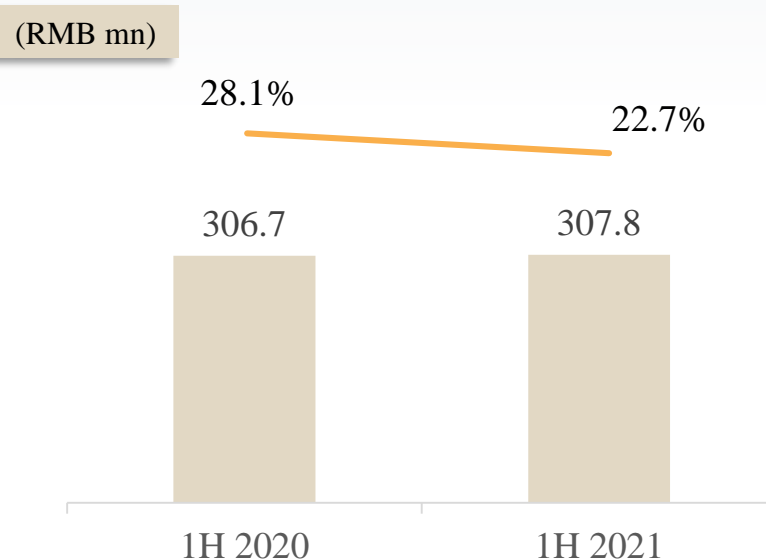
* Amount included AR provision of RMB7.4 mn

Profit & Margin

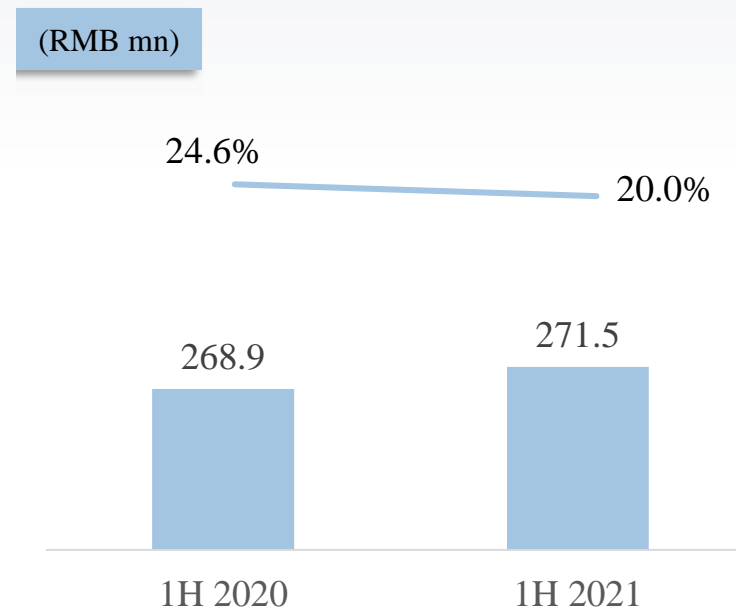
Gross Profit & Margin



Operating Profit & Margin



Net Profit & Margin



- GP margin significantly up by 10.1 p.p. due to:
- Increased the markup rate based on product design and market competitiveness
- Retail GP margin of the smart casual collection was higher than the wholesale GP margin in the same period last year

10.1

- OP margin down by 5.4 p.p. to 22.7% , due to:
- Higher selling expenses for the smart casual collection and online stores after conversion to direct-to-retail
- Deferral of the receipt of government grants

5.4

22.7%

- NP margin down by 4.6 p.p. to 20.0%
- Higher SD&A expenses and the delay in receipt of the government grants offset the increase in sales revenue and GP margin

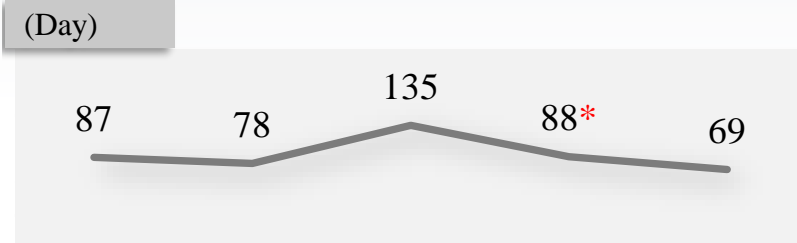
4.6

20.0%

SD&A

Working Capital Cycle

Average Trade Receivables Turnover Days

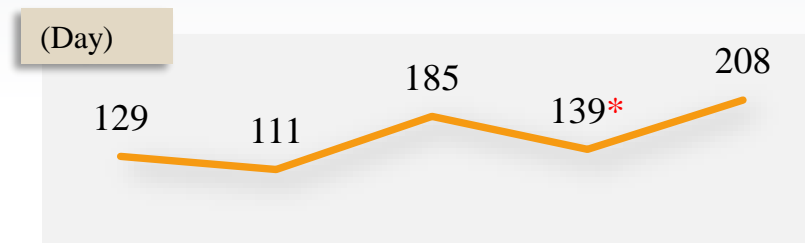


- If based on period-end balance, turnover days was 54 days
- Turnover days reduced as about 40% of the core collection stores have been converted to consignment model.
- At 30 June 2021, AR provision of RMB16.6 mn was made

○		54
○	40%	
○	2021 6 30	16.6

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

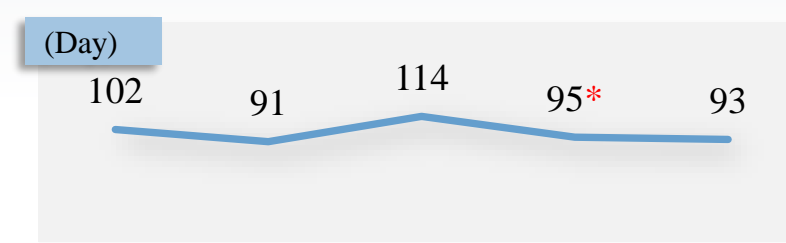
Average Inventory Turnover Days



- Inventory balance up by RMB234.1 mn to RMB901.2 mn, mainly attributable to core collection after converting about 40% of stores to consignment model
- Inventories of about RMB309.1mn were bought back from consignment stores on 28 February 2021
- Inventory balance of smart casual collection continued to improve
- At 30 June 2021, inventory provision of RMB20.7 mn was made

○		234.1	901.2
○	40%		
○	2021 2 28		309.1
○			
○	2021 6 30		20.7

Average Trade Payables Turnover Days

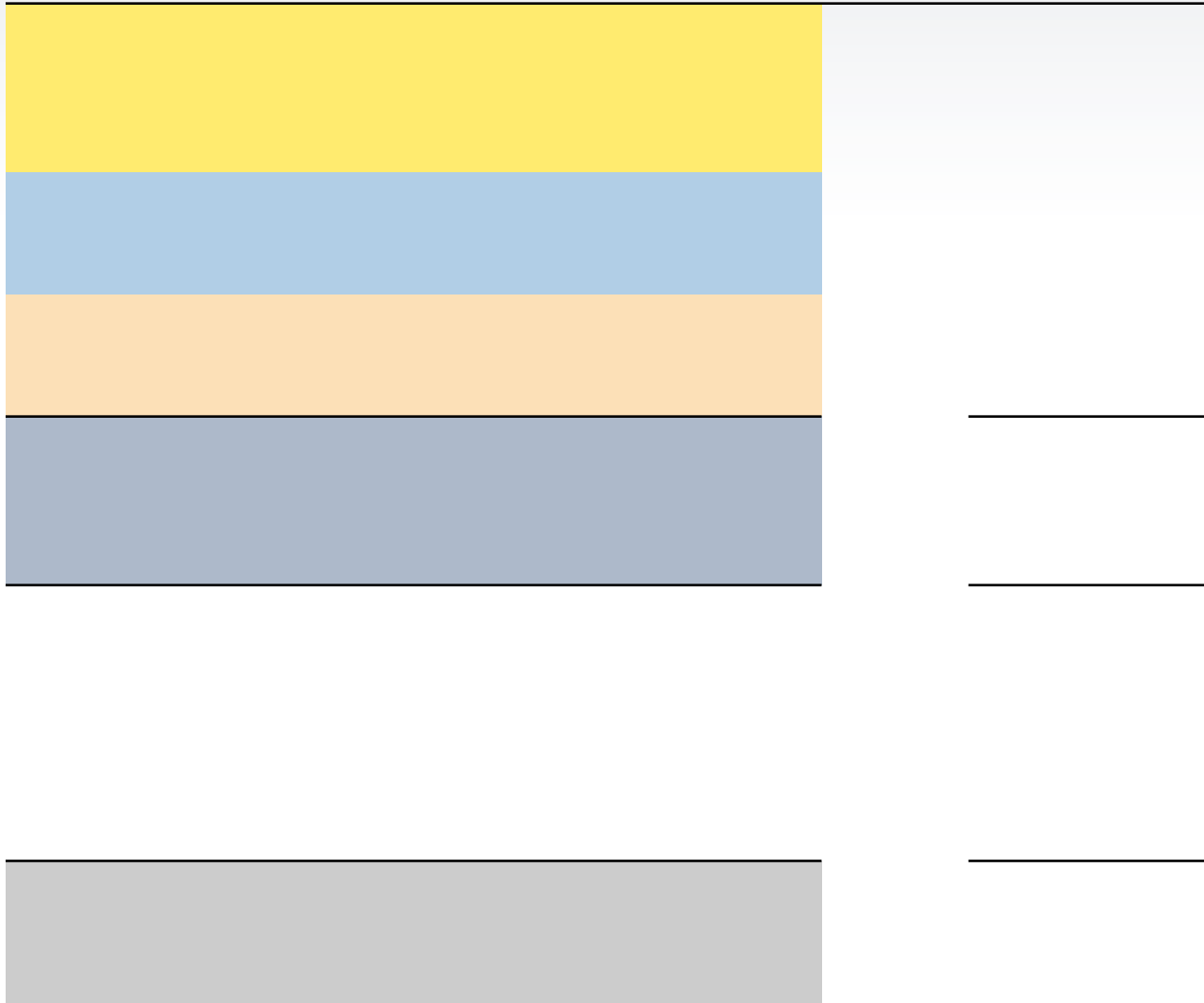


- If based on period-end balance, turnover days was 77 days
- AP balance down by RMB121.2 mn
- Production and delivery schedules of some of the products have been adjusted backward as control over channel and inventory management enhanced after converting the smart casual collection to direct-to-retail model, and about 40% of the core collection stores to consignment model

○		77
○		121.2
○	40%	

Cash Flows

RMB

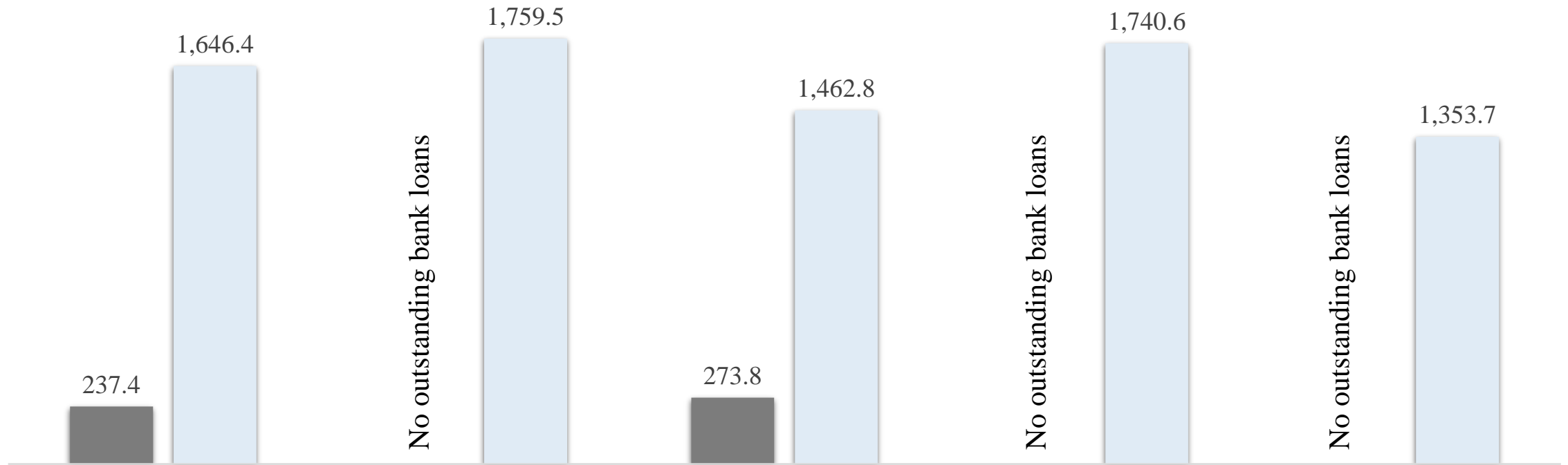


Healthy & Strong Cash Position

(RMB mn)

Total Cash and Bank Balance

■ Bank Loans ■ Net Cash Balance

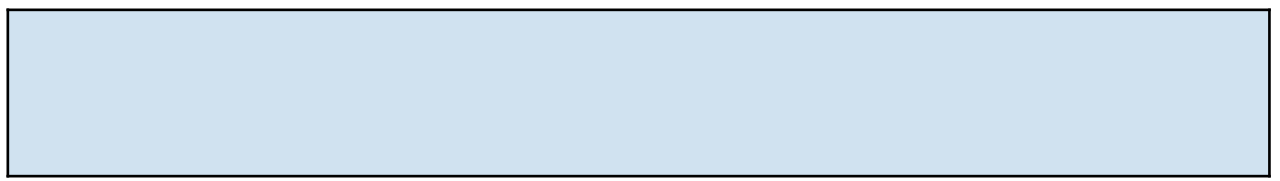




LILANZ

BUSINESS & OPERATIONAL REVIEW

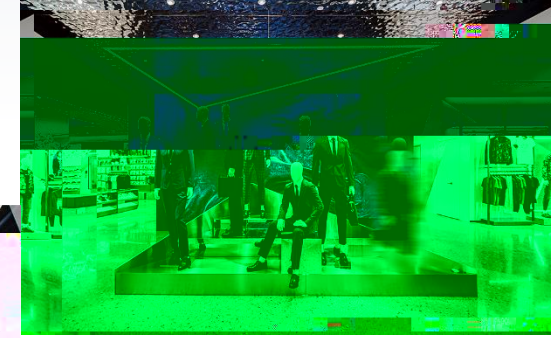
	2021-1-1	Open	Close	2021-6-30
Eastern China	790	46	57	779
Central and Southern China	727	52 nBT/ EMC1 0	/P <</MCID 22	



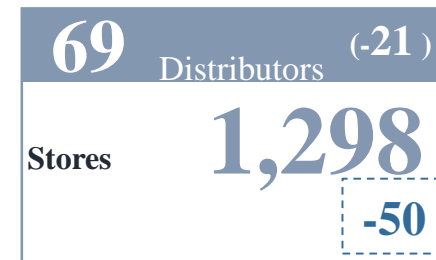
Sales Channel Management ()

- ✧ **Enhanced control over sales channel:** Smart casual collection & online stores converted to a **direct-to-retail model**; about 40% core collection stores adopted a **consignment model**
- ✧ **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, **enhancement work in Xi'an and Zhengzhou completed** in 1H 2021
 - ✓ Started rolling out the 7th generation store image to existing core collection stores, **about 100 stores completed** in 1H 2021
 - ✓ **Channel upgrade continued:** **821** stores in shopping malls, accounting for about **30%** of total store count and about **33%** of the total retail floor space

- ✧ 40%
- ✧ 7
- ✓ 821
- ✓ 100
- ✓ 30%
- ✓ 33%



Total store count as at 30 June 2021: **2,708**
 ➤ **2,421** core collection stores; **287** smart casual collection stores



Enhancing Inventory Management

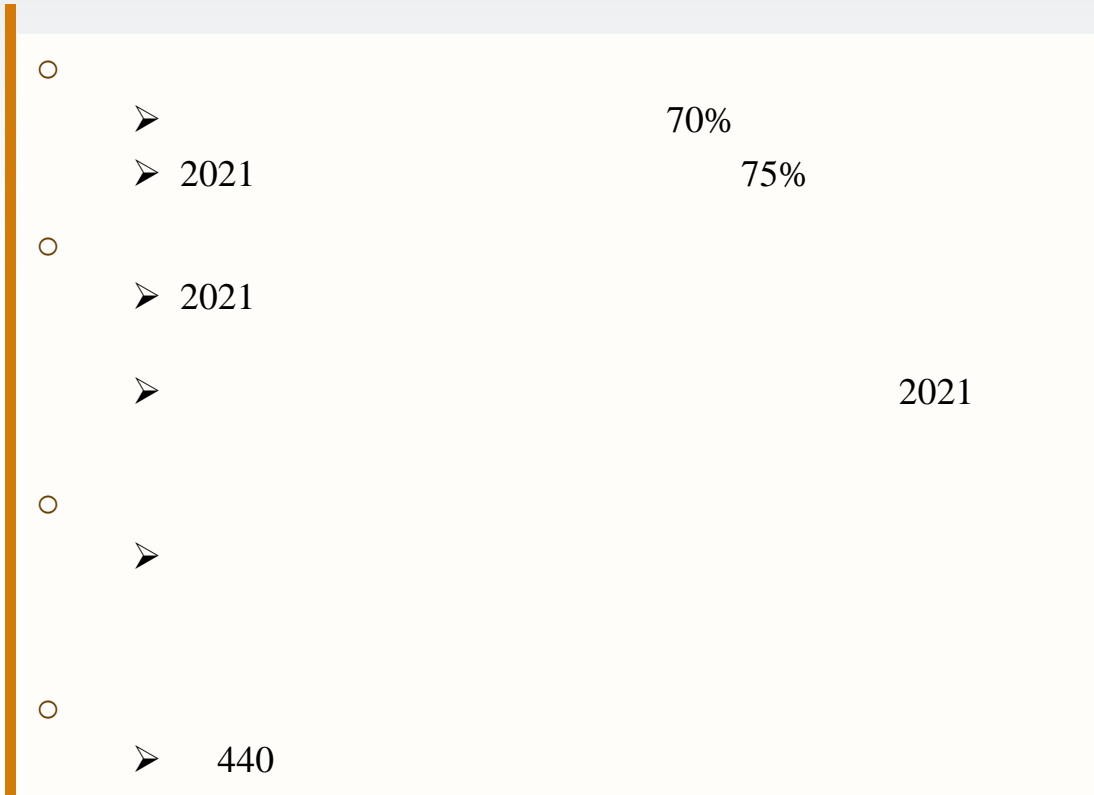
- Sell-through rate of the 2021 SS collections has increased as virtual inventory of stores expanded via online warehouse
- Inventory level of smart casual collection decreased continuously while that of core collection was slightly above target level but within a manageable range
- Monitor the sales and inventory condition of stores via a ERP system

- 2021
- ERP

New Retail Business Development

- Promotional sales online and live streaming of promotion events were

Product Design, Development and Supply Chain Management



- **Adhere to the personality-themed and original designs of products**
 - 1H 2021: the proportion of originally designed products was maintained at about 70% among products sold
 - 2021 winter collection: expected to be further increased to around 75%

○

Marketing, Promotion & Awards

Festival of
and awareness

Launched a series of brand promotion

- Continued brand promotion activities with ambassador Han Han

- Sponsored the production of certain tests and

- Produced award

ideas and ideas for its brand
from college students

engaged over 1.5
college students
150

The award was won by ADMEN in 2021, and won the Gold Award for the



2020
2021 ADMEN
2021 IAI

Marketing, Promotion & Awards ()

Launched LILANZ crossover products

- Core collection and smart casual collection launched crossover products with China Daily -Body

respectively

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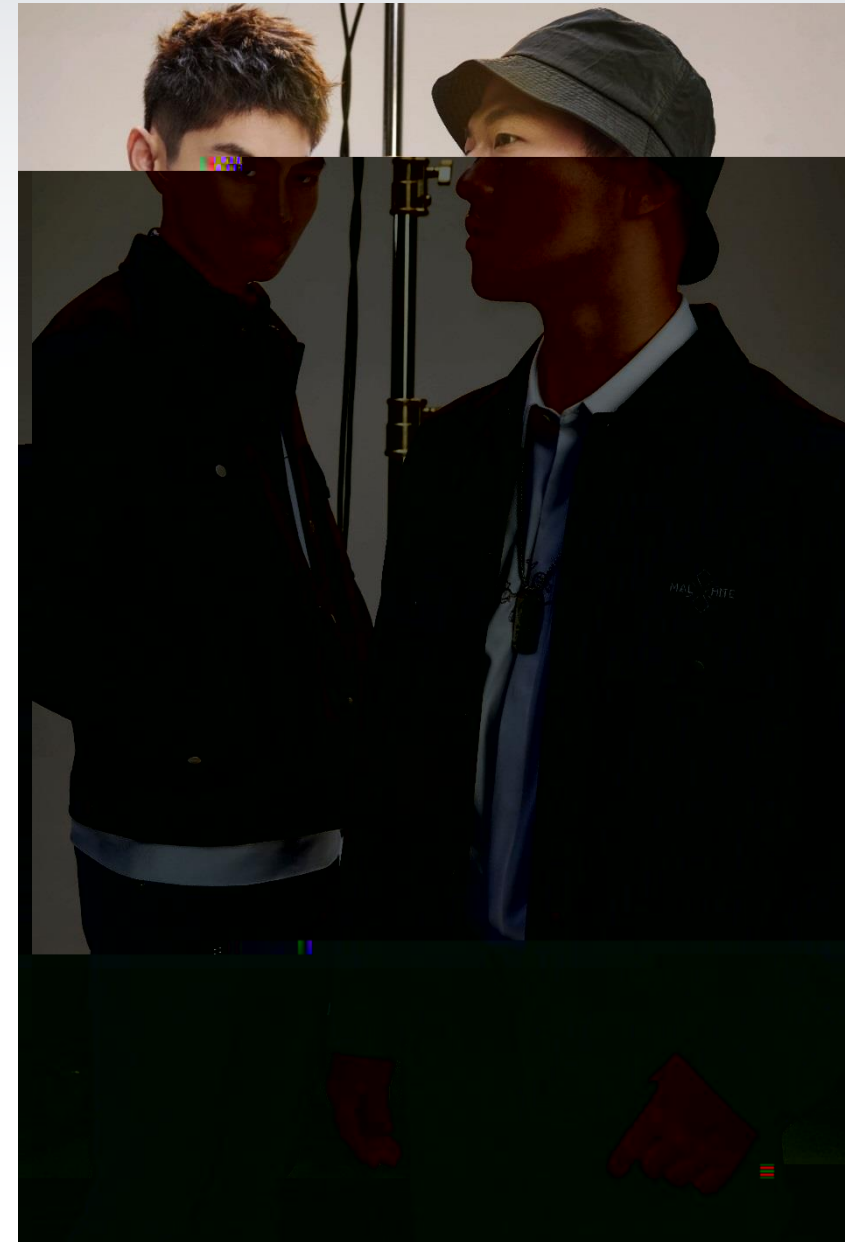
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Continued to cooperate with Adream Foundation to enhance corporate image

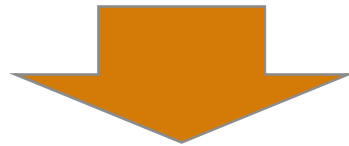
- In addition to donations, the Group also launched student-designed tops on Father's Day in June. All sales proceeds were donated to the fund

OUTLOOK & STRATEGY



Prudent & Flexible Operation Strategy

- ✓
- ✓
- ✓
- ✓ 7
- ✓



- ◇ 2021
 - 10%
 - 15%
- ◇ 2021
 - 100-150
 - 50-100

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, Changsha and other cities in 2H 2021
- ✓ Organised training in July to strengthen distributors to use WeChat platform to attract traffic and increase sales
- ✓ Objective: further enhance store efficiency and product sell-through rate

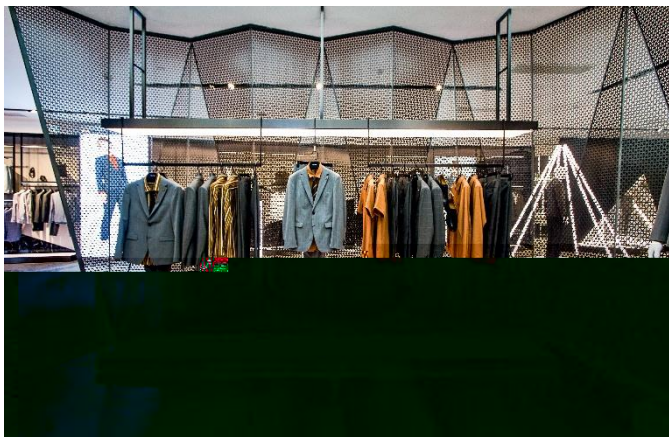


Prudent & Flexible Operation Strategy ()

New Retail

Launching more fast-developed products by using the 8 c f a d in-house production capability to produce small batch orders swiftly

Working with environmentally-certified suppliers to launch eco-friendly series special edition products online for 2021 FW seasons



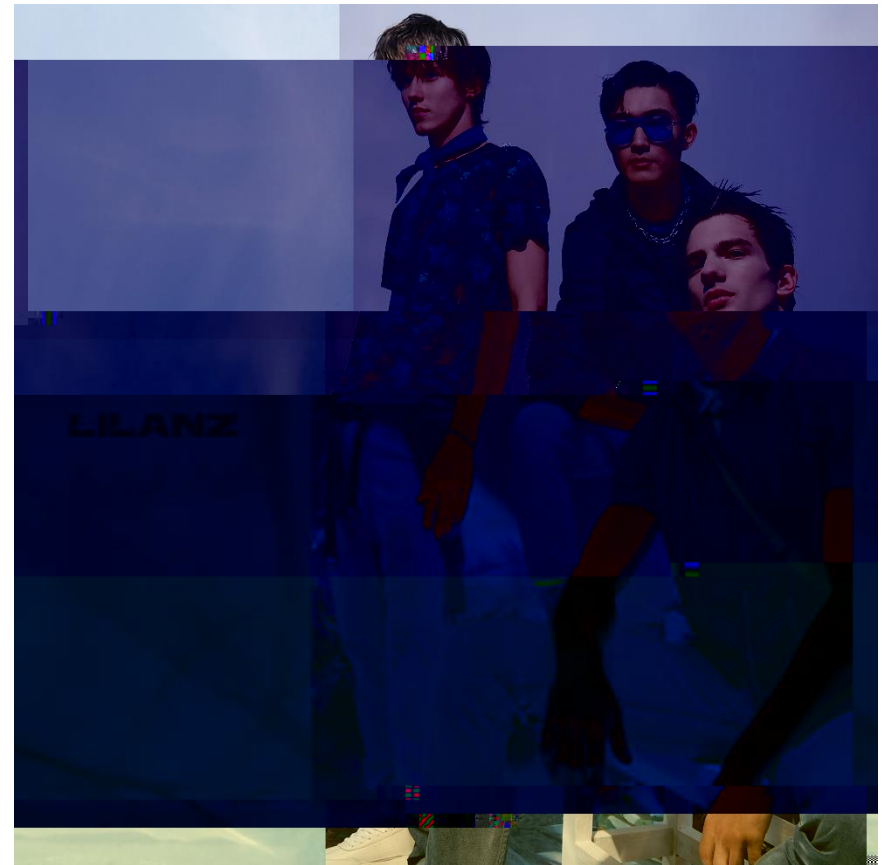
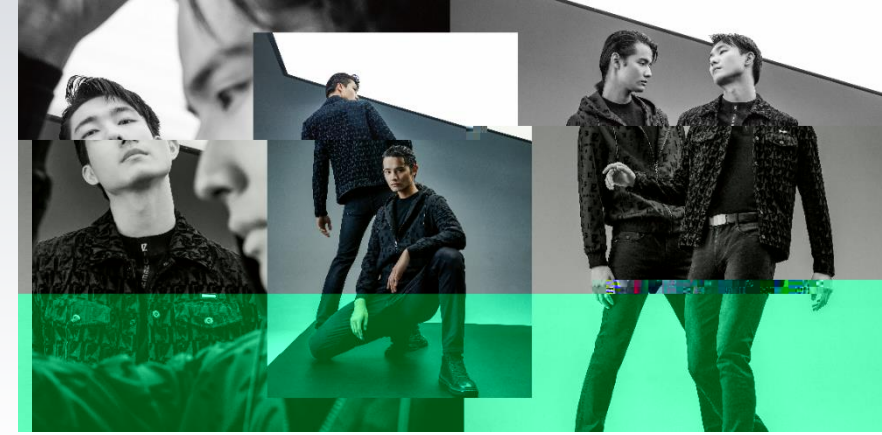
Brand Promotion

Continue to conduct brand promotion on TikTok, Xiaohongshu and other portals

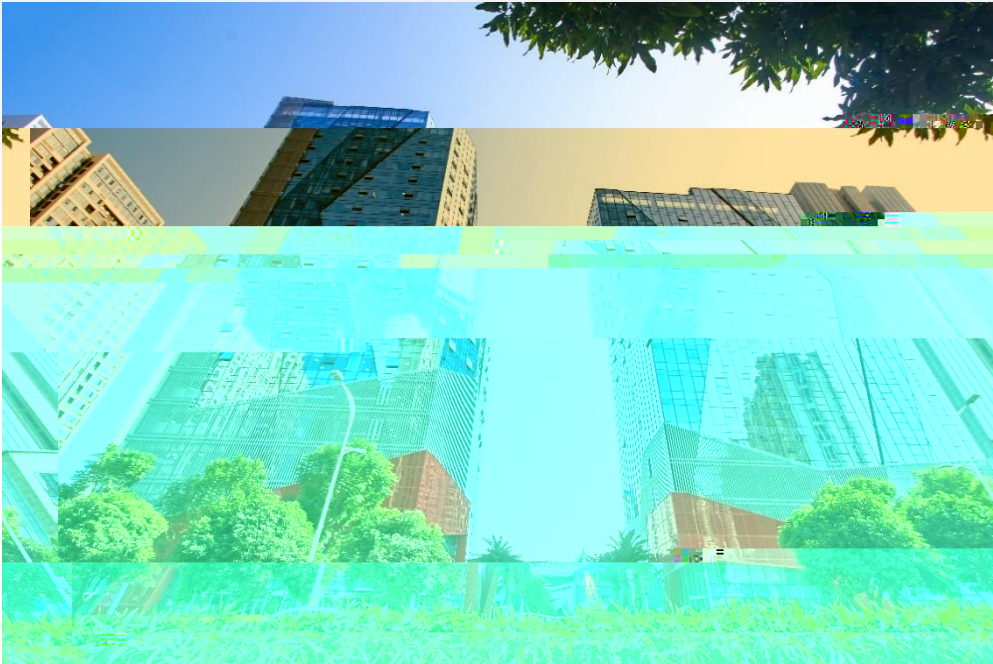
Crossover products of the core collection with China Daily and the smart casual collection with the science WeZ EY EYc -Body Universe h Z be continued and launched in the FW seasons

Continue rolling-out the 7th-generation store image upgrade of the core collection to about 400 existing stores in 2H 2021

The smart casual collection plans to launch a new store image in 2H 2021



Construction of the New Headquarters and New Logistics Park



- The new headquarters in Fujian has begun operation in February 2021, providing a new step for the development of the Group.

○

- Phase I of the new logistics centre aims at commencing operation before the 11 November shopping festival, which will effectively enhance inventory management and logistics efficiency

○ 11.11



DISCLAIMER

OPEN FORUM

