CHINA LILA[redacted]MITED
中 國 利 郎 [redacted] 限 公

Stock Code: 1234

LESS IS MORE

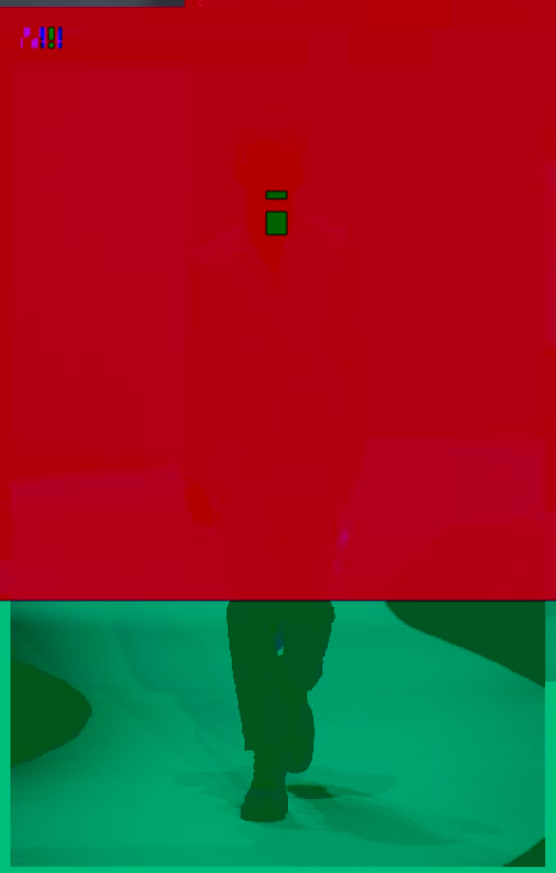
2021, Hong Kong

Healthy Financial Position and Stable Dividend Payout

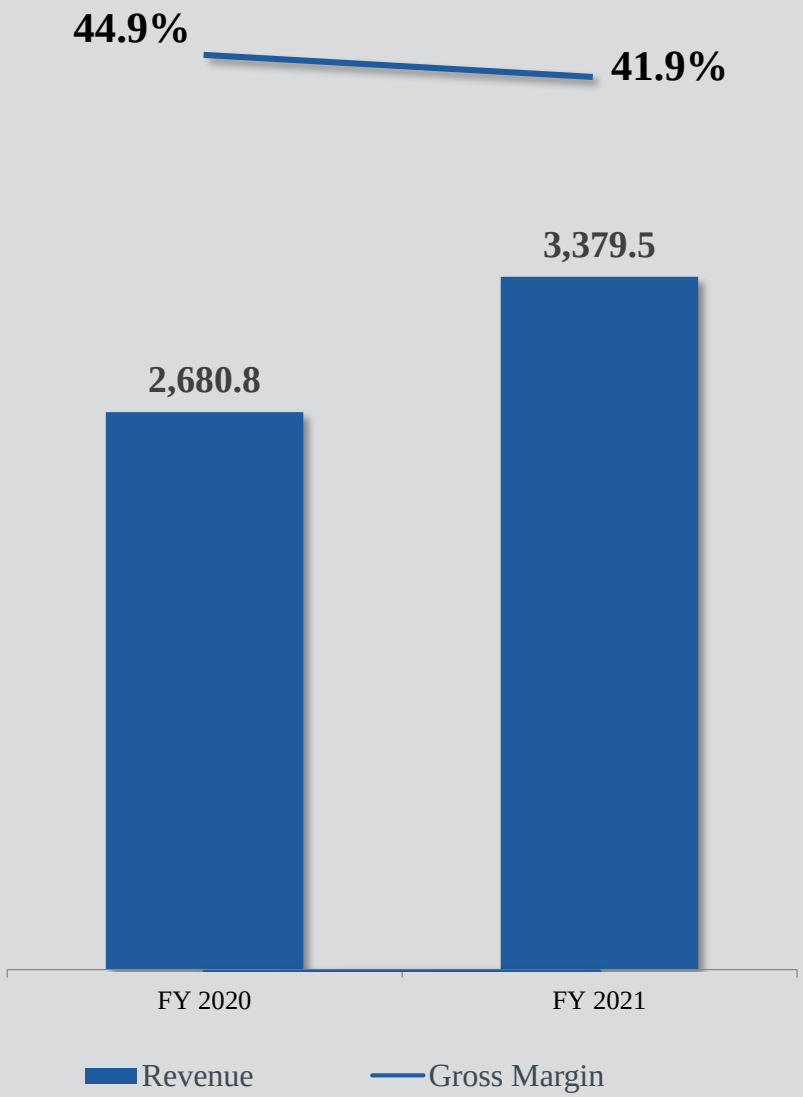
- Revenue up by 26.1% YoY to RMB 3,379.5 million
  26.1% 33.8
- Net profit was down by 16.0% to RMB 468.1 million; EPS were RMB39.09 cents
  16.0% 4.7
  39.09
- Final dividend HK11 cents per share and Special Final dividend HK5 cents per share to be distributed
  11 5

  Total dividends for 2021 amounted to HK34 cents per share
  2021 34
- Maintained a stable payout ratio

FINANCIAL REVIEW



Revenue and Gross Margin



- Revenue up by 26.1% to RMB 3,379.5 mn
  - Revenue of smart casual collection up by 32.9% :
    - Sales of smart casual collection were recognised at retail value, after having switched to the direct-to-retail model since July 2020
  - Revenue of core collection up by 24.4%(5.4% for 2020 revenue before inventory buy-back):
    - The delay in sales recognition by certain stores after switching to consignment model had an impact on revenue
    - About 68% of RMB 390 million repurchased inventory of core collection due to the conversion of certain stores to the consignment model was sold in 2021, and a sales revenue of about RMB260.0 million was recognised.

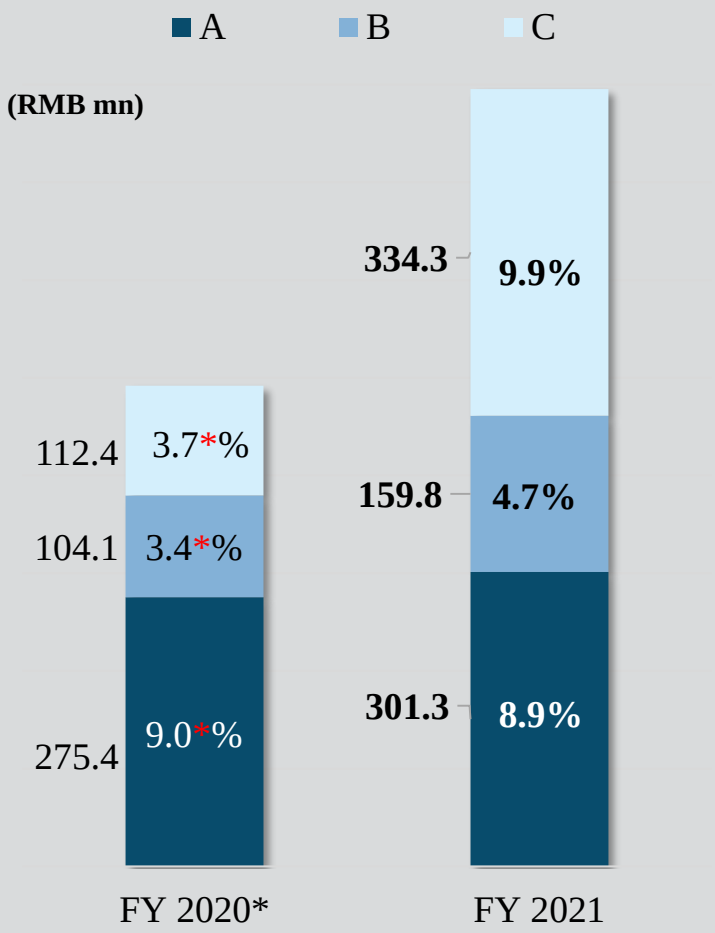
- 26.1% 3,379.5
  - 32.9%:
  - 2020 7
  - 24.4%(2020 5.4% :
  - 3.9 68% 2021 2.6

- GP margin down by 3.0 p.p. to 41.9% YoY.
  - Recorded an inventory provision of RMB122.2 million in 2021, reflecting a change in the development strategy of footwear products and the disposal of off-season inventory
  - The retail gross profit of the smart casual collection was higher than the wholesale gross profit, which offset the increase in fixed cost of sales caused by the decline in sales
- Excluding the impact of inventory provision, the GP margin was about 45.5%, up by 0.6 p.p. YoY

- 41.9% 3.0
  - 2021 122.2
  - 45.5% 0.6

SD & A Expenses

Selling and Distribution Expenses



Selling and distribution expenses amounted to 795.3 mn, up by 303.4 mn from 2020:

A. Advertising and renovation subsidy expenses accounted for 8.9%% to revenue which is similar to 2020

B. Other Selling and expenses comprised mainly salaries, renovation and distribution expenses, accounted for 4.7% of and revenue and up by 1.3p.p Increase was mainly driven by opening of new stores

C. Self-operated stores operating expenses for smart casual collection and online store, accounting for 9.9%, up by 6.2p.p and included store rental, property management fee, salaries and online platform charges.

795.3 2020

303.4

A. 8.9% 2020

B. 4.7%

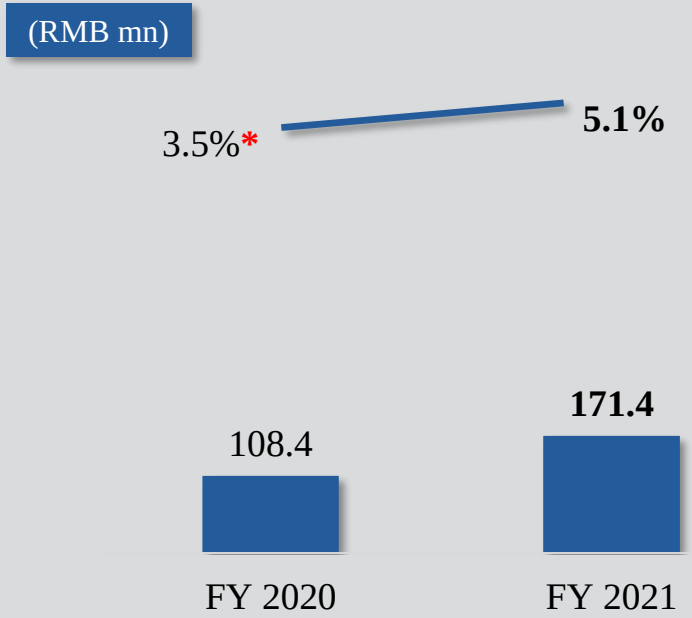
1.3

C. 9.9%

6.2

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

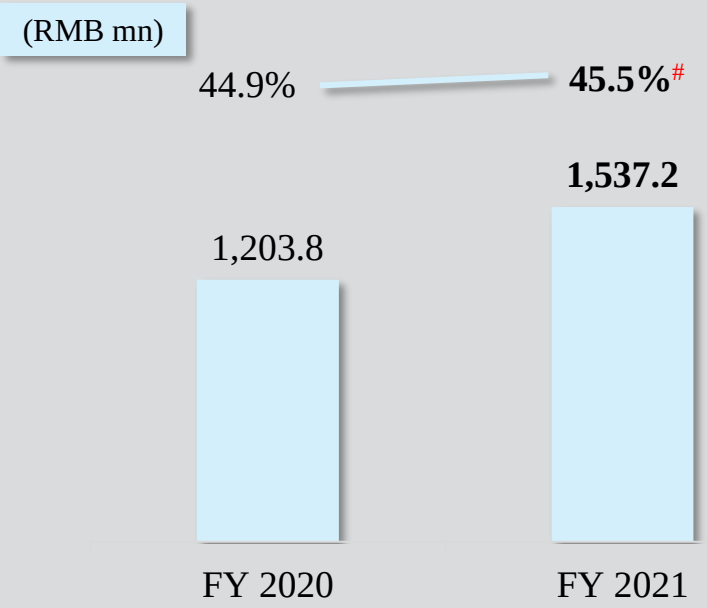
Administrative Expenses



- 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 the relevant right-of-use assets for certain underperforming smart casual collection stores

Profit & Margin

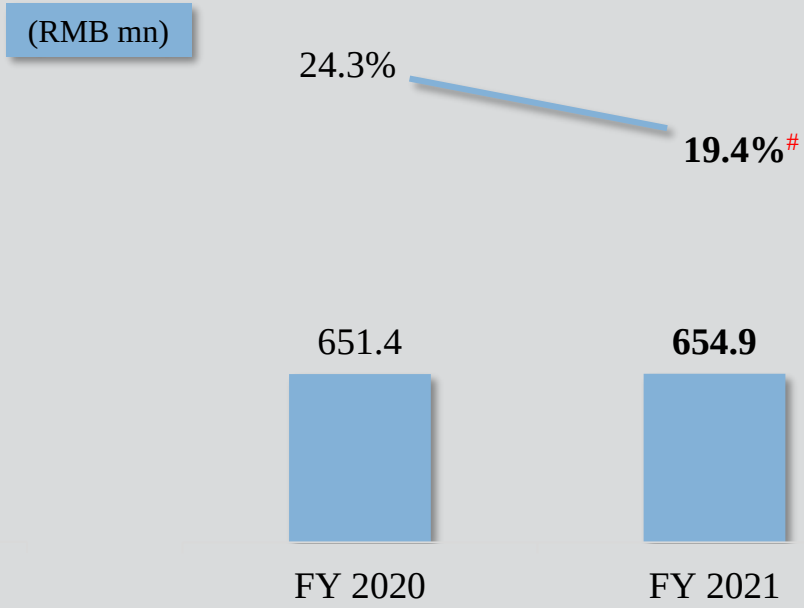
Gross Profit & Margin



- Excluding the impact of inventory provision, the GP margin was about 45.5%, up by 0.6 p.p. YoY
  - Recorded an inventory provision of RMB122.2 million in 2021
  - Retail gross profit of the smart casual collection was higher

- 45.5%
  0.6
  - 2021 122.2
  -

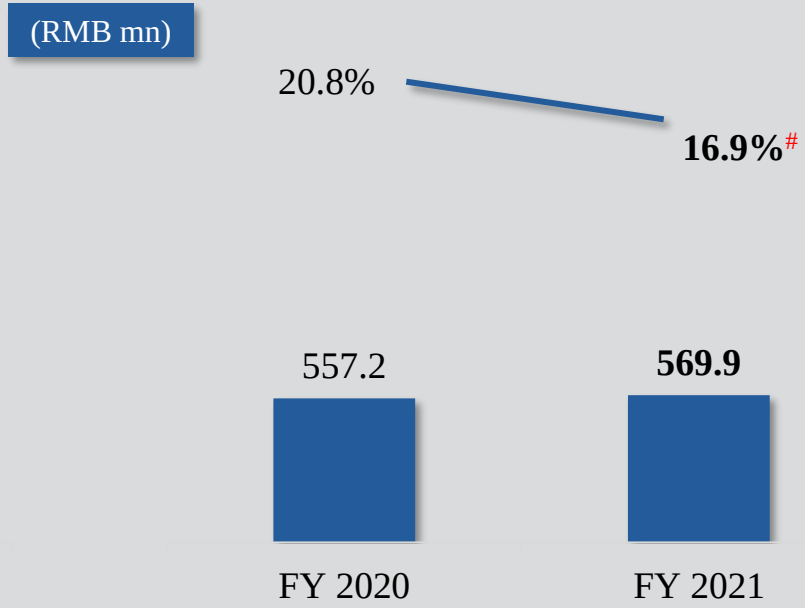
Operating Profit & Margin



- Excluding inventory provision, profit from operations would increase by RMB3.5 million, and the operating profit margin would be 19.4%, down by 4.9 percentage points YoY

- 3.5
  19.4% 4.9

Net Profit & Margin



Excluding inventory provision, net profit would reach RMB569.9 million, up by 2.3% from 2020

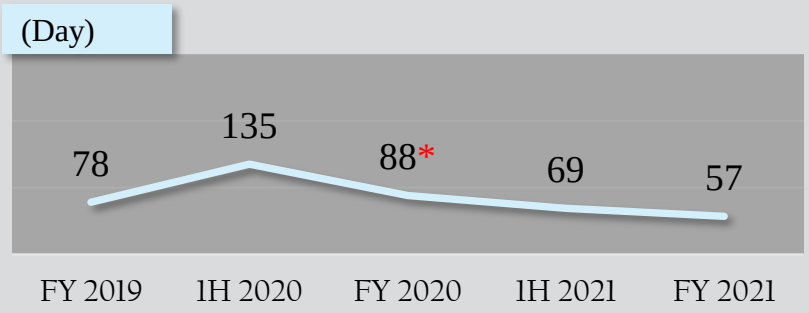
569.9

2020 2.3%

excluding provisions

Working Capital Cycle

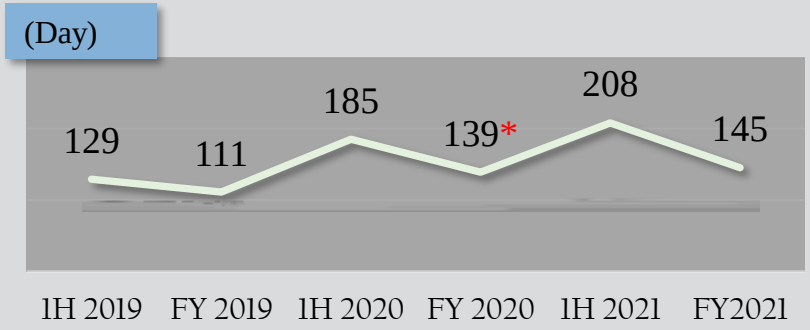
Average Trade Receivables Turnover Days



- Successful inventory clearance efforts in 2H2021, coupled with the improved financial liquidity of distributors compared with the interim period
- The improved turnover of trade receivables following the conversion of the smart casual collection to the direct-to-retail model
- The average trade receivable turnover days for the year fell to 46 days based on the trade receivables as at the end of the year
-
-
-

46

Average Inventory Turnover Days



- Inventory balance up by RMB226.7 mn to RMB893.7 mn, mainly attributable to core collection after converting about 40% of stores to consignment model
- Inventory balance of smart casual collection continued to improve
- At 31 December 2021, inventory provision of RMB137.7 mn was made
-

226.7

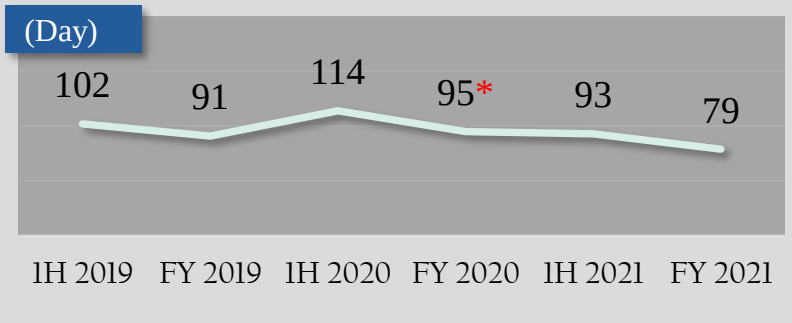
893.7

40%

-
- 2021 12 31

137.7

Average Trade Payables Turnover Days



- If based on period-end balance, turnover days was 81 days
- AP balance up by RMB25.1 mn
-

81

-

25.1

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

Cash Flows

RMB mn	FY 2021
Net cash generated from operating activities	**598.5**
Net cash used in investing activities	**280.0**
Net cash used in financing activities	**482.9**
Net decrease in cash and cash equivalents	**164.4**
Cash and cash equivalents as at 1 Jan 1 1	1,738.9
Effect of foreign exchange rate changes	2.9
Cash and cash equivalents at 31 Dec 12 31	**1,571.6**

Operating cash inflows

- The major reconciling items with net profit for the year :
  - Depreciation of RMB220.8 mn which is mainly due to the charge of depreciation on addition of new head quarter and the creative park
-
  - 220.8

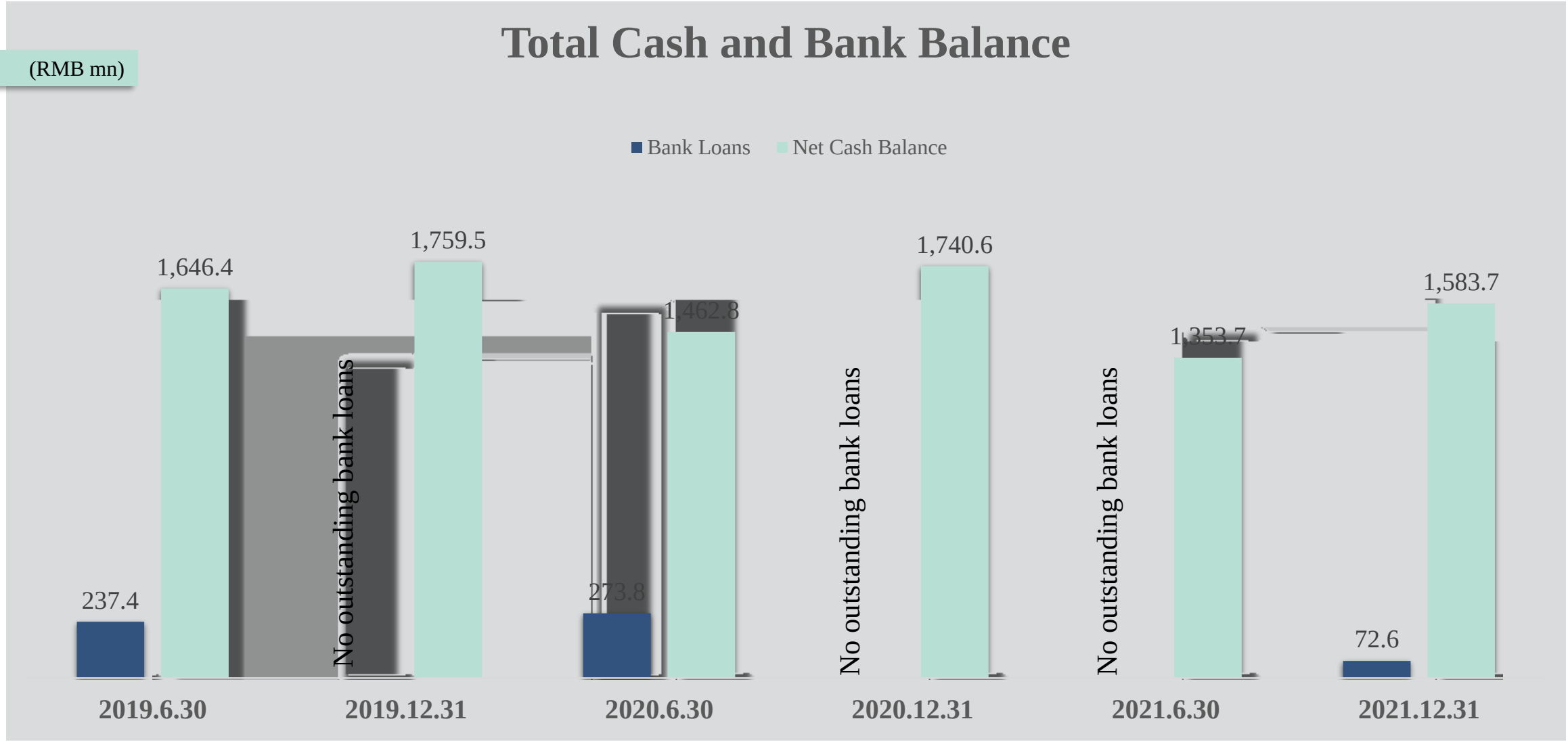
Investing cash outflows

- CAPEX of RMB316.0 mn less interest income of RMB34.4 mn and the net proceed of RMB1.6 mn from the disposal of property, plant and equipment
- 316.0 34.4 1.6

Financing cash outflows

- Payments of 2020 final dividends and 2021 interim dividends totalling RMB446.5 mn and lease rental payments totalling RMB99.3 mn
- 2020 2021 446.5 99.3

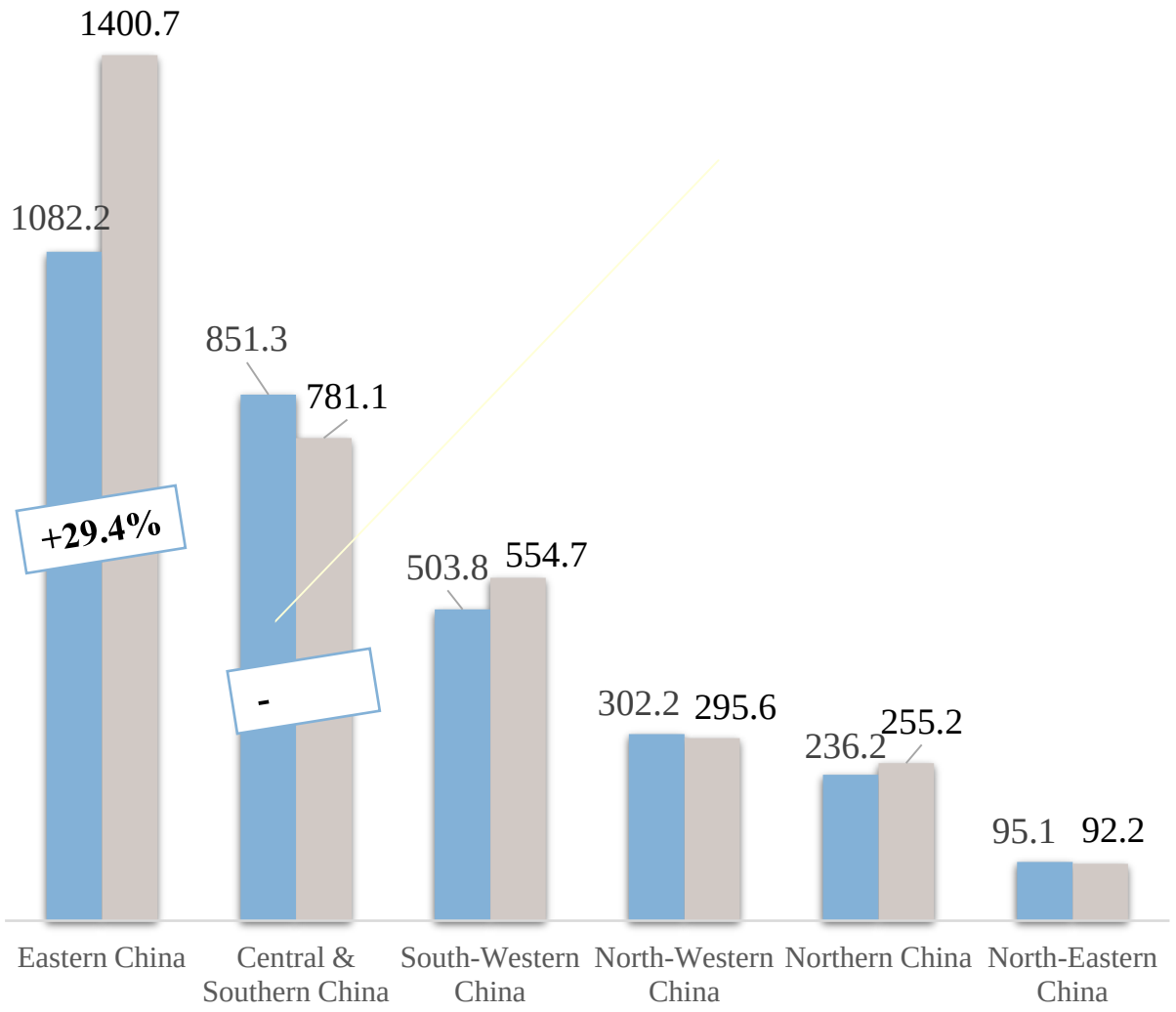
Healthy & Strong Cash Position



BUSINESS & OPERATIONAL REVIEW

Sales Channel Management

Sales by region



Optimise Store Network

- Opened stores in carefully selected quality shopping malls and other premium locations and closed underperforming stores
- Parallel development of three channels
  - Smart casual collection stores + Online stores -- Direct-to-retail model
  - Core collection -- Distributors + Consignment model
- Introduced a consignment model for the core collection stores in SS2021 and a total of 966 stores were operated as franchise stores by end of 2021
- Smart casual collection stores and online stores converted to the direct-to-retail model in 2H2020 and early 2021 respectively
- 852 stores in shopping malls (about 31% of total store count and about 33.1% of total retail floor space) and 49 outlet stores by year end
- Better realised the benefits of effective inventory management after sales channel conversion
- Inventory level remains healthy as efforts to clear inventories by offering discounts and promotions and sales in outlet stores continued

+ --

-- +

- 2021 2021 966
- 2020 2021
- 852 31% 33.1% 49
-
-

Direct-to-retail stores

Stores **290** +3

69 Distributors (-21)

Stores **1,303** -45

733 Sub-distributors (-14)

Stores **1,140** +14

Total store count as at 31 December 2021: **2,733**

2021 12 31 **2,733**

2,443 core collection stores **290** smart casual collection stores

New Retail Business Development

Online Stores Converted to Self-Operated Stores

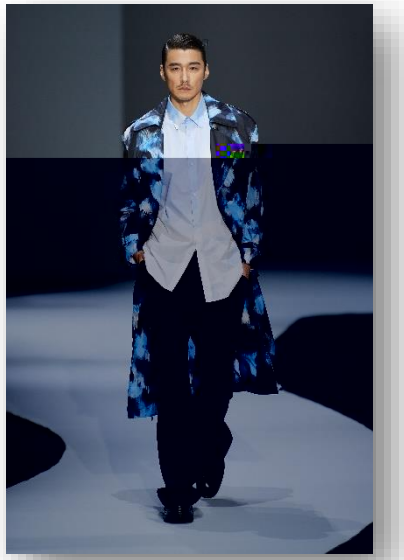
- 2021 Online sales (including sales through Wechat Platform) about RMB500 million, increased by about 20%
- Launch more proactively promotional activities such as online sales and live streaming
- 5 20%
-

More New Products for Online Sales

- New special edition pant products launched in online stores during 6.18 shopping festival
- Reorganised in-house production plant and added 7 production lines to produce swiftly orders in small batches
- 6.18
-

Actively Utilised WeChat Platform

- Provided customer relationship management services and to set up stores in the WeChat Mall
- Take advantage of the interactive features of social platforms to facilitate brand promotion and promote sales
-
-



Product Design, Development and Supply Chain Management

- 77%
- 50%

- 2021
-

- 440
- 2021

Enhance personalisation and original design of products

- About 77% products sold are originally designed products
- Among which about 50% utilised proprietary fabrics internally developed

Enhance capability of launching fast-moving products

- Began to partner with new suppliers to provide materials for fast moving products last year, together with rapid replenishment capability of in-house production plant, to enable the launch of more fast-moving developed fast-moving products online

and market competitiveness

- Completed the upgrade of the fashion and design elements of the smart casual collection products in SS2021
-

  competitiveness while adhering to the strategy of providing products that represent excellent value-for-money, leading to GP margin expansion for smart casual collection

Strong research and development team

- About 440 members comprising international and local talents
- After the new headquarters opened in Fujian in early 2021, designers were provided with a better creative communication platform

2021, Speaking the
Truth Han
participated

TV **2022**

2021

Marketing, Promotion & Awards ( )

`

Sponsored Youku Video's "**I Decide Who I Am**

!

Continued to cooperate with **Adream Foundation**

Cooperated with **Baidu Marketing** to organise an **AI-based fun sports meeting**

AI

Participated in **the Academy Award of Advertising Festival of Chinese College Students**

Partnered with Su Xinping to develop several **collaborative collections** which were simultaneously launched at the Museum of Contemporary Art & Planning Exhibition

"Creative Communication Gold Case" award in the 10th ADMEN International Awards in **Gold Award for the 2021 IAI**

2021 ADMEN

2021 IAI

2021 Country with Strong Brand Power National Craftsmanship Brand by Asiabrand

Asiabrand **2021**

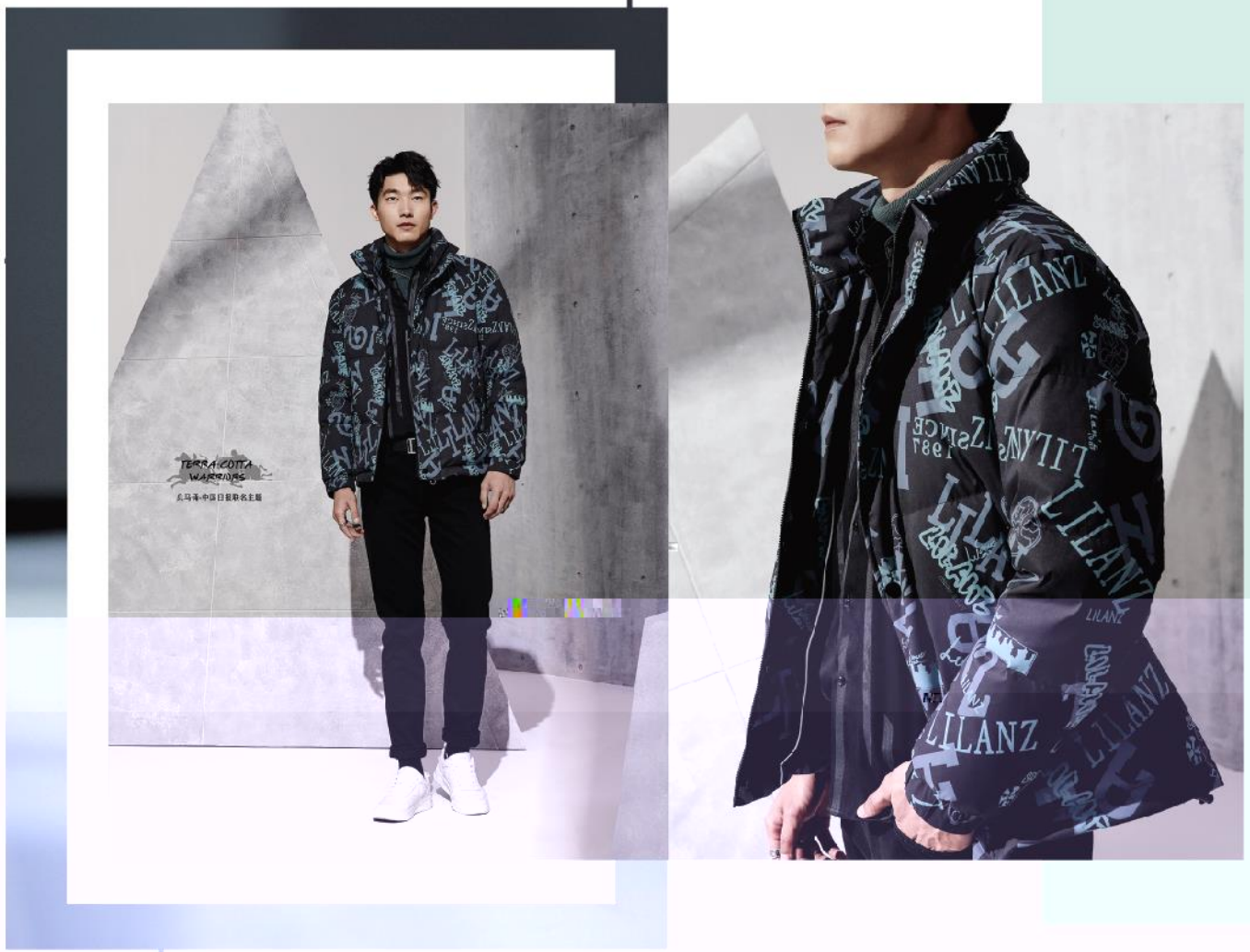
"2021 Top 100 Leading Brands in China" by Winshang

2021 TOP100

-2021 Innovative and Advanced Retail

2020-2021

OUTLOOK & STRATEGY



Prudent Operation Strategy

Continue to adopt a prudent strategy for store openings to enhance sales network

- With the reform of sales channels largely completed, the Group has more effective control over its sales channels
- Open stores in quality shopping malls in provincial capitals and prefecture-level cities
- Open stores in outlet malls as the usual channel for inventory clearance

Prudent Operation Strategy ( )

New Retail

- Further develop online sales & offline delivery model
-

Prudent Operation Strategy ( )

Operational Targets

2022

10%

The total retail sales growth for FY 2022:

10% or more

2022

50-150

Store counts adding for FY 2022:

50 to 150 stores

2022 :

10%

E-commerce sales growth for FY 2022:

Not less than 10%

- Plans to roll-out the 7th generation store image upgrade to over 500 core collection stores
- 500

- Smart casual collection to further enhance the fashion and design elements of the products, strengthen expansion of new stores in 3 provinces and 4 cities as key target markets, improve operational efficiency
- 3 4

Progress on the New Logistics Park

- Phase I of the new logistics centre is expected to commence operation before May 2022 to better prepare for the logistics arrangement during the e-commerce peak seasons
- 2022 5

- The new logistics centre will be powered by an intelligence system, which is expected to facilitate effective delivery of goods to stores and further enhance the inventory control
-

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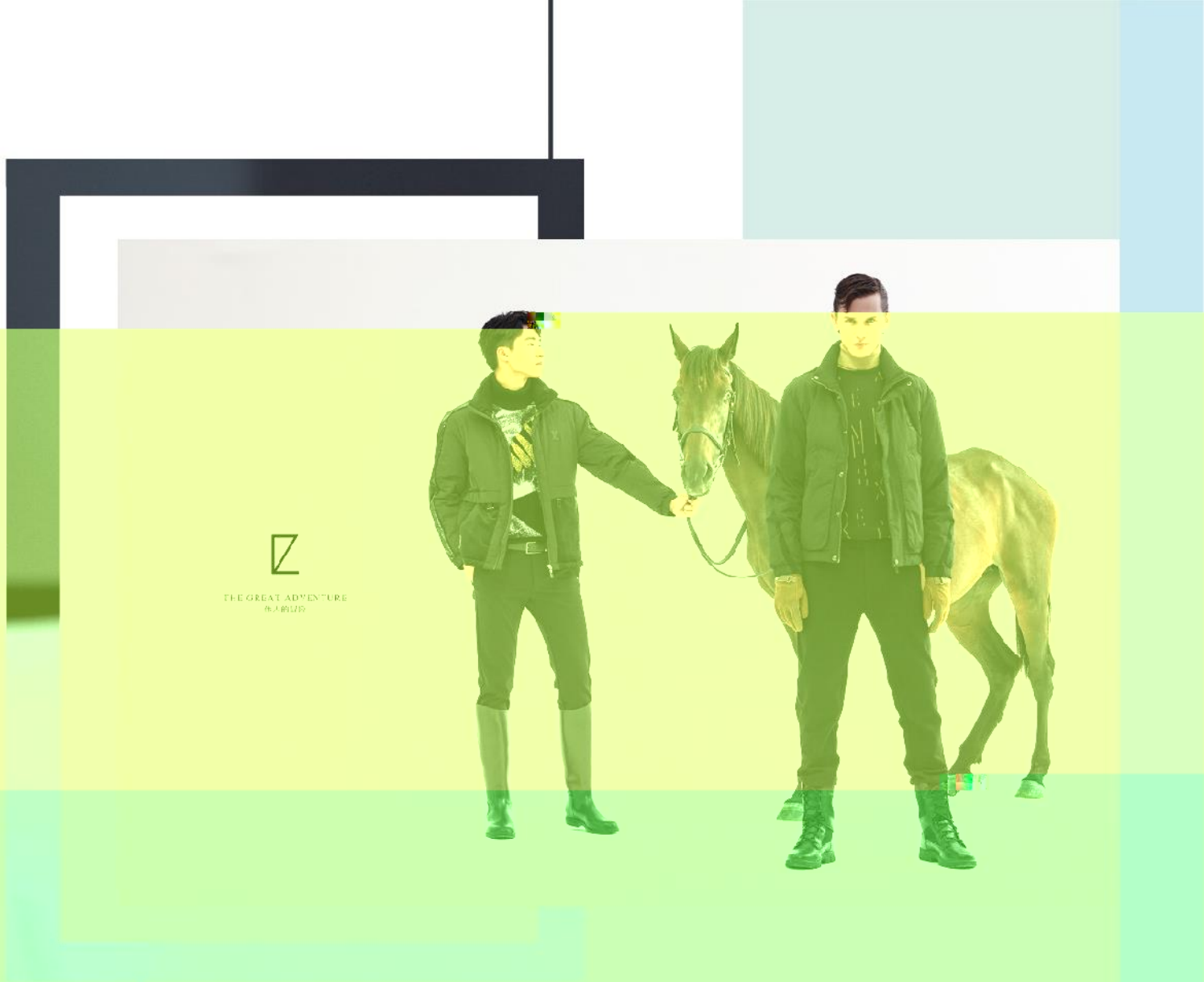
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