

LILANZ 利郎

INTERIM RESULTS 2017

China Lilang
Limited_1234 HK



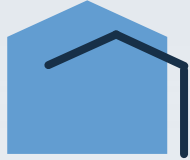
DISCLAIMER

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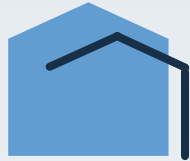


AGENDA

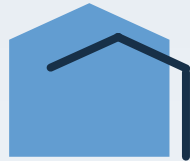
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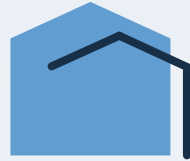
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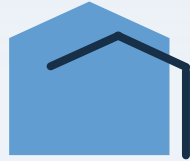
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RESULTS HIGHLIGHTS

STEADY PROGRESS WITH “IMPROVING PRODUCT QUALITY WITHOUT RAISING THE PRICE” STRATEGY



LILANZ

Proportion of original design products further increased: LILANZ products fully differentiated from other brands with clearer positioning and prominent designs



(*)

Satisfactory progress in the development of the 1st and 2nd tier markets with smart casual collection, products well received by consumers



Continued to enhance retail channel management, channel operating efficiency improved and channel in healthy state with mid-single digital same-store sales growth



Revenue was RMB1,022.3 mn, net profit was RMB270.6 mn, profit margins improved



Financially healthy and sufficient cash flows to support high dividend payout ratio – interim dividend HK13 cents per share and special interim dividend HK5 cents per share

*

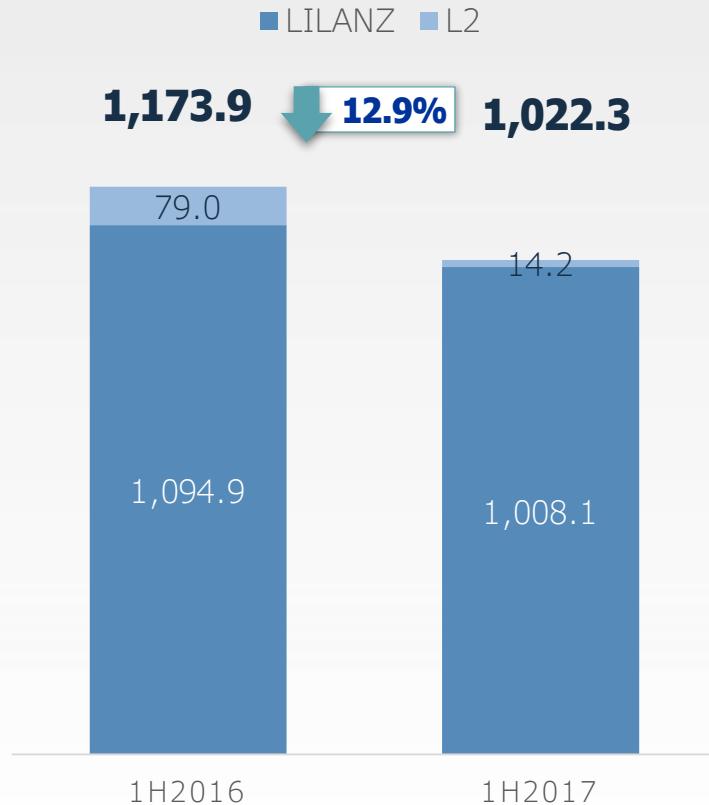
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FINANCIAL REVIEW

REVENUE ANALYSIS

Total Revenue & Revenue by Brand



▲ Revenue of **LILANZ** down by 7.9% to RMB1,008.1 mn. Sales of spring and summer collections were reduced to keep the channel inventory healthy

LILANZ	7.9%	10.1
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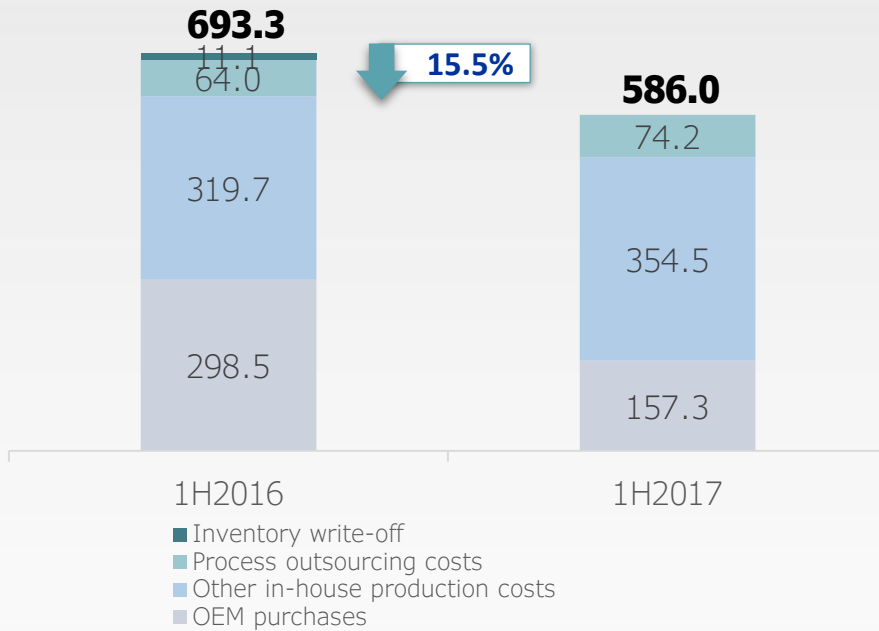
▲ **L2** will cease operation starting fall season and has started inventory clearance; sales for 1H amounted to RMB14.2 mn

L2	1,420
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COST OF SALES

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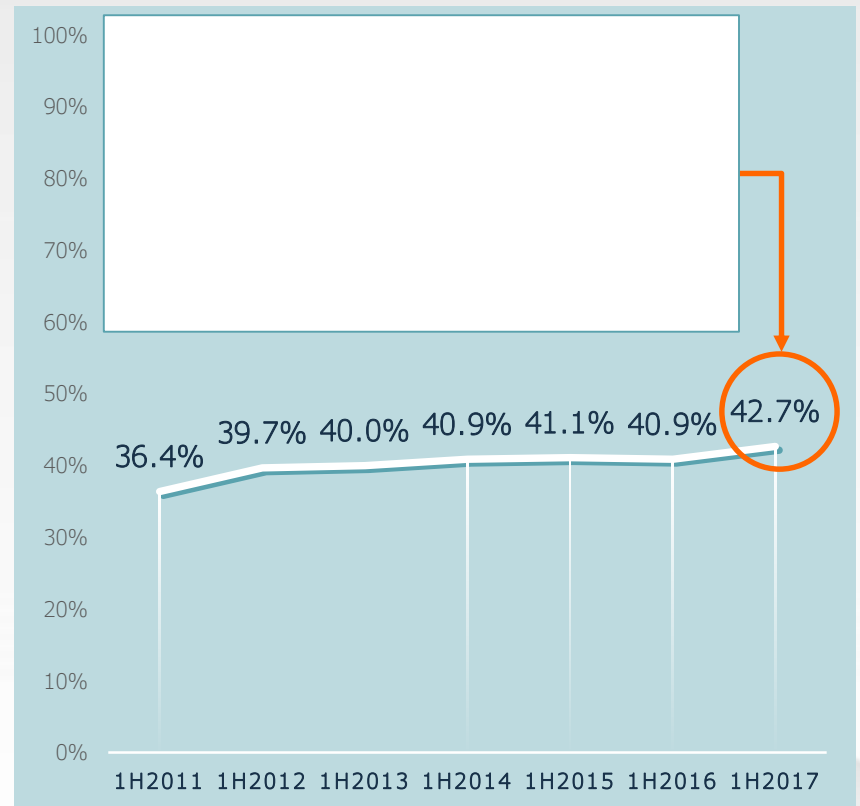
Cost of Sales Breakdown



(+17.9 p.p.)
 Cost of in-house production (incl. process outsourcing costs) as % of total cost of sales

Total R&D costs

Gross margin

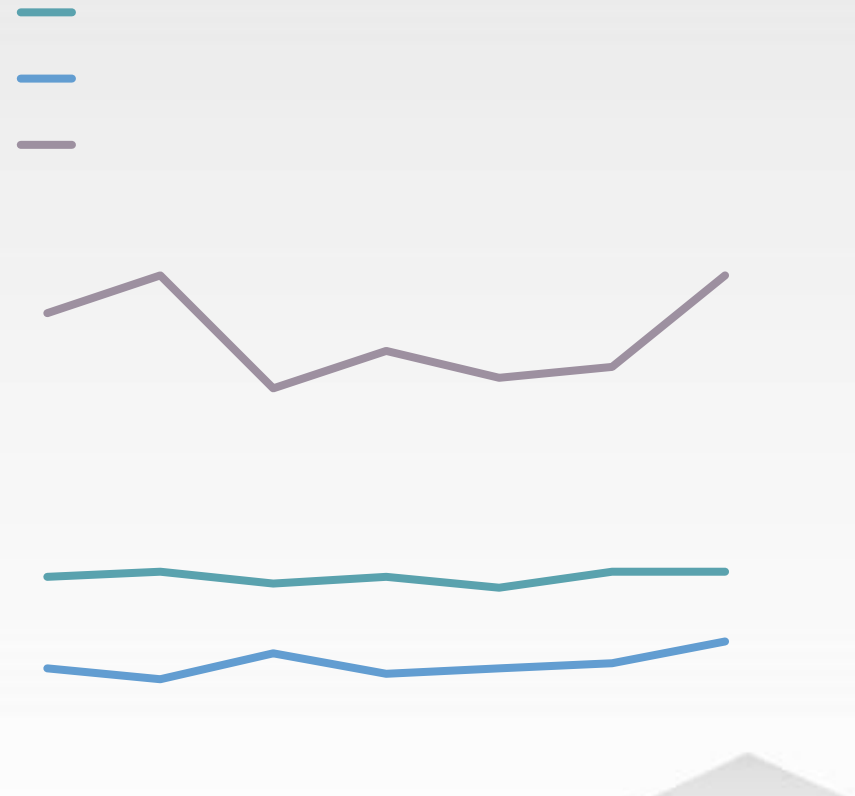
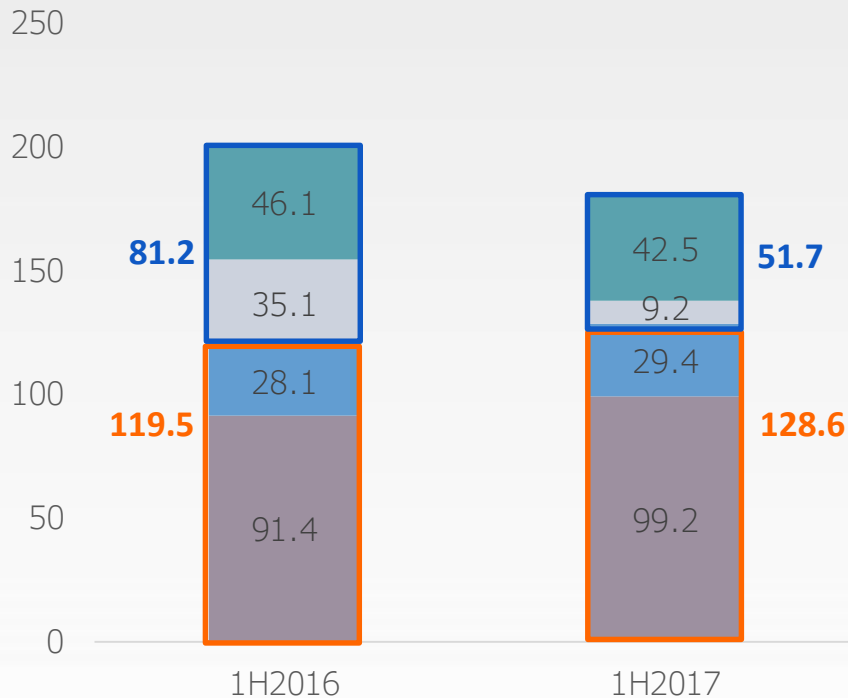


SD&A EXPENSES

Total SD&A Expenses

SD&A as % of Revenue

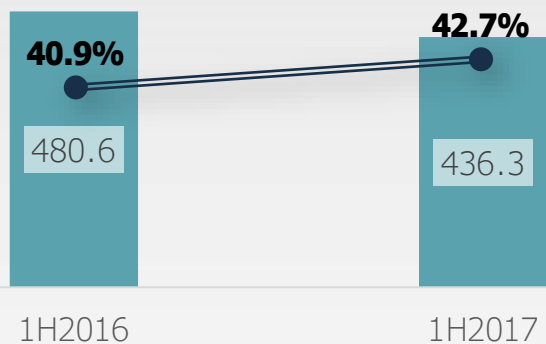
%



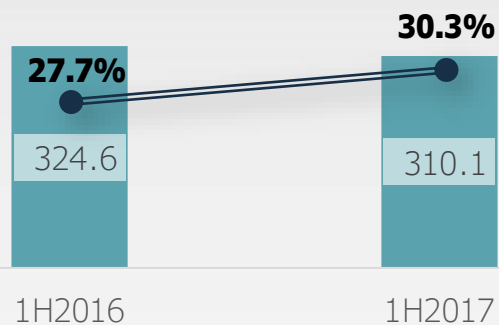
- Administrative expenses
 - AR provision
 - Other selling and distribution expenses
 - Advertising and promotional expenses
- Total selling and distribution expenses
- Total administrative expenses

PROFIT & MARGIN

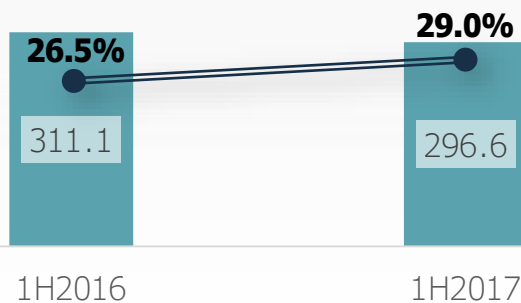
Gross profit and margin



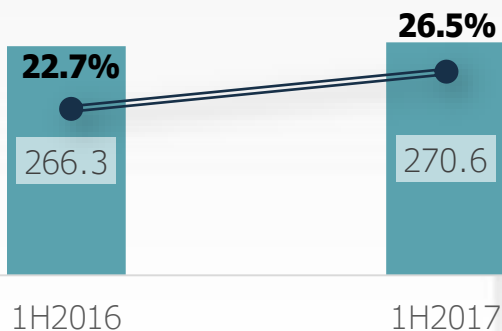
EBITDA and margin



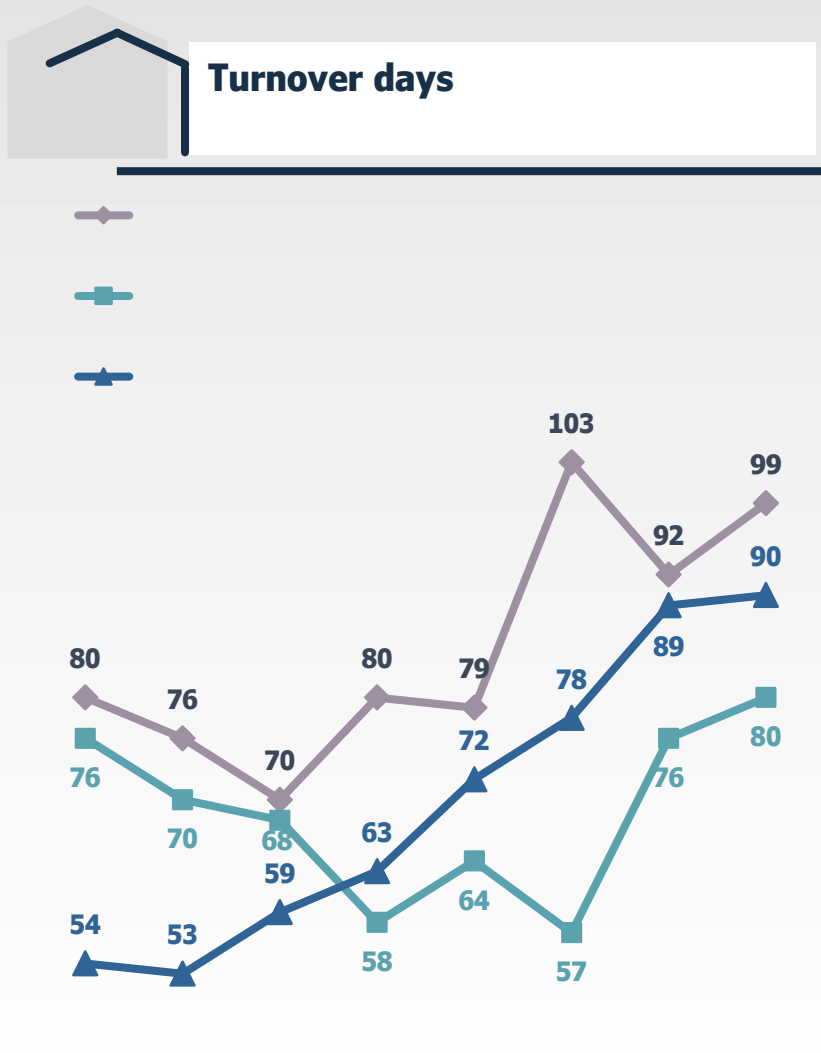
Operating profit and margin



Net profit and margin



WORKING CAPITAL CYCLE



TRADE RECEIVABLES

- LILANZ
-
-
-
- LILANZ
- L2

▪ LILANZ	105	(14%)
▪ 621		
▪ 6-9		
▪ LILANZ	18.4	
▪ L2	19.2	

INVENTORY

- LILANZ
-
- L2

▪ LILANZ	45%	190.1
▪ 2017		
▪ L2	33.6	

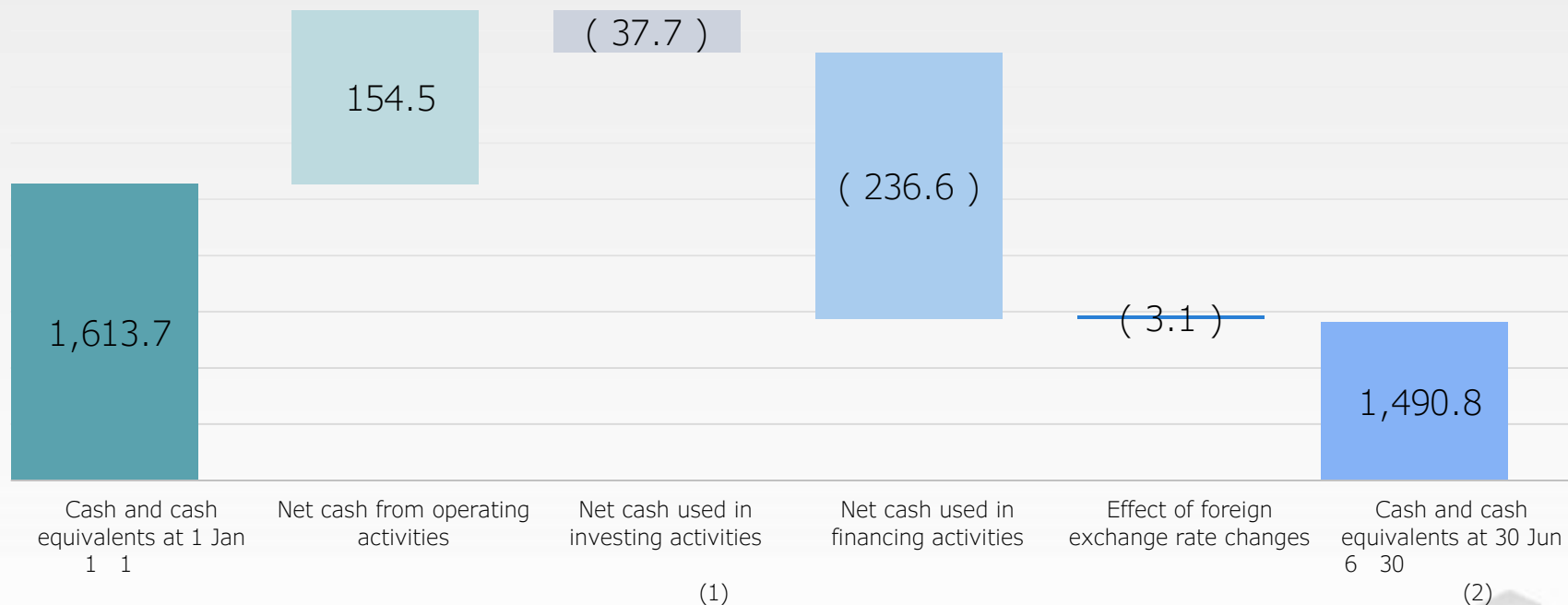
TRADE PAYABLES

-

CASH FLOW



Cash and cash equivalents



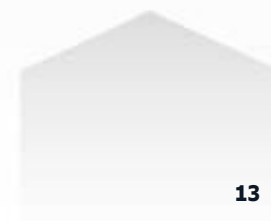
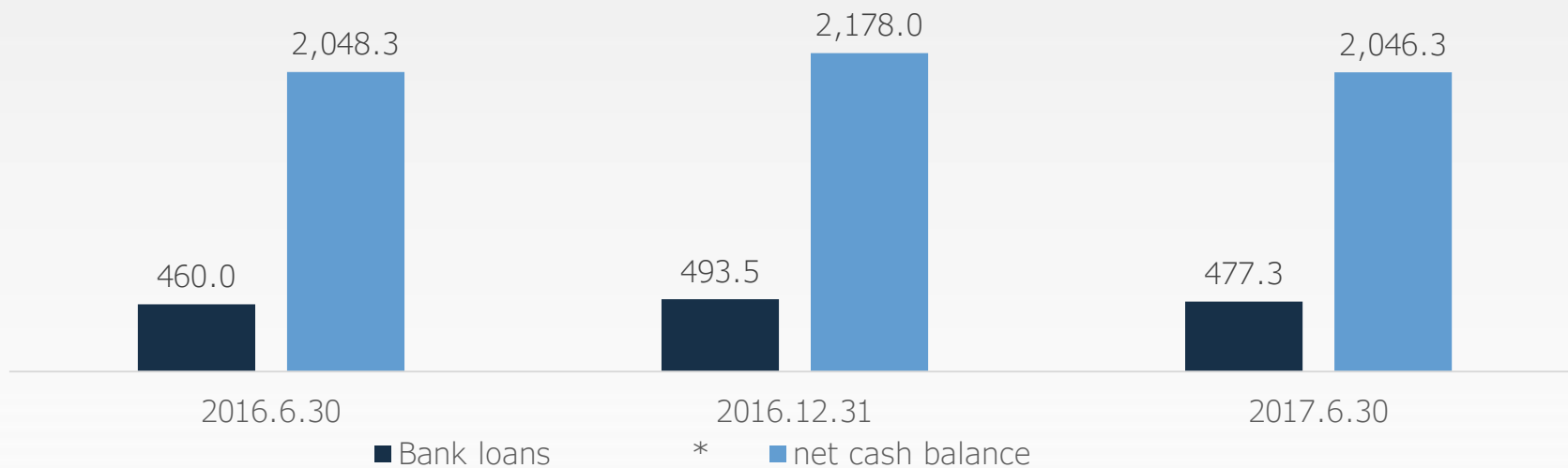
(1) Include placements of time deposits and pledged bank deposits with maturity over 3 months

(2) Exclude fixed deposits held at banks with maturity over 3 months and bank deposits pledged as security for bank loans and bills payables

HEALTHY AND STRONG CASH POSITION



Total cash and bank balance

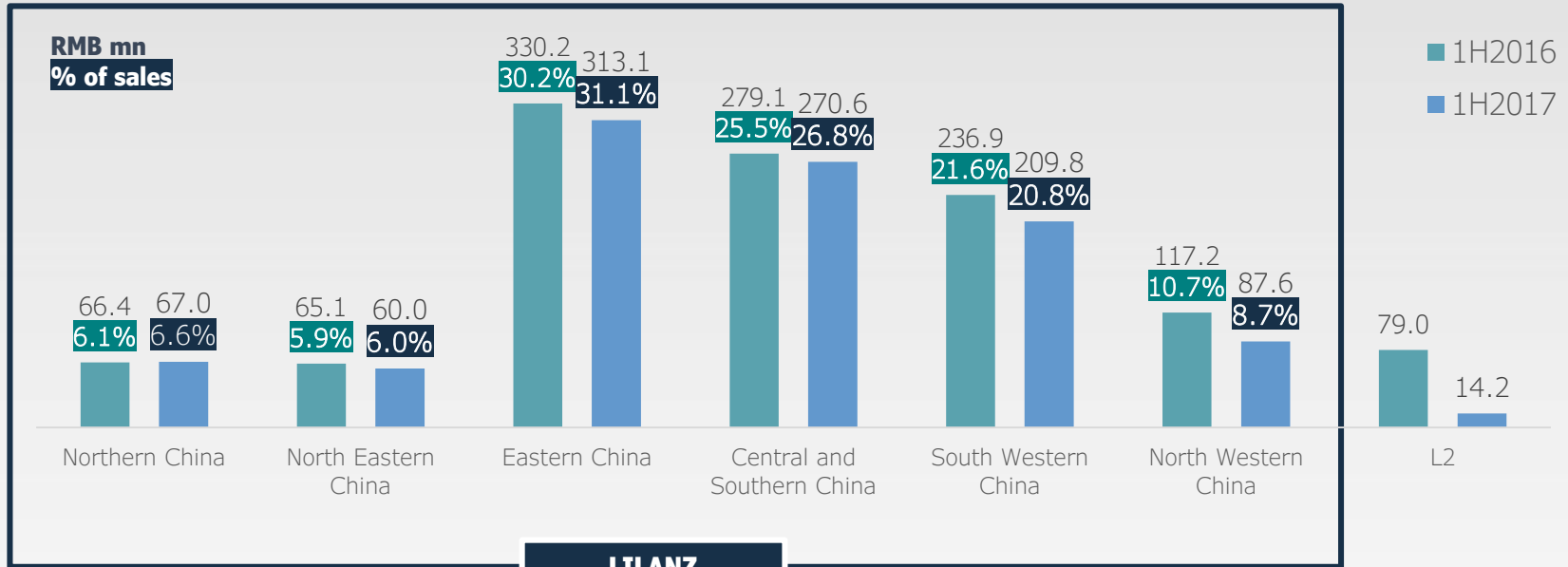


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BUSINESS & OPERATIONAL REVIEW

PRUDENT STORE OPENING PLAN



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Store number

2017.6.30

237

237

625

584

484

226

2,393



ENHANCED CHANNEL MANAGEMENT

- Continued to open stores in shopping malls - # of stores increased to about 250 stores, sales performance in line with expectation
- # of specialty stores of LILANZ smart casual collection increased to about 50 stores
- Continued to monitor all stand-alone stores with ERP systems
- Continued to provide training to distributors

LILANZ

2,393
LILANZ retail stores
LILANZ

Operated by distributors

Operated by the Group

965
directly operated
by 67 distributors
67

1,427
operated by sub-
967 distributors
967

1
self-operated
flagship stores

— 250

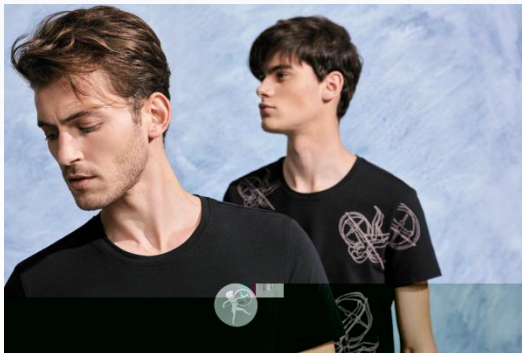
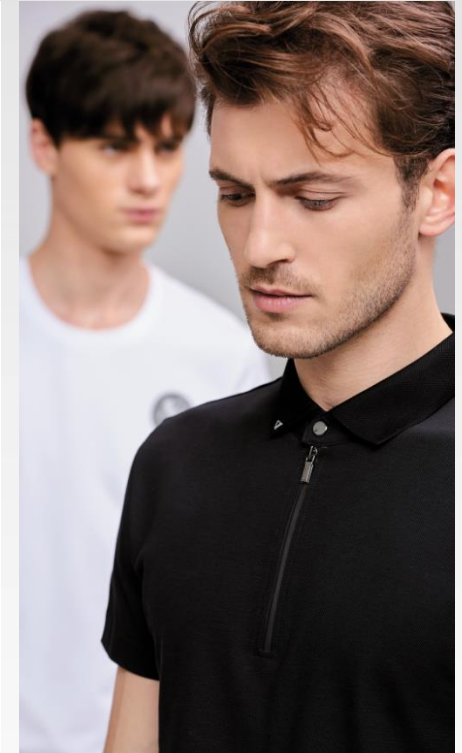
LILANZ 50

ERP

PRODUCT DESIGN & DEVELOPMENT



- In 2017, original design products about 68%, and medium to long term target remains at 70%
 - About 36% of original design products adopted the Group's proprietary fabrics, and target set at 50%
 - Expanded and enriched LILANZ smart casual collection with encouraging market response
- | | | |
|----------|-----|-----|
| ▪ 2017 | 70% | 68% |
| ▪ 36% | 50% | |
| ▪ LILANZ | | |



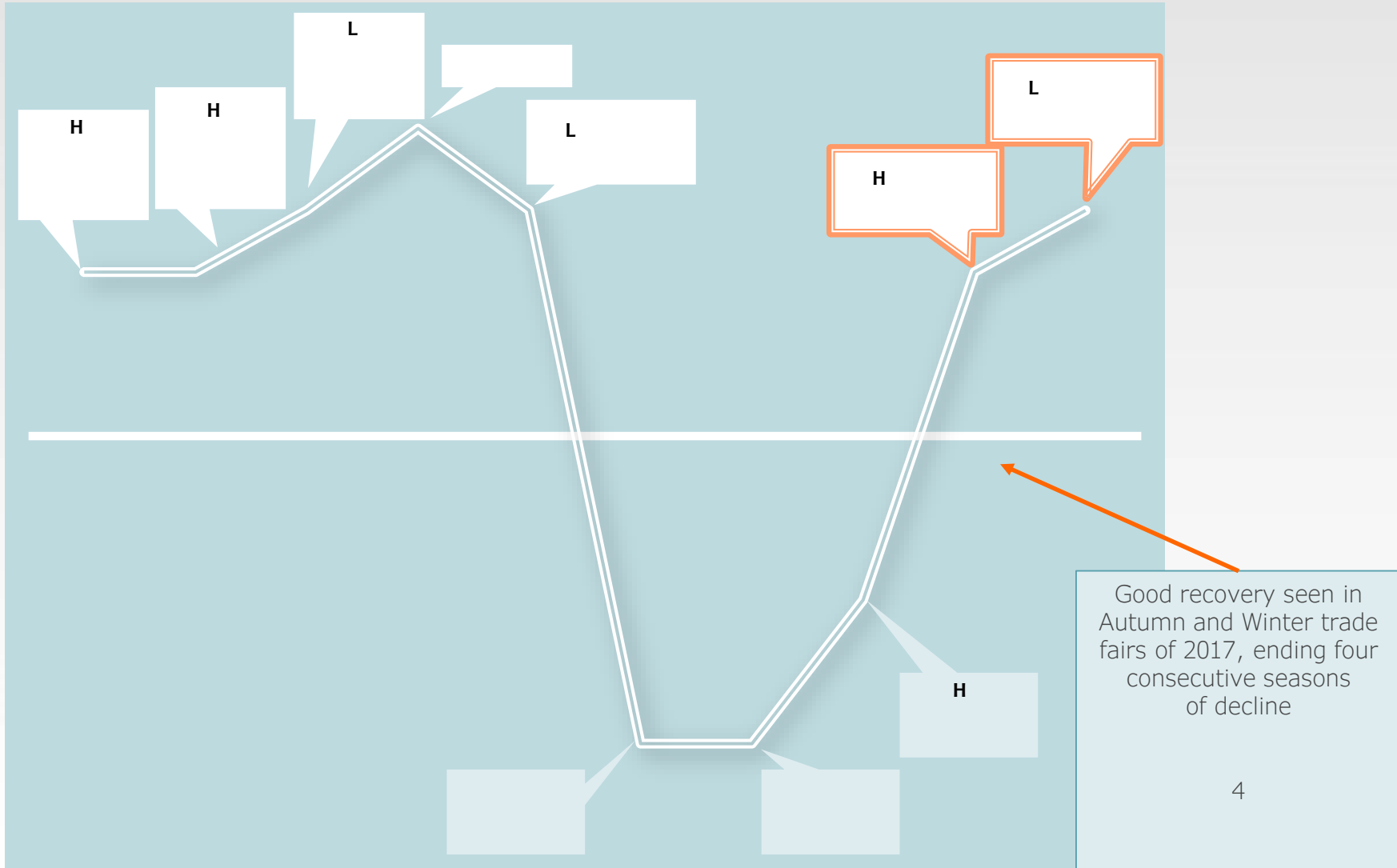
MARKETING & PROMOTION

- Advertising and promotion through advertising signs in EMU and EMU stations, airports and magazines
- Better use of online social media: in addition to sending out fashion tips through "LILANZ Menswear" public WeChat account, launched a nationwide promotion campaign - "Stylish Man" contest for online voting by WeChat users
- Renovated or partially upgraded another 180 stores with sixth-generation store image

180



TRENDS OF LILANZ TRADE FAIR RESULTS



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OUTLOOK & STRATEGY

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OPEN FORUM

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

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	1H2017 RMB'000	1H2016 RMB'000
Revenue	1,022,335	1,173,861
Cost of sales	(586,015)	(693,266)
Gross profit	436,320	480,595
Other net income	44,352	36,062
Selling and distribution expenses	(128,629)	(119,450)
Administrative expenses	(51,693)	(81,201)
Other operating expenses	(3,737)	(4,909)
Profit from operations	296,613	311,097
Net finance income	23,884	52,937
Profit before taxation	320,497	364,034
Income tax	(49,886)	(97,741)
Profit for the period	270,611	266,293
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of		

CONSOLIDATED BALANCE SHEET

30.06.2017

31.12.2016

30.06.2016

Non-current assets			
Property, plant and equipment	357,996	394,415	323,045
Investment property	102,919	25,145	25,505
Lease prepayments	106,341	107,533	101,436
Intangible assets	5,738	5,345	5,454
Deposits for purchases of fixed assets	13,609	485	4,764
Deferred tax assets	12,010	20,423	34,604
	<u>598,613</u>	<u>553,346</u>	<u>494,808</u>
Current assets			
Inventories	223,689	294,385	142,866
Trade and other receivables	742,037	714,429	859,493
Pledged bank deposits	480,624	488,907	486,748
Fixed deposits held at banks with maturity over three months	552,205	568,943	-
Cash and cash equivalents	<u>1,490,757</u>	<u>1,613,658</u>	<u>2,021,505</u>
	<u>3,489,312</u>	<u>3,680,322</u>	<u>3,510,612</u>
Current liabilities			
Bank loans	477,344	493,528	459,999
Trade and other payables	409,618	514,057	449,430
Current tax payable	<u>112,104</u>	<u>165,253</u>	<u>131,483</u>
	<u>999,066</u>	<u>1,172,838</u>	<u>1,040,912</u>
Net current assets	<u>2,490,246</u>	<u>2,507,484</u>	<u>2,469,700</u>
Total assets less current liabilities	<u>3,088,859</u>	<u>3,060,830</u>	<u>2,964,508</u>
Non-current liabilities			
Deferred tax liabilities	38,178	46,868	34,870
Retention payables	<u>2,400</u>	<u>2,400</u>	-
	<u>40,578</u>	<u>49,268</u>	<u>34,870</u>
Net assets	<u>3,048,281</u>	<u>3,011,562</u>	<u>2,929,638</u>