

LILANZ 利郎

CHINA LILANG LIMITED 1234 HK ANNUAL RESULTS 2016

HONG KONG_2017.03





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AGENDA 议程

- ▶ Results Highlights 业绩亮点
- ▶ Financial Review 财务表现回顾
- ▶ Business & Operational Review 业务及营运回顾
- ▶ Outlook & Strategy 未来前景及策略
- ▶ Open Forum 问答时间

RESULTS
HIGHLIGHTS

业绩亮点

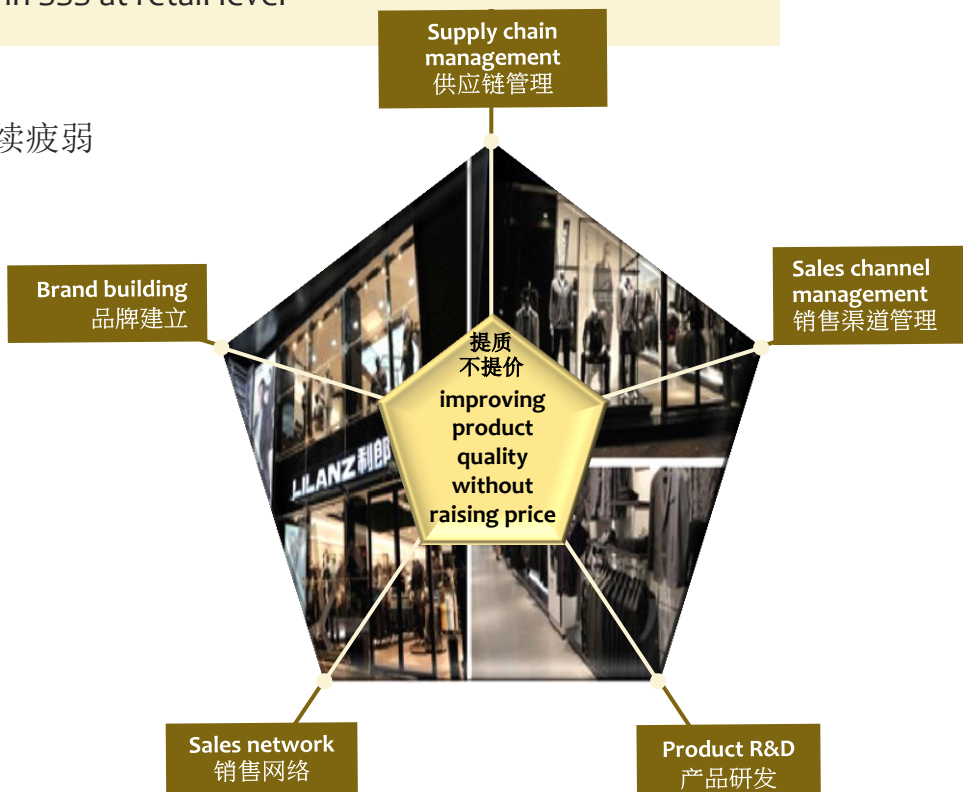


ENHANCED COMPETITIVE STRENGTHS

加强优势

- ▶ Economic outlook uncertain and weak consumer demand continued
- ▶ Adhere to strategy of “improving product quality without raising price”
- ▶ Store efficiency has improved & channel remains healthy
- ▶ Achieved mid-single digit growth in SSS at retail level

- ▶ 不明朗的经济前景，消费意欲持续疲弱
- ▶ 贯彻「提质不提价」策略
- ▶ 店铺效益提升，保持渠道健康
- ▶ 零售门店同店销售保持中单位数增长



SOLID PERFORMANCE 稳实的表现

	<u>FY2016</u> <u>RMB mn</u>	<u>FY2015</u> <u>RMB mn</u>	
Revenue 收入	2,411.6	2,689.1	-10.3%
Gross profit 毛利	995.9	1,142.8	-12.9%
Operating profit 经营利润	663.4	794.1	-16.5%
Net profit 净利润	539.9	625.2	-13.6%
Earnings per share 每股盈利			
- Basic <RMB cents> 基本	44.66	51.83	-13.8%
- Diluted <RMB cents> 攤薄	44.66	51.77	-13.7%
Final dividend per share <HK cents> 每股末期股息	16.0	17.0	
Special final dividend per share <HK cents> 每股特別末期股息	6.0	7.0	
Gross profit margin 毛利率	41.3%	42.5%	-1.2p.p.
Operating profit margin 經營利潤率	27.5%	29.5%	-2.0p.p.
Net profit margin 淨利率	22.4%	23.2%	-0.8p.p.
Return on av. shareholders' equity 平均股東權益回報	18.2%	22.3%	-4.1p.p.
Effective tax rate 有效稅率	27.7%	27.6%	+0.1p.p.
Advertising, promotional expenses and renovation subsidies <as % of revenue> 广告及宣传开支及装修补贴<占收入比例>	8.0%	8.3%	-0.3p.p.

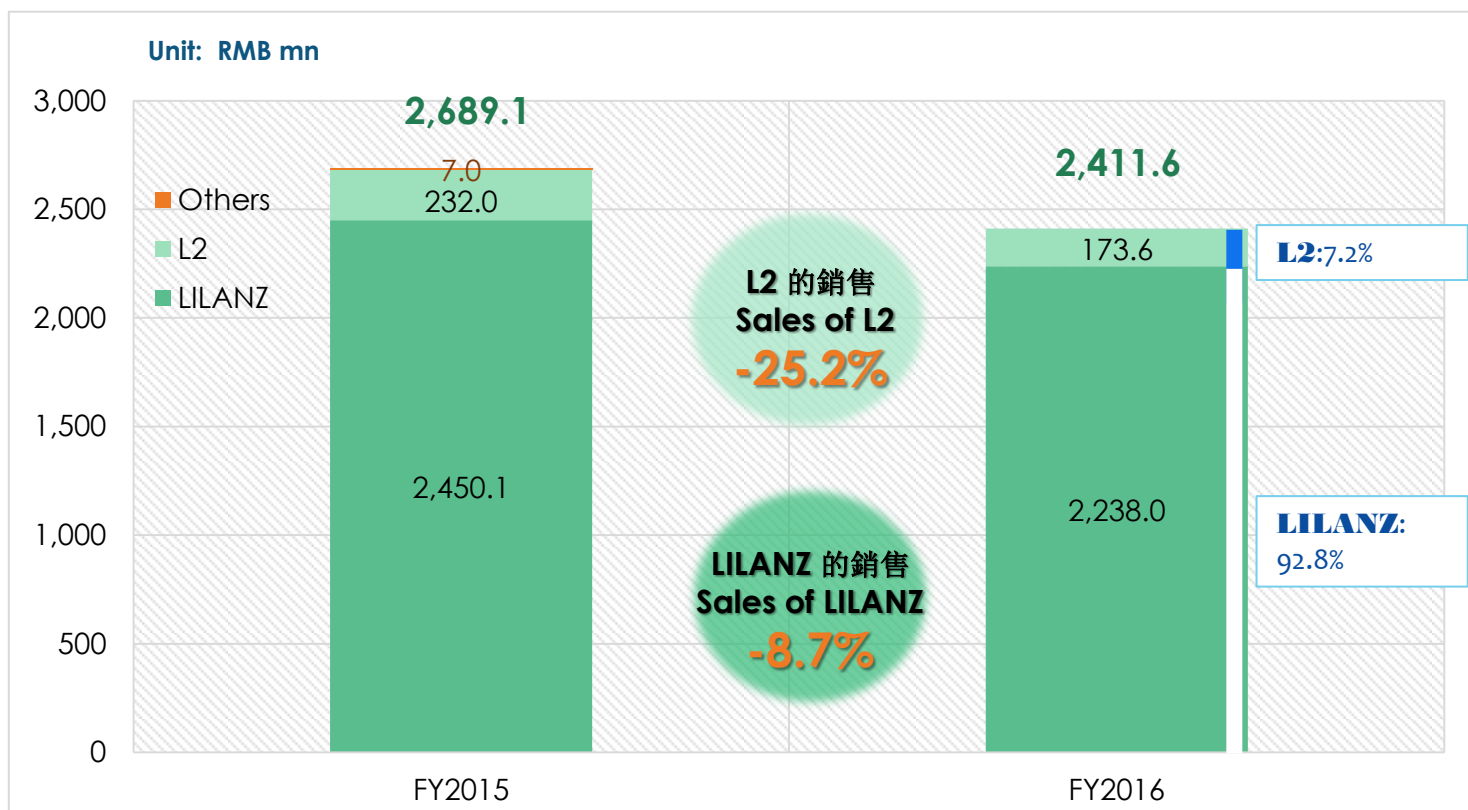
FINANCIAL REVIEW

财务表现回顾



REVENUE ANALYSIS 收入分析

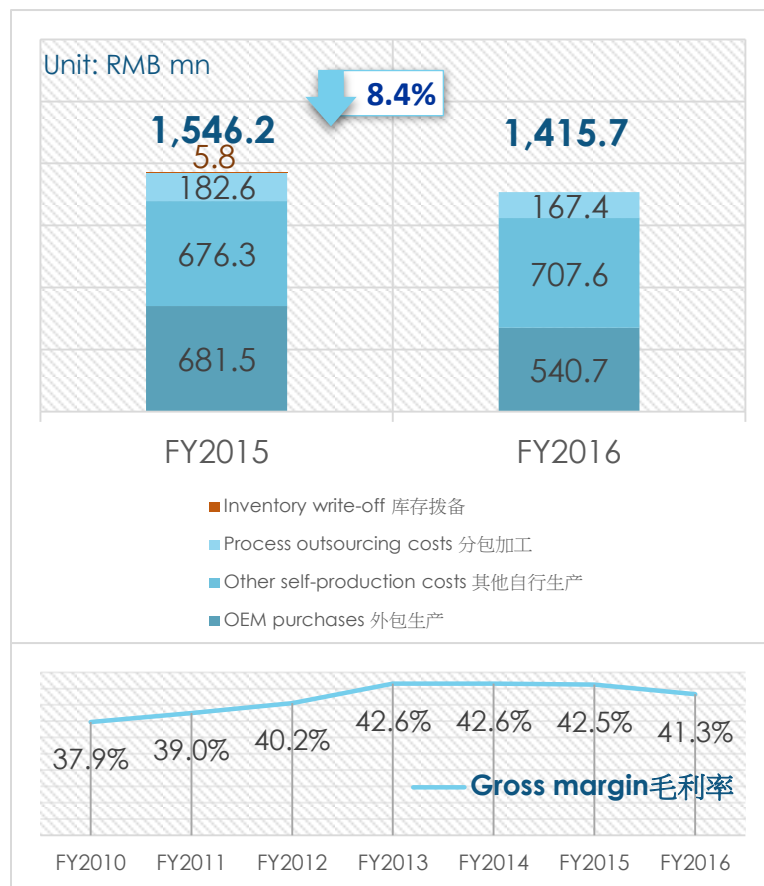
Total Revenue & Revenue by Brand 总收入及按品牌分类收入



- ▲ In 2016, **L2** repurchased off-season inventories of about RMB22.0 mn from distributors
在2016年**L2**向分銷商回購約人民幣2,200萬元的老舊庫存

COST OF SALES 销售成本

Cost of Sales & Percentage Breakdown 销售成本及比例

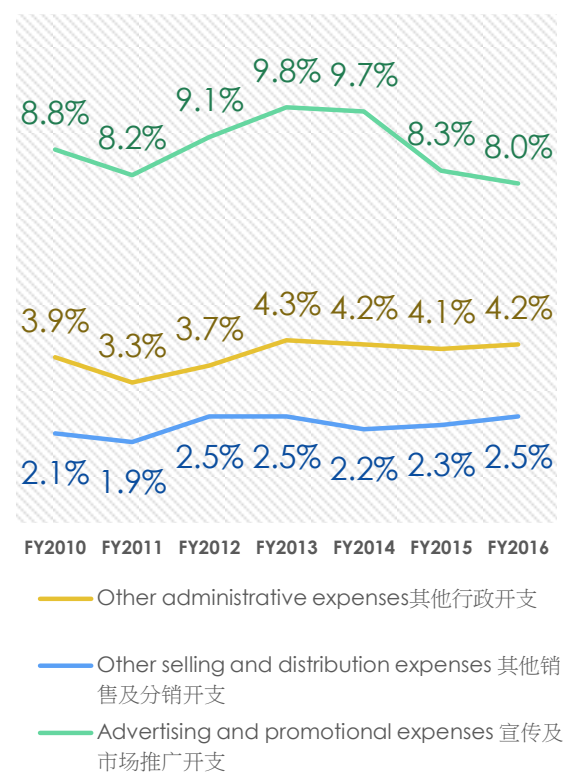


- ▶ Gross profit margin down by 1.2 p.p. to 41.3%, mainly attributable to:
 - ▶ More competitive product pricing under “improving product quality without raising price” strategy
 - ▶ lower wholesale prices for some **LILANZ** distributors in 2H 2016 to support expansion in 1st and 2nd tier markets
- ▶ Cost of in-house production to total cost of sales up by 6.3 p.p. to 61.8%
- ▶ 毛利率下跌1.2个百分点至41.3%，主要由于：
 - ▶ 在「提质不提价」策略下产品定价更具竞争力
 - ▶ 于下半年调低部份**LILANZ**分销商的供货价，以支持开拓一、二线市场
- ▶ 自产成本占总销售成本上升6.3个百分点至61.8%

SD&A EXPENSES 销售、分销及行政开支

(RMB mn)	FY2016	FY2015	Change
Advertising and promotional expenses 宣传及市场推广开支	192.5	223.3	-13.8%
Other selling and distribution expenses 其他销售及分销开支	59.9	62.4	-4.0%
Total selling and distribution expenses 总销售及分销开支	252.4	285.7	-11.7%
AR provision 应收账款拨备	70.6	-	N/A
Other administrative expenses 其他行政开支	100.7	109.5	-8.0%
Total administrative expenses 总行政开支	171.3	109.5	+56.4%

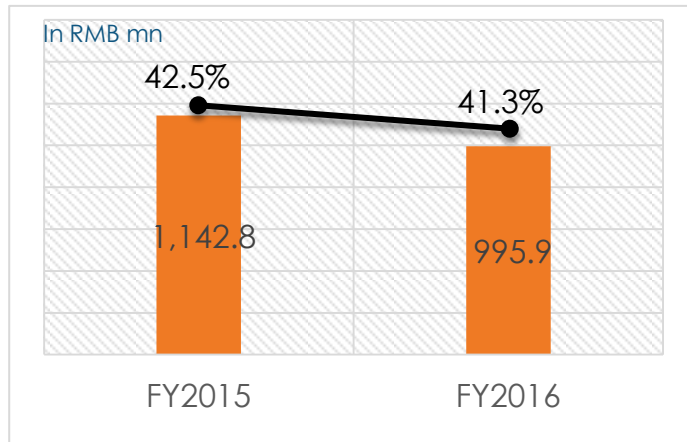
SD&A as % of Revenue
销售、分销及行政开支占收入%



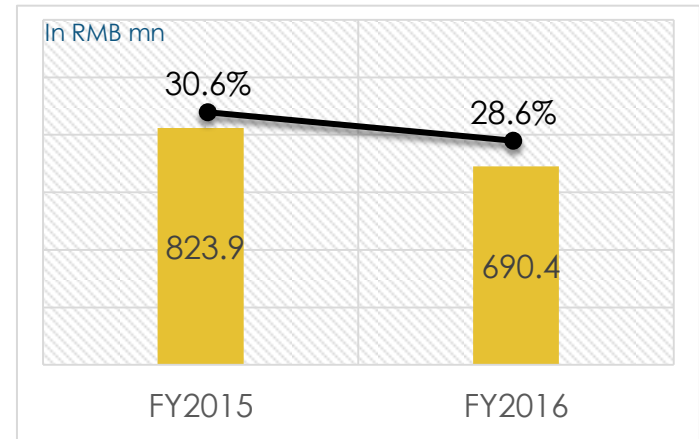


PROFIT & MARGIN 利润及利润率

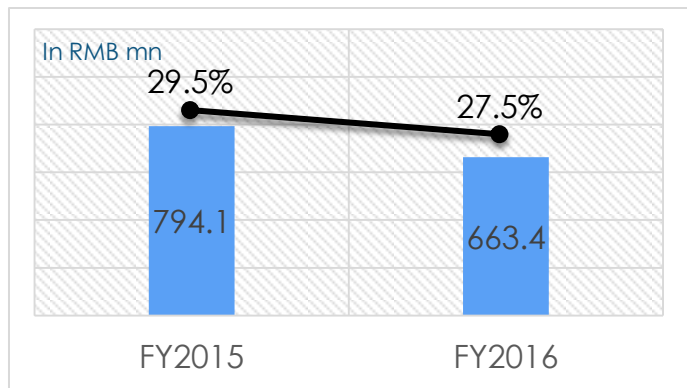
Gross profit & margin 毛利及毛利率



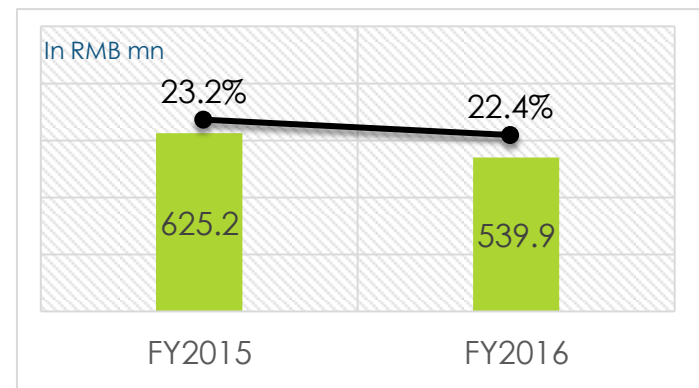
EBITDA & EBITDA margin



Operating profit & margin 经营利润及经营利润率



Net profit & margin 净利润及净利润率

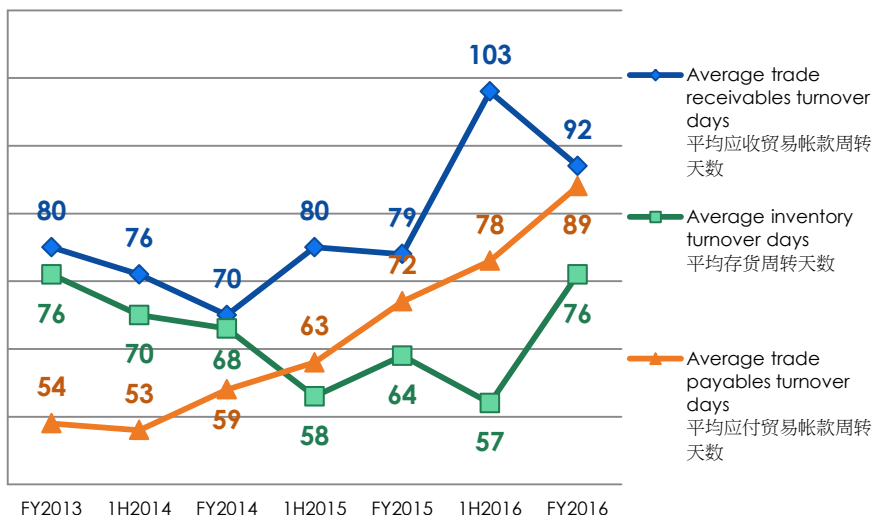




WORKING CAPITAL CYCLE

营运资金周转天数

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TRADE RECEIVABLES TURNOVER

- ▲ Balance decreased by 11.8% to RMB667.7 mn (net of provision)
- ▲ **LILANZ** AR balance decreased 5.6% to RMB638.0 mn, reflecting:
 - Drop in sales of 2016 winter products
 - Additional credits to some distributors as incentive for opening large stores in shopping malls
- ▲ Full provision made for **LILANZ** overdue AR balances totaling RMB9.2 mn
- ▲ **L2** AR net balance RMB29.7 mn after provision of RMB71.5 mn.

- ▲ 余额减少11.8%至人民币667.7百万元（拨备后）
- ▲ **LILANZ** 应收贸易账款减少5.6%至人民币638.0百万元，反映：
 - 2016冬季产品销售减少
 - 延长部分分销商账期以鼓励其于购物商场开设大店
- ▲ **LILANZ** 逾期账款共人民币9.2百万元已全额拨备
- ▲ **L2** 应收贸易账款扣除人民币71.5百万元拨备后，净额为人民币29.7百万元

INVENTORY TURNOVER

- ▲ Total inventory balance increased by RMB2.9 mn to RMB294.4 mn
- ▲ **LILANZ** inventory:
 - reduced by RMB11.8 mn to RMB257.5 mn, reflecting high single digit % drop in 2017 S/S orders
 - Y.E. inventory mostly 2016 winter products delivered in January 2017 and 2017 S/S products
- ▲ **L2** inventory:
 - RMB36.9 mn net of provision
 - 100% provision made for inventory aged over 1 year
- ▲ 库存总额增加人民币2.9百万元至人民币294.4百万元。
- ▲ **LILANZ** 库存:
 - 减少人民币11.8百万元至人民币257.5百万元，反映2017年春夏订单高单位数下跌
 - 年底库存主要为于2017年1月发货的2016冬季产品，以及2017春夏季产品
- ▲ **L2** 库存:
 - 拨备后净额为人民币36.9百万元
 - 超过一年库存100%拨备

TRADE PAYABLES TURNOVER

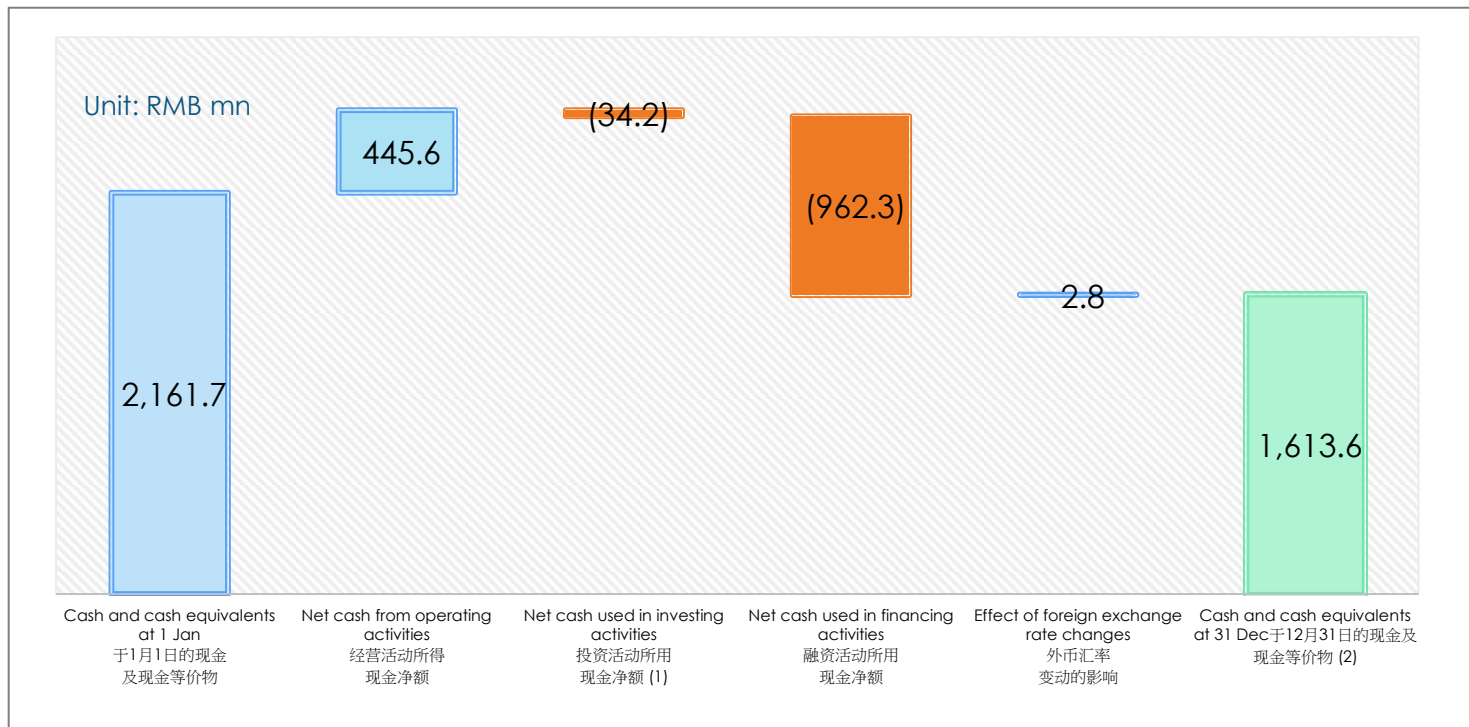
- ▲ The balance of trade and bills payables remained at a similar lever as of last year
- ▲ 应付贸易账款与应付票据余额与2015年数字相若



CASH FLOW 现金流量

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Cash and cash equivalents 现金及现金等价物



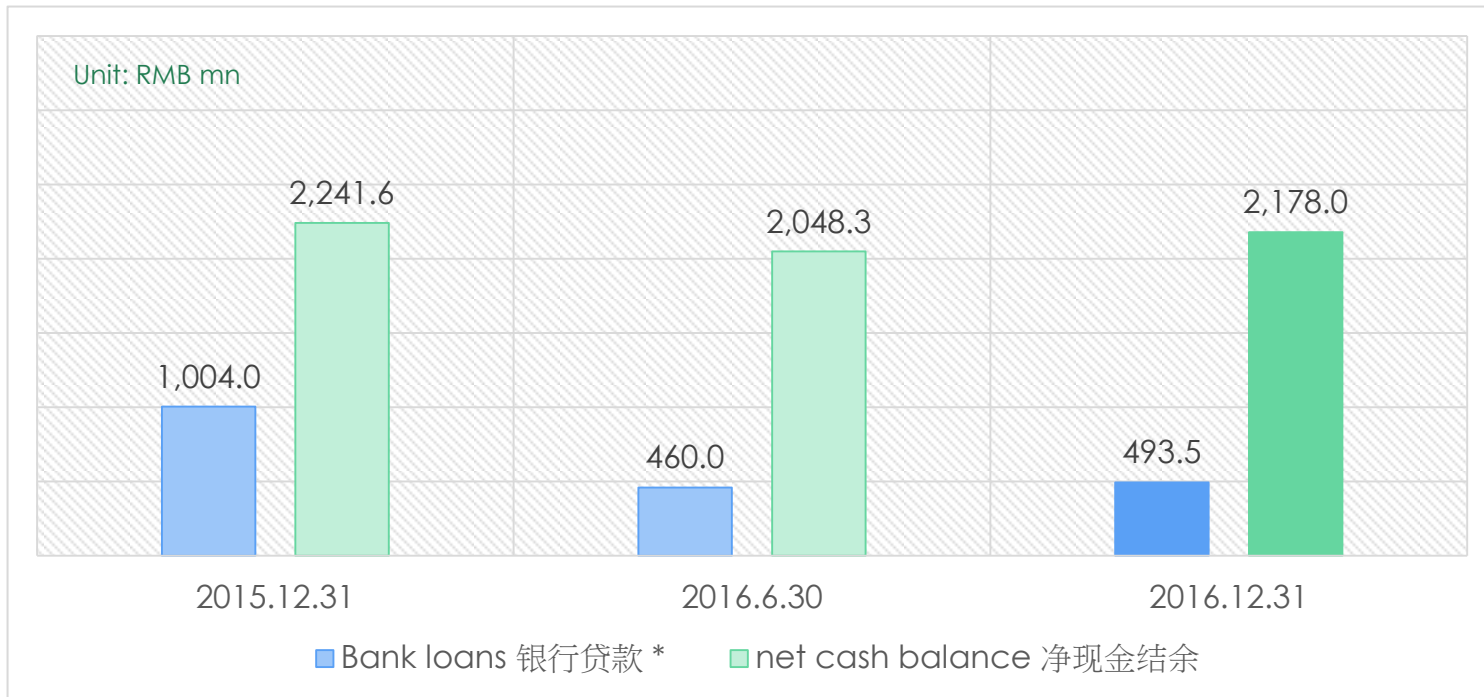
- (1) Include placements of time deposits and pledged bank deposits with maturity over 3 months
包括到期日超过3个月的定期存款及抵押银行存款
- (2) Excluded fixed deposits held at banks with maturity over 3 months and bank deposits pledged as security for bank loans
不包括在银行到期日超过3个月的定期存款，和作为银行贷款担保的抵押银行贷款



HEALTHY AND STRONG CASH POSITION

稳健的现金水平

Net Cash balance 净现金结余



* Secured by pledged bank deposits 以已抵押银行存款担保

BUSINESS &
OPERATIONAL
REVIEW

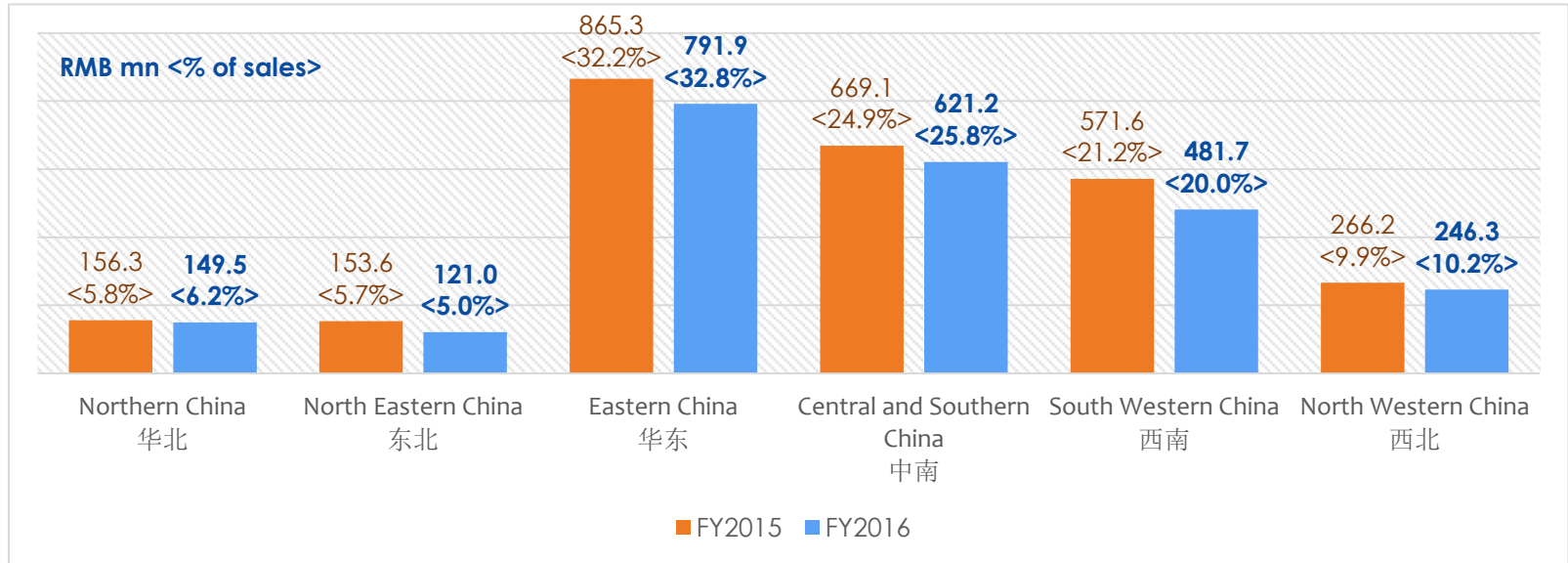
业务回顾





NATIONWIDE DISTRIBUTION NETWORK

全国性销售网络



store count 店铺数目 (As at)	2016.1.1	2016.12.31	Net change
Northern China 华北	285	240	-45
North Eastern China 东北	302	247	-55
Eastern China 华东	805	667	-138
Central and Southern China 中南	726	637	-89
South Western China 西南	588	524	-64
North Western China 西北	279	260	-19
	2,985	2,575	-410



SALES CHANNEL MANAGEMENT 销售渠道管理

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- ▶ Continued to open stores in shopping malls with over 100 such stores in total as at year end, and sales performance in line with expectation
- ▶ Opened new specialty stores for **LILANZ**'s smart casual collection in 2H 2016 in 1st and 2nd tier cities on pilot basis, with encouraging initial sales performance
- ▶ Continued to monitor all stand-alone stores with ERP systems
- ▶ Continued to provide training to distributors
- ▶ Plans to establish an independent team for online sales in 2H 2017 to explore online sales business more aggressively

▶ 繼續在省會和地級市的購物商場開店，至年底有超過100家，銷售表現符合預期

▶ 於2016年下半年試點在一、二線城市開設**LILANZ** 休閒時尚系列專門店，初步銷售成績令人鼓舞

▶ 继续以ERP系统监控所有独立店铺

▶ 继续向分销商提供培训

▶ 计划在2017年下半年建立网上销售的独立团队，部署更积极发展网上销售业务

LILANZ 零售网络 Retail Network

Total retail area 总零售面积: 289,800sq. m. (-4.2%)

2,400
LILANZ retail stores
LILANZ 零售店

Operated by distributors
分销商经营

Operated by the Group
集团经营

916
directly operated
by 80 distributors
由80家分销商直接
经营

1,482
operated by 999
sub-distributors
由999个二级分销
商经营

2
self-operated
flagship stores
自营旗舰店



PRODUCT DESIGN AND DEVELOPMENT

产品设计及开发

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- ▶ 近65%为原创产品，目标是提升至70%
- ▶ 约30%原创产品应用由集团开发的独有面料，目标是提升至50%
- ▶ 扩大**LILANZ**休闲时尚产品系列，市场反应令人鼓舞
- ▶ 已成立本地女装设计团队，继续在秋冬季推出一小系列女装产品在大型店铺销售
- ▶ 高端系列的销售持续上升至约13%，在一、二线城市购物商场店铺的销售占比增幅尤为显著

- ▶ Products of original designs accounted for ~65%, and target set at 70%
- ▶ ~30% of original designed products adopted the Group's proprietary fabrics, and target set at 50%
- ▶ Expanded and enriched **LILANZ** smart casual collection with encouraging market response
- ▶ Domestic design team for womenswear was set up, plans to have a small line of womenswear every fall and winter seasons for sales in large stores
- ▶ Growing sales of high-end collection especially in stores opened in shopping malls in 1st and 2nd tier cities, accounting for 13% of total sales

MARKETING & PROMOTION 营销与宣传

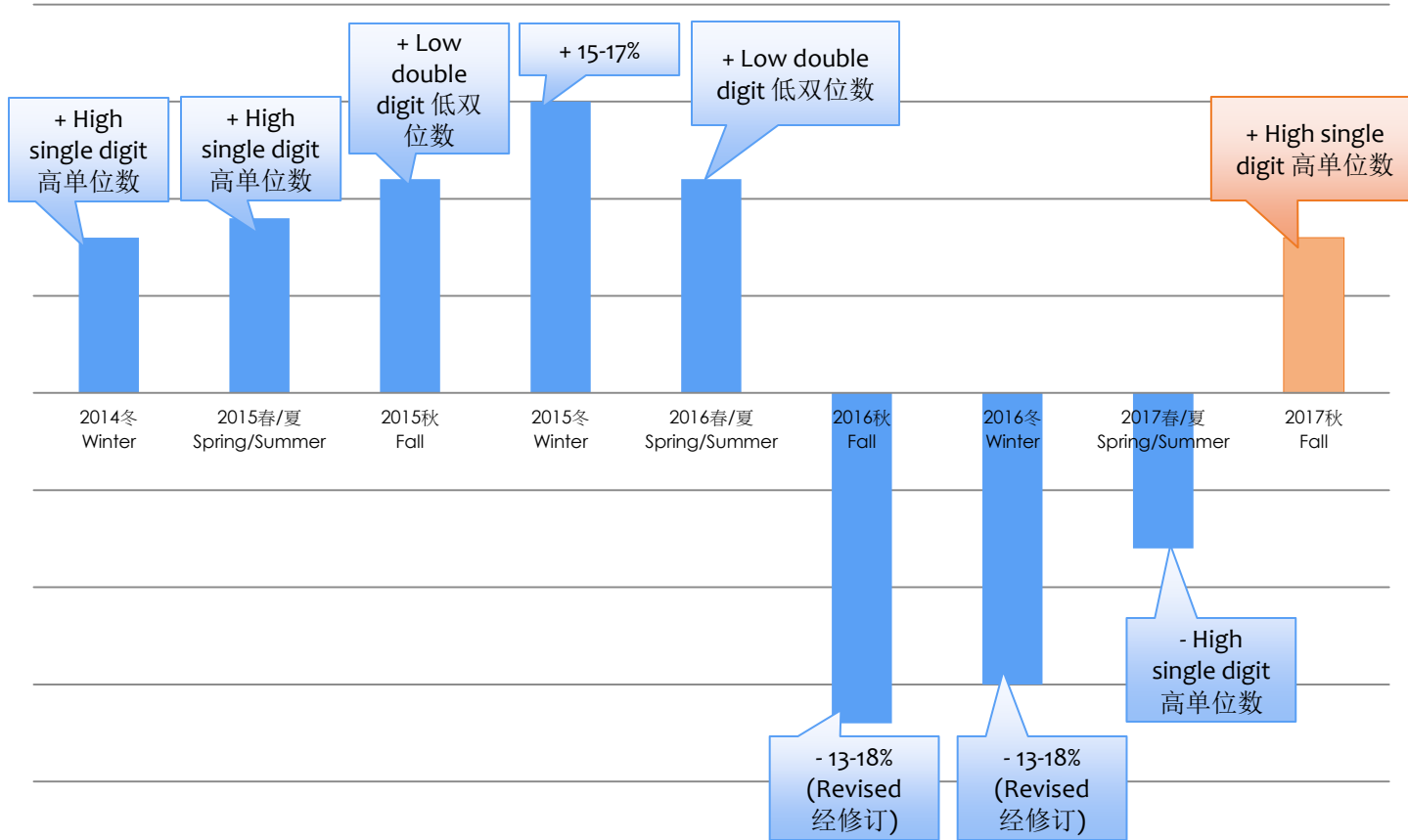
- ▶ Continued to focus on store image for brand promotion
- ▶ Since 2015, all newly opened large-scaled stores in 1st and 2nd tier cities have adopted the six-generation store image, using high-end materials to display an elegant style with better use of retail space
- ▶ To renovate or partially upgrade about 800 stand-alone stores in suitable locations with this sixth-generation store image in 2H 2016 and 2017, and clearance sales would be held in those stores before renovation. 350 stores had been done.
- ▶ Started to place advertisements in EMU stations, and continued to advertise through advertising signs in airports and road side billboards and put soft-sell advertising in magazines and newspapers
- ▶ 继续围绕门店形象作品牌宣传
- ▶ 自2015年开始，在一、二线城市新开的大店都以第六代店面装修，装修的用料更高端，店铺的形象更雅致，零售面积的利用更有所提高
- ▶ 2016年下半年及2017年，在约800家地段合适的现有专卖店推出第六代装修整改或局部提升，同时利用装修前清理库存，已完成350家。
- ▶ 开始在动车站投放广告，亦继续投放机场广告牌及路边广告牌，以及在杂志和报章上以软性广告作宣传





TREND OF LILANZ TRADE FAIR RESULTS

利郎订货会成绩趋势



OUTLOOK &
STRATEGY

前景与策略



PRUDENT & FLEXIBLE OPERATION STRATEGY

审慎而灵活的经营

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Operating environment still uncertain, industry consolidation expected to continue in 2017
经营环境仍然不明朗，预期2017年行业整合仍然會持續

- ▶ Adheres to “improving product quality without raising the price” strategy, and continues to improve product design, craftsmanship and materials, with the aim of raising the proportion of original designs, enhancing the value-for-money of its products and increasing the competitiveness of its products and brand
- ▶ To consolidate existing market in 3rd and 4th tier cities, and to increase presence in 1st and 2nd tier cities to boost overall sales
- ▶ In view of the satisfactory sales performance of the trial launch of **LILANZ** smart casual collection specialty stores in certain 1st and 2nd tier cities, step up efforts in its product design and market development and establish separate design and operation centre for this collection in Shanghai in 2H 2017
- ▶ Prudent store opening plan, and expects its retail stores to continue recording same-store sales growth through better products, improving channel management and optimizing store network.
- ▶ Set up dedicated team for online sales in 2H 2017 to explore online sales business more aggressively
- ▶ 2017 fall trade fair orders improved to a high single-digit growth
- ▶ 贯彻「提质不提价」策略，继续在设计、产品工艺和用料方面下功夫，务求进一步提升原创产品的比例、产品的性价比、以及产品和品牌的竞争力
- ▶ 巩固在三、四线城市的现有市场，及加快在一、二线城市的布局以提升销售
- ▶ 鑒於**LILANZ**休閒時尚系列专门店在一些一、二线城市試推期間有滿意銷售，將增加休閒時尚系列的产品设计及市场拓展投入，于2017年下半年在上海建立独立的休闲时尚产品系列设计及营运中心
- ▶ 审慎开店，期望通过提升产品力、更有效的渠道管理及优化店铺网络，使零售门店能继续录得同店销售增长
- ▶ 于2017年下半年组建网上销售团队，部署更积极发展网上销售业务
- ▶ 2017年秋季订货会订货情况改善，订单金额录得高单位数增长

OPEN FORUM

答问时间





CONSOLIDATED STATEMENT

OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

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(RMB '000)		FY2016	FY2015
收入	Revenue	2,411,638	2,689,093
销售成本	Cost of sales	(1,415,732)	(1,546,244)
毛利	Gross profit	995,906	1,142,849
其他净收益	Other net income	97,569	54,309
销售及分销开支	Selling and distribution expenses	(252,386)	(285,671)
行政开支	Administrative expenses	(171,287)	(109,506)
其他经营开支	Other operating expenses	(6,449)	(7,838)
经营溢利	Profit from operations	663,353	794,143
融资收入净额	Net finance income	83,423	69,441
除税前溢利	Profit before taxation	746,776	863,584
所得税	Income tax	(206,912)	(238,419)
年度利润	Profit for the year	539,864	625,165
年度其他全面收益	Other comprehensive income for the year		
其后可能重新分类至损益之项目： 换算中国大陆境外附属公司财务报表的汇兑差额	Item that may be reclassified subsequently to profit or loss: Exchange differences on translation of financial statements of subsidiaries outside the mainland of the PRC	(8,485)	(10,012)
年度全面收益总额	Total comprehensive income for the year	531,379	615,153
每股盈利	Earnings per share		
基本（人民币分）	Basic (RMB cents)	44.66	51.83
摊薄（人民币分）	Diluted (RMB cents)	44.66	51.77

CONSOLIDATED BALANCE SHEET

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(RMB '000)	31.12.2016	30.06.2016	31.12.2015
Non-current assets_非流动资产			
Property, plant and equipment_物业、厂房及设备	394,415	323,045	276,774
Lease prepayments_租赁预付款	107,533	101,436	101,145
Investment property_投资物业	25,145	25,505	-
Intangible assets_无形资产	5,345	5,454	4,033
Deposits for purchases of property, plant and equipment and land use rights_购买物业、厂房及设备以及土地使用权订金	485	4,764	4,490
Deferred tax assets_递延税项资产	20,423	34,604	25,013
	553,346	494,808	411,455
Current assets_流动资产			
Inventories_存货	294,385	142,866	291,465
Trade and other receivables_应收贸易账款及其他应收款项	714,429	859,493	807,149
Pledged bank deposits_已抵押银行存款	488,907	486,748	1,053,852
Fixed deposits held at banks with maturity over three months_存放于银行而到期日为三个月以上的定期存款	568,943	-	30,000
Cash and cash equivalents_现金及现金等价物	1,613,658	2,021,505	2,161,712
	3,680,322	3,510,612	4,344,178
Current liabilities_流动负债			
Bank loans_银行贷款	493,528	459,999	1,004,017
Trade and other payables_应付贸易账款及其他应付款项	514,057	449,430	603,062
Current tax payable_应付即期税项	165,253	131,483	198,638
	1,172,838	1,040,912	1,805,717
Net current assets_流动资产净值	2,507,484	2,469,700	2,538,461
Total assets less current liabilities_总资产减流动负债	3,060,830	2,964,508	2,949,916
Non-current liabilities_非流动负债			
Deferred tax liabilities_递延税项负债	46,868	34,870	38,718
Retention payables_应付质保金	2,400	-	-
	49,268	34,870	38,718
Net assets_资产净值	3,011,562	2,929,638	2,911,198