

# Annual Results Announcement 2017



LILANZ

CHINA LILANG LIMITED  
中國利郎有限公司

Stock Code: 1234



**Presentation**

**March 2018, Hong Kong**

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业绩亮点

# RESULTS HIGHLIGHTS



# Improving Financial Performance & Strengthening Competitiveness

## 财务表现改善 竞争优势提升

Competitiveness strengthened as products' originality and value-for-money significantly enhanced following the successful implementation of "improving product quality without raising the price" strategy



Retail channel management improved and channel remained at healthy state; store operating efficiency improved, SSSG accelerated during 2H to about 10% in Q4



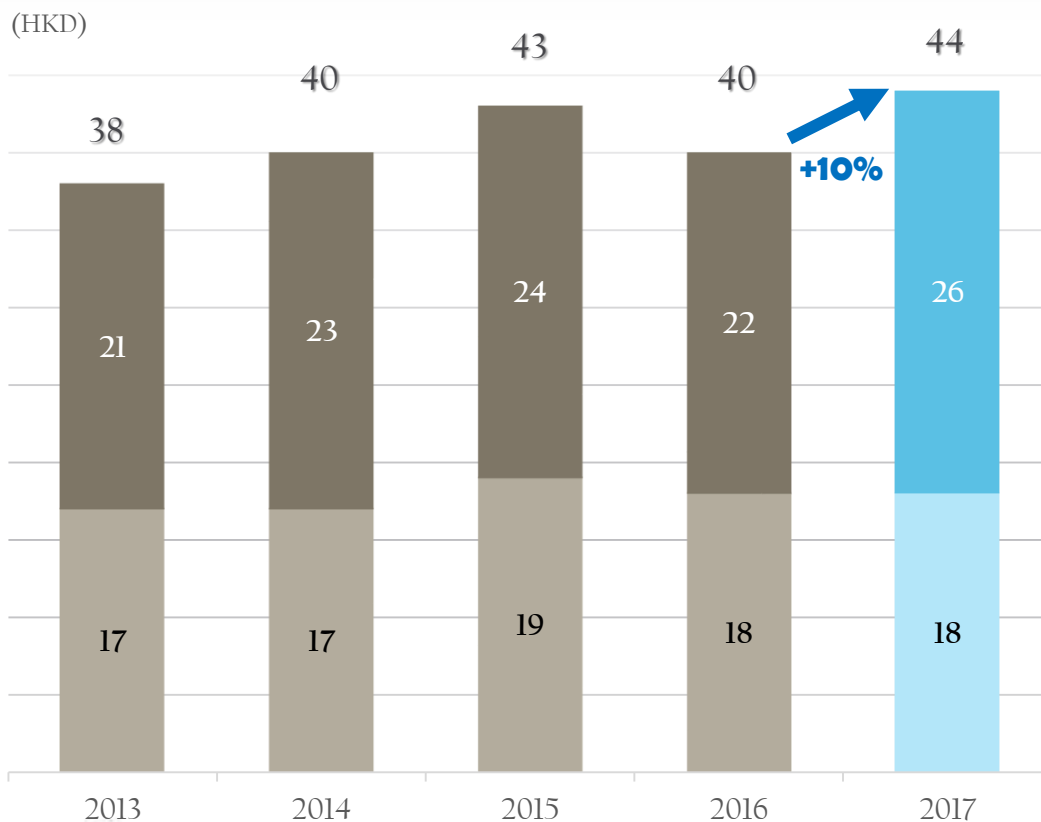
Smart casual collection making good progress, adopting consignment sales model in 2H to speed up store opening to grasp market opportunities



Improved results with net profit growth at 13.2% to RMB611.0 mn, and net margin up to 25.0%

- 「提质不提价」成功落实，产品原创性和性价比明显提升，竞争力继续加强
- 零售渠道管理加强，渠道保持健康；店铺营运效率提升，下半年同店销售增速加快，第四季接近10%
- 轻商务系列拓展进度良好，把握市场机会在下半年起用代销模式，以加快开店
- 全年业绩有所提升，净利润增长13.2%至人民币611.0百万元，净利润率增至25.0%

# Maintaining High Dividend Payout 保持高派息比率



## 2017 Final Dividends 末期股息

Proposed final dividend  
HK18 cents per share and  
 special final dividend  
HK8 cents per share

拟派末期股息每股18港仙  
 及  
 特别末期股息每股8港仙



Interim dividends per share  
 (incl. special dividend per share)  
 每股中期股息(連特別股息)

Final dividends per share  
 (incl. special dividend per share)  
 每股末期股息(連特別股息)



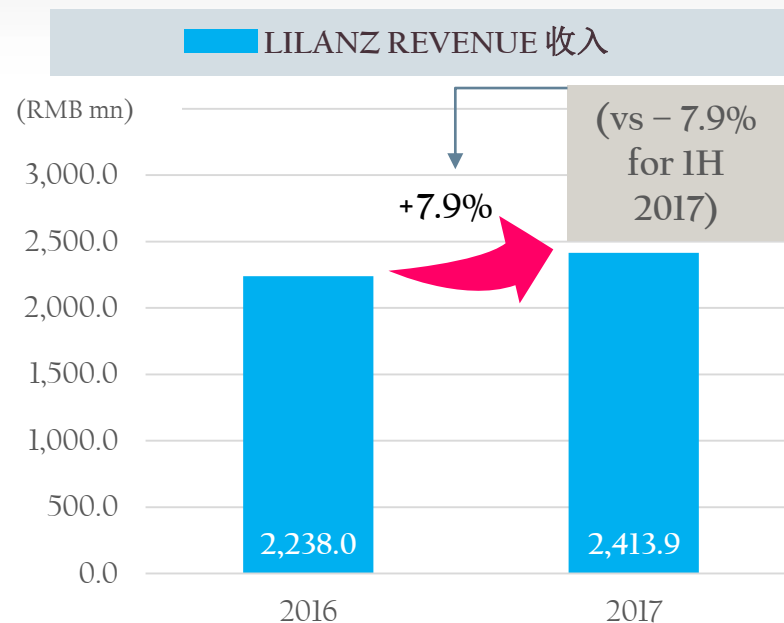
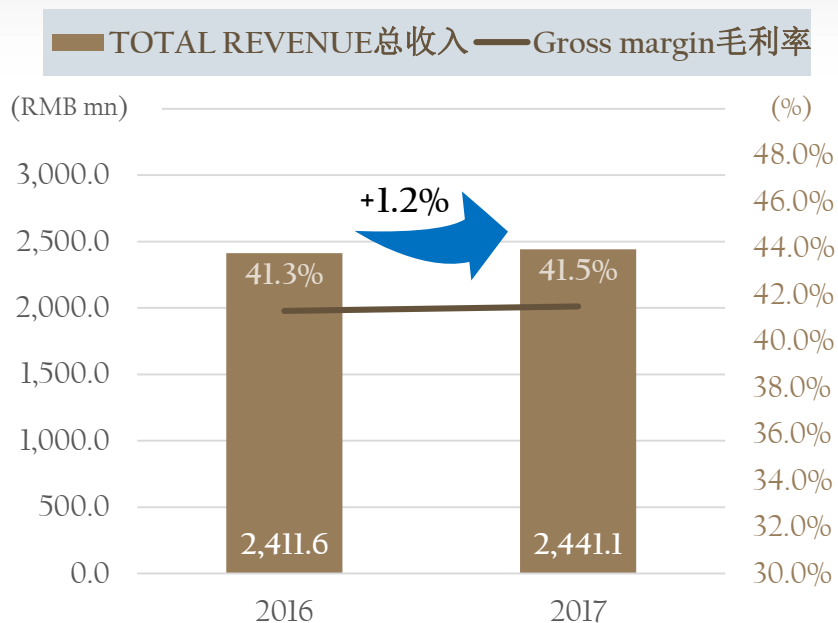
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财务表现回顾

# FINANCIAL REVIEW



# Revenue and Gross Margin 收入與毛利率



- Total revenue included L2's revenue of RMB27.2 mn (2016: RMB173.6 mn)
- Gross margin maintained stable

- 总收入含L2收入人民币27.2百万元 (2016: 人民币173.6百万元)
- 毛利率维持稳定

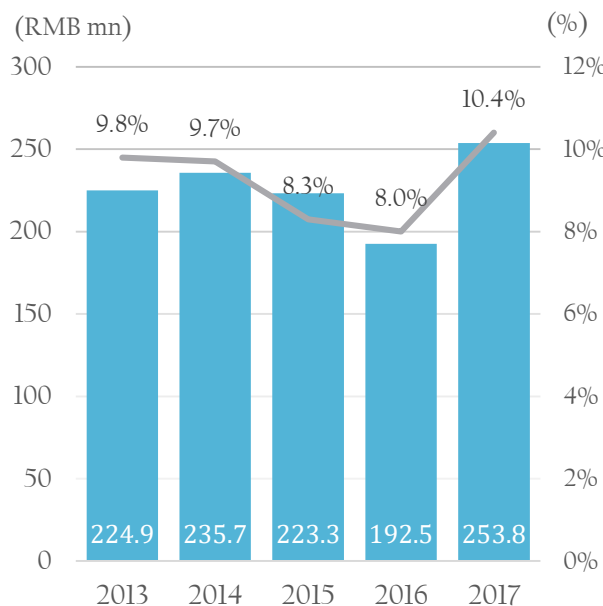
- Improved 2017 fall and winter orders
- Sales contribution from smart casual collection launched in 2H2016

- 2017年秋冬季订单改善
- 2016年下半年推出之轻商务系列带动销售增长



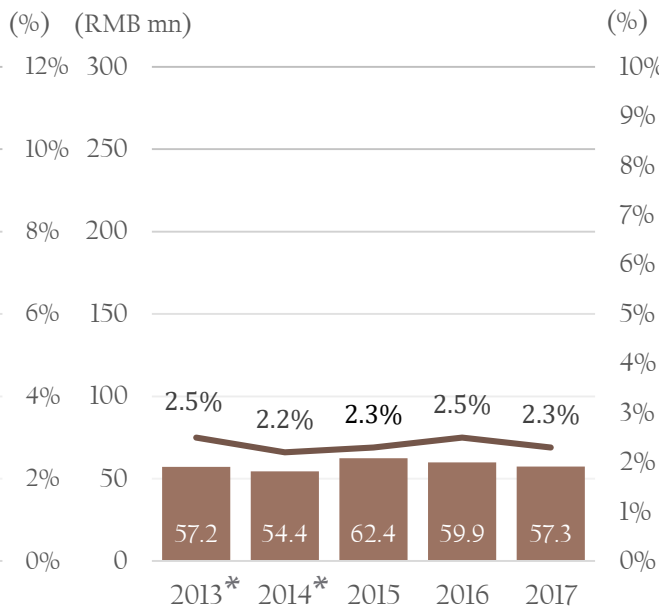
# SD & A Expenses 销售、分销及行政开支

## Advertising and promotional expenses 宣传及市场推广开支



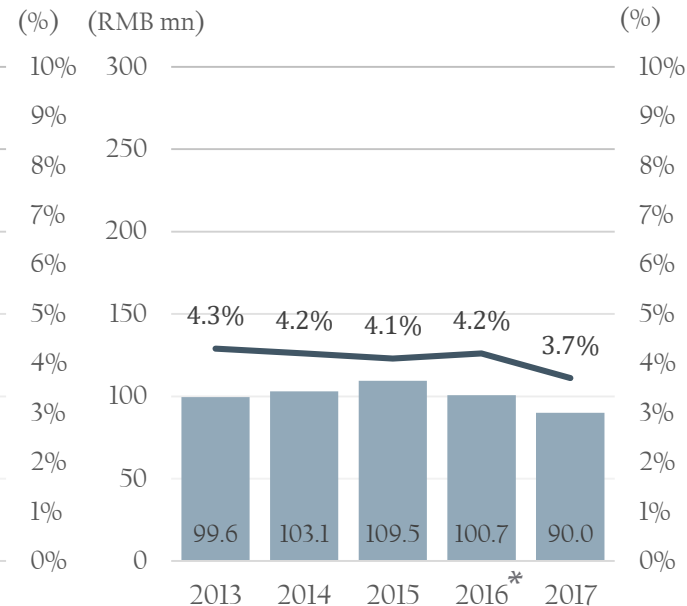
- A&P expenses included renovation subsidies to distributors. Amount increased in 2017 as more stores were renovated
- 宣传及市场推广开支包括提供予分销商的装修补贴。2017年费用因店铺整改的数目增加而上升

## Other selling and distribution expenses 其他销售及分销开支



- S&D expenses other than advertising and renovation subsidies controlled at stable level
- 广告及装修补贴外其他销售及分销开支控制在稳定水平

## Administrative expenses 行政开支



- Lower administrative expenses in 2017 after L2 discontinued
- L2 结束业务令2017年行政开支减少

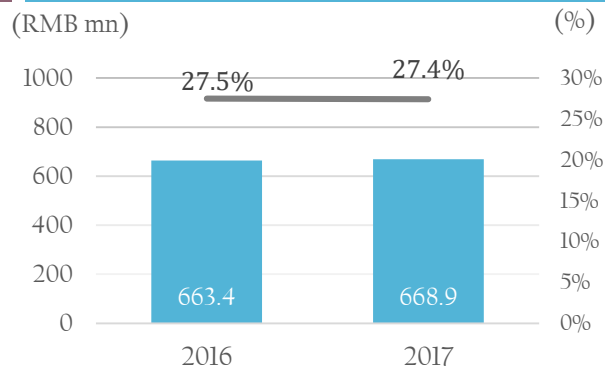
\* Excludes AR provision / (provision reversal)  
\* 扣除应收账款拨备/(拨备回拨)

# Profit & Margin Trend 盈利及利潤率趨勢

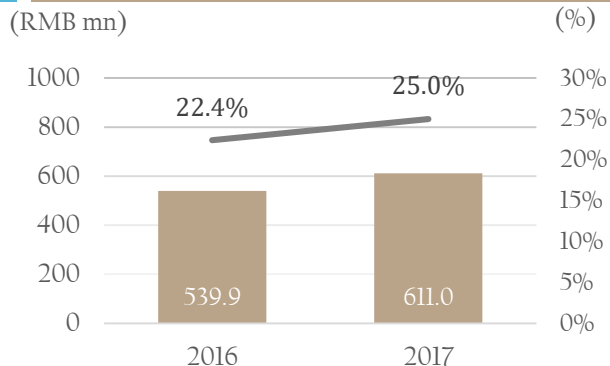
## Gross profit & margin 毛利及毛利率



## Operating profit & margin 經營利潤及經營利潤率



## Net profit & margin 淨利潤及淨利潤率



Higher proportion of original design products and better supply chain management helped lower cost of sales

原创产品比例增加及供应链管理提升令销售成本下降

Lower government grants and higher renovation expenses offset effect of 2016 AR provision for L2

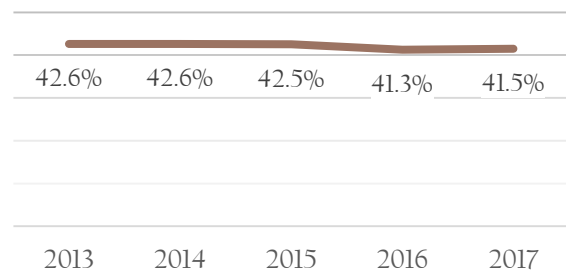
政府补贴减少及装修补贴增加，抵消2016年L2应收账款拨备的影响

Lower effective tax rate in 2017

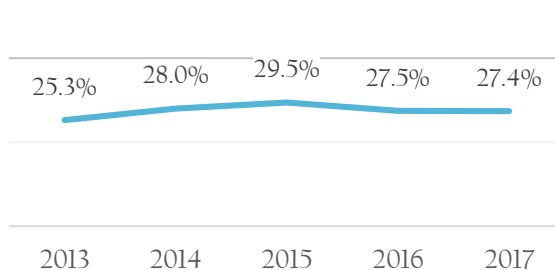
2017年有效税率下降

### 5-YEAR PROFITABILITY TREND

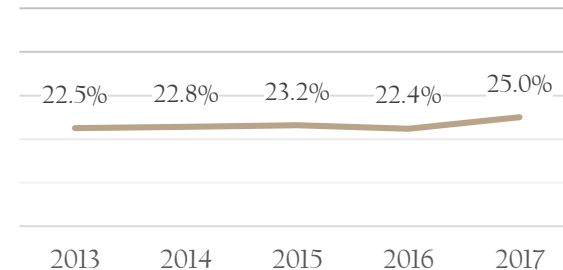
#### Gross margin



#### Operating margin

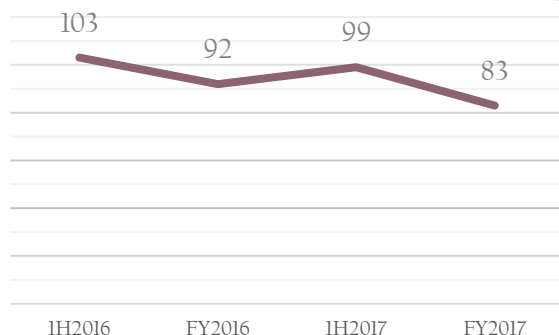


#### Net margin

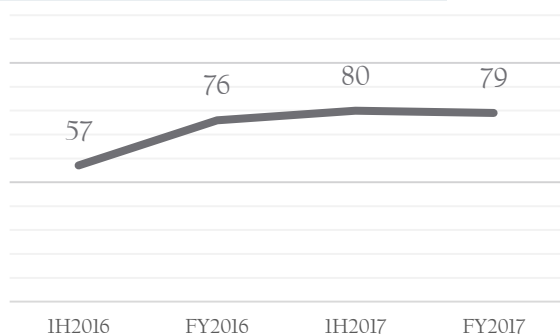


# Working Capital Cycle 营运资金周转天数

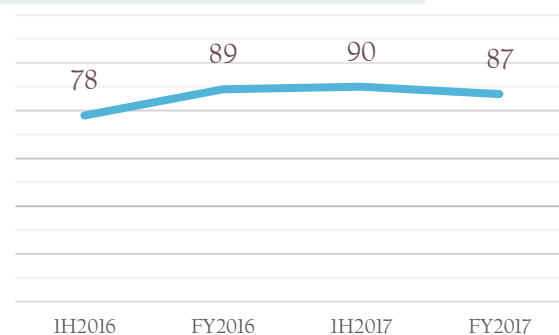
— Average trade receivables turnover days  
平均应收贸易帐款周转天数



— Average inventory turnover days  
平均存货周转天数



— Average trade payables turnover days  
平均应付贸易帐款周转天数



## Trade Receivables 应收贸易账款

- Improved AR ageing and turnover days
- LILANZ AR balance decreased by 1.2% to RMB630.5 mn despite sales increase of winter products
- L2 AR balance net of provision dropped to RMB6.5 mn
- 应收贸易账款账龄及周转天数改善
- LILANZ 虽然冬季产品销售增加, 应收贸易账款余额减少1.2%至人民币630.5百万元
- L2 拨备后应收账款减至人民币6.5百万元

## Inventories 存货

- LILANZ inventory balance up by RMB51.1 mn to RMB308.6 mn:
  - Increase in 2018 spring and summer orders
  - Balance included consignment inventories of smart casual collection
- L2 inventory net of provision reduced to RMB14.7 mn
- LILANZ 库存增加人民币51.1百万元至人民币308.6百万元:
  - 2018春夏订单增加
  - 轻商务代销库存
- L2拨备后库存减至人民币14.7百万元

## Trade Payables 应付贸易账款

- Average turnover days similar to 2016 level.
- 平均周转天数保持2016水平

# Cash Flow 现金流量

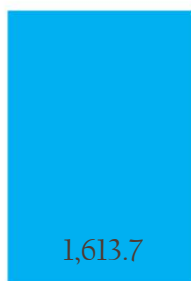
## Operating cash inflow 经营现金流入

- Cash generated from operations of RMB677.7 mn
- Net of tax payment RMB191.5 mn, including dividend W/H tax of RMB74.4 mn
- 经营业务产生现金人民币677.7百万元
- 扣除支付税项人民币191.5百万元，包括股息代缴税人民币74.4百万元

## Cash used in financing activities 融资所用现金

Payments of dividends	股息支付	RMB420.4 mn
Net repayment of bank loans	償還銀行貸款	RMB493.5 mn
Share buy-backs	回購股份	RMB60.2 mn

(RMB mn)



Cash and cash equivalents  
现金及现金等价物  
As at 1 Jan

486.2

Operating activities

708.1

Investing activities (1)

(980.3)

Financing activities

(4.4)

Forex effect

## Investing cash inflow 投资现金流入

- Decreases in pledged bank deposits and fixed deposits totalling RMB860.9 mn
- Net of CAPEX of RMB224.9 mn
- 银行押金及定期存款减少共人民币860.9百万元
- 扣除资本开支人民币224.9百万元



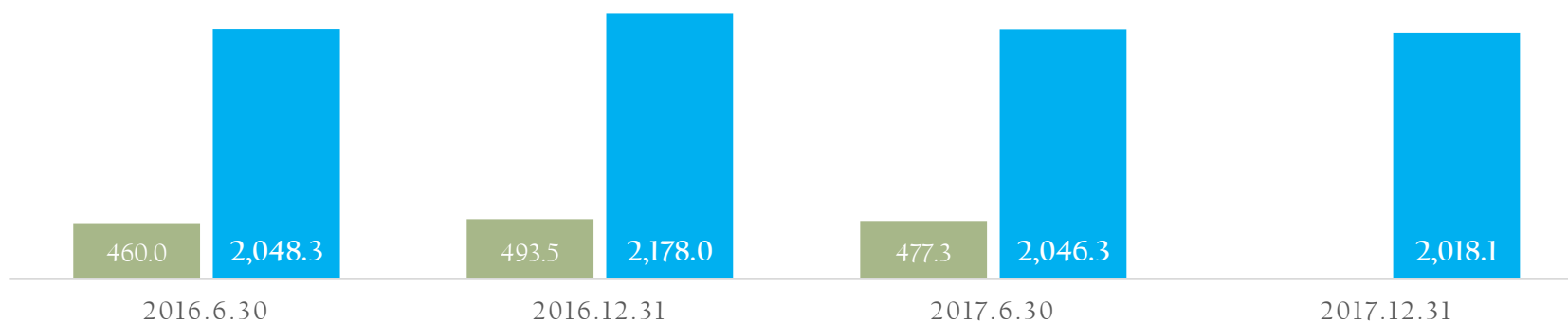
Cash and cash equivalents  
现金及现金等价物  
As at 31 Dec (2)

- (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) Exclude time deposits and pledged bank deposits with maturity over 3 months  
不包括在银行到期日超过3个月的定期存款及抵押银行存款

# Healthy & Strong Cash Position 稳健的现金水平

■ Bank loans 银行贷款\*    ■ net cash balance 净现金结余

(RMB mn)



- No outstanding bank loans at 31 December 2017
- 于2017年12月31日并无银行贷款

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



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业务及营运回顾

# BUSINESS & OPERATIONAL REVIEW

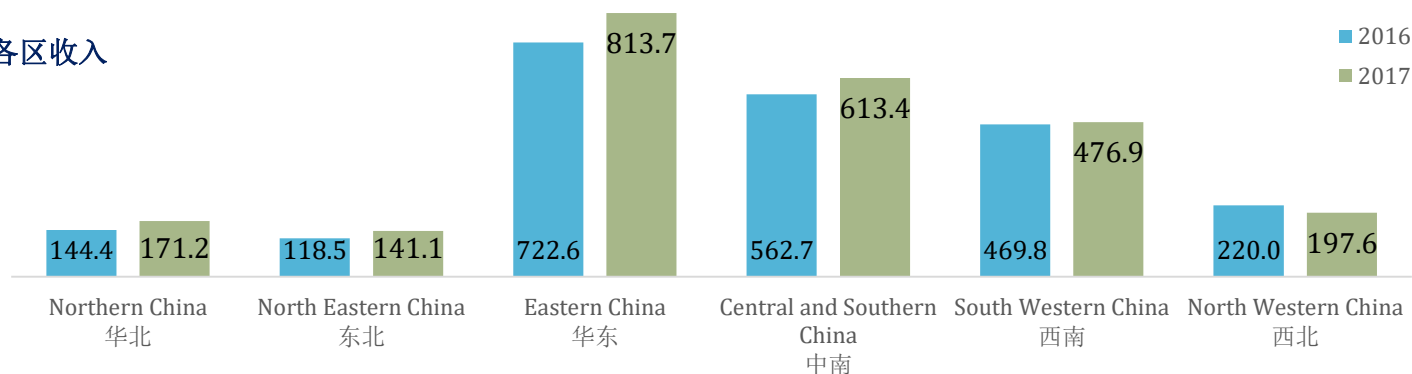


# Sales Channel Management 銷售渠道管理

- Work with distributors to plan the distribution, location and number of the store network to enhance store efficiency
- Continue to open stores in shopping malls; over 300 such stores by year end, over 10% of total store count
- Smart casual collection well received by market, supporting expansion to 89 stores
- **2,410 stores** nationwide with total floor area of 309,600 sq.m., up 6.8%
- Unified brand image, renovated or partially upgraded about 400 stores with the 6<sup>th</sup> generation store image

- 協助分銷商規劃門店的分佈、位置和數量，提升店鋪效益
- 繼續在購物商場開店，商場店年底已超過300家，佔門店總數逾10%
- 輕商務系列市場反應良好，門店增至89家
- 全國**2,410家**零售店，總店鋪面積309,600平方米，增加6.8%
- 店鋪形象統一，年內完成第六代裝修整改或局部提升約400家

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Revenue by region 各区收入  
(RMB mn)



Store count by region 各区店数

Region	2016.12.31	Change	2017.12.31
Northern China (华北)	238	+42	280
North Eastern China (东北)	245	+38	283
Eastern China (华东)	615	+127	742
Central and Southern China (中南)	569	+131	700
South Western China (西南)	503	+59	562
North Western China (西北)	230	+46	276
<b>Total</b>	<b>2,410</b>	<b>+137</b>	<b>2,547</b>

# Sales Channel Management (Con't) 銷售渠道管理 (續)



▲ Distributors direct retail stores increased due to:

分銷商直接經營門店增加，原因：

- increasing presence in 1st and 2nd tier markets
- Result of continuous upgrade of retail management, phasing out sub-distributors with substandard management skill
- 在一、二级市场店铺增加
- 零售管理提升，管理水平较差的二级分销商被淘汰

- ✓ Over 10 years of business relationship with all LILANZ first tier distributors
- ✓ ERP system monitoring all stand-alone stores; healthy channel inventory and satisfactory retail discount levels
- ✓ Continued to provide training to distributors
- ✓ Started building professional team to launch new retail business in 2018
- ✓ 與所有LILANZ的一级分销商有超过10年的业务关系
- ✓ ERP系统接连所有独立店铺，渠道库存健康，零售折扣维持理想水平
- ✓ 继续为分销商之管理团队提供培训
- ✓ 加紧组建专业团队，于2018年启动新零售业务





## Product Design & Development 产品设计及开发



- In-house fabric development center to allow flexibility and ensure product quality and better cost control
- Operates state-approved fabric testing center to ensure fabrics used are in compliance with national standards
- Stable and flexible relationship with suppliers
- International and local designers worked closely together, and newly set up separate design team for smart casual collection
- Fujian's new headquarters to complete construction in 2H 2018; Shanghai's design and operational center of the smart casual collection will be put into use in 2H 2018

- 自设面料研发中心，增加开发灵活度，确保产品质量并有效控制成本
- 拥有国家认可的面料测试中心，确保产品面料都能符合国家标准
- 与供应商牢固而灵活的合作关系
- 国际与本地研发团队合作无间，并新设立独立的轻商务设计团队
- 福建新总部预计2018年下半年建设完工；上海轻商务设计及营运中心2018年下半年投入使用

**~68%**

Original design products by style, and medium to long term target at ~70%  
原创产品比例按款式约68%，  
中长远目标约70%

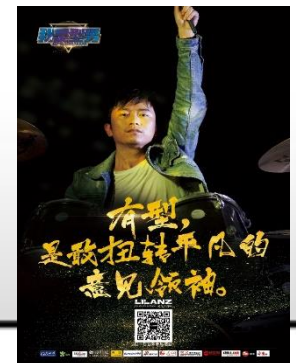
**~36%**

of original design products adopted the Group's proprietary fabrics, and target at 50%  
约36%原创产品应用自行开发的独有面料，  
中长远目标约50%

# Marketing & Promotion 营销与宣传

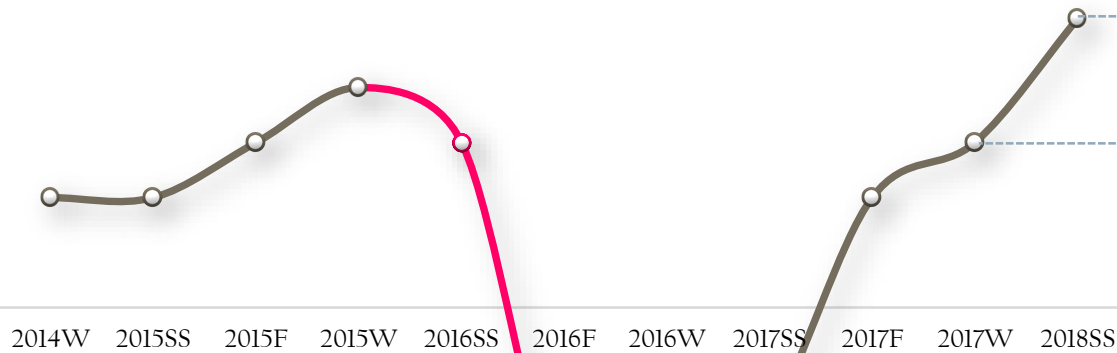


- Operating main collection and smart casual collection under “LILANZ” brand to target different customer needs
  - Advertising and promotion through advertising signs in EMU and EMU stations, airports, roadside billboards as well as soft-sell advertising in newspaper and magazines
  - Sponsored the Chinese Football Association Cup Final
  - Promotion activities via WeChat account
  - Conducted a nationwide promotion campaign - “Stylish Man” contest for online voting by WeChat users
- 
- 以「LILANZ」品牌经营主系列和轻商务系列，针对不同客户需要
  - 动车上和动车站的广告牌、机场广告牌、路牌、报章杂志的广告宣传
  - 赞助中国足协盃决赛
  - 通过微信公众号作推广活动
  - 推出专门针对微信用户的宣传活动 — 「我是型男」的全国性网络投票选举



# Encouraging Trends of LILANZ Trade Fair Orders

## 订货会成绩趋势令人鼓舞



2014	Winer冬	增	高单位数 High single digit
	Spring/Summer春夏	增	高单位数 High single digit
	Fall秋	增	低双位数 Low double digit
2015	Winter冬	增	15 - 17%
	Spring/Summer春夏	增	低双位数 Low double digit
	Fall秋	减	13 - 18%
2016	Winer冬	减	13 - 18%
	Spring/Summer春夏	减	高单位数 High single digit
	Fall秋	增	高单位数 High single digit
2017	Winter冬	增	低双位数 Low double digit
2018	Spring/Summer春夏	增	21%



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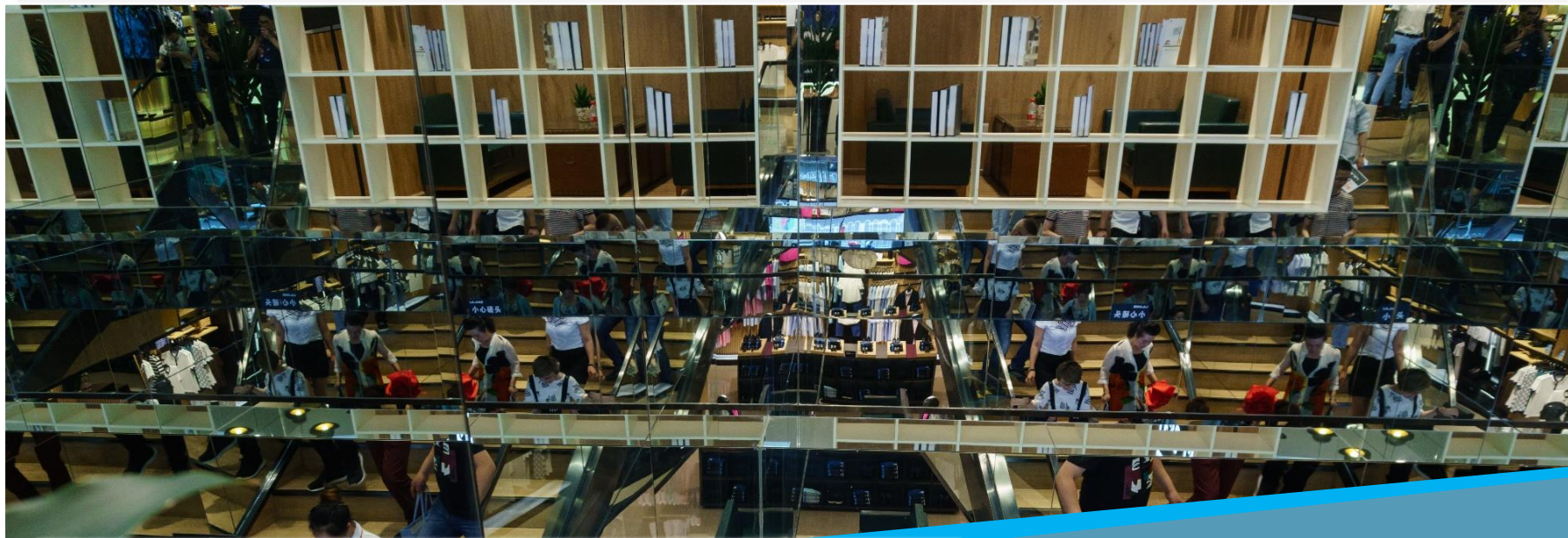
前景及策略

# OUTLOOK & STRATEGY



# MULTI-PRONGED STRATEGY FOR MARKET EXPANSION

## 多边策略谋市场扩展



1. LILANZ's main collection will open stores in untapped markets such as Jiaodong Peninsula, Dalian, Sunan
2. Focus on developing the smart casual collection and speed up store opening by adopting consignment model; expand to Zhengzhou, Hefei, Xi'an, Jiangxi, Fujian area; target to add 150 stores in 2018
3. LILANZ total store number (incl. smart casual collection stores) target to increase by not less than 200 in 2018, esp, more stores in shopping malls
4. Launch "new retail" business in 2018 summer with smart casual collection, aiming to bring in sales growth in 2H

1. 「LILANZ」主系列将在目前空白市场开店，如胶东半岛、大连地区、苏南等
2. 重点培育轻商务系列，利用代销模式加快开店，并落户到郑州、合肥、西安、江西、福建地区等，目标2018年增加专门店150家
3. 「LILANZ」的门店总数目(包括轻商务)2018年目标增加不少于200家,特别是增加在购物商场开店
4. 2018年夏季开始以轻商务系列推动新零售，期望下半年开始带来销售增长

## POSITIVE OUTLOOK 展望正面



5. Corporate mission to offer consumers with products of excellent value-for-money, advancing from “improving product quality without raising the price” strategy
6. The design and operation centre for the smart casual collection in Shanghai and the new headquarters in Fujian would be put into operation this and next year respectively; the entire operation of the Group will advance to a new stage by then, laying a more solid foundation for sustainable and faster growth of China Lilanz
7. FY2018 target SSSG no less than high single-digit
8. Autumn 2018 trade fair commenced on 3 Mar, expecting order growth no less than low double-digit

5. 从「提质不涨价」策略升级到提供物超所值产品的目标
6. 上海的轻商务系列设计及营运中心和福建的新总部于今、明两年陆续投入运作，全线业务将会提升至一个新台阶，提供更扎实的基础让中国利郎长远更快速增长
7. 2018年全年同店销售目标是不低于高单位数增长
8. 2018年秋季订货会已于3月3日开始，订单总额可望达到不低於低双位数的增长



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问答时间

**OPEN FORUM**

