

LILANZ

CHINA LILANG LIMITED

中國利郎有限公司

Stock Code: 1234



2021 Interim Results 中期业绩

LESS
IS
MORE

Agenda 议程



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RESULTS HIGHLIGHTS
业绩重点

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

贯彻执行经营模式的改革，业务稳健发展

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家（约40%）主系列店铺转代销，通过线上仓库共享库存，2021年春夏季产品售罄率有所提升

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

完成网店转自营，加强电商渠道管理；并通过微商城店铺扩大实体店虚拟库存，提升店效

GP margin significantly up by 10.1 p.p. to 49.5% due to increased markup rate starting 2021 SS seasons and smart casual collection's retail GP margin

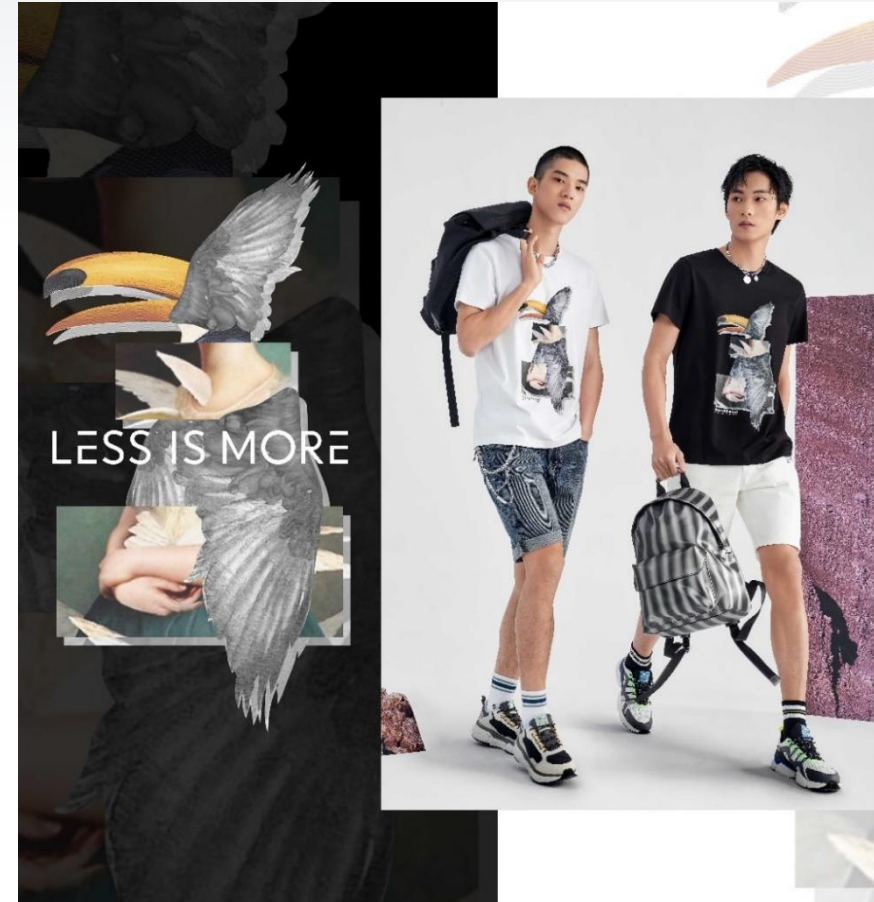
自2021年春夏季开始提升加价率，及轻商务以零售毛利率入账，毛利率显著提升10.1个百分点至49.5%

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

收入升23.9%至人民币1,354.3百万元；净利润升0.9%至人民币271.5百万元；每股盈利为人民币22.7分，升0.9%；数字反映经营模式改变的影响

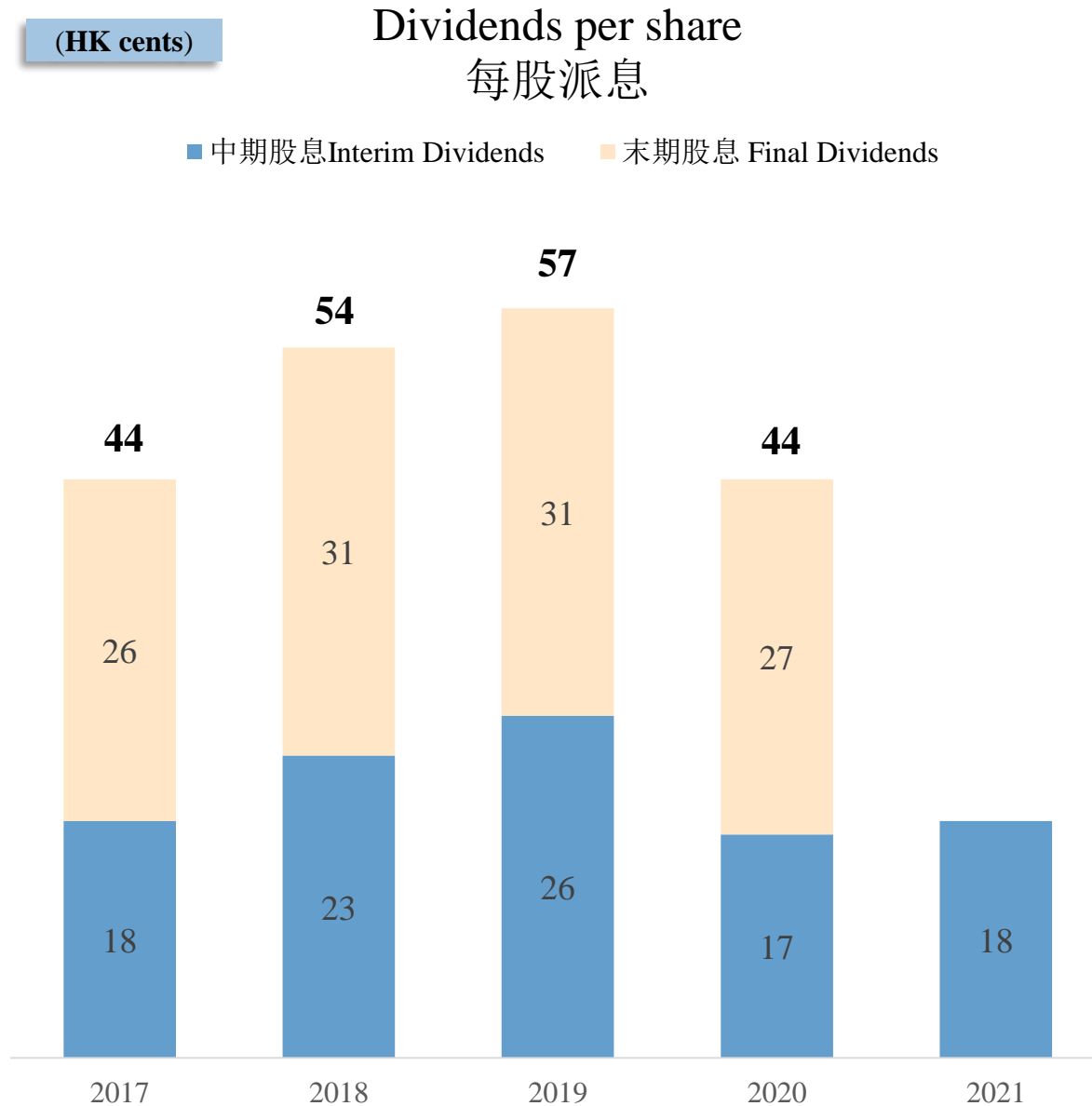
In 1H 2021, total retail sales of LILANZ products up by 25% to 30% YOY

上半年「LILANZ」产品的总零售额同比增长25%至30%



Maintaining Relatively High Dividend Payout

保持较高派息比率



- ▶ Interim dividend: HK13 cents per share and Special interim dividend: HK5 cents per share
- ▶ 中期股息每股：13港仙及特别中期股息每股：5港仙

FINANCIAL REVIEW

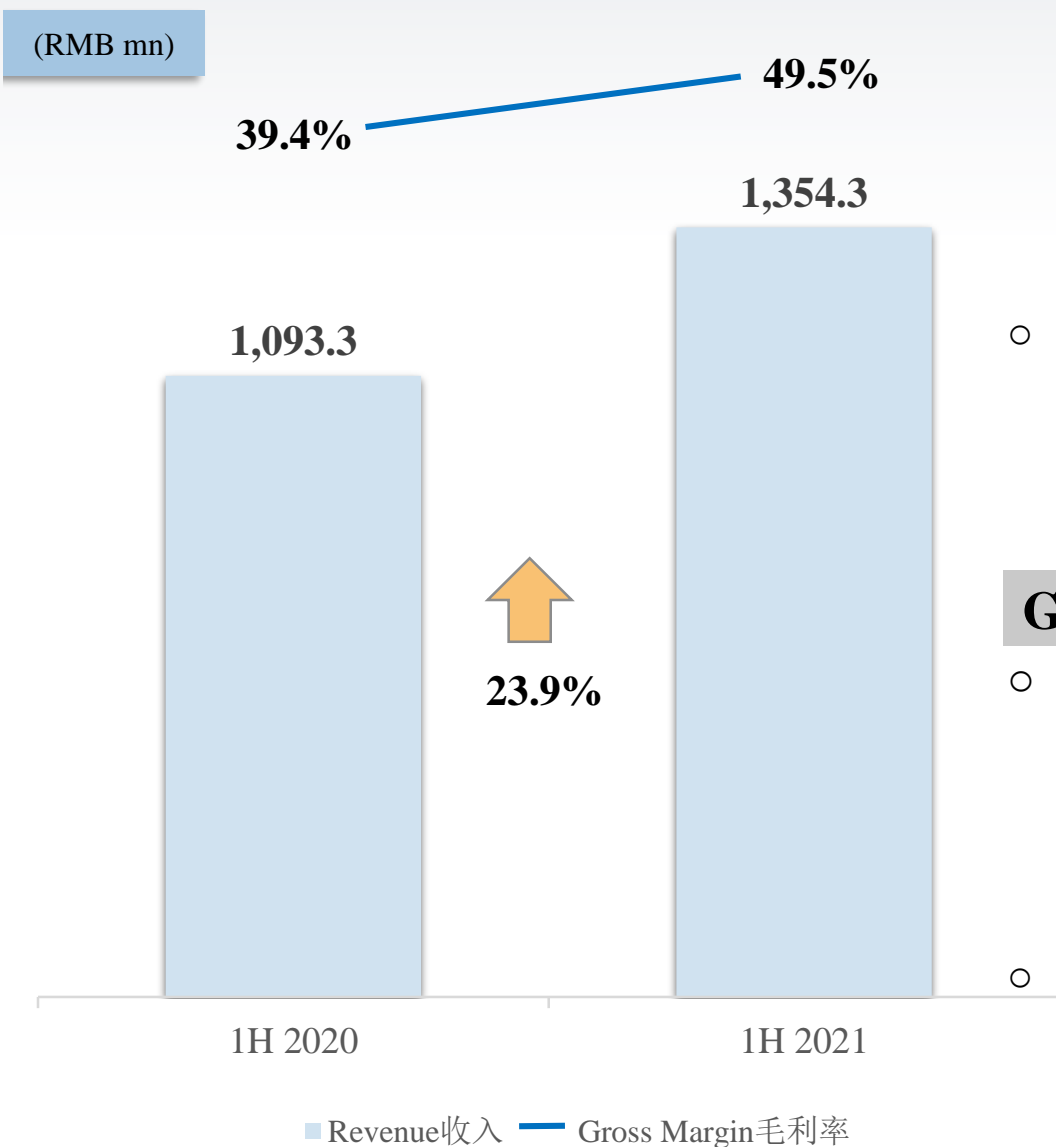
财务表现回顾

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Revenue and Gross Margin

收入及毛利率



Revenue 收入

- 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
- 收入上升23.9%至1,354.3百万元
 - 轻商务系列：大部分店铺于去年7月转自营，期内以零售值确认销售
 - 主系列：批发业务录得双位数的销售增长，唯约40%店铺转代销后，销售确认时间点推迟，因此合计销售额只轻微增长

Gross Margin 毛利率

- 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
- 毛利率为49.5%，同比大幅增加10.1个百分点
 - 2021春夏季开始，按产品设计、市场竞争力提高个别产品的加价率
 - 轻商务零售毛利率较去年同期的批发毛利率高

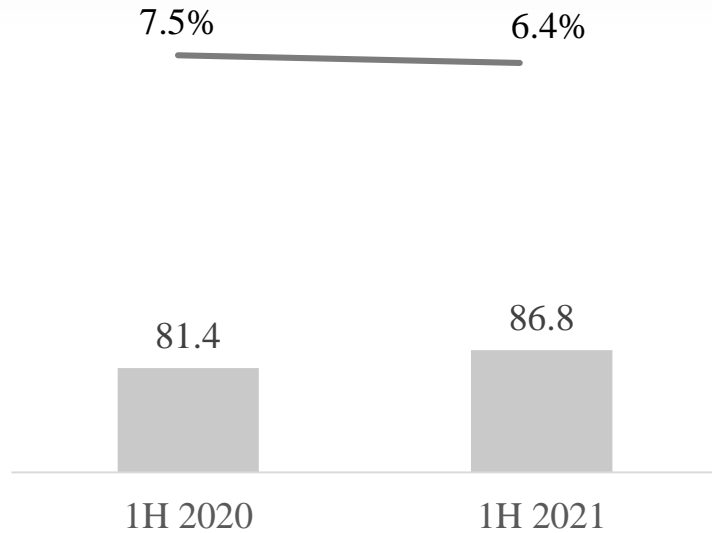
SD & A Expenses

销售、分销及行政开支

Advertising and Promotional Expenses

广告及推广开支

(RMB mn)

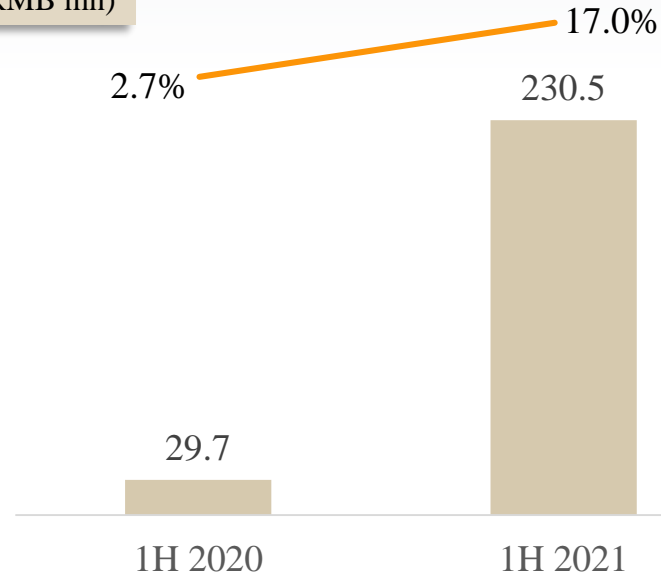


- Brand advertising expenses at similar level as in the same period last year
- Renovation subsidies rose due to higher number of new stores and the roll-out of new store image of core collection
- 品牌推广费用与去年同期相若
- 装修补贴费用因开店数目增加、及主系列新店铺形象装修推广至现有店铺而增加

Other Selling and Distribution Expenses

其他销售及分销开支

(RMB mn)

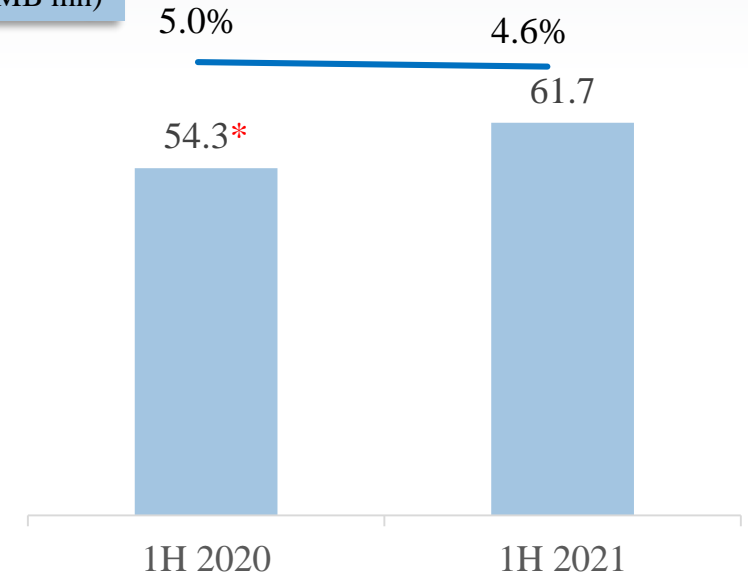


- The sharp increase in expenses was attributable to the operating expenses of the smart casual collection stores after conversion to direct-to-retail model in 2H 2020
- 费用大幅增加主要由于轻商务于2020年下半年转自营后的店铺经营费用

Administrative Expenses

行政开支

(RMB mn)



- Depreciation and property management expenses increased as the new head-quarters started operating in Q1
- 新总部在第一季度启用，折旧及物业管理费用增加

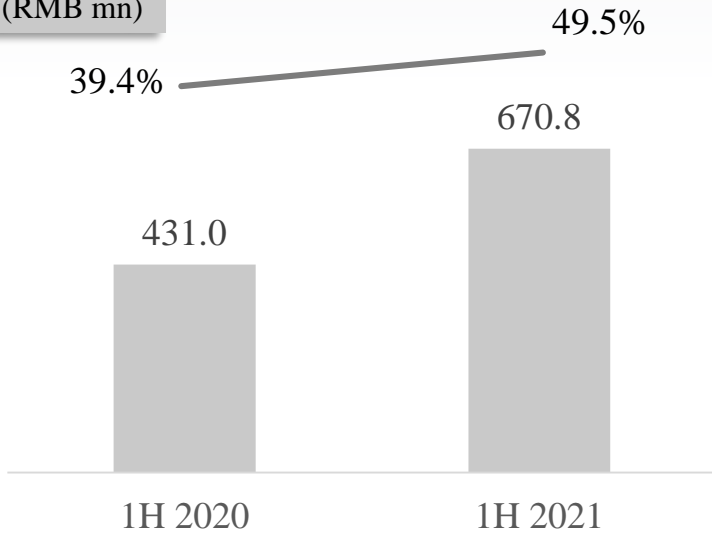
* Amount included AR provision of RMB7.4 mn

Profit & Margin

盈利及利润率

Gross Profit & Margin 毛利及毛利率

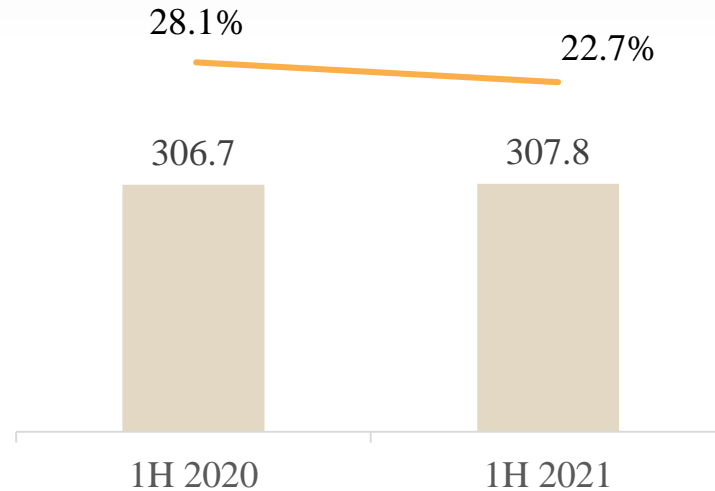
(RMB mn)



Operating Profit & Margin

经营利润及经营利润率

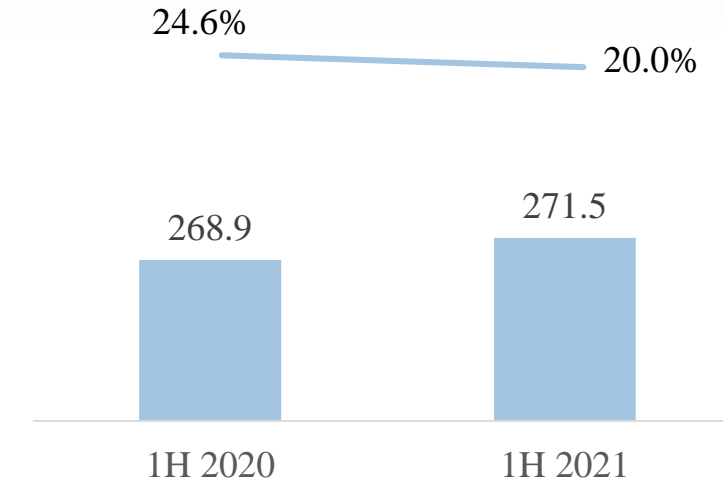
(RMB mn)



Net Profit & Margin

净利润及净利润率

(RMB mn)



- 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

- 毛利率大幅增加10.1个百分点，原因：
 - 按产品设计及市场竞争力提高加价率
 - 轻商务零售毛利率较去年同期批发毛利率高

- 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

- 经营利润率下降5.4个百分点至22.7%，原因：
 - 轻商务及网店转自营后销售费用较高
 - 政府补助收款延迟

- 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

- 净利润率下降4.6个百分点至20.0%
- SD&A费用增加以及政府补助收款延迟、抵消销售收入及毛利率的增加

Working Capital Cycle

营运资金周转天数

Average Trade Receivables Turnover Days 平均应收贸易账款周转天数

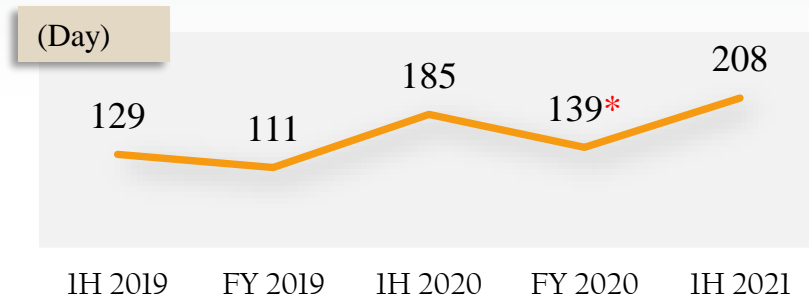


- If based on period-end balance, turnover days was 54 days
- Turnover days reduced as about 40% of the core collection stores have been converted to consignment model.
- At 30 June 2021, AR provision of RMB16.6 mn was made

- 按期末余额计算，周转天数为54天
- 主系列约40%店铺转用代销模式后，周转天数下降
- 于2021年6月30日，已计提应收贸易账款拨备人民币16.6百万元

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

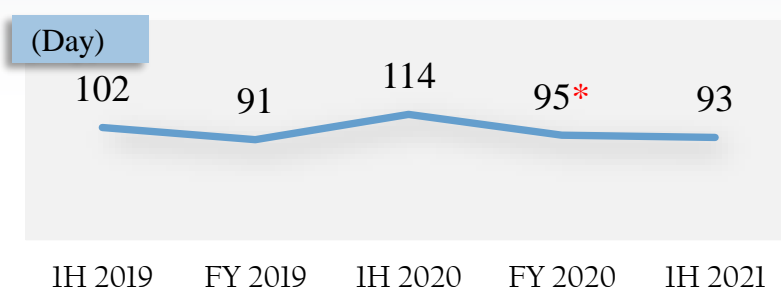
Average Inventory Turnover Days 平均存货周转天数



- 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

- 存货余额增加人民币234.1百万元至人民币901.2百万元，主要由于主系列约40%店铺转代销模式
- 于2021年2月28日从代销店铺回购约人民币309.1百万元库存
- 轻商务库存余额持续改善
- 于2021年6月30日已计提库存拨备人民币20.7百万元

Average Trade Payables Turnover Days 平均应付贸易账款周转天数



- 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

- 按期末余额计算，周转天数为77天
- 应付贸易账款余额减少人民币121.2百万元
- 轻商务转自营、以及主系列约40%店铺转为代销模式后，渠道控制及库存管理提升，部分产品的生产及发货时间表向后调整

Cash Flows

现金流量

RMB mn 人民币百万元	1H 2021
Net cash generated from operating activities 经营活动现金流入	123.4
Net cash used in investing activities 投资活动现金流出	(156.3)
Net cash used in financing activities 融资活动现金流出	(351.6)
Net decrease in cash and cash equivalents 现金及现金等价物减少净额	(384.5)
Cash and cash equivalents as at 1 Jan 于1月1日现金及现金等价物	1,738.9
Effect of foreign exchange rate changes 外币汇率变动的影响	(0.7)
Cash and cash equivalents at 30 Jun 于6月30日现金及现金等价物	1,353.7

Operating cash inflows 经营现金流入

- Major reconciling items with net profit for the period:
 - AP balance down by RMB121.2 mn as control over channel and inventory management enhanced after converting the smart casual collectoin to direct-to-retail model, and about 40% of the core collection stores to consignment model, production and delivery schedules for some of the products have been adjusted backward
- 与期内净利润主要调节项目:
 - 应付贸易账款余额减少人民币121.2百万元。轻商务转自营、以及主系列约40%店铺转为代销模式后，渠道控制及库存管理提升，部分产品的生产及发货时间表向后调整

Investing cash outflows 投资现金流出

- CAPEX of RMB170.1 mn
- 资本开支人民币170.1百万元

Financing cash outflows 融资现金流出

- Payment of 2020 final dividends RMB267.9 mn and capital and interest elements of lease rentals paid totalling RMB83.7 mn
- 支付2020末期股息人民币267.9百万元，以及已付租金之本金及利息共人民币83.7百万元

Healthy & Strong Cash Position

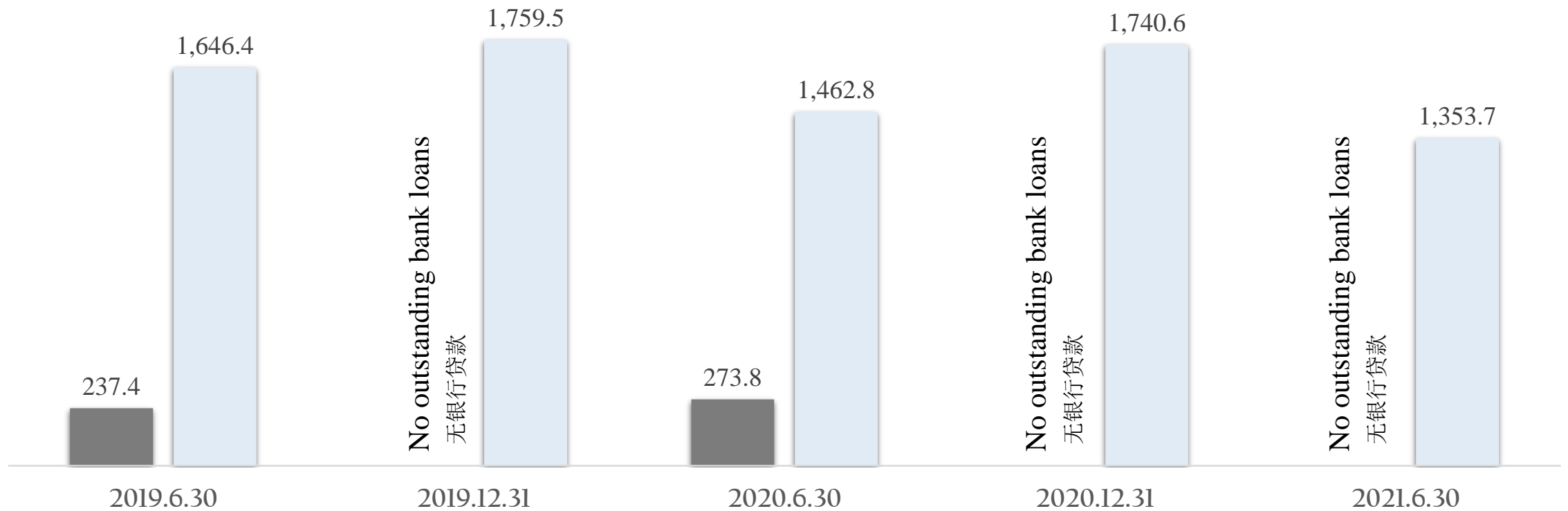
稳健的现金水平

(RMB mn)

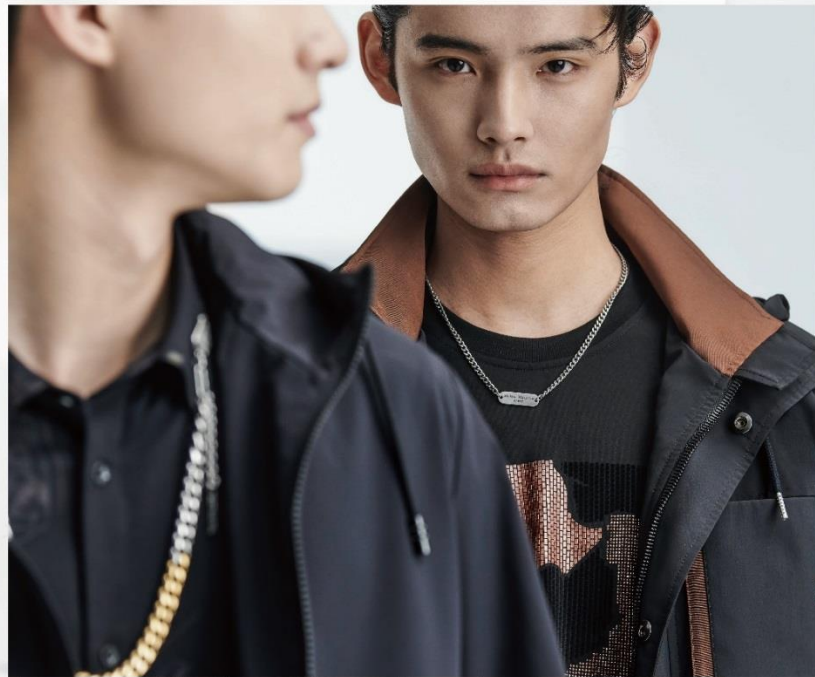
Total Cash and Bank Balance

银行及现金结余

■ Bank Loans 银行贷款
■ Net Cash Balance 净现金结余



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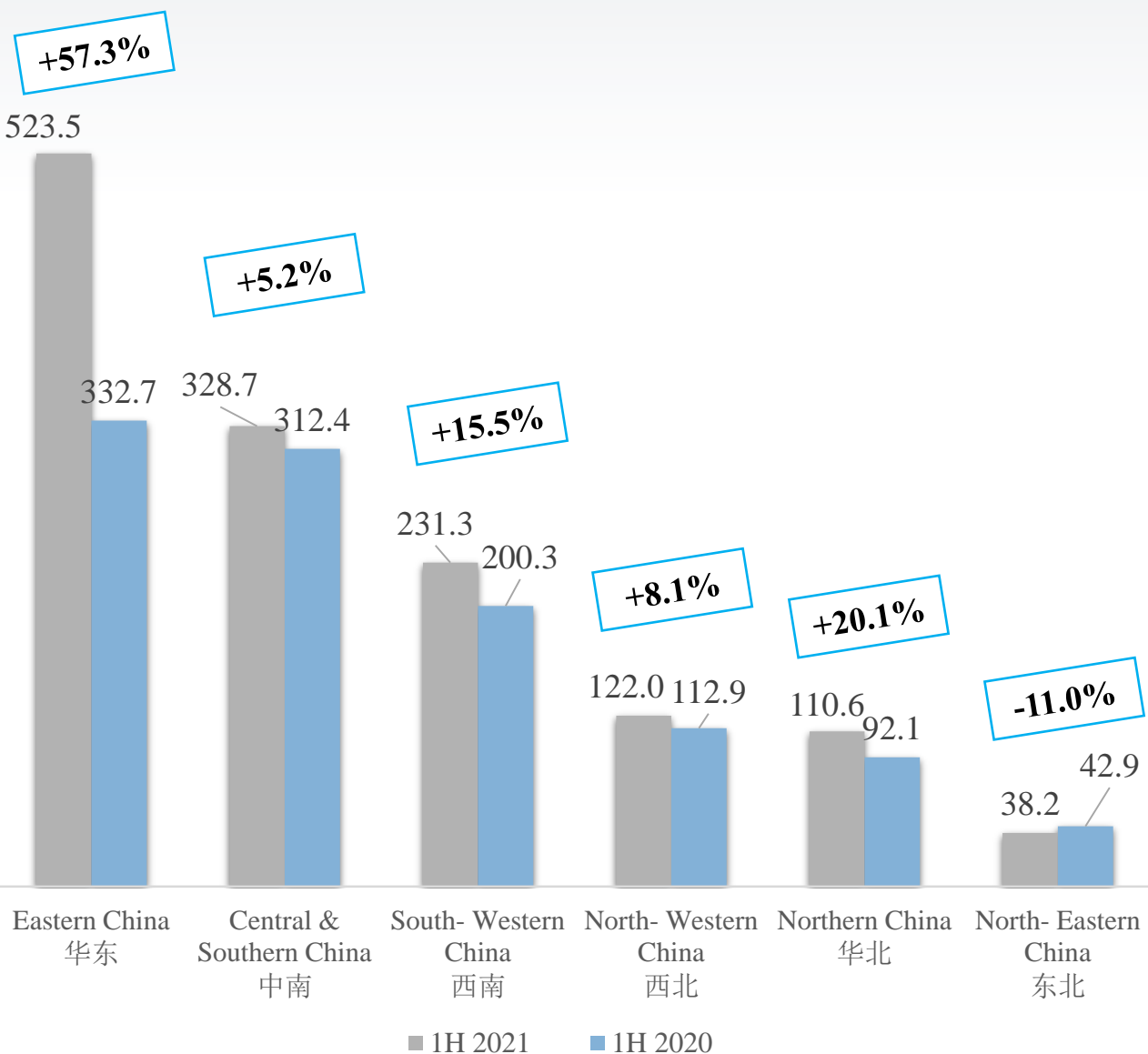
**BUSINESS &
OPERATIONAL
REVIEW**
业务及营运回顾

Sales Channel Management

销售渠道管理

(RMB mn)

Sales by region 各区销售



Store Count by Region 各区店铺数目

	2021-1-1	Open 开店	Close 关店	2021-6-30
Eastern China 华东	790	46	57	779
Central and Southern China 中南	727	52	49	730
South-Western China 西南	494	25	26	493
North-Western China 西北	271	19	22	268
Northern China 华北	294	10	30	274
North-Eastern China 东北	185	2	23	164
Total 总数	2,761	154	207	2,708
Total Retail Floor Space 总店铺面积 (sqm 平方米)	398,900			397,100 (-0.5%)

Sales Channel Management (Con't)

销售渠道管理 (续)

- ✧ **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

- ✧ **提升销售渠道控制:** 轻商务、网店转为**自营**、主系列约40%店铺转**代销**
- ✧ **优化零售网络:**
 - ✓ 关闭低效店铺，同时继续谨慎挑选优质商场开设门店
 - ✓ 轻商务分阶段优化店铺网络及店铺陈列空间，上半年**完成位于西安、郑州的店铺整改**
 - ✓ 主系列开始推广第7代店铺装修至现有店铺，上半年**完成约100家店铺**
 - ✓ **继续提升渠道:** 购物商场店铺超过**821**家，占店铺总数目约**30%**，占总店铺面积约**33%**



Total store count as at 30 June 2021: **2,708**

➢ **2,421** core collection stores; **287** smart casual collection stores

于2021年6月30日总店数: **2,708** 家

➢ **2,421** 家 主系列店铺; **287** 家轻商务系列店铺



提升库存管理

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

- 通过线上仓库增加店铺虚拟库存，2021年春夏季产品售罄率提升
- 轻商务库存水平持续下降；主系列库存略高于目标水平，属可控范围
- 透过ERP系统，及时监控店铺的销售及库存情况

New Retail Business Development

新零售业务发展

Online Stores Converted to Direct-to-Retail Model 网店改为自营

- Promotional sales online and live streaming of promotion events were more flexibly organized
- The retail sales value of online stores up by 15% to 20% YOY
- 更灵活推出产品网上促销、直播带货等推广活动
- 网店零售额同比增加 15%至20%



Actively Promote Business of Using the WeChat Platform 积极推动利用微信平台的业务

- Encourage physical stores to use WeChat platform to attract more customers
- Stores in Wechat Mall expand the virtual inventories of stores and helped improving store efficiency
- 推动实体店利用微信平台增加客流
- 微商城店铺扩大店铺虚拟库存, 有助店效提升

Added More New Products for Online Sales 增加推出新产品在网店销售

- Launched new special edition of pants products for online stores during the 618 shopping festival
- Produced swiftly in-house by adding 7 production lines for small batch orders
- 于6.18电商购物节在网店推出新品裤类电商特别款
- 在集团自设厂房增加七条生产线、快速小批量生产



Product Design, Development and Supply Chain Management

产品设计、开发及供应链管理



坚持产品的个性化设计及原创性

- 上半年：产品原创比例维持约70%
- 2021冬季：预期可进一步提升至约75%

按产品设计及市场竞争力提高产品加价率

- 2021年春夏季完成提升轻商务系列产品的时尚度及设计感的工作
- 在执行「提供物超所值产品」策略的同时，2021春夏季开始按产品设计、市场竞争力提高个别产品的加价率

增加推出快款产品的能力

- 于去年开始积极开发新的供应商，提供快款物料，配合集团自设厂房的快速小批量生产能力，可以在电商渠道推出快款产品

强大研发团队

- 约440人，包含国际及本地研发人才



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%

Increased products' markup rate based on product design and market competitiveness

- Completed the upgrade of the fashion elements and design of products of the smart casual collection in the 2021 SS seasons
- While adhering to the strategy of providing products that represent excellent value-for-money, increased products' markup rate based on product design and market competitiveness starting 2021 SS seasons

Adding fast-developed products capability

- Started developing new suppliers in sourcing materials for fast-developed products since last year, able to launch more fast-developed products online with in-house production capability to produce small batch orders swiftly

Strong research and development team

- About 440 members comprising international and local talents

Marketing, Promotion & Awards

品牌管理、宣传及奖项

Launched a series of brand promotion activities
推出一连串的品牌推广活动,

- Continued brand promotion activities featuring the brand ambassador Han Han
继续以代言人韩寒作品牌推广活动:
- Sponsored the New Year's Eve talk show "2021, Speaking the Truth" participated by Han Han, including sponsoring the costume of certain guests and placing image advertisements
赞助韩寒参加的跨年演讲脱口秀「2021, 有一说一」, 包括赞助部分嘉宾服装以及植入形象广告内容
- Produced a short film about the post-epidemic positive feelings which was broadcasted on various online media and in high-speed train
拍摄以疫后正面情怀为主题的短片在各个网上媒体以及在动车上播放

The "I Look Great with the World" commercial shot by Han Han and Li Dan launched in 2020 Q4 garnered the "**Creative Communication Gold Case**" award in the 10th ADMEN International Awards in 2021, and won the **Gold Award for the 2021 IAI Awards**.



2020年第四季度推出、由韩寒和李诞拍摄的「我和世界挺搭的」广告片获**2021年第十届ADMEN国际大奖**颁发「**创意传播类实战金案**」奖及**2021年IAI传鉴国际广告奖金奖**

Continued to participate in the Advertising Festival of Chinese College Students to enhance brand awareness among a young consumer demographic

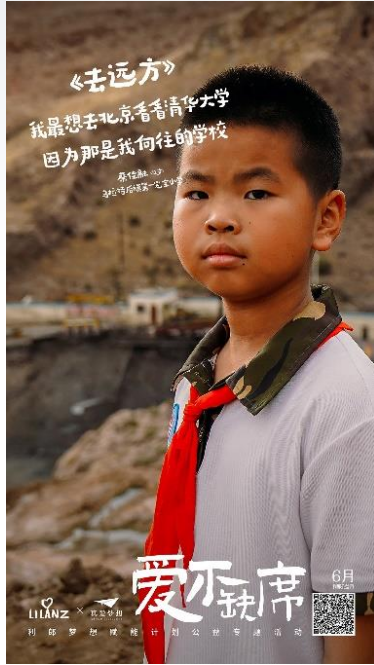
继续参与中国大学生广告艺术节, 向年青消费群提升品牌美誉度

- Solicited publicity plans and ideas for its brand and product design from college students
征集大学生为集团品牌及产品设计的宣传方案
- The activities engaged over 1.5 million college students
活动接触超过150万名大学生



Marketing, Promotion & Awards (Con't)

品牌管理、宣传及奖项（续）



Continued to cooperate with Adream Foundation to enhance corporate image
继续与上海真爱梦想基金合作，提升品牌形象

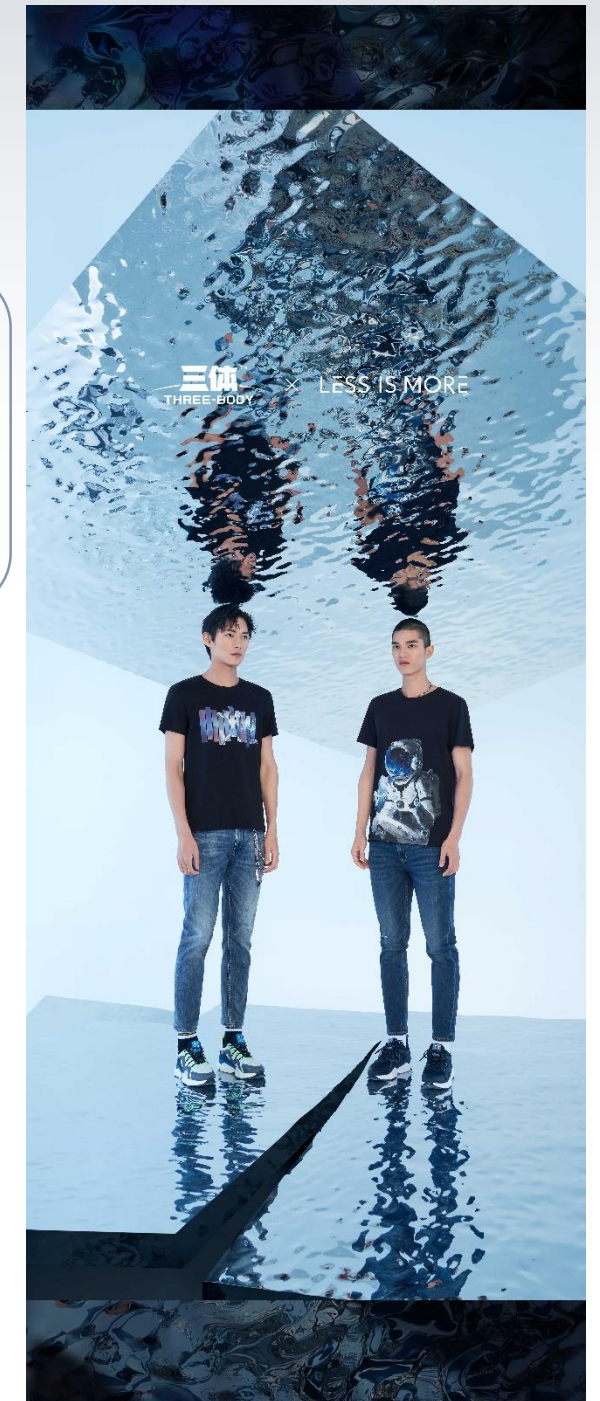
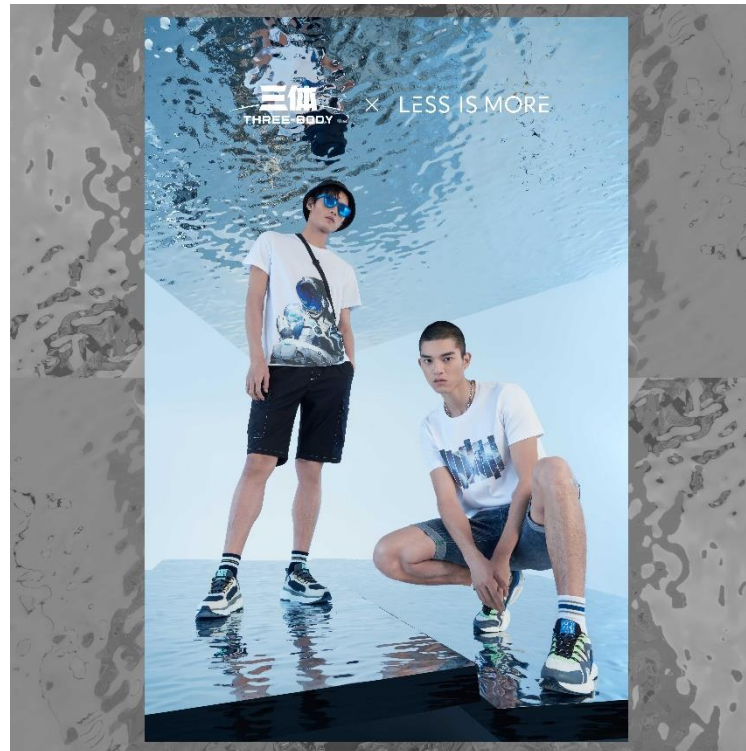
- In addition to donations, the Group also launched student-designed tops on Father's Day in June. All sales proceeds were donated to the fund

除了捐赠，在六月份父亲节推出由学生设计的上衣服饰，所有销售收益皆捐赠予基金

Launched LILANZ crossover products 推出联名产品

- Core collection and smart casual collection launched crossover products with China Daily and the science fiction “The Three-Body Universe” respectively

主系列和轻商务分别与中国日报以及科幻小说《三体》推出IP联名系列



OUTLOOK & STRATEGY

前景与策略



Prudent & Flexible Operation Strategy

审慎而灵活的经营策略

继续优化店铺网络、提升零售管理

- ✓ 严格筛选优质购物商场、合适的店铺位置开店，以取代低效的街边店
- ✓ 继续增加在奥特莱斯开店，作为清理库存常设渠道
- ✓ 轻商务系列：继续分阶段优化各区店铺网络，调整各店铺陈列空间；下半年整改合肥、南昌、长沙等城市的店铺
- ✓ 7月份举办培训，加强分销商利用微信平台引流及增加销售的技巧
- ✓ 目标：进一步提升店效及产品售罄率

经营目标 Operational Targets

- ◇ 2021年全年总零售金额增长：
 - 由原来的10%或以上，修订为15%或以上
- ◇ 2021年全年增加店铺数目：
 - 由原来100-150家，修订为50-100家

- ◇ **The total retail sales growth for FY 2021:**
 - **Revised from 10% or more to 15% or more**
- ◇ **Store counts adding in FY 2021:**
 - **Revised from 100 to 150 stores to 50 to 100 stores**

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



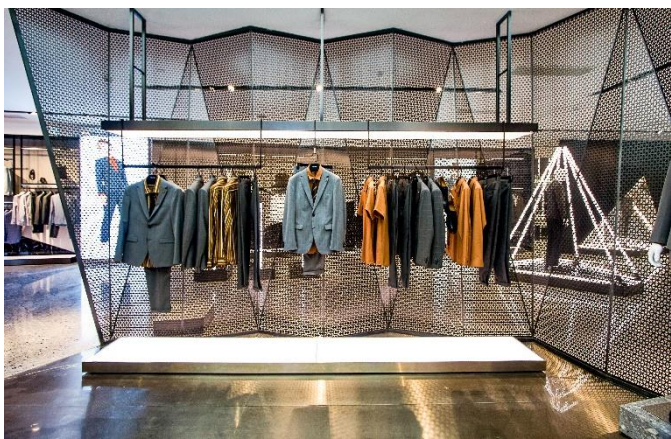
Prudent & Flexible Operation Strategy (Con't)

审慎而灵活的经营策略（续）

New Retail

新零售

- Launching more fast-developed products by using the Group's 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
- 利用集团自设厂房的快速小批量生产能力推出更多电商快款产品
- 按计划于二零二一年秋、冬季，与通过环保认证的供应商合作，推出环保系列特别版产品在网上销售



Brand Promotion

品牌推广

- 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 fiction "The Three-Body Universe" will 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
- 继续在抖音、小红书等网站策划不同的品牌推广活动
- 主系列与中国日报的联名产品，及轻商务系列与科幻小说《三体》的联名产品将在秋、冬季延续推出新产品
- 下半年将继续推广主系列第七代店铺形象装修至约400家现有店铺
- 轻商务亦计画在下半年推出新店铺形象



Construction of the New Headquarters and New Logistics Park

兴建新总部及新物流园



- The new headquarters in Fujian has begun operation in February 2021, providing a new step for the development of the Group.
- 位于福建的新总部已于二零二一年二月正式启用，为集团的发展提供一个新的台阶

- 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
- 新的物流园第一期的目标是在11.11购物节前开始营运，将更有效提升集团库存管理以及物流配送的效益



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