EEKA FASHION
贏家時尚

EEKA Fashion Holdings Limited
贏家時尚控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

SUMMARY

- Revenue and gross profit of the Group for the year ended 31 December 2019 reached RMB4,148.42 million and RMB3,011.22 million respectively, representing an increase of 64.56% and 67.02% respectively as compared to the year ended 31 December 2018.

- Profit for the year ended 31 December 2019 was RMB393.92 million as compared to RMB272.31 million for the year ended 31 December 2018, representing an increase of 44.66% or RMB121.61 million. Net profit margin was 9.50% for the year ended 31 December 2019 (2018: 10.80%).

- Net cash inflow from operating activities was RMB699.45 million for the year ended 31 December 2019 (2018: RMB400.05 million).

- Basic earnings per share for the year ended 31 December 2019 was RMB69 cents (2018: RMB56 cents).

- The Board proposed to declare a final dividend of HK16 cents per share for the year ended 31 December 2019 (2018: HK32 cents).

The board (the "Board") of directors (the "Directors") of EEKA Fashion Holdings Limited (the "Company") hereby announces the consolidated financial results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2019 with comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	6	**4,148,421**	2,520,906
Cost of sales		**(1,137,197)**	(717,946)
Gross profit		**3,011,224**	1,802,960
Other income and gains	6	**42,981**	38,844
Selling and distribution expenses		**(2,223,806)**	(1,367,655)
Administrative expenses		**(308,914)**	(149,882)
Impairment losses on financial assets	7	**(488)**	(122)
Other expenses		**(5,677)**	(434)
Finance costs		**(26,060)**	(7,972)
PROFIT BEFORE TAX	7	**489,260**	315,739
Income tax	8	**(95,339)**	(43,425)
PROFIT FOR THE YEAR		**393,921**	272,314
Attributable to:			
Owners of the parent		**405,606**	272,759
Non-controlling interests		**(11,685)**	(445)
PROFIT FOR THE YEAR		**393,921**	272,314
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
For profit for the year		**RMB69 cents**	RMB56 cents
Diluted			
For profit for the year		**RMB69 cents**	RMB56 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000*
PROFIT FOR THE YEAR	**393,921**	272,314
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of financial statements	**(8,126)**	(375)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**385,795**	271,939
Attributable to:		
Owners of the parent	**397,480**	272,384
Non-controlling interests	**(11,685)**	(445)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**385,795**	271,939

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**665,264**	155,435
Right-of-use assets		**668,778**	–
Goodwill		**1,253,540**	21,681
Other intangible assets		**612,309**	21,780
Prepayments, other receivables and other assets		**56,908**	21,736
Equity investments designated at fair value through other comprehensive income		**43,277**	43,277
Financial assets at fair value through profit or loss		**49,517**	–
Deferred tax assets		**30,932**	17,852
Total non-current assets		**3,380,525**	281,761
CURRENT ASSETS			
Inventories		**651,565**	460,634
Trade and bills receivables	*10*	**623,445**	304,117
Prepayments, other receivables and other assets		**165,499**	65,087
Financial assets at fair value through profit or loss		**–**	30,000
Cash and cash equivalents		**691,327**	613,376
Total current assets		**2,131,836**	1,473,214
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**262,185**	76,260
Trade and bills payables	*11*	**198,121**	102,682
Other payables and accruals	*12*	**878,325**	238,291
Lease liabilities		**357,870**	–
Tax payable		**99,872**	68,654
Total current liabilities		**1,796,373**	485,887
NET CURRENT ASSETS		**335,463**	987,327
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,715,988**	1,269,088

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2019

	2019 *RMB'000*	2018 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**–**	21,905
Deferred tax liabilities	**153,836**	8,072
Lease liabilities	**206,490**	–
Other long-term liabilities	**179,159**	–
Total non-current liabilities	**539,485**	29,977
Net assets	**3,176,503**	1,239,111
EQUITY		
Equity attributable to owners of the parent		
Share capital	**5,609**	3,859
Reserves	**3,135,343**	1,214,866
	3,140,952	1,218,725
Non-controlling interests	**35,551**	20,386
Total equity	**3,176,503**	1,239,111

1 GENERAL INFORMATION

EEKA Fashion Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 March 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the "Group". The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 June 2014.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised standards for the first time for the current year's financial statements.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*
Amendments to IFRS 3	*Definition of a Business*[1]

[1] *Early adoption and effective for the annual periods beginning on 1 January 2019*

The amendments to IFRS 9, IAS 19 and IAS 28, and Annual Improvements to IFRSs 2015-2017 Cycle are not relevant to the preparation of the Group's financial statements.

4 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform1*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

[1] *Effective for annual periods beginning on or after 1 January 2020*
[2] *Effective for annual periods beginning on or after 1 January 2021*
[3] *No mandatory effective date determined but available for adoption*

5 OPERATING SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business, retailing and wholesale of womenswear in the People's Republic of China. Accordingly, no segmental analysis is presented.

Information about major customers

The Group's customer base is diversified and no single external customer from which the revenue amounted to 10% or more of the Group's total revenue during the years ended 31 December 2019 and 2018.

6 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue from contracts with customers	**4,148,421**	2,520,906

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

	Total ***RMB'000***
Type of goods	
Sale of apparel and accessories	**4,148,421**
Geographical markets	
Mainland China	**4,148,026**
Hong Kong	**395**
	4,148,421
Timing of revenue recognition	
Goods transferred at a point in time	**4,148,421**

For the year ended 31 December 2018

	Total *RMB'000*
Type of goods	
Sale of apparel and accessories	2,520,906
Geographical markets	
Mainland China	2,520,906
Timing of revenue recognition	
Goods transferred at a point in time	2,520,906

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2019 ***RMB'000***	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of apparel and accessories	**84,586**	69,853

(ii) ***Performance obligation***

Information about the Group's performance obligations is summarised below:

Sale of apparel and accessories

The performance obligation is satisfied upon delivery of the apparel and accessories.

	2019 ***RMB'000***	2018 *RMB'000*
Other income, net		
Bank interest income	**1,599**	2,977
Subsidy income*	**13,634**	21,603
Other interest income from financial assets at fair value through profit or loss	**20,757**	13,004
Rental income	**1,171**	–
Design service income	**2,219**	–
Others	**3,601**	1,260
	42,981	38,844

* Subsidy income represents various government grants received from the relevant government authorities to support the development of the Group in Mainland China. In the opinion of management, there are no unfulfilled conditions or contingencies relating to these grants.

7 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019 RMB'000	2018 RMB'000
Cost of inventories sold	**1,137,197**	717,946
Depreciation of property, plant and equipment	**82,566**	58,072
Depreciation of right-of-use assets	**310,975**	–
Amortisation of other intangible assets	**5,834**	5,135
Research and development costs^:		
Current year expenditure	**103,134**	48,826
Lease payments not included in the measurement of lease liabilities	**691,873**	654,138
Auditor's remuneration	**1,929**	3,000
Employee benefit expense (including directors' remuneration)		
Wages and salaries	**780,532**	452,196
Pension scheme contributions	**41,587**	29,518
	822,199	481,714
Exchange losses, net#	**1,148**	103
Impairment of trade receivables	**488**	122
Write-down of inventories to net realisable value*	**1,499**	3,546
Fair values losses, net:#		
Financial assets at fair value through profit or loss loan receivable with a conversion option	**733**	–

^ Research and development costs are included in "Administrative expenses" in the consolidated statement of profit or loss.

* Write-down of inventories to net realisable value are included in "Cost of sales" in the consolidated statement of profit or loss.

Exchange losses and fair value losses of financial assets at fair value through profit or loss – loan receivable with a conversion option are included in "Other expenses" in the consolidated statement of profit or loss.

8 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company incorporated in the Cayman Islands is exempted from taxation.

Hong Kong profits tax rate has been 16.5% (2018: 16.5%).

No provision for Hong Kong profits tax has been made as the Group had non-taxable profits derived from or earned in Hong Kong during the year of 2019 (2018: Nil).

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax at a statutory rate on their respective taxable income for the year ended 31 December 2019.

	2019	2018
	RMB'000	*RMB'000*
Current – Mainland China	**100,936**	49,024
Deferred	**(5,597)**	(5,599)
Total tax charge for the year	**95,339**	43,425

9 EARNINGS PER SHARE

The calculation of the basic earnings per share amount for the year ended 31 December 2019 is based on the profit for the year attributable to ordinary equity holders of the parent of RMB405,606,000 (2018: RMB272,759,000), and the weighted average number of ordinary shares of 585,421,388 shares (2018: 486,337,000 shares) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**405,606**	272,759

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**585,421,388**	486,337,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,813,309**	3,865,999
	589,234,697	490,202,999

10 TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade and bills receivables	**625,151**	305,029
Impairment	**(1,706)**	(912)
	623,445	304,117

Majority of the trade receivables are related to sales made through the Group's self-operated stores. The Group leased a number of retail stores within department stores and shopping malls in the Mainland China. Proceeds from the Group's sales made in these leased retail stores are mainly collected by the department stores and the shopping malls on the Group's behalf. Following the completion of the reconciliation of the sales in the past month with the department stores and shopping malls, the Group then issues invoices, which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales is made net of the lease rental payable to the department stores and the shopping malls and is generally expected within 60 days from the date of revenue recognition.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
Within 1 month	**337,949**	163,697
1 to 2 months	**170,742**	78,994
2 to 3 months	**55,386**	27,200
Over 3 months	**58,368**	34,226
	622,445	304,117
Bills receivables	**1,000**	–
	623,445	304,117

11 TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the year, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
Within 1 month	**163,889**	85,845
1 to 2 months	**15,751**	7,761
2 to 3 months	**2,583**	1,025
Over 3 months	**1,108**	8,051
	183,331	102,682
Bills payables	**14,790**	–
	198,121	102,682

The trade payables are non-interest-bearing and are normally settled on terms of one month. All the bills payables have maturity dates within a year.

12 OTHER PAYABLES AND ACCRUALS

		31 December 2019	31 December 2018
		RMB'000	*RMB'000*
Contract liabilities	(a)	**76,493**	84,586
Refund liabilities		**6,231**	2,764
Tax payables other than current income tax liabilities		**115,818**	75,242
Salaries and welfare payables		**116,081**	57,995
Other payables	(b)	**563,702**	17,704
		878,325	238,291

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Short-term advances received from customers		
Sale of goods	**76,493**	84,586

(b) Other payables are non-interest-bearing and have an average term within a year.

13 DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Final dividend	**137,062**	100,536
2018 interim special dividend	**–**	55,561
Proposed final – HK16 cents (2018: HK32 cents) per ordinary share	**98,187**	136,361
	235,249	292,458

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2019, China's total consumer goods market grew steadily and its structure continued to optimize. Consumption remains the most powerful growth engine for the China's economy. In 2019, The total domestic retail sales of consumer goods for the whole year was RMB41.16 trillion, an increase of 8.0% over the previous year. Of which, online sales of physical goods were RMB8.52 trillion, an increase of 19.5% over the previous year, accounting for 20.7% of the total retail sales of consumer goods, which increased by 2.3 percentage points compared to last year.

Affected by the factors of tightening of cross-border e-commerce supervision and the depreciation of the RMB exchange rate, the overseas high-end consumption accelerated to return to the country, prompting the domestic high-end consumer market to further expand. The government also issued a series of policies to encourage and conduct residents to upgrade their consumption structure, so that domestic high-end consumption continues to grow.

Benefiting from the stabilization of the macroeconomic environment, the middle and high-end womenswear market continued its recovery, and the scale growth rate was higher than the average level of the apparel industry. The "2019 Women 's Clothing Industry Trend Report" released by CBNData, Tmall Women 's Clothing and Tmall Clothing Consumer Insight, which mentioned that in the emerging Asia-Pacific countries, with the continuous improvement of Chinese residents' consumption capacity and scale of apparel consumption, China is expected to stabilize the world Seat in the first fashion consumer market. The main driving force for China's consumption growth in the future will come from the rising middle class and the new consumer demand of the new generation of young people.

With the rise of the China's economy, Chinese style has become a new favorite in the fashion industry, and domestic clothing brands have risen strongly. The improvement of spending power and the diversification of consumer demand have driven the generation of the 80s and 90s, and even 00s consumer groups to pay more attention to high-quality clothing products and services, and to favor clothing brands with years of cultural precipitation, and they are more inclined to choose suitable clothing for different segmented scenes and pursue more personalized dress. This type of consumer group has low price sensitivity and its consumption potential cannot be underestimated. The fashion industry is changing with each passing day, technology is empowering the fashion industry, and social platforms allow consumers to enjoy scene-style shopping. The virtual fitting room, live selling, and other methods provide consumers with a novel shopping experience. The cross-border and co-branded collaboration of the fashion industry to launch special edition products all caters to consumers' tastes in pursuit of emerging things.

At the current stage, the overall development trend of the middle and high-end womenswear industry presents the five characteristics of multiple types, there are multi-styles, multi-scenes, multi-prices, and quality upgrades. Multi-brand group operation and development is still the only way for middle high-end womenswear companies. With the increase of industry concentration, multi-brand group operations, advancing omni-channel digital strategies, actively exploring new traffic platform marketing, and middle and high-end womenswear companies that keep up with fashion trends will have stronger competitive advantages.

FINANCIAL REVIEWS

Revenue

The principal activities of the Group are design, retail and wholesale of womenswear in the PRC. The Group's revenue is generated primarily from (a) retail sales to end customers in our self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to our distributors, who in turn sell our products to end customers through the retail stores operated by them; and (d) other sales which were mainly derived from staff sales or direct sales through promotional activities outside our retail stores. Revenue represents the sales value of goods sold, excluding VAT and other sales taxes, less sales returns and trading discounts. Total revenue increased from RMB2,520.91 million for the year ended 31 December 2018 to RMB4,148.42 million for the year ended 31 December 2019, representing an increase of 64.56% or RMB1,627.51 million. The increase was mainly attributed to the consolidation of the results of Keen Reach Holdings Limited ("Keen Reach") acquired by the Company in July 2019. Sales generated by our self-operated retail stores accounted for about 78.67% and 81.08% of our total revenue in 2019 and 2018 respectively, as it is our strategy to grow our business and sales network predominantly through expanding the number of our self-operated retail stores.

Total revenue from e-commerce increased by 92.55% from RMB208.03 million for the year ended 31 December 2018 to RMB400.57 million for the year ended 31 December 2019, primarily due to an increase in sales of our products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as, our effort in developing our online retail stores through expanding our e-commerce team and establishing a business division dedicated to the e-commerce business.

Total revenue from distributors increased 84.59% from RMB257.42 million for the year ended 31 December 2018 to RMB475.18 million for the year ended 31 December 2019.

Cost of sales

Cost of sales increased from RMB717.95 million during the year ended 31 December 2018 to RMB1,137.20 million for the year ended 31 December 2019, representing an increase of 58.40% or RMB419.25 million, mainly due to the increase in the cost of inventories sold as a result of the growth of our revenue due to consolidation of results of Keen Reach.

Gross profit and gross margin

Gross profit increased from RMB1,802.96 million for the year ended 31 December 2018 to RMB3,011.22 million for the year ended 31 December 2019, representing an increase of 67.02% or RMB1,208.26 million. Our overall gross profit margin slightly increased from 71.52% for 2018 to 72.59% for 2019.

Selling and distribution expenses

Selling and distribution expenses increased by 62.60% from RMB1,367.66 million for the year ended 31 December 2018 to RMB2,223.81 million for the year ended 31 December 2019, primarily due to (a) the increase in store concession fees as a result of the increase in sales; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of our sales network as well as business growth; and (d) the increase in rental expenses due to increase in number of stores, all as a result of acquisition of Keen Reach.

Administrative expenses

Administrative expenses increased by 106.10% from RMB149.88 million for the year ended 31 December 2018 to RMB308.91 million for the year ended 31 December 2019 primarily due to (a) the increase in salaries and benefits for our administrative staff as we expanded our business and increased the head-count of our administrative staff as a result of acquisition of Keen Reach; and (b) the increase in research and development costs with existing brands.

Finance costs

Finance costs increased by 266.98% from RMB7.97 million for the year ended 31 December 2018 to RMB26.06 million for the year ended 31 December 2019. It was mainly attributed to the adoption of IFRS 16 with the recognition of the interest expenses on lease liabilities of the Group for the year.

Income tax expenses

Income tax expenses increased by 119.53% from RMB43.43 million for the year ended 31 December 2018 to RMB95.34 million for the year ended 31 December 2019. It was mainly attributed to the consolidation of results of Keen Reach and the higher comprehensive income tax rate of Keen Reach.

Net profit and profit margin

As a result of the foregoing factors, the net profit of the Company attributable to shareholders was RMB405.61 million for the year ended 31 December 2019 as compared to RMB272.76 million for the year ended 31 December 2018, representing an increase of 48.71% or RMB132.85 million. Net profit margins were 9.50% and 10.80% for the years ended 31 December of 2019 and 2018 respectively.

Capital structure

The Group requires working capital to support its design and development, retail and other business operations. As at 31 December of 2019, the Group's total current assets were RMB2,131.84 million (31 December 2018: RMB1,473.21 million) and total current liabilities were RMB1,796.37 million (31 December 2018: RMB485.89 million). The current ratio as at 31 December 2019 was 1.19 (31 December 2018: 3.03).

As at 31 December 2019, the total sum of the Group's interest-bearing bank amounted to RMB262,185,000 (31 December 2018: RMB98,165,000), representing an increase from the end of last year as the Group actively expanded in PRC market to satisfy the funding needs. The Group's borrowings were mainly denominated in RMB and HKD.

Financial position, liquidity and gearing ratio

As at 31 December 2019, the Group's cash and cash equivalents were RMB691.33 million (31 December 2018: RMB613.38 million), denominated as to 93.93% in RMB, 0.19% in United States dollar, 5.61% in Hong Kong dollar, 0.05% in Korean won and 0.22% in Euro. The net cash inflow from operating activities generated was RMB699.45 million for the year ended 31 December 2019, up 74.84% from RMB400.05 million for the year ended 31 December 2018.

As at 31 December 2019, the gearing ratio (i.e. outstanding bank loans divided by total equity) was 8.25% (31 December 2018: 7.92%).

Exposures to fluctuation in foreign exchange

The Group is exposed to currency risk attributable to receivables, payables and cash balances that are denominated in foreign currencies, i.e. currencies other than the functional currency of relevant subsidiaries. The management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level. The Group mainly operates its business in the PRC with most of the transactions settled by RMB. Hence, the Board considers that the risk exposure to foreign exchange rate fluctuation is not significant and no financial instrument of hedging was employed to hedge against the currency risks.

Contingent liabilities

As at 31 December 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

Material acquisition

On 25 March 2019, the Company and Apex Noble Holdings Limited ("Apex Noble") entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire and take an assignment of, and Apex Noble conditionally agreed to dispose of the entire issued share capital of, and the shareholder's loan due by, Keen Reach (the "Acquisition") at the consideration of HK$2,387,775,349 which shall be satisfied as to HK$500,000,000 in cash and as to HK$1,887,775,349 by the issue and allotment of 198,713,195 new shares of the Company at the issue price of HK$9.50 per share. The Acquisition was completed on 3 July 2019. Through this Acquisition, the Group has expanded the multi-brand group operation and development for middle and high-end women's clothing in market. The acquisition target is a famous fashion apparel company with unique brand culture concept, advanced R&D design center, sound marketing service system, efficient logistics distribution and network management system. Given that Apex Noble is wholly owned by Mr. Jin Rui, being the brother of Mr. Jin Ming, the Acquisition constituted a major and connected transaction of the Company under the Listing Rules. Details of the Acquisition were set out in the announcement and the circular of the Company dated 25 March 2019 and 29 April 2019 respectively.

On 5 September 2019, Shenzhen Koradior Fashion Ltd. (深圳市珂萊蒂爾服飾有限公司), an indirect wholly owned subsidiary of the Company, entered into the share transfer agreement and the debt repayment agreement with Shenzhen Western Urban Construction Investment Holding Group Co., Ltd. (深圳市西部城建投資控股集團有限公司) (the "Vendor") pursuant to which (i) the Vendor has agreed to sell and the Group has agreed to purchase the entire equity interests of Shenzhen Haowei Flat Screen Display Materials Co., Ltd. (深圳市豪威平板顯示材料有限公司) (the "Target") for a cash consideration of RMB401,134,629.32 (equivalent to approximately HK$449,270,785) in two tranches; (ii) the Group has agreed to assume certain outstanding debt liabilities of the Target amounted to RMB188,865,370.68 (equivalent to approximately HK$211,529,214); and (iii) the vendor has agreed to provide a waive on the above total cash consideration amounted to RMB20,000,000 given that Shenzhen Koradior Fashion Ltd. is eligible to pay the entire cash consideration before July 31, 2020. The Group is expected to release the payment before July 31, 2020 and accordingly the total consideration of the acquisition was RMB570,000,000. Such acquisition constituted a discloseable transaction of the Company under the Listing Rules. Details of the acquisition were set out in the announcement of the Company dated 5 September 2019.

Save as disclosed above, during the year ended 31 December 2019, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Significant Investments

On 15 December 2015, the Group entered into a partnership agreement with Shenzhen Dongfang Ruizhe Assets Management Co., Ltd. (深圳東方瑞哲資產管理有限責任公司), Shenzhen HT Intelligent Control Co., Ltd. (深圳和而泰智能控制股份有限公司) and Hangzhou Xinkun Equity Investment Partnership (杭州心坤股權投資合夥企業), to jointly establish Shenzhen Qianhai Ruilin Investment Management Co., L.P. (深圳前海瑞霖投資管理企業(有限合夥)) ("Qianhai Ruilin") with a total investment amount of RMB110 million. As at 31 December 2019, the Group has invested RMB30 million in Qianhai Ruilin at fair value of RMB43.28 million (2018: RMB43.28 million). Qianhai Ruilin was established solely for investing in Qingdao Kute Smart Co., Ltd (青島酷特智能股份有限公司).

Use of proceeds

With the successful listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 June 2014, net proceeds of HK$534.74 million have been raised. As at 31 December 2019, all proceeds have been utilised as planned.

There was no equity fund raising activity by the Company for the year ended 31 December 2019.

BUSINESS REVIEWS

1. EEKA Brands

The Group now operates ten brands to meet various dressing needs of our customers including: our own high-end brands (i) Koradior (ii) La Koradior (iii) Koradior elsewhere, (iv) cost effective brand – FUUNNY FEELLN, acquired brands – (i) CADIDL (ii) NAERSI (iii) NAERSILING (iv) NEXY.CO, international agent brands – Obzee and O'2nd.

The Group is the only fashion group in the middle and high-end womenswear industry with dual-brand sales revenue of more than RMB1,000 million. Its dual main brands Koradior and NAERSI are among the top 10 industry. Sales revenue from Koradior elsewhere, La Koradior, NAERSILING, NEXY. CO, CADIDL sales are generally between RMB300-600 million, and the Company has the ability to create "super quality" and "multi-product". During the reporting period, in order to enrich the product level of the company's mid-end line, the Company launched a cost-effective brand FUUNNY FEELLN, which is aimed at a wider population and meets more diverse needs. As a brand cluster enterprise, the Company's group operation is outstanding, and it has built an endogenous and diversified mid-to-high end brand matrix. A brief introduction to the brands of the Group is as follows:

(i)"Koradior" brand was established in 2007 which is positioned to offer our customers feminine, stylish, chic and young-looking designs; (ii)"La Koradior" brand was launched in September 2012 which is positioned to offer luxurious and elegant designs; (iii)"Koradior elsewhere" brand was launched by in September 2014, which is positioned to offer leisurely, comfort and high quality designs; (iv) "CADIDL" which is majoritively owned by Mondial, and is in turn owned as to 65% by the Group after the acquisition on 13 July 2016 is positioned to offer our customers pursuit of artistic designs; (v) on 9 March 2017, the Group, through its 90% owned subsidiary entered into the five-year exclusive agreement with Handsome Global Co., Ltd（漢纖國際有限公司）to engage in the distribution and marketing of product under the brands "Obzee" and "O'2nd"; (vi) "FUUNNY FEELLN" is a cost-effective brand launched in January 2019 which is positioned to exquisite, modern and interesting focusing on the future of women's lifestyle; and (vii) "NAERSI", "NEXY.CO" and "NAERSILING" are owned by Keen Reach Holdings Limited, and Keen Reach are in turn owned as to 100% by the Group after the acquisition on 3 July 2019. NAERSI is delivering "City Elite" fashion cultural and high quality, fine taste and comfortable clothing for elite women with the pursuit of successful career and life. NEXY.CO is dedicated to urban, chic women with a sophisticated, charismatic and refined image. NAERSILING embodies classical tailoring with modern design and a state of young mind into artful expression, confident lifestyle and diversified beauty performances, defines its brand style as freedom, simple and modern.

As at 31 December 2019, there were 1,697 retail stores, covering 32 cities of provinces, autonomous regions and municipalities, of which 1,257 were operated by us and 440 were operated by our distributors under our ten brands. Out of the 1,257 self-operated retail stores, there were 841 retail stores in department stores, 153 retail stores in shopping malls, 199 retail stores in outlets, 33 retail stores on street levels and 31 retail stores in airport. For the year ended 31 December 2019, the Group's revenue increased to RMB4,148.42 million, representing an increase of 64.56% as compared to the year ended 31 December 2018. Revenue generated by our self-operated retail stores accounted for 78.67% of our total revenue and e-commerce revenue was RMB400.57 million, representing 9.66% of our total revenue, primarily generated through third party e-commerce platforms such as Tmall, VIP.com.

Revenue analysis by brands

Brand	**2019**		2018		**Increase/(decrease)**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*by %*
Koradior	**1,874,378**	**45.18%**	1,635,890	64.89%	238,488	14.58%
La Koradior	**239,031**	**5.76%**	208,044	8.25%	30,987	14.89%
Koradior elsewhere	**410,681**	**9.90%**	352,857	14.00%	57,824	16.39%
CADIDL *(note 1)*	**189,141**	**4.56%**	192,815	7.65%	(3,674)	(1.91%)
De Kora	**615**	**0.01%**	2,954	0.12%	(2,339)	(79.18%)
O'2nd *(note 2)*	**87,111**	**2.10%**	94,389	3.74%	(7,278)	(7.71%)
Obzee *(note 2)*	**27,055**	**0.65%**	33,957	1.35%	(6,902)	(20.33%)
FUUNNY FEELLN	**4,113**	**0.10%**	–	–	4,113	100%
NAERSI *(note 3)*	**743,532**	**17.92%**	–	–	743,532	100%
NAERSILING *(note 3)*	**271,937**	**6.56%**	–	–	271,937	100%
NEXY.CO *(note 3)*	**300,827**	**7.26%**	–	–	300,827	100%
Total	**4,148,421**	**100%**	2,520,906	100%	1,627,515	64.56%

Note 1: The Group acquired 65% of the equity interest of Shenzhen Mondial Industrial Co., Limited which has self-owned brand "CADIDL" on 13 July 2016.

Note 2: The Group acquired the assets of SK Networks (China) Fashion Co. Ltd. (including fashion products under the brand names "Obzee" and "O'2nd") on 9 March 2017.

Note 3: The Group acquired 100% of the equity interest of Keen Reach Holdings Limited which has self-owned brand "NAERSI", "NEXY.CO" and "NAERSILING" on 3 July 2019.

Revenue analysis by sales channels

Sales channel	**2019**		2018		**Increase/(decrease)**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*by %*
Self-operated retail stores	**3,263,382**	**78.67%**	2,044,019	81.08%	1,219,363	59.66%
Wholesales to distributors	**475,176**	**11.45%**	257,415	10.21%	217,761	84.59%
E-commerce	**400,566**	**9.66%**	208,028	8.25%	192,538	92.55%
Others	**9,297**	**0.22%**	11,444	0.46%	(2,147)	(18.76%)
Total	**4,148,421**	**100%**	2,520,906	100%	1,627,515	64.56%

The Group has the largest number of self-operated retail stores in the industry, and the huge retail network enables the Group to have stronger bargaining power and significant scale effects. In a market competition environment with deepening uncertainty, direct sales channels will play a pillar role in the steady and sustained growth of the Group's performance. At the same time, the self-operated retail stores layout also allows brands to fully contact customers, understand the market, meet the demand, and to deal with uncertain risks.

The Group has always placed a strong focus on establishing self-operated retail stores. For the year ended 31 December 2019, 1,257 self-operated retail stores generated revenue of RMB3,263.38 million in aggregate, representing an increase of 59.66% as compared to the year ended 31 December 2018. Direct revenue comes mainly from the existing stores sales growth and sales from newly opened store.

The Group's brand is further expanded after the large-scale development, with more dealers seeking collaboration with the Group. There were 122 new retail stores operated by distributors under ten brands (Koradior, La Koradior, Koradior elsewhere, CADIDL, Obzee, O'2nd, FUUNNY FEELLN, NAERSI, NEXY.CO and NAERSILING) in 2019. As at 31 December 2019, there were 440 retail stores operated by distributors and the revenue of retail stores operated by distributors reached RMB475.18 million, representing an increase of 84.59% as compared to the year ended 31 December 2018.

The Group makes use of third-party e-commerce platforms as one of its sales channels. E-commerce revenues for the year of 2019 amounted to RMB400.57 million, representing an increase of 92.55% or RMB192.54 million as compared to the year ended 31 December 2018. The total e-commerce revenue from Tmall increased by 68.50% from RMB161.85 million for the year ended 31 December 2018 to RMB272.71 million (68.08% of the total e-commerce revenue) for the year ended 31 December 2019. The total e-commerce revenue from VIP.com increase by 177.81% from RMB45.92 million for the year ended 31 December 2018 to RMB127.57 million (31.85% of the total e-commerce) for the year ended 31 December 2019. The other e-commerce revenues amounted to RMB0.29 million (0.07% of the total e-commerce) for the year ended 31 December 2019.

The Group's brand members are fully connected. Due to the positioning of each brand's style, there are obvious differences in dressing occasions, so the membership system will be a large-scale increase in the number of brand customers, thereby bringing about potential sales promotion. In order to breakthrough and fully connect to members' data, the Group launched EEKA Fashion Mall, the establishment of a unified member operation center, member operation of full digital and informatization, constructing a very competitive "operating consumers" business system within the industry, through the inventory sharing and distribution system.

Revenue of retail stores analysis by geographical regions
(Excluding e-commerce and others)

The following table sets out the breakdown of our revenue generated from our self-operated retail stores and wholesales to distributors by geographical regions for the years ended 31 December 2018 and 2019, respectively:

	Year ended 31 December			
	2019		2018	
Region	***(RMB million)***	***%***	*(RMB million)*	*%*
Central PRC[1]	**426.04**	**11.40%**	294.72	12.81%
Eastern PRC[2]	**1,214.61**	**32.49%**	751.25	32.64%
North Eastern PRC[3]	**200.51**	**5.36%**	106.67	4.64%
North Western PRC[4]	**325.90**	**8.72%**	193.25	8.40%
Northern PRC[5]	**398.09**	**10.65%**	241.98	10.51%
South Western PRC[6]	**690.62**	**18.47%**	440.60	19.14%
Southern PRC[7]	**482.79**	**12.91%**	272.96	11.86%
Total	**3,738.56**	**100%**	2,301.43	100%

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

2 Eastern PRC includes Shandong, Jiangsu, Zhejiang, Anhui, Shanghai, Jiangxi and Fujian.

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

4 North Western PRC includes Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang.

5 Northern PRC includes Tianjin, Beijing, Inner Mongolia, Hebei and Shanxi.

6 South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.

7 Southern PRC includes Guangxi, Hainan, Guangdong and Hong Kong.

During the year ended 31 December 2019, the revenue of retail stores generated from Eastern PRC and South Western PRC contributed to more than half of the total revenue of self-operated retail stores and wholesales to distributors.

Breakdown of retail stores by geographical regions

During 2019, the Group opened 231 new retail stores (of which 131 are self-operated) and closed 93 retail stores (of which 77 are self-operated stores), representing a net increase of 138 retail stores. The following table sets out the number of retail stores in our sales network by geographical regions in the PRC as at 31 December 2019, including both self-operated retail stores and retail stores operated by distributors:

	Number of retail stores				
	As at 1 January 2019	**Opened during the year**	**Closed during the year**	**Enlarged through acquiring Keen Reach as at 31 December 2019**	**As at 31 December 2019**
Central PRC[1]	106	14	(12)	86	194
Eastern PRC[2]	283	87	(28)	217	559
North Eastern PRC[3]	59	20	(5)	52	126
North Western PRC[4]	90	20	(8)	54	156
Northern PRC[5]	94	33	(16)	86	197
South Western PRC[6]	137	28	(12)	106	259
Southern PRC[7]	93	29	(12)	96	206
Total	862	231	(93)	697	1697

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

2 Eastern PRC includes Shandong, Jiangsu, Zhejiang, Anhui, Shanghai, Jiangxi and Fujian.

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

4 North Western PRC includes Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang.

5 Northern PRC includes Tianjin, Beijing, Inner Mongolia, Hebei and Shanxi.

6 South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.

7 Southern PRC includes Guangxi, Hainan, Guangdong and Hong Kong.

2. Design, research and development

The Group understands the need and preference of customer, through the establishment of the bottom consumer database comprehensive analysis and modeling to guide the development of evaluation and return orders. Big data + Omni-channel comprehensive support design end. In the early stage of design, share information of each brand and member through Omni-channels, compile design research and development directions based on data after accurate figure; after entering the market, adjust the direction based on Omni-channel feedback. Focus on the analysis of products with a small but high production and sales in the early stage, scientific return, as a subordinate potential product, cultivates it into a future best-selling product.

As at 31 December 219, the Group launched 328 series of products under ten brands compared with 219 series of products under six brands in 2018. The total number of SKU[1] reached 6,763 in 2019, representing an increase of 43.59% from a total of 4,710 SKU in 2018. Our research and design team members rapidly expanded to 487 as at 31 December 2019 from 241 as at 31 December 2018.

Note 1: Stock keeping unit with products that are exactly the same except to their different colours deemed as different stock keeping units, and products that are exactly the same except for their different size deemed as one stock keeping unit

The Group engages well-known designers from both overseas and locally in China as the brand creative directors for “Koradior”, “La Koradior”, “Koradior elsewhere”, “CADIDL”, “Obzee”, “O’2nd”, “FUUNNY FEELLN”, “NAERSI”, “NEXY.CO” and “NAERSILING”. Research and development expenses were RMB103.13 million, representing 2.49% of the Group’s total revenue for the year ended 31 December 2019, as compared to RMB48.83 million, representing 1.94% of the Group’s total revenue for the year ended 31 December 2018. The research and development of products not only earned customer’s satisfaction but were also highly recognized by government departments. During the year, the Group released a series of creative design including Koradior “Beautiful Life”, La Koradior “Starlight Oscar”, Koradior elsewhere “Europe Mystery Travel”, CADIDL “Urban Aesthetics”, Obzee “Modern & Rational”, O’2nd “Curious Collector”, FUUNNY FEELLN “Morse Code”, NAERSI “WOMEN\REBUILD”, NEXY.CO “CROSSOVER” and NAERSILING “TRAVELER” series.

3. Marketing and promotion

On 28 May 2019, the Company organised a presentation & brand's 2019 fashion show at Sky 100, International Commerce Centre, Hong Kong to show our brands and introduce the Group's development history, brand overall operation and future development strategy to the investors, customers, shareholders, fashion celebrities and business partners. This presentation was the first appearance of the Group in the capital market after its listing in Hong Kong, breaking through the traditional investors relation presentation, and was the first time the overall strength and image of its high-end womenswear group was unveiled in Hong Kong in an innovative format.

Airport advertising is one of the most effective ways to promote brands. The Group has placed advertisements at Shenzhen Bao'an International Airport, Shanghai Pudong International Airport, Shanghai Hongqiao International Airport and Xi'an Xianyang International Airport presently. The Company invited Rosie Huntington-Whiteley, an international famous top model was Spring/Summer image ambassador and Miranda Kerr was The Group 's brands spokesperson. The Group increased brands promotions and customer interactions through the public platform Wechat's lucky draw cards and greeting cards to increase its brands awareness and influence. The Group also placed brands imaging advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as "ELLESHOP", "HAIBAO", "CHIC" etc. For the year ended 31 December 2019, the brand and marketing promotion expenses (excluding sales promotion expenses) were RMB105.50 million which accounted for 2.54% of the Group's total revenue, representing an increase of RMB43.96 million or 71.43% as compared to RMB61.54 million in 2018 primarily due to acquired brands as a result of acquisition of Keen Reach.

4. Human resources

As at 31 December 2019, the Group had a total of 9,631 full-time employees in the PRC. The following table sets forth a breakdown of our employees' allocation by departments as at 31 December 2018 and 31 December 2019 respectively:

	2019 Number of employees	2018 Number of employees
Management, administration and finance	**274**	142
Product design and research and development	**487**	241
Sales and marketing	**8,551**	4,402
Procurement, logistics and quality control	**319**	148
Total	**9,631**	4,933

The Group has implemented various programs for staff training and development, focusing on the training of sales and marketing skills. The Group provides competitive salary and welfare package for our staff. For the year ended 31 December 2019, the total salary and welfare expenses were RMB822.12 million, representing 19.82% of the Group's total revenue and an increase of RMB340.41 million or 70.67% as compared to RMB481.71 million, representing 19.11% of the Group's total revenue for the year ended 31 December 2018.

The Company has a share award scheme in place for selected participants as incentive and reward for their contribution to the Group. The Company has also adopted a share award scheme in December 2019 to recognise the contributions for selected participants and to provide incentive to retain them for continual development of the Group. A mandatory provident fund scheme and local retirement benefit schemes are also in effect. The Group encourages employees to seek training to strengthen their work skills and for personal development. The Group also provides workshops for staffs at different levels to enhance their knowledge of work safety and to build team spirit. Staffs are rewarded based on performance of the Group as well as on individual performance and contribution.

5. Middle Platform Management System

The Company has a strong organization Middle Platform system, each brand division operates independently, planning, expansion, terminal management, supply chain management, economic management, finance, manpower and so on common sharing, to support multi-brand co-construction and symbiosis. At the same time, through the construction of all-channel operation of the Middle Platform system to improve the digital infrastructure, through the Middle Platform system, Middle Platform business, the organization of Middle Platform collaborative efforts to support the growth of various brands, to build a brand cluster enterprise. As a mid-to-high end womenswear industry platform-oriented companies, the company has a strong multi-brand operating capacity.

6. Supply Chain Mechanism

The Group establishes the digital-driven supply chain management system, promotes the construction of a supply chain management system for intensive procurement, rapid order reversal, efficient logistics supply construction, and further enhances the upstream and downstream collaboration capabilities of the supply chain. During the reporting period, the company further enhanced supply chain management capabilities by establishing strategic supply mechanisms with core suppliers at the raw material end, which significantly improved costs efficiency. On the processing end, long-term and stable cooperative relations with top processing manufacturers ensured a great supply advantage in terms of quality and delivery.

7. Change of Company's name

On 26 June 2019, the names of Koradior Holdings Limited (珂萊蒂爾控股有限公司) were changed to EEKA Fashion Holdings Limited (贏家時尚控股有限公司) to better reflect the current business focus of the Group and its direction of future development. We believe that the new English and Chinese names of the Company will provide the Company with a more defined corporate image and identity which will benefit the Company's future business development. We will become the leader of China's middle and high-end womenswear Fashion group to make every woman uniquely glamour.

8. Prospect

The outbreak of "COVID-19" pneumonia in early 2020 had a significant impact on the economy in the first quarter, but the impact of the outbreak on the economy and retail industry is temporary and transient. In February, about 20% of stores were temporarily closed and the remaining 80% of stores have reduced operating hours. In early March, except for around 30 stores in Hubei, the rest of the stores basically resumed business, though most of the stores are still shortening business hours. In order to increase sales, sales staff will also use mix and match sharing, limited time spike and other WeChat marketing methods. Although February-March sales have been affected, but through WeChat, e-commerce and franchise sales, cash receipts are good and the Group has sufficient cash balance. In the medium to long term, China's economy will maintain a steady upward momentum, and the consumer demand for beauty also will not change. Therefore, it will only have a short-term impact, and will not affect the continued upward trend in the medium and long term on the Group's business, while the epidemic is conducive to accelerating structural differentiation and market clearing, so that the leading enterprises market share concentration. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the announcement, the assessment is still in progress. Based on the statistics of sales so far and the expectation of stable economic growth in the medium to long term in China, it probably only have a short-term impact, and will not affect the continued upward trend in the medium and long term on the Group's business.

Looking forward to 2020, the Group remains committed to the underlying principle of making progress while keeping performance stable and enterprising in adversity. The Group will:

(i) Continue to deepen the multi-brand matrix

The Group continues to advance the multi-brand strategy. Through quality development, making breakthroughs in areas with different styles and different positioning. The Group maintains the robust growth of key brands Koradior and NAERSI, promotes the rapid growth of Koradior elsewhere, La Koradior, CADIDL, NAERSILING, NEXY.CO and other brands, and optimizes the agency business of the O'2nd and Obzee brands. The Group will vigorously promote the development of cost-effective FUUNNY FEELLN brand, enrich the company's mid-line product level, continue to deepen the Group's brand cluster and expand its customer base.

(ii) Continue to consolidate the company's inventory sharing and distribution system

The Group advances the construction of the system and business's middle platform, further clarifies the division of responsibilities between the middle platform and departments, and creates a "hard power" for membership operations. The Group enhances membership rights by member services cross-channel brand interoperability progressively, improves member database system, strengthens inventory sharing and distribution system through inventory monitoring, sharing, and distributing which effectively reduce the rate of store out-of-stock, and improve the success rate of customer purchase.

(iii) Continue to deepen brand construction and product research and development

The Group promotes brand building through more professional, systematic and differentiated means, and continues to enhance brand awareness and added value. In brand promotion, the Group strengthens the bold placement of new media and airport advertising, adheres to the star spokesperson strategy and will also promote the cooperation of the co-branded product. The brand image will be continuously updated, thereby further enhancing the brand influence to drive the optimization and upgrade of the company's brand. In product research and development, the Group strengthens the construction and capacity of the research and development team, and increases the investment in innovation and the proportion of application.

(iv) Optimize channel construction and increase new business channel layout

The Group actively promotes with equal emphasis on quantity and quality, increases market expansion efforts and speed, and improves the pre-position of the market during the downturn. The Group continues to consolidate the direct sales-oriented sales system: steadily expanded stores of the direct sales channels, improved store efficiency, optimized business channel layout, multiple cooperation models to simultaneously expand distribution channels and actively develop distribution cooperate channels. To further consolidate the company's brand competitive advantages in the middle and high-end department stores, the Group accelerates the layout of shopping malls, expands its presence in high-quality outlets, actively expands high-quality airport stores, and tries out new channel formats in an orderly manner. The Group continues to optimize the product launch policies of Tmall and Vip.com, including product categories, price range distribution, etc., and the quality, orders, volume, and prices of customers have steadily increased.

(v) Strengthening supply chain collaboration

In the procurement of upstream raw materials, the Group fully exerts to the cost-effective advantages of core suppliers in advantageous categories, selects and integrates materials from the source of product development, and cooperates with core suppliers in-depth to improve product development efficiency and reduces the cost of product developments. In terms of production operation management, combined with the optimization of IT systems, explored the establishment of an intelligent allocation, replenishment, circulation mechanism and a rapid order turning decision mechanism to revitalize inventory liquidity and flow quality, driving the ratio of production to sales and increasing the sell-out rate. The Group continues to promote the construction of a supply chain management system for intensive procurement, rapid repeat order process, and efficient logistics and further improve supply chain management capabilities.

RISK MANAGEMENT

The Group is devoted to establishing risk management systems that we consider to be appropriate to manage risks in our business operations, and the Group is dedicated to monitoring these systems for effectiveness and modifying them as necessary as business grows to maintain effectiveness.

ENVIRONMENTAL AND SAFETY MEASURES

The Group is subject to the PRC environmental laws and regulations, which include the environmental protection law of the PRC, law of the PRC on the prevention and control of water pollution, law of the PRC on the prevention and control of atmospheric pollution, law of the PRC on the prevention and control of pollution from environmental noise and law of the PRC on the prevention and control of environmental pollution by solid waste. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge.

We do not own or operate any manufacturing facilities. We believe (i) our internal guidelines and policies are adequate to comply with all applicable PRC environmental laws and regulations and (ii) our annual cost of compliance with applicable rules and regulations during the period under review and the cost of compliance going forward is expected to be immaterial. Our business operation only discharges domestic wastewater and generates garbage as we outsource all of our production to our OEM contractors.

DIVIDENDS

The Board proposed to declare a final dividend of HK16 cents per share for the year ended 31 December 2019 (2018: HK32 cents) to those shareholders whose names appeared on the register of members of the Company as at the close of business on 30 July 2020. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("AGM"), the final dividend will be paid on or about 20 August 2020.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM, the register of members will be closed from Monday, 22 June 2020 to Monday, 29 June 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 19 June 2020.

To determine the eligibility of the shareholders of the Company to receive the proposed final dividend, the register of members will be closed from Thursday, 30 July 2020 to Friday, 31 July 2020, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to receive the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 29 July 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and the implementation of effective corporate governance commitments. The Company has adopted and met the relevant code provisions set out in the Corporate Governance Code (the "CG Code") based on the principles set out in appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2019 except for code provision A.2.1 of the CG Code which requires that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Jin Ming currently performs these two roles in the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of the Directors and the number of independent non-executive Directors on the Board and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company as and when appropriate and suitable by taking into account the circumstances of the Group as a whole.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

AUDIT COMMITTEE

The Company set up an audit committee (the "Audit Committee") on 6 June 2014 for the purpose of reviewing and providing supervision on the financial reporting process, internal control and risk management systems of the Group.

The Audit Committee comprises the three independent non-executive Directors with Mr. Zhang Guodong acting as the chairman.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2019. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Group with external auditor.

By order of the Board
EEKA Fashion Holdings Limited
JIN MING
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, the Board comprises Mr. Jin Ming, Ms. He Hongmei and Mr. Jin Rui as executive Directors; and Mr. Zhong Ming, Mr. Zhou Xiaoyu and Mr. Zhang Guodong as independent non-executive Directors.