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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

SUMMARY

- Our revenue increased from RMB1,337.45 million for the six months ended 30 June 2019 to RMB2,003.35 million for the six months ended 30 June 2020, representing an increase of 49.79% or RMB665.90 million.

- Net profit for the six months ended 30 June 2020 was RMB119.44 million, representing a decrease of 18.53% or RMB27.17 million as compared to RMB146.61 million for the six months ended 30 June 2019.

- Net cash inflow from operating activities was RMB633.78 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB251.45 million).

- Basic earnings per share for the six months ended 30 June 2020 was RMB0.19 (six months ended 30 June 2019: RMB0.31).

- No interim dividend was proposed by the Board for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

The board of directors (the "Board") of EEKA Fashion Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2020 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2019. These unaudited interim financial statements have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 (Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**2,003,349**	1,337,445
Cost of sales		**(527,269)**	(370,305)
Gross profit		**1,476,080**	967,140
Other income and gains	*6*	**35,461**	17,547
Other net gain/(loss)		**402**	(740)
Selling and distribution expenses		**(1,143,077)**	(719,605)
Administrative and other operating expenses		**(232,696)**	(91,350)
Finance costs		**(21,481)**	(6,817)
Profit before tax	*7*	**114,689**	166,175
Income tax credit/(expense)	*8*	**4,747**	(19,562)
Profit for the period		**119,436**	146,613
Attributable to:			
Owners of the parent		**131,397**	150,741
Non-controlling interests		**(11,961)**	(4,128)
Profit for the period		**119,436**	146,613
Earnings per share attributable to ordinary equity holders of the parent			
Basic	*9(a)*	**RMB19.18 cents**	RMB31.00 cents
Diluted	*9(b)*	**RMB19.09 cents**	RMB30.73 cents

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Profit for the period	**119,436**	146,613
Other comprehensive (loss)/income for the period, net of tax		
Item that may be reclassified subsequently to profit and loss:		
– Exchange differences on translation of financial statements	**(13,384)**	287
Total comprehensive income for the period	**106,052**	146,900
Attributable to:		
Owners of the parent	**118,013**	151,028
Non-controlling interests	**(11,961)**	(4,128)
	106,052	146,900

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 (Expressed in Renminbi)

	Notes	**At 30 June 2020 (Unaudited)** ***RMB'000***	At 31 December 2019 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**654,223**	665,264
Other intangible assets		**609,916**	612,309
Goodwill		**1,253,540**	1,253,540
Prepayments, other receivables and other assets	*11*	**50,849**	56,908
Equity investments designated at fair value through other comprehensive income		**43,277**	43,277
Deferred tax assets		**46,025**	30,932
Right-of-use assets		**646,678**	668,778
Financial assets at fair value through profit or loss		**49,517**	49,517
Long-term equity investment		**300**	–
Total non-current assets		**3,354,325**	3,380,525
Current assets			
Inventories		**628,641**	651,565
Trade and bills receivables	*10*	**463,578**	623,445
Prepayments, other receivables and other assets	*11*	**169,256**	165,499
Financial assets at fair value through profit or loss		**615,200**	–
Cash and cash equivalents		**532,850**	691,327
Total current assets		**2,409,525**	2,131,836
Current liabilities			
Interest-bearing bank and other borrowings		**417,521**	262,185
Trade and bills payables	*12*	**162,381**	198,121
Other payables and accruals	*13*	**839,929**	878,325
Lease liabilities		**359,067**	357,870
Tax payable		**88,427**	99,872
Total current liabilities		**1,867,325**	1,796,373
Net current assets		**542,200**	335,463
Total assets less current liabilities		**3,896,525**	3,715,988

	At 30 June 2020 (Unaudited) *RMB'000*	At 31 December 2019 (Audited) *RMB'000*
Non-current liabilities		
Interest-bearing bank borrowings	**123,309**	–
Lease liabilities	**192,175**	206,490
Deferred tax liabilities	**153,197**	153,836
Other long-term liabilities	**91,340**	179,159
Total non-current liabilities	**560,021**	539,485
Net assets	**3,336,504**	3,176,503
EQUITY		
Equity attributable to owners of the parent		
Share capital	**5,609**	5,609
Reserves	**3,307,305**	3,135,343
	3,312,914	3,140,952
Non-controlling interests	**23,590**	35,551
Total equity	**3,336,504**	3,176,503

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

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 registered office of the Company is Cricket Square, Hutchins Drive, P.O Box 2681 Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Suite 812, 8th Floor, Tower 1, The Gateway, Harbour City, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

2 BASIS OF PREPARATION

This interim financial statements of the Group have been prepared in accordance with the applicable disclosure provisions of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 27 August 2020.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of the interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised International Financial Reporting Standards ("IFRSs") or amendments to IFRS which would take effect from financial periods beginning on or after 1 January 2020:

Amendments to IFRS 7, IFRS 9 and IAS 39	*Interest Rate Benchmark Reform*
Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions (early adopt)*

Not all of these amendments impact the Group's interim condensed consolidated financial statements. Except for Amendments to IFRS 16, *COVID-19 Related Rent Concessions*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this announcement. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's retail stores have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB27,700,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

4 SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the financial statement are identified from the financial information provided regularly to the Group's most senior executive management for the purpose 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 similar in respect of the nature of products and 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, i.e. retailing and wholesaling of ladies' wear in the People's Republic of China ("PRC"). Accordingly, no segmental analysis is presented.

5 REVENUE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Self-operated retail stores	**1,679,696**	1,033,377
Wholesales to distributors	**48,589**	169,328
E-commerce platforms	**272,395**	131,336
Others	**2,669**	3,404
	2,003,349	1,337,445

6 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Bank interest income	**1,213**	1,043
Subsidy income *(note)*	**12,346**	2,772
Other interest income from financial assets at fair value through profit or loss	**13,130**	10,162
Rental income	**5,952**	–
Others	**2,820**	3,570
	35,461	17,547

Note: 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

Profit before tax is arrived at after charging or (crediting):

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Cost of inventories sold	**527,269**	370,305
Depreciation of property, plant and equipment	**60,198**	38,252
Depreciation of right-of-use assets	**268,162**	68,199
Amortisation of other intangible assets	**3,261**	2,609
Lease payments not included in the measurement of lease liabilities	**250,164**	255,735
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**468,427**	259,617
Share award	**62,532**	–
Pension scheme contributions	**7,413**	15,532
	538,372	275,149
Exchange (gains)/losses, net#	**(2,972)**	458
Impairment of trade receivables	**262**	–
Write-down of inventories to net realisable value*	**(2,228)**	175

\# *Exchange (gains)/losses are included in "Other net gain/(loss)" 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.*

8 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax		
PRC Corporate Income Tax ("CIT")	**10,985**	25,154
Deferred tax		
Origination of temporary differences	**(15,732)**	(5,592)
	(4,747)	19,562

Notes:

(i) 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.

(ii) The Company and its subsidiaries incorporated in the British Virgin Islands and Cayman Islands are exempted from taxation.

(iii) The profit tax in Hong Kong has been provided at the rate of 16.5% on the taxable income for the six months ended 30 June 2020 and 2019. The reduction granted by the Hong Kong Special Administrative Region Government of 75% of the tax payable for the year of assessment 2019-20 is subject to a maximum of HK$20,000 for each company.

(iv) In accordance with the relevant PRC income tax rules and regulations, the Company's subsidiaries established/registered in the PRC are subject to CIT at a statutory rate of 25% on their respective taxable income for the six months ended 30 June 2020 and 2019 except for Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd and Shenzhen Koradior Fashion Co., Ltd., which are entitled to reduced CIT at the rate of 15% under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and National High Tech Enterprise respectively.

(v) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB131,397,000 (30 June 2019: RMB150,741,000) and the weighted average number of 685,050,195 ordinary shares in issue for the six months ended 30 June 2020 (30 June 2019: 486,337,000 shares).

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Weighted average number of ordinary shares in issue	**685,050,195**	486,337,000
Basic earnings per share *(RMB cents)*	**19.18**	31.00

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB131,397,000 (30 June 2019: RMB150,741,000) and the weighted average number of 688,400,517 ordinary shares in issue for the six months ended 30 June 2020 (30 June 2019: 490,602,115 shares) calculated as follows:

	For the six months ended 30 June 2020	For the six months ended 30 June 2019
Weighted average number of ordinary shares in issue	**685,050,195**	486,337,000
Effect of deemed issue of shares under Company's share option scheme for nil consideration	**3,350,322**	4,265,115
Weighted average number of ordinary shares in issue (diluted)	**688,400,517**	490,602,115
Diluted earnings per share *(RMB cents)*	**19.09**	30.73

10 TRADE AND BILLS RECEIVABLES

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Trade and bills receivables	**465,546**	625,151
Impairment	**(1,968)**	(1,706)
	463,578	623,445

(a) Ageing analysis

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 store and shopping mall, 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 reporting period, based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Trade receivables		
Within 1 month	**244,854**	337,949
1 to 2 months	**132,295**	170,742
2 to 3 months	**27,272**	55,386
Over 3 months	**59,157**	58,368
	463,578	622,445
Bills receivables	**–**	1,000
	463,578	623,445

As at 30 June 2020, the allowance for credit losses is related to individually impaired receivables amounting to RMB1,968,000 (31 December 2019: RMB1,706,000). Management considers that such receivables are not recoverable since the customers are in severe financial liabilities. As a consequence, allowance for expected credit losses of RMB1,968,000 (31 December 2019: RMB1,706,000) has been recognised in respect of such receivables.

As at 30 June 2020, trade receivables that were not individually impaired related to a large number of independent customers including owners of department stores and shopping malls in Mainland China with no recent history of material defaults, the probability of default and the loss given default were estimated to be minimal.

The movement in the loss allowance for impairment of trade receivables is as follows:

	30 June 2020 *RMB'000*	31 December 2019 *RMB'000*
At beginning of period/year	**1,706**	912
Impairment losses, net	**262**	794
At end of period/year	**1,968**	1,706

11 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	At 30 June 2020 *RMB'000*	At 31 December 2019 *RMB'000*
Prepayments	**102,101**	98,101
Deposits and other receivables	**86,516**	88,895
Loan to a third party	**23,375**	25,500
Loans to employees	**6,619**	7,501
Right-of-return assets	**1,494**	2,410
	220,105	222,407
Less: Non-current portion included in prepayments, other receivables and other assets	**(50,849)**	(56,908)
	169,256	165,499

Deposits and other receivables mainly represent deposits paid for promotion activity, deposits paid to the department stores and shopping malls for leases and loans to employees. The expected credit losses are estimated with reference to the historical loss record of the Group. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

12 TRADE AND BILLS PAYABLES

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

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables		
Within 1 month	**111,578**	163,889
1 to 2 months	**7,321**	15,751
2 to 3 months	**7,269**	2,583
Over 3 months	**6,213**	1,108
	132,381	183,331
Bills payables	**30,000**	14,790
	162,381	198,121

13 OTHER PAYABLES AND ACCRUALS

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Contract liabilities	*(a)*	**107,059**	76,493
Refund liabilities		**4,156**	6,231
Salaries and welfare payables		**71,484**	116,081
Tax payables other than current income tax liabilities		**115,565**	115,818
Other payables		**541,665**	563,702
		839,929	878,325

Note:

(a) Details of contract liabilities are as follow:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Short-term advances received from customers		
Sales of goods	**107,059**	76,493

14 DIVIDEND

The Board has resolved not to declare any interim dividend to the shareholders of the Company in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

With the outbreak of COVID-19 in the first half of 2020, the world economy has been hit hard, and consumption has been suppressed or frozen in the short term. China's epidemic prevention and control situation has improved since March, and consumption has shown a gradual recovery trend. According to the National Bureau of Statistics, total retail sales of consumer goods amounted to RMB17,225.6 billion in the first half of 2020, a year-on-year decrease of 11.4%, and the rate of decrease was 7.6 percentage points from the first quarter. At the same time, the "home economy" trend has emerged, stimulating online sales. In the first half of 2020, China's online retail sales of physical goods increased by 14.3% to RMB4,348.1 billion, an increase of 8.4 percentage points over the first quarter, and accounted for 25.2% of total retail sales of consumer goods, an increase of 1.6 percentage points over the first quarter.

Affected by the outbreak, residents cross-border shopping restrictions have led to a large number of overseas high-end consumption returning to China, accelerating the recovery of the domestic high-end consumer market. In addition, the Government has continued to increase the expansion of domestic demand and promote consumption. The construction of free trade zones and free trade ports is also accelerating, domestic high-end consumption long-term good trend remains positive.

As the Group's sales in the first quarter were under pressure, the management took an active part and quickly introduced various measures to stimulate the Group's institutional strength and execution, reduce costs and increase efficiency. In February and March, the offline retail stores were heavily affected and the offline consumption was suppressed, and the online channels became a key of growth engine. The Group put a strong focus on the EEKA Fashion E-Mall as the starting point with the global drainage brought by the omni-channel transformation to break through the COVID-19 restrictions, strengthening its online product portfolio and minimising the sales gap caused by the closure of offline stores or shortened business hours. During the Reporting Period, the Group's revenue reached RMB2,003 million, representing an increase of 49.79%, with a net profit of RMB119.44 million, representing a decrease of 18.53% compared with the first half of 2019. As at 30 June 2020, the Group had 1,750 retail stores of which 1,295 were operated by us and 455 were operated by our distributors under our own brands. From the e-commerce aspect, the Group continuously strengthened its online product portfolio and increased integration of EEKA Fashion E-Mall. The e-commerce revenues reached RMB272 million in the Reporting Period, representing a year-on-year rapid increase of 107.40%.

Under the influence of the COVID-19, the Group improved its comprehensive management and control capabilities by various means. In the supply chain, quick response to small batch orders to control risks, adjusted orders dynamically according to the epidemic situation, and optimized order placement in combination with expansion plans; centralized procurement to reduce costs, and increase the proportion of purchases from major suppliers in core categories. Financially, the overall plan for cash income and expenditure management, formulate measures to reasonably control various expenses such as shopping mall fee reductions, social insurance premium reductions and investment expenditure plans, and at the same time increase the management of prepayments receivable, and strengthen access to credit support from various financial institutions. The Group also ensured sufficient capital reserves, and implemented the "Sponge Plan" to save costs, and controlled measures such as follow up of the special use of large-cost projects.

The Group relies on excellent brand influence, good product design and development capabilities, solid business management capabilities, and sound financial management capabilities. After the COVID-19 was brought under control in China, the Company's business performance rebounded rapidly in the second quarter. Since the Group's business is domestic, the overseas epidemic will not have a significant impact on the Company's business.

As a leading middle and high-end women's clothing industry enterprise, the Group donated a total of RMB2 million and 1,500 sets of protective clothing in January to support the epidemic prevention and control work in Hubei Province, and faithfully performed corporate social responsibilities.

In May 2020, the Group granted an aggregate of 40,973,000 awarded shares to provide share incentives to employees. The awarded shares are to vest in five equal tranches annually, with the first tranche totaling 8,058,200 awarded shares vested and 136,400 awarded shares lapsed on 15 May 2020.

FINANCIAL REVIEW

REVENUE

The principal activities of the Group are design, promotion, marketing and sales of self-owned branded womenswear products in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value-added tax. Total revenue increased from RMB1,337.45 million for the first half of 2019 to RMB2,003.35 million for the Reporting Period, representing an increase of 49.79% or RMB665.90 million. Total number of retail stores increased from 1,697 as at 1 January 2020 to 1,750 as at 30 June 2020*. Our self-operated retail stores revenue increased by 62.54% from RMB1,033.38 million for the first half of 2019 to RMB1,679.70 million for the Reporting Period. Total revenue from distributors decreased by 71.30% from RMB169.33 million for the first half of 2019 to RMB48.59 million for the Reporting Period. Total revenue from e-commerce platforms increased by 107.40% from RMB131.34 million for the first half of 2019 to RMB272.40 million for the Reporting Period. The revenue from e-commerce generated from Tmall increased from RMB97.75 million for the first half of 2019 to RMB144.74 million for the Reporting Period, representing an increase of 48.07% or RMB46.99 million and the revenue from e-commerce generated from VIP.com increased from RMB33.59 million for the first half of 2019 to RMB111.67 million on for the Reporting Period, representing an increase of 232.45% or RMB78.08 million.

* The following table shows a breakdown of retail stores of our brands in the PRC as at 1 January 2020 and 30 June 2020 respectively including both self-operated retail stores and retail stores operated by our distributors by geographical region and brand:

	Number of retail stores			
Region	As at 1 January 2020	Opened during the period	Closed during the period	As at 30 June 2020
Central PRC[1]	194	10	(4)	200
Eastern PRC[2]	559	60	(33)	586
North Eastern PRC[3]	126	8	(11)	123
North Western PRC[4]	156	7	(10)	153
Northern PRC[5]	197	17	(17)	197
South Western PRC[6]	259	33	(13)	279
Southern PRC[7]	206	14	(8)	212
Total	1,697	149	(96)	1,750

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.

	Number of retail stores	
Brand	As at 1 January 2020	As at 30 June 2020
Koradior	678	691
La Koradior	36	36
Koradior elsewhere	123	134
CADIDL	111	111
O’2nd	26	22
Obzee	9	7
FUUNNY FEELLN	17	43
NAERSI	468	476
NEXY.CO	123	121
NAERSILING	106	109
Total	1,697	1,750

Revenue analysis by brands

	For the six months ended 30 June					
	2020		2019		Increase/(decrease)	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Koradior	**762,300**	**38.05%**	901,827	67.43%	(139,527)	(15.47%)
La Koradior	**103,201**	**5.15%**	101,591	7.60%	1,610	1.58%
Koradior elsewhere	**146,911**	**7.33%**	185,163	13.84%	(38,252)	(20.66%)
CADIDL	**82,550**	**4.12%**	85,751	6.41%	(3,201)	(3.73%)
DE Kora	**–**	**–**	582	0.04%	(582)	(100%)
O'2nd	**22,121**	**1.10%**	46,772	3.50%	(24,651)	(52.70%)
Obzee	**8,656**	**0.43%**	15,759	1.18%	(7,103)	(45.07%)
FUUNNY FEELLN	**8,842**	**0.44%**	–	–	8,842	100%
NAERSI	**472,903**	**23.61%**	–	–	472,903	100%
NEXY.CO	**233,276**	**11.65%**	–	–	233,276	100%
NAERSILING	**162,589**	**8.12%**	–	–	162,589	100%
Total	**2,003,349**	**100%**	1,337,445	100%	665,904	49.79%

The revenue generated from the sales of our products under Koradior and Koradior elsewhere showed a decrease of 15.47% and 20.66% or RMB139.53 million and RMB38.25 million for the Reporting Period respectively. For the Reporting Period, the revenue generated from sales of products of our La Koradior brand increased to RMB103.20 million, representing a slight increase of 1.58%, the revenue from sales of products under CADIDL, O'2nd and Obzee decreased to RMB82.55 million, RMB22.12 million and RMB8.66 million respectively, representing a decrease of 3.73%, 52.70% and 45.07% respectively as compared to the first half of 2019.

COST OF SALES

Cost of sales increased from RMB370.31 million for the six months ended 30 June 2019 to RMB527.27 million for the Reporting Period, representing an increase of 42.39% or RMB156.96 million, primarily due to acquired brands as a result of acquisition of Keen Reach Holdings Limited ("Keen Reach") in July 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased from RMB967.14 million for the six months ended 30 June 2019 to RMB1,476.08 million for the Reporting Period, representing an increase of 52.62% or RMB508.94 million. Overall gross profit margin slightly increased from 72.31% for the first half of 2019 to 73.68% for the Reporting Period.

OPERATING EXPENSES

Operating expenses increased from RMB810.96 million for the six months ended 30 June 2019 to RMB1,375.77 million for the Reporting Period, representing an increase of 69.65% or RMB564.81 million. Operating expenses include selling and distribution expenses, administrative expenses and other operating expenses, and details of them are listed below:

Selling and distribution expenses

Selling and distribution expenses increased by 58.85% to RMB1,143.08 million for the Reporting Period from RMB719.61 million for six months ended 30 June 2019, primarily due to (a) the increase in employee share award expenses; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; and (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.

Administrative and other operating expenses

Administrative and other operating expenses increased by 154.73% to RMB232.70 million for the Reporting Period from RMB91.35 million for the corresponding period in 2019 primarily due to the increase in salaries and staff benefits of acquired brands as a result of (a) the acquisition of Keen Reach in July 2019; (b) the increase in employee share award expenses; and (c) the increase in research and development expenses for all brands to improve products design.

FINANCE COSTS

Finance costs increased by 214.96% to RMB21.48 million for the Reporting Period from RMB6.82 million for the corresponding period in 2019, mainly due to the effect of IFRS 16 and increase in borrowing.

INCOME TAX CREDIT/EXPENSES

Income tax expenses decreased from RMB19.56 million for the first half of 2019 to a tax credit of RMB4.75 million for the Reporting Period mainly due to reversal of the income tax deducted from last year's research and development expenses.

THE NET PROFIT AND NET PROFIT MARGIN

As the result of the foregoing reasons, the net profit for the Reporting Period was RMB119.44 million, representing a decrease of 18.53% or RMB27.17 million as compared to RMB146.61 million for the first half of 2019. Net profit margin decreased from 10.96% for the first half of 2019 to 5.96% for the Reporting Period.

CAPITAL STRUCTURE

The Group requires working capital to support its design and development, retail and other business operations. As at 30 June 2020, the Group had total current assets of RMB2,409.53 million (30 June 2019: RMB1,558.94 million) and total current liabilities of RMB1,867.33 million (30 June 2019: RMB684.71 million) with a current ratio of 1.29. The Board believes that this healthy capital structure and the net cash inflow from operating activities are sufficient to support the operating activities of the Group.

As at 30 June 2020, the Group's interest bearing bank loans were denominated in Hong Kong dollars and Renminbi, comprising a HK$12.5 million term loan repayable within a year, and a HK$180 million term loan repayable within four years, and both with variable interest rates, and a RMB365 million loan with fixed interest rate, repayable within one year.

FINANCIAL POSITION, LIQUIDITY AND GEARING RATIO

The Group generally finances its operations with internally generated cash flow as well as banking facilities provided by its bankers.

As at 30 June 2020, the Group had cash and cash equivalents of RMB532.85million (31 December 2019: RMB691.33 million), of which 95.93%, 3.63%, 0.17% and 0.27% were denominated in RMB, Hong Kong dollars, US dollars and EUR respectively. The net cash inflow from operating activities stood at RMB633.78 million during the Reporting Period, increased by 152.05% from RMB251.45 million for the six months ended 30 June 2019, mainly due to the acquisition of Keen Reach in July 2019. As at 30 June 2020, the Group's gearing ratio, i.e. the total outstanding bank loans divided by total equity, was 16.21% (31 December 2019: 8.25%).

EXPOSURES TO FLUCTUATION IN FOREIGN EXCHANGE

The Group mainly operates in the PRC with most of its transactions settled in RMB. Hence, the Board considers that the risk exposure to foreign exchange rate fluctuation is not significant and no financial instrument of hedging has been employed to hedge against the currency risks.

HUMAN RESOURCES

As a result of acquisition of Keen Reach in July 2019, the Group's number of employees has increased to 9,205 as at 30 June 2020 (30 June 2019: 4,866). The total staff costs for the Reporting Period (including basic wages and salaries, commissions, bonuses, retirement benefits scheme contributions and share award expenses) amounted to RMB538.37 million (six months ended 30 June 2019: RMB275.15 million), representing 26.87% of our revenue (six months ended 30 June 2019: 20.57%).

The Group has a share option 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 staff 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.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no significant contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal of any subsidiaries, associates or joint ventures during the Reporting Period.

SIGNIFICANT INVESTMENT

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 30 June 2020, the Group has invested RMB30 million in Qianhai Ruilin at fair value of RMB43.28 million (30 June 2019: 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

There was no equity fund raising activity conducted by the Company during the Reporting Period, nor was there any unutilized proceed from equity fund raising brought forward from previous year.

OUTLOOK

With the epidemic in China under control, consumer confidence gradually recovered, and long-term consumption trends continued to rise in the second half of the year. The Group promotes accelerated online and offline integration, has multi-channel supply chain management and control capabilities, customer operation capabilities, flexible marketing response, and efficient production chain coordination capabilities to enable the Group to recover faster. Its market share among leading companies and market concentration will continue to increase. This is also an opportunity for the Group to gain a larger market share. In addition, the return of consumption in the context of increased overseas epidemic and hindered departures, the Group’s growth rate in the second half of the year is expected to significantly exceed the industry average. The Group is confident in the overall retail market in the second half of 2020.

In the second half of the year, the Group will continue to strengthen its brand promotion, invest in resources, and continue to enhance its brand influence. In addition, the Group will increase its investment in research and development and enhance the product development and design capabilities of the Group's brand. Seizing the new opportunities brought by the epidemic, the Group will actively optimize the inventory of offline stores, continue to strengthen the operation and increase public domain traffic on online e-commerce platforms, and advance the construction and implementation of the second phase of the omni-channel project, fully integrating the core advantages of the Group's self operation to build a full-scale and interoperable customer operation system to improve the ability to handle customer needs.

In 2020, despite the uncertainty brought about by the epidemic, the Group will maintain its strategic determination, focus on its main business, and strive to sprint towards its annual sales target. The Group will adhere to the general tone of seeking progress in stability, continue to carry forward the corporate spirit of " fraternity, persevere unremittingly, innovation and pragmatism", adhere to the corporate mission of "Just for her unique glamour", and emphasise on "multi-brand development, omni-channel operation, platformization empowerment and synergy between upstream and downstream" business strategy, and move towards the goal of being a leader in China's middle and high-end womenswear.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2019: Nil).

SUPPLEMENTAL INFORMATION TO THE 2019 ANNUAL REPORT

Save and except that items (a) and (c) of the related party transactions as disclosed in note 37 to the consolidated financial statements in the Company's 2019 Annual Report are connected transactions within the meaning of the Listing Rules (full disclosures of which have been made in the section headed "Connected Transaction" on pages 58-61, and page 57 respectively in the Company's 2019 Annual Report in compliance with the requirements under Chapter 14A of the Listing Rules), the other related party transactions as disclosed in the Company's 2019 Annual Report are not connected transactions.

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 met the relevant code provisions set out in the Corporate Governance Code based on the principles set out in Appendix 14 to the Listing Rules during the Reporting Period, except for code provision A.2.1 of the Corporate Governance 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 both roles in our Company. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Jin Ming has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our 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 our Directors and the number of independent non-executive Directors on the Board and this structure will enable our Company to make and implement decisions promptly and effectively.

The Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings. Having made specific enquiry with all Directors, all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors' securities transactions during the Reporting Period.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising all the three independent non-executive Directors, namely Mr. Zhang Guodong (as Chairman), Mr. Zhou Xiaoyu and Mr. Zhong Ming, is primarily responsible for reviewing and supervising the financial reporting, the internal control and risk management of the Group. The Audit Committee has discussed with management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the Reporting Period.

By Order of the Board
EEKA Fashion Holdings Limited
JIN MING
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 August 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.