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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 2020**

SUMMARY

- Revenue and gross profit of the Group for the year ended 31 December 2020 reached RMB5,325.11 million and RMB3,910.25 million respectively, representing an increase of 28.36% and 29.86% respectively as compared to the year ended 31 December 2019.
- Profit for the year ended 31 December 2020 was RMB439.37 million as compared to RMB393.92 million for the year ended 31 December 2019, representing an increase of 11.54% or RMB45.45 million. Net profit margin was 8.25% for the year ended 31 December 2020 (2019: 9.50%).
- Net cash inflow from operating activities was RM1,416.42 million for the year ended 31 December 2020 (2019: RMB699.45 million).
- Basic earnings per share for the year ended 31 December 2020 was RMB67 cents (2019: RMB69 cents).
- The Board proposed to declare a final dividend of HK38 cents per share for the year ended 31 December 2020 (2019: HK16 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 2020 with comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	6	5,325,107	4,148,421
Cost of sales		(1,414,855)	(1,137,197)
Gross profit		3,910,252	3,011,224
Other income and gains	6	121,411	42,981
Selling and distribution expenses		(2,930,048)	(2,223,806)
Administrative expenses		(519,112)	(308,914)
Impairment losses on financial assets	7	(4,136)	(488)
Other expenses		(2,507)	(5,677)
Finance costs		(46,774)	(26,060)
Share of losses of associates		(3,000)	–
PROFIT BEFORE TAX	7	526,086	489,260
Income tax expense	8	(86,712)	(95,339)
PROFIT FOR THE YEAR		439,374	393,921
Attributable to:			
Owners of the parent		452,838	405,606
Non-controlling interests		(13,464)	(11,685)
PROFIT FOR THE YEAR		439,374	393,921
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
For profit for the year		RMB67 cents	RMB69 cents
Diluted			
For profit for the year		RMB66 cents	RMB69 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*for the year ended 31 December 2020*

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	439,374	393,921
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Equity investments designed at fair value through other comprehensive income:		
Changes in fair value	(3,241)	–
Income tax effect	486	–
	(2,755)	–
Exchange differences:		
Exchange differences on translation of foreign operations	18,979	(8,126)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	16,224	(8,126)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	455,598	385,795
Attributable to:		
Owners of the parent	469,062	397,480
Non-controlling interests	(13,464)	(11,685)
	455,598	385,795

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		650,354	665,264
Right-of-use assets		686,447	668,778
Goodwill		1,253,540	1,253,540
Other intangible assets		609,910	612,309
Investments in associates		300	–
Prepayments, other receivables and other assets		55,216	56,908
Equity investments designated at fair value through other comprehensive income		40,036	43,277
Financial assets at fair value through profit or loss		–	49,517
Deferred tax assets		40,039	30,932
Total non-current assets		<u>3,335,842</u>	<u>3,380,525</u>
CURRENT ASSETS			
Inventories		679,564	651,565
Trade and bills receivables	10	673,069	623,445
Prepayments, other receivables and other assets		193,503	165,499
Financial assets at fair value through profit or loss		280,455	–
Cash and cash equivalents		582,929	691,327
Total current assets		<u>2,409,520</u>	<u>2,131,836</u>
CURRENT LIABILITIES			
Interest-bearing bank borrowings		252,872	262,185
Trade and bills payables	11	280,593	198,121
Other payables and accruals	12	671,935	878,325
Lease liabilities		377,250	357,870
Tax payable		105,415	99,872
Total current liabilities		<u>1,688,065</u>	<u>1,796,373</u>
NET CURRENT ASSETS		<u>721,455</u>	<u>335,463</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,057,297</u>	<u>3,715,988</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 31 December 2020*

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	113,616	–
Deferred tax liabilities	152,072	153,836
Lease liabilities	226,374	206,490
Other long-term liabilities	87,160	179,159
	<hr/>	<hr/>
Total non-current liabilities	579,222	539,485
	<hr/>	<hr/>
Net assets	3,478,075	3,176,503
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	5,609	5,609
Reserves	3,450,379	3,135,343
	<hr/>	<hr/>
	3,455,988	3,140,952
	<hr/>	<hr/>
Non-controlling interests	22,087	35,551
	<hr/>	<hr/>
Total equity	3,478,075	3,176,503
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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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (c) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the 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 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB27,732,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

- (d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts^{3, 6}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current^{3, 5}</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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 (the "PRC"). 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 2020 and 2019.

6 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue from contracts with customers	<u>5,325,107</u>	<u>4,148,421</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

	Total RMB'000
Type of goods	
Sale of apparel and accessories	5,325,107
Geographical markets	
Mainland China	5,324,695
Hong Kong	412
	5,325,107
Timing of revenue recognition	
Goods transferred at a point in time	5,325,107

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

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of apparel and accessories	<u>76,493</u>	<u>84,586</u>

(ii) *Performance obligations*

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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other income and gains		
Bank interest income	1,549	1,599
Subsidy income*	48,338	13,634
Other interest income from financial assets at fair value through profit or loss	36,654	20,757
Rental income	22,070	1,171
Design service income	–	2,219
Exchange gain, net	5,492	–
Others	7,308	3,601
	<u>121,411</u>	<u>42,981</u>

* 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):

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of inventories sold	1,414,855	1,137,197
Depreciation of property, plant and equipment	125,651	82,566
Depreciation of right-of-use assets	581,808	310,975
Amortisation of other intangible assets	7,622	5,834
Research and development costs [^] :		
Current year expenditure	144,052	103,134
Lease payments not included in the measurement of lease liabilities	806,788	691,873
Auditor's remuneration	1,800	1,929
Employee benefit expense (including directors' remuneration)		
Wages and salaries	1,079,058	780,532
Pension scheme contributions	11,244	41,587
Equity-settled share award expense	109,915	–
	<u>1,200,217</u>	<u>822,119</u>
Exchange (gains)/losses, net [#]	(5,492)	1,148
Share of losses of associates	3,000	–
Impairment of trade receivables	4,136	488
Write-down of inventories to net realisable value*	9,463	1,499
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 gains is included in “Other income and gains” 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.

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 2020 (2019: Nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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 2020.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current – Mainland China	97,097	100,936
Deferred	(10,385)	(5,597)
	<hr/>	<hr/>
Total tax charge for the year	86,712	95,339
	<hr/>	<hr/>

9 EARNINGS PER SHARE

The calculation of the basic earnings per share amount for the year ended 31 December 2020 is based on the profit for the year attributable to ordinary equity holders of the parent of RMB452,838,000 (2019: RMB405,606,000), and the weighted average number of ordinary shares in issue less shares held for Share Award Scheme of 671,641,109 shares (2019: 585,421,388 shares) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profits 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.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	452,838	405,606
	<hr/>	<hr/>

	Number of shares 2020	2019
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the year used in the basic earnings per share calculation	671,641,109	585,421,388
Effect of dilution – weighted average number of ordinary shares:		
Share options	4,247,957	3,813,309
Awarded Shares	8,245,451	–
	684,134,517	589,234,697

10 TRADE AND BILLS RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade and bills receivables	678,911	625,151
Impairment	(5,842)	(1,706)
	673,069	623,445

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables		
Within 1 month	388,710	337,949
1 to 2 months	190,230	170,742
2 to 3 months	47,716	55,386
Over 3 months	46,413	58,368
	673,069	622,445
Bills receivables	–	1,000
	673,069	623,445

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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables		
Within 1 month	197,721	163,889
1 to 2 months	19,175	15,751
2 to 3 months	254	2,583
Over 3 months	3,443	1,108
	<hr/>	<hr/>
	220,593	183,331
Bills payables	60,000	14,790
	<hr/>	<hr/>
	280,593	198,121
	<hr/> <hr/>	<hr/> <hr/>

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

		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract liabilities	(a)	105,447	76,493
Refund liabilities		6,011	6,231
Tax payables other than current income tax liabilities		127,148	115,818
Salaries and welfare payables		142,349	116,081
Other payables	(b)	288,457	563,702
Dividend payables		2,523	—
		<hr/>	<hr/>
		671,935	878,325
		<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) Details of contract liabilities are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<i>Short-term advances received from customers</i>		
Sale of goods	105,447	76,493
	<hr/>	<hr/>

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

13 DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Final dividend	96,772	137,062
2020 interim special dividend – HK16 cents	91,216	–
Proposed final – HK38 cents (2019: HK16 cents) per ordinary share	<u>211,990</u>	<u>98,187</u>
	<u>399,978</u>	<u>235,249</u>

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 2020, the coronavirus disease epidemic hit the global economy, and China's economy demonstrated great resilience and became the only major economy in the world that achieved positive growth. Consumption is still the strongest engine driving economic growth. The growth rate of total retail sales of domestic consumer goods achieved a return to a positive figure for the first time in the year in August 2020. The total retail sales of domestic consumer goods in December grew by 4.6% year-on-year. In 2020, the total domestic retail sales of consumer goods was RMB39,198 billion, at a year-on-year decrease of 3.9%; of which, the online retail sales of physical goods reached RMB9,759 billion, at a year-on-year increase of 14.8%.

The government proposes to gradually form a large domestic cycle as the mainstay; consumption has become an important link in the new development pattern of mutual promotion of domestic and international double cycles. Policies to promote consumption and expand domestic demand are intensively introduced. In addition, the deepening reforms in the consumer sector have further promoted the construction of free trade zones and free trade ports, helping overseas high-end consumption to accelerate back to China, and the domestic mid-to-high-end consumer goods market ushered in new development opportunities.

With the coronavirus disease epidemic under control, the domestic mid-to-high-end women's clothing market has entered a stage of rapid recovery after short-term pressure. Compared with the low-end apparel market, the domestic mid-to-high-end women's clothing market is relatively less affected by the epidemic. Domestic high-net-worth individuals with huge spending power and the increasing urbanization ratio provide strong support for its rapid recovery. According to the "Hurun China Luxury Consumer Survey 2021" issued by the Hurun Research Institute, in 2020, the average annual consumption of high-net-worth households in China was slightly higher than that of the previous year, and the scale of the high-end consumer market reached RMB1.53 trillion. According to the "China Rural Development Report 2020", China's urbanization rate is expected to reach 65.5% by 2025, which is about 4.9 percentage points higher than in 2019, containing a broad space for development.

On the other hand, the digital transformation of the domestic economy and society is accelerating, part of the demand in the mid-to-high-end women's clothing market has shifted to online, and online and offline sales channels have accelerated integration. The rapid development of e-commerce live broadcasts has injected new momentum into the development of the industry. According to the report "Live E-commerce Toward a Trillion Billion Market" published by Ali Research, it is estimated that the overall scale of live e-commerce will reach RMB1,050 billion in 2020, and it will continue to maintain a rapid growth trend. The impact of the epidemic is continuous, and consumer behavior is quietly changing, and attention to their own individual needs and clothing quality has increased; especially the young consumer group represented by Generation Z (people born in 1995-2009) with their rapid rise, their demands for differentiation, individualization, and emotional attributes have become stronger, bringing new growth points to the development of the industry, and also making the growth of industry segments more differentiated.

After experiencing the baptism of the epidemic, the development of the domestic mid-to-high-end women's clothing industry has become more diversified and differentiated. It has put forward higher requirements for the brand operation, resource integration, sales channels, and innovative research and development capabilities of the Company. In the post-epidemic era, the mid-to-high-end women's clothing industry has accelerated its integration and clearance, and the concentration is expected to continue to increase; in the face of opportunities and challenges, leading mid- and high-end women's clothing companies have more advantages and their core competitiveness will be further consolidated.

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 its self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to its distributors, who in turn sell the products to end consumers 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 the Group's 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 RMB4,148.42 million for the year ended 31 December 2019 to RMB5,325.11 million for the year ended 31 December 2020, representing an increase of 28.36% or RMB1,176.69 million. Sales generated by the Group's self-operated retail stores accounted for about 82.35% and 78.67% of the Group's total revenue in 2020 and 2019 respectively, as it is the Group's strategy to grow its business and sales network predominantly through expanding the number of its self-operated retail stores.

Total revenue from e-commerce increased by 52.88% from RMB400.57 million for the year ended 31 December 2019 to RMB612.39 million for the year ended 31 December 2020, primarily due to an increase in sales of the Group's 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, the Group's effort in developing its online retail stores through expanding its e-commerce team and establishing a business division dedicated to the e-commerce business.

Total revenue from distributors decreased by 33.38% from RMB475.18 million for the year ended 31 December 2019 to RMB316.56 million for the year ended 31 December 2020.

Cost of sales

Cost of sales increased from RMB1,137.20 million during the year ended 31 December 2019 to RMB1,414.86 million for the year ended 31 December 2020, representing an increase of 24.42% or RMB277.66 million, mainly due to the increase in the cost of inventories sold as a result of the growth of the Group's revenue due to consolidation of results of Keen Reach Holdings Limited ("Keen Reach").

Gross profit and gross margin

Gross profit increased from RMB3,011.22 million for the year ended 31 December 2019 to RMB3,910.25 million for the year ended 31 December 2020, representing an increase of 29.86% or RMB899.03 million. The Group's overall gross profit margin slightly increased from 72.59% for 2019 to 73.43% for 2020.

Selling and distribution expenses

Selling and distribution expenses increased by 31.76% from RMB2,223.81 million for the year ended 31 December 2019 to RMB2,930.05 million for the year ended 31 December 2020, 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 the Group's sales network as well as business growth; (d) the increase in rental expenses due to increase in number of stores, all as a result of the acquisition of Keen Reach; and (e) the increase in share award expenses.

Administrative expenses

Administrative expenses increased by 68.05% from RMB308.91 million for the year ended 31 December 2019 to RMB519.11 million for the year ended 31 December 2020 primarily due to (a) the increase in salaries and benefits for the Group's administrative staff as the Group expanded its business and increased the head-count of the Group's administrative staff as a result of the acquisition of Keen Reach in 2019; (b) the increase in research and development costs with existing brands; and (c) the increase in share award expenses.

Finance costs

Finance costs increased by 79.47% from RMB26.06 million for the year ended 31 December 2019 to RMB46.77 million for the year ended 31 December 2020. It was mainly attributed to the increase in interest expenses on lease liabilities of the Group as a result of the acquisition of Keen Reach in 2019 and the increase of borrowings in Hong Kong and the PRC for the year.

Income tax expense

Income tax expense decreased by 9.05% from RMB95.34 million for the year ended 31 December 2019 to RMB86.71 million for the year ended 31 December 2020. It was mainly attributed to the effect of reduction of tax rate of application high and new technology enterprise in the PRC.

Net profit and profit margin

As a result of the foregoing factors, the net profit of the Company attributable to shareholders was RMB452.84 million for the year ended 31 December 2020 as compared to RMB405.61 million for the year ended 31 December 2019, representing an increase of 11.64% or RMB47.23 million. Net profit margins were 8.25% and 9.50% for the years ended 31 December of 2020 and 2019 respectively.

Capital structure

The Group requires working capital to support its design and development, retail and other business operations. As at 31 December of 2020, the Group's total current assets were RMB2,409.52 million (31 December 2019: RMB2,131.84 million) and total current liabilities were RMB1,688.07 million (31 December 2019: RMB1,796.37 million). The current ratio as at 31 December 2020 was 1.43 (31 December 2019: 1.19).

As at 31 December 2020, the total sum of the Group's interest-bearing bank borrowings amounted to RMB366,488,000 (31 December 2019: RMB262,185,000), representing an increase from the end of last year as the Group actively expanded in the 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 2020, the Group's cash and cash equivalents were RMB582.93 million (31 December 2019: RMB691.33 million), denominated as to 95.94% in RMB, 0.17% in United States dollar, 3.69% in Hong Kong dollar and 0.20% in Euro. The net cash inflow from operating activities generated was RMB1,416.42 million for the year ended 31 December 2020, up 102.50% from RMB699.45 million for the year ended 31 December 2019.

As at 31 December 2020, the gearing ratio (i.e. outstanding bank loans divided by total equity) was 10.54% (31 December 2019: 8.25%).

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 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

Charges on assets

As at 31 December 2020, the Group's buildings with carrying value of approximately RMB106.37 million (2019: nil) were pledged to banks in respect of the banking facilities granted to the Group.

Treasury policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Purchase, redemption or sale of listed securities of the company

Pursuant to the rules of the share award scheme adopted by the Company on 2 December 2019, the Company instructed the trustee for the scheme to purchase from the market a total of 8,400,000 shares for awards to the relevant grantees during the year. The total cost (including related transaction costs) of HK\$74,740,000 (equivalent to RMB67,379,000) from the market out of cash contributed by the Group. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Material acquisition and disposal

During the year ended 31 December 2020, the Group had no material acquisition or disposal of any subsidiaries, associates or joint ventures.

Significant Investments

As at 31 December 2020, the Group had no significant investment with a value of 5% or more of the Group's total assets.

BUSINESS REVIEWS

1. EEKA Brands

The Group owns and manages eight brands to meet various dressing needs of its customers including: high-end brands – (i) Koradior (ii) La Koradior and (iii) Koradior elsewhere, cost effective brand – FUUNNY FEELN, and acquired brands – (i) CADIDL (ii) NAERSI (iii) NAERSILING and (iv) NEXY.CO.

The Group is the only fashion group in the middle and high-end womenswear industry with dual-brand sales revenue of more than RMB1.2 billion in China. Its dual main brands Koradior and NAERSI are among the top 10 brands in the industry. Sales revenue from Koradior elsewhere, La Koradior, NAERSILING, NEXY. CO, CADIDL sales are generally between RMB300-600 million, and the Company launched a cost-effective brand FUUNNY FEELN in 2019, 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 middle and high-end 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 the Group’s customers feminine, stylish, and young-looking designs; (ii) “La Koradior” brand was launched in September 2012 which is positioned to offer perceptual, elegant and romantic designs; (iii) “Koradior elsewhere” brand was launched in September 2014, which is positioned to offer leisurely, comfortable and high quality designs; (iv) “CADIDL” is majoritively owned by Shenzhen Mondial Industrial Co., Limited (“Mondial”), which is in turn owned as to 65% by the Group after the acquisition on 13 July 2016 and it is positioned to offer urbanism, elegant and modern designs; (v) “FUUNNY FEELN” is a cost-effective brand launched in January 2019 which is positioned to promote an exquisite, modern and interesting focus on the future of women’s lifestyle, and “NAERSI”, “NEXY.CO” and “NAERSILING” are owned by Keen Reach which was acquired by the Group on 3 July 2019; (vi) NAERSI delivers a “TO BE MYSELF” life attitude and offer fashion and high quality clothing for elite women, demonstrating their independence and self-confidence, realizing the spirit of self-realization; (vii) NEXY.CO is dedicated to urban, chic women with a sophisticated, charismatic and refined image; and (viii) NAERSILING embodies classical tailoring with modern design and a state of young mind into artful expression, confident lifestyle and diversified beauty performances, and defines its brand style as freedom, simple and modern.

As at 31 December 2020, there were 1,836 retail stores, covering 32 cities of provinces, autonomous regions and municipalities, of which 1,422 were operated by the Group, 414 were operated by the Group’s distributors under its seven brands. Out of the 1,422 self-operated retail stores, there were 958 retail stores in department stores, 182 retail stores in shopping malls, 214 retail stores in outlets, 37 retail stores on street levels and 31 retail stores in airports. For the year ended 31 December 2020, the Group’s revenue increased to RMB5,325.11 million, representing an increase of 28.36% as compared to the year ended 31 December 2019. Revenue generated by the Group’s self-operated retail stores accounted for 82.35% of its total revenue and e-commerce revenue was RMB612.39 million, representing 11.50% of its total revenue, primarily generated through third party e-commerce platforms such as Tmall and VIP.com.

Revenue analysis by brands

Brand	2020		2019		Increase/(decrease)	
	RMB’000	%	RMB’000	by %	RMB’000	%
Koradior	1,970,434	37.00%	1,874,378	45.18%	96,056	5.12%
La Koradior	301,637	5.66%	239,031	5.76%	62,606	26.19%
Koradior elsewhere	455,188	8.55%	410,681	9.90%	44,507	10.84%
CADIDL (note 1)	234,791	4.41%	189,141	4.56%	45,650	24.14%
De Kora	—	—	615	0.01%	(615)	(100%)
O’2nd (note 2)	53,976	1.01%	87,111	2.10%	(33,135)	(38.04%)
Obzee (note 2)	15,834	0.30%	27,055	0.65%	(11,221)	(41.47%)
FUUNNY FEELN	49,913	0.94%	4,113	0.10%	45,800	1,113.54%
NAERSI (note 3)	1,202,059	22.57%	743,532	17.92%	458,527	61.67%
NAERSILING (note 3)	427,256	8.02%	271,937	6.56%	155,319	57.12%
NEXY.CO (note 3)	614,019	11.54%	300,827	7.26%	313,192	104.11%
Total	5,325,107	100%	4,148,421	100%	1,176,686	28.36%

Note 1: The Group acquired 65% of the equity interest of Mondial 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 and terminated an exclusive distribution agreement in April 2020.

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

Revenue analysis by sales channels

Sales channel	2020		2019		Increase/(decrease)	
	RMB'000	%	RMB'000	by %	RMB'000	%
Self-operated retail stores	4,385,060	82.35%	3,263,382	78.67%	1,121,678	34.37%
Wholesales to distributors	316,560	5.94%	475,176	11.45%	(158,616)	(33.38%)
E-commerce	612,393	11.50%	400,566	9.66%	211,827	52.88%
Others	11,094	0.21%	9,297	0.22%	1,797	19.33%
Total	<u>5,325,107</u>	<u>100%</u>	<u>4,148,421</u>	<u>100%</u>	<u>1,176,686</u>	<u>28.36%</u>

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 competitive market at a time of deepening uncertainty, direct sales channels will play a pivotal 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 deal with uncertain risks.

The Group has always placed a strong focus on establishing self-operated retail stores. For the year ended 31 December 2020, 1,422 self-operated retail stores generated revenue of RMB4,385.06 million in aggregate, representing an increase of 34.37% as compared to the year ended 31 December 2019. Direct revenue are mainly attributed from the existing stores sales growth and sales from newly opened store.

As at 31 December 2020, there were 414 retail stores operated by distributors under seven brands (Koradior, Koradior elsewhere, CADIDL, FUUNNY FEELN, NAERSI, NEXY.CO and NAERSILING) and the revenue of retail stores operated by distributors reached RMB316.56 million, representing a decrease of 33.38% as compared to the year ended 31 December 2019 due to the effect of the coronavirus disease epidemic.

The Group makes use of third-party e-commerce platforms as one of its sales channels. E-commerce revenues for the year of 2020 amounted to RMB612.39 million, representing an increase of 52.88% or RMB211.83 million as compared to the year ended 31 December 2019. The total e-commerce revenue from Tmall increased by 3.28% from RMB272.71 million for the year ended 31 December 2019 to RMB281.66 million (representing 45.99% of the total e-commerce revenue) for the year ended 31 December 2020. The total e-commerce revenue from VIP.com increased by 130.38% from RMB127.57 million for the year ended 31 December 2019 to RMB293.89 million (representing 47.99% of the total e-commerce revenue) for the year ended 31 December 2020. The total e-commerce revenue from EEKA Fashion Mall amounted to RMB32.67 million (representing 5.34% of the total e-commerce revenue). The other e-commerce revenues amounted to RMB4.17 million (representing 0.68% of the total e-commerce revenue) for the year ended 31 December 2020.

Revenue of retail stores analysis by geographical regions

(Excluding e-commerce and others)

The following table sets out the breakdown of the Group's revenue generated from its self-operated retail stores and wholesales to distributors by geographical regions for the years ended 31 December 2020 and 2019, respectively:

Region	Year ended 31 December			
	2020		2019	
	(RMB million)	%	(RMB million)	%
Central PRC ¹	535.18	11.38%	426.04	11.40%
Eastern PRC ²	1,605.93	34.16%	1,214.61	32.49%
North Eastern PRC ³	252.26	5.37%	200.51	5.36%
North Western PRC ⁴	342.85	7.29%	325.90	8.72%
Northern PRC ⁵	495.02	10.53%	398.09	10.65%
South Western PRC ⁶	849.03	18.06%	690.62	18.47%
Southern PRC ⁷	621.35	13.21%	482.79	12.91%
Total	<u>4,701.62</u>	<u>100%</u>	<u>3,738.56</u>	<u>100.00%</u>

During the year ended 31 December 2020, 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 2020, the Group opened 512 new retail stores (of which 300 are self-operated) and closed 373 retail stores (of which 135 are self-operated), representing a net increase of 139 retail stores. The following table sets out the number of retail stores in the Group's sales network by geographical regions in the PRC as at 31 December 2020, including both self-operated retail stores and retail stores operated by distributors:

	As at 1 January 2020	Number of retail stores		As at 31 December 2020
		Opened during the year	Closed during the year	
Central PRC ¹	194	43	37	200
Eastern PRC ²	559	180	109	630
North Eastern PRC ³	126	41	49	118
North Western PRC ⁴	156	42	18	180
Northern PRC ⁵	197	72	54	215
South Western PRC ⁶	259	82	71	270
Southern PRC ⁷	206	52	35	223
Total	1,697	512	373	1,836

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 the customers, through the establishment of the bottom consumer database with comprehensive analysis and modeling to guide the development of evaluation and return orders. Big data and omni-channel provide comprehensive support on the design end. In the early stage of design, information of each brand and member is shared through omni-channels, design research and development directions are compiled based on data after accurate figure; after entering the market, the direction is adjusted based on omni-channel feedback. With a 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 2020, the Group launched 345 series of products under eight brands compared with 328 series of products under ten brands in 2019. The total number of SKU^(note) reached 6,760 in 2020, representing a decrease of 0.04% from a total of 6,763 SKU in 2019 due to the reduction of products of two brands (O'2nd and Obzee) this year. The Group's research and design team members rapidly expanded to 516 as at 31 December 2020 from 487 as at 31 December 2019.

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", "FUUNNY FEELN", "NAERSI", "NEXY.CO" and "NAERSILING". Research and development expenses were RMB144.05 million, representing 2.71% of the Group's total revenue for the year ended 31 December 2020, as compared to RMB103.13 million, representing 2.49% of the Group's total revenue for the year ended 31 December 2019. 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 "The Winter Palace", La Koradior "Turandot", Koradior elsewhere "Enjoy Life", FUUNNY FEELN "Modern & Vintage", NAERSI "25° LAN", NEXY.CO "The Opera" and NAERSILING "ERA OF FREEDOM" series.

Note: Stock keeping unit (SKU) 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.

3. Marketing and promotion

The Group continues to improve its brands influence, including through airport advertising which is one of the most effective ways to promote brands. The Group has placed advertisements at Shenzhen Bao'an International Airport, Shanghai Hongqiao International Airport and Xi'an Xianyang International Airport presently. The Group also placed advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as "ELLESHOP", "HAIBAO", "CHIC" and "Madame Figaro" etc. Despite the epidemic, the Company's brand promotion has not diminished, and the influence of the Company's brands has been continuously improved. In July 2020, the NAERSI brand fully upgraded its brand image on the occasion of its 25th anniversary; Koradior brand spokesperson Miranda Kerr returned and the renewal contracts of major brand spokespersons were completed; NEXY.CO released a new logo pattern "NCO". The Group's eight brands participated in the Shanghai Fashion Week in October 2020. In order to promote the diversification of online marketing channels, the Group uses short videos, WeChat mini programs, WeChat circle of friend advertising, WeChat service account article promotion, e-commerce live broadcast and other online marketing methods to reach customers and promote marketing. For the year ended 31 December 2020, the brand and marketing promotion expenses (excluding sales promotion expenses) were RMB131.67 million which accounted for 2.47% of the Group's total revenue, representing an increase of RMB26.17 million or 24.8% as compared to RMB105.50 million in 2019 primarily due to the increase in advertisements in acquired brands as a result of acquisition of Keen Reach.

4. Human resources

As at 31 December 2020, the Group had a total of 9,916 full-time employees in Mainland China and Hong Kong. The following table sets forth a breakdown of the Group's employees' allocation by departments as at 31 December 2020 and 31 December 2019 respectively:

	2020	2019
	Number of employees	Number of employees
Management, administration and finance	269	274
Product design and research and development	516	487
Sales and marketing	8,787	8,551
Procurement, logistics and quality control	344	319
Total	9,916	9,631

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 its staff. For the year ended 31 December 2020, the total salary and welfare expenses were RMB1,090.30 million, representing 20.47% of the Group's total revenue and an increase of RMB268.18 million or 32.62% as compared to RMB822.12 million, representing 19.82% of the Group's total revenue for the year ended 31 December 2019.

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 recognize the contributions for selected participants and to provide incentive to retain them for continual development of the Group. For the year ended 31 December 2020, the share award expense were RMB109.92 million. 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 system named Middle Platform, where each brand division operates independently, in terms of planning, expansion, terminal management, supply chain management, economic management, finance, manpower and 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, the collaborative efforts of the Middle Platform system has supported the growth of various brands, to build a brand cluster enterprise.

6. Supply Chain Mechanism

In 2020, the Company used the supplier relationship management system to promote the front-end information sharing of the supply chain; promote the standardization of the template production process to improve production efficiency and quality stability; integrate commodity transportation and optimize logistics costs. The Group also continued to promote the intensive reform of the procurement of core categories of fabrics, established a strategic supply mechanism with core fabric suppliers, and strengthened the planning of fabric procurement and the concentration of suppliers. During the reporting period, the procurement concentration of silk, wool, acetic and other categories of fabrics all increased year-on-year, and the purchase unit prices all decreased to varying degrees year-on-year, and the supply efficiency of fabric procurement was improved. Through these measures, the Company's supply chain capabilities were significantly improved in 2020.

7. Prospect

In 2020, China's GDP grew by 2.3% year-on-year, making it the only major economy in the world to achieve positive growth. Under the influence of strong stimulus policies, as the impact of the coronavirus disease epidemic gradually weakens, it is expected that China's economy will achieve rapid growth in 2021, consumption will continue to recover, and mid-to-high-end consumption will maintain a growth trend. Industry concentration has entered a stage of rapid improvement, and leading companies have benefited significantly.

The outbreak of COVID-19 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 the medium to long term, China's economy is expected to maintain a steady upward momentum, and the consumer demand for beauty is unlikely to change. Therefore, it is expected to 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 have high market share concentration. The Group will continue to pay close attention to 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.

Looking forward to 2021, the Group remains committed to the underlying principle of making progress while keeping performance stable and enterprising in adversity. The Group will:

(i) Take advantage of the trend and maintain a positive development strategy

The Company will maintain an active development strategy, take advantage of the trend, steadily expand its market share, further increase the overall size, and continue to expand its dominant position as a leading enterprise in the field of mid-to-high-end women's apparel in China.

(ii) Consolidate the layout of the brand portfolio and continue to improve platform-based multi-brand operation capabilities

The Group will maintain the steady growth of the main brands Koradior and NAERSI, promote the growth of Koradior elsewhere, La Koradior, CADIDL, NAERSILING, NEXY.CO and other brands to maintain rapid growth, promote the rapid iterative development of the cost-effective strategic new brand FUUNNY FEELN, and continue to look for opportunities for the expansion of the brand portfolios. The Company will continue to improve its platform-based multi-brand operation capabilities in terms of brand building, omni-channel operations, and supply chain management.

(iii) Strengthen the brand building system

The Group will promote brand building through more specialized, systematic and differentiated means, continue to enhance brand influence and added value. In terms of brand promotion, the Group will gradually promote the strategy of multi-platform sharing and recommendation and multi-channel conversion, adhere to celebrity endorsements, actively carry out joint cooperation with intellectual properties in different industries, promote the development of brand spokesperson co-branded products, and strengthen the interactive communication between customers and brands.

(iv) Optimize channel construction and promote the layout of new business formats

The Group will focus on strengthening the construction of the self-operating system, improve store efficiency, saturate and encrypt high-quality channels, stabilize the distribution market and steadily expand the market scale of distribution channels. The Group will also continue to consolidate the competitive advantages of its brands in mid-to-high-end department store formats, promote the layout in shopping centers, continue to increase strategic research and pilot projects for new business formats and iteratively optimize the product launch strategy on various e-commerce platforms, including product category, product scale, price range distribution, etc., while studying the business layout of multiple platforms.

(v) Promote in-depth omni-channel operations to achieve data-driven growth

The Group will promote the construction of its omni-channel operation system to improve cross-channel and cross-brand operation management and service capabilities, promote and optimize Commodity Link, Member Link, and Service Link, and iterate and upgrade the central platform IT system according to market and business development needs, improve the database including membership management, commodity management, operation management and other fields, improve and standardize data labels, build a complete big data management mechanism, and realize data-driven growth.

(vi) Continue to strengthen supply chain coordination

The Group will continue to promote the construction of a supply chain management system featuring intensive procurement, flexible production, and efficient logistics, and further enhance the professional and data-driven capabilities of supply chain management. On the raw material procurement side, the Group will promote the integration of material selection from the source of product development, and continue to establish long-term strategic partnerships with major suppliers on the procurement of core varieties of fabrics to improve fabric supply efficiency and reduce procurement costs. On the processing and manufacturing side, the Group will continue to improve the management level of partners' flexible processing and production to further meet the production management requirements of "multiple batches, fewer quantity, and rapid order reversal". In terms of product operation management, combined with the optimization of the IT system, explore the establishment of an intelligent distribution, replenishment, circulation mechanism and a rapid order-returning decision-making mechanism to further improve the production-sales ratio and sell-out rate.

RISK MANAGEMENT

The Group is devoted to establishing risk management systems that it considers appropriate to manage risks in its 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.

The Group does not own or operate any manufacturing facilities. The Group believes (i) its internal guidelines and policies are adequate to comply with all applicable PRC environmental laws and regulations and (ii) its 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. The Group's business operation only discharges domestic wastewater and generates garbage as it outsource all of its production to its OEM contractors.

DIVIDENDS

The Board proposed to declare a final dividend of HK38 cents per share for the year ended 31 December 2020 (2019: HK16 cents) to those shareholders whose names appeared on the register of members of the Company as at the close of business on 16 June 2021. 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 30 June 2021.

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 Wednesday, 2 June 2021 to Monday, 7 June 2021, 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 Tuesday, 1 June 2021.

To determine the eligibility of the shareholders of the Company to receive the proposed final dividend, the register of members will be closed from Friday, 11 June 2021 to Wednesday, 16 June 2021, 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 Thursday, 10 June 2021.

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 2020 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.

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 2020 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 2020. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Group with the external auditor.

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

Hong Kong, 26 March 2021

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.