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)

(formerly known as Koradior Holdings Limited
珂萊蒂爾控股有限公司)

ANNUAL REPORT
2019

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Corporate Profile

ABOUT EEKA FASHION

We are one of the leading and fast-growing middle and high-end womenswear companies in the People's Republic of China (the "PRC"). We have a unique brand culture concept, advanced research and development design center, sound marketing service system, efficient logistics and distribution and network management system. As at 31 December 2019, our brand portfolio comprises ten brands: our own high-end brands (i) Koradior (ii) La Koradior (iii) Koradior elsewhere, cost effective brand, – FUUNNY FEELLN, acquired brands – (i) CADIDL (ii) NAERSI (iii) NAERSILING (iv) NEXY.CO, international agent brands – (i) Obzee and (ii) O'2nd that target affluent ladies between the ages of 25 and 50.

Our business was established in 2007 by Mr. Jin Ming, our chief executive officer, chairman and executive director. Our "Koradior" brand is positioned to offer our customers feminine, stylish, chic and young-looking designs. "La Koradior" brand was launched in September 2012 which is positioned to offer luxurious and elegant designs. "Koradior elsewhere" brand was launched by in September 2014, which is positioned to offer simple yet feminine, stylish and modern relaxed designs. We launched new cost-effective brand named "FUUNNY FEELLN" (referred to as "FF" brand) in January 2019. which is positioned to exquisite, modern and interesting focusing on the future of women's lifestyle.

We acquired 65% equity of Shenzhen Mondial Industrial Ltd on 24 June 2016 its "CADIDL" brand, which is positioned to offer our customers pursuit of artistic designs. On 9 March 2017, we, through our 90%-owned subsidiary, entered into the five-year exclusive agreement with Handsome Global Co., Ltd（漢纖國際有限公司）to engage in the distribution and marketing of products under the brands "Obzee" and "O'2nd".

We acquired 100% equity of Keen Reach Holdings Limited on 3 July 2019, its self-owned brands in the PRC, namely "NAERSI", "NEXY.CO" and "NAERSILING", also targets affluent ladies between the ages of 30 and 45. NAERSI is delivering "City Elite" fashion cultural and high quality, fine taste and comfortable clothing for elite women with the pursuit of successful career and life. NEXY.CO is dedicated to urban, chic women with a sophisticated, charismatic and refined image. NAERSILING embodies classical tailoring with modern design and a state of young mind into artful expression, confident lifestyle and diversified beauty performances, defines its brand style as freedom, simple and modern.

Over the years, we have attached great importance to the brand's international influence, our brands have been invited to Milan Fashion Week, New York Fashion Week to show the charm of Chinese brands. We always insists that the brand is the root, creativity is the soul, to customer lifestyle research, brand culture as the foundation, based on customer needs and "Just for her unique glamour " mission, focusing on product innovation and development and brand communication promotion, continue to lead womenswear fashion and life culture.

Our products include dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, scarves and accessories are sold across a nationwide sales network, majority of which consist of self-operated retail stores, covering 32 cities of provinces, autonomous regions and municipalities in the PRC.

We have started to sell our products through the third party e-commerce platform Tmall since 2011 in our operating a flagship store and authorized merchant VIP.com. We launched the EEKA Fashion Mall based on WeChat ecological social e-commerce platform on January 13, 2020. EEKA Mall has opened up the sharing mechanism such as inventory, membership, marketing resources and other key elements to achieve a comprehensive upgrade of customer consumption experience.

Corporate Information

EXECUTIVE DIRECTORS

Mr. JIN Ming *(Chairman and Chief Executive Officer)*
Ms. HE Hongmei
Mr. JIN Rui (appointed on 23 August 2019)

NON-EXECUTIVE DIRECTOR

Mr. YANG Weiqiang (resigned on 23 August 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHOU Xiaoyu
Mr. ZHONG Ming
Mr. ZHANG Guodong

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

7/F, B Block, Hongsong Building
Terra 9th Road
Futian District
Shenzhen, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 812, 8th Floor, Tower 1, The Gateway,
Harbour City, No.25 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong

COMPANY SECRETARY

Ms. WONG Wai Kiu

JOINT COMPANY SECRETARY

Mr. LEUNG Ka Wai

AUTHORISED REPRESENTATIVES

Mr. JIN Ming
Mr. LEUNG Ka Wai

AUDIT COMMITTEE

Mr. ZHANG Guodong *(Chairman)*
Mr. ZHOU Xiaoyu
Mr. ZHONG Ming

AUDITOR

Ernst & Young
Certified Public Accountants

REMUNERATION COMMITTEE

Mr. ZHOU Xiaoyu *(Chairman)*
Mr. ZHANG Guodong
Mr. JIN Ming

NOMINATION COMMITTEE

Mr. JIN Ming *(Chairman)*
Mr. ZHOU Xiaoyu
Mr. ZHANG Guodong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Pingan Bank
Shenzhen branch, Jinsha sub-branch

China Merchants Bank
Shenzhen branch, Tairan Jingu sub-branch

COMPANY WEBSITE

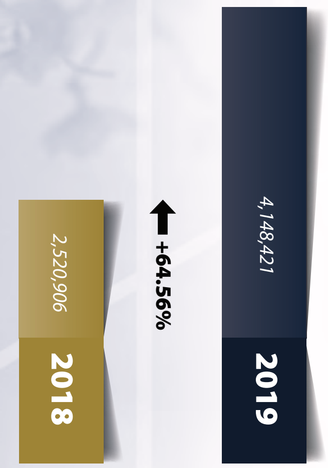
www.eekagroup.com

STOCK CODE

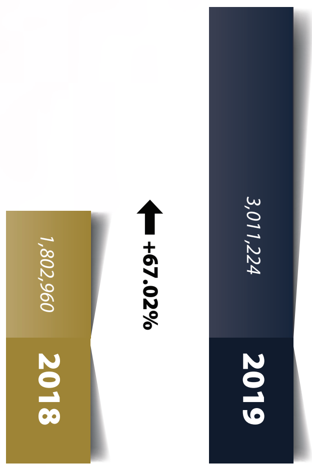
3709

Financial Highlights

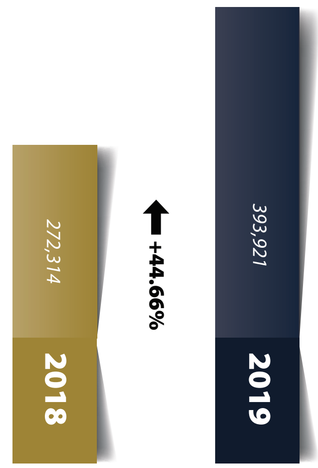
REVENUE
RMB'000



GROSS PROFIT
RMB'000



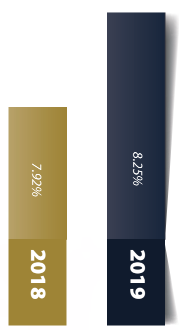
NET PROFIT
RMB'000



EARNINGS PER SHARE – BASIC
RMB Cents

NET ASSETS
RMB'000

GEARING RATIO



Financial Highlights

	Year ended 31 December		
	2019	2018	Increase/(Decrease)
	RMB'000	RMB'000	%
Revenue	**4,148,421**	2,520,906	64.56%
Gross profit	**3,011,224**	1,802,960	67.02%
Operating profit	**515,320**	323,711	59.19%
Net Profit	**393,921**	272,314	44.66%
Net cash flows from operating activities	**699,446**	400,045	74.84%
Earnings per share[1]			
– Basic (RMB cents)	**69**	56	
– Diluted (RMB cents)	**69**	56	
Profitability Ratio (%)			
Gross margin	**72.59%**	71.52%	1.07% points
Operating margin	**12.42%**	12.84%	(0.42% points)
Net margin	**9.50%**	10.80%	(1.3% points)

	At 31 December	
	2019	2018
Liquidity Ratio		
Current ratio[2] (times)	**1.19**	3.03
Trade and bills receivables turnover days[3]	**40.81**	44.37
Trade and bills payables turnover days[4]	**48.27**	45.55
Inventory turnover days[5]	**178.49**	233.27
Capital Ratio		
Gearing Ratio[6]	**8.25%**	7.92%
Interest coverage ratio[7] (times)	**19.77**	40.61

Key ratios:

1. Basic earnings per share = Profit attributable to equity shareholders of the Company/Weighted average number of ordinary shares (the weighted average number of shares in 2019 was 585,421,388 versus 486,337,000 in 2018)
2. Current ratio = Current assets/Current liabilities
3. Trade and bills receivables turnover days = Average of opening and closing balances on trade and bills receivables/Revenue x 365 days
4. Trade and bills payables turnover days = Average of opening and closing balances on trade and bills payables/Cost of sales x 365 days
5. Inventory turnover days = Average of opening and closing balances on inventory/Cost of sales x 365 days
6. Gearing ratio = Total bank and other borrowings/Total equity x 100%
7. Interest coverage ratio = Profit before interest and tax/Interest expenses

Financial Summary

(Financial figures are expressed in RMB'000)

	Year ended/as at 31 December				
	2019	2018	2017	2016	2015
Operating results					
Revenue	**4,148,421**	2,520,906	2,203,726	1,599,486	1,284,772
Profit from operations	**515,320**	323,711	306,561	297,005	268,218
Profit attributable to shareholders	**405,606**	272,759	253,517	233,692	204,045
Assets and liabilities					
Non-current assets	**3,380,525**	281,761	255,350	264,752	133,667
Current assets	**2,131,836**	1,473,214	1,349,537	1,072,766	956,544
Current liabilities	**1,796,373**	485,887	481,250	390,399	277,782
Net current assets	**335,463**	987,327	868,287	682,367	678,762
Total assets less current liabilities	**3,715,988**	1,269,088	1,123,637	947,119	812,429
Non-current liabilities	**539,485**	29,977	10,982	13,807	–
Shareholders' Equity	**3,176,503**	1,239,111	1,112,655	933,312	812,429

CHAIRMAN'S STATEMENT

Chairman's Statement

Dear shareholders of EEKA Fashion Holdings Limited,

On behalf of the board of directors (the "Board") of EEKA Fashion Holdings Limited (the "Company" or "EEKA Fashion"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

As the leading middle and high-end ladies-wear Group in China, the Group continued with multi-brand operation and create a range of stylish and sophisticated products that convey the unique lifestyle. In 2019, the Group 's revenue exceeded RMB4,148.42 million, representing an increase of 64.56% compared with 2018, and a net profit of attributable to owners of the parent of RMB405.61 million, representing an increase of 48.71% compared with 2018. As at 31 December 2019, the Group had 1,697 retail stores covering 32 cities of provinces, municipalities and autonomous regions across China of which 1,257 were operated by us and 440 were operated by our distributors under our 8 brands. The Group's main brand Koradior and NAERSI recorded retail sales of RMB1,874.38 million and RMB743.53 million respectively, landing among the top ranked brands in the PRC. In January 2019, The Group launched cost effective brand FUUNNY FEELLN to improve the brand matrix hierarchy, meet the demand for cost-effective consumers, and further enhance the Group's share of the market. As of December 31, 2019, 12 were operated by us and 5 operated by our distributors.

The Group entered into the acquisition agreement with Apex Noble Holdings Limited ("Apex Noble") for entire issued share capital of Keen Reach Holdings Limited on 25 March 2019. There are three high-end women's fashion brands "NAERSI", "NEXY.CO", "NAERSILING". The Group would pay a total of HK$2.4 billion through the issuance of consideration shares and the payment of cash, and the transaction was completed in July 2019. The consideration of shares had been issued to Apex Noble at the acquisition date and the cash consideration will be paid within 3 years after the acquisition date. After the completion of the merger and acquisition, the Company's market share increases and is re-affirmed as the industry leader.

In order to meet growing storage logistic needs, the Group acquired entire equity interests in Shenzhen Haowei Flat Screen Display Materials Co., Ltd at a total cash consideration around RMB570 million on September 2019. The acquisition of the target as an industrial complex will be used as a warehouse and logistics center, and is expected to meet the Company's growth in warehouse logistics demand.

In 2019, the Group promoted the centralized procurement of raw materials for core categories, and established a strategic supply mechanism with core fabric suppliers to improve the planning and accuracy of material preparation, while large-scale orders obtain edged lower purchase prices and higher supply efficiency in order to enhance intensive supply chain development.

For full establishment of online and offline digital foundation for the consumer, the Group used six months of market research and three months of design and development to launch the EEKA Fashion Mall based on WeChat ecological social e-commerce platform on January 13, 2020 at 14:00 on time. EEKA Fashion Mall has opened up the sharing mechanism such as inventory, membership, marketing resources and other key elements to achieve a comprehensive upgrade of customer consumption experience.

Chairman's Statement

In December 2019, the Group launched a share award plan to provide share incentives to employees and business partners. The maximum number of shares granted is 10% of the issued shares, and the Company's controlling shareholder would inject up to 4.9% of the Company's issued share capital into the plan. The share award plan can combine shareholder interests, Company interests, and employee to meet the Group's strategic goals and long-term development.

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

Last but not least, I would like to take this opportunity on behalf of the Board to offer my heartfelt thanks to all shareholders, customer, business partners and our staff for their committed support and trust.

By order of the Board
Jin Ming
Chairman and CEO

Hong Kong, 31 March 2020

Management Discussion and Analysis

Management Discussion and Analysis

INDUSTRY REVIEW

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

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

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEWS

Revenue

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

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

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

FINANCIAL REVIEWS *(Continued)*

Cost of sales

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

Gross profit and gross margin

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

FINANCIAL REVIEWS *(Continued)*

Net profit and profit margin

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

Capital structure

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

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

FINANCIAL REVIEWS *(Continued)*

Financial position, liquidity and gearing ratio

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

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

Exposures to fluctuation in foreign exchange

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

Contingent liabilities

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

Material acquisition

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

FINANCIAL REVIEWS *(Continued)*

Material acquisition *(Continued)*

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

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

FINANCIAL REVIEWS *(Continued)*

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 31 December 2019, the Group has invested RMB30 million in Qianhai Ruilin with a fair value of RMB43.28 million (2018: RMB43.28 million), representing less than 5% of the Group's total assets as at 31 December 2019. Qianhai Ruilin was established solely for investing in Qingdao Kute Smart Co., Ltd（青島酷特智能股份有限公司）.

Use of proceeds

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

There was no equity fund raising activity by the Company for the year ended 31 December 2019, nor was there any unutilised proceed brought forward from fund raising activities in prior year.

Management Discussion and Analysis

BUSINESS REVIEWS

1. EEKA Brands

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

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

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

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

BUSINESS REVIEWS *(Continued)*

1. EEKA Brands *(Continued)*

Revenue analysis by brands

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

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

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

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

Revenue analysis by sales channels

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

BUSINESS REVIEWS *(Continued)*

1. EEKA Brands *(Continued)*

Revenue analysis by sales channels *(Continued)*

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 pillar role in the steady and sustained growth of the Group's performance. At the same time, the self-operated retail stores layout also allows brands to fully contact customers, understand the market, meet the demand, and to deal with uncertain risks.

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

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

BUSINESS REVIEWS *(Continued)*

1. EEKA Brands *(Continued)*

Revenue analysis by sales channels *(Continued)*

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

BUSINESS REVIEWS *(Continued)*

1. EEKA Brands *(Continued)*

Revenue of retail stores analysis by geographical regions

(Excluding e-commerce and others)

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

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

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

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

BUSINESS REVIEWS *(Continued)*

1. EEKA Brands *(Continued)*

Revenue of retail stores analysis by geographical regions *(Continued)*

(Excluding e-commerce and others)

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

BUSINESS REVIEWS *(Continued)*

1. EEKA Brands *(Continued)*

Breakdown of retail stores by geographical regions

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

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

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

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

BUSINESS REVIEWS *(Continued)*

2. Design, research and development

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

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

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

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

BUSINESS REVIEWS *(Continued)*

3. Marketing and promotion

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

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

4. Human resources

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

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

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

BUSINESS REVIEWS *(Continued)*

4. Human resources *(Continued)*

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

5. Middle Platform Management System

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

6. Supply Chain Mechanism

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

7. Change of Company's name

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

BUSINESS REVIEWS *(Continued)*

8. Prospect

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

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

(i) Continue to deepen the multi-brand matrix

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

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

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

BUSINESS REVIEWS *(Continued)*

8. Prospect *(Continued)*

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

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

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

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

(v) Strengthening supply chain collaboration

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

RISK MANAGEMENT

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

ENVIRONMENTAL AND SAFETY MEASURES

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

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

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. JIN Ming（金明）, aged 49, is the founder and chief executive officer of our Group. He is also the chairman of our Board and was appointed as a Director on 23 March 2012 and re-designated as an executive Director on 5 March 2014. Mr. Jin has over 20 years of experience in the ladies-wear fashion and retail industry and is primarily responsible for our overall corporate strategies, planning and business development. In May 2001, Mr. Jin started working at Shenzhen Yingjia Fashion Co, Ltd ("Yingjia Fashion"), our largest OEM contractors, as a marketing manager, in which he has gained extensive management experience in the ladies fashion and retail industry. He was then responsible for retail channels' development and maintenance. In January 2003, he became the general manager of marketing of Yingjia Fashion and was put in charge of brand promotion, the development and maintenance of sales channel and retail activities. In March 2007, he was appointed as chairman of the board of our Group. Mr. Jin graduated from University of Science and Technology of China（中國科學技術大學）with a Bachelor Degree of Arts in English for Science and Technology*（科技英語）in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School（中歐國際工商學院）in Shanghai in October 2013. Mr. Jin is also the director of Koradior Investments Limited, one of our controlling shareholders and the brother of Mr. Jin Rui.

Ms. HE Hongmei（賀紅梅）, aged 47, was appointed as one of our executive Directors on 5 March 2014. Ms. He is mainly responsible for overseeing the whole business unit, overall business planning and strategy execution. Ms. He joined our Group in March 2007 and has over 20 years' experience in the ladies-wear industry, including sales, business operation and procurement. Ms. He studied in Business and Enterprise Management*（商業企業管理）in Huangshi Finance and Trade School*（黃石市財貿學校大冶中等專業學校）in Huangshi, Hubei Province from September 1995 to July 1997. Before she joined Yingjia Fashion in 2001, she worked in Hubei Daye Textile Company*（湖北省大冶市紡織品公司）for nearly 6 years. In May 2001, Ms. He joined the customer service team of Yingjia Fashion and was promoted as the regional head in July 2002. Since March 2007, she started working for Shenzhen Koradior Fashion Ltd ("Shenzhen Koradior") which is an indirect wholly-owned subsidiary of our Company as the director of brand business department and became the general manager of Shenzhen Koradior in January 2009.

Mr. JIN Rui（金瑞）, aged 43, was appointed as an executive Director on 23 August 2019 and is currently a director of Keen Reach Holdings Limited and its subsidiary, Extra Wisdom Limited. He is the brother of Mr. Jin Ming, the chairman, chief executive officer and an executive Director of the Group. Mr. Jin has over 20 years of experience in the finance, investment and capital markets industries, and he is primarily responsible for the overall corporate investment strategy direction, planning and managing the development of the group in the capital market. From 1998 to 2000, Mr. Jin worked as a stock analyst in Minsheng Securities Co., Ltd.. He was responsible for stocks and capital market trading. From 2004 to 2005, he worked as a financial reporter in the 21st Century Business Herald. He conducted interviews and reported on the news, including the listing of Ping An Insurance and equity aspects of listed companies. From 2005 to 2014, he acted as an investment legal consultant for Shenzhen Yingjia Fashion Co., Ltd., the largest OEM of the Group, providing professional advice on finance, investment and law. Since 2014, he has served as a director of Keen Reach Holdings Limited and a subsidiary of Extra Wisdom Limited, being responsible for their overall corporate investment strategy of its Hong Kong and domestic subsidiaries, planning and managing the development of the company in capital markets, participating in acquisitions, and day-to-day operations management.

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHOU Xiaoyu (周曉宇), aged 51, was appointed as an independent non-executive Director on 30 June 2016 and was graduated from 西安電子科技大學 (Xian Electronic Technology University) with a bachelor's degree of electronic engineering in 1990 and from 中歐工商學院 (China Europe International Business School) with a degree of executive master of business administration in 2013. From 1990 to 1997, Mr. Zhou worked as an engineer and economist at 中國電子信息產業集團公司 (China Electronics Corporation). From 1997 to 2000, he was a business manager in 中國電子工業深圳總公司 (China Electronics Industry (Shenzhen) Corporation). Mr. Zhou was the founder of 深圳市迪威視訊技術有限公司 (Shenzhen Diwei Video Technology Company Limited) and was the managing director during 2000 to 2004. In 2001, Mr. Zhou founded 深圳桑海通投資有限公司 (Shenzhen Sanghaitong Investment Company Limited) and was the managing director. In 2005, Mr. Zhou founded 深圳市秉宏投資有限公司 (Shenzhen Binghong Investment Company Limited) and was the managing director.

Mr. ZHONG Ming (鐘鳴), aged 50, was appointed as an independent non-executive Director on 6 June 2014. He graduated from University of Science and Technology of China (中國科學技術大學) with a Bachelor Degree of Science in Biology in Anhui Province in July 1992 and completed his Executive Master of Business Administration from China Europe International Business School (中歐國際工商學院) in Shanghai in September 2007. From July 1992 to January 2002, Mr. Zhong worked for Procter & Gamble (Guangzhou) Limited* (廣州寶潔有限公司) as a brand manager. Then he joined Wall's (China) Co, Ltd. Shanghai Branch (和路雪(中國)有限公司上海分公司) as vice president of marketing from August 2003 to June 2006. He was employed by Reckitt Benckiser Household Products (China) Co., Ltd (利潔時家化(中國)有限公司) as marketing director from June 2006 to June 2008. From June 2012 to November 2013, Mr. Zhong worked as the senior vice president of operation of TPG Huhua (Shanghai) Equity Investment Management Enterprise (Limited Partnership). From March 2014 to June 2016, Mr. Zhong worked as the general manager of China for Luxottica (Shanghai) Trading Co., Limited. Mr. Zhong works as the senior vice president of Philips and the president of Greater China Health Division of Philip (China) Investment Co., Ltd.

Mr. ZHANG Guodong (張國東), aged 42, was appointed as an independent non-executive Director on 17 July 2017. He holds a bachelor's degree in finance-related subjects, a master's degree in accountancy from the Chinese University of Hong Kong and an executive master's degree in business administration from Cheung Kong Graduate School of Business in Beijing, China. Mr. Zhang is a Certified Public Accountants and Certified Tax Agents in the People's Republic of China, Certified Public Accountants in Australia. From the year of 2000 to 2002, Mr. Zhang worked as a project manager in BDO International Reanda Certified Public Accountants* (德豪國際利安達信隆會計師事務所) in Beijing and Zhuhai, and was principally involved in audit work in relation to public initial offering and audit, consulting and tax planning work in relation to listed companies. From the year of 2002 to 2004, Mr. Zhang worked as a department manager in an accounting firm named BDO International Shenzhen Dahua Tiancheng* (德豪國際深圳大華天誠會計師事務所) and was principally involved in audit work in relation to public initial offering and audit, consulting and tax planning work in relation to listed companies. From the year of 2004 to 2008, Mr. Zhang worked as the chief financial officer at Dason Trading (Shanghai) Co., Limited* (大辛貿易(上海)有限公司). From the year of 2009 to 2018, Mr. Zhang was an executive director in Ping An Securities Group (Holdings) Limited (formerly known as Madex International (Holdings) Limited), a company listed on the Main Board of the Stock Exchange (stock code: 00231). Mr. Zhang has more than 7 years of experience in managing listed companies and is familiar with the daily operation, mergers and acquisitions of listed companies. Mr. Zhang is currently mainly engaged in private equity fund investment.

SENIOR MANAGEMENT

Mr. GUO Zhongqiao（郭忠橋）, aged 40, is the sales director of our Group. Mr. Guo joined our Group in November 2011 and oversees the sales and operation of our Group. Mr. Guo has over 11 years of experience in sales and distribution in fashion industry. Prior to joining our Group, Mr. Guo has been the region manager and director of self-operated distribution of Yingjia Fashion from July 2005 to October 2011. He was a manager of the Northern region for the marketing department of Shenzhen Taiming Fashion Limited*（深圳市臺茗服飾有限公司）from February 2004 to June 2005. He obtained an Adult Education Graduation Certificate in Computer and Information Management*（電腦與信息管理）from Jiangxi Economic Administration Cadres College*（江西經濟管理幹部學院）in Nanchang, Jiangxi Province in July 1999.

Mr. HU Qi（胡琦）, aged 41, is the design director of our Group. Mr. Hu joined our Group in March 2007 and primarily takes responsibility for the design and development of ladies-wear of our Group. Mr. Hu has over 14 years of experience in fashion design. Prior to joining our Group, Mr. Hu was the chief designer of Shenzhen Fei Ying Si Fashion Limited*（深圳市飛影思服飾有限公司）from June 2004 to August 2006. He also worked in the design team for Shenzhen Zeyuan Houye Fashion Co.,Ltd.*（深圳市澤源厚業時裝有限公司）from May 2003 to June 2004 and Shenzhen Yezi Garment Limited*（深圳市葉子服裝實業有限公司）from September 2001 to May 2003. He obtained a bachelor degree in Fashion Art and Design*（服裝藝術設計）from the Hubei Academy of Fine Arts*（湖北美術學院）in Wuhan, Hubei Province in July 2001.

Mr. Wu Qingye（吳慶業）, aged 44, is the Group's Operations Director, responsible for the annual business plan development, overall management and system process management, and supply chain system construction. Mr. Wu has over 20 years of overall business management experience. He joined the Group in 2009 and has served as Director of Purchasing Department, Director of Operation Management Department, General Manager of Brand Division and General Manager of Group Investment and Asset Management Department. Prior to joining the Group, Mr. Wu served as Chief Application Consultant of Kingdee Group*（金蝶集團）Products and Operating Officer of Huijie Group*（匯潔集團）. He received a Bachelor's degree in Technical Economics from Chongqing University*（重慶大學）in July 1999 and an MBA from Shanghai University *（上海財經大學）of Finance and Economics in 2005.

Ms. ZHU Chaochao（祝超超）, aged 30, is the chief financial officer, primarily responsible for the overall financial management and operation of our Group. Ms. Zhu joined our Group as a chief financial officer assistant in June 2015. From October 2012 to April 2015, Ms. Zhu was an senior auditor in an accounting firm named Ernst and Young Global Limited Shenzhen Office（安永華明會計事務所）and was principally involved in audit work in relation to public initial offering and audit in relation to listed companies. She obtained her Bachelor of Finance management from Guangdong University of Foreign Studies（廣東外語外貿大學）in July 2012. She became a qualified member of The Chinese Institute of Certified Public Accountants in 2014.

Directors and Senior Management Profile

COMPANY SECRETARY

Ms. WONG Wai Kiu（黃煒喬）, aged 39, is the company secretary of our Company. Ms. Wong has acted as finance manager of the Company since July 2014. From September 2005 to January 2012 she worked as senior accountant of Kam Hing International Holdings Ltd (stock code: 2307). She is a fellow member of the Association of Chartered Certified Accountants and obtained a Bachelor Degree of Applied Accounting from Oxford Brookes University in the United Kingdom, Master Degree of Science in Professional Accountancy from University of London and Master Degree of Arts in Fine Arts from the Chinese University of Hong Kong. She has extensive experience in company secretary, financial accounting and corporate governance compliance for listed company.

JOINT COMPANY SECRETARY

Mr. LEUNG Ka Wai（梁嘉偉）, aged 49, is the joint company secretary and one of the authorised representatives of our Company since 2014, primarily responsible for company secretarial affairs of our Company. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He was also admitted as a solicitor in Hong Kong in 2000 and is a partner in Michael Li & Co.

The English names of companies incorporated in the PRC marked with "*" are translations of their Chinese names and are included for identification purposes only.

CORPORATE GOVERNANCE PRACTICES

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

THE BOARD OF DIRECTORS

The Company's Board of Directors (the "Board") is responsible for formulating the overall strategy of the Group and reviewing the operations and financial performance of the Group. The chairman is responsible for the management and leadership of the Board to ensure that adequate, complete and reliable information is provided to all Directors in a timely manner.

Board composition

The Board now comprises six Directors including three executive Directors, and three independent non-executive Directors. The composition of the Board and representation on Board committees are set out below:

Title	Name	Position	Gender	Age	Length of services
Executive Directors:	Mr. Jin Ming	Chairman of the Board Chief Executive Officer Chairman of Nomination Committee Member of Remuneration Committee	Male	49	13 years
	Ms. He Hongmei		Female	47	13 years
	Mr. Jin Rui (appointed on 23 August 2019)		Male	43	1 year
Non-Executive Director:	Mr. Yang Weiqiang (Resigned on 23 August 2019)		Male	52	4 years
Independent Non-Executive Directors:	Mr. Zhang Guodong	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee	Male	42	2 years
	Mr. Zhou Xiaoyu	Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee	Male	51	4 years
	Mr. Zhong Ming	Member of Audit Committee	Male	50	6 years

THE BOARD OF DIRECTORS *(Continued)*

Board composition *(Continued)*

Our Directors are experienced in a range of corporate and industry expertise such as accounting, finance and business and operation management. The diversity of the Directors' experience provides useful exchange of ideas and views to ensure that decisions are made with a balanced judgement. Save as disclosed in the biographies of the Directors as set out on pages 31 to 32 of this Annual Report, there is no financial, business, family or other material or relevant relationship among Directors.

The Board has established three sub-committees of the Board, namely the Audit Committee, Remuneration Committee and Nomination Committee. The Chairman of Remuneration Committee and Audit Committee are independent non-executive directors. Written terms of reference of each of these sub-committees are available on the websites of the Company and the Stock Exchange.

Board meetings

The Board discusses the overall strategy as well as the operational and financial performance of the Company. Other Board meetings are held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors. The table below sets out the attendance of all Directors at the Board meetings and general meetings held during the year ended 31 December 2019:

	Regular Board Meetings	Annual general meeting held on 22 May 2019	Extraordinary general meeting held on 22 May 2019	Extraordinary general meeting held on 26 August 2019
Executive Directors:				
Mr. JIN Ming *(Chairman and Chief Executive Officer)*	6/6	1/1	1/1	1/1
Ms. HE Hongmei	6/6	1/1	1/1	1/1
Mr. JIN Rui (note 2)	3/3	0/0	0/0	1/1
Non-executive Director:				
Mr. YANG Weiqiang (note 1)	3/3	1/1	1/1	0/0
Independent Non-executive Directors:				
Mr. ZHANG Guodong	6/6	1/1	1/1	1/1
Mr. ZHOU Xiaoyu	6/6	1/1	1/1	1/1
Mr. ZHONG Ming	6/6	1/1	1/1	1/1

Note 1: Mr. Yang Weiqiang resigned on 23 August 2019.

Note 2: Mr Jin Rui was appointed on 23 August 2019.

There are three independent non-executive Directors who represent more than one-third of the Board, and Mr. Zhang Guodong has the appropriate professional qualifications as required by Rule 3.10(2) of the Listing Rules.

THE BOARD OF DIRECTORS *(Continued)*

Board meetings *(Continued)*

Notices are given to all Directors at least 14 days prior to regular Board meeting, and due and proper notices are given to all Directors in advance for attending other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have access to the advisory and secretarial services, at the Company's expenses, of the company secretary with a view to ensure that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the Board meetings minutes are sent to all Directors for their comment and records. Minutes of Board meetings are recorded in sufficient details for the matters considered by the Board and the decisions reached, including any concerns raised by the Directors, and such minutes are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company has confirmed with all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Director's securities transactions during the year ended 31 December 2019.

Confirmation of independence

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

Appointment, re-election and removal

Each of the executive Directors has entered into a service contract for a fixed term of three years, and each of the independent non-executive Directors has entered into a letter of appointment with the Company for a specific term of two years, subject to normal rotation in accordance with the articles of association of the Company (the "Articles of Association").

THE BOARD OF DIRECTORS *(Continued)*

Directors' training

During the year ended 31 December 2019, the Directors were provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Company has organized seminars for all the then Directors of the Company namely Mr. Jin Ming, Ms. He Hongmei, Mr. Jin Rui, Mr. Zhang Guodong, Mr. Zhou Xiaoyu and Mr. Zhong Ming. The workshop covered topics including "Best Corporate Governance Awards series: Tips on improving corporate governance" by Hong Kong Institute of Certified Public Accountants. In addition to formal courses, all Directors namely Mr. Jin Ming, Ms. He Hongmei, Mr. Jin Rui, Mr. Zhang Guodong, Mr. Zhou Xiaoyu and Mr. Zhong Ming developed themselves as improving the following corporate governance areas: (i) Corporate Governance Statement And Practice; (ii) board structure & functioning; (iii) management discussion and analysis; (iv) risk management and internal control; (v) remuneration policies and practices; (vi) nomination; (vii) work of the Audit Committee; and (viii) some comments on public sector organizations.

All Directors have provided the Company with their respective training records in compliance with Code A.6.5 of the CG Code.

THE AUDIT COMMITTEE

The Company has complied with Rule 3.21 of the Listing Rules for the establishment of an Audit Committee. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Zhang Guodong (as chairman), Mr. Zhou Xiaoyu and Mr. Zhong Ming. Mr. Zhang Guodong possesses the appropriate professional qualification. The primary duties of the Audit Committee are to maintain relationship with our auditors, review our financial information and oversee our financial reporting system, internal control and risk management systems and procedures and the internal audit department of the Group and their effectiveness. The terms of reference of the Audit Committee have been revised in January 2017 to specifically include the review of the risk management system as required by the CG Code.

For the year ended 31 December 2019, three audit committee meetings were held to review and discuss with the management of the Company and the external auditors the accounting principles and practices adopted by the Group, as well as internal control, risk management and other financial reporting matters. The attendance records of individual committee members are set out below:

Mr. ZHANG Guodong *(Chairman)*	3/3
Mr. ZHOU Xiaoyu	3/3
Mr. ZHONG Ming	3/3

THE REMUNERATION COMMITTEE

The Company has complied with the Rule 3.25 of the Listing Rules to set up the Remuneration Committee. In accordance with its terms of reference, the primary function of the Remuneration Committee is to consult the Chairman of the Board and/or the chief executive officer about the remuneration for other executive Directors, and to make recommendations to our Board on our Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee currently consists of one executive Director, namely Mr. Jin Ming, and two independent non-executive Directors, namely Mr. Zhou Xiaoyu (Chairman) and Mr. Zhang Guodong.

Details of remuneration of our Directors are set out in note 8 to the Financial Statements.

For the year ended 31 December 2019, two meetings of the Remuneration Committee were held to, amongst others, review and approve the remuneration packages of the Directors and senior management of the Company. The attendance records of individual committee members are as follows:

Mr. ZHOU Xiaoyu *(Chairman)*	2/2
Mr. ZHANG Guodong	2/2
Mr. JIN Ming	2/2

THE NOMINATION COMMITTEE

In compliance with the CG Code, the Company has established a Nomination Committee. In accordance with its terms of reference, the primary duties of the Nomination Committee are to make recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular our chairman and chief executive officer. The Company adopted a board diversity policy in March 2015 which set out the objective and strategies to achieve diversity on the Board, taking into consideration a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee currently consists of one executive Director, namely Mr. Jin Ming (as chairman), and two independent non-executive Directors, namely Mr. Zhou Xiaoyu and Mr. Zhang Guodong.

THE NOMINATION COMMITTEE *(Continued)*

For the year ended 31 December 2019, two meetings of the Nomination Committee were held to, review the structure and composition of the Board, and assess the independence of independent non-executive Directors. In addition, the Nomination Committee also considered the resignation of non-executive Director of Mr. Yang Weiqiang and made recommendation to the Board for the appointment of Mr. Jin Rui as executive Director. The attendance records of individual committee members are as follows:

Mr. JIN Ming *(Chairman)*	2/2
Mr. ZHOU Xiaoyu	2/2
Mr. ZHANG Guodong	2/2

BOARD DIVERSITY

Pursuant to Code Provision A.5.6 of the CG Code, the Company has adopted a board diversity policy which consists of the following main aspects:

a. Board composition to be reviewed in terms of the size of the Board, the number of executive directors in relation to the Board overall,

b. Board effectiveness which requires members to have diverse skills, knowledge and experiences that combine to provide different perspectives and effective board dynamics, and

c. Nominations and appointments to be carried out in view of maintaining an appropriate mix of required skills, experience, expertise and diversity on the Board.

The Nomination Committee is responsible for reviewing the policy on board diversity and any measurable objectives for its implementation and the progress on achieving the objectives.

DIRECTOR NOMINATION POLICY

The policy on nomination of Directors of the Company is in place and was updated in the year taking into consideration the revised Listing Rules effective from 1 January 2019. The updated policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

The responsibilities and authority for selection and appointment of Directors is delegated to the Nomination Committee but the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board. In evaluating and selecting any candidate for directorship, among other things, the following criteria will be considered:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

DIRECTOR NOMINATION POLICY *(Continued)*

- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Nomination Committee and/or the Board will evaluate the candidates based on the criteria as set out above to determine whether such candidates are qualified for directorship. The Nomination Committee will also consider recommendations for candidates made by shareholders of the Company.

Regular reviews will be conducted by the Nomination Committee on the structure, size and composition of the Board and the policy on nomination of Directors of the Company and where appropriate, the Nomination Committee will make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the directors and members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	6
HK$1,000,001 to HK$2,000,000	5
HK$2,000,001 to HK$3,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the Listing Rules are set out in notes 8 and 9 to the financial statements.

AUDITOR'S REMUNERATION

Ernst & Young, has been appointed as the external auditor of the Company. The independence of the external auditor is recognised and annually reviewed by the Board and the Audit Committee of the Company. During the year, the fee payable to Ernst & Young in respect of its audit services provided to the Group was RMB1.78 million.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor.

FINANCIAL REPORTING, INTERNAL CONTROL AND RISK MANAGEMENT

Financial reporting

The Board acknowledges its responsibility to prepare the Company's accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of Ernst & Young, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Internal control and risk management

The Board recognizes its responsibility to ensure the Company maintains sound and effective internal control and risk management systems and oversees such systems on an ongoing basis. Reviews of the effectiveness of the internal control and risk management systems of the Group are conducted on an annual basis.

The Group has an independent internal audit department. The independent internal audit is primarily responsible for carrying out review of the internal control system and risk management process. This is part of the on-going process to ensure that the effectiveness of material controls is monitored.

During the year of 2019, the Board has conducted a review on the effectiveness of the Group's internal control and risk management systems which covers financial, operational, compliance procedural and risk management functions and have considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal control and risk management and adopted a series of measures to ensure their safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders. The Board is of the view that the systems of internal control and risk management are effective and adequate and there are no irregularities or improprieties identified.

COMPANY SECRETARY

Ms. Wong Wai Kiu is the company secretary of our Company primarily responsible for company secretarial affairs, financial reporting advices and coordination of investor relations of our Group. She reports to the Chairman and/or the Chief Executive Officer. She plays a key role in the formulation of appropriate Board procedures to meet business needs of the Company and the compliance with all applicable laws and rules. Ms. Wong is a fellow member of the Association of Chartered Certified Accountants.

JOINT COMPANY SECRETARY

Mr. Leung Ka Wai is the joint company secretary and one of the authorised representatives of our Company, primarily responsible for company secretarial affairs of our Company. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. He was also admitted as a solicitor in Hong Kong in 2000 and is a partner in Michael Li & Co.

The Company confirms that Mr. Leung Ka Wai and Ms. Wong Wai Kiu have attended no less than 15 hours of relevant professional training during 2019.

Minutes of all meetings of the Board and Board committees are kept by the company secretary, and are available for inspection by the Directors upon request.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes in engaging in regular, effective and fair communication with shareholders and is committed to conveying important and relevant information to its Shareholders on a timely basis.

The Company is mindful to ensure that information is made publicly available on a timely basis. A Shareholders' communication policy was adopted by the Company to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company. The Board will review the policy on a regular basis to ensure its effectiveness.

Disclosure of information is made by way of publishing announcements, notices, circulars and financial reports through the website of the Stock Exchange, press releases, general meetings, as well as the website of the Company.

SHAREHOLDERS' RIGHTS

In accordance with Article 58 of the Articles of Association of the Company, one or more Shareholders of the Company holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Directors shall be reimbursed to the requisitioner(s) by the Company.

SHAREHOLDERS' RIGHTS *(Continued)*

Shareholders may by ordinary resolution elect any person to be a Director of the Company. If a shareholder wishes to nominate a person to be elected as a Director, the following documents shall have been lodged at the head office of the Company and the office of Hong Kong branch share registrar of the Company: (i) his/her notice of intention to propose a resolution at the general meeting; (ii) a notice executed by the nominated candidate of his/her willingness to be elected as a director and consent of publication of his/her personal information together with his full name and biographical details as required by Rule 13.51(2) of the Listing Rules; and (iii) the contact details, within the period commencing on the day after the dispatch of the notice of the general meeting appointed for such election and ending on the date falling seven days prior to the date of such general meeting.

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar: Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Other enquiries or comments raised by any Shareholder can be mailed to the Board at the Company's principal place of business in Hong Kong at Suite 812, 8th Floor, Tower 1, The Gateway, Harbour City, No.25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, through the Company's official website (www.eekagroup.com), or sent through fax number at (852) 2325 5685, or through the Company's hotline at (852) 2325 5292.

CONSTITUTIONAL DOCUMENTS

There was amendment to the memorandum and articles of association of the Company adopted by a special resolution passed on 22 May 2019 to reflect the change of name of the Company from Koradior Holdings Limited（珂萊蒂爾控股有限公司）to EEKA Fashion Holdings Limited（贏家時尚控股有限公司）on 27 May 2019.

Report of the Directors

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL PLACE OF BUSINESS

EEKA Fashion Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated in Hong Kong and has its registered office at Conyers Trust Company (Cayman) Limited, Cricked Square, Hutchins Drive P.O Box 2681 Grand Cayman KY1-1111, Cayman Islands and principal place of business in Hong Kong at Suite 812, 8th Floor, Tower 1, The Gateway, Harbour City, No.25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES

The Group is leading and fast growing high-end ladies-wear companies in the People's Republic of China (the "PRC"). The principal activities and other particulars of the subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

Following the acquisition of Keen Reach in July 2019, the Group now operates ten brands to meet various dressing needs of our customers including: our own high-end brands (i) Koradior (ii) La Koradior (iii) Koradior elsewhere, (iv) cost effective brand – FUUNNY FEELLN, acquired brands – (i) CADIDL (ii) NAERSI (iii) NAERSILING (iv) NEXY.CO, international agent brands – Obzee and O'2nd. The Group is the only fashion group in the middle and high-end womenswear industry with dual-brand sales revenue of more than RMB1,000 million. Its dual main brands Koradior and NAERSI are among the top 10 industry. Sales revenue from Koradior elsewhere, La Koradior, NAERSILING, NEXY. CO, CADIDL sales are generally between RMB300-600 million, and the Company has the ability to create "super quality" and "multi-product". During the reporting period, in order to enrich the product level of the Company's mid-end line, the Company launched a cost-effective brand FUUNNY FEELLN, which is aimed at a wider population and meets more diverse needs. As brands cluster enterprise, the Company's group operation is outstanding and it has built an endogenous and diversified middle to high end brand matrix.

The Group achieved favorable results once more by putting a strong focus on multi-brand strategy, with quality and scale of mergers and acquisitions, expanding its operation on e-commerce platforms and promoting omni-channel construction by using online e-commerce resources. Details of business review and prospect of the Company are disclosed in the section headed "Management Discussion and Analysis" on pages 11 to 30 of this annual report. Details of the financial key performance indicators are set out in the section headed "Financial Highlights" on pages 4 to 5 of this annual report. There have been no significant events affecting the Group which have occurred since the financial year end.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the fashion business and some are from external sources. Major risks faced by the Group are summarized below.

(a) Fashion risk

The fashion industry is highly susceptible to changes in fashion trends and fluctuations in consumer tastes and preferences. In order to achieve continued and sustainable success in our business, we must be able to anticipate, identify and respond promptly to such changes. We believe that our success depends on our ability to anticipate, identify and interpret the habits and tastes of, and trends among, our targeted customers and to offer products that appeal to their preferences. If we fail to anticipate accurately and respond to the shifts in consumer preferences, or fail to introduce new and improved products to satisfy those preferences in a timely manner or adjust our product mix accordingly, we may experience lower sales volumes, lower selling prices and lower profit margins. As such, our financial results may be adversely affected. On the other hand, if we fail to anticipate the increase in consumer demand for our ladies-wear products, we may experience inventory shortages and loss of sales opportunities, which may also materially and adversely affect our image.

(b) Intense competition

The womenswear industry in the PRC is characterised by intense competition from both international and domestic brands. We generally face competition from brands with similar brand positioning based on brand recognition, design, product mix, quality, price, customer service and breadth of retail network, among other factors. Our rapid growth may also attract attention and concerns from our competitors and new market players to adopt similar brand positioning with their brands as us.

There is no assurance that we will be able to compete effectively against competitors who may have greater financial resources, greater scales of production, superior technology, better brand recognition and a wider, more diverse and established sales network. In order to maintain our market share and remain competitive, we may have to provide more sales incentives to our staff and distributors, and increase capital expenditures, which may in turn negatively affect our profit margins and our results of operations.

(c) Macroeconomic environment

Macroeconomic changes may result in changes in the business environment. Womenswear products may be considered as discretionary items for customers. Slower consumer spending may result in reduced demand for our products, leading to higher inventories, lower revenue and margin. It is therefore important that the Group is aware of any such changes of economic environment and adjusts its store opening plan, buying volume and business plan under different market conditions accordingly.

PRINCIPAL RISKS AND UNCERTAINTIES *(Continued)*

(d) Supply chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products. Any disruption in the supply of fabrics, raw materials and products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and other products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price at all times. For the year ended 31 December 2019, 31.74% (2018: 28.91%) of our products were produced by our top five suppliers.

(e) Credit Risk

We sold substantially all our products directly to end-consumers through our self-operated retail stores in shopping malls and department stores in the PRC. Proceeds from the sales made in these leased retail stores are mainly collected by the department stores and the shopping malls on our behalf, and then we issue invoices and offer from 30 to 60 days. However, there is no assurance that we will be able to fully recover our receivables from our shopping malls and department stores, or that they will be settled on a timely basis.

(f) Weather

Extreme changes in weather patterns could also affect consumers' purchasing behaviour, which may lead to fluctuations in our sales revenue. For example, extended periods of unseasonably warm weather during the winter season or cool weather during the summer season could render a portion of our inventory incompatible with such unseasonable weather conditions. These extreme or unseasonable weather conditions could have a material adverse effect on our results of operations.

(g) Information system

We are dependent on information technology systems and networks, including the internet and third-party hosted services across many of our operating activities, including sales and distribution, ordering and purchases, inventory management in all retail outlets, e-commerce business, customer relationship management, digital marketing and financial reporting. Any material disruption or slowdown of our IT systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems, system failures, viruses or cyber-attacks could cause a loss of data or operation interruption.

Therefore, we invest continuously in our IT and ERP systems in order to keep up with the technology security and availability and integrity of critical operation data.

KEY RELATIONSHIPS

(a) Employees

Employees are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer to committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group provides induction and on-the-job training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales and production, quality control, sales fairs planning and training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to its employees. The Group has also adopted share option scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

(b) Suppliers

We have developed long-standing and good relationships with our vendors and taken great care to ensure that they can share our commitment to product quality. We carefully select OEM contractors and raw material suppliers, we require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(c) Customers

Our customers consist of end customers and distributor customers that purchase products from us and sell to end customers. We are committed to offer high-end stylish and smart-casual ladies-wear apparel fashion with our ten brands to our customers. We maintain our VIP database and have ongoing communications with our customers through various channels like the Company's website, public platform, direct mail, marketing materials and social media. We also provide training to our sales personnel to provide quality and value-added customer services at retail channels.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group is committed to supporting environmental sustainability. Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Our Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper, introducing the e-employee handbook and reducing energy consumption by switching off idle lightings and electrical appliance. Our Group will review its environmental practices from time to time and implement further eco-friendly measures and practices in the operation of our Group's businesses such as using LED light system in our stores to enhance environmental sustainability.

REGULATORY COMPLIANCE

As disclosed in the prospectus of the Company dated 17 June 2014, the Company's business is subject to various laws and regulations such as: The Administrative Measures for Fair Transactions between Retailers and Suppliers《零售商供應商公平交易管理辦法》(which provides the code of business conduct, collection of charges, payment of purchases, return policies and punishments between retailers and suppliers during the transactions), The Measures for Administration on Sales Promotion Acts of Retailers《零售商促銷行為管理辦法》(which provides the standards and requirements of retailers' sales promotion and advertisement); and The Administrative Measures for Online Trading (which are applicable to all behaviours in relation to online product trading and relevant services). During the year ended 31 December 2019, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

USE OF PROCEEDS

With the successful listing of the Company's shares on the Main Board of the Stock Exchange, the net proceeds of HK$534.74 million (including the partial exercise of the over-allotment option on 21 July 2014) have been raised and fully used in accordance with the plan of use of proceeds as stated in the prospectus of the Company dated 17 June 2014 as at 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

The customers consist of end customers and distributor customers that purchase products from the Group and sell to end customers. During the year ended 31 December 2019, aggregate sales to the Group's largest and five largest customers accounted for 1.56% (2018: 1.90%) and 4.04% (2018: 4.16%) respectively, of the Group's total revenue for the year.

The suppliers of the Group consist of OEM contractors and raw material suppliers. Aggregate purchases from the Group's largest and five largest suppliers accounted for 15.74% (2018: 9.14%) and 31.74% (2018: 28.91%), respectively, of the Group's total purchases from suppliers for the year ended 31 December 2019. The largest OEM contractor, Shenzhen Yingjia Fashion Ltd ("Yingjia Fashion"), is a connected person owned as to 53% and 47% by Ms. Chen Lingmei and Mr. Jingquan respectively, who are the parents of Mr. Jin Ming, and all other OEM contractors are independent third parties. The VAT-inclusive processing fees incurred to Yingjia Fashion for the years ended 31 December 2018 and 2019 amounted to RMB74.01 million and RMB190.36 million, respectively, representing 12.64% and 20.62% of total purchase of outsourced products and sub-contracting fees during the same periods, respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 6 of the annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2019 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 89 to 176 of the annual report.

DIVIDEND POLICY

The policy on payment of dividend of the Company is in place to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company. The declaration and payment of dividends of the Company shall be determined at the discretion of the Board and subject to all applicable laws and regulations in the Cayman Islands and Hong Kong and the Articles of Association of the Company. The policy shall be reviewed periodically and the Board will make any necessary amendments as appropriate from time to time.

When considering the declaration and payment of dividends, the Board shall take into account, among others (i) the Group overall results of operation, (ii) the Group financial position, (iii) the Group capital requirements, (iv) the Group shareholders' interests.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any final dividend for a financial year will be subject to shareholders' approval.

DIVIDENDS

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 13 the consolidated financial statements.

SHARE CAPITAL

As at 31 December 2019 the total issued share capital of the Company was 685,050,195 ordinary shares.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 41 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Group's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,870.99 million.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group and the employer's costs charged to the consolidated statement of profit or loss and other comprehensive income for the year are set out in notes 6 and 8 to the financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in note 1 to the financial statements.

CAPITAL EXPENDITURE

During the year, the Group's total capital expenditure amounted to approximately RMB593.15 million (2018: RMB63.69 million) which was mainly attributed to the i) purchase of property, plant and equipment as a result of acquisition of Shenzhen Haowei ii) the store decoration and purchase of office, furniture and equipment for each retail store capitalised under leasehold improvements and furniture, fixtures and equipments.

The details of the properties, plant and equipment of the Group are set out in note 13 to the financial statements.

BORROWINGS

Particulars of borrowings of the Group as at the balance sheet date are set out in note 26 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company who hold office during the year and up to the date of this report are:

Executive Directors
Mr. JIN Ming (Chairman and Chief Executive Officer) (appointed on 23 March 2012)
Ms. HE Hongmei (appointed on 3 March 2014)
Mr. JIN Rui (appointed on 23 August 2019)

Non-executive Director
Mr. YANG Weiqiang (resigned on 23 August 2019)

Independent Non-executive Directors
Mr. ZHONG Ming (appointed on 6 June 2014)
Mr. ZHOU Xiaoyu (appointed on 30 June 2016)
Mr. ZHANG Guodong (appointed on 17 July 2017)

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years and each of the independent non-executive Directors of the Company has entered into a letter of appointment with the Company for a specific term of two years, subject to his retirement and re-election at annual general meeting in accordance with the Company's Articles of Association. The details of the remuneration of each of the Directors are set out in note 8 to the consolidated financial statements.

The Company has received annual confirmation on independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the related paragraph headed "Connected transactions" below and the related party transactions in note 37 to the financial statements, there was no transaction, arrangement or contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest subsisting at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the paragraph headed "Directors 'and chief executive's interest in securities" and in the paragraph headed "Share option scheme" and "Share award scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director, or their respective spouse or minor children, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Group are disclosed in the section headed "Directors and Senior Management Profile" on pages 31 to 34 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 31 December 2019, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	No. of Shares/ underlying shares held	Position	Approximate percentage of issued share capital
Mr. Jin Ming	Founder of a discretionary trust (note 1)	300,450,500	Long	43.86%
Ms. He Hongmei	Beneficial owner	500,000 (note 2)	Long	0.10%
Mr. Jin Rui	Beneficial owner (note 3)	198,713,195	Long	29.01%

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES *(Continued)*

Notes:

1. These shares are held by Koradior Investments Limited, which is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. These represent the underlying shares under the share options granted to Ms. He Hongmei.

3. These shares are held by Apex Noble Holdings Limited, which is wholly-owned by Heritage Holdings Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Jin's Heritage Trust. The Jin's Heritage Trust is a discretionary trust set up by Mr. Jin Rui as settlor. The beneficiaries of the Jin's Heritage Trust are Mr. Jin Rui, his spouse and his children. Mr. Jin Rui as founder of the Jin's Heritage Trust is taken to be interested in the 198,713,195 Shares held by Apex Noble Holdings Limited by virtue of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARE AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2019, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Position	Approximate percentage of issued share capital
Koradior Investments Limited (note 1)	Beneficial owner	300,450,500	Long	43.86%
Mayberry Marketing Limited	Interest in a controlled corporation (note 1)	300,450,500	Long	43.86%
Apex Noble Holdings Limited (note 2)	Beneficial owner	198,713,195	Long	29.01%
Heritage Holdings Limited	Interest in a controlled corporation (note 2)	198,713,195	Long	29.01%
BOS Trustee Limited (note 3)	Trustee	499,163,695	Long	72.87%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARE AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Notes:

1. The entire issued share capital of Koradior Investments Limited is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. The entire issued share capital of Apex Noble Holdings Limited is wholly-owned by Heritage Holdings Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Jin's Heritage Trust. The Jin's Heritage Trust is a discretionary trust set up by Mr. Jin Rui as settlor. The beneficiaries of Jin's Heritage Trust are Mr. Jin Rui, his spouse and his children. Mr. Jin Rui as founder of Jin's Heritage Trust is taken to be interested in the 198,713,195 Shares held by Apex Noble Holdings Limited by virtue of Part XV of the SFO.

3. BOS Trustee Limited is the trustee of: (i) Fiona Trust, which was established by Mr. Jin Ming as settlor in favour of the beneficiaries of Fiona Trust, held 100% of the issued share capital of Mayberry Marketing Limited, which in turn held 100% of the issued share capital of Koradior Investments Limited, and (ii) Jin's Heritage Trust, which was established by Mr. Jin Rui as settlor in favour of the beneficiaries of Jin's Heritage Trust, held 100% of the issued share capital of Heritage Holdings Limited, which in turn held 100% of the issued share capital of Apex Noble Holdings Limited.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "Scheme") pursuant to the resolutions of the shareholders of the Company passed on 6 June 2014:

1. The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of our Company and its shareholders as a whole. The Scheme, which is valid for 10 years from 6 June 2014, will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

2. The participants include any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and full-time employees of any member of the Group and any advisors, consultants, distributors, contractors, contract manufacturers, suppliers, agents, customers, business partners, joint venture business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

3. Unless otherwise approved by shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

SHARE OPTION SCHEME *(Continued)*

4. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time during a period to be notified by the Directors to each grantee. The period for exercise may commence on the date upon which the offer for grant of options is made ("Offer Date") but shall expire on the day immediately preceding the tenth anniversary of the Offer Date.

5. The Shares which may be issued upon exercise of all options to be granted under the Scheme and other share option schemes of our Company shall not exceed 10% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange and any Shares which may be allotted and issued by our Company pursuant to the over-allotment option (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

6. The subscription price for shares under the Scheme, subject to any adjustment stipulated therein, shall be a price determined by the Directors, but shall be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations on the Offer Date; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Shares.

As at 31 December 2019, there were 7,460,000 share options granted under the Scheme which were outstanding, and there were 4,863,370 shares available for issue under the Scheme Mandate Limit (representing 0.7% of the issued share capital of the Company as at 31 December 2019).

The following table shows the movements in the Company's share options outstanding during the year:

Name or category of grantee	Number of share options At 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At 31 December 2019	Exercise period (note 1)	Exercise price per share	Closing price per share immediately before date of grant
Directors									
Ms. He Hongmei	500,000	–	–	–	–	500,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Sub-total	500,000	–	–	–	–	500,000			
Employees (other than Directors) in aggregate	6,960,000	–	–	–	–	6,960,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Total	7,460,000	–	–	–	–	7,460,000			

Note:

1. The share options are exercisable in the following manner: (i) no share option shall be exercisable from 10 July 2014 up to 9 July 2015; (ii) up to 25% of the share options granted shall be exercisable from 10 July 2015 to 31 December 2015; (iii) up to 50% of the share options granted shall be exercisable from 1 January 2016 to 31 December 2016; (iv) up to 75% of the share options granted shall be exercisable from 1 January 2017 to 31 December 2017; and (v) all the share options granted shall be exercisable from 1 January 2018 to 9 July 2022.

SHARE AWARD SCHEME

The Company has adopted a Share Award Scheme (" Share Award Scheme") to recognise and motivate the contribution of the eligible participants, to provide incentives and help the Company in retaining its existing participants and recruiting additional participants and to provide them with a direct economic interest incentives in attaining the long-term business objectives of the Company. The Share Award Scheme was adopted by the Board on 2 December 2019. (the "Adoption Date") and shall be valid until the 10th anniversary of the Adoption Date. Since the Adoption Date and up to 31 December 2019, none of the issued Shares were purchased and awarded under the Share Award Scheme.

DIRECTORS' INTERESTS IN CONTRACTS AND COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the financial year.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, each of Mr. Jin Ming and Koradior Investments Limited (together as the "Controlling Shareholders") had entered into a deed of non-competition dated 16 June 2014 (the "Deed of Non-Competition") in favor of the Company (for itself and as trustee for the benefit of each of the members of our Group from time to time) that, among other matters, (i) he/it shall not, and shall use his/its best endeavours to procure each of their respective associates not carry on or be engaged in, invest in, participate or attempt to participate in, render any services to, provide any financial support to or otherwise be concerned with or interested in, directly or indirectly, whether as a director or a shareholder (other than being a director or a shareholder of our Group), partner, agent or otherwise, in the design, promotion, marketing, sales and distribution of ladies-wear in the People's Republic of China as engaged in by our Company or in any other business that may compete, directly or indirectly with such business (the "Restricted Activity"); and (ii) if the Controlling Shareholders or their associates are given any business opportunity relating to the Restricted Activity (the "Competing New Business Opportunity"), he/it shall, and shall use his/its best endeavours to procure that his/its associates (other than the Group) inform the Company of any such Competing New Business Opportunity in writing and shall use his/its best endeavours to assist the Company in obtaining such Competing New Business Opportunity on the same or more favourable terms.

In order to ensure each of the Controlling Shareholders has complied with the Deed of Non-Competition, the following actions have been taken:

(1) the Company has enquired the Controlling Shareholders, from time to time, on whether he/it or any of his/its associates has engaged in any Restricted Activity or is given any Competing New Business Opportunity;

(2) the Company has required each of the Controlling Shareholders to give confirmation to the Company on an annual basis as to whether he/it and his/its associates have complied with the Deed of Non-Competition;

(3) each of the Controlling Shareholders has provided to the Company such written confirmation in respect of the compliance with the Deed of Non-Competition by his/it and his/its associates for the year ended 31 December 2019; and

(4) the independent non-executive directors of the Company have reviewed the status of compliance by the Controlling Shareholders with the undertakings in the Deed of Non-Competition during the year ended 31 December 2019 and confirmed that, so far as they can ascertain, each of the Controlling Shareholders has complied with the Deed of Non-Competition.

The Company is not aware of any other matters regarding the compliance of the Deed of Non-Competition that are required to be brought to the attention of the shareholders of the Company, and there has not been any change in terms of the Deed of Non-Competition for the year ended 31 December 2019.

CONNECTED TRANSACTIONS

The Group had entered into a number of transactions with connected persons of the Company within the meanings of the Listing Rules.

Mr. Jin Ming ("Mr. Jin") is our chief executive officer, chairman and executive Director and is therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Mr. Wang Sumin ("Mr. Wang") is the brother-in-law of Mr. Jin and Mr. Jin Rui is the brother of Mr. Jin, and thus each of Mr. Wang and Mr. Jin Rui is an associate of Mr. Jin and a connected person of our Company under the Listing Rules. Shenzhen Yingjia Fashion Ltd ("Yingjia Fashion") is 53.00% owned by Ms. Chen Lingmei who is the mother of Mr. Jin. Accordingly, Yingjia Fashion (including its subsidiaries) is a connected person of our Company under Rule 14A.12(2)(b) of the Listing Rules.

(A) Acquisition of Property, Plant and Equipment

On 4 December 2018, Shenzhen Jin Yuexin Investment and Development Company Limited ("Jin Yuenxin"), an indirect wholly-owned subsidiary of the Company, entered into two acquisition agreements with Mr. Jin pursuant to which Mr. Jin has agreed to sell and Jin Yuenxin has agreed to purchase two properties situated at Unit 7G and Unit 8H, Zone B, Shum Yip Terra's Hongsong Building, Terra 6th Road North, Futian, Shenzhen, the PRC with a total gross floor area of approximately 1,020.82 sq.m. for a total cash consideration of RMB29,338,280. The acquisition was completed in January 2019.

(B) Acquisition of Keen Reach

On 25 March 2019, the Company and Apex Noble entered into the sale and purchase agreement, pursuant to which the Company conditionally agreed to acquire and take an assignment of, and Apex Noble conditionally agreed to dispose of the entire issued share capital of, and the shareholder's loan due by, Keen Reach at the consideration of HK$2,387,775,349 which shall be satisfied as to HK$500,000,000 in cash and as to HK$1,887,775,349 by the issue and allotment of 198,713,195 new shares of the Company at the issue price of HK$9.50 per share. The acquisition was completed on 3 July 2019.

EXEMPTED CONTINUING CONNECTED TRANSACTION

(A) Set out below are the details of the exempted continuing connected transaction entered into between our connected person and a member of our Group. Pursuant to Rule 14.07 of the Listing Rules, the applicable percentage ratios (other than the profits ratio) of the following exempted continuing connected transaction are on an annual basis, less than 5.00% and the annual consideration less than HK$3,000,000. By virtue of Rule 14A.76(1) of the Listing Rules, it was exempted from the reporting, announcement requirements and the independent shareholders' approval requirements.

(i) Lease of office from Mr. Wang

On 1 March 2014, Shenzhen Koradior entered into a lease agreement with Mr. Wang, pursuant to which Shenzhen Koradior leased an office located at 8/F, Zone B, Shum Yip Terra's Hongsong Building, Terra 6th Road North, Futian, Shenzhen, the PRC, with a total floor area of approximately 426 sq.m., from Mr. Wang at RMB51,173 per month. The annual rental will not be more than HK$999,999 if converted into Hong Kong dollars. The term of the lease agreement commenced on 1 March 2014 and ended on 31 May 2016. The lease agreement was renewed and the renewed term commenced from 1 January 2018 to 31 December 2019.

By entering into the above lease agreement, our Group is able to continue to lease the office to conduct its business operations without the need to find and relocate to alternative offices.

Our Directors consider that the leases stated above are in our Group's ordinary and usual course of business, on normal commercial terms, and their terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

(B) Processing Agreement with Yingjia Fashion Group

(i) Background

Since our Group does not have any in-house production facilities, Shenzhen Koradior has outsourced the production of our products to third party OEM contractors, including Yingjia Fashion, since the commencement of our business in 2007. Since 2017, Yingjia Fashion has delegated and centralised the processing and manufacturing services to be provided by its subsidiaries, as our Company believed such strategy would allow us to reduce investment in fixed assets and generate higher returns on our assets.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

(B) Processing Agreement with Yingjia Fashion Group *(Continued)*

(ii) Services

On 15 March 2014, Shenzhen Koradior entered into a processing agreement with Yingjia Fashion (the "2014 Processing Agreement"), as supplemented on 9 June 2014, pursuant to which Yingjia Fashion agreed to provide certain processing and manufacturing services to Shenzhen Koradior, including but not limited to manufacturing products according to (i) the manufacturing standards and processing techniques stipulated by Shenzhen Koradior or (ii) standard samples provided and confirmed by the design team of Shenzhen Koradior. The 2014 Processing Agreement is for a term from 15 March 2014 to 31 December 2016 and was renewed on 23 November 2016 for a term of three years commencing from 1 January 2017 to 31 December 2019 (the "2016 Processing Agreement").

On 26 May 2017, Shenzhen Koradior and Yingjia Fashion (Ganzhou) Co., Ltd. ("Ganzhou Yingjia"), a wholly-owned subsidiary of Yingjia Fashion, entered into a new processing agreement (the "2017 Processing Agreement") to renew the 2016 Processing Agreement in order to revise the annual caps for the provision of processing and manufacturing services by Ganzhou Yingjia to the Group for the three years commencing from 1 January 2017 up to and including 31 December 2019.

On 30 November 2018, Shenzhen Koradior, Ganzhou Yingjia and Shenzhen Ifashion Cloud Technology Co., Ltd. ("Shenzhen Ifashion" together with Ganzhou Yingjia, "Yingjia Fashion Group"), a wholly-owned subsidiary of Yingjia Fashion, entered into a new processing agreement (the "2018 New Agreement") to renew the 2017 Processing Agreement in order to revise the annual caps for the provision of processing and manufacturing services by Yingjia Fashion Group to the Group for the three years commencing from 1 January 2018 up to and including 31 December 2020.

On 28 June 2019, Shenzhen Koradior, Shenzhen Naersi, Ganzhou Yingjia and Shenzhen Ifashion entered into a new processing agreement (the "2019 New Agreement") to renew the 2018 Processing Agreement in order to revise the annual caps for the provision of processing and manufacturing services by Yingjia Fashion Group to the Group for the three years commencing from 1 January 2019 up to and including 31 December 2021.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

(B) Processing Agreement with Yingjia Fashion Group *(Continued)*

(iii) Internal control procedures

To ensure future transactions with Yingjia Fashion Group are on normal commercial terms, we have adopted the following internal control procedures:

(i) we will develop our own estimate of processing fee based on factors mentioned above and obtain fee quotations from independent comparable OEM contractors for products which require processing services in similar quantities to determine if the price and terms offered by Yingjia Fashion Group are fair and reasonable and comparable to those offered by independent comparable OEM contractors;

(ii) we will select the successful OEM contractor for individual transaction based on objective standards such as publicly available raw material prices, the scale and reputation of the relevant OEM contractor, price and quality of processing services and products, and product delivery time and services; and

(iii) regular reports regarding our Group's purchase and other relevant information will be provided to the independent non-executive Directors who will conduct semi-annual review of the purchase terms (including whether these are based on factors mentioned above) and the fairness of our Group's basis of selecting its OEM contractors.

(iv) we will review and conduct sample checking regularly on the tag price of products in order to maintain the accurate tag price in the system.

Our Directors believe that the above measures will ensure that our Group's transactions with Yingjia Fashion Group are and will be conducted on normal commercial terms and the terms are not and will not be prejudicial to the interests of our Company and our minority Shareholders.

(iv) Reasons for and benefit of entering into the Processing Agreement

(i) the continuing focus on the production strategy of the Group of production through the Group's own raw material procurement with processing arrangement through OEM contractors rather than through purchase of finished products manufactured by OEM contractors, benefiting the Group by enhancing the overall profit margin;

(ii) the brands of the Group have achieved favourable results and the anticipated consistent performance and growth; and

(iii) given the long-term cooperation with Ganzhou Yingjia and Shenzhen Ifashion and their proven quality of services, the Group considers the processing agreement with them can provide a stable supply of quality services and respond to the increasing customer requirement for improved quality.

(v) Transaction amounts

For the year ended 31 December 2019, the VAT-inclusive processing fees incurred to Ganzhou Yingjia and/or Shenzhen Ifashion amounted to approximately RMB190 million and accounted for approximately 20.62% of our total purchase of outsourced products and subcontracting fees during the same periods, which is within the maximum annual amount of RMB195 million.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

(B) Processing Agreement with Yingjia Fashion Group *(Continued)*

(vi) Annual caps

The maximum amount of VAT-inclusive processing fees under the 2019 New Agreement shall not exceed the cap of RMB195.00 million, RMB220.00million and RMB250.00 million respectively for each of the three years ending 31 December 2019, 2020 and 2021.

In arriving at the above annual caps, our Directors have considered, among others, (i) historical processing fees Shenzhen Koradior paid to Yingjia Fashion Group in the past; (ii) the estimated market demand from customers for products of the Group; and (iii) the estimated size of production to be outsourced to Ganzhou Yingjia and Shenzhen Ifashion for processing and manufacturing.

Our Directors are of the view that (i) the 2019 New Agreement has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and the terms of the 2019 New Agreement are fair and reasonable and are in the interests of our Company and our Shareholders as a whole; and (ii) the revised annual caps set for the 2019 New Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

As all the applicable percentage ratios (other than the profit ratio) in respect of the 2019 New Agreement are more than 0.1% and more than 5%, the 2019 New Agreement was subject to the reporting, announcement requirements, the circular, independent financial advice and shareholders' approval requirements under the Listing Rules. The 2019 New Agreement has been approved pursuant to the ordinary resolution of shareholders passed at the Extraordinary General Meeting held on 26 August 2019.

The independent non-executive Directors have reviewed and confirmed that the above non-exempt continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the 2019 New Agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 58 to 61 of the Annual Report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange of Hong Kong Limited.

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 year ended 31 December 2019.

MANAGEMENT CONTRACTS

No contract, other than directors' service contracts and employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during 2019.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director and other officers of the Company shall be entitled to be indemnified by the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur in the execution and discharge of his or her duties or in relation thereto pursuant to the Company's Articles of Association. Such provisions were in force during the course of the financial year ended 31 December 2019 and remained in force as of the date of this report.

PRE-EMPTIVE RIGHTS

There is no provision for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

EVENT AFTER THE REPORTING PERIOD

Details of the significant event took place subsequent to 31 December 2019 of the Group are set out in note 42 to the financial statements.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

CORPORATE GOVERNANCE REPORT

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 35 to 44 in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CLOSURE OF THE REGISTER OF MEMBERS

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

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

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 system and risk management of the Group.

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

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2019 have been audited by Ernst & Young, who shall retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Jin Ming
Chairman and Chief Executive Officer

31 March 2020

Environmental, Social and Governance Report

ABOUT THIS REPORT

EEKA Fashion Holdings Limited ("EEKA Fashion" or the "Company", together with its subsidiaries are collectively referred to as the "Group") is pleased to present its report on the Environmental, Social, and Governance (the "ESG") aspects (the "ESG Report"), in accordance with the guidelines of Appendix 27 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "HKEx") (the "ESG Guidelines").

Established in 2007, we are one of the leading and most fast growing high-end womenswear companies in the PRC. We are engaged in the design, promotion, marketing and sales of products under our self-owned, agent brands and acquired brands, Koradior, La Koradior and Koradior elsewhere, CADIDL, O'2nd, Obzee, FUUNNY FEELLN, NAERSI, NEXY.CO and NAERSILING. The ESG Report covers the Group's overall performance, commitment and approaches in workplace quality, environmental protection, operating practices and community involvement in relation to the abovementioned operations during the year ended 31 December 2019. All information and data disclosed herein were based on formal documents and internal statistics of the Group.

1.1 SCOPE OF THE REPORT

The ESG Report focuses on the sustainability approach and performance in the environmental and social aspects of the Group's retail business of its house brands and its manufacturing plant in Shenzhen of the People's Republic of China (the "PRC"), during the reporting period from 1 January 2019 to 31 December 2019. The environmental key performance indicators ("KPIs") from A1.1 to B3.2 as disclosed in the ESG Report are based on the Group's headquarters, business place in Hong Kong and retail stores in Mainland China and Hong Kong. The Group will continue to strengthen information collection in order to enhance the performance in environmental realm and to disclose relevant information in sustainable development.

1.2 REPORTING FRAMEWORK

The ESG Report was prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

STAKEHOLDERS' FEEDBACK AND ENGAGEMENT

We recognise the ESG Report as an important measure to showcase our efforts in sustainable development, which is an integral part of our success and aspiration to become one of the front-running international brands with high quality in design and fabrics.

STAKEHOLDERS' FEEDBACK AND ENGAGEMENT *(Continued)*

In realising sustainable development, we are devoted to strike a balance of the interests among various stakeholders, such as investors and shareholders, customers, employees, work partners and suppliers as well as the community. We also attach high importance to communication with our stakeholders as we undertake the following:

Stakeholders	Expectations and concerns	Communication Channels
The Stock Exchange	– Compliance with the Listing Rules, publishing of announcements in a timely and accurate manner	– Meetings, trainings, seminars, website update and announcements
Government and regulatory authorities	– Compliance with laws and regulations – Business sustainability	– Supervision on the compliance with local laws and regulations – Routine reports
Shareholders or investors	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Company's official website
Employees	– Employees' compensation and benefits – Training and development – Protection for the labor force and safety in the workplace	– Performance reviews – Regular meetings and trainings – Organization of team activities
Customers	– High quality products and services – Protection of customers' rights	– Customer satisfaction survey – Face-to-face meetings and on-site visits – After-sale services
Suppliers	– Fair and open procurement – Win-win cooperation – Payment schedule, supply stability	– Open tendering – Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits
General public	– Involvement in communities – Business compliance – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Company's official website

we welcome stakeholders' feedback on our environmental, social and governance approach and performance. Please share your views with us via:

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Phone: (852) 2325-5292

Email: ir@eekagroup.com

Website: http://www.eekagroup.com

A. ENVIRONMENTAL

Environmental protection has long been one of the priorities of the PRC and other governments. We seek to comply with all laws and regulations and to respect the natural environment. The environmental challenges facing the world prompt our resolves to become an environmentally responsible company. EEKA Fashion strives to minimise its impact to the natural environment whilst operating efficiently. We promote energy efficiency and emission reduction in all processes, from design and product planning, production and logistics, to sales and disposal. Our operations have complied with all relevant laws and regulations in the PRC in relation to emission and generation of waste.

A1: Emission:

The Group is committed to operating in compliance with applicable environment laws and regulations in all material respects and protecting environment by minimizing the negative impact of the Group 's operation on the environment. As the Group has been outsourcing the production of all our products to domestic OEM contractors since the commencement of our business in 2007, strive to reduce the direct emissions of greenhouse gases ("GHG") produced by combustion of fuels in production process. We have established a detailed mechanism to supervise our suppliers, including contractors, joint venture partners and suppliers of goods and services, to ensure they comply with relevant laws and regulations. Although we do not always have direct control over each procedure of the lifecycle of our products, we continue to seek improved quality and output efficiency from our suppliers. We only conduct business with suppliers who share our commitment to the environment.

During the year ended 2019 and 2018, the Group's GHG emissions are as follows:

Indicator of emissions[1]	**2019** **$MTCO_2e$**	2018 $MTCO_2e$
Indirect GHG emissions (Scope 2)		
– Purchased electricity[2] and water[3]	**24,147.33**	11,958.52
Indirect GHG emissions (Scope 3)		
– Consumables[4] and business travel[5]	**3,639.71**	2,507.69
Total GHG emissions (Scope 2 and 3)	**28,087.04**	14,466.21

A. ENVIRONMENTAL *(Continued)*

A1: Emission: *(Continued)*

Our Group produced a total of 28,087.04 metric tons of carbon dioxide equivalent emissions (“$MTCO_2e$”) or 2.92 $MTCO_2e$ per employee during the year ended 31 December 2019, representing an increase of 94.16% or 13,620.83 $MTCO_2e$ from a total of 14,466.21 $MTCO_2e$ or a decrease of 0.34% or 0.01 $MTCO_2e$ from 2.93 $MTCO_2e$ per employee during the year ended 31 December 2018, which included the emissions produced during our office activities, retails activities and business travel.

However, due to the nature of the business, our Group’s business activities do not generate any hazardous waste and do not have any direct and significant impacts on the environment and natural resources in the course of its operation.

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, “How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs” issued by the HKEx, the latest released of “Emission reduction project of the Baseline emission factor of China Regional Power Grid” issued by the Ministry of Ecology and Environment of the RPC, “The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards” issued by the World Resources Institute and the World Business Council for Sustainable Development and the “CO2 Emission from Business Travel, Version 2.0” issued by the World Resources Institute”.

2. Purchased electricity data includes office activities and retails activities by the Group in Mainland China and Hong Kong. Office activities emission 1,356.48 $MTCO_2e$ per kilowatt-hour (“kWh”) of electricity and retails activities produced 22,784.27 $MTCO_2e$/kWh of electricity during the year ended 31 December 2019.

3. Used water from office activities produced 6.58 $MTCO_2e$/kWh during the year ended 31 December 2019, which are produced by electricity used for processing fresh water and sewage by government departments.

4. The amount of packaging materials waste, paper cup and printing paper waste disposed at landfills are 3,035.65 $MTCO_2e$, 17.46 $MTCO_2e$ and 3.50 $MTCO_2e$ respectively during the year ended 31 December 2019, resulting from both office and retails activities.

5. Business travel data only includes business travel reimbursed by the Group. Our employees travelled by plane for business travel 5,192 times during the year ended 31 December 2019, producing 883.10 $MTCO_2e$ for the year ended 31 December 2019, the density of greenhouse gas emission is 0.17 $MTCO_2e$ per time.

A. ENVIRONMENTAL *(Continued)*

A2: Use of resources

The Group has implemented a number of internal environment policies, with appropriate equipment installed to help reduce the adverse impact brought to the environment. The main type of energy consumption of the Group is electricity. Due to the nature of our business, water is not a main type of resources used in our business. It is mainly used for domestic purposes in our offices and facilities. Staffs of the Group are regularly trained and reminded of water conservation in the workplace. As a result, the water usage of the Group for domestic purpose is within a reasonable range. We look for improvement of energy efficiency of our stores and their construction. We use low-VOC paints in renovation. We adopt LED or other illumination systems to reduce electricity consumption. The LED lighting system saves up to 80% energy and has a long life of more than 10 times compared with traditional lighting. In addition, there are no ultraviolet and infrared rays in the LED light spectrum, and the waste can be recycled. It does not contain mercury vapor unlike traditional fluorescent lamps. There is no gas pollution and it is a typical green lighting. We constantly replace heating, ventilation, and air conditioning units with higher efficiency units. We use shopping bags and gift boxes made with more eco-friendly or recyclable packaging materials.

1. *Electricity*

Headquarter	Unit	2019	2018
Electricity	Mwh	**1,356.48**	717.20
Water consumption	m^3	**9.401.00**	6,361.00

Retail Stores	Unit	2019	2018
Electricity	Mwh	**24,205.11**	16,119.50

As at 31 December 2019, the Group own 1,697 retail stores (including self-operated retail stores, and distributors operated retail stores) in Mainland China and Hong Kong. The density of consumption is about 121.34 Wh/m^2 (2018: owned 862 retail stores. The density of consumption is about 188.28 kWh/m^2). The Group have decreased electricity use by 35.55% or 66.94 kWh/m^2 compared to last year.

A. ENVIRONMENTAL *(Continued)*

A2: Use of resources *(Continued)*

2. *Total amount of consumables*

The consumption of consumables for the year ended 31 December 2019 and 2018 are as follows:

	2019 Metric tons	2018 Metric tons
Non-woven bags	**44.17**	21.09
Cardboards	**10.46**	12.16
Paper bags	**332.20**	188.99
Paper boxes	**7.50**	7.50
Carton Boxes	**268.46**	261.53
Paper cups	**11.64**	5.95
Printing paper	**0.73**	1.62

In product planning, besides comfort and style, our designers take into consideration the fabrics we are to use in manufacturing, where environmentally friendly materials are preferred and adopted. We are also committed to ethical practices in animal welfare, ensuring proper care and respect to the specific species for our leather, fur and exotic skins products chain.

With regards to logistics, we streamline our warehousing and delivery processes in order to lower transportation frequency and thereby carbon emission through the consumption of diesel and petroleum. We also tend to consume less packaging materials which are not as environmentally friendly (such as plastics, aluminum boxes, corrugates).

Additionally, we implement various measures to lower waste and consumption levels in our headquarters and other offices. We encourage reduction in paper, water and energy usage through recycling of paper and stationery, promotion of working with electronic documents instead of paper copies, limited operation of air-conditioning system, waste reduction and separation, as well as other initiatives. In addition, we have increased use of video-conference and updated the internal communication apps to reduce business travels and increase communication efficiency.

B. SOCIAL

There are no specific requirements or industry practices on gender in terms of our business nature. The Group has no specific requirements on employees' ages that are different to the general practices of our industry. During the reporting period, there is no material change in the Group's staff composition nor unusual employee turnover to which stakeholders' attention needs to be drawn.

B1. Employment

We believe employees are one of the pillars of EEKA Fashion's sustainable development. We strive to create an inspirational and modern work environment where our employees are nurtured and respected. We set up a comprehensive human resources management system, which was prepared in compliance with or with reference to the Hong Kong Employment Ordinance, the PRC Labour Law （《中華人民共和國勞動法》）, the PRC Labour Contract Law（《中華人民共和國勞動合同法》） and other applicable laws and regulations.

EEKA Fashion respects diversity and upholds human rights as the Company seeks to eliminate all forms of discrimination. The human resources management system outlines rules and practices on employment, recruitment and promotion, remunerations and benefits, training and development, codes of ethics, safety and health, compensation and dismissal, working hours and rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. Employment contacts were prepared pursuant to these rules and guidelines.

We do not have a specific policy granting preference to local residents from cities where we open retail outlets, we ensure that there is no gender, religious, racial or other forms of discrimination whatsoever during our hiring processes. Furthermore, for all our employees, we provide fair and adequate opportunities in terms of job promotion and salary increment in recognising and rewarding our employees; whilst we encourage career development within our organisation by offering on-job training. Provision of mandatory provident fund, pension, medical and unemployment insurance, and a range of other welfare benefits is guaranteed in compliance with relevant labour laws.

We work to foster better employee engagement and retention, to maintain stable workforce for long-term success.

B. SOCIAL *(Continued)*

B1. Employment *(Continued)*

Total number of employees for the year ended 31 December 2019 is as follows:

Gender	2019	2018
Male	676	455
Female	8,955	4478
Total	9,631	4,933

Age Group	2019	2018
18-27	1,490	1,031
28-37	6,077	3,034
38-47	1,970	803
48-57	91	62
58 or above	3	3
Total	9,631	4,933

Employment type	2019	2018
Staff (General and junior)	8,034	4,032
Supervisor	1,144	767
Manager	420	112
Senior manager	30	16
Director	3	2
Total	9,631	4,933

In 2019, the Group's employees comprise of 92.98% female (2018: 90.78%) and 7.02% male (2018: 9.22%), and the age distribution of our employees were approximately 15.47%, 63.10%, 20.45%, 0.95% and 0.03% for the age groups of 18-27, 28-37, 39-47, 48-57 and 58 or above respectively (2018: 20.90%, 61.50%, 16.28%, 1.26% and 0.06%). Among all our employees, 0.06% are from Hong Kong (2018: 0.10%) and 99.94% are from Mainland China (2018: 99.90%).

B. SOCIAL *(Continued)*

B2. Occupational Health and Safety

EEKA Fashion puts employees first as it stresses the overall safety and health of its employees and their work environments. Workplace health and safety policies have been developed and are customised for both retail and operational employees. We regularly conduct assessments of our policies and update our standards to ensure that they are in compliance with the relevant laws and regulations in relation to working environment and protection from occupational hazards at all times.

We also track incidents in workplaces in order to identify potential problems which may jeopardise our employees' health and safety. We aspire to eliminate all hazards and accidents in workplaces as we enforce improving measures in case of incidents.

In addition, one of our initiatives to provide a comfortable and healthy work environment is that our Administration Department sends all drinking water to authorities, such as Futian Center for Disease Control and Prevention of Shenzhen, for water quality inspection regularly. During the reporting period, our Administration Department purchased TVOC formaldehyde detector from the testing institutions with national qualifications and had an air quality test of office areas, the result of formaldehyde/TVOC meet national security standards (Formaldehyde content $\leq$0.1mg/m^3, TVOC content $\leq$0.5mg/m^3).

EEKA Fashion believes emotional well-being and marital health are as important to an employee as physical health. We encourage employees to express and share their opinions on work conditions and operation practices as we value their happiness. Also, we organise cultural, social, sports activities to create a better work-life balance for our employees. In 2019, we organised different activities for celebrating festivals, such as "FAITH" EEKA Fashion Chinese New Year Spring Festival Gala, "越圓越有心" Mid-autumn festival activity, "備好聖誕襪" Christmas event, and we organised for our employees " 家智zao" where contestants competed in rounds of team-sports oriented games with offbeat and comical obstacles and challenges.

No work-related fatalities or lost days due to work injury were recorded for the year ended 31 December 2019.

B. SOCIAL *(Continued)*

B3. Employee Development and Training

EEKA Fashion places strong emphasis on personnel development. EEKA Fashion's human resources management system takes into account employees' long-term growth within the Group. We coordinate sufficient internal or external trainings for employees to boost their potential, such as:

1. Induction courses for new employees upon their joining;
2. Management skills training for third-level manager;
3. Staff tutor skills training;
4. Fire safety courses;
5. Workshops on logical thinking and communication skills;
6. Procurement training on fabrics knowledge, technology and fashion trends;
7. Logistics management training;
8. Seminars on information technology knowledge sharing;
9. Training on budgeting and costing;
10. Seminars on latest fashion trend, clothing technology, visual merchandising;
11. On-job training or seminar on customer care and product and brand knowledge;
12. Other forms of training for daily operation processes;
13. Inter-departmental communication or seminars held by middle and senior managers;
14. Speech and reporting ability course;
15. Seminars or information on latest changes on Listing Rules and corporate governance practices for directors and management;
16. Interrelating the ESG guide consultation conclusions and ESG disclosure review findings.

With its growing brand awareness in the global market, EEKA Fashion's diverse business environment also allows its employees to utilise their unique talents to optimize results. Therefore, EEKA Fashion adopt an "open-door" policy and we encourage communication between employees and their supervisors or the management of the Company. Based on their requests and job performances, we provide flexible career options to them to foster a better personnel development.

B. SOCIAL *(Continued)*

B3. Employee Development and Training *(Continued)*

The training hours per employee for the year ended 31 December 2019 are as follows:

	2019 hours
Average hours of training received per employee	**34.17**
Average hours of training per employee by ranking	
Senior management	**51.05**
Middle management	**21.48**
General staff	**11.85**
Lower levels (junior)	**81.59**

B4. Labour Standards

EEKA Fashion is in compliance with Hong Kong Employment Ordinance, Regulations on Labour Security Supervision and other applicable laws as the Group sets a high standard in protecting employees. Relevant guidelines are set out in employment contracts, internal notices and other forms of documents.

EEKA Fashion strictly prohibits any child labour or forced labour, or any unfair treatment to our employees. We protect employees against any kind of sexual harassment or abuse of power in the workplace. We educate employees of their rights and responsibilities. We closely monitor our workplace conditions and employees' behavior. In any case of breach of conduct, we will launch detailed investigations over the matters and improve our preventive measures.

B5. Supply Chain Management

EEKA Fashion endeavours to maintain long-term and close relationships with its suppliers and working partners. Since we rely on OEM contractors to manufacture our products, we have developed a stringent procurement mechanism. We are committed to procuring products and services in a manner which is conducive to good global citizenship; therefore we only partner with suppliers who embrace high ethical business standards in terms of environmental protection, anti-corruption, employment practices and protection of intellectual property rights.

We choose our suppliers based on their business record, product quality and cost. Before selecting suppliers, we conduct due diligence on the potential suppliers. We have close communication with and monitor our suppliers to ensure that they are in compliance with applicable laws whilst honouring the terms set out in the procurement agreement. We will immediately terminate our procurement if a supplier fails to perform its responsibilities and might blacklist the supplier.

B. SOCIAL *(Continued)*

B6. Product Responsibility

We value our customers very highly and handle issues related to our business from the perspective of our customers. We promise our customers that EEKA Fashion will always offer high-quality products, respect customers' opinions, and create comfortable shopping experience and ensure that we comply with all health and safety, advertising, labelling and privacy matters relating to our products and services provided and methods of redress.

EEKA Fashion runs successful marketing campaigns to reinforce the distinctive image for its brand or sub-brands, which include fashion shows in Beijing and Hangzhou, signing up supermodel Miranda Kerr as its brand ambassador, placing advertising billboards at airports, sponsoring cover shots of renowned fashion magazine as well as partnering with famous artists and celebrities.

While such marketing initiatives contribute to rising brand recognition and stronger customer loyalty, EEKA Fashion remains true to its convictions and the quality it presents in its brand building efforts. We show genuine interest in delivering the superior products and customer service.

EEKA Fashion engages with customers in a range of ways including after-sales service. We invite our customers to share their opinions on our products. Complaints are especially valuable and details of complaints are promptly shared with relevant departments. Such forms of feedback help us better understand the needs of our customers and improve our product offering. For damaged products, we offer free clothing repairing and mending services, as well as returns and exchanges.

As a renowned brand, EEKA Fashion is dedicated to providing finest fashion with high quality in design and fabrics to customers. All products are sent to inspections by relevant government authorities. Besides, the Group continues to observe every detail of its sales practices and look for improvement to make sure that customers enjoy comfortable shopping experience.

B7. Anti-corruption

EEKA Fashion's Board of Directors and senior management oversee the Group's corporate governance. The Group has built its reputation in the business with, amongst other qualities, its anti-corruption approaches. The Group adheres to the philosophy of integrity and eradicates corruption acts resolutely. We have a strict anti-corruption policy with our business units which are analysed for risk related to such issue, with a view to creating a corruption-free culture. The policy lays the groundwork for our expectations regarding the ethical and legal responsibilities of our staff and partners.

B. SOCIAL *(Continued)*

B7. Anti-corruption *(Continued)*

All executives, procurement staff and store managers are trained and boasts sufficient knowledge about our anti-corruption practices procedures. EEKA Fashion is committed to working with suppliers who operates in an honest and transparent way. In accordance with the relevant anti-corruption laws and regulations in Mainland China and Hong Kong, EEKA Fashion does not accept any forms of bribes and improper payments in attempt to gain an improper advantage, including securing procurement contracts, reservation of products, and so on.

EEKA Fashion regularly carry out inspections or compliance audits to its corporate governance policy and make necessary amendments and updates to ensure our compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering. For details of the Group's corporate governance structure and practices, please refer to page 35 to page 44 of this annual report.

B8. Community Investment

As a responsible corporate citizen, EEKA Fashion makes an effort to give back to the community. We address social issues and communicate with local community to understand their needs. During the reporting period, we made contributions to the community by ways of donation, voluntary works, as well as cultural and academic programs. For the program of the Bloom Charity Foundation's 2019 "Thalassemia Hematopoietic Stem Cell Transplantation Surgery Funding", which helped nine children with severe "Thalassemia" rekindle their lives, and subsequent grants of RMB50,000 to 100,000 were provided for the difference in surgical expenses, with a total funding of RMB550,000. The vision of this program is to help these sick children such that these poor families will not miss or give up treatment because of family financial difficulties, and make contribution to these children as much as possible.

Through these initiatives, we enhance employees' awareness of caring for the community and it is essential for them to champion a good cause. We encourage them to take the lead to aid the society through participating in corporate social responsibility activities, which enables our employees to appreciate how they and the Company can benefit from helping the community and contribute to the long-term growth of both the individuals and the Company.

HKEX ESG GUIDE CONTENT INDEX

Aspect A1: Emissions

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: a. the policies; and b. compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental	–
KPI A1.1	The types of emissions and respective emissions data.	Environmental	–
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Environmental	–
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	–	The Group has not identified any production of hazardous waste in our operations.
KPI A1.4	Total non-hazardous waste produced and intensity.	Environmental	–
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Environmental	–
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental	–

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect A2: Use of Resources

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental	The Group did not generate significant amount of air emissions nor discharge into land, and the Group has not identified any hazardous waste produced in our core business.
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Environmental	–
KPI A2.2	Water consumption in total and intensity.	Environmental	–
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental	–
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	–	The Group believes that our water consumption is mainly for domestic use and no issues have been identified at this moment.
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	Environmental	–

Aspect A3: The Environment and Natural Resources

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental	–
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Environmental	–

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B1: Employment and Labour Practices

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Social	–
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Social	–

Aspect B2: Health and Safety

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Social	–
KPI B2.1	Number and rate of work-related fatalities.	–	No work-related fatalities were recorded during the reporting period.
KPI B2.2	Lost days due to work injury.	–	No lost days due to work injury were recorded during the reporting period.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Social	–

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B3: Development and Training

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities.	Social	–
KPI B3.1	The percentage of employees trained by gender and employee category.	Social	–
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social	–

Aspect B4: Labour Standards

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Social	–
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Social	–
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	–	No such incidents were reported during the reporting period.

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B5: Supply Chain Management

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Social	–
KPI B5.1	Number of suppliers by geographical region.	–	Not identified as material aspect.
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	–	Not identified as material aspect.

Aspect B6: Product Responsibility

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Social	The office-based operation of the Company is not considered to have significant environmental and social risks of product responsibility due to its nature of business.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	–	Not identified as material aspect.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	–	Not identified as material aspect.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	–	Not identified as material aspect.
KPI B6.4	Description of quality assurance process and recall procedures.	–	Not identified as material aspect.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	–	Not identified as material aspect.

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B7: Anti-corruption

General Disclosures and KPIs	Description	Relevant Secion in the ESG Report	Remarks
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Social	–
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	–	No concluded legal cases regarding corrupt practices were brought against the issuer or its employees during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	–	At this moment, the Group has no written whistle-blowing procedure and relevant incidents are reviewed on a case by case basis. The Group is planning to review the feasibility and appropriateness of adopting standardised whistle-blowing procedures in the coming years.

Aspect B8: Community Investment

General Disclosures and KPIs	Description	Relevant Secion in the ESG Report	Remarks
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities takes into consideration communities' interests	Social	–
KPI B8.1	Focus areas of contribution	Social	–
KPI B8.2	Resources contributed to the focus areas	Social	–

EY 安永

To the shareholders of EEKA Fashion Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of EEKA Fashion Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 176 which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and other intangible assets with indefinite lives	
As at 31 December 2019, the Group recorded goodwill and other intangible assets with indefinite lives of RMB1,253,540,000 and RMB590,500,000, respectively, which represented 23% and 11% of the total assets of the Group. The Group performed impairment reviews of the goodwill and other intangible assets at the year ended 31 December 2019, based on a five-year forecast and operating performance, cashflows and key assumptions such as growth and discount rate. Management made assumptions of the long-term growth rate, the discount rate and the assumptions underlying future operating cash flows based on their forecast and estimation on the future development of the business, which involved significant judgement and estimations. Related changes in the estimations might have a significant impact on the consolidated financial statements. Details of the impairment testing of goodwill and other intangible assets with indefinite lives are disclosed in notes 3 and 17 to the financial statements.	Our audit procedures to assess the impairment of goodwill and intangible assets with indefinite lives included the following: • evaluating the key assumptions used in cash flow forecasts, such as the sales growth and gross margin, through comparison with historical performance and the business development plan; • inviting our internal valuation specialist in the assessment of the methodologies, discount rate and long-term growth rate used by management, as appropriate, to estimate the recoverable amounts of goodwill and other intangible assets with indefinite lives; • reviewing management's sensitivity analysis of impairment test, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount; and • assessing the adequacy of the related disclosures in the consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
Sales of apparel and accessories in the fashion industry can be volatile with consumer demand changes according to current fashion trends. The Group typically sells or disposes of off-season inventories at a markdown from the original price to maintain the strength of the brands and make room for new season inventories in its retail stores. Accordingly, the actual future selling prices of some inventories may fall below their purchase costs. Management considers several factors to determine an appropriate level of inventory provisions, which include inventory ageing, the historical percentage of inventories sold at usual price levels and channels available for selling off-season inventories. We identified the valuation of inventories as a key audit matter because of the significant judgement exercised by management in determining an appropriate level of inventory provisions which involves estimating the amounts of inventories which will be unsold at the end of each season and the markdowns necessary to sell such off-season inventories on a discounted basis through outlets and other channels in future years. Both of these factors can be inherently uncertain and could be subject to management bias. Details of the inventory provision are disclosed in notes 3 and 6 to the consolidated financial statements.	Our audit procedures to assess the valuation of inventories included the following: • assessing whether the inventory provisions were calculated in a manner consistent with the Group's inventory provision policy by recalculating the inventory provisions based on the mechanisms and parameters in the Group's inventory provision policy and considering the application of the Group's inventory provision policy with reference to the requirements of the prevailing accounting standards; • assessing on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing category by comparing individual items with the underlying purchase documents; • testing, on a sample basis, the net realisable value of finished goods based on the price and markdowns subsequent to the reporting date, assessing whether inventories are stated at the lower of cost and net realizable value; and • enquiring of the senior members of the sales team about any expected changes in plans for markdowns or disposals of off-season inventories and comparing their representations with actual sales transactions subsequent to the reporting date.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tjen, Michael.

Ernst & Young
Certified Public Accountants

Hong Kong

31 March 2020

Consolidated Statement of Profit or Loss

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**4,148,421**	2,520,906
Cost of sales		**(1,137,197)**	(717,946)
Gross profit		**3,011,224**	1,802,960
Other income and gains	5	**42,981**	38,844
Selling and distribution expenses		**(2,223,806)**	(1,367,655)
Administrative expenses		**(308,914)**	(149,882)
Impairment losses on financial assets	6	**(488)**	(122)
Other expenses		**(5,677)**	(434)
Finance costs	7	**(26,060)**	(7,972)
PROFIT BEFORE TAX	6	**489,260**	315,739
Income tax expense	10	**(95,339)**	(43,425)
PROFIT FOR THE YEAR		**393,921**	272,314
Attributable to:			
Owners of the parent		**405,606**	272,759
Non-controlling interests		**(11,685)**	(445)
		393,921	272,314
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For profit for the year		**RMB69.3 cents**	RMB56.1 cents
Diluted			
– For profit for the year		**RMB68.8 cents**	RMB55.6 cents

Consolidated Statement of Comprehensive Income

31 December 2019

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

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**665,264**	155,435
Right-of-use assets	14	**668,778**	–
Goodwill	15	**1,253,540**	21,681
Other intangible assets	16	**612,309**	21,780
Prepayments, other receivables and other assets	21	**56,908**	21,736
Equity investments designated at fair value through other comprehensive income	19	**43,277**	43,277
Financial assets at fair value through profit or loss	22	**49,517**	–
Deferred tax assets	28	**30,932**	17,852
Total non-current assets		**3,380,525**	281,761
CURRENT ASSETS			
Inventories	18	**651,565**	460,634
Trade and bills receivables	20	**623,445**	304,117
Prepayments, other receivables and other assets	21	**165,499**	65,087
Financial assets at fair value through profit or loss	22	**–**	30,000
Cash and cash equivalents	23	**691,327**	613,376
Total current assets		**2,131,836**	1,473,214
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**262,185**	76,260
Trade and bills payables	24	**198,121**	102,682
Other payables and accruals	25	**878,325**	238,291
Lease liabilities	27	**357,870**	–
Tax payable		**99,872**	68,654
Total current liabilities		**1,796,373**	485,887
NET CURRENT ASSETS		**335,463**	987,327
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,715,988**	1,269,088

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	–	21,905
Deferred tax liabilities	28	153,836	8,072
Lease liabilities	27	206,490	–
Other long-term liabilities	33	179,159	–
Total non-current liabilities		539,485	29,977
Net assets		3,176,503	1,239,111
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	5,609	3,859
Reserves	32	3,135,343	1,214,866
		3,140,952	1,218,725
Non-controlling interests		35,551	20,386
Total equity		3,176,503	1,239,111

Jin Ming	**He Hongmei**
Director	*Director*

Consolidated Statement of Changes in Equity

31 December 2019

	Attributable to owners of the parent										
	Share capital RMB'000 (note 29)	Share premium RMB'000 (note 32)	Capital redemption reserve RMB'000 (note 32)	Capital reserve RMB'000 (note 32)	Statutory reserve RMB'000 (note 32)	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	3,859	212,502	196	(19,841)	45,953	11,285	(5,251)	853,735	1,102,438	20,831	1,123,269
Profit for the year	–	–	–	–	–	–	–	272,759	272,759	(445)	272,314
Other comprehensive loss for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	(375)	–	(375)	–	(375)
Total comprehensive income for the year	–	–	–	–	–	–	(375)	272,759	272,384	(445)	271,939
Appropriation to statutory reserve	–	–	–	–	664	–	–	(664)	–	–	–
Lapse of share options	–	–	–	(756)	–	–	–	756	–	–	–
Final 2017 dividend declared	–	–	–	–	–	–	–	(100,536)	(100,536)	–	(100,536)
Interim 2018 special dividend	–	–	–	–	–	–	–	(55,561)	(55,561)	–	(55,561)
At 31 December 2018	3,859	212,502	196	(20,597)	46,617	11,285	(5,626)	970,489	1,218,725	20,386	1,239,111

	Attributable to owners of the parent										
	Share capital RMB'000 (note 29)	Share premium RMB'000 (note 32)	Capital redemption reserve RMB'000 (note 32)	Capital reserve RMB'000 (note 32)	Statutory reserve RMB'000 (note 32)	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	3,859	212,502	196	(20,597)	46,617	11,285	(5,626)	970,489	1,218,725	20,386	1,239,111
Profit for the year	–	–	–	–	–	–	–	405,606	405,606	(11,685)	393,921
Other comprehensive loss for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	(8,126)	–	(8,126)	–	(8,126)
Total comprehensive income for the year	–	–	–	–	–	–	(8,126)	405,606	397,480	(11,685)	385,795
Issue of shares (note 29)	1,750	1,660,059	–	–	–	–	–	–	1,661,809	–	1,661,809
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	26,850	26,850
Final 2018 dividend declared	–	–	–	–	–	–	–	(137,062)	(137,062)	–	(137,062)
At 31 December 2019	5,609	1,872,561*	196*	(20,597)*	46,617*	11,285*	(13,752)*	1,239,033*	3,140,952	35,551	3,176,503

* These reserve accounts comprise the consolidated reserves of RMB3,135,343,000 (2018: RMB1,214,866,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**489,260**	315,739
Adjustments for:			
Depreciation	13	**82,566**	58,072
Depreciation of right-of-use assets	14(a)	**310,975**	–
Amortisation of other intangible assets	6	**5,834**	5,135
Gain on disposal of property, plant and equipment		**(427)**	–
Finance cost	7	**26,060**	7,972
Bank interest income	5	**(1,599)**	(2,977)
Other interest income from financial assets at fair value through profit or less	5	**(20,757)**	(13,004)
Fair value loss from financial assets at fair value through profit or loss, net	6	**733**	–
Write-down of inventories to net realisable value	6	**1,499**	3,546
Impairment of trade receivables	6	**488**	122
Exchange loss, net	6	**1,148**	103
		895,780	374,708
Decrease/(increase) in inventories		**21,294**	(7,152)
(Increase)/decrease in trade receivables		**(83,441)**	3,770
Increase in prepayments, other receivables and other assets		**(53,104)**	(7,101)
Increase in trade payables		**69,214**	26,184
(Decrease)/increase in other payables and accruals		**(46,313)**	43,744
Cash generated from operations		**803,430**	434,153
Income taxes paid		**(103,984)**	(34,108)
Net cash flows from operating activities		**699,446**	400,045
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,599**	2,977
Purchases of items of property, plant and equipment	13	**(99,116)**	(63,687)
Purchases of items of other intangible assets	16	**(5,085)**	(719)
Acquisition of subsidiaries	33	**255,727**	–
Acquisition of a subsidiary which does not constitute a business	34	**(319,980)**	–
Proceeds from disposal of property, plant and equipment		**470**	–
Loans to a third party	21	**(25,500)**	–
Decrease/(Increase) in wealth management products	22	**30,000**	(30,000)
Purchase of a derivative financial instrument	22	**(50,000)**	–
Interest received from investments in financial assets at fair value through profit or loss		**20,507**	13,004
Net cash flows used in investing activities		**(191,378)**	(78,425)

Consolidated Statement of Cash Flows

31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank loans and other borrowings		**359,361**	95,105
Repayment of bank loans		**(333,981)**	(159,093)
Principal portion of lease payments	14(b)	**(332,283)**	–
Capital injection from a non-controlling shareholder		**26,850**	–
Interest paid	7	**(5,994)**	(7,972)
Dividends paid	11	**(137,062)**	(156,097)
Net cash flows used in financing activities		**(423,109)**	(228,057)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**84,959**	93,563
Cash and cash equivalents at beginning of year		**613,376**	517,070
Effect of foreign exchange rate changes, net		**(7,008)**	2,743
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**691,327**	613,376

1. CORPORATE AND GROUP 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.

The principal activity of the Company is investment holding. The Group is principally engaged in the design, promotion, marketing and sale of the self-owned branded ladies-wear in the People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

			Percentage of ownership interest			
Name	Place of incorporation/ registration and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Fiona Kim Investments Limited ("Fiona Kim")	BVI	50,000 shares of US$1 each	100%	100%	–	Investment holding
La Kora International Limited ("La Kora International")	Hong Kong	HK$10,000	100%	–	100%	Trademark holding and brand promotion
Century Gold International Limited (創金國際有限公司)	Hong Kong	HK$1	100%	–	100%	Investment holding
Main Grand International Limited (萬安國際有限公司)	Hong Kong	HK$1	100%	–	100%	Investment holding
La Kordi Fashion (Shenzhen) Co., Ltd.*# (1)("La Kordi Fashion") (拉珂帝服飾(深圳)有限公司)	PRC/Mainland China	HK$400,000,000	100%	–	100%	Trading of ladies-wear
Shenzhen Koradior*# (深圳市珂萊蒂爾服飾有限公司)	PRC/Mainland China	RMB15,000,000	100%	–	100%	Trading of ladies-wear
Dongfang Susu*# (1) (東方素素創意設計(深圳)有限公司)	PRC/Mainland China	HK$5,000,000	100%	–	100%	Fashion creativity and design
Shenzhen Mondial *# (2) (深圳市蒙黛爾實業有限公司)	PRC/Mainland China	RMB30,000,000	65%	–	65%	Manufacture and trading of ladies-wear
Shanghai Kody Brand Management Limited*#(3) (上海珂蒂品牌管理有限公司)	PRC/Mainland China	RMB50,000,000	90%	–	90%	Brand promotion and trading of ladies-wear
Shenzhen De Kora Technology Development Limited*# (1) (深圳市迪珂萊科技開發有限公司)	PRC/Mainland China	HK$5,000,000	100%	–	100%	Trading of garments and software design
Shenzhen Jin Yuexin Investment and Development Company Limited*# ("Shenzhen Jin Yuexin") (深圳市金悦鑫投資發展有限公司)	PRC/Mainland China	RMB2,000,000	100%	–	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Particulars of issued and paid-up capital	Percentage of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shenzhen Naersi Fashion Co.,Ltd. *# (4) ("Naersi") (深圳市娜爾思時裝有限公司)	PRC/Mainland China	RMB30,000,000	100%	–	100%	Trading of ladies-wear
Aoruina Garments (Shenzhen) Co., Ltd.*# (1)(4) ("Aoruina") (奧瑞納服裝(深圳)有限公司)	PRC/Mainland China	RMB16,372,680	100%	–	100%	Investment holding
Extra Wisdom Ltd (4) ("Extra Wisdom")	Hong Kong	HK$1,000	100%	–	100%	Investment holding
Keeh Reach Holdings Ltd (4) ("Keeh Reach")	Hong Kong	HK$7,780	100%	100%	–	Investment holding
Shenzhen Haowei Flat Screen Display Materials Co., Ltd *# (5) ("Haowei") (深圳市豪威平板顯示材料有限公司)	PRC/Mainland China	RMB30,000,000	100%	–	100%	Property Leasing
Shenzhen Fangfu Fashion Co., Ltd. *# (3) ("Fangfu") (深圳市方弗時裝有限公司)	PRC/Mainland China	RMB49,850,000	64%	–	64%	Trading of ladies-wear
EEKA Fashion (Jiangshan) E-Commerce Co., Ltd. *# ("Jiangshan E-Commerce") (贏家時尚(江山)電子商務有限公司)	PRC/Mainland China	RMB5,000,000	100%	–	100%	E-Commerce

* These entities are registered as limited liability companies under PRC law.

\# The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

Notes:

(1) These entities were established as wholly-foreign-owned enterprises in the PRC.

(2) This entity was established as a sino-foreign equity joint venture enterprise in the PRC.

(3) These entities were established as equity joint venture enterprises in the PRC.

(4) On 3 July 2019, the Group acquired 100% equity of Keen Reach Holdings Limited and its subsidiaries from Apex Noble Holdings Limited, which is directly 100% owned by Mr. Jin Rui, the brother of Mr. Jin Ming, the chairman and executive officer and an executive Director of the Group. Further details of this acquisition are included in note 33 to the financial statements.

(5) On 5 September 2019, the Group acquired 100% equity of Shenzhen Haowei Flat Screen Display Materials Co., Ltd from an independent third party. Further details of this acquisition are included in note 34 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with 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. 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Except for the amendments to IFRS 9, IAS 19 and IAS 28, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

IFRS 16 replaces IAS 17 Leases, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases* – Incentives and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property and retail stores. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemption for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

As a lessee – Leases previously classified as operating leases *(Continued)*

Impact on transition *(Continued)*

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase RMB'000
Assets:	
Increase in right-of-use assets	238,250
Increase in total assets	238,250
Liabilities:	
Increase in lease liabilities – current	106,895
Increase in lease liabilities – non-current	131,355
Increase in total liabilities	238,250

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018:	256,289
Weighted average incremental borrowing rate as at 1 January 2019	4.70%
Discounted operating lease commitments as at 1 January 2019	238,250
Lease liabilities as at 1 January 2019	238,250

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has elected to early adopt the Amendments to IFRS 3 from 1 January 2019. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group was not affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2020

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

3 No mandatory effective date determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. 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 are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at these financial statements set out in this report are set out below:

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each year as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

 (i) has control or joint control over the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of that asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings situated on leasehold land	2% to 5%
Leasehold improvements	Over the lease terms
Motor vehicles	12% to 19%
Furniture, fixtures and equipment	10% to 32%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition as cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Computer software

The purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Trademarks

The trademarks with definite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over its estimated useful life of 5 years or are classified as intangible assets with indefinite useful lives. The Directors are of the opinion that the trademarks with indefinite useful lives will contribute cash flows for an indefinite period and the legal rights of the trademarks are capable of being renewed at minimal cost.

Customer relationships

Customer relationships are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful life of 10 years.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	43 years
Retail stores	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Lease that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessor *(Continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, interest-bearing bank borrowings and Other liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follow:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year, taking into consideration interpretations and practices prevailing in the jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each year and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each year.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate are expensed.

Where the grant relates to a non-monetary asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of reduced depreciation charge.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sale of goods

The Group operates a chain of retail stores and several online stores to sell ladies-wear. The Group also conducts wholesale to distributors. Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognized for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns, and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates the Share Option Scheme (as defined in note 30 to the financial statement) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each year until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

The functional currency of the Company is HK$, while these financial statements are presented in RMB. The turnover of the Group is entirely contributed by the business in Mainland China and the presentation currency of RMB could provide uses of the financial statements with more comparable information with other companies in similar industries. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the year. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain entities in the Group are currencies other than RMB. As at the end of the year, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the year and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill and other intangible assets with indefinite useful lives

The Group determines whether goodwill and other intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill and other intangible asset with indefinite useful lives at 31 December 2019 were RMB1,253,540,000 (2018: RMB21,681,000) and RMB590,500,000 (2018: Nil), respectively. Further details are given in note 17.

Write-down of inventories to net realizable value

A write-down of inventories to net realizable value is made based on the estimated net realizable value of the inventories. The assessment of the write-down required involves management's judgement and estimates on market conditions. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down of inventories in the period in which the estimate has been changed.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

4. OPERATING SEGMENT INFORMATION

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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

Information about major customers

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

(i) Disaggregated revenue information

For the year ended 31 December 2019

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

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2018

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

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

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

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

(ii) Performance obligation

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

Sale of apparel and accessories

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

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

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

6. PROFIT BEFORE TAX

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

	Notes	2019 RMB'000	2018 RMB'000
Cost of inventories sold		**1,137,197**	717,946
Depreciation of property, plant and equipment	13	**82,566**	58,072
Depreciation of right-of-use assets	14	**310,975**	–
Amortisation of other intangible assets	16	**5,834**	5,135
Research and development costs^:			
Current year expenditure		**103,134**	48,826
Lease payments not included in the measurement of lease liabilities		**691,873**	654,138
Auditor's remuneration		**1,929**	3,000
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**780,532**	452,196
Pension scheme contributions		**41,587**	29,518
		822,119	481,714
Exchange losses, net#		**1,148**	103
Impairment of trade receivables	20	**488**	122
Write-down of inventories to net realisable value*		**1,499**	3,546
Fair values losses, net:#			
Financial assets at fair value through profit or loss – Loan receivable with a conversion option		**733**	–

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

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

Exchange losses and fair value losses on 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.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019 RMB'000	2018 RMB'000
Interest on bank loans, overdrafts and other loans	**6,892**	7,972
Interest on lease liabilities	**19,168**	–
	26,060	7,972

8. DIRECTORS' REMUNERATION

Directors' remuneration during the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 RMB'000	2018 RMB'000
Fees	**557**	845
Other emoluments:		
Salaries, allowances and benefits in kind	**5,030**	3,040
Pension scheme contributions	**34**	42
	5,064	3,082
	5,621	3,927

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2019 RMB'000	2018 RMB'000
Mr. Zhang Guodong	176	169
Mr. Zhong Ming	176	169
Mr. Zhou Xiaoyu	176	169
	528	507

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2019				
Executive directors:				
Ms. He Hongmei	–	2,945	25	2,970
Mr. Jin Rui*	–	189	6	195
Non-executive director:				
Mr. Yang Weiqiang ^	29	–	–	29
Chief executive:				
Mr. Jin Ming	–	1,896	3	1,899
	29	5,030	34	5,093

* Mr. Jin Rui was appointed as an executive director of the Company on 23 August 2019.

^ Mr. Yang Weiqiang resigned as a non-executive director of the Company on 23 August 2019.

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors, non-executive directors and the chief executive *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2018				
Executive director:				
Ms. He Hongmei	–	1,543	21	1,564
Non-executive directors:				
Mr. Deng Shigang*	169	–	–	169
Mr. Yang Weiqiang	169	–	–	169
Chief executive:				
Mr. Jin Ming	–	1,497	21	1,518
	338	3,040	42	3,420

* Mr. Deng Shigang resigned as a non-executive director of the Company on 31 December 2018.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included a director and the chief executive (2018: a director and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	**3,996**	1,844
Pension scheme contributions	**73**	63
	4,069	1,907

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2019	2018
Nil to RMB1,000,000	**–**	3
RMB1,000,001 to RMB1,500,000	**3**	–
	3	3

10. 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 2019 (2018: Nil).

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 ("CIT") at a statutory rate on their respective taxable income for the year ended 31 December 2019.

	2019	2018
	RMB'000	RMB'000
Current – Mainland China	**100,936**	49,024
Deferred (note 28)	**(5,597)**	(5,599)
Total tax charge for the year	**95,339**	43,425

10. INCOME TAX *(Continued)*

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	2019		2018	
	RMB'000	**%**	RMB'000	%
Profit before tax	**489,260**		315,739	
Tax at the statutory tax rate	**124,534**	**25.5**	79,855	25.3
Entities subject to a lower statutory tax rate*	**(39,171)**	**(8.0)**	(32,339)	(10.2)
Expensed not deductible for tax	**966**	**0.2**	531	0.2
Super-deduction of research and development costs	**(5,880)**	**(1.2)**	(3,782)	(1.2)
Adjustments in respect of current tax of previous periods	**2,264**	**0.5**	18	–
PRC withholding tax on dividend	**–**	**–**	(1,899)	(0.6)
Tax losses utilised from previous periods	**(1,872)**	**(0.4)**	–	–
Tax losses and temporary difference not recognised	**14,498**	**2.9**	1,041	0.3
Tax charge at the effective rate	**95,339**	**19.5**	43,425	13.8

* Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd. ("Dongfang Susu") is entitled to a reduced CIT rate of 15% under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

Shenzhen Koradior Fashion Co., Ltd. ("Shenzhen Koradior") obtained an approval from the tax bureau in 2017 to be taxed as a High and New-Technology Enterprise, and the approval was renewed in 2019. Pursuant to the approval, Shenzhen Koradior was entitled to a preferential PRC CIT rate of 15% for a period of three years from December, 2019 to December, 2022.

11. DIVIDENDS

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

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

12. EARNINGS PER SHARE

The calculation of the basic earnings per share amount for the year ended 31 December 2019 is based on the profit for the year attributable to ordinary equity holders of the parent of RMB405,606,000 (2018: RMB272,759,000), and the weighted average number of ordinary shares of 585,421,338 shares (2018: 486,337,000 shares) in issue during the year.

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
31 December 2019					
At 1 January 2019:					
Cost	128,008	222,009	6,125	17,943	374,085
Accumulated depreciation	(24,949)	(177,105)	(4,425)	(12,171)	(218,650)
Net carrying amount	103,059	44,904	1,700	5,772	155,435
At 1 January 2019, net of accumulated depreciation	103,059	44,904	1,700	5,772	155,435
Additions	29,504	64,915	2,109	2,588	99,116
Acquisition of a subsidiary (note 33)	–	24,688	62	1,129	25,879
Acquisition of assets (note 34)	468,150	–	–	–	468,150
Disposals	–	–	(745)	(5)	(750)
Depreciation provided during the year	(11,103)	(69,207)	214	(2,470)	(82,566)
At 31 December 2019 net of accumulated depreciation	589,610	65,300	3,340	7,014	665,264
At 31 December 2019:					
Cost	669,918	366,252	7,579	25,430	1,069,179
Accumulated depreciation	(80,308)	(300,952)	(4,239)	(18,416)	(403,915)
Net carrying amount	589,610	65,300	3,340	7,014	665,264

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
31 December 2018					
At 1 January 2018:					
Cost	126,063	183,230	5,242	12,291	326,826
Accumulated depreciation	(18,430)	(148,545)	(3,887)	(6,144)	(177,006)
Net carrying amount	107,633	34,685	1,355	6,147	149,820
At 1 January 2018, net of accumulated depreciation	107,633	34,685	1,355	6,147	149,820
Additions	1,490	59,628	708	1,861	63,687
Depreciation provided during the year	(6,064)	(49,409)	(363)	(2,236)	(58,072)
At 31 December 2018 net of accumulated depreciation	103,059	44,904	1,700	5,772	155,435
At 31 December 2018:					
Cost	128,008	222,009	6,125	17,943	374,085
Accumulated depreciation	(24,949)	(177,105)	(4,425)	(12,171)	(218,650)
Net carrying amount	103,059	44,904	1,700	5,772	155,435

14. LEASES

The Group as a lessee

The Group has lease contracts for plant and retail stores used in its operations. Leases of plant and retail stores generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments	Retail stores	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2019	–	238,250	238,250
Additions	–	422,244	422,244
Arising from acquisition of a subsidiary which does not constitute a business (note 34)	104,874	–	104,874
Arising from acquisition of a subsidiary (note 33)	–	214,385	214,385
Depreciation charge	(819)	(310,156)	(310,975)
As at 31 December 2019	104,055	564,723	668,778

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019 Lease liability
	RMB'000
Carrying amount at 1 January	238,250
New leases	422,244
Arising from acquisition of a subsidiary	216,981
Accretion of interest recognised during the year	19,168
Payments	(332,283)
Carrying amount at 31 December	564,360
Analysed into:	
Current portion	357,870
Non-current portion	206,490

The maturity analysis of lease liabilities is disclosed in note 27 to the financial statements.

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	19,168
Depreciation charge of right-of-use assets	310,975
Variable lease payments not included in the measurement of lease liabilities (included in selling expense)	691,873
Total amount recognised in profit or loss	1,022,016

(d) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. Set out below are the undiscounted future rental payments relating to periods following the exercise date of extension that are included in the lease terms:

	2019 RMB'000
Extension options expected to be exercised	45,428

(e) Variable lease payments

The Group leased a number of the retail stores and units in shopping malls which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores. There are also minimum annual base rental arrangements for these leases. The amounts of the fixed and variable lease payments recognised in profit or loss for the current year for these leases are RMB330,143 and RMB691,873 respectively.

(f) The total cash outflow for leases are disclosed in note 35(c) to the financial statements.

14. LEASES *(Continued)*

The Group as a lessor

The Group had acquired properties including three warehouse buildings and an integrated office building through acquisition of a subsidiary (note 34) and leased a few units under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB1,171,000, details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000
Within one year	20,664
After one year but within two years	9,911
After two years	10,312
	40,887

15. GOODWILL

	RMB'000
Cost and net carrying amount:	
At 1 January 2018 and 31 December 2018	21,681
At 1 January 2019	21,681
Acquisition from a subsidiary (note 33)	1,231,859
Cost and net carrying amount at 31 December 2019	1,253,540
At 31 December 2019:	
Cost and net carrying amount	1,253,540

Impairment testing of goodwill

Details of the impairment testing of goodwill have been set out in note 17 to these financial statements.

16. OTHER INTANGIBLE ASSETS

	Customer relationships RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation	12,801	8,168	811	21,780
Additions	–	–	5,085	5,085
Acquisition of a subsidiary (note 33)*	–	590,500	778	591,278
Amortisation provided during the year	(1,707)	(3,267)	(860)	(5,834)
At 31 December 2019	11,094	595,401	5,814	612,309
At 31 December 2019:				
Cost	17,068	606,836	7,454	631,358
Accumulated amortisation	(5,974)	(11,435)	(1,640)	(19,049)
Net carrying amount	11,094	595,401	5,814	612,309

	Customer relationships RMB'000	Trademarks RMB'000	Software RMB'000	Total RMB'000
31 December 2018				
Cost at 1 January 2018, net of accumulated amortisation	14,508	11,435	253	26,196
Additions	–	–	719	719
Amortisation provided during the year	(1,707)	(3,267)	(161)	(5,135)
At 31 December 2018	12,801	8,168	811	21,780
At 31 December 2018:				
Cost	17,068	16,336	1,011	34,415
Accumulated amortisation	(4,267)	(8,168)	(200)	(12,635)
Net carrying amount	12,801	8,168	811	21,780

* Trademarks of "NAERSI", "NEXY.CO" and "NAERSILING" acquired from a subsidiary amounting to RMB590,500,000 are regarded as having indefinite useful lives as they are expected to generate net cash inflows to the Group indefinitely. As at 31 December 2019, these intangible assets with indefinite useful lives were tested for impairment (note 17).

17. IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill acquired through business combinations has been allocated to the following cash-generating units ("CGUs") for impairment testing:

	2019 RMB'000	2018 RMB'000
CADIDL brand CGU	21,681	21,681
NAERSI, NEXY.CO and NAERSILING brand CGU	1,231,859	–
	1,253,540	21,681

The respective carrying amounts of goodwill and other intangible assets with indefinite useful lives allocated to each of the above CGUs are set out below:

	2019		2018	
	Goodwill RMB'000	Other intangible assets with indefinite useful lives RMB'000	Goodwill RMB'000	Other intangible assets with indefinite useful lives RMB'000
CADIDL brand CGU	21,681	–	21,681	–
NAERSI, NEXY.CO and NAERSILING brand CGU	1,231,859	590,500	–	–
	1,253,540	590,500	21,681	–

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flow projection based on financial budgets or forecasts approved by management covering a period of five years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and its expectations for market development target of each CGU.

17. IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES *(Continued)*

The discount rates applied to cash flow projections and the growth rates used to extrapolate cash flows beyond the five year period are as follows:

	Discount rate		Growth rate	
	2019	2018	**2019**	2018
CADIDL brand CGU	**14%**	14%	**3%**	3%
NAERSI, NEXY.CO and NAERSILING brand CGU	**15%**	–	**3%**	–

Assumptions were used in the value-in-use calculation of each CGUs as at 31 December 2019 and 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and other intangible assets with indefinite useful lives:

Forecast sales amounts – The forecast sales amounts are based on the historical sales data and market outlook perceived by management.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are after tax and reflect specific risks relating to the relevant CGUs.

The values assigned to the key assumptions on market development of the CGUs and discount rates are consistent with external information sources.

18. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**107,323**	59,117
Work in progress	**8,782**	3,237
Finished goods	**535,460**	398,280
	651,565	460,634

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Qianhai Ruilin Investment Management Co., L.P.	**43,277**	43,277

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

20. TRADE AND BILLS RECEIVABLES

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

Majority of the trade receivables are related to sales made through the Group's self-operated stores. The Group leased a number of retail stores within department stores and shopping malls in 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 months with the department store 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.

20. TRADE AND BILLS RECEIVABLES *(Continued)*

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

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

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

	2019 RMB'000	2018 RMB'000
At beginning of year	**912**	790
Impairment losses, net	**794**	122
At end of year	**1,706**	912

As at 31 December 2019, the allowance for credit losses is related to individually impaired receivables amounting to RMB1,706,000 (2018: RMB912,000). 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 RMB1,706,000 (2018: RMB912,000) has been recognised in respect of such receivables.

As at 31 December 2019, 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, and the probability of default and the loss given default were estimated to be minimal.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Prepayments	**98,101**	42,513
Deposits and other receivables	**88,895**	40,375
Loan to a third party	**25,500**	–
Loans to employees	**7,501**	2,914
Right-of-return assets	**2,410**	1,021
	222,407	86,823
Less:		
Non-current position included in prepayments, other receivables and other assets	**(56,908)**	(21,736)
	165,499	65,087

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. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Financial assets at fair value through profit or loss		
– Non-current		
Loan receivable with a conversion option, at fair value	**49,517**	–
– Current		
Wealth management products, at fair value	**–**	30,000

23. CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Cash and bank balances denominated in		
RMB	**649,344**	547,371
Hong Kong Dollar ("HK$")	**29,285**	2,766
EUR ("€")	**1,524**	1,022
US Dollar ("US$")	**1,337**	1,316
KRW (" ₩ ")	**383**	143
	681,873	552,618
Time deposits	**9,454**	60,758
Cash and cash equivalents	**691,327**	613,376

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods within one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

24. TRADE AND BILLS PAYABLES

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

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

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

25. OTHER PAYABLES AND ACCRUALS

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

Notes:

(a) Details of contract liabilities are as follows:

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

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	HIBOR+1.3 4.35 to 4.60	2020	239,790	HIBOR+1.3	2019	43,810
Current portion of long term bank loans – unsecured	HIBOR+1.3	2020	22,395	HIBOR+1.3	2019	21,905
Other borrowings			–	–	2019	10,545
			262,185			76,260
Non-current						
Bank loans – unsecured			–	HIBOR+1.3	2020	21,905
			–			21,905
Analysed into:						
Bank loans repayable						
Within one year			262,185			65,715
In the second year			–			21,905
			262,185			87,620
Other borrowings repayable						
Within one year			–			10,545
			262,185			98,165

Notes:

(a) The Group's overdraft facilities amounted to RMB 610,093,000 (2018: RMB148,605,500), of which RMB276,975,000 (2018: RMB87,415,000) had been utilised as at the end of the reporting period.

(b) Except for the HIBOR+1.3% unsecured bank loan which is denominated in Hong Kong dollars, all borrowings are in Renminbi ("RMB").

27. LEASE LIABILITIES

	31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Lease liabilities (note 14(b))	4.35	2020	357,870
			357,870
Non-current			
Lease liabilities (note 14(b))	4.75-4.90	2021-2024	206,490
			206,490
			564,360
Analysed into:			
Within one year			357,870
In the second year			127,773
In the third to fifth year, inclusive			78,717
			564,360

28. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Unrealised profits RMB'000	Change in fair value of financial liabilities at fair value through profit or loss RMB'000	Contract liabilities RMB'000	Total RMB'000
At 1 January 2018	8,674	8,362	–	–	–	17,036
Effect of adoption of IFRS 9	119	–	–	–	–	119
At 1 January 2018 (restated)	8,793	8,362	–	–	–	17,155
(Charged)/credited to the statement of profit or loss during the year	1,935	(1,238)	–	–	–	697
At 31 December 2018 and 1 January 2019	10,728	7,124	–	–	–	17,852
Acquisition of a subsidiary	5,759	–	–	–	3,585	9,344
Credited/(charged) to the statement of profit or loss during the year (note 10)	888	(149)	898	110	1,989	3,736
At 31 December 2019	17,375	6,975	898	110	5,574	30,932

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	Withholding tax on dividend RMB'000	Fair value adjustment on property, plant and equipment arising from business combinations RMB'000	Fair value adjustment on other intangible assets arising from business combinations RMB'000	Fair value adjustment on inventories arising from business combinations RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income RMB'000	Total RMB'000
At 1 January 2018	1,899	103	6,486	2,494	–	10,982
Effect of adoption of IFRS 9	–	–	–	–	1,992	1,992
At 1 January 2018 (restated)	1,899	103	6,486	2,494	1,992	12,974
Credited to the statement of profit or loss during the year	(1,899)	(36)	(1,055)	(1,912)	–	(4,902)
At 31 December 2018 and 1 January 2019	–	67	5,431	582	1,992	8,072
Arising from acquisition of a subsidiary	–	–	147,625	–	–	147,625
Credited to the statement of profit or loss during the year (note 10)	–	(36)	(1,243)	(582)	–	(1,861)
At 31 December 2019	–	31	151,813	–	1,992	153,836

The Group has not recognised deferred tax assets of RMB10,914,000 (2018: RMB2,436,000) in respect of cumulative tax losses of RMB43,654,000 at 31 December 2019 (2018: RMB9,745,000) as it is not probable that the foreseeable future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unrecognised tax losses are losses that can be carried forward for 5 years from the year in which the respective loss arose.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

In addition to the deferred tax liabilities recognised in respect of the PRC dividend withholding tax disclosed in this note, deferred tax liabilities of RMB147,913,000 (2018: RMB84,036,000) in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries at 31 December 2019 were not recognised as the Company controls the dividend policy of these subsidiaries. Based on the assessment made by management as at the end of each reporting period, it was determined that the undistributed profits of RMB1,479,132,000 (2018: RMB840,360,000) of the Company's PRC subsidiaries would not be distributed in the foreseeable future.

29. SHARE CAPITAL

	2019	2018
Issued and fully paid:		
685,050,195 (31 December 2018: 486,337,000) ordinary shares of HK$0.10 each (HK$'000)	6,850	4,863
Equivalent to RMB'000	5,609	3,859

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	486,337,000	3,859
Share Issued	198,713,195	1,750
At 31 December 2019	685,050,195	5,609

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

The Company has a share option scheme (the "Scheme"), which was adopted on 6 June 2014, whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. On 10 July 2014, 10,000,000 share options were granted to certain directors and employees of the Group to subscribe for shares of the Company at an exercise price of HK$4.42 per share. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

30. SHARE OPTION SCHEME *(Continued)*

No equity-settled share-based payment expenses were recognised by the Group in 2019 (2018: Nil).

The following share options were outstanding under the Share Option Scheme of the Company during the year:

	2019		2018	
	The average exercise price	**Number of options '000**	The average exercise price	Number of options '000
At 1 January	**HK$4.42**	**7,460**	HK$4.42	7,960
Lapsed during the year		**–**		(500)
At 31 December		**7,460**		7,460

No share options were exercised during the year.

At the end of the reporting period, the Company had 7,460,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 7,460,000 additional ordinary shares of the Company and additional share capital of HK$746,000 (equivalent to RMB668,000) and share premium of HK$32,227,000 (equivalent to RMB28,869,000), before related issuance expenses.

At the date of approval of these financial statements, the Company had 7,460,000 share options outstanding under the Scheme, which represented approximately 1.1% of the Company's shares in issue as at that date.

31. SHARE AWARD SCHEME

The Company adopted a share award scheme (the "Share Award Scheme"), approved by the resolutions of the board of director of the Company passed on 2 December 2019.

The specific purposes and objectives of the Share Award Scheme are to:

(a) recognise the contributions by certain grantees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and

(b) attract suitable personnel for further development of the Group.

31. SHARE AWARD SCHEME *(Continued)*

Subject to any early termination as may be determined by the Company, the Share Award Scheme shall be valid and effective from the adoption date to the 10th anniversary of the adoption date after which no award shall be made and thereafter for so long as there are any non-vested awarded shares granted thereunder prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such awarded shares or otherwise as may be required in accordance with the provisions of the rules of the Share Award Scheme.

To facilitate the implementation of the Share Award Scheme, a trust deed is entered into by the Company and CMB WING LUNG Bank Limited (the "Trustee"), pursuant to which the Trustee shall hold the trust shares, the awarded shares, the related income, the returned shares and the residual cash in accordance with the terms of the trust deed.

The Company may, from time to time, at its absolute discretion select any grantee for participation in the Share Award Scheme as a selected grantee. Until so selected, no grantee shall be entitled to participate in the Share Award Scheme. The Company may select the selected grantee(s) and determine the number of the awarded shares for each of them and notify the Trustee of its decision. The Company is entitled to impose any conditions (including, without limitation, the performance, operating and financial targets and other criteria, if any, to be satisfied by the selected grantee) as it deems appropriate in its sole and absolute discretion before the awarded shares can vest.

The Company has not yet purchased and granted any shares to any employees or suppliers from 2 December 2019 to 31 December 2019.

32. RESERVES

The amount of the Group's reserves and the movements therein during the years ended 31 December 2019 and 2018 are presented in the consolidated statement of changes in equity on page 93 of the financial statements.

Share premium

Under the Companies Law of Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

Capital redemption reserve

The capital redemption reserve represents the nominal amount of the shares repurchased.

32. RESERVES *(Continued)*

Capital reserves

The capital reserves comprise the following:

(i) On 15 November 2012, La Kordi Fashion acquired a 100% equity interest in Shenzhen Koradior from Shenzhen Jinhexin, a company under the control of a Controlling Shareholder at a consideration of RMB40,155,000. The difference of RMB25,155,000 between the consideration and the paid-up capital of Shenzhen Koradior was recorded as part of the capital reserve; and

(ii) The portion of the grant date fair value of RMB4,558,000 (2018: RMB4,558,000) of share options granted to employees of the Company that has been in accordance with the accounting policy adopted for share-based payments are disclosed in note 30 remained unexercised as at 31 December 2019.

Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in Mainland China are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

During the year ended 31 December 2019, Nil retained earnings (2018: RMB664,000) was transferred to the statutory reserve, provided that the reserve balance of subsidiaries with tax profits had reached 50% of their respective registered capital.

33. BUSINESS COMBINATION

On 3 July 2019, the Group acquired a 100% interest of Keen Reach from Apex Noble Holdings Limited, which is directly fully owned by Mr. Jin Rui, the brother of Mr. Jin Ming, the chairman and an executive Director of the Group. Keen Reach is engaged in the design, manufacture and sale of high-end ladies wear in the PRC under the brand names of "NAERSI", "NEXY.CO" and "NAERSILING". The consideration for the acquisition consists of: cash of HK$500,000,000 (equivalent to RMB440,150,000); and consideration of HK$1,887,775,349 (equivalent to RMB1,661,808,643) by the issue and allotment of 198,713,195 shares at the issue price of HK$9.5 per share. The fair value of the consideration shares of approximately HK$1,887,775,349 was determined by reference to the published closing price of HK$9.5 at the completion date. The consideration of shares had been issued to Apex Noble Holdings Limited at the acquisition date and the cash consideration will be paid within 3 years after the acquisition date.

33. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of Keen Reach as at the date of acquisition were as follows:

	Notes	RMB'000
Property, plant and equipment	13	25,879
Trademarks	16	590,500
Other intangible assets	16	778
Right-of-use assets	14(a)	214,385
Deferred tax assets	28	9,344
Inventories		213,724
Trade and bills receivables		232,940
Prepayments and other receivables		62,902
Cash and cash equivalents		255,727
Interest-bearing bank and other borrowings		(137,082)
Trade and bills payables		(26,224)
Other payables and accruals		(168,730)
Tax payable		(39,437)
Lease liabilities	14(b)	(216,981)
Deferred liabilities	28	(147,625)
Total identifiable net assets at fair value		870,100
Goodwill on acquisition	15	1,231,859
Satisfied by:		
Cash		440,150
Issuance and allotment of new shares of the Company		1,661,809
		2,101,959

The Group incurred transaction costs of RMB4,950,000 for this acquisition. These transaction costs have been included in other expenses in the consolidated statement of profit or loss.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

33. BUSINESS COMBINATION *(Continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(440,150)
Other payables	260,991
Other long-term liabilities	179,159
Cash and cash equivalents acquired	255,727
Net inflow of cash and cash equivalents included in cash flows from investing activities	255,727

Since the acquisition, Keen Reach Holdings Limited contributed RMB1,312,248,000 to the Group's revenue and RMB113,945,000 to the consolidated profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB5,178,027,000 and RMB460,882,000, respectively.

34. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 5 September 2019, Shenzhen Koradior, a wholly-owned subsidiary of the Company, entered into sale and purchase agreements with Shenzhen Western Urban Construction Investment Holding Group Co., Ltd.（深圳市西部城建投資控股有限公司）, an independent third party to acquire the 100% equity interests in Shenzhen Haowei Flat Screen Display Materials Co., Ltd ("Haowei"), at a total consideration of RMB570,000,000.

Haowei principally engaged in property holding and leasing in Shenzhen Pingshan Industrial Park and did not carry out any significant business transactions except for holding land use right and properties in PRC at the date of acquisition.

The Group elects to apply the optional concentration test on the acquisition of Haowei. The building and the in-place lease are attached to the land and cannot be removed without incurring significant cost, accordingly, the properties and the land use right are considered a single identifiable asset. Given substantially all of the fair value of the gross assets acquired is concentrated in the above identifiable asset, the acquisition of Haowei has been accounted for by the Group an acquisition of assets. The purchase consideration amounting to RMB320,000,000 had been paid and the remaining consideration amounting to RMB250,000,000 will be paid before 31 July 2020.

34. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

The net assets acquired by the Group in the above transaction are as follows:

	Notes	RMB'000
Property, plant and equipment	13	468,150
Right-of-use assets	14(a)	104,874
Trade receivables		3,434
Prepayments, other receivables and other assets		145
Cash and cash equivalents		20
Other payables and accruals		(6,623)
		570,000
Satisfied by:		
Cash		320,000
Other payables		250,000
		570,000

An analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration	(570,000)
Other payables	250,000
Cash and cash equivalents acquired	20
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(319,980)

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB422,244,000 and RMB422,244,000, respectively, in respect of lease arrangements for property, machinery and other equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000
At 31 December 2018	98,165	–
Effect of adoption of IFRS 16	–	238,250
At 1 January 2019 (restated)	98,165	238,250
Changes from financing cash flows	43,007	(332,283)
Arising from acquisition of subsidiaries	137,082	216,981
New leases	–	422,244
Foreign exchange movement	1,558	–
Interest expense	–	19,168
At 31 December 2019	279,812	564,360

2018

	Interest-bearing bank and other borrowings RMB'000
At 1 January 2018	158,932
Changes from financing cash flows	(63,988)
Foreign exchange movement	3,221
At 31 December 2018	98,165

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**(691,873)**
Within financing activities	**(332,283)**
	(1,024,156)

36. COMMITMENTS

Operating lease commitments as at 31 December 2018

As a lessee

The Group leases a number of properties under operating leases. The leases typically run for an initial period for 1 to 7 years, at the end of which all terms are renegotiated.

In addition to the minimum rental payments disclosed below, the Group has a commitment to pay rent with reference to the turnover for certain leased properties. Contingent rentals are not included in the above commitments as it is not possible to estimate the amounts which may be payable.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	111,738
In the second to fifth year, inclusive	144,072
After five years	479
	256,289

37. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year ended 31 December 2019:

	Note	2019 RMB'000	2018 RMB'000
Processing fees	(i)	190,356	74,007

Note:

(i) Shenzhen Yingjia Fashion Co., Ltd. ("Yingjia Fashion")（深圳市贏家服飾有限公司）is 53% and 47% owned by Ms. Chen Lingmei and Mr. Jin Jingquan respectively. Mr. Jin Rui is a director of the Company.

During the year ended 31 December 2019, the Group entered into a processing agreement with Yingjia Fashion and two of its subsidiaries (collectively referred to as the "Yingjia Fashion Group"), pursuant to which the Yingjia Fashion Group provided processing and manufacturing services to the Group. The VAT-inclusive processing fees incurred to the Yingjia Fashion Group amounted to RMB190,356,000 (2018: RMB74,007,000) for the year ended 31 December 2019.

(b) Outstanding balances with related parties

	Due to related companies		Due from related companies	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Current	21,886	18,768	30,784	–

The Group had an outstanding balance due to the Yingjia Fashion Group of RMB21,886,000 (2018: RMB18,768,000), and an amount due from the Yingjia Fashion Group of RMB30,784,000 (2018: Nil) as at the end of the reporting period. This balance is unsecured, interest-free and repayable on demand.

(c) Other transactions with related parties

During the year ended 31 December 2019, the Group purchased certain properties from Mr. Jin Ming, the director of the Company, with a total cash consideration of RMB29,338,000 (2018: Nil).

37. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Commitments with related parties

The Group has rental contracts with Yingjia Fashion Group. As at 31 December 2019, the Group had total lease liabilities with these related companies under non-cancellable leases falling due as follows:

	2019 RMB'000	2018 RMB'000
Lease liabilities – current	11,887	–
Lease liabilities – non-current	2,045	–
	13,932	–

Under such rental contracts, the minimum lease payment during the year was RMB5,946,000.

As at 31 December 2019, the Group's right-of-use assets relating to such rental contracts amounted to RMB13,409,000 (31 December 2018: Nil).

(e) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	9,714	5,363
Pension scheme contributions	111	144
	9,825	5,507

Further details of directors' emoluments are included in notes 8 and 9 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the year are as follows:

2019

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
		Equity instruments	Financial assets at amortised cost	Total
Financial assets	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Equity investments at fair value through other comprehensive income	–	43,277	–	43,277
Trade and bills receivables	–	–	623,445	623,445
Financial assets included in prepayments, other receivables and other assets (note 21)	–	–	121,896	121,896
Financial assets at fair value through profit or loss	49,517	–	–	49,517
Cash and cash equivalents	–	–	691,327	691,327
	49,517	43,277	1,436,668	1,529,462

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2018

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Held for trading RMB'000	Equity instruments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	–	43,277	–	43,277
Trade receivables	–	–	304,117	304,117
Financial assets included in prepayments, other receivables and other assets (note 21)	–	–	43,289	43,289
Financial assets at fair value through profit or loss	30,000	–	–	30,000
Cash and cash equivalents	–	–	613,376	613,376
	30,000	43,277	960,782	1,034,059

Financial liabilities	Financial liabilities at amortised cost 2019 RMB'000	2018 RMB'000
Trade and bills payables	**198,121**	102,682
Financial liabilities included in other payables and accruals	**563,702**	17,704
Other long-term liabilities	**179,159**	–
Lease liabilities	**564,360**	–
Interest-bearing bank and other borrowings	**262,185**	98,165
	1,767,527	218,551

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's instruments, other than those with carrying amounts that reasonable approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**43,277**	43,277	**43,277**	43,277
Financial assets at fair value through profit or loss	**49,517**	30,000	**49,517**	30,000
	92,794	73,277	**92,794**	73,277

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	**262,185**	98,165	**262,185**	97,158
Other long-term liabilities	**179,159**	–	**173,514**	–
	441,344	98,165	**435,699**	97,158

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments are based on a recent market transaction.

The fair values of other unlisted investments are resulted from the valuation technique.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	43,277	–	43,277
Financial assets at fair value through profit or loss	–	–	49,517	49,517
	–	43,277	49,517	92,794

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (level 1) RMB'000	Significant observable inputs (level 2) RMB'000	Significant unobservable inputs (level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	43,277	–	43,277
Financial assets at fair value through profit or loss	–	30,000	–	30,000
	–	73,277	–	73,277

The movements in fair value measurements within Level 3 during the year are as follows:

	2019 RMB'000
Financial assets at fair value through profit or loss	
At 1 January	–
Additions	49,517
At 31 December	49,517

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/(decrease) in basis points	(Decrease)/ increase in profit before tax RMB'000	(Decrease)/ increase in equity RMB'000
2019			
Hong Kong dollar	100	(638)	(638)
Hong Kong dollar	(100)	638	638
Renminbi	100	(1,206)	(1,206)
Renminbi	(100)	1,206	1,206
2018			
Hong Kong dollar	100	(429)	(429)
Hong Kong dollar	(100)	429	429

Foreign currency risk

Most of the Group's turnover and substantially most of the Group's cost of sales and operating expenses are denominated in RMB. Accordingly, the transactional currency exposures of the Group are not significant.

Credit risk

The Group's credit risk is primarily attributable to deposits with banks, trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The Group's trade and other receivables primarily comprise amounts receivable from the owners of department stores and shopping malls in the PRC with no recent history of material defaults. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each department store and shopping mall. The Group has worked with a large number of department stores and shopping malls and there is no significant concentration of credit risk. The Group performed credit evaluation which focuses on the debtor's past history of making payments and current ability to pay.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Non-current rental deposits were paid to owners of department stores and shopping malls. The board of directors consider that the amounts are fully recoverable considering their creditworthiness.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019 and 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	623,445	623,445
Financial assets included in prepayments, other receivables and other assets					
– Normal**	121,896	–	–	–	121,896
Cash and cash equivalents					
– Not yet past due	691,327	–	–	–	691,327
	813,223	–	–	623,445	1,436,668

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	304,117	304,117
Financial assets included in prepayments, other receivables and other assets					
– Normal**	43,289	–	–	–	43,289
Cash and cash equivalents					
– Not yet past due	613,376	–	–	–	613,376
	656,665	–	–	304,117	960,782

* For trade receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by management and directors when the borrowings exceed certain predetermined levels of authority.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2019				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2019					
Lease liabilities	–	358,897	235,716	–	594,613
Interest-bearing bank and other borrowings	–	269,956	–	–	269,956
Trade and bills payables	–	198,121	–	–	198,121
Other long-term liabilities	–	–	179,159	–	179,159
Financial liabilities included in other payables and accruals	–	563,702	–	–	563,702
	–	1,390,676	414,875	–	1,805,551

	2018				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2018					
Interest-bearing bank borrowings and other borrowings	–	77,825	22,949	–	100,774
Trade payables	–	102,682	–	–	102,682
Financial liabilities included in other payables and accruals	–	17,704	–	–	17,704
	–	198,211	22,949	–	221,160

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as interest-bearing bank and other borrowings, trade and bills payables, financial liabilities included in other payables and accruals, other long-term liabilities, lease liabilities, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the years are as follows:

	31 December 2019	1 January 2019	31 December 2018
	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**262,185**	98,165	98,165
Trade and bills payables	**198,121**	102,682	102,682
Financial liabilities included in other payables and accruals	**563,702**	17,704	17,704
Other long-term liabilities	**179,159**	–	–
Lease liabilities	**564,360**	238,250	–
Less: Cash and cash equivalents	**(691,327)**	(613,376)	(613,376)
Net debt	**1,076,200**	(156,575)	(394,825)
Equity attributable to owners of the parent	**3,140,952**	1,218,725	1,218,725
Capital and net debt	**4,217,152**	1,062,150	823,900
Gearing ratio	**26%**	–	–

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the year is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investments in a subsidiary	2,104,629	30,648
Total non-current assets	2,104,629	30,648
CURRENT ASSETS		
Cash and cash equivalents	3,080	1,009
Prepayments, other receivables and other assets	264,638	375,954
Total current assets	267,718	376,963
CURRENT LIABILITIES		
Other payables and accruals	411,563	3,209
Total current liabilities	411,563	3,209
NET CURRENT (LIABILITIES)/ASSETS	(143,845)	373,754
TOTAL ASSETS LESS CURRENT LIABILITIES	1,960,784	404,402
Net assets	1,960,784	404,402
EQUITY		
Share capital	5,609	3,859
Reserves (note)	1,955,175	400,543
	1,960,784	404,402

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Total RMB'000
At 31 December 2017	212,502	196	5,314	27,515	(69,315)	176,212
Profit for the year	–	–	–	–	364,390	364,390
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	16,038	–	16,038
Total comprehensive income for the year	–	–	–	16,038	364,390	380,428
Lapse of share options	–	–	(756)	–	756	–
Final 2017 dividend declared	–	–	–	–	(100,536)	(100,536)
Interim 2018 special dividend	–	–	–	–	(55,561)	(55,561)
At 31 December 2018	212,502	196	4,558	43,553	139,734	400,543

	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ Retained earnings RMB'000	Total RMB'000
At 31 December 2018	212,502	196	4,558	43,553	139,734	400,543
Loss for the year	–	–	–	–	(4,244)	(4,244)
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	35,879	–	35,879
Total comprehensive income for the year	–	–	–	35,879	(4,244)	31,635
Issue of shares	1,660,059	–	–	–	–	1,660,059
Final 2018 dividend declared	–	–	–	–	(137,062)	(137,062)
At 31 December 2019	1,872,561	196	4,558	79,432	(1,572)	1,955,175

42. EVENTS AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus (COVID-19) continues to spread throughout China and to countries across the world. The COVID-19 has certain impact on the business operations of the Group. The Group has taken prompt preventive and protective measures to mitigate the adverse impact of the outbreak on its business. The Group will keep paying attention to the change of the situation and make timely response and adjustments in the future, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of the report, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2020.