

EEKA



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

INTERIM
REPORT
2020



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Koradior

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 30 June 2020, our brand portfolio comprises eight brands: our own high-end brands – (i) Koradior (ii) La Koradior (iii) Koradior elsewhere, cost effective brand – FUUNNY FEELN, acquired brands – (i) CADIDL (ii) NAERSI (iii) NAERSILING (iv) NEXY.CO.

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 in September 2014, which is positioned to offer leisurely, comfortable and high quality designs. We launched a new cost-effective brand named "FUUNNY FEELN" (referred to as "FF" brand) in January 2019, which is positioned to promote an exquisite, modern and interesting focus on the future of women's lifestyle.

We acquired 65% equity of Shenzhen Mondial Industrial Ltd on 24 June 2016 and with it, the "CADIDL" brand, which is positioned to offer our customers pursuit of artistic designs. 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 target affluent ladies between the ages of 30 and 45. NAERSI creates high-end clothing for professional women with both fashion and quality, highlighting their independent self-confidence, realizing their true self, expression of "To be myself" attitude to 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, and 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 emphasise that the brand is the root and creativity is the soul to customer lifestyle research, with 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, which 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 and Hong Kong.

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

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,
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

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

	Six months ended 30 June	
	2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
Revenue	2,003,349	1,337,445
Gross profit	1,476,080	967,140
Net profit	119,436	146,613
Net cash flows from operating activities	633,778	251,446
Earnings per share ¹		
– Basic (RMB cents)	19.18	31.00
– Diluted (RMB cents)	19.09	30.73
Profitability Ratio		
Gross margin	73.68%	72.31%
Operating margin	6.80%	12.93%
Net margin	5.96%	10.96%

	At 30 June 2020	At 31 December 2019
Liquidity Ratio		
Current ratio ² (times)	1.29	1.19
Trade and bills receivables turnover days ³	48.83	40.81
Trade and bills payables turnover days ⁴	61.53	48.27
Inventory turnover days ⁵	218.52	178.49
Capital Ratio		
Gearing ratio ⁶	16.21%	8.25%
Interest coverage ratio ⁷ (times)	6.34	19.77

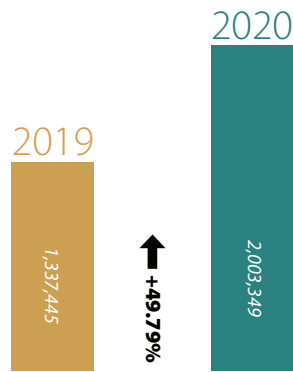
Notes:

- 1 Basic earnings per share = Profit attributable to owners of the Company/Weighted average number of ordinary shares (the weighted average number of shares in the first six months of 2020 was 685,050,195 versus 486,337,000 in the same period of last year)
Diluted earnings per share = Profit attributable to owners of the Company/Weighted average number of ordinary shares after effect of deemed issue of shares under no consideration (the weighted average number of shares after the deemed issue in the first six months of 2020 was 688,400,517 versus 490,602,115 in the same period of last year)
- 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 for the period x 180 days
- 4 Trade and bills payables turnover days = Average of opening and closing balances on trade and bills payables/Cost of sales for the period x 180 days
- 5 Inventory turnover days = Average of opening and closing balances on inventory/Cost of sales x 180 days
- 6 Gearing ratio = Total bank borrowings/Total equity x 100%
- 7 Interest coverage ratio = Profit before interest and tax/Interest expenses

Financial Highlights

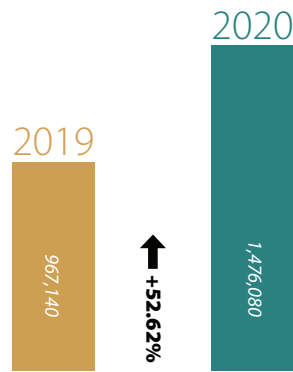
REVENUE

RMB'000
six months ended
30 June



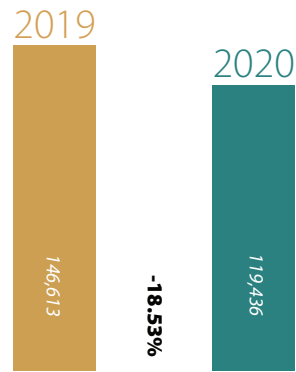
GROSS PROFIT

RMB'000
six months ended
30 June



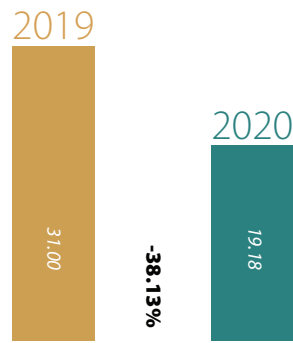
NET PROFIT

RMB'000
six months ended
30 June



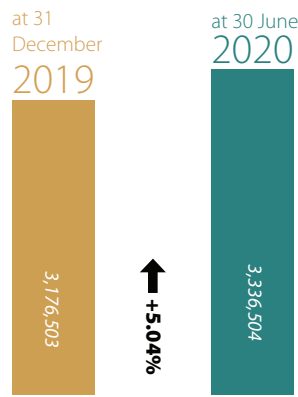
EARNINGS PER SHARE - BASIC

RMB Cents
six months ended
30 June

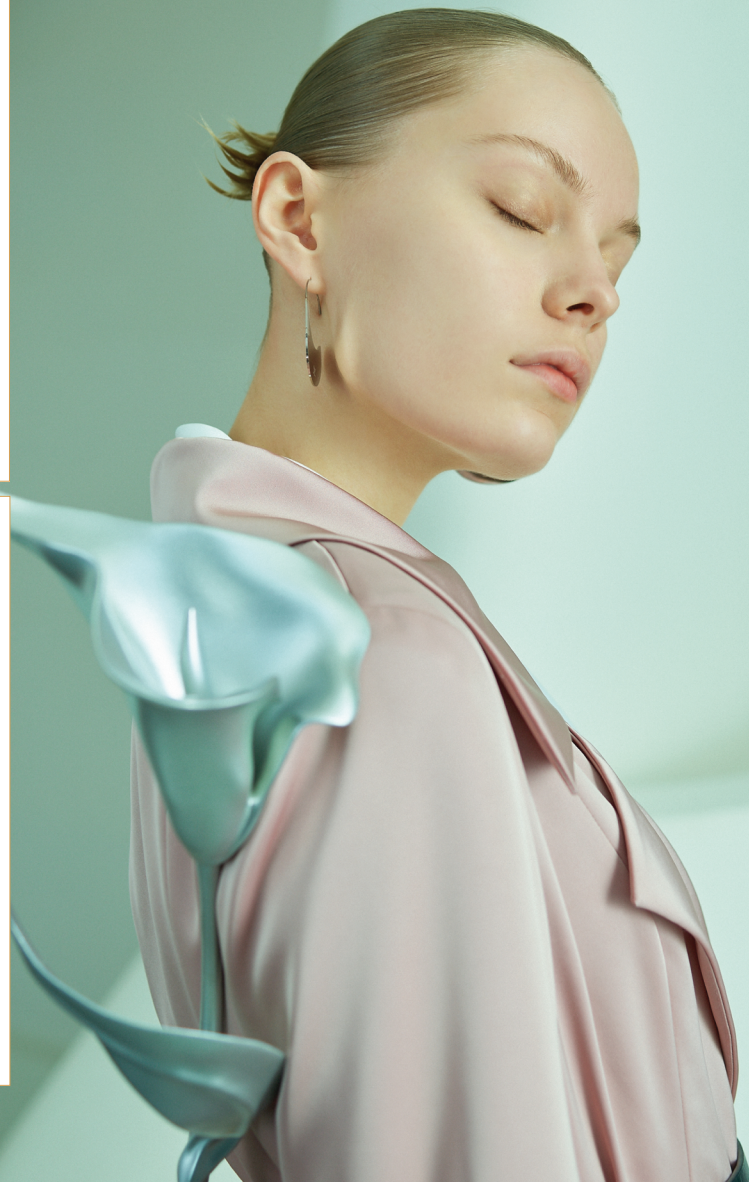
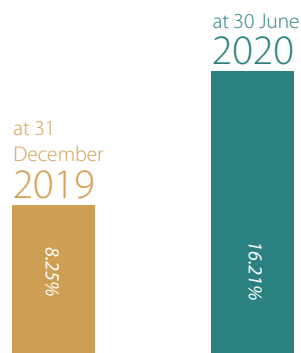


NET ASSETS

RMB'000



GEARING RATIO





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", stock code: 3709), I am pleased to present the interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020 (the "Reporting Period").

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

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

As the Group's sales in the first quarter were under pressure, the management took an active part and quickly introduced various measures to stimulate the Group's institutional strength and execution, reduce costs and increase efficiency. In February and March, the offline retail stores were heavily affected and the offline consumption was suppressed, and the online channels became a key of growth engine. The Group put a strong focus on the EEKA Fashion E-Mall as the starting point with the global drainage brought by the omni-channel transformation to break through the COVID-19 restrictions, strengthening its online



Chairman's Statement

product portfolio and minimising the sales gap caused by the closure of offline stores or shortened business hours. During the Reporting Period, the Group's revenue reached RMB2,003 million, representing an increase of 49.79%, with a net profit of RMB119.44 million, representing a decrease of 18.53% compared with the first half of 2019. As at 30 June 2020, the Group had 1,750 retail stores of which 1,295 were operated by us and 455 were operated by our distributors under our own brands. From the e-commerce aspect, the Group continuously strengthened its online product portfolio and increased integration of EEKA Fashion E-Mall. The e-commerce revenues reached RMB272 million in the Reporting Period, representing a year-on-year rapid increase of 107.40%.

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

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



ELSEWHERE
by Koradior



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


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

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

Jin Ming

Chairman of Board

27 August 2020



Management Discussion and Analysis

Management Discussion and Analysis

REVENUE

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

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

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

Notes:

- 1 Central PRC includes Henan, Hubei and Hunan.
- 2 Eastern PRC includes Shandong, Jiangsu, Zhejiang, Anhui, Shanghai, Jiangxi and Fujian.
- 3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.
- 4 North Western PRC includes Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang.
- 5 Northern PRC includes Tianjin, Beijing, Inner Mongolia, Hebei and Shanxi.
- 6 South Western PRC includes Guizhou, Chongqing, Yunnan, Tibet and Sichuan.
- 7 Southern PRC includes Guangxi, Hainan, Guangdong and Hong Kong.

Management Discussion and Analysis

REVENUE (Continued)

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



Management Discussion and Analysis

Revenue analysis by brands

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

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

COST OF SALES

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

OPERATING EXPENSES

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

Management Discussion and Analysis



NAERSI

Selling and distribution expenses

Selling and distribution expenses increased by 58.85% to RMB1,143.08 million for the Reporting Period from RMB719.61 million for six months ended 30 June 2019, primarily due to (a) the increase in employee share award expenses; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; and (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of our sales network as well as business growth.

Administrative and other operating expenses

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

FINANCE COSTS

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



INCOME TAX CREDIT/EXPENSES

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

THE NET PROFIT AND NET PROFIT MARGIN

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

CAPITAL STRUCTURE

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

Management Discussion and Analysis

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

FINANCIAL POSITION, LIQUIDITY AND GEARING RATIO

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

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

EXPOSURES TO FLUCTUATION IN FOREIGN EXCHANGE

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



NAERSILING

Management Discussion and Analysis

HUMAN RESOURCES

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

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

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITION AND DISPOSAL

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



Management Discussion and Analysis

SIGNIFICANT INVESTMENT

On 15 December 2015, the Group entered into a partnership agreement with Shenzhen Dongfang Ruizhe Assets Management Co., Ltd. (深圳東方瑞哲資產管理有限責任公司), Shenzhen HT Intelligent Control Co., Ltd. (深圳和而泰智能控制股份有限公司) and Hangzhou Xinkun Equity Investment Partnership (杭州心坤股權投資合夥企業), to jointly establish Shenzhen Qianhai Ruilin Investment Management Co., L.P. (深圳前海瑞霖投資管理企業(有限合夥)) ("Qianhai Ruilin") with a total investment amount of RMB110 million. As at 30 June 2020, the Group has invested RMB30 million in Qianhai Ruilin at fair value of RMB43.28 million (30 June 2019: RMB43.28 million). Qianhai Ruilin was established solely for investing in Qingdao Kute Smart Co., Ltd (青島酷特智能股份有限公司).

USE OF PROCEEDS

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

OUTLOOK

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

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

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and the implementation of effective corporate governance commitments. The Company has met the relevant code provisions set out in the Corporate Governance Code based on the principles set out in Appendix 14 to the Listing Rules during the Reporting Period, except for code provision A.2.1 of the Corporate Governance Code which requires that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Jin Ming currently performs both roles in our Company. The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Jin Ming has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of our Directors and the number of independent non-executive Directors on the Board and this structure will enable our Company to make and implement decisions promptly and effectively.

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to the resolutions of the shareholders of the Company passed on 6 June 2014 for selected participants as incentive and reward for their contribution to the Group.

As at 30 June 2020, there were 7,460,000 share options granted under the share option scheme which were outstanding, representing 1.1% of the issued share capital as at 30 June 2020.

Other Information

SHARE OPTION SCHEME (Continued)

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

Name or category of grantee	Number of share options					At 30 June 2020	Exercise period (Note)	Exercise price per share	Closing price per share immediately before date of grant (i.e. 10 July 2014)
	At 1 January 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period				
Director 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: 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. As at 30 June 2020, all of these share options have vested.

SHARE AWARD SCHEME

The Company has adopted a 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 and shall be valid until the 10th anniversary of the adoption date.

During the Reporting period, the Company granted an aggregate of 40,973,000 awarded shares pursuant to the Scheme to certain Grantees including directors, senior management and employees. The awarded shares shall subject to fulfilment of vesting conditions in five equal tranches annually, with the first tranche totalling 8,058,200 Awarded Shares having vested which in aggregate represent approximately 5.98% of the total number of issued shares and 136,400 awarded shares have lapsed on 15 May 2020.

The awarded shares granted above shall be satisfied first by the trust shares contributed by Korador Investments Limited to the scheme and then by Shares to be purchased by the trustee from the open market pursuant to the scheme, at the expense of the Company.

DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at 30 June 2020, 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)	279,715,000 (note 1)	Long	40.83%
Ms. He Hongmei	Beneficial owner	1,913,000 (note 2)	Long	0.27%
Mr. Jin Rui	Founder of a discretionary trust (note 3)	198,713,195 (note 3)	Long	29.01%

Note 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 279,715,000 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

Note 2: These represent the underlying 500,000 shares under the share options and a total of 1,413,000 awarded shares granted to Ms. He Hongmei.

Note 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.

Save as disclosed above, as at 30 June 2020, none of the Directors nor the chief executive of the Company had or was deemed to have any 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 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 provisions 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.

Other Information

DISCLOSURE OF INTERESTS (Continued)

(b) 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 30 June 2020, 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	279,715,000	Long	40.83%
Mayberry Marketing Limited	Interest in a controlled corporation (note 1)	279,715,000	Long	40.83%
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	478,428,195	Long	69.87%

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 279,715,000 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 30 June 2020, 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.

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

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

AUDIT COMMITTEE

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

Consolidated Statement of Profit or Loss

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

		Six months ended 30 June	
	Note	2020 RMB'000	2019 RMB'000
Revenue	5	2,003,349	1,337,445
Cost of sales		(527,269)	(370,305)
Gross profit		1,476,080	967,140
Other income and gains	6	35,461	17,547
Other net gain/(loss)		402	(740)
Selling and distribution expenses		(1,143,077)	(719,605)
Administrative and other operating expenses		(232,696)	(91,350)
Finance costs		(21,481)	(6,817)
Profit before tax		114,689	166,175
Income tax credit/(expense)	8	4,747	(19,562)
Profit for the period		119,436	146,613
Attributable to:			
Owners of the parent		131,397	150,741
Non-controlling interests		(11,961)	(4,128)
Profit for the period		119,436	146,613
Earnings per share attributable to ordinary equity holders of the parent			
Basic	10(a)	RMB19.18 cents	RMB31.00 cents
Diluted	10(b)	RMB19.09 cents	RMB30.73 cents

Consolidated Statement of Comprehensive Income

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

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

Consolidated Statement of Financial Position

at 30 June 2020 (Expressed in Renminbi)

	Note	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		654,223	665,264
Other intangible assets		609,916	612,309
Goodwill		1,253,540	1,253,540
Prepayments, other receivables and other assets	14	50,849	56,908
Equity investments designated at fair value through other comprehensive income		43,277	43,277
Deferred tax assets		46,025	30,932
Right-of-use assets		646,678	668,778
Financial assets at fair value through profit or loss		49,517	49,517
Long-term equity investment		300	–
Total non-current assets		3,354,325	3,380,525
Current assets			
Inventories	12	628,641	651,565
Trade and bills receivables	13	463,578	623,445
Prepayments, other receivables and other assets	14	169,256	165,499
Financial assets at fair value through profit or loss		615,200	–
Cash and cash equivalents		532,850	691,327
Total current assets		2,409,525	2,131,836
Current liabilities			
Interest-bearing bank and other borrowings	17	417,521	262,185
Trade and bills payables	15	162,381	198,121
Other payables and accruals	16	839,929	878,325
Lease liabilities		359,067	357,870
Tax payable		88,427	99,872
Total current liabilities		1,867,325	1,796,373
Net current assets		542,200	335,463
Total assets less current liabilities		3,896,525	3,715,988

Consolidated Statement of Financial Position

at 30 June 2020 (Expressed in Renminbi)

	Note	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Non-current liabilities			
Interest-bearing bank borrowings	17	123,309	–
Lease liabilities		192,175	206,490
Deferred tax liabilities		153,197	153,836
Other long-term liabilities		91,340	179,159
Total non-current liabilities		560,021	539,485
Net assets		3,336,504	3,176,503
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	5,609	5,609
Reserves	18	3,307,305	3,135,343
		3,312,914	3,140,952
Non-controlling interests		23,590	35,551
Total equity		3,336,504	3,176,503

Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Awarded share reserve RMB'000	Shares held for Share Award Scheme RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000		
As at 1 January 2020	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
Profit for the period	–	–	–	–	–	–	–	–	–	131,397	131,397	(11,961)	119,436
Other comprehensive income for the period													
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	–	–	–	–	–	–	–	–	(13,384)	–	(13,384)	–	(13,384)
Total comprehensive income	–	–	–	–	–	–	–	–	(13,384)	131,397	118,013	(11,961)	106,052
Share Award Scheme arrangements	–	–	–	–	–	62,532	–	–	–	–	62,532	–	62,532
Vesting share under the Share Award Scheme	–	62,532	–	–	–	(62,532)	(8,583)	–	–	–	(8,583)	–	(8,583)
As at 30 June 2020	5,609	1,935,093	196	(20,597)	46,617	–	(8,583)	11,285	(27,136)	1,370,430	3,312,914	23,590	3,336,504

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As 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 period	-	-	-	-	-	-	-	150,741	150,741	(4,128)	146,613
Exchange differences on translation of financial statements	-	-	-	-	-	-	287	-	287	-	287
Total comprehensive income	-	-	-	-	-	-	287	150,741	151,028	(4,128)	146,900
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	4,501	4,501
Dividend paid	-	-	-	-	-	-	-	(137,062)	(137,062)	-	(137,062)
As at 30 June 2019	3,859	212,502	196	(20,597)	46,617	11,285	(5,339)	984,168	1,232,691	20,759	1,253,450

Condensed Consolidated Cash Flow Statement

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Operating activities		
Cash generated from operations	656,208	288,385
Income tax paid	(22,430)	(36,939)
Net cash generated from operating activities	633,778	251,446
Investing activities		
Payment for the purchase of property, plant and equipment	(49,158)	(55,850)
Other cash flows (used in) investing activities	(735,949)	(34,495)
Net cash used in investing activities	(785,107)	(90,345)
Financing activities		
Dividends paid to equity shareholders of the Company	–	(137,062)
Proceeds from bank loans	399,412	233,549
Repayment of bank loans	(120,988)	(21,542)
Interest expense paid	(8,242)	(1,539)
Other cash flows arising from financing activities	–	4,501
Principal lease payment	(272,419)	(69,658)
Net cash (used in)/generated from financing activities	(2,237)	8,249
Net (decrease)/increase in cash and cash equivalents	(153,566)	169,350
Cash and cash equivalents at 1 January	691,327	613,376
Effect of foreign exchange rate changes	(4,911)	178
Cash and cash equivalents at 30 June	532,850	782,904

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 23 March 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Suite 812, 8th Floor, Tower 1, The Gateway, Harbour City, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

2 BASIS OF PREPARATION

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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

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

4 SEGMENT REPORTING

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and similar in respect of the nature of products and services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business, i.e. retailing and wholesaling of ladies' wear in the People's Republic of China ("PRC"). Accordingly, no segmental analysis is presented.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

5 REVENUE

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

6 OTHER INCOME AND GAINS

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

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAX

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

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

[#] Exchange (gains)/losses are included in "Other net gain/(loss)" in the consolidated statement of profit or loss.

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX (CREDIT)/EXPENSE

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

Notes:

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) The Company and its subsidiaries incorporated in the British Virgin Islands and Cayman Islands are exempted from taxation.
- (iii) The profit tax in Hong Kong has been provided at the rate of 16.5% on the taxable income for the six months ended 30 June 2020 and 2019. The reduction granted by the Hong Kong Special Administrative Region Government of 75% of the tax payable for the year of assessment 2019-20 is subject to a maximum of HK\$20,000 for each company.
- (iv) In accordance with the relevant PRC income tax rules and regulations, the Company's subsidiaries established/registered in the PRC are subject to CIT at a statutory rate of 25% on their respective taxable income for the six months ended 30 June 2020 and 2019 except for Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd and Shenzhen Koradior Fashion Co., Ltd., which are entitled to reduced CIT at the rate of 15% under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and National High Tech Enterprise respectively.
- (v) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

9 DIVIDEND

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

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Diluted earnings per share

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

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

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11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of plant and machinery with a cost of RMB49,158,000 (six months ended 30 June 2019: RMB56,857,000).

12 INVENTORIES

Inventories in the consolidated balance sheets comprise:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Raw materials	98,905	107,323
Work in progress	6,632	8,782
Finished goods	523,104	535,460
	628,641	651,565

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the six months ended 30 June 2020 RMB'000	For the six months ended 30 June 2019 RMB'000
Cost of inventories sold	529,497	370,130
Write down of inventories	(2,228)	175
	527,269	370,305

13 TRADE AND BILLS RECEIVABLES

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

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(Expressed in Renminbi unless otherwise indicated)

13 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Ageing analysis

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

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

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

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

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

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13 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Ageing analysis *(Continued)*

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

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

14 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

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

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15 TRADE AND BILLS PAYABLES

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

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

16 OTHER PAYABLES AND ACCRUALS

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

Note:

(a) Details of contract liabilities are as follow:

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

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17 BANK LOANS

As at 31 December 2019 and 30 June 2020, bank loans are repayable as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Bank loans due for repayment within 1 year	417,521	262,185
Bank loan due for repayment after 1 year but within 4 years	123,309	–
	540, 830	262,185

As at 30 June 2020, the Group's interest bearing bank loans were denominated in Hong Kong dollars and Renminbi, amounting to HK\$12.50 million term loan expiry within a year, and HK\$180.00 million term loan expiring with four years, and were all with variable interest rates, RMB365.00 million with fixed interest rate, and were repayable with one year.

18 CAPITAL, RESERVE AND DIVIDEND

	No. of shares		
	('000)	HK\$'000	RMB'000
(i) Authorised share capital			
Ordinary shares of HK\$0.01 each			
As at 31 December 2019 and			
30 June 2020	1,500,000	15,000	11,948
	2020	2019	
	('000)	RMB'000	('000) RMB'000
(ii) Issued share capital			
Ordinary shares, issued and fully paid			
At 1 January	685,050	5,609	486,337 3,859
Share issued	–	–	198,713 1,750
Outstanding at the end of the period/year	685,050	5,609	685,050 5,609

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18 CAPITAL, RESERVE AND DIVIDEND (Continued)

(a) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the 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.

(b) Capital reserve

On 15 November 2012, La Kordi Fashion (Shenzhen) Co., Ltd. acquired 100% equity interest in Shenzhen Koradior Fashion Co., Ltd. from Shenzhen Jinhxin Investment Development Co., Ltd., a company under the control of a controlling shareholder for 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 a capital reserve.

The Company has no portion of the grant date fair value of unexercised share options granted to employees that has been recognised during six months ended 30 June 2020 in accordance with the accounting policy adopted for share-based payments (31 December 2019: Nil).

(c) Capital redemption reserve

Capital redemption reserve represents the nominal amount of the shares repurchased.

(d) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the 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 surplus 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.

(e) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of operations outside Mainland China which are dealt with in accordance with the accounting policies.

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(Expressed in Renminbi unless otherwise indicated)

18 CAPITAL, RESERVE AND DIVIDEND (Continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2019 and 30 June 2020 was 42.37% and 42.11% respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

19 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions:

(a) Transactions with related parties

	Six months ended	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Processing fees	101,796	49,030
	101,796	49,030

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 six months ended 30 June 2020, 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 RMB101,796,000 (30 June 2019: RMB49,030,000) for the six months ended 30 June 2020.

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19 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Due to related companies – current	19,835	21,886
	19,835	21,886

The Group had an outstanding balance due to the Yingjia Fashion Group of RMB19,835,000 (31 December 2019: RMB21,886,000). This balance is unsecured, interest-free and repayable on demand.

(c) Commitments with related parties

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Lease liabilities – current	7,812	11,887
Lease liabilities – non-current	–	2,045
	7,812	13,932

Under such rental contracts, the minimum lease payment during the year was RMB6,167,000.

As at 30 June 2020, the Group's right-of-use assets relating to such rental contracts amounted to RMB7,667,000 (31 December 2019: RMB13,409,000)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2: Observable inputs which fail to meet Level 1, and not using significant unobservable inputs which are inputs for which market data are not available

Level 3: Fair value measured using significant unobservable inputs

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20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities for which fair values are disclosed:

	Fair value measurement as at 30 June 2020 using			Total RMB'000
	Quoted price in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity Investment designated at fair value through other comprehensive income	–	43,277	–	43,277
Financial asset at fair value through profit or loss	–	615,200	49,517	664,717
	–	658,477	49,517	707,994

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 Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

21 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

There is no non-adjusting event after Reporting Period.