E E K A

2020 ANNUAL REPORT

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)

CONTENTS

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 2020, our brand portfolio comprises eight brands: our own high-end brands – (i) Koradior (ii) La Koradior and (iii) Koradior elsewhere, cost effective brand – FUUNNY FEELLN, and acquired brands – (i) CADIDL (ii) NAERSI (iii) NAERSILING and (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, and young-looking designs. "La Koradior" brand was launched in September 2012 which is positioned to offer perceptual, elegant and romantic 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 FEELLN" (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 Co., Ltd ("Mondial") on 24 June 2016 and with it, the "CADIDL" brand, which is positioned to offer urbanism, elegant and modern designs. We acquired 100% equity of Keen Reach Holdings Limited ("Keen Reach") 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 showcase 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 the "Just for her unique glamour " mission, focusing on product innovation and development and brand communication promotion, and continuing to lead womenswear fashion and life culture.

We have started to sell our products through the third party e-commerce platform Tmall since 2011 in our 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 Fashion Mall has opened up sharing mechanisms such as inventory, membership, marketing resources and other key elements to achieve a comprehensive upgrade of customer consumption experience.

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.

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, No.25 Canton Road,
Tsim Sha Tsui, Kowloon, Hong Kong

COMPANY SECRETARY

Ms. WONG Wai Kiu (FCG, FCS, FCCA)

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

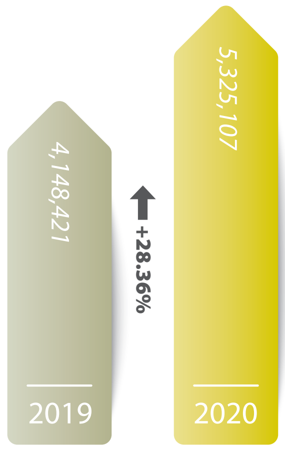
www.eekagroup.com

STOCK CODE

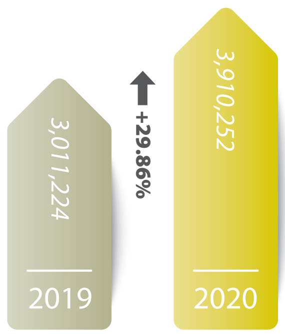
3709

Financial Highlights

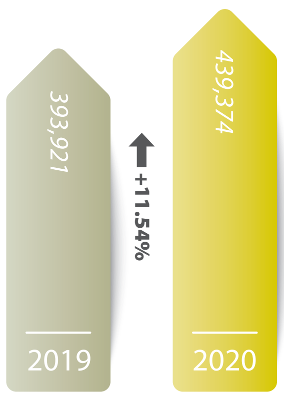
REVENUE
RMB'000



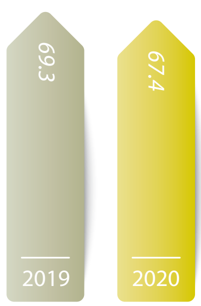
GROSS PROFIT
RMB'000



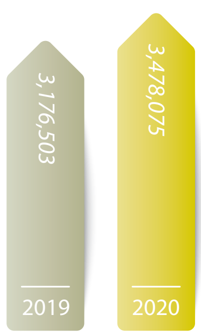
NET PROFIT
RMB'000



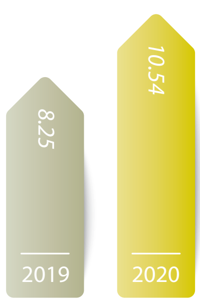
EARNINGS PER SHARE – BASIC
RMB Cents



NET ASSETS
RMB'000



GEARING RATIO
(%)



	Year ended 31 December		
	2020	2019	Increase/(Decrease)
	RMB'000	RMB'000	%
Revenue	**5,325,107**	4,148,421	28.36
Gross profit	**3,910,252**	3,011,224	29.86
Net Profit	**439,374**	393,921	11.54
Net cash flows from operating activities	**1,416,417**	699,446	102.50
Earnings per share[1]			
– Basic (RMB cents)	**67**	69	
– Diluted (RMB cents)	**66**	69	
Profitability Ratio (%)			
Gross margin	**73.43%**	72.59%	0.84% point
Net margin	**8.25%**	9.50%	(1.25% points)

	At 31 December	
	2020	2019
Liquidity Ratio		
Current ratio[2] (times)	**1.43**	1.19
Trade and bills receivables turnover days[3]	**44.43**	40.81
Trade and bills payables turnover days[4]	**61.75**	48.27
Inventory turnover days[5]	**171.70**	178.49
Capital Ratio		
Gearing Ratio[6]	**10.54%**	8.25%
Interest coverage ratio[7] (times)	**12.25**	19.77

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 2020 was 671,641,109 versus 585,421,388 in 2019)
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				
	2020	2019	2018	2017	2016
Operating results					
Revenue	**5,325,107**	4,148,421	2,520,906	2,203,726	1,599,486
Profit attributable to shareholders	**452,838**	405,606	272,759	253,517	233,692
Assets and liabilities					
Non-current assets	**3,335,842**	3,380,525	281,761	255,350	264,752
Current assets	**2,409,520**	2,131,836	1,473,214	1,349,537	1,072,766
Current liabilities	**1,688,065**	1,796,373	485,887	481,250	390,399
Net current assets	**721,455**	335,463	987,327	868,287	682,367
Total assets less current liabilities	**4,057,297**	3,715,988	1,269,088	1,123,637	947,119
Non-current liabilities	**579,222**	539,485	29,977	10,982	13,807
Shareholders' Equity	**3,478,075**	3,176,503	1,239,111	1,112,655	933,312

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 2020.

The outbreak of COVID-19 in early 2020 had a significant impact on the economy in the first quarter, but the impact of the outbreak on the economy and retail industry is temporary and transient, it is expected to only have a short-term impact, and will not affect the continued upward trend in the medium and long term on the Group's business, while the epidemic is conducive to accelerating structural differentiation and market clearing, so that the leading enterprises have high market share concentration. The Group has implemented various measures to stimulate the Group's institutional strength and execution, reduce costs and increase efficiency through strengthening online product portfolio and minimizing the sales gap caused the closure of offline stores or shorten business hours.

In 2020, the Group's revenue exceeded RMB5,325.11 million representing an increase of 28.36 % compared with 2019, and a net profit of attributable to shareholders of RMB452.84 million, representing an increase of 11.64% compared with 2019. The Group's main brands Koradior and NAERSI recorded retail sales of RMB1,970.43 million and RMB1,202.06 million respectively, landing among the top ranked brands in the PRC.

The Group continues to improve our brands influence. Despite the epidemic, the Company's brand promotion has not diminished, and the influence of the Company's brands has been continuously improved. In July 2020, the NAERSI brand fully upgraded its brand image on the occasion of its 25th anniversary; Koradior brand spokesperson Miranda Kerr returned and the renewal contracts of major brand spokespersons were completed; NEXY.CO released a new logo pattern "NCO". Our eight brands participated in the Shanghai Fashion Week in October 2020.

In order to promote the diversification of online marketing channels, the Group uses short videos, WeChat mini programs, WeChat circle of friend advertising, WeChat service account article promotion, e-commerce live broadcast and other online marketing methods to reach customers and promote marketing. The diversification of channels has promoted sales during the epidemic.

As at 31 December 2020, the Group had 1,836 retail stores covering 32 cities of provinces, municipalities and autonomous regions across China of which 1,422 were self-operated and 414 were operated by our distributors under our seven brands. The number of the Group's self-operated stores has steadily increased, further strengthening the advantages of self-operated channels; empowering dealers in management, technology, etc., and accumulating know-how in joint operations. The Group will focus on increasing the coordinated development of multi-brands in offline channels such as department stores, shopping malls, outlets, and airport stores.

The Group launched the EEKA Fashion Mall, a social e-commerce platform based on the WeChat ecosystem, on 13 January 2020. During the first phase of the omni-channel project, EEKA Fashion Mall opened up its inventory resources with offline channels and realized a comprehensive upgrade of global goods sharing. The second phase of the omni-channel project was successfully launched on 19 November 2020, gradually realizing functions such as membership and marketing connection, and comprehensively upgrading customer consumption experience. It provides important support for the continuous improvement of operational efficiency, accumulation and application of different data, and provides a solid foundation for the Group to implement an omni-channel system.

Chairman’s Statement

The Group’s supply chain capabilities have significantly improved in 2020 through uses of the supplier relationship management (SRM) system to promote the front-end information sharing of the supply chain; promote the standardization of the template production process to improve production efficiency and quality stability; and integrate commodity transportation and optimize logistics costs. The Group established a strategic supply mechanism with core fabric suppliers, and strengthened the planning of fabric procurement and the concentration of suppliers. The procurement concentration of silk, wool, acetic and other categories of fabrics all increased year-on-year, and the purchase unit prices all decreased to varying degrees year-on-year, and the supply efficiency of fabric procurement was improved.

Going forward, the Group will advance the multi–brand strategy and optimize the position of propagation and value of brands, enrich the Group’s product level, deepen the Group’s brand cluster and expand customer base. The Group will continue to pay close attention to the change of situation and make timely response and adjustments in the future, assess and react actively to its impacts on the financial position and operating results of the Group.

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, 26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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

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

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

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

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

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 its self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to its distributors, who in turn sell the products to end consumers through the retail stores operated by them; and (d) other sales which were mainly derived from staff sales or direct sales through promotional activities outside the Group's retail stores. Revenue represents the sales value of goods sold, excluding VAT and other sales taxes, less sales returns and trading discounts. Total revenue increased from RMB4,148.42 million for the year ended 31 December 2019 to RMB5,325.11 million for the year ended 31 December 2020, representing an increase of 28.36% or RMB1,176.69 million. Sales generated by the Group's self-operated retail stores accounted for about 82.35% and 78.67% of the Group's total revenue in 2020 and 2019 respectively, as it is the Group's strategy to grow its business and sales network predominantly through expanding the number of its self-operated retail stores.

Total revenue from e-commerce increased by 52.88% from RMB400.57 million for the year ended 31 December 2019 to RMB612.39 million for the year ended 31 December 2020, primarily due to an increase in sales of the Group's products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as, the Group's effort in developing its online retail stores through expanding its e-commerce team and establishing a business division dedicated to the e-commerce business.

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

FINANCIAL REVIEWS *(Continued)*

Cost of sales

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

Gross profit and gross margin

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

Other income and gains

Other income and gains, comprising mainly government grants, rental income, exchange gain and interest income, increased by 182.48% from RMB42.98 million for the year ended 31 December 2019 to RMB121.41 million for the year ended 31 December 2020. The increase was mainly attributed to additional grants received from the relevant government authorities to support the development of the Group in the PRC and the rental income from the existing leases of the Group's acquired properties.

Selling and distribution expenses

Selling and distribution expenses increased by 31.76% from RMB2,223.81 million for the year ended 31 December 2019 to RMB2,930.05 million for the year ended 31 December 2020, primarily due to (a) the increase in store concession fees as a result of the increase in sales; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of the Group's sales network as well as business growth; (d) the increase in rental expenses due to increase in number of stores, all as a result of the acquisition of Keen Reach; and (e) the increase in share award expenses.

Administrative expenses

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

Finance costs

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

Income tax expense

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

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 RMB452.84 million for the year ended 31 December 2020 as compared to RMB405.61 million for the year ended 31 December 2019, representing an increase of 11.64% or RMB47.23 million. Net profit margins were 8.25% and 9.50% for the years ended 31 December of 2020 and 2019 respectively.

Capital structure

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

As at 31 December 2020, the total sum of the Group's interest-bearing bank borrowings amounted to RMB366,488,000 (31 December 2019: RMB262,185,000), representing an increase from the end of last year as the Group actively expanded in the PRC market to satisfy the funding needs. The Group's borrowings were mainly denominated in RMB and HKD.

FINANCIAL REVIEWS *(Continued)*

Financial position, liquidity and gearing ratio

As at 31 December 2020, the Group's cash and cash equivalents were RMB582.93 million (31 December 2019: RMB691.33 million), denominated as to 95.94% in RMB, 0.17% in United States dollar, 3.69% in Hong Kong dollar and 0.20% in Euro. The net cash inflow from operating activities generated was RMB1,416.42 million for the year ended 31 December 2020, up 102.50% from RMB699.45 million for the year ended 31 December 2019.

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

Exposures to fluctuation in foreign exchange

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

Contingent liabilities

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

Charges on assets

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

Treasury policies

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

Material acquisition and disposal

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

FINANCIAL REVIEWS *(Continued)*

Significant Investment

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

Equity Fund Raising

There was no equity fund raising activity by the Company for the year ended 31 December 2020, nor was there any unutilised proceed brought forward from fund raising activities in prior years.

BUSINESS REVIEWS

1. EEKA Brands

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

The Group is the only fashion group in the middle and high-end womenswear industry with dual-brand sales revenue of more than RMB1.2 billion in China. Its dual main brands Koradior and NAERSI are among the top 10 brands in the industry. Sales revenue from Koradior elsewhere, La Koradior, NAERSILING, NEXY. CO, CADIDL sales are generally between RMB300-600 million, and the Company launched a cost-effective brand FUUNNY FEELLN in 2019, which is aimed at a wider population and meets more diverse needs. As a brand cluster enterprise, the Company's group operation is outstanding, and it has built an endogenous and diversified middle and high-end brand matrix. A brief introduction to the brands of the Group is as follows:

(i) "Koradior" brand was established in 2007 which is positioned to offer the Group's customers feminine, stylish, and young-looking designs; (ii) "La Koradior" brand was launched in September 2012 which is positioned to offer perceptual, elegant and romantic designs; (iii) "Koradior elsewhere" brand was launched in September 2014, which is positioned to offer leisurely, comfortable and high quality designs; (iv) "CADIDL" is majoritively owned by Shenzhen Mondial Industrial Co., Limited ("Mondial"), which is in turn owned as to 65% by the Group after the acquisition on 13 July 2016 and it is positioned to offer urbanism, elegant and modern designs; (v) "FUUNNY FEELLN" is a cost-effective brand launched in January 2019 which is positioned to promote an exquisite, modern and interesting focus on the future of women's lifestyle, and "NAERSI", "NEXY.CO" and "NAERSILING" are owned by Keen Reach which was acquired by the Group on 3 July 2019; (vi) NAERSI delivers a "TO BE MYSELF" life attitude and offer fashion and high quality clothing for elite women, demonstrating their independence and self-confidence, realizing the spirit of self-realization; (vii) NEXY.CO is dedicated to urban, chic women with a sophisticated, charismatic and refined image; and (viii) NAERSILING embodies classical tailoring with modern design and a state of young mind into artful expression, confident lifestyle and diversified beauty performances, and defines its brand style as freedom, simple and modern.

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

BUSINESS REVIEWS *(Continued)*

1. EEKA Brands *(Continued)*

Revenue analysis by brands

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

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

Note 2: The Group acquired the assets of SK Networks (China) Fashion Co. Ltd. (including fashion products under the brand names "Obzee" and "O'2nd") on 9 March 2017 and terminated an exclusive distribution agreement in April 2020.

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

Revenue analysis by sales channels

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

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

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

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

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

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

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

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 2020, the revenue of retail stores generated from Eastern PRC and South Western PRC contributed to more than half of the total revenue of self-operated retail stores and wholesales to distributors.

BUSINESS REVIEWS *(Continued)*

1. EEKA Brands *(Continued)*

Breakdown of retail stores by geographical regions

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

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

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

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

BUSINESS REVIEWS *(Continued)*

2. Design, research and development

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

As at 31 December 2020, the Group launched 345 series of products under eight brands compared with 328 series of products under ten brands in 2019. The total number of SKU[note] reached 6,760 in 2020, representing a decrease of 0.04% from a total of 6,763 SKU in 2019 due to the reduction of products of two brands (O'2nd and Obzee) this year. The Group's research and design team members rapidly expanded to 516 as at 31 December 2020 from 487 as at 31 December 2019.

The Group engages well-known designers from both overseas and locally in China as the brand creative directors for "Koradior", "La Koradior", "Koradior elsewhere", "CADIDL", "FUUNNY FEELLN", "NAERSI", "NEXY.CO" and "NAERSILING". Research and development expenses were RMB144.05 million, representing 2.71% of the Group's total revenue for the year ended 31 December 2020, as compared to RMB103.13 million, representing 2.49% of the Group's total revenue for the year ended 31 December 2019. The research and development of products not only earned customer's satisfaction but were also highly recognized by government departments. During the year, the Group released a series of creative design including Koradior "The Winter Palace", La Koradior "Turandot", Koradior elsewhere "Enjoy Life", FUUNNY FEELLN "Modern & Vintage", NAERSI "25º LAN", NEXY.CO "The Opera" and NAERSILING "ERA OF FREEDOM" series.

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

BUSINESS REVIEWS *(Continued)*

3. Marketing and promotion

The Group continues to improve its brands influence, including through airport advertising which is one of the most effective ways to promote brands. The Group has placed advertisements at Shenzhen Bao'an International Airport, Shanghai Hongqiao International Airport and Xi'an Xianyang International Airport presently. The Group also placed advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as "ELLESHOP", "HAIBAO", "CHIC" and "Madame Figaro" etc. Despite the epidemic, the Company's brand promotion has not diminished, and the influence of the Company's brands has been continuously improved. In July 2020, the NAERSI brand fully upgraded its brand image on the occasion of its 25th anniversary; Koradior brand spokesperson Miranda Kerr returned and the renewal contracts of major brand spokespersons were completed; NEXY.CO released a new logo pattern "NCO". The Group's eight brands participated in the Shanghai Fashion Week in October 2020. In order to promote the diversification of online marketing channels, the Group uses short videos, WeChat mini programs, WeChat circle of friend advertising, WeChat service account article promotion, e-commerce live broadcast and other online marketing methods to reach customers and promote marketing. For the year ended 31 December 2020, the brand and marketing promotion expenses (excluding sales promotion expenses) were RMB131.67 million which accounted for 2.47% of the Group's total revenue, representing an increase of RMB26.17 million or 24.81% as compared to RMB105.50 million in 2019 primarily due to the increase in advertisements in acquired brands as a result of acquisition of Keen Reach.

4. Human resources

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

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

The Group has implemented various programs for staff training and development, focusing on the training of sales and marketing skills. The Group provides competitive salary and welfare package for its staff. For the year ended 31 December 2020, the total salary and welfare expenses were RMB1,090.30 million, representing 20.47% of the Group's total revenue and an increase of RMB268.18 million or 32.62% as compared to RMB822.12 million, representing 19.82% of the Group's total revenue for the year ended 31 December 2019.

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 recognize the contributions for selected participants and to provide incentive to retain them for continual development of the Group. For the year ended 31 December 2020, the share award expense were RMB109.92 million. A mandatory provident fund scheme and local retirement benefit schemes are also in effect. The Group encourages employees to seek training to strengthen their work skills and for personal development. The Group also provides workshops for staffs at different levels to enhance their knowledge of work safety and to build team spirit. Staffs are rewarded based on performance of the Group as well as on individual performance and contribution.

5. Middle Platform Management System

The Company has a strong organization system named Middle Platform, where each brand division operates independently, in terms of planning, expansion, terminal management, supply chain management, economic management, finance, manpower and common sharing, to support multi-brand co-construction and symbiosis. At the same time, through the construction of all-channel operation of the Middle Platform system to improve the digital infrastructure, the collaborative efforts of the Middle Platform system has supported the growth of various brands, to build a brand cluster enterprise.

6. Supply Chain Mechanism

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

7. Prospect

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

BUSINESS REVIEWS *(Continued)*

7. Prospect *(Continued)*

The outbreak of COVID-19 in early 2020 had a significant impact on the economy in the first quarter, but the impact of the outbreak on the economy and retail industry is temporary and transient. In the medium to long term, China's economy is expected to maintain a steady upward momentum, and the consumer demand for beauty is unlikely to change. Therefore, it is expected to only have a short-term impact, and will not affect the continued upward trend in the medium and long term on the Group's business, while the epidemic is conducive to accelerating structural differentiation and market clearing, so that the leading enterprises have high market share concentration. The Group will continue to pay close attention to the change of situation and make timely response and adjustments in the future, assess and react actively to its impacts on the financial position and operating results of the Group.

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

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

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

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

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

(iii) Strengthen the brand building system

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

BUSINESS REVIEWS *(Continued)*

7. Prospect *(Continued)*

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

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

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

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

(vi) Continue to strengthen supply chain coordination

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

RISK MANAGEMENT

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

ENVIRONMENTAL AND SAFETY MEASURES

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

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

EXECUTIVE DIRECTORS

Mr. JIN Ming（金明）, aged 50, 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 48, 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 44, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHOU Xiaoyu（周曉宇）, aged 52, 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 51, 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 Schoo（l 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. From July 2016 to 2019, Mr. Zhong worked as the senior vice president of Philips and the president of Greater China Health Division of Philip (China) Investment Co., Ltd. Mr. Zhong works as T3 Go User Growth Officer of Nanjing Leading Technology Co., Ltd..

Mr. ZHANG Guodong（張國東）, aged 43, 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 41, 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 42, 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 45, 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 investment and asset management department. Prior to joining the Group, Mr. Wu served as chief application consultant of Kingdee Group*（金蝶集團）chief 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 31, 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 & Young Hua Ming LLP Shenzhen Branch（安永華明會計事務所）and was principally involved in audit work in relation to initial public 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.

COMPANY SECRETARY

Ms. WONG Wai Kiu（黃煒喬）, aged 40, 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 ("FCCA"), the Hong Kong Institute of Chartered Secretaries ("HKICS") and the Chartered Governance Institute of the United Kingdom. Ms. Wong 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, Master Degree of Arts in Fine Arts from the Chinese University of Hong Kong and Master Degree of Corporate Governance from The Hong Kong Polytechnic University. 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 50, 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 2020 except for code provision A.2.1 of the CG Code which requires that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Jin Ming currently performs these two roles in the Company. The board (the "Board") of directors (the "Directors") of the Company 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 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	50	14 years
	Ms. He Hongmei		Female	48	14 years
	Mr. Jin Rui		Male	44	2 years
Independent Non-Executive Directors:	Mr. Zhang Guodong	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee	Male	43	3 years
	Mr. Zhou Xiaoyu	Chairman of Remuneration Committee Member of Audit Committee Member of Nomination Committee	Male	52	5 years
	Mr. Zhong Ming	Member of Audit Committee	Male	51	7 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 meeting held during the year ended 31 December 2020:

	Regular Board Meetings	**Annual general meeting held on 29 June 2020**
Executive Directors:		
Mr. JIN Ming *(Chairman and Chief Executive Officer)*	8/8	1/1
Ms. HE Hongmei	8/8	1/1
Mr. JIN Rui	8/8	1/1
Independent Non-executive Directors:		
Mr. ZHANG Guodong	8/8	1/1
Mr. ZHOU Xiaoyu	8/8	1/1
Mr. ZHONG Ming	8/8	1/1

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 2020.

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 2020, 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 Directors 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 "Directors and senior executive liabilities – SFC'S New Regulatory Approach" by The Open University of Hong Kong. All Directors namely Mr. Jin Ming, Ms. He Hongmei, Mr. Jin Rui, Mr. Zhang Guodong, Mr. Zhou Xiaoyu and Mr. Zhong Ming were able to further their understanding of the current approach and regulatory powers of the Securities and Futures Commission and the increasing accountability and liability on directors and senior executives.

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 2020, three meetings of the Audit Committee 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 2020, one meeting of the Remuneration Committee was 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)	1/1
Mr. ZHANG Guodong	1/1
Mr. JIN Ming	1/1

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 2020, one meeting of the Nomination Committee was held to, review the structure and composition of the Board, and assess the independence of independent non-executive Directors. The attendance records of individual committee members are as follows:

Mr. JIN Ming (Chairman)	1/1
Mr. ZHOU Xiaoyu	1/1
Mr. ZHANG Guodong	1/1

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 2020. 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 2020 is set out below:

Remuneration bands	**Number of persons**
Up to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	3
HK$2,000,001 to HK$3,000,000	3
HK$3,000,001 or above	2

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 RMB1.8 million. No non-audit service was provided by the auditor.

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.

The Board has conducted a review on the effectiveness of the Group's internal control and risk management systems for the year ended 31 December 2020, 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 ("FCCA"), the Hong Kong Institute of Chartered Secretaries ("HKICS") and the Chartered Governance Institute of the United Kingdom.

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 2020.

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.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020, there was no change to the Company's constitutional documents. A consolidated version of the Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

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, as well as the website of the Company and press releases and general meetings.

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 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/her 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.

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 2020.

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 made up of 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 of the Company are set out in note 1 to the financial statements.

BUSINESS REVIEW

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

During the year, 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 as ours with their brands.

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 2020, 30.49% (2019: 31.74%) 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 and share award 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 eight 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 and made with more eco-friendly or recycable packaging materials 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 2020, there was no incidence of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

DONATIONS

For the year ended 31 December 2020, the Group made RMB2 million donations to charitable organisations in the PRC.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2020 are set out in note 34 to the consolidated financial statements. The transactions with related parties described at paragraph (a) of the said note constitute continuing connected transactions within the meaning of the Listing Rules and compliance with the disclosure requirements were made in accordance with Chapter 14A of the Listing Rules.

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 2020, aggregate sales to the Group's largest and five largest customers accounted for 0.52% (2019: 1.56%) and 1.48% (2019: 4.04%) 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 13.88% (2019: 15.74%) and 30.49% (2019: 31.74%), respectively, of the Group's total purchases from suppliers for the year ended 31 December 2020. 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, one of our executive directors, and all other OEM contractors are independent third parties. The VAT-inclusive processing fees incurred to Yingjia Fashion for the years ended 31 December 2019 and 2020 amounted to RMB190.36 million and RMB218.91 million, respectively, representing 20.62% and 19.28% 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 2020 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 95 to 180 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 overall results of operation of the Group, (ii) the financial position of the Group, (iii) the capital requirements of the Group, and (iv) the interests of the shareholders of the Company.

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

In view of the strong cash position of the Company and as a reward to the shareholders for their continuing support, the Board resolved the declaration and payment of a special dividend of HK16 cents per share of the Company (the "Special Dividend") to be payable to the shareholders whose names appear on the Company's register of members at the close of business on 22 December 2020. The Special Dividend was paid in cash on 31 December 2020.

The Board proposed to declare a final dividend of HK38 cents per share for the year ended 31 December 2020 (2019: final dividend HK16 cents) to those shareholders whose names appeared on the register of members of the Company as at the close of business on 10 June 2021. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("AGM"), the final dividend will be paid in cash on or before 30 June 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 13 the consolidated financial statements.

SHARE CAPITAL

As at 31 December 2020 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 32 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 of the Cayman Islands, amounted to approximately RMB1,673.80 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 RMB110.82 million (2019: RMB593.15 million) which was mainly attributed to 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 27 to the financial statements.

CHANGE IN BOARD LOT SIZE

On 9 October 2020, the Board announced the change in board lot size for trading of the Shares from 1,000 Shares to 500 Shares with effect from 9:00 a.m. on Tuesday, 3 November 2020. The reduction in board lot size will lower the threshold for investors to purchase the Shares, thus facilitating the trading and improving the liquidity of the Shares, which will enable the Company to attract more investors and therefore broaden the shareholders' base of the Company.

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)

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 34 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 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	Long	40.83%
Ms. He Hongmei	Beneficial owner (note 2)	1,799,273	Long	0.26%
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 279,715,000 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. These represent the underlying 500,000 shares under the share options and a total of 1,299,273 awarded shares 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 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 (note 1)	Interest in a controlled corporation	279,715,000	Long	40.83%
Apex Noble Holdings Limited (note 2)	Beneficial owner	198,713,195	Long	29.01%
Heritage Holdings Limited (note 2)	Interest in a controlled corporation	198,713,195	Long	29.01%
BOS Trustee Limited (note 3)	Trustee	478,428,195	Long	69.87%

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 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 31 December 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.

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 2020, there were 7,460,000 share options granted under the Scheme which were outstanding, and there were 6,850,502 share options available for grant under the Scheme Mandate Limit (representing 1% of the issued share capital of the Company as at the date of this report).

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

	Number of share options								
Name or category of grantee	**At 1 January 2020**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**At 31 December 2020**	**Exercise period (note 1)**	**Exercise price per share**	**Closing price per share immediately before date of grant**
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: (i) 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 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.

As announced by the Company dated 20 May 2020, 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 being forfeited on 15 May 2020. As at 31 December 2020, there were 31,761,400 awarded shares outstanding.

The awarded shares granted above shall be satisfied first by the trust shares contributed by Koradior 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.

The fair value of the Awarded Shares granted in 2020 was HKD216,408,000 (equivalent to RMB182,131,000), of which the Group recognised an awarded share expense of HKD130,603,000 (equivalent to RMB109,915,000) during the year (2019: Nil).

DIRECTORS' INTERESTS IN 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 PRC 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 2020; 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 2020 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 2020.

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

Pursuant to the terms of a loan facility agreement (the "Facility Agreement") dated 16 March 2020 and entered into between the Company as borrower and a bank in the PRC, a 4-year loan facility in the total sum of HK$300,000,000 (the "Loan") is made available to the Company to finance the payment for the acquisition of 100% of the equity interests in Keen Reach Holdings Limited (including related taxes) as announced by the Company dated 25 March 2019. The Loan is to be secured by certain assets of the Company. The Facility Agreement provides that the Company shall, among other matters, ensure Mr. Jin Ming, the controlling shareholder of the Company, and his family (including Mr. Jin Rui) shall have controlling right in the Company, Shenzhen Koradior Fashion Co., Ltd. and Shenzhen Naersi Fashion Co., Ltd., being the principal operating subsidiaries of the Company in the PRC, with shareholding of not less than 51%, or otherwise the bank shall be entitled to declare that the outstanding amount under the Facility Agreement will become immediately due and payable and demand the Company to forthwith repay all outstanding amounts due and payable under the Loan.

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 thus Mr. Wang 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.

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.

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 lease agreement has been renewed and the renewed term commenced from 1 January 2020 to 31 December 2020.

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.

(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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

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

(v) Transaction amounts

For the year ended 31 December 2020, the VAT-inclusive processing fees incurred to Ganzhou Yingjia and/or Shenzhen Ifashion amounted to approximately RMB219 million and accounted for approximately 19.28% of our total purchase of outsourced products and subcontracting fees during the same periods, which is within the maximum annual amount of RMB220.00 million.

(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, RMB220.00 million 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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION *(Continued)*

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 62 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, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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 2020.

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 2020 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.

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 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 Wednesday, 2 June 2021 to Monday, 7 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 1 June 2021.

To determine the eligibility of the shareholders of the Company to receive the proposed final dividend, the register of members will be closed from Friday, 11 June 2021 to Wednesday, 16 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to receive the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 10 June 2021.

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 2020. 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 2020 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

26 March 2021

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 and acquired brands, Koradior, La Koradior Koradior elsewhere, CADIDL, 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 2020. 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 2020 to 31 December 2020. 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 ESG approach and performance. Please share your views with us via:

Address: Suite 812, 8th Floor, Tower 1, The Gateway, Harbour City, No. 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
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 applicable 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. We strictly adhere to all relevant laws and regulations in relation to air pollution, greenhouse gas emissions and wastewater discharge, including but not limited to the Air Pollution Control Ordinance of Hong Kong, Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》), and Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》).

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, we 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 2020 and 2019, the Group's GHG emissions are as follows:

Indicator of emissions[1]	**2020** **MTCO_2e**	2019 MTCO_2e
Indirect GHG emissions (Scope 2)		
– Purchased electricity[2] and water[3]	**28,818.32**	24,147.33
Indirect GHG emissions (Scope 3)		
– Consumables[4] and business travel[5]	**4,575.73**	3,639.71
Total GHG emissions (Scope 2 and 3)	**33,394.05**	28,087.04

A. ENVIRONMENTAL *(Continued)*

A1: Emission: *(Continued)*

Our Group produced a total of 33,394.05 metric tons of carbon dioxide equivalent emissions ("$MTCO_2e$") or 3.37 $MTCO_2e$ per employee during the year ended 31 December 2020, representing an increase of 18.89% or 5,307.01 $MTCO_2e$ from a total of 28,087.04 $MTCO_2e$ or an increase of 15.41% or 0.45 $MTCO_2e$ from 2.92 $MTCO_2e$ per employee during the year ended 31 December 2019, 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 release of "Emission reduction project of the Baseline emission factor of China Regional Power Grid" issued by the Ministry of Ecology and Environment of the PRC, "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 retail activities by the Group in Mainland China and Hong Kong. Office activities emission 1,684.50 $MTCO_2e$ per kilowatt-hour ("kWh") of electricity and retail activities produced 27,122.44 $MTCO_2e$/kWh of electricity during the year ended 31 December 2020.

3. Used water from office activities by the Group in Mainland China and Hong Kong produced 11.38 $MTCO_2e$/kWh during the year ended 31 December 2020, 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 3,499.74 $MTCO_2e$, 15.50 $MTCO_2e$ and 12.58 $MTCO_2e$ respectively during the year ended 31 December 2020, resulting from both office and retail activities.

5. Business travel data only includes business travel reimbursed by the Group. Our employees travelled by plane for business travel 6,254 times, which producing 1,047.92 $MTCO_2e$ for the year ended 31 December 2020. The density of greenhouse gas emission is 0.11 $MTCO_2e$ 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. 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 strictly enforce that the lights and air-conditioning switches in the meeting room must be turned off after leaving. In order to better manage the energy consumption of the air-conditioning, we set the air-conditioning in the headquarters to 25 degrees. We constantly replace heating, ventilation, and air conditioning units with higher efficiency units.

1. *Electricity*

	Unit	2020	2019
Headquarter	Mwh	**2,091.10**	1,563.48
Hong Kong Office	Mwh	**4.51**	3.24
Retail Stores	Mwh	**30,294.25**	24,205.11

As at 31 December 2020, the Group own 1,836 retail stores (including self-operated retail stores, and distributors retail stores) in Mainland China and Hong Kong. The density of consumption is about 96.17 kWh/m^2 (2019: owned 1,697 retail stores. The density of consumption is about 121.34 kWh/m^2). The Group have decreased electricity use by 35.55% or 66.94 kWh/m^2 compared to last year.

2. *Water Consumption*

		2020	2019
Headquarter	m^3	**16,251.00**	9,401.00
Hong Kong Office	m^3	**0.85**	1.02

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. Staff 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. The Group also reminds employees to turn off faucets completely to avoid excess water consumption.

A. ENVIRONMENTAL *(Continued)*

A2: Use of resources *(Continued)*

3. Total amount of consumables

We use shopping bags and gift boxes made with more eco-friendly or recyclable packaging materials. The consumption of consumables for the year ended 31 December 2020 and 2019 are as follows:

	2020 Metric tons	2019 Metric tons
Non-woven bags	**55.91**	44.17
Cardboards	**15.55**	10.46
Paper bags	**381.18**	332.20
Paper boxes	**4.00**	7.50
Carton Boxes	**310.91**	268.46
Paper cups	**10.33**	11.64
Printing paper	**2.62**	0.73

A3: Environment and natural resources

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 the supplier transportation frequency and thereby reducing carbon emission through the consumption of diesel and petroleum. We also tend to consume fewer packaging materials which are not as environmentally friendly (such as plastics, aluminum boxes, corrugates). In view of this, we plan to launch an environmentally friendly paper packaging certified by the Forest Stewardship Council in 2021.

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 the paper copies, business travels and increase communication efficiency.

A. ENVIRONMENTAL *(Continued)*

A4. Climate Change

Responding to Climate Change

Combating climate change and transforming the energy system are core challenges on the path to a sustainable future for business, society and the environment. The Paris Agreement has sent a decisive and global signal, call for limiting world temperature rises to 1.5º C above pre-industrial levels. This was in response to the Special Report on Global Warming of 1.5º C published by the Intergovernmental Panel on Climate Change (IPCC). The report warned that even a slight increase in temperature could have serious consequences for our terrestrial and marine ecosystems. Mainland China has also reaffirmed its commitment to green development to join other countries in submitting updated climate goals to the United Nations under the Paris Agreement and has recently implemented the world's largest carbon trading scheme. In addition, on the virtual stage of the United Nations General Assembly in September 2020, President Xi Jinping made a bold commitment: Mainland China – the world's largest source of greenhouse gas emissions – would strive to become carbon neutral by 2060. As both a Special Administrative Region of China and a member of the international community, Hong Kong has taken a proactive stance in alleviating global climate change.

As a responsible company, the Group should support the government's efforts on climate change and identified the potentially material topics, based on their importance to our stakeholders. We have taken measures to improve the transparency of climate change management, including measures recommended by the Financial Stability Board Climate Financial Information Disclosure Working Group, in response to the concerns of stakeholders.

Climate-related Risks

The Group identified the potentially material topics, based on their importance to our stakeholders and the potential impact they have on the success of our business. A changing climate has legal, market and reputational impacts on our business. The management of climate-related risks at the Group is integrated into our overall approach to risk management.

Transition risk

With new relevant environmental and greenhouse gas emission regulations, energy efficiency innovations and market changes, transition risks will occur during the global transition to a low-carbon economy. These risks may affect the changes in customer needs and the Group's revenue. Cost will be affected by the availability and price of our raw materials.

A. ENVIRONMENTAL *(Continued)*

A4. Climate Change *(Continued)*

Climate-related Risks *(Continued)*

Operational Risks

The climate is complex and changeable throughout 2020, our sales volume is sensitive to seasonality effects and weather patterns and our performance is subject to seasonal trends or fluctuations. Since we operate largely on a seasonal cycle, if our outsourced OEM contractors fail to deliver on a timely basis as a result of extreme and unseasonable weather conditions, our sales in any season and our results of operations could be materially and adversely affected. Severe convection weather 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. In addition, the extremely cold winter climate in December 2020 has made the power consumption in Zhejiang, Hunan, Jiangxi and other places in Mainland China unable to meet the demand. There was a power shortage for a time, which affected the operation of the Group's local stores.

Climate Action and Policy

The core component of our climate policy is to foster strong policies and economic incentives to promote sustainable development and strengthen the competitiveness of enterprises. We actively adopt policies consistent with climate action, creating a low-carbon future and adopt business-oriented solutions to expand and accelerate the implementation of the Paris Agreement.

With reference to the Climate Change Reporting Framework (Climate Disclosure Standards Committee), we have gradually formulated a series of indicators and targets to identify and manage the risks that the Group may face due to climate change. Climate-related risk management includes risks related to the transition to a low-carbon economy, weather risks such as typhoons and floods, and changes in climate patterns such as sustained high temperatures. We take the initiative to look for opportunities, including resource efficiency, energy, products and services, markets and adaptability.

In strong support of President Xi's 2060 carbon neutrality announcement, the Group is leading the transition to a low-carbon economy, in order to promote the "sustainable fashion, build the future" green economy, implement a sound and effective application of a green and low-carbon circular development economic system in the fashion industry. We support energy and low-carbon transformation in the post-epidemic era, promote paperless office, green fabrics and packaging materials. On 24 September 2020 the Group was awarded the title of "Pursuer of excellence in the sustainability of the Year 2020" jointly issued by China National Garment Association, China National Textile and Apparel Council Social Responsibility Office and the international fashion industry authoritative media "WWD China".

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 was 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 2020 and 2019 is as follows:

Gender	2020	2019
Male	950	676
Female	8,966	8,955
Total	9,916	9,631

Age Group	2020	2019
18-27	1,251	1,490
28-37	6,041	6,077
38-47	2,442	1,970
48-57	175	91
58 or above	7	3
Total	9,916	9,631

Employment type	2020	2019
Staff (General and junior)	8,073	8,034
Supervisor	1,212	1,144
Manager	604	420
Senior manager	24	30
Director	3	3
Total	9,916	9,631

For the year ended 31 December 2020, the Group's employees comprise of 90.42% female (2019: 92.98%) and 9.58% male (2019: 7.02%), and the age distribution of our employees for the age group of 18-27 was 12.62% (2019: 15.47%), 28-37 was 60.92% (2019: 63.10%), 38-47 was 24.63% (2019: 20.45%), 48-57 was 1.76% (2019: 0.95%) and 58 or above was 0.07% (2019: 0.03%) respectively. Among all our employees, 99.90% were from Mainland China (2019: 99.94%) and 0.10% were from Hong Kong (2019: 0.06%).

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 and we owned a TVOC formaldehyde detector with national certification 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 2020, we organised different activities for celebrating festivals, such as "E起綻放" EEKA Fashion Chinese New Year Spring Festival Gala, "贏家中秋遊園會" Mid-autumn festival activity, "冬日狂歡"E"式" Christmas event, and we organised for our employees "超能時刻超能嗨" sports carnival where contestants competed in rounds of team-sports oriented games with offbeat and comical obstacles and challenges and each team may cosplay their favorite superhero. Hopefully, employees have the passion to pursue their dreams, for the realization of a super life.

No work-related fatalities or lost days due to work injury were recorded for the year ended 31 December 2020.

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. Online seminar on carbon emission audit of listed companies;
16. Directors and senior executives liabilities – SFC's New Regulatory Approach

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 2020 and 2019 are as follows:

	2020 hours	2019 hours
Average hours of training received per employee	**28.03**	27.21
Average hours of training per employee by ranking		
Senior management	**78.37**	45.47
Middle management	**11.56**	18.68
General staff	**24.38**	24.29
Lower levels (junior)	**19.61**	22.11

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. And also we established a strategic supply mechanism with core fabric suppliers, and strengthened the planning of fabric procurement and the concentration of suppliers. The procurement concentration of silk, wool, acetic and other categories of fabrics all increased year-on-year, and the purchase unit prices all decreased to varying degrees year-on-year, and the supply efficiency of fabric procurement was improved.

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 Shenzhen, Beijing and Shanghai, 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. To ensure the quality of our product, we exercise quality checks internally upon receiving raw materials, both at the design and sample development stages and during mass production, as well as all products are sent to inspections by relevant government authorities. EEKA Fashion adhere to the concept of sustainable fashion development. One of the fabrics used in our products is triacetate, which is a natural, antibacterial and pollution-free and has obtained Forest Stewardship Council Chain of Custody Certification (FSC COC) and OEKO-TEX STANDARD 100 ecological textile certifications. Besides, the Group continues to observe every detail of its sales practices and look for improvement to make sure that customers enjoy a 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 carries 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 pages 35 to 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.

EEKA Fashion 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. Moreover, the Group always cares for the employees, worked together to actively face difficulties, provided condolences to employees who were infected with COVID-19 and actively guided their psychological recovery. In 2020, a total of 145 applications for condolences, grants, and emergency loans were received, with a total of RMB738,850, including 116 applications for condolences (RMB108,800), 27 grants (RMB420,050) and 2 emergency loans (RMB210,000).

B. SOCIAL *(Continued)*

B8. Community Investment *(Continued)*

For the program of the Bloom Charity Foundation's 2020 "Thalassemia Hematopoietic Stem Cell Transplantation Surgery Funding", which helped eleven children with severe "Thalassemia" rekindle their lives, and subsequent grants of RMB10,000 to 100,000 were provided for the shortfall in surgical expenses, with total funding of RMB500,000. 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 contributions to these children as much as possible.

The foundation also helps impoverished areas across China to fight against poverty, hoping that children can run happily on their way to school. During the reporting period, the program of "Love Shoes" donated a total of 10 sites, a total of 132 schools, and 28,500 pairs of love shoes, including 22,220 pairs of sports shoes and 6,280 pairs of dual-use rain boots. Due to the impact of the epidemic in 2020, some sites failed to donate as originally planned, so the donation plan for 2021 is postponed to implement the donation plan for 2020.

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	–

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

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	–

Aspect A4: The Climate Change

General Disclosures and KPIs	Description	Relevant Section in the ESG Report	Remarks
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental	–
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the 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.		

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.		

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 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 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.

HKEX ESG GUIDE CONTENT INDEX *(Continued)*

Aspect B8: Community Investment

General Disclosures and KPIs	Description	Relevant Section 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

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道 1 號
中信大廈 22 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 95 to 180 which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 2020, the Group recorded goodwill and other intangible assets with indefinite lives of RMB1,253,540,000 and RMB590,500,000, which represented 22% and 10% of the total assets of the Group respectively. The Group performed impairment reviews of the goodwill and other intangible assets at the year ended 31 December 2020, based on a five-year cash flows forecast with key assumptions such as the growth and discount rate. Management made assumptions of the long-term growth rate, and discount rate and estimated future operating cash flows based on their forecast and 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 test 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; • involving 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 the off-season inventories 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 provisions are disclosed in notes 3 and 20 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 realisable 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, actions taken to eliminate threats or safeguards applied.

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

26 March 2021

Consolidated Statement of Profit or Loss

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**5,325,107**	4,148,421
Cost of sales		**(1,414,855)**	(1,137,197)
Gross profit		**3,910,252**	3,011,224
Other income and gains	5	**121,411**	42,981
Selling and distribution expenses		**(2,930,048)**	(2,223,806)
Administrative expenses		**(519,112)**	(308,914)
Impairment losses on financial assets	6	**(4,136)**	(488)
Other expenses		**(2,507)**	(5,677)
Finance costs	7	**(46,774)**	(26,060)
Share of losses of associates		**(3,000)**	–
PROFIT BEFORE TAX	6	**526,086**	489,260
Income tax expense	10	**(86,712)**	(95,339)
PROFIT FOR THE YEAR		**439,374**	393,921
Attributable to:			
Owners of the parent		**452,838**	405,606
Non-controlling interests		**(13,464)**	(11,685)
		439,374	393,921
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For profit for the year		**67.4 cents**	69.3 cents
Diluted			
– For profit for the year		**66.2 cents**	68.8 cents

Consolidated Statement of Comprehensive Income

31 December 2020

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

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**650,354**	665,264
Right-of-use assets	14	**686,447**	668,778
Goodwill	15	**1,253,540**	1,253,540
Other intangible assets	16	**609,910**	612,309
Investments in associates	18	**300**	–
Prepayments, other receivables and other assets	22	**55,216**	56,908
Equity investments designated at fair value through other comprehensive income	19	**40,036**	43,277
Financial assets at fair value through profit or loss	23	**–**	49,517
Deferred tax assets	28	**40,039**	30,932
Total non-current assets		**3,335,842**	3,380,525
CURRENT ASSETS			
Inventories	20	**679,564**	651,565
Trade and bills receivables	21	**673,069**	623,445
Prepayments, other receivables and other assets	22	**193,503**	165,499
Financial assets at fair value through profit or loss	23	**280,455**	–
Cash and cash equivalents	24	**582,929**	691,327
Total current assets		**2,409,520**	2,131,836
CURRENT LIABILITIES			
Trade and bills payables	25	**280,593**	198,121
Other payables and accruals	26	**671,935**	878,325
Interest-bearing bank borrowings	27	**252,872**	262,185
Lease liabilities	14	**377,250**	357,870
Tax payable		**105,415**	99,872
Total current liabilities		**1,688,065**	1,796,373
NET CURRENT ASSETS		**721,455**	335,463
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,057,297**	3,715,988

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	113,616	–
Lease liabilities	14	226,374	206,490
Deferred tax liabilities	28	152,072	153,836
Other long-term liabilities		87,160	179,159
Total non-current liabilities		579,222	539,485
Net assets		3,478,075	3,176,503
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	5,609	5,609
Reserves	32	3,450,379	3,135,343
		3,455,988	3,140,952
Non-controlling interests		22,087	35,551
Total equity		3,478,075	3,176,503

Jin Ming
Director

He Hongmei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	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	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

	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)	Awarded Share reserve RMB'000 (note 31)	Statutory reserve RMB'000 (note 32)	Shares held for Share Award Scheme RMB'000 (note 31)	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 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 year	–	–	–	–	–	–	–	–	–	452,838	452,838	(13,464)	439,374
Other comprehensive income for the year:													
Change in fair value of equity investments through other comprehensive income, net of tax	–	–	–	–	–	–	–	(2,755)	–	–	(2,755)	–	(2,755)
Exchange differences on translation of financial statements	–	–	–	–	–	–	–	–	18,979	–	18,979	–	18,979
Total comprehensive income for the year	–	–	–	–	–	–	–	(2,755)	18,979	452,838	469,062	(13,464)	455,598
Appropriation to statutory reserve	–	–	–	–	–	4,647	–	–	–	(4,647)	–	–	–
Contributed by immediate holding company under the Share Award Scheme	–	–	–	144,839	–	–	(144,839)	–	–	–	–	–	–
Repurchase shares under the Share Award Scheme	–	–	–	–	–	–	(67,379)	–	–	–	(67,379)	–	(67,379)
The Share Award Scheme arrangements	–	–	–	–	109,915	–	–	–	–	–	109,915	–	109,915
Vesting shares under the Share Award Scheme	–	(1,736)	–	–	(55,933)	–	49,095	–	–	–	(8,574)	–	(8,574)
Final 2019 dividend declared	–	–	–	–	–	–	–	–	–	(96,772)	(96,772)	–	(96,772)
Interim 2020 special dividend declared	–	–	–	–	–	–	–	–	–	(91,216)	(91,216)	–	(91,216)
At 31 December 2020	5,609	1,870,825*	196*	124,242*	53,982*	51,264*	(163,123)*	8,530*	5,227*	1,499,236*	3,455,988	22,087	3,478,075

* These reserve accounts comprise the consolidated reserves of RMB3,450,379,000 (2019: RMB3,135,343,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**526,086**	489,260
Adjustments for:			
Finance costs	7	**46,774**	26,060
Share of losses of associates	6	**3,000**	–
Bank interest income	5	**(1,549)**	(1,599)
Other interest income from financial assets at fair through profit or loss	6	**(36,654)**	(20,757)
Loss on disposal of fixed assets		**–**	(427)
Fair value loss from financial assets at fair value through profit or loss, net	6	**–**	733
Covid-19-related rent concessions from lessors	14	**(27,732)**	–
Depreciation of property, plant and equipment	6	**125,651**	82,566
Depreciation of right-of-use asset	14	**581,808**	310,975
Amortisation of intangible assets	6	**7,622**	5,834
Write-down of inventories to net realisable value	6	**9,463**	1,499
Impairment of trade receivables	6	**4,136**	488
Exchange (gain)/loss, net	6	**(5,492)**	1,148
Equity settled share-based share award expense	6	**109,915**	–
		1,343,028	895,780
(Increase)/decrease in inventories		**(37,462)**	21,294
Increase in trade and bills receivables		**(53,760)**	(83,441)
Increase in prepayments and other receivables		**(16,807)**	(53,104)
Increase in trade and bills payables		**82,472**	69,214
Increase/(decrease) in other payables and accruals		**198,570**	(46,313)
Cash generated from operations		**1,516,041**	803,430
Income tax paid		**(99,624)**	(103,984)
Net cash flows from operating activities		**1,416,417**	699,446

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	5	1,549	1,599
Payment of purchase of fixed assets	13	(110,815)	(99,116)
Proceeds from disposal of items of property, plant and equipment		–	470
Additions to other intangible assets		(10,908)	(5,085)
Acquisition of subsidiaries in prior year		(252,480)	–
Acquisition of subsidiaries that did not constitute business in prior year		(250,000)	–
Acquisition of subsidiaries		–	255,727
Acquisition of subsidiaries that did not constitute business		–	(319,980)
Loans to a third party		–	(25,500)
Repayment of loan from a third party		4,250	–
Investment in an associate		(300)	–
(Increase)/decrease in wealth management products		(231,000)	30,000
(Decrease)/increase in a derivative financial instrument		5,000	(50,000)
Interest received from investments in financial assets at fair value through profit or loss		31,717	20,507
Net cash flows used in investing activities		(812,987)	(191,378)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchase of shares for the Share Award Scheme	31	(67,379)	–
New bank loans		395,075	359,361
Repayment of bank loans		(281,698)	(333,981)
Capital injection from non-controlling shareholder		–	26,850
Principal portion of lease payments	14	(560,496)	(332,283)
Dividend paid		(185,468)	(137,062)
Interest paid		(18,759)	(5,994)
Net cash used in financing activities		(718,725)	(423,109)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(115,295)	84,959
Cash and cash equivalents at beginning of year		691,327	613,376
Effect of foreign exchange rate changes, net		6,897	(7,008)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	582,929	691,327

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%	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 create 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. *# ("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) ("Aoruina") (奧瑞納服裝(深圳)有限公司)	PRC/Mainland China	RMB16,372,680	100%	–	100%	Trading of ladies-wear
Extra Wisdom Ltd ("Extra Wisdom")	Hong Kong	HK$1,000	100%	–	100%	Investment holding
Keeh Reach Holdings Ltd ("Keeh Reach")	Hong Kong	HK$7,780	100%	100%	–	Investment holding
Shenzhen Haowei Flat Screen Display Materials Co., Ltd *#("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.

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 2020. 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.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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 *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

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

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

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

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

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

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB27,732,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

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

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 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. 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 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standard 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss 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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 recognised 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, but 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

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 *(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 lease. 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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessor *(Continued)*

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.

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

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)*

Subsequent measurement *(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 financial assets at fair value through profit or loss, 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 long-term 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, and 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 on a systematic basis over the periods that the costs, for which 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 a reduced depreciation charge.

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 with 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 transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Right-of-return assets

A right-of-return asset is recognised 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 recognised 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 and Share Award Scheme (as defined in note 30 and note 31 to the financial statements, respectively) 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 and awarded shares through new issue of shares is reflected as additional share dilution in the computation of earnings per share.

Shares held for the Share Award Scheme

As disclosed in note 31 to the financial statements, the Group has engaged a trustee to administer the Share Award Scheme, where the trustee may purchase shares issued by the Company from the market as awards to the relevant participants. The consideration paid by the Company, including any directly attributable incremental costs, is presented as "shares held for the Share Award Scheme" and deducted from the Group's equity.

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 subsidiary 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 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 users 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 amounts of goodwill and other intangible asset with indefinite useful lives at 31 December 2020 were RMB1,253,540,000 (2019: RMB1,253,540,000) and RMB590,500,000 (2019: RMB590,500,000), respectively. Further details are given in note 17.

Write-down of inventories to net realisable value

A write-down of inventories to net realisable value is made based on the estimated net realisable 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 customisation to the leased asset).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was RMB5,627,000 (2019: RMB6,975,000). The amount of unrecognised tax losses at 31 December 2020 was RMB101,324,000 (2019: RMB43,654,000). Further details are contained in note 28 to the financial statements.

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, which is the 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 there was no single external customer from which the revenue amounted to 10% or more of the Group's total revenue during the years ended 31 December 2020 and 2019.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers	**5,325,107**	4,148,421

(i) Disaggregated revenue information

For the year ended 31 December 2020

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

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

(i) Disaggregated revenue information *(Continued)*

For the year ended 31 December 2019

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

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

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

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

(ii) Performance obligations

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

Sale of apparel and accessories

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

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

* 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	2020 RMB'000	2019 RMB'000
Cost of inventories sold		**1,414,855**	1,137,197
Depreciation of property, plant and equipment	13	**125,651**	82,566
Depreciation of right-of-use assets	14	**581,808**	310,975
Amortisation of other intangible assets	16	**7,622**	5,834
Research and development costs^:			
Current year expenditure		**144,052**	103,134
Lease payments not included in the measurement of lease liabilities		**806,788**	691,873
Auditor's remuneration		**1,800**	1,929
Employee benefit expense (including directors' remuneration (note 8)):			
Wages and salaries		**1,079,058**	780,532
Pension scheme contributions		**11,244**	41,587
Equity-settled share award expense		**109,915**	–
		1,200,217	822,119
Exchange (gains)/losses, net#		**(5,492)**	1,148
Share of losses of associates		**3,000**	–
Impairment of trade receivables	21	**4,136**	488
Write-down of inventories to net realisable value*		**9,463**	1,499
Fair values losses, net#:			
Financial assets at fair value through profit or loss – loan receivable with a conversion option		**–**	733

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

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

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

7. FINANCE COSTS

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

	2020 RMB'000	2019 RMB'000
Interest on bank loans, overdrafts and other loans	18,759	6,892
Interest on lease liabilities	28,015	19,168
	46,774	26,060

8. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for 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:

	2020 RMB'000	2019 RMB'000
Fees	534	557
Other emoluments:		
Salaries, allowances and benefits in kind	5,333	5,030
Equity-settled share award expense	4,443	–
Pension scheme contributions	52	34
	9,828	5,064
	10,362	5,621

During the year, certain directors were granted share award, in respect of their services to the Group, under the Share Award Scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such award, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2020 RMB'000	2019 RMB'000
Mr. Zhang Guodong	178	176
Mr. Zhong Ming	178	176
Mr. Zhou Xiaoyu	178	176
	534	528

There were no other emoluments payable to the independent non-executive directors during the year (2019: 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	Equity-settled share award expense RMB'000	Total remuneration RMB'000
2020					
Executive directors:					
Ms. He Hongmei	–	2,968	20	4,443	7,431
Mr. Jin Rui	–	534	16	–	550
Chief executive:					
Mr. Jin Ming	–	1,831	16	–	1,847
	–	5,333	52	4,443	9,828

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	Equity-settled share award expense 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.

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 (2019: 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 (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	4,617	3,996
Equity-settled share award expense	3,987	–
Pension scheme contributions	60	73
	8,664	4,069

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	Number of employees	
	2020	2019
Nil to RMB1,000,000	**–**	–
RMB1,000,001 to RMB1,500,000	**–**	3
RMB1,500,001 to RMB2,000,000	**–**	–
RMB2,000,001 to RMB2,500,000	**–**	–
RMB2,500,001 to RMB3,000,000	**2**	–
RMB3,000,001 to RMB3,500,000	**1**	–
	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 2020 (2019: Nil).

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

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate on their respective taxable income for the year ended 31 December 2020.

	2020	2019
	RMB'000	RMB'000
Current – Mainland China	**97,097**	100,936
Deferred (note 28)	**(10,385)**	(5,597)
Total tax charge for the year	**86,712**	95,339

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:

	2020		2019	
	RMB'000	%	RMB'000	%
Profit before tax	526,086		489,260	
Tax at the statutory tax rate	128,951	24.5	124,534	25.5
Entities subject to a lower statutory tax rate*	(39,247)	(7.5)	(39,171)	(8.0)
Expensed not deductible for tax	1,216	0.2	966	0.2
Super-deduction of research and development costs	(20,571)	(3.9)	(5,880)	(1.2)
Adjustments in respect of current tax of previous periods	840	0.2	2,264	0.5
Income not subject to tax	(2,908)	(0.6)	–	–
Effect on opening deferred tax of decrease in rate^	3,170	0.6	–	–
Tax losses utilised from previous periods	(6,386)	(1.2)	(1,872)	(0.4)
Tax losses and temporary difference not recognised	21,647	4.2	14,498	2.9
Tax charge at the effective rate	86,712	16.5	95,339	19.5

* Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd. ("Dongfang Susu") was 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.

Shenzhen Naersi Fashion Co.,Ltd. ("Naersi") obtained an approval from the tax bureau in 2020 to be taxed as a High and New-Technology Enterprise. Pursuant to the approval, Naersi was entitled to a preferential PRC CIT rate of 15% for a period of three years from 2020 to 2022.

Shenzhen De Kora Technology Development Limited ("De Kora") was a certified Software Enterprise by China Software Industry Association, and was entitled to an exemption from PRC CIT for two years commencing from 1 January 2020 to 31 December 2021 and thereafter was entitled to a 50% reduction in PRC corporate income tax for the subsequent three years from 1 January 2022 to 31 December 2024.

^ The PRC CIT rate applicable to Naersi was reduced from 25% to 15%, resulting in a loss of RMB3,170,000 related to the re-measurement of deferred tax assets.

11. DIVIDENDS

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

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

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

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

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

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 2020					
At 1 January 2020:					
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
At 1 January 2020, net of accumulated depreciation	589,610	65,300	3,340	7,014	665,264
Additions	–	108,044	781	1,990	110,815
Disposals	–	–	(74)	–	(74)
Depreciation provided during the year	(18,691)	(103,605)	(965)	(2,390)	(125,651)
At 31 December 2020 net of accumulated depreciation	570,919	69,739	3,082	6,614	650,354
At 31 December 2020:					
Cost	669,918	443,691	8,218	27,420	1,149,247
Accumulated depreciation	(98,999)	(373,952)	(5,136)	(20,806)	(498,893)
Net carrying amount	570,919	69,739	3,082	6,614	650,354

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 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	–	24,688	62	1,129	25,879
Acquisition of assets	468,150	–	–	–	468,150
Disposals	–	–	(317)	(433)	(750)
Depreciation provided during the year	(11,103)	(69,207)	(214)	(2,042)	(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

14. LEASES

The Group as a lessee

The Group has lease contracts for plant, property and retail stores used in its operations. Leases of plant and retail stores generally have lease terms between 1 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 RMB'000	**Retail stores** RMB'000	**Total** RMB'000
As at 1 January 2019	–	238,250	238,250
Additions	–	422,244	422,244
Arising from acquisition of a subsidiary which is not constituted business	104,874	–	104,874
Arising from acquisition of a subsidiary	–	214,385	214,385
Depreciation charge	(819)	(310,156)	(310,975)
As at 31 December 2019 and 1 January 2020	104,055	564,723	668,778
Additions	–	599,477	599,477
Depreciation charge	(2,458)	(579,350)	(581,808)
As at 31 December 2020	101,597	584,850	686,447

(b) Lease liabilities

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

	2020 **RMB'000**	2019 RMB'000
Carrying amount at 1 January	**564,360**	238,250
New leases	**599,477**	422,244
Arising from acquisition of a subsidiary	**–**	216,981
Accretion of interest recognised during the year	**28,015**	19,168
Covid-19-related rent concessions from lessors	**(27,732)**	–
Payments	**(560,496)**	(332,283)
Carrying amount at 31 December	**603,624**	564,360
Analysed into:		
Current portion	**377,250**	357,870
Non-current portion	**226,374**	206,490

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) *Lease liabilities* *(Continued)*

The maturity analysis of lease liabilities is disclosed in note 37 to the financial statements. As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain plant and equipment during the year.

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	28,015	19,168
Depreciation charge of right-of-use assets	581,808	310,975
Variable lease payments not included in the measurement of lease liabilities (included in selling expense)	806,788	691,873
Covid-19-related rent concessions from lessors	(27,732)	–
Total amount recognised in profit or loss	1,388,879	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 options that are included in the lease terms:

	2020 RMB'000	2019 RMB'000
Extension options expected to be exercised	46,214	44,401

(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 amount of the variable lease payments recognised in profit or loss for the current year for these leases is RMB806,788,000.

(f) The total cash outflow for Leases is disclosed in note 33(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 in prior year 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 RMB22,070,000 (2019: RMB1,171,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 **RMB'000**	2019 RMB'000
Within one year	**11,446**	20,664
After one year but within two years	**5,618**	9,911
After two years	**7,273**	10,312
	24,337	40,887

15. GOODWILL

	2020 **RMB'000**	2019 RMB'000
At 1 January	**1,253,540**	21,681
Acquisition from a subsidiary	**–**	1,231,859
Cost and net carrying amount at 31 December	**1,253,540**	1,253,540

Impairment testing of goodwill

Details of the impairment testing of goodwill are 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 2020				
Cost at 1 January 2020, net of accumulated amortisation	11,094	595,401	5,814	612,309
Additions	–	–	5,223	5,223
Amortisation provided during the year	(1,707)	(3,267)	(2,648)	(7,622)
At 31 December 2020	9,387	592,134	8,389	609,910
At 31 December 2020:				
Cost	17,068	606,836	12,677	636,581
Accumulated amortisation	(7,681)	(14,702)	(4,288)	(26,671)
Net carrying amount	9,387	592,134	8,389	609,910

	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*	–	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

* 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 2020, 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:

	2020 RMB'000	2019 RMB'000
CADIDL brand CGU	21,681	21,681
NAERSI, NEXY.CO and NAERSILING brand CGU	1,231,859	1,231,859
	1,253,540	1,253,540

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:

	2020		2019	
	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	1,231,859	590,500
	1,253,540	590,500	1,253,540	590,500

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. The impairment assessment of goodwill and trademarks with indefinite lives allocated to NAERSI, NEXY.CO and NAERSILING brand CGU is based on a valuation by an independent professional valuer, Avista Group.

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

Assumptions were used in the value-in-use calculation of each CGU as at 31 December 2020 and 31 December 2019. 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:

		2020	2019
CADIDL brand CGU	Discount rate	**14%**	14%
	Budgeted gross margins	**65%-67%**	66%-68%
	Terminal growth rates	**3%**	3%
NAERSI, NEXY.CO and NAERSILING brand CGU	Discount rate	**15%**	15%
	Budgeted gross margins	**71%-73%**	71%-73%
	Terminal growth rates	**3%**	3%

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.

Judgement is required to determine key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections. Management has considered the above assumptions and valuation and has also taken into account the business plans going forward. Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts of goodwill and trademarks with indefinite lives to exceed their recoverable amounts, respectively. Actual results will be influenced by the prevailing economic conditions and potentially other unforeseen events or circumstances that could have a negative impact on future results.

18. INVESTMENTS IN ASSOCIATES

	2020	2019
	RMB'000	RMB'000
Share of net assets	**300**	–

18. INVESTMENT IN ASSOCIATES *(Continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates' loss for the year	(3,000)	–
Aggregate carrying amount of the Group's investments in the associates	300	–

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

	2020 RMB'000	2019 RMB'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value		
Qianhai Ruilin Investment Management Co., L.P.	40,036	–
Unlisted equity investments, at fair value		
Qianhai Ruilin Investment Management Co., L.P.	–	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.

On 15 December 2015, the Group entered into a partnership agreement to jointly establish Shenzhen Qianhai Ruilin Investment Management Co., L.P. ("Qianhai Ruilin"). On 31 December 2020 and 2019, the Group held 27.27% of Qianhai Ruilin. And Qianhai Ruilin was established solely for investing in Qingdao Kute Smart Co., Ltd ("Qingdao Kute").

Qingdao Kute was listed on the Growth Enterprise Market of Shenzhen Stock Exchange on 8 July 2020. The fair value of the listed equity investments as of 31 December 2020 is based on quoted market prices with liquidity discount considering the one year lock-up period starting from the listing date.

The fair value of the Group's unlisted equity investment as of 31 December 2019 amounting to RMB43,277,000 is derived from the unadjusted quoted price applied in the most recent observable equity transaction with the third-party investors. In the opinion of the directors, the quoted price represented the fair value of the equity that could be exchanged between the willing parties.

20. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**118,032**	107,323
Work in progress	**6,596**	8,782
Finished goods	**554,936**	535,460
	679,564	651,565

21. TRADE AND BILLS RECEIVABLES

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

Majority of the trade receivables are related to sales made through the Group's self-operated stores. The Group leased a number of retail stores within department stores and shopping malls in 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 stores and shopping malls, the Group then issues invoices, which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales is made net of the lease rental payable to the department stores and the shopping malls and is generally expected within 60 days from the date of revenue recognition.

21. 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:

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

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

	2020 RMB'000	2019 RMB'000
At beginning of year	1,706	912
Acquisition of a subsidiary	–	306
Impairment losses, net	4,136	488
At end of year	5,842	1,706

As at 31 December 2020, the allowance for credit losses is related to individually impaired receivables amounting to RMB5,842,000 (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 RMB5,842,000 (2019: RMB1,706,000) has been recognised in respect of such receivables.

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

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments	**128,526**	98,101
Deposits and other receivables	**89,910**	88,895
Loan to a third party	**21,250**	25,500
Loans to employees	**6,719**	7,501
Right-of-return assets	**2,314**	2,410
	248,719	222,407
Less:		
Non-current position included in prepayments, other receivables and other assets	**(55,216)**	(56,908)
	193,503	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. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 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		
Loan receivable with a conversion option, at fair value	49,455	–
Wealth management products, at fair value	231,000	–
	280,455	–

The fair value of the financial asset of the loan receivable with a conversion option had been estimated using a binomial tree model. The valuation requires management to make certain assumptions about the model inputs, including the equity value as at valuation date, the equity volatility and the discount rate (sum of risk-free rate and credit spread rate). The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimates of the fair value. Management has used the following key inputs to the valuation of financial asset of loan receivable with a conversion option:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Financial asset at FVPL – Loan receivable with a conversion option	Binomial tree model	Equity value of Chengdu Kelushi	RMB9,000,000-RMB11,000,000	An 1% increase(decrease) in equity value would not result in a significant increase(decrease) in fair value.
		Equity volatility	35.01%	An 1% increase(decrease) in equity volatility would not result in a significant increase(decrease) in fair value.
		Discount rate	5.94%-6.43%	An 1% increase(decrease) in discount rate would result in a decrease(increase) in fair value by RMB540,000.

24. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances denominated in		
RMB	**559,242**	649,344
Hong Kong Dollar ("HK$")	**21,535**	29,285
EUR ("€")	**1,159**	1,524
US Dollar ("US$")	**993**	1,337
KRW ("₩")	**–**	383
	582,929	681,873
Time deposits	**–**	9,454
Cash and cash equivalents	**582,929**	691,327

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.

25. TRADE AND BILLS PAYABLES

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

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

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

26. OTHER PAYABLES AND ACCRUALS

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

Notes:

(a) Details of contract liabilities are as follows:

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

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

27. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	3.40 to 4.35	2021	215,000	HIBOR+1.3 4.35 to 4.60	2020	239,790
Current portion of long term bank loans – secured	HIBOR+1.4	2021	37,872	HIBOR+1.3	2020	22,395
			252,872			262,185
Non-current						
Bank loans – secured	HIBOR+1.4	2022-2024	113,616			–
			113,616			–
Analysed into:						
Bank loans repayable						
Within one year			252,872			262,185
In the second to fourth years, inclusive			113,616			–
			366,488			262,185

Notes:

(a) The Group's overdraft facilities amounted to RMB896,622,080 (2019: RMB610,093,000), of which RMB426,488,000 (2019: RMB276,975,000) had been utilised as at the end of the reporting period.

(b) Except for the HIBOR+1.4% secured bank loan which is denominated in Hong Kong dollars, all borrowings are in Renminbi ("RMB").

(c) Certain of the Group's bank loans were secured by mortgages over the Group's buildings, which had a net carrying value at the end of the reporting period of approximately RMB106,372,000 (2019: Nil).

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	Government grants RMB'000	Granted shares under the Share Award Scheme RMB'000	Total RMB'000
At 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 and 1 January 2020	17,375	6,975	898	110	5,574	–	–	30,932
Effect on opening deferred tax of decrease in rate	(1,933)	–	–	–	(1,237)	–	–	(3,170)
Credited/(charged) to the statement of profit or loss during the year (note 10)	2,302	(1,348)	(184)	–	1,918	750	8,839	12,277
At 31 December 2020	17,744	5,627	714	110	6,255	750	8,839	40,039

28. DEFERRED TAX *(Continued)*

Deferred tax liabilities

	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 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 and 1 January 2020	31	151,813	–	1,992	153,836
Credited to the statement of profit or loss during the year (note 10)	(31)	(1,247)	–	–	(1,278)
Credited to other comprehensive income during the year	–	–	–	(486)	(486)
At 31 December 2020	–	150,566	–	1,506	152,072

The Group has not recognised deferred tax assets of RMB25,331,000 (2019: RMB10,914,000) in respect of cumulative tax losses of RMB101,324,000 at 31 December 2020 (2019: RMB43,654,000) 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.

At 31 December 2020, no deferred tax liabilities has been recognized in respect of the PRC dividend withholding tax relating to the undistributed profits of the Company's PRC subsidiaries 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 RMB1,981,181,000 (2019: RMB1,479,132,000) of the Company's PRC subsidiaries would not be distributed in the foreseeable future.

29. SHARE CAPITAL

	2020	2019
Issued and fully paid:		
685,050,195 (31 December 2019: 685,050,195) ordinary shares of HK$0.10 each (HK$'000)	6,850	6,850
Equivalent to RMB'000	5,609	5,609

	Note	Number of shares in issue	Share capital RMB'000	Share premium RMB'000
At 1 January 2019		486,337,000	3,859	212,502
Shares issued		198,713,195	1,750	1,660,059
At 31 December 2019 and 1 January 2020		685,050,195	5,609	1,872,561
Vesting shares under the Share Award Scheme	(a)	–	–	(1,736)
At 31 December 2020		685,050,195	5,609	1,870,825

(a) An amount of RMB55,933,000 was transferred from the share award reserve to share premium account and an amount of RMB57,669,000 was transferred from the share premium account to shares held for the Share Award Scheme upon the vesting of the awarded shares.

(b) As at 31 December 2020, the total number of issued ordinary shares of the Company was 685,050,195 (2019: 685,050,195) shares which included 22,183,484 (2019: Nil) shares held under the Share Award Scheme adopted by the Company on 2 December 2019 (note 31).

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 "Share Option 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 2020 (2019: Nil).

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

	2020		2019	
	The average exercise price	Number of options '000	The average exercise price	Number of options '000
At 1 January and 31 December	HK$4.42	7,460	HK$4.42	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 Share Option 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 RMB628,000) and share premium of HK$32,227,000 (equivalent to RMB27,122,000), before related issuance expenses.

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

31. SHARE AWARD SCHEME

On 2 December 2019 (the "Adoption Date"), the Board resolved to adopt a Share Award Scheme (the "Share Award Scheme") for the purpose of providing incentives in order to retain to the participants for the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Board may, from time to time, at its sole and absolute discretion grantees for participation in the Share Award Scheme as Selected Grantees ("Selected Grantees").

Participants of the Share Award Scheme cover any employee, director, officer, of any member of the Group or any affiliate and non-employees (i) any consultant or advisor of any member of the Group, or (ii) any trustee of a trust established (the "Trustee") for the benefit of any employee of any member of the Group, or (iii) any director or officer of any supplier of any member of the Group whom the Board in its sole discretion considers may contribute or have contributed to the Group. Awards may be satisfied by (i) transferred by Koradior Investments Limited, being an existing shareholder of the Company holding approximately 43.86% of the issued share capital of the Company as at the Adoption Date, to the Trustee for the purposes of the Share Award Scheme, and/or (ii) purchased by the Trustee on the market out of cash arranged to be paid by the Company out of the Company's funds to the Trustee, together with in each case any scrip Shares or bonus Shares (collectively the "Awarded Shares"), for the purposes of settlement of the Awarded Shares in both case the costs of which will be borne by the Company, and will be held on trust by the Trustee for the Selected Grantee until the end of each vesting period, subject to fulfilment of the vesting conditions.

31. SHARE AWARD SCHEME *(Continued)*

Subject to the refreshment of the Share Award Scheme limit of shares, the Board shall not make any further award of the Awarded Shares which will result in: (i) the aggregate number of the Awarded Shares granted under the Share Award Scheme exceeding 10% of the issued share capital of the Company as at the Adoption Date (i.e. 68,505,019 shares); and (ii) the aggregate number of the Shares held by public shareholders of the Company falling below the minimum percentage as prescribed under the Listing Rules.

On 5 December 2019, the Company entered into a trust deed with CMB Wing Lung (Trustee) Limited thereby appointing it as the Trustee.

On 14 April 2020, the Board resolved to grant an aggregate of 40,973,000 Awarded Shares pursuant to the Share Award Scheme to certain Selected Grantees. The Awarded Shares shall, subject to fulfilment of vesting conditions, be vested to the Selected Grantees in five equal tranches annually, with the first tranche totalling 8,058,200 Awarded Shares having vested and 136,400 Awarded Shares being forfeited on 15 May 2020, and 1,017,000 Awarded Shares being forfeited on 31 December 2020.

The Awarded Shares granted above shall be satisfied first by the trust shares contributed by Koradior Investments Limited to the Share Award Scheme and then by trust shares of the Company to be purchased by the Trustee from the open market pursuant to the Share Award Scheme, at the expense of the Company.

The number of shares and vesting date of the Awarded Shares under the Share Award Scheme as at the end of 2020 are as follows:

	Number of Awarded Shares						
Date of grant	As at 1 January 2020	Granted during the year	Vested during the year	Forfeited during the year	As at 31 December 2020	Fair value HK$ per share	Vesting date
14 April 2020	–	8,194,600	(8,058,200)	(136,400)	–	6.38	15 May 2020
14 April 2020	–	8,194,600	–	(254,250)	7,940,350	6.38	15 May 2021
14 April 2020	–	8,194,600	–	(254,250)	7,940,350	6.38	15 May 2022
14 April 2020	–	8,194,600	–	(254,250)	7,940,350	6.38	15 May 2023
14 April 2020	–	8,194,600	–	(254,250)	7,940,350	6.38	15 May 2024
Total	–	40,973,000	(8,058,200)	(1,153,400)	31,761,400		

The fair value of the Awarded Shares granted in 2020 was HKD216,408,000 (equivalent to RMB182,131,000), of which the Group recognised an awarded share expense of HKD130,603,000 (equivalent to RMB109,915,000) during the year (2019: Nil).

31. SHARE AWARD SCHEME *(Continued)*

The following Awarded Shares were outstanding during the year:

	Notes	Number of Awarded Shares 2020
At 1 January		
Number of Awarded Shares held by the Trustee		–
Number of Awarded Shares granted but not vested		–
Maximum number of Awarded Shares available for grant*		–
At 31 December		
Number of Awarded Shares held by the Trustee		22,183,484
Number of Awarded Shares granted but not vested		32,778,400
Maximum number of Awarded Shares available for grant*		68,505,019
Granting during the year		
Grant using existing shares		40,973,000
Grant using new shares		–
Forfeited during the year		1,153,400
Vested during the year		8,058,200
Purchased during the year	(a)	8,400,000
Contributed by Koradior Investments Limited during the year		20,735,500
Individual income tax paid on behalf of the Selected Grantees during the year	(b)	1,106,184

Notes:

(a) For the year ended 31 December 2020, the Trustee purchased 8,400,000 shares at a total cost (including related transaction costs) of HKD74,740,000(equivalent to RMB67,379,000) from the market out of cash contributed by the Group. Such shares will be held on trust by the Trustee for the Selected Grantees until the end of the vesting period, subject to fulfilment of the vesting conditions.

(b) During the year ended 31 December 2020, tax has been paid by the Group on behalf of certain Selected Grantees whose rights were vested in the Awarded Shares and 1,106,184 Awarded Shares were deducted from the total number of Awarded Shares entitled to be vested to those Selected Grantees, as the settlement for the Individual Income Tax paid by the Group on their behalf. The total cost of the related vested Awarded Shares was RMB8,574,000.

* As mentioned above, the Board shall not make any further award of Awarded Shares which will result in the aggregate number of the Awarded Shares granted under the Share Award Scheme (excluding those cancelled or forfeited) exceeding 10% of the number of issued shares of the Company as at the Adoption Date (i.e. 2 December 2019).

32. RESERVES

The amount of the Group's reserves and the movements therein during the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity on pages 99 of the Annual Report 2020.

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 and cancelled.

Capital reserve

The capital reserve comprises 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.

(ii) The portion of the grant date fair value of RMB4,558,000 (2019: 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 2020.

(iii) On 27 April 2020, Koradior Investments Limited, the immediate holding company of the Company transferred a total of 20,735,500 shares with fair value of RMB144,839,000, to the Trustee as contribution of Trust Shares to the Share Award Scheme. Such shares will be held on by the Trustee until it is instructed by the Board to distribute them as Awarded Shares to any Selected Grantees in accordance with the terms of the Share Award Scheme as disclosed in note 31.

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 2020, RMB4,647,000 (2019: Nil) was transferred from retained earnings to the statutory reserve.

33. 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 RMB599,477,000 (2019: RMB422,244,000) and RMB599,477,000 (2019: RMB422,244,000), respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2020

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2020	262,185	564,360
Changes from financing cash flows	113,377	(560,496)
New leases	–	599,477
Foreign exchange movement	(9,074)	–
Interest expense	–	28,015
Covid-19-related rent concessions from lessors	–	(27,732)
At 31 December 2020	366,488	603,624

2019

	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2019	98,165	238,250
Changes from financing cash flows	25,380	(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	262,185	564,360

33. 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:

	2020 RMB'000	2019 RMB'000
Within operating activities	**(806,788)**	(691,873)
Within financing activities	**(560,496)**	(332,283)
	(1,367,284)	(1,024,156)

34. 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 2020:

		2020 RMB'000	2019 RMB'000
Processing fees	Note	**218,911**	190,356

Note: 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 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 RMB218,911,000 (2019: RMB190,356,000) for the year ended 31 December 2020.

34. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Outstanding balances with related parties

		Due to related parties		Due from related parties	
		2020	2019	**2020**	2019
		RMB'000	RMB'000	**RMB'000**	RMB'000
Current					
Yingjia Fashion Group	(1)	**58,586**	21,886	**31,315**	30,784
Non-controlling shareholder	(2)	**210,400**	268,741	**–**	–
		268,986	290,627	**31,315**	30,784
Non-current					
Non-controlling shareholder	(2)	**84,160**	179,159	**–**	–

(1) The Group had an outstanding balance due to the Yingjia Fashion Group of RMB58,586,000 (2019: RMB21,886,000), and an amount due from the Yingjia Fashion Group of RMB31,315,000 (2019: RMB30,784,000) as at the end of the reporting period. This balance is unsecured, interest-free and repayable on demand.

(2) The Group had an outstanding balance due to 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. of RMB294,560,000 (2019: RMB447,900,000).

(c) Commitments with related parties

The Group has rental contracts with the Yingjia Fashion Group. As at 31 December 2020, the Group had total lease liabilities with these related companies under non-cancellable leases falling due as follows:

	2020	2019
	RMB'000	RMB'000
Lease liabilities – current	**2,482**	11,887
Lease liabilities – non-current	**–**	2,045
	2,482	13,932

Under such rental contracts, the minimum lease payment during the year was RMB13,073,000(2019: RMB5,946,000).

As at 31 December 2020, the Group's right-of-use assets relating to such rental contracts amounted to RMB1,981,000 (31 December 2019: RMB13,409,000).

34. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	10,676	9,714
Pension scheme contributions	116	111
Equity-settled share award expense	8,698	–
	19,490	9,825

Further details of directors' emoluments are included in notes 8 and 9 to the financial statements.

35. 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:

2020

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	–	40,036	–	40,036
Trade receivables	–	–	673,069	673,069
Financial assets included in prepayments, other receivables and other assets (note 22)	–	–	117,879	117,879
Financial assets at fair value through profit or loss	280,455	–	–	280,455
Cash and cash equivalents	–	–	582,929	582,929
	280,455	40,036	1,373,877	1,694,368

35. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2019

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	–	–	623,445	623,445
Financial assets included in prepayments, other receivables and other assets (note 22)	–	–	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

Financial liabilities

	Financial liabilities at amortised cost	
	2020 RMB'000	2019 RMB'000
Trade and bills payables	**280,593**	198,121
Financial liabilities included in other payables and accruals (note 26)	**288,457**	563,702
Other long-term liabilities	**87,160**	179,159
Lease liabilities	**603,624**	564,360
Interest-bearing bank borrowings	**366,488**	262,185
	1,626,322	1,767,527

36. 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	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**40,036**	43,277	**40,036**	43,277
Financial assets at fair value through profit or loss	**280,455**	49,517	**280,455**	49,517
	320,491	92,794	**320,491**	92,794

	Carrying amounts		Fair values	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank borrowings	**366,488**	262,185	**366,488**	262,185
Other long-term liabilities	**87,160**	179,159	**87,160**	173,514
	453,648	441,344	**453,648**	435,699

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.

36. 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 listed equity investments are based on quoted market prices with a liquidity discount.

The fair values of other unlisted investments are estimated using a 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 2020

	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	–	40,036	–	40,036
Financial assets at fair value through profit or loss	–	231,000	49,455	280,455
	–	271,036	49,455	320,491

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets measured at fair value: *(Continued)*

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

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 RMB'000
Financial assets at fair value through profit or loss:	
At 1 January	**49,517**
Interest accrued	**4,938**
Principal received	**(5,000)**
At 31 December	**49,455**

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank 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 to the Group's borrowings. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group constantly assesses the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rates risk that may arise.

On 31 December 2020, if the interest rate of bank borrowings had increased/decreased by 1% and all other factors remained unchanged, the profit before tax for the year of the Group would have decreased/increased by approximately RMB543,000 (2019: RMB672,000).

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.

37. 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 performs 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. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	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*	–	–	–	673,069	673,069
Financial assets included in prepayments, other receivables and other assets					
– Normal**	117,879	–	–	–	117,879
Cash and cash equivalents					
– Not yet past due	582,929	–	–	–	582,929
	700,808	–	–	673,069	1,373,877

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

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

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 21 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is 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.

37. 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.

		2020	
	Within 1 year	**1 to 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Lease liabilities	**381,603**	**248,617**	**630,220**
Interest-bearing bank borrowings	**274,141**	**120,193**	**394,334**
Trade and bills payables	**280,593**	**–**	**280,593**
Other long-term liabilities	**–**	**87,160**	**87,160**
Financial liabilities included in other payables and accruals	**288,457**	**–**	**288,457**
	1,224,794	**455,970**	**1,680,764**

		2019	
	Within 1 year	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Lease liabilities	358,897	235,716	594,613
Interest-bearing bank 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

37. 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 2020 and 31 December 2019.

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 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 as at the end of the reporting periods were as follows:

	2020 RMB'000	2019 RMB'000
Interest-bearing bank borrowings	**366,488**	262,185
Trade and bills payables	**280,593**	198,121
Financial liabilities included in other payables and accruals	**288,457**	563,702
Other long-term liabilities	**87,160**	179,159
Lease liabilities	**603,624**	564,360
Less: Cash and cash equivalents	**(582,929)**	(691,327)
Net debt	**1,043,393**	1,076,200
Equity attributable to owners of the parent	**3,455,988**	3,140,952
Capital and net debt	**4,499,381**	4,217,152
Gearing ratio	**23%**	26%

38. 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:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in a subsidiary	2,087,205	2,104,629
Total non-current assets	2,087,205	2,104,629
CURRENT ASSETS		
Cash and cash equivalents	4,429	3,080
Prepayments, other receivables and other assets	109,836	264,638
Total current assets	114,265	267,718
CURRENT LIABILITIES		
Other payables and accruals	273,970	411,563
Interest-bearing bank borrowings	37,872	–
Total current liabilities	311,842	411,563
NET CURRENT LIABILITIES	(197,577)	(143,845)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,889,628	1,960,784
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	113,616	–
Other long-term liabilities	84,160	–
Total non-current liabilities	197,776	–
Net assets	1,691,852	1,960,784
EQUITY		
Share capital	5,609	5,609
Reserves (note)	1,686,243	1,955,175
	1,691,852	1,960,784

38. 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 2018	212,502	196	4,558	43,553	139,734	400,543
Loss for the year	–	–	–	–	(4,244)	(4,244)
Other comprehensive loss for the year:						
Exchange differences on translation of financial statements	–	–	–	35,879	–	35,879
Total comprehensive loss 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

	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Awarded Share reserve RMB'000	Shares held for the Share Award Scheme RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 31 December 2019	1,872,561	196	4,558	–	–	79,432	(1,572)	1,955,175
Loss for the year	–	–	–	–	–	–	(7,471)	(7,471)
Other comprehensive loss for the year:								
Exchange differences on translation of financial statements	–	–	–	–	–	(107,435)	–	(107,435)
Total comprehensive loss for the year	–	–	–	–	–	(107,435)	(7,471)	(114,906)
Contributed by immediate holding company under the Share Award Scheme	–	–	144,839	–	(144,839)	–	–	–
Repurchase shares under the Share Award Scheme	–	–	–	–	(67,379)	–	–	(67,379)
Share Award Scheme arrangements	–	–	–	109,915	–	–	–	109,915
Vesting shares under the Share Award Scheme	(1,736)	–	–	(55,933)	49,095	–	–	(8,574)
Final 2019 dividend declared	–	–	–	–	–	–	(96,772)	(96,772)
Interim 2020 special dividend declared	–	–	–	–	–	–	(91,216)	(91,216)
At 31 December 2020	1,870,825	196	149,397	53,982	(163,123)	(28,003)	(197,031)	1,686,243

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.