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EEKA Fashion Holdings Limited

贏家時尚控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

SUMMARY

- Our revenue increased from RMB2,003.35 million for the six months ended 30 June 2020 to RMB3,078.38 million for the six months ended 30 June 2021, representing an increase of 53.66% or RMB1,075.03 million.
- Net profit for the six months ended 30 June 2021 was RMB279.74 million, representing an increase of 134.21% or RMB160.30 million as compared to RMB119.44 million for the six months ended 30 June 2020.
- Net cash inflow from operating activities was RMB771.55 million for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB633.78 million).
- Basic earnings per share for the six months ended 30 June 2021 was RMB0.42 (six months ended 30 June 2020: RMB0.19).
- No interim dividend was proposed by the Board for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

The board of directors (the “Board”) of EEKA Fashion Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2020. These unaudited interim financial statements have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2021 (Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	5	3,078,375	2,003,349
Cost of sales		(816,177)	(527,269)
Gross profit		2,262,198	1,476,080
Other income and gains	6	44,928	35,461
Other net (loss)/gain	7	(23,272)	402
Selling and distribution expenses		(1,672,616)	(1,143,077)
Administrative and other operating expenses		(260,266)	(232,696)
Finance costs		(19,006)	(21,481)
Profit before tax	7	331,966	114,689
Income tax (expense)/credit	8	(52,229)	4,747
Profit for the period		279,737	119,436
Attributable to:			
Owners of the parent		279,584	131,397
Non-controlling interests		153	(11,961)
Profit for the period		279,737	119,436
Earnings per share attributable to ordinary equity holders of the parent			
Basic	9(a)	RMB41.8 cents	RMB19.18 cents
Diluted	9(b)	RMB40.7 cents	RMB19.09 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2021 (Expressed in Renminbi)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit for the period	<u>279,737</u>	<u>119,436</u>
Other comprehensive income/(loss) for the period, net of tax		
Item that may be reclassified subsequently to profit and loss:		
– Exchange differences on translation of financial statements	<u>3,872</u>	<u>(13,384)</u>
Total comprehensive income for the period	<u><u>283,609</u></u>	<u><u>106,052</u></u>
Attributable to:		
Owners of the parent	<u>283,456</u>	<u>118,013</u>
Non-controlling interests	<u>153</u>	<u>(11,961)</u>
	<u><u>283,609</u></u>	<u><u>106,052</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*at 30 June 2021 (Expressed in Renminbi)*

		At 30 June 2021 (Unaudited) <i>RMB'000</i>	At 31 December 2020 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		638,081	650,354
Right-of-use assets		649,722	686,447
Goodwill		1,253,540	1,253,540
Other intangible assets		605,610	609,910
Investments in associates		300	300
Prepayments, other receivables and other assets	11	50,765	55,216
Equity investments designated at fair value through other comprehensive income		40,036	40,036
Deferred tax assets		37,021	40,039
		<hr/>	<hr/>
Total non-current assets		3,275,075	3,335,842
		<hr/>	<hr/>
Current assets			
Inventories		667,190	679,564
Trade and bills receivables	10	505,099	673,069
Prepayments, other receivables and other assets	11	181,103	193,503
Financial assets at fair value through profit or loss		669,654	280,455
Cash and cash equivalents		545,530	582,929
		<hr/>	<hr/>
Total current assets		2,568,576	2,409,520
		<hr/>	<hr/>
Current liabilities			
Interest-bearing bank borrowings		377,445	252,872
Trade and bills payables	12	259,178	280,593
Other payables and accruals	13	646,729	671,935
Lease liabilities		374,852	377,250
Tax payable		75,969	105,415
		<hr/>	<hr/>
Total current liabilities		1,734,173	1,688,065
		<hr/>	<hr/>
Net current assets		834,403	721,455
		<hr/>	<hr/>
Total assets less current liabilities		4,109,478	4,057,297
		<hr/>	<hr/>

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Non-current liabilities		
Interest-bearing bank borrowings	74,889	113,616
Lease liabilities	201,954	226,374
Deferred tax liabilities	151,432	152,072
Other long-term liabilities	3,000	87,160
	<hr/>	<hr/>
Total non-current liabilities	431,275	579,222
	<hr/>	<hr/>
Net assets	3,678,203	3,478,075
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	5,766	5,609
Reserves	3,651,270	3,450,379
	<hr/>	<hr/>
	3,657,036	3,455,988
	<hr/>	<hr/>
Non-controlling interests	21,167	22,087
	<hr/>	<hr/>
Total equity	3,678,203	3,478,075
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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

This interim financial statements of the Group have been prepared in accordance with the applicable disclosure provisions of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. It was authorised for issue on 27 August 2021.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following new and revised International Financial Reporting Standards (“IFRSs”) or amendments to IFRS which would take effect from financial periods beginning on or after 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to IFRS 16	<i>Covid-19 Related Rent Concessions beyond 30 June 2021(early adopted)</i>

The application of the new and revised standards in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

4 SEGMENT REPORTING

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

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

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

5 REVENUE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Self-operated retail stores	2,444,579	1,679,696
Wholesales to distributors	226,631	48,589
E-commerce platforms	385,984	272,395
Others	21,181	2,669
	<u>3,078,375</u>	<u>2,003,349</u>

6 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	420	1,213
Subsidy income (<i>note</i>)	19,272	12,346
Other interest income from financial assets at fair value through profit or loss	12,109	13,130
Rental income	8,999	5,952
Exchange gain, net	335	–
Others	3,793	2,820
	<u>44,928</u>	<u>35,461</u>

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

7 PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of inventories sold	816,177	527,269
Depreciation of property, plant and equipment	73,504	60,198
Depreciation of right-of-use assets	328,498	268,162
Amortisation of other intangible assets	4,828	3,261
Lease payments not included in the measurement of lease liabilities	466,089	250,164
Employee benefit expense (including directors' remuneration):		
Wages and salaries	573,100	468,427
Equity-settled share award expenses	54,006	62,532
Pension scheme contributions	28,877	7,413
	<u>655,983</u>	<u>538,372</u>
Exchange (gains)/losses, net [#]	(335)	(2,972)
(Reversal of)/impairment of trade receivables [^]	(37)	262
Impairment of other receivables [^]	21,250	–
Write-down of inventories to net realisable value [*]	<u>(8,781)</u>	<u>(2,228)</u>

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

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

[^] (Reversal of)/impairment of trade receivables and Impairment of other receivables are included in "Other net (loss)/gain" in the consolidated statement of profit or loss.

8 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax		
PRC Corporate Income Tax (“CIT”)	49,851	10,985
Deferred tax		
Origination of temporary differences	<u>2,378</u>	<u>(15,732)</u>
	<u>52,229</u>	<u>(4,747)</u>

Notes:

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) The Company and its subsidiaries incorporated in the British Virgin Islands and Cayman Islands are exempted from taxation.
- (iii) The profit tax in Hong Kong has been provided at the rate of 16.5% on the taxable income for the six months ended 30 June 2021 and 2020. The reduction granted by the Hong Kong Special Administrative Region Government of 100% of the tax payable for the year of assessment 2020-21 is subject to a maximum of HK\$10,000 for each company.
- (iv) Dongfang Susu Creativity and Design (Shenzhen) Co, Ltd. was entitled to a reduced CIT rate of 15% under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.
- (v) 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.
- (vi) 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 OT rate of 15% for a period of three years from 2020 to 2022.
- (vii) Shenzhen De Kora Technology Development Limited 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.

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB279,584,000 (30 June 2020: RMB131,397,000) and the weighted average number of 669,468,378 ordinary shares in issue less shares held for the Share Award Scheme for the six months ended 30 June 2021 (30 June 2020: 685,050,195 shares).

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Weighted average number of ordinary shares in issue less shares held for the Share Award Scheme during the period	669,468,378	685,050,195
Basic earnings per share (RMB cents)	<u>41.8</u>	<u>19.18</u>

(b) Diluted earnings per share

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

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
Weighted average number of ordinary shares in issue less shares held for the Share Award Scheme during the period used in the basic earnings per share calculation	669,468,378	685,050,195
Effect of dilution – weighted average number of ordinary shares:		
Share option	4,388,371	3,350,322
Awarded shares	12,291,537	–
	686,148,286	688,400,517
Diluted earnings per share (RMB cents)	<u>40.7</u>	<u>19.09</u>

10 TRADE AND BILLS RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade and bills receivables	510,904	678,911
Impairment	(5,805)	(5,842)
	<u>505,099</u>	<u>673,069</u>

(a) Ageing analysis

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

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

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Trade receivables		
Within 1 month	248,185	388,710
1 to 2 months	161,629	190,230
2 to 3 months	40,833	47,716
Over 3 months	54,452	46,413
	<u>505,099</u>	<u>673,069</u>

As at 30 June 2021, the allowance for credit losses is related to individually impaired receivables amounting to RMB5,805,000 (31 December 2020: RMB5,842,000). 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 RMB5,805,000 (31 December 2020: RMB5,842,000) has been recognised in respect of such receivables.

As at 30 June 2021, trade receivables that were not individually impaired related to a large number of independent customers including owners of department stores and shopping malls in Mainland China with no recent history of material defaults, the probability of default and the loss given default were estimated to be minimal.

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

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
At beginning of period/year	5,842	1,706
(Reversal of)/impairment losses, net	<u>(37)</u>	<u>4,136</u>
At end of period/year	<u>5,805</u>	<u>5,842</u>

11 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Prepayments	129,925	128,526
Deposits and other receivables	94,683	89,910
Loan to a third party	21,250	21,250
Loans to employees	5,866	6,719
Right-of-return assets	1,394	2,314
	<hr/>	<hr/>
	253,118	248,719
Impairment	(21,250)	–
Less: Non-current portion included in prepayments, other receivables and other assets	(50,765)	(55,216)
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	181,103	193,503
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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 30 June 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

Loan to a third party was impaired as the impairment of other receivables is included in other net(loss)/gain in the consolidated statement of profit or loss.

12 TRADE AND BILLS PAYABLES

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

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Trade payables		
Within 1 month	201,981	197,721
1 to 2 months	2,852	19,175
2 to 3 months	136	254
Over 3 months	3,388	3,443
	<hr/>	<hr/>
	208,357	220,593
Bills payables	50,821	60,000
	<hr/>	<hr/>
	259,178	280,593
	<hr/> <hr/>	<hr/> <hr/>

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.

13 OTHER PAYABLES AND ACCRUALS

		At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Contract liabilities	(a)	89,453	105,447
Refund liabilities		3,707	6,011
Salaries and welfare payables		82,634	142,349
Tax payables other than current income tax liabilities		89,446	127,148
Other payables		371,849	288,457
Dividend payables		9,640	2,523
		<u>646,729</u>	<u>671,935</u>

Note:

(a) Details of contract liabilities are as follows:

	At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
Short-term advances received from customers		
Sales of goods	89,453	105,447
	<u>89,453</u>	<u>105,447</u>

14 DIVIDEND

The Board has resolved not to declare any interim dividend to the shareholders of the Company in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2021, the global epidemic prevention and control entered a normal phase. China's economy continued to recover steadily, with gross domestic product ("GDP") amounting to RMB53.2167 billion, up 12.7% year-on-year. The continued growth of high net worth groups with strong domestic consumption capacity provides strong support for maintaining a high business climate in the domestic high-end consumer goods market, with total domestic retail sales of consumer goods increasing by 23.0% year-on-year to RMB2,119.04 billion in the first half of the year, with the contribution of final consumption to GDP growth reaching 61.7%, demonstrating the resilience of China's economy.

According to the 2021 China Private Wealth Report released by China Merchants Bank in conjunction with Bain & Company, the average annual compound growth rate of the number of high net worth people (investable assets of RMB10 million or more) in China from 2018 to 2020 was 15%. The number of high net worth people in China is expected to continue to grow to 2.96 million by the end of 2021, and the total size of investable assets will exceed RMB90 trillion. It can be seen that the domestic high-end consumer goods market contains considerable growth potential. In the first half of 2021, the apparel industry as a whole continued the growth momentum in the second half of 2020, but the industry entered a stage of growth differentiation, with sports apparel and luxury areas of growth significantly higher than other subdivisions.

During the Reporting Period, the Group's revenue reached RMB3,078.38 million, representing an increase of 53.66% with a net profit of RMB279.74 million, representing a strong increase 134.21% compared with the first half of 2020. From distributors, revenue reached RMB226.63 million in the Reporting Period, representing a year-on-year rapid increase of 366.41%. From e-commerce, revenue reached RMB385.98 million in the Reporting Period, representing a year-on-year increase of 41.70%. As at 30 June 2021, the Group had 1,935 retail stores of which 1,490 were operated by the Group and 445 were operated by our distributors.

The Group's eight major brands during the Reporting Period have shown rapid growth momentum, successfully completing the first half of the business plan, in which: Korador and NAERSI recovered quickly, demonstrating the strong market influence of the main brands, with sales of RMB1,119.85 million and RMB686 million respectively; NEXY.CO brand was performing strongly and accelerated towards the Group's third retail brand target of over 1 billion, with sales of RMB388 million and a strong growth of 66.21%; Korador elsewhere and NAERSILING aligned their categories to unlock growth potential, with sales of RMB244 million and RMB230 million respectively; La Korador maintained its continued growth momentum and further expanded its leading position in the segment, with sales of RMB166 million and a growth of 60.95%; CADIDL went through an integration period, became profitable and began to enter a period of benign growth, with sales nearly doubled to RMB162 million; FUUNNY FEELLN brand progressed normally with its channel layout and product iteration running smoothly, with sales achieved a staggering growth rate of 528.75%.

At the same time, the Group also launched its product research and development innovation projects in the first half of the year, and continued to vigorously promote the integration of high-quality supply chain, logistics storage concentration and RFID project landing implementation, second phase optimization of omnichannel projects and third phase start-up preparation and other major operational management projects to improve operational capabilities and solid core competitive advantage.

Overall, the Group believes the domestic middle and high-end women's clothing market has clearly rebounded, ushering in good growth opportunities. The Group will enrich the brand matrix, resource optimization, channel layout and innovative research and development and other dimensions.

FINANCIAL REVIEW

REVENUE

The principal activities of the Group are design, promotion, marketing and sales of self-owned branded womenswear products in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value-added tax. Total revenue increased from RMB2,003.35 million for the first half of 2020 to RMB3,078.38 million for the Reporting Period, representing an increase of 53.66% or RMB1,075.03 million. Total number of retail stores increased from 1,836 as at 1 January 2021 to 1,935 as at 30 June 2021*. Our self-operated retail stores revenue increased by 45.54% from RMB1,679.70 million for the first half of 2020 to RMB2,444.58 million for the Reporting Period. Total revenue from distributors increased by 366.41% from RMB48.59 million for the first half of 2020 to RMB226.63 million for the Reporting Period. Total revenue from e-commerce platforms increased by 41.70% from RMB272.40 million for the first half of 2020 to RMB385.98 million for the Reporting Period. The revenue from e-commerce generated from Tmall decreased from RMB144.74 million for the first half of 2020 to RMB119.12 million for the Reporting Period, representing a decrease of 17.70% or RMB25.62 million, the revenue from e-commerce generated from VIP.com increased from RMB111.67 million for the first half of 2020 to RMB185.07 million for the Reporting Period, representing an increase of 65.73% or RMB73.40 million and the revenue from e-commerce generated from EEKA MALL was RMB54.21 million for the Reporting Period, representing an increase of 251.29%.

* The following table shows a breakdown of retail stores of our brands in the PRC as at 1 January 2021 and 30 June 2021 respectively including both self-operated retail stores and retail stores operated by our distributors by geographical region and brand:

Region	Number of retail stores			As at 30 June 2021
	As at 1 January 2021	Opened during the Reporting Period	Closed during the Reporting Period	
Central PRC ¹	200	29	(17)	212
Eastern PRC ²	630	66	(43)	653
North Eastern PRC ³	118	18	(14)	122
North Western PRC ⁴	180	27	(21)	186
Northern PRC ⁵	215	24	(12)	227
South Western PRC ⁶	270	38	(7)	301
Southern PRC ⁷	223	19	(8)	234
Total	1,836	221	(122)	1,935

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.

Brand	Number of retail stores	
	As at 1 January 2021	As at 30 June 2021
Koradior	684	709
La Koradior	39	40
Koradior elsewhere	155	169
CADIDL	135	147
O'2nd	10	6
Obzee	4	1
FUUNNY FEELLN	100	115
NAERSI	459	482
NAERSILING	110	111
NEXY.CO	140	155
	<hr/>	<hr/>
Total	<u>1,836</u>	<u>1,935</u>

Revenue analysis by brands

	2021		For the six months ended 30 June		2020		Increase/(decrease)	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Koradior	1,119,852	36.38%	762,300	38.05%	357,552	46.90%		
La Koradior	166,100	5.40%	103,201	5.15%	62,899	60.95%		
Koradior elsewhere	244,190	7.93%	146,911	7.33%	97,279	66.22%		
CADIDL	162,235	5.27%	82,550	4.12%	79,685	96.53%		
O'2nd	19,535	0.63%	22,121	1.10%	(2,586)	(11.69%)		
Obzee	7,299	0.24%	8,656	0.43%	(1,357)	(15.68%)		
FUUNNY FEELLN	55,594	1.81%	8,842	0.44%	46,752	528.75%		
NAERSI	685,653	22.27%	472,903	23.61%	212,750	44.99%		
NAERSILING	230,196	7.48%	162,589	8.12%	67,607	41.58%		
NEXY.CO	387,721	12.59%	233,276	11.65%	154,445	66.21%		
Total	<u>3,078,375</u>	<u>100%</u>	<u>2,003,349</u>	<u>100%</u>	<u>1,075,026</u>	<u>53.66%</u>		

The revenue generated from the sales of our products under the main brands Koradior and NAERSI showed an increase of 46.90% and 44.99% or RMB357.55 million and RMB212.75 million for the Reporting Period respectively. For the Reporting Period, our FUUNNY FEELLN brand's performance is outstanding, with the revenue generated from sales of products increased to RMB55.59 million, representing an increase of 528.75% as compared to the first half of 2020. For the Reporting Period, the revenue generated from sales of products of La Koradior, Koradior elsewhere, CADIDL, NAERSILING and NEXY.CO increased to RMB166.10 million, RMB244.19 million, RMB162.24 million, RMB230.20 million and RMB387.72 million respectively, representing an increase of 60.95%, 66.22%, 96.53%, 41.58% and 66.21% respectively as compared to the first half of 2020. The revenue from sales of products under O'2nd and Obzee decreased to RMB19.54 million and RMB7.30 million respectively, representing a decrease of 11.69% and 15.68% respectively as compared to the first half of 2020.

COST OF SALES

Cost of sales increased from RMB527.27 million for the six months ended 30 June 2020 to RMB816.18 million for the Reporting Period, representing an increase of 54.79% or RMB288.91 million, primarily due to the increase in the cost of inventories sold as a result of the growth of the Group's revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit increased from RMB1,476.08 million for the six months ended 30 June 2020 to RMB2,262.20 million for the Reporting Period, representing an increase of 53.26% or RMB786.12 million. Overall gross profit margin slightly decreased from 73.68% for the first half of 2020 to 73.49% for the Reporting Period.

OPERATING EXPENSES

Operating expenses increased from RMB1,375.77 million for the six months ended 30 June 2020 to RMB1,932.88 million for the Reporting Period, representing an increase of 40.49% or RMB557.11 million. Operating expenses include selling and distribution expenses, administrative expenses and other operating expenses, and details of them are listed below:

Selling and distribution expenses

Selling and distribution expenses increased by 46.33% to RMB1,672.62 million for the Reporting Period from RMB1,143.08 million for six months ended 30 June 2020, primarily due to (a) increase in store concession fees as a result of increase in sales; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of our sales network as well as business growth; and (d) the increase in rental expenses due to increase in number of retail stores.

Administrative and other operating expenses

Administrative and other operating expenses increased by 11.85% to RMB260.27 million for the Reporting Period from RMB232.70 million for the corresponding period in 2020 primarily due to (a) the increase in salaries and benefits; and (b) the increase in research and development expenses for all brands to improve products design.

FINANCE COSTS

Finance costs decreased by 11.50% to RMB19.01 million for the Reporting Period from RMB21.48 million for the corresponding period in 2020, mainly due to the decrease in borrowing.

INCOME TAX EXPENSES/CREDIT

Income tax expenses increased from a tax credit of RMB4.75 million for the first half of 2020 to a tax expense of RMB52.23 million for the Reporting Period mainly due to the increase in operating profit.

THE NET PROFIT AND NET PROFIT MARGIN

As the result of the foregoing reasons, the net profit for the Reporting Period was RMB279.74 million, representing an increase of 134.21% or RMB160.30 million as compared to RMB119.44 million for the first half of 2020. Net profit margin increased from 5.96% for the first half of 2020 to 9.09% for the Reporting Period.

CAPITAL STRUCTURE

The Group requires working capital to support its design and development, retail and other business operations. As at 30 June 2021, the Group had total current assets of RMB2,568.58 million (31 December 2020: RMB2,409.52 million) and total current liabilities of RMB1,734.17 million (31 December 2020: RMB1,688.07 million) with a current ratio of 1.48. The Board believes that this healthy capital structure and the net cash inflow from operating activities are sufficient to support the operating activities of the Group.

As at 30 June 2021, the Group's interest bearing bank loans were denominated in Hong Kong dollars and Renminbi, comprising a HK\$135 million term loan repayable within three years, with variable interest rates, and a RMB340 million loan with fixed interest rate, repayable within one year.

FINANCIAL POSITION, LIQUIDITY AND GEARING RATIO

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

As at 30 June 2021, the Group had cash and cash equivalents of RMB545.53 million (31 December 2020: RMB582.93 million), denominated as to 95.39% in RMB, 4.22% in Hong Kong dollar, 0.20% in United States dollar and 0.19% in Euro. The net cash inflow from operating activities generated was RMB771.55 million during the Reporting Period, increased by 21.74% from RMB633.78 million for the six months ended 30 June 2020. As at 30 June 2021, the Group's gearing ratio, i.e. the total outstanding bank loans divided by total equity, was 12.30% (31 December 2020: 10.54%).

EXPOSURES TO FLUCTUATION IN FOREIGN EXCHANGE

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

HUMAN RESOURCES

The Group's number of employees has increased to 9,784 as at 30 June 2021 (30 June 2020: 9,205). The total staff costs for the Reporting Period (including basic wages and salaries, commissions, bonuses, retirement benefits scheme contributions and share award expenses) amounted to RMB655.98 million (six months ended 30 June 2020: RMB538.37 million), representing 21.31% of our revenue (six months ended 30 June 2020: 26.87%).

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

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no significant contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL

On 2 January 2020, certain subsidiaries of the Company entered into transactions for the acquisition of two financial products from Ping An Bank amounting to RMB227,000,000 in aggregate, which exceeded 5% of one of the applicable percentage ratios under Rules 14.07 of the Listing Rules. On 8 March 2021, certain subsidiaries of the Company entered into transactions for the acquisition of a financial product from China Merchant Bank amounting to RMB21,000,000, which when aggregated with other financial products acquired by the Group from China Merchant Bank during 2 January 2020 to 8 March 2021, exceeded 5% of one of the applicable percentage ratios under Rule 14.07 of the Listing Rules. Details of the above were set out in the announcement of the Company dated 30 July 2021.

Save as disclosed above, the Group had no material acquisition or disposal of any subsidiaries, associates or joint ventures during the Reporting Period.

SIGNIFICANT INVESTMENT

As at 30 June 2021, the Group had no significant investment with a value of 5% or more of the Group's total assets.

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 30 April 2021, the Company entered into the placing and subscription agreement, pursuant to which (i) the placing agent agreed to place, on a best effort basis, up to 19,000,000 shares of the Company held by Koradior Investments Limited (as vendor) at the placing price of HK\$10.50 per share to the placee(s); and (ii) the Company has conditionally agreed to allot and issue, and Koradior Investments Limited has conditionally agreed to subscribe for, up to 19,000,000 new shares of the Company at the subscription price of HK\$10.50 per share (the "Top-up Placing"). The Top-up Placing was completed on 11 May 2021. Details of the Top-up Placing were set out in the announcements of the Company dated 30 April 2021 and 21 May 2021.

The net proceeds from the Top-up Placing were approximately HK\$198.09 million which were intended to be utilised (i) as to approximately HK\$178.29 million for the settlement of the existing debts of the Group; and (ii) as to the remaining HK\$19.80 million for the general working capital of the Group. As at 30 June 2021, approximately HK\$48.07 million have been applied for the settlement of the existing debts of the Group. The remaining net proceeds of the Top-up Placing will be applied according to the proposed use of proceeds by second half of 2021.

OUTLOOK

2021 is the starting year of the Group's three-year cross-ten billion sales target. Although the first half of the year saw good sales performance, it is still affected by the repeated outbreaks and economic environment uncertainty. The second half of the year shall be ready for the emergence of stage difficulties. To achieve the high growth target for the whole year still needs the unremitting efforts of all staff of the Group.

In the second half of 2021, the Group will continue to strengthen brand promotion, put in resources and enhance brand influence; promote product research and development innovation projects with remodel methodology, and enhance the brand's product research and development design capabilities; speed up the transformation of differentiated operation of e-commerce platform, strengthen the operation of online e-commerce platform for customer flow; start the third phase of the omnichannel project construction and implementation, fully combine the core advantages of the Group's highly self-operation, establish an integrated customer operation system, and further enhance the ability to link customers and serve customers; continue to deepen the combination of product research and development and supply chain, strengthen the promotion of all-round high-quality supply chain construction; start the project implementation of the expenses control system to improve the efficiency of internal operations management.

Looking to the future, the upgrade consumption of 1.4 billion people will support China's fashion industry's largest development bonus, with excellent management capabilities of multi-brand operation have unlimited prospects. The Group will maintain strategic determination, seek certainty in uncertainty aspects, keep consumer-orientation, adhere to brand positioning and core concepts, create value for consumers in pursuit of a better life, persevere in the soil of multi-brand operation, consolidate the ability of platform operation and systematization management, build a digital system of the entire business chain, deepen the core advantages of the Group, and achieve the established strategic objectives with early realization.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

PURCHASE, 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 7,250,500 shares for awards to the relevant grantees during the Reporting Period. The total cost (including related transaction costs) of HK\$75,875,000 (equivalent to RMB63,089,000) 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 Reporting Period.

AUDIT COMMITTEE

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

By Order of the Board
EEKA Fashion Holdings Limited
JIN MING

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises Mr. Jin Ming, Ms. He Hongmei and Mr. Jin Rui as executive Directors; and Mr. Zhong Ming, Mr. Zhou Xiaoyu and Mr. Zhang Guodong as independent non-executive Directors.