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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 2022**

SUMMARY

- Our revenue decreased from RMB3,078.38 million for the six months ended 30 June 2021 to RMB2,895.98 million for the six months ended 30 June 2022, representing a decrease of 5.93% or RMB182.40 million.
- Net profit for the six months ended 30 June 2022 was RMB257.74 million, representing a slight decrease of 7.86% or RMB22.00 million as compared to RMB279.74 million for the six months ended 30 June 2021.
- Net cash inflow from operating activities was RMB980.82 million for the six months ended 30 June 2022 (six months ended 30 June 2021: RMB771.55 million).
- Basic earnings per share for the six months ended 30 June 2022 was RMB0.39 (six months ended 30 June 2021: RMB0.42).
- No interim dividend was proposed by the Board for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2021. 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 2022 (Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2022 RMB'000	2021 RMB'000
Revenue	5	2,895,977	3,078,375
Cost of sales		(728,510)	(816,177)
Gross profit		2,167,467	2,262,198
Other income and gains	6	69,594	44,928
Other net loss		(13,824)	(23,272)
Selling and distribution expenses		(1,642,929)	(1,672,616)
Administrative and other operating expenses		(259,598)	(260,266)
Finance costs		(26,956)	(19,006)
Profit before tax	7	293,754	331,966
Income tax expenses	8	(36,012)	(52,229)
Profit for the period		257,742	279,737
Attributable to:			
Owners of the parent		260,552	279,584
Non-controlling interests		(2,810)	153
Profit for the period		257,742	279,737
Earnings per share attributable to ordinary equity holders of the parent			
Basic	9(a)	<u>RMB38.5 cents</u>	<u>RMB41.8 cents</u>
Diluted	9(b)	<u>RMB37.8 cents</u>	<u>RMB40.7 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*for the six months ended 30 June 2022 (Expressed in Renminbi)*

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period	<u>257,742</u>	<u>279,737</u>
Other comprehensive income		
Other comprehensive income 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	(4,635)	–
Income tax effect	695	–
	<u>(3,940)</u>	<u>–</u>
– Exchange differences on translation of financial statements	<u>4,515</u>	<u>3,872</u>
Other Comprehensive income for the period, net of tax	575	3,872
Total comprehensive income for the period	<u>258,317</u>	<u>283,609</u>
Attributable to:		
Owners of the parent	261,127	283,456
Non-controlling interests	(2,810)	153
	<u>258,317</u>	<u>283,609</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 (Expressed in Renminbi)

		At 30 June 2022 (Unaudited) <i>RMB'000</i>	At 31 December 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		657,333	668,658
Right-of-use assets		872,630	871,256
Goodwill		1,253,540	1,253,540
Other intangible assets		612,092	614,591
Investments in associates		3,933	3,633
Prepayments, other receivables and other assets	11	45,224	53,470
Equity investments designated at fair value through other comprehensive income		25,439	30,075
Financial assets at fair value and through profit and loss		60,074	61,074
Deferred tax assets		55,252	59,602
Restricted bank deposits		52,439	–
		<hr/>	<hr/>
Total non-current assets		3,637,956	3,615,899
Current assets			
Inventories		851,720	951,565
Trade and bills receivables	10	509,797	599,092
Prepayments, other receivables and other assets	11	189,858	217,020
Financial assets at fair value through profit or loss		519,242	339,092
Restricted bank deposits		100,151	–
Cash and cash equivalents		251,996	509,326
		<hr/>	<hr/>
Total current assets		2,422,764	2,616,095
Current liabilities			
Interest-bearing bank borrowings		361,244	417,672
Trade and bills payables	12	347,515	204,361
Other payables and accruals	13	353,182	508,394
Lease liabilities		367,853	390,565
Tax payable		65,451	113,030
		<hr/>	<hr/>
Total current liabilities		1,495,245	1,634,022
Net current assets		<hr/>	<hr/>
		927,519	982,073
Total assets less current liabilities		<hr/>	<hr/>
		4,565,475	4,597,972

	At 30 June 2022 (Unaudited) <i>RMB'000</i>	At 31 December 2021 (Audited) <i>RMB'000</i>
Non-current liabilities		
Interest-bearing bank borrowings	38,484	73,584
Lease liabilities	421,391	370,859
Deferred government grants	41,179	50,682
Deferred tax liabilities	150,292	166,369
Other long-term liabilities	3,000	3,000
	<hr/>	<hr/>
Total non-current liabilities	654,346	664,494
	<hr/>	<hr/>
Net assets	3,911,129	3,933,478
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	5,766	5,766
Reserves	3,911,121	3,933,711
	<hr/>	<hr/>
	3,916,887	3,939,477
	<hr/>	<hr/>
Non-controlling interests	(5,758)	(5,999)
	<hr/>	<hr/>
Total equity	3,911,129	3,933,478
	<hr/>	<hr/>

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 requirements 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 26 August 2022.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2022:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Costs of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs</i>	<i>Annual Improvements to IFRSs 2018-2020</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.

Individual 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	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Self-operated retail stores	2,279,809	2,444,579
Wholesales to distributors	162,225	226,631
E-commerce platforms	443,399	385,984
Others	10,544	21,181
	2,895,977	3,078,375

6 OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	736	420
Subsidy income (note)	48,118	19,272
Other interest income from financial assets at fair value through profit or loss	9,588	12,109
Rental income	6,073	8,999
Exchange gain, net	920	335
Others	4,159	3,793
	69,594	44,928

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/(crediting):

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	728,510	816,177
Depreciation of property, plant and equipment	77,167	73,504
Depreciation of right-of-use assets	390,486	328,498
Amortisation of other intangible assets	3,659	4,828
Lease payments not included in the measurement of lease liabilities	319,045	466,089
Employee benefit expense (including directors' remuneration):		
Wages and salaries	555,134	573,100
Equity-settled share award expense	20,706	54,006
Pension scheme contributions	36,636	28,877
	612,476	655,983
Exchange gains, net [#]	(920)	(335)
Impairment of/(reversal of) trade receivables [^]	1,657	(37)
Impairment of other receivables [^]	–	21,250
Write-down/(reversal) of inventories to net realisable value [*]	4,704	(8,781)

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

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

[^] *Impairment of/(reversal of) trade receivables and Impairment of other receivables are included in "Other net loss" in the consolidated statement of profit & loss.*

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax		
PRC Corporate Income Tax (“CIT”)	47,739	49,851
Deferred tax		
Origination of temporary differences	(11,727)	2,378
	<u>36,012</u>	<u>52,229</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 2022 and 2021. The reduction granted by the Hong Kong Special Administrative Region Government of 100% of the tax payable for the year of assessment 2021-22 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 Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Bureau, Shenzhen Tax Service State Administration of Taxation in 2017 to be taxed as a High and New-Technofogy 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 Shenzhen Science and Technology Innovation Committee, Shenzhen Finance Bureau, Shenzhen Tax Service State Administration of Taxation 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 2023.
- (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 CIT 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 RMB260,552,000 (30 June 2021: RMB279,584,000) and the weighted average number of 676,209,152 ordinary shares in issue less shares held for the Share Award Scheme for the six months ended 30 June 2022 (30 June 2021: 669,468,378 shares).

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
Weighted average number of ordinary shares in issue less shares held for the Share Award Scheme during the period	676,209,152	669,468,378
Basic earnings per share (RMB cents)	<u>38.5</u>	<u>41.8</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 2022	For the six months ended 30 June 2021
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	676,209,152	669,468,378
Effect of dilution – weighted average number of ordinary shares:		
Share option	4,020,749	4,388,371
Awarded shares	9,434,489	12,291,537
	689,664,390	686,148,286
Diluted earnings per share (RMB cents)	<u>37.8</u>	<u>40.7</u>

10 TRADE AND BILLS RECEIVABLES

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Trade and bills receivables	527,600	615,238
Impairment	(17,803)	(16,146)
	<u>509,797</u>	<u>599,092</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 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Trade receivables		
Within 1 month	266,466	348,603
1 to 2 months	129,989	170,061
2 to 3 months	53,092	37,937
Over 3 months	60,094	42,335
	<hr/> 509,641	<hr/> 598,936
Bill receivables	156	156
	<hr/> 509,797	<hr/> 599,092

As at 30 June 2022, the allowance for credit losses is related to individually impaired receivables amounting to RMB17,803,000 (31 December 2021: RMB16,146,000). 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 RMB17,803,000 (31 December 2021: RMB16,146,000) has been recognised in respect of such receivables.

As at 30 June 2022, 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:

	30 June 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>
At beginning of period/year	16,146	5,842
Impairment losses, net	1,657	10,304
	<hr/> 17,803	<hr/> 16,146

11 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Current		
Prepayments	100,618	132,002
Deposits and other receivables	86,075	82,658
Loan to a third party	21,250	21,250
Right-of-return assets	1,400	1,828
Loans to employees	1,765	532
	<hr/>	<hr/>
	211,108	238,270
Impairment	(21,250)	(21,250)
	<hr/>	<hr/>
	189,858	217,020
	<hr/>	<hr/>
Non-current		
Prepayments	8,283	8,533
Deposit and other receivables (<i>note</i>)	34,431	39,682
Loans to employees	2,510	5,255
	<hr/>	<hr/>
	45,224	53,470
	<hr/> <hr/>	<hr/> <hr/>

note:

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 that were not individually impaired relate to receivables for which there was no recent history of default.

Loan to a third party was impaired as the impairment of other receivables included in other net loss 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 2022 RMB'000	At 31 December 2021 RMB'000
Trade payables		
Within 1 month	152,669	152,307
1 to 2 months	–	18
2 to 3 months	1,448	20
Over 3 months	398	2,016
	<hr/>	<hr/>
	154,515	154,361
Bills payables	193,000	50,000
	<hr/>	<hr/>
	347,515	204,361
	<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 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
	<i>Note</i>		
Contract liabilities	<i>(a)</i>	71,937	69,128
Refund liabilities		4,094	5,342
Salaries and welfare payables		81,509	139,661
Tax payables other than current income tax liabilities		97,209	116,122
Other payables		90,213	174,885
Dividend payables		8,220	3,256
		<u>353,182</u>	<u>508,394</u>

Note:

(a) Details of contract liabilities are as follows:

	At 30 June 2022 <i>RMB'000</i>	At 31 December 2021 <i>RMB'000</i>
Short-term advances received from customers		
Sales of goods	<u>71,937</u>	<u>69,128</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 2022 (six months ended 30 June 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, the new crown epidemic brought about by the Omicron variant swept through China once again with severe controls causing a serious impact on the development of all sectors, with the apparel industry being particularly affected. China's GDP growth rate in the first half of the year was only 2.5%, a record low. Total retail sales of consumer goods amounted to RMB21,043.2 billion, down 0.7% year-on-year with apparel, footwear and textiles down 6.5% year-on-year. In facing of such a harsh external business environment, the Group's strong brand management and operational capabilities were once again demonstrated.

During the Reporting Period, the Group's revenue reached RMB2,895.98 million, representing a decrease of 5.93% with a net profit of RMB257.74 million, representing a slight decrease of 7.86% compared with the first half of 2021. Revenue from distributors reached RMB162.23 million in the Reporting Period, representing a year-on-year with a decrease of 28.42% due to the COVID-19 lockdowns. Revenue from e-commerce reached RMB443.40 million in the Reporting Period, representing a year-on-year increase of 14.88% which effectively mitigated the disruption to the offline business caused by the epidemic. As at 30 June 2022, the Group had 2,023 retail stores of which 1,552 were operated by the Group and 471 were operated by our distributors.

The Group's eight major brands during the Reporting Period have shown steady momentum: Koradior and NAERSI demonstrated the market influence of the main brands, with smooth sales of RMB1,013.76 million and RMB646.90 million with a decrease of 9.47% and 5.65% respectively; NEXY.CO brand was the Group's third highest retail brand with sales of RMB384.66 million with a decrease of 7.21%; Koradior elsewhere and NAERSILING achieved sales of RMB234.19 million and RMB205.46 million with a decrease of 4.09% and 10.74% respectively; La Koradior maintained sales of RMB166.91 million and a growth of 0.49%; CADIDL went through an integration period, became profitable and began to enter a period of benign growth, with sales of RMB183.13 million with an increase of 12.88%; FUUNNY FEELLN brand progressed growth with its channel layout and product iteration running smoothly, with sales of RMB60.97 million with an increase of 9.66%.

In terms of management, the Group continued to promote the excellent commodity system innovation project, the integration of quality supply chain project, the intelligent commodity management system project and the RFID project phase 3 implementation, etc., and all achieved milestone results, effectively achieving the set management objectives of iterating the core management system, optimizing the platform operation, management capabilities and solid core competitive advantages.

On 18 June 2022, EEKA Fashion offline stores achieved sales of RMB162 million at 618 festival with the excellent commodity system and sales management.

In the first half of 2022, the Group was awarded the “2022 China Textile and Garment Brand Competitiveness Advantage Enterprise” of decision on the release of 2022 China Textile and Garment Brand Competitiveness Evaluation Results by China National Textile and Apparel Council.

The Group engages in corporate social responsibility such as joining Shenzhen Bloom Charity Foundation, the fifth season of the “Books with Temperature” charity project of continuous voice for love and being awarded “Special Contribution Award” of contribution on pandemic prevention award by Shenzhen Retail Trade Association, Shenzhen Chain Operation Association and Shenzhen Smart Retail Association jointly.

Overall, the Group always believes that as the backbone of China’s fashion industry, as long as we continue to maintain our strategic determination, adhere to our brand positioning and core concepts, always respect our customers, products, markets and talents, persistently cultivate the soil for multi-brand operations, consolidate our ability to operate on platforms and manage systematically, and with the unremitting efforts of all our colleagues, we will be able to achieve our annual growth target and our ambitious goals for the future.

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 decreased from RMB3,078.38 million for the first half of 2021 to RMB2,895.98 million for the Reporting Period, representing a decrease of 5.93% or RMB182.40 million. Total number of retail stores decreased from 2,041 as at 1 January 2022 to 2,023 as at 30 June 2022*. The self-operated retail stores of the Group revenue decreased by 6.74% from RMB2,444.58 million for the first half of 2021 to RMB2,279.81 million for the Reporting Period. Total revenue from distributors decreased by 28.42% from RMB226.63 million for the first half of 2021 to RMB162.23 million for the Reporting Period. Total revenue from e-commerce platforms increased by 14.88% from RMB385.98 million for the first half of 2021 to RMB443.40 million for the Reporting Period. The revenue from e-commerce generated from Tmall decreased from RMB119.12 million for the first half of 2021 to RMB106.91 million for the Reporting Period, representing a decrease of 10.25% or RMB12.21 million, the revenue from e-commerce generated from VIP.com increased from RMB185.07 million for the first half of 2021 to RMB196.12 million for the Reporting Period, representing an increase of 5.97% or RMB11.05 million, the revenue from e-commerce generated from EEKA Fashion Mall was RMB80.46 million for the Reporting Period, representing an increase of 48.41% and the revenue from e-commerce generated from Douyin was RMB58.51 million for the Reporting Period, representing an increase of 121.00%.

* The following table shows a breakdown of retail stores of our brands in the PRC as at 1 January 2022 and 30 June 2022 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 2022
	As at 1 January 2022	Opened during the Reporting Period	Closed during the Reporting Period	
Central PRC ¹	218	11	(12)	217
Eastern PRC ²	681	38	(51)	668
North Eastern PRC ³	137	11	(13)	135
North Western PRC ⁴	201	33	(29)	205
Northern PRC ⁵	241	5	(19)	227
South Western PRC ⁶	317	29	(13)	333
Southern PRC ⁷	246	12	(20)	238
Total	2,041	139	(157)	2,023

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 and Guangdong.

Brand	Number of retail stores	
	As at 1 January 2022	As at 30 June 2022
Koradior	740	745
La Koradior	42	40
Koradior elsewhere	183	181
CADIDL	158	147
FUUNNY FEELLN	126	128
NAERSI	490	489
NAERSILING	116	103
NEXY.CO	186	190
Total	2,041	2,023

Revenue analysis by brands

	For the six months ended 30 June					
	2022		2021		Increase/(decrease)	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Koradior	1,013,756	35.01%	1,119,852	36.38%	(106,096)	(9.47%)
La Koradior	166,908	5.76%	166,100	5.40%	808	0.49%
Koradior elsewhere	234,191	8.09%	244,190	7.93%	(9,999)	(4.09%)
CADIDL	183,134	6.32%	162,235	5.27%	20,899	12.88%
FUUNNY FEELLN	60,967	2.11%	55,594	1.81%	5,373	9.66%
NAERSI	646,901	22.34%	685,653	22.27%	(38,752)	(5.65%)
NAERSILING	205,462	7.09%	230,196	7.48%	(24,734)	(10.74%)
NEXY.CO	384,658	13.28%	414,555	13.46%	(29,897)	(7.21%)
Total	<u>2,895,977</u>	<u>100%</u>	<u>3,078,375</u>	<u>100%</u>	<u>(182,398)</u>	<u>(5.93%)</u>

The revenue generated from the sales of products under the main brands Koradior and NAERSI showed a decrease of 9.47% and 5.65% or RMB106.10 million and RMB38.75 million for the Reporting Period respectively. FUUNNY FEELLN and CADIDL brand's performance is outstanding, with the revenue generated from sales of products increased to RMB60.97 million and RMB183.13 million, representing an increase of 9.66% and 12.88% as compared to the first half of 2021 respectively. The revenue generated from sales of products of La Koradior increased to RMB166.91 million, representing an increase of 0.49% as compared to the first half of 2021. The revenue generated from sales of products of Koradior elsewhere, NAERSILING and NEXY.CO decreased to RMB234.19 million, RMB205.46 million and RMB384.66 million respectively, representing a decrease of 4.09%, 10.74% and 7.21% respectively as compared to the first half of 2021.

COST OF SALES

Cost of sales decreased from RMB816.18 million for the six months ended 30 June 2021 to RMB728.51 million for the Reporting Period, representing a decrease of 10.74% or RMB87.67 million, primarily due to the decrease in the cost of inventories sold as a result of the decline of the Group's revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit decreased from RMB2,262.20 million for the six months ended 30 June 2021 to RMB2,167.47 million for the Reporting Period, representing a decrease of 4.19% or RMB94.73 million. Overall gross profit margin slightly increased from 73.49% for the first half of 2021 to 74.84% for the Reporting Period.

OPERATING EXPENSES

Operating expenses decreased from RMB1,932.88 million for the six months ended 30 June 2021 to RMB1,902.53 million for the Reporting Period, representing a decrease of 1.57% or RMB30.35 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 decreased by 1.78% to RMB1,642.93 million for the Reporting Period from RMB1,672.62 million for six months ended 30 June 2021, primarily due to (a) decrease in store concession fees as a result of decrease in sales; (b) the decrease in rental expenses due to decrease in number of retail stores.

Administrative and other operating expenses

Administrative and other operating expenses decreased slightly by 0.26% to RMB259.60 million for the Reporting Period from RMB260.27 million for the corresponding period in 2021 primarily due to the steady salaries and benefits and the fixed expenses including office rent.

FINANCE COSTS

Finance costs increased by 41.82% to RMB26.96 million for the Reporting Period from RMB19.01 million for the corresponding period in 2021, mainly due to the increase in lease financing cost of new office.

INCOME TAX EXPENSES

Income tax expenses decreased from RMB52.23 million for the first half of 2021 to RMB36.01 million for the Reporting Period mainly due to the decrease 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 RMB257.74 million, representing a decrease of 7.86% or RMB22.00 million as compared to RMB279.74 million for the first half of 2021. Net profit margin decreased slightly from 9.09% for the first half of 2021 to 8.90% 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 2022, the Group had total current assets of RMB2,422.76 million (31 December 2021: RMB2,616.10 million) and total current liabilities of RMB1,495.25 million (31 December 2021: RMB1,634.02 million) with a current ratio of 1.62. 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 2022, the Group's interest bearing bank loans were denominated in Hong Kong dollars and Renminbi, comprising a HK\$140 million term loan repayable within two years, with variable interest rates, and a RMB280 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 2022, the Group had cash and cash equivalents of RMB252.00 million (31 December 2021: RMB509.33 million), denominated as to 83.94% in RMB, 15.56% in Hong Kong dollar, 0.27% in United States dollar and 0.23% in Euro. The net cash inflow from operating activities generated was RMB980.82 million during the Reporting Period, increased by 27.12% from RMB771.55 million for the six months ended 30 June 2021. As at 30 June 2022, the Group's gearing ratio, i.e. the total outstanding bank loans divided by total equity, was 10.22% (31 December 2021: 12.49%).

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 10,058 as at 30 June 2022 (30 June 2021: 9,784). 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 RMB612.48 million (six months ended 30 June 2021: RMB655.98 million), representing 21.15% of our revenue (six months ended 30 June 2021: 21.31%).

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 2022, the Group had no significant contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL

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

SIGNIFICANT INVESTMENT

As at 30 June 2022, 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 2022, net proceeds of the Top-up Placing were fully utilized.

There was no equity fund raising activity by the Company during the Reporting Period. Save as disclosed above, there are no proceeds brought forward from any issue of equity securities made in previous financial years.

SUPPLEMENTAL INFORMATION

Impairment loss recorded in the financial year ended 31 December 2021

The Company recorded an impairment loss of RMB21 million (the "Impairment Loss") in the annual report for the year ended 31 December 2021 published on 29 April 2022. The Impairment Loss represents the impairment on an earnest money paid by the Group pursuant to an investment cooperation agreement between the Group and a potential target company (the "Borrower") (who and whose ultimate beneficial owners are independent third parties) which was subsequently converted into a loan in light of the Borrower's failure to refund the earnest money. The Borrower was subsequently wound up by the PRC court in June 2022. The loan arrangement did not trigger any disclosure obligation on the part of the Company under the Listing Rules.

OUTLOOK

From the perspective of the external environment, although the first half of the year with great pressure has passed, the uncertainty on the economic environment has not completely disappeared. The second half of the year shall be prepared for the emergence of unexpected difficulties. At the same time, as the external political environment and geopolitical tensions are easing in the second half of the year, the loosened fiscal and monetary policies will bring positive effects. With COVID-19 brought under control in China, the epidemic prevention and control measures will likely be relaxed. The market growth and industry differentiation are expected to trend towards head concentration. Overall, with more favourable conditions emerging, the market is filled with optimism and hopes.

In terms of internal operations, in the second half of the year, we will continue to strengthen brand building and continue to enhance brand power by focusing on a series of promotional activities to celebrate Koradior's 15th anniversary and La Kroadior's 10th anniversary; accelerate the systemisation and process of the commodity system reform project, accelerate the integration and construction of a quality supply chain, deepen the integration of product development and supply chain, and promote the overall improvement of the product power of each brand; implement the strategy of controlling the quantity and improving the quality of offline channels; focus on promoting the construction and operation of large single-brand flagship shops; accelerate the operational transformation of the Tmall platform as well as the exploration of the experience of the Douyin platform; strengthen the maintenance services and operational transformation of public and private domain traffic; and gradually promote the construction and implementation of an intelligent commodity management system to realise systematic, intelligent and efficient iterative commodity operation management capability.

As announced on 22 August 2022, the Company has been selected and will be included as a constituent stock of the following indexes by the Hang Seng Indexes Company Limited, with effect from 5 September 2022: 1. Hang Seng Composite Index; 2. Hang Seng Small Cap (Investable) Index; 3. Hang Seng Stock Connect Hong Kong Index; 4. Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index; 5. Hang Seng Stock Connect Hong Kong SmallCap Index; 6. Hang Seng SCHK Mainland China Companies Index; and 7. Hang Seng SCHK ex-AH Companies Index. The Board is of the view that the Company's inclusion in the above indexes reflects the capital market's recognition of the Group's business performance and growth outlook. The Board expects that such inclusion will help to facilitate the expansion of the Company's shareholder base and improve the trading liquidity of the shares of the Company, and further enhance the Company's investment value and its awareness in the capital market.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (six months ended 30 June 2021: 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 C.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

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, 26 August 2022

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.