



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)

品牌代言人

米兰达·可儿
Miranda Kerr



Koradior

INTERIM REPORT 2022

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Corporate Profile

ABOUT EEKA FASHION

We are one of the leading and fast-growing middle and high-end womenswear companies in the People's Republic of China (the "PRC"). We have a unique brand culture concept, advanced research and development design center, sound marketing service system, efficient logistics and distribution and network management system. As at 30 June 2022, our brand portfolio comprises eight brands: our own high-end brands – (i) Koradior (ii) La Koradior (iii) Koradior elsewhere and (iv) FUUNNY FEELN, 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 brand named "FUUNNY FEELN" (referred to as "FF" brand) in January 2019, which is positioned to promote freedom and unrestraint, to achieve a youthful and unique women's lifestyle.

Shenzhen Mondial Industrial Ltd ("Mondial") became our wholly-owned subsidiary after the acquisition of 65% and 35% of its equity by the Group in July 2016 and November 2021 respectively and with it the "CADIDL" brand, which is positioned to offer simple, elegant and quality clothing for urban women. 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 an urban and elegant brand style for urban women with both fashion and quality, highlighting the elegant spirit of "ease and comfort". NEXY.CO is dedicated to urban, chic women with a sophisticated, charismatic and refined image. NAERSILING embodies a free and artistic brand style, both business-like and unrestrained dress code.

Over the years, we have attached great importance to the brand's international influence, our brands have been invited to Milan Fashion Week and 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 merchants VIP.com and Douyin. We launched the EEKA Fashion Mall based on WeChat ecological social e-commerce platform on January 13, 2020. EEKA Fashion Mall has opened up the sharing mechanism such as inventory, membership, marketing resources and other key elements to achieve a comprehensive upgrade of customer 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 31 provinces, autonomous regions and municipalities in the PRC.

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

26/F, Block B, Tai Ran Li Cheng,
85 Terra 4th Road
Futian District
Shenzhen, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 812, 8th Floor, Tower 1,
The Gateway, Harbour City,
25 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

COMPANY SECRETARY

Ms. WONG Wai Kiu *FCCA, FCG, HKFCG(PE)*

JOINT COMPANY SECRETARY

Mr. LEUNG Ka Wai

AUTHORISED REPRESENTATIVES

Mr. JIN Ming
Mr. LEUNG Ka Wai

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Pingan Bank

Shenzhen branch, Jinsha sub-branch

China Merchants Bank

Shenzhen branch, Tairan Jingu sub-branch

COMPANY WEBSITE

www.eekagroup.com

STOCK CODE

3709

Financial Highlights

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue	2,895,977	3,078,375
Gross profit	2,167,467	2,262,198
Net profit	257,742	279,737
Net cash flows from operating activities	980,819	771,554
Earnings per share ¹		
– Basic (RMB cents)	38.5	41.8
– Diluted (RMB cents)	37.8	40.7
Profitability Ratio		
Gross margin	74.84%	73.49%
Net margin	8.90%	9.09%
	At 30 June	
	2022	2021
Liquidity Ratio		
Current ratio ² (times)	1.62	1.60
Trade and bills receivables turnover days ³	34.46	36.53
Trade and bills payables turnover days ⁴	68.18	54.74
Inventory turnover days ⁵	222.78	184.11
Capital Ratio		
Gearing ratio ⁶	10.22%	12.49%
Interest coverage ratio ⁷ (times)	11.90	17.59

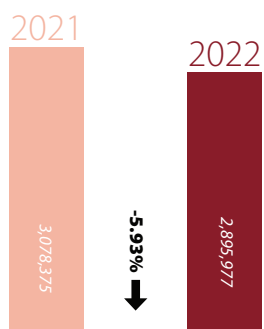
Notes:

- 1 Basic earnings per share = Profit attributable to owners of the Company/Weighted average number of ordinary shares (the weighted average number of shares in the first six months of 2022 was 676,209,152 versus 669,468,378 in the same period of last year)
Diluted earnings per share = Profit attributable to owners of the Company/Weighted average number of ordinary shares after effect of deemed issue of shares under no consideration (the weighted average number of shares after the deemed issue in the first six months of 2022 was 689,664,390 versus 686,148,286 in the same period of last year)
- 2 Current ratio = Current assets/Current liabilities
- 3 Trade and bills receivables turnover days = Average of opening and closing balances on trade and bills receivables/Revenue for the period x 180 days
- 4 Trade and bills payables turnover days = Average of opening and closing balances on trade and bills payables/Cost of sales for the period x 180 days
- 5 Inventory turnover days = Average of opening and closing balances on inventory/Cost of sales x 180 days
- 6 Gearing ratio = Total bank borrowings/Total equity x 100%
- 7 Interest coverage ratio = Profit before interest and tax/Interest expenses

Financial Highlights

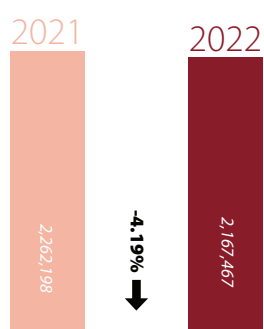
REVENUE

RMB'000
six months ended
30 June



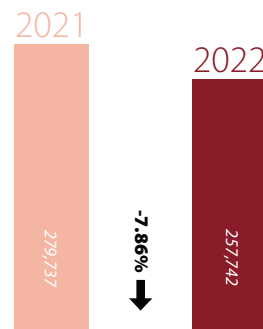
GROSS PROFIT

RMB'000
six months ended
30 June



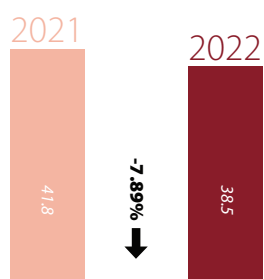
NET PROFIT

RMB'000
six months ended
30 June



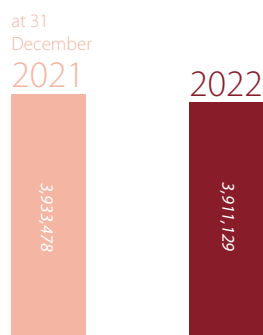
EARNINGS PER SHARE - BASIC

RMB Cents
six months ended 30 June



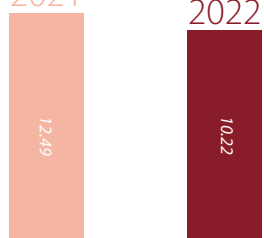
NET ASSETS

RMB'000



GEARING RATIO

at 31 December 2021
at 30 June 2022



CHAIRMAN'S STATEMENT



NAERSI

Chairman's Statement

Dear shareholders of EEKA Fashion Holdings Limited,

On behalf of the board of directors (the "Board") of EEKA Fashion Holdings Limited (the "Company" or "EEKA Fashion", stock code: 3709), I am pleased to present the interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022 (the "Reporting Period").

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 face 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 strongest 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 FEELN 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 solidifying its core competitive advantages.



Chairman's Statement



NAERSI

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.

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

Jin Ming

Chairman of Board

26 August 2022



MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

REVENUE

The principal activities of the Group are design, promotion, marketing and sales of self-owned branded womenswear products in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value-added tax. Total revenue 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 revenue from the self-operated retail stores 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	As at 1 January 2022	Number of retail stores		As at 30 June 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.

REVENUE (Continued)

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 FEELN	126	128
NAERSI	490	489
NAERSILING	116	103
NEXY.CO	186	190
Total	2,041	2,023



Management Discussion and Analysis

Revenue analysis by brands

	For the six months ended 30 June					
	2022		2021		Increase/(decrease)	
	RMB'000	%	RMB'000	%	RMB'000	%
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 FEELN	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	2,895,977	100%	3,078,375	100%	(182,398)	(5.93%)

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 FEELN 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:

Management Discussion and Analysis

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.



NAERSIΛING

2022 AUTUMN WINTER NEW COLLECTION

Management Discussion and Analysis



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%).

Management Discussion and Analysis



CHARGES ON ASSETS

As at 30 June 2022, the Group's buildings with carrying value of approximately RMB96.19 million (31 December 2021: RMB99.58 million) 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.

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%).

Management Discussion and Analysis



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.

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 exposure in the capital market.

Other Information

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 Part 2 of 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.

SHARE OPTION SCHEME

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

As at 30 June 2022, there were 7,460,000 share options granted under the share option scheme which were outstanding representing 1.1% of the issued share capital of the Company as at 30 June 2022.

SHARE OPTION SCHEME *(Continued)*

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

Name or category of grantee	Number of share options						Exercise period (Note)	Exercise price per share	Closing price per share immediately before date of grant (i.e. 10 July 2014)
	At 1 January 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	At 30 June 2022			
Director									
Ms. He Hongmei	500,000	-	-	-	-	500,000	10 July 2014 to 9 July 2022	HK\$4.42	HK\$4.46
Sub-total	500,000	-	-	-	-	500,000			
Employees (other than Directors) in aggregate	6,960,000	-	-	-	-	6,960,000	10 July 2014 to 9 July 2022	HK\$4.42	HK\$4.46
Total	7,460,000	-	-	-	-	7,460,000			

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

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 (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. The Company has granted an aggregate of 40,973,000 awarded shares pursuant to the Share Award Scheme to certain grantees including directors, senior management and employees of the Group. The awarded shares shall, subject to fulfilment of vesting conditions, be vested in five equal tranches annually.

On 15 May 2020, the first tranche totalling 8,058,200 awarded shares have vested which in aggregate represent approximately 1.18% of the total number of issued shares and 136,400 awarded shares have lapsed.

On 15 May 2021, the second tranche totalling 7,918,200 awarded shares have vested which in aggregate represent approximately 1.12% of the total number of issued shares and 276,400 awarded shares have lapsed.

Other Information

On 15 May 2022, the third tranche totalling 7,507,160 awarded shares have vested which in aggregate represent approximately 1.07% of the total number of issued shares and 687,440 awarded shares have lapsed.

The fair value of the awarded shares granted was HK\$287,900,000 (equivalent to RMB246,212,000), of which the Group recognized an awarded share expense of HK\$24,974,000 (equivalent to RMB20,706,000) during the Reporting Period.

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, 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:

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)	269,715,000	Long	38.31%
Ms. He Hongmei	Beneficial owner (note 2)	1,582,293	Long	0.22%
Mr. Jin Rui	Founder of a discretionary trust (note 3)	198,713,195	Long	28.22%

Note 1: These shares are held by Koradior Investments Limited, which is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 269,715,000 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

Note 2: These represent the underlying 500,000 shares under the share options and a total of 1,082,293 awarded shares granted to Ms. He Hongmei.

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

Save as disclosed above, as at 30 June 2022, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial shareholders' interests and/or short position in share and underlying shares of the Company

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2022, 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	269,715,000	Long	38.31%
Mayberry Marketing Limited (note 1)	Interest in a controlled corporation	269,715,000	Long	38.31%
Apex Noble Holdings Limited (note 2)	Beneficial owner	198,713,195	Long	28.22%
Heritage Holdings Limited (note 2)	Interest in a controlled corporation	198,713,195	Long	28.22%
BOS Trustee Limited (note 3)	Trustee	468,905,695	Long	66.60%

Notes:

- 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 269,715,000 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.
- 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.
- 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; (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; and (iii) an independent third party in respect of 477,500 Shares.

Other Information

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PURCHASE, 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.

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2022 (Expressed in Renminbi)

		Six months ended 30 June	
	Notes	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 expense	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	10(a)	RMB38.5 cents	RMB41.8 cents
Diluted	10(b)	RMB37.8 cents	RMB40.7 cents

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2022 (Expressed in Renminbi)

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

Consolidated Statement of Financial Position

at 30 June 2022 (Expressed in Renminbi)

	Notes	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
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	14	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	–
Total non-current assets		3,637,956	3,615,899
Current assets			
Inventories	12	851,720	951,565
Trade and bills receivables	13	509,797	599,092
Prepayments, other receivables and other assets	14	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
Total current assets		2,422,764	2,616,095
Current liabilities			
Interest-bearing bank borrowings	17	361,244	417,672
Trade and bills payables	15	347,515	204,361
Other payables and accruals	16	353,182	508,394
Lease liabilities		367,853	390,565
Tax payable		65,451	113,030
Total current liabilities		1,495,245	1,634,022
Net current assets		927,519	982,073
Total assets less current liabilities		4,565,475	4,597,972

Consolidated Statement of Financial Position

at 30 June 2022 (Expressed in Renminbi)

	Notes	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Non-current liabilities			
Interest-bearing bank borrowings	17	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
Total non-current liabilities		654,346	664,494
Net assets		3,911,129	3,933,478
EQUITY			
Equity attributable to owners of the parent			
Share capital	18	5,766	5,766
Reserves	18	3,911,121	3,933,711
		3,916,887	3,939,477
Non-controlling interests		(5,758)	(5,999)
Total equity		3,911,129	3,933,478

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 – unaudited (Expressed in Renminbi)

	Attributable to owners of the parent												Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Awarded share reserve RMB'000	Statutory reserve RMB'000	Shares held for Share Award Scheme RMB'000	Fair value reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000			
As at 1 January 2022	5,766	2,031,261	196	103,466	93,962	129,211	(245,196)	63	47,657	1,773,091	3,939,477	(5,999)	3,933,478	
Profit for the period	–	–	–	–	–	–	–	–	–	260,552	260,552	(2,810)	257,742	
Other comprehensive income for the period														
Change in fair value of equity investments through other comprehensive income, net of tax	–	–	–	–	–	–	–	(3,940)	–	–	(3,940)	–	(3,940)	
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	–	–	–	–	–	–	–	–	4,515	–	4,515	–	4,515	
Total comprehensive income	–	–	–	–	–	–	–	(3,940)	4,515	260,552	261,127	(2,810)	258,317	
Share Award Scheme arrangements	–	–	–	–	20,706	–	–	–	–	–	20,706	–	20,706	
Tax deductions for share-based payment transactions	–	–	–	–	(101)	–	–	–	–	–	(101)	–	(101)	
Vesting share under the Share Award Scheme	–	(12,116)	–	–	(49,205)	–	49,549	–	–	–	(11,772)	–	(11,772)	
Acquisition of additional interests in a subsidiary	–	–	–	(13,051)	–	–	–	–	–	–	(13,051)	3,051	(10,000)	
Final 2021 dividend declared	–	–	–	–	–	–	–	–	–	(279,499)	(279,499)	–	(279,499)	
As at 30 June 2022	5,766	2,019,145	196	90,415	65,362	129,211	(195,647)	(3,877)	52,172	1,754,144	3,916,887	(5,758)	3,911,129	

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2022 – unaudited (Expressed in Renminbi)

	Attributable to owners of the parent													
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Awarded share reserve	Statutory reserve	Shares held for Share Award Scheme	Fair value reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1 January 2021	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	
Profit for the period	—	—	—	—	—	—	—	—	—	279,584	279,584	153	279,737	
Other comprehensive income for the period														
Exchange differences on translation of financial statements of subsidiaries outside the Mainland China	—	—	—	—	—	—	—	—	3,872	—	3,872	—	3,872	
Total comprehensive income	—	—	—	—	—	—	—	—	3,872	279,584	283,456	153	283,609	
Share Award Scheme arrangements	—	—	—	—	54,006	—	—	—	—	—	54,006	—	54,006	
Repurchase of shares under Share award scheme	—	—	—	—	—	—	(63,089)	—	—	—	(63,089)	—	(63,089)	
Vesting share under the Share Award Scheme	—	(521)	—	—	(49,844)	—	38,574	—	—	—	(11,791)	—	(11,791)	
Acquisition of additional interests in a subsidiary	—	—	—	(3,927)	—	—	—	—	—	—	(3,927)	(1,073)	(5,000)	
Final 2020 dividend declared allotment	—	—	—	—	—	—	—	—	—	(221,670)	(221,670)	—	(221,670)	
Issuance of new shares	157	163,906	—	—	—	—	—	—	—	—	164,063	—	164,063	
As at 30 June 2021	5,766	2,034,210	196	120,315	58,144	51,264	(187,638)	8,530	9,099	1,557,150	3,657,036	21,167	3,678,203	

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2022 – unaudited (Expressed in Renminbi)

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cash flows from operating activities		
Cash generated from operations	1,075,543	850,850
Income tax paid	(94,724)	(79,296)
Net cash generated from operating activities	980,819	771,554
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	(65,864)	(61,463)
Other cash flows used in investing activities	(250,979)	(383,136)
Net cash flows used in investing activities	(316,843)	(444,599)
Cash flows from financing activities		
Dividends paid to equity shareholders of the Company	(274,535)	(214,553)
Proceed from issue of shares	–	164,063
Proceeds from bank loans	190,000	340,000
Repayment of bank loans	(286,792)	(252,872)
Interest expense paid	(9,042)	(5,436)
Other cash flows arising from financing activities	(162,589)	(65,090)
Principal lease payment	(381,906)	(333,390)
Net cash used in financing activities	(924,864)	(367,278)
Net decrease in cash and cash equivalents	(260,888)	(40,323)
Cash and cash equivalents at 1 January	509,326	582,929
Effect of foreign exchange rate changes	3,558	2,924
Cash and cash equivalents at 30 June	251,996	545,530

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

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

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

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 PRC. Accordingly, no segmental analysis is presented.

5 REVENUE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
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	2021
	RMB'000	RMB'000
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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
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 or loss.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000	2021 RMB'000
Current tax		
PRC Corporate Income Tax ("CIT")	47,739	49,851
Deferred tax		
Origination of temporary differences	(11,727)	2,378
	36,012	52,229

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 Qianhai 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-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 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 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).

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of 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)	38.5	41.8

(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 is 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)	37.8	40.7

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(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of plant and machinery with a cost of RMB65,864,000 (six months ended 30 June 2021: RMB61,463,000).

12 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Raw materials	158,945	147,163
Work in progress	8,532	7,309
Finished goods	684,243	797,093
	851,720	951,565

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

	For the six months ended 30 June 2022 RMB'000	For the six months ended 30 June 2021 RMB'000
Cost of inventories sold	723,806	824,958
Write-down/(reversal) of inventories	4,704	(8,781)
	728,510	816,177

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(Expressed in Renminbi unless otherwise indicated)

13 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 RMB'000	At 31 December 2021 RMB'000
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
	<u>509,641</u>	<u>598,936</u>
Bill receivables	156	156
	<u>509,797</u>	<u>599,092</u>

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 defaults were estimated to be minimal.

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(Expressed in Renminbi unless otherwise indicated)

13 TRADE AND BILLS RECEIVABLES *(Continued)*

(a) Ageing analysis *(Continued)*

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

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

14 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
	211,108	238,270
Impairment	(21,250)	(21,250)
	189,858	217,020
Non-current		
Prepayments	8,283	8,533
Deposit and other receivables (note)	34,431	39,682
Loans to employees	2,510	5,255
	45,224	53,470

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

15 TRADE AND BILLS PAYABLES

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

	At 30 June 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
	154,515	154,361
Bills payables	193,000	50,000
	347,515	204,361

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.

16 OTHER PAYABLES AND ACCRUALS

	Note	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Contract liabilities	(a)	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
		353,182	508,394

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(Expressed in Renminbi unless otherwise indicated)

16 OTHER PAYABLES AND ACCRUALS (Continued)

Note:

(a) Details of contract liabilities are as follow:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Short-term advances received from customers		
Sales of goods	71,937	69,128

17 INTEREST-BEARING BANK BORROWINGS

As at 31 December 2021 and 30 June 2022, bank loans are repayable as follows:

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Bank loans due for repayment within 1 year	361,244	417,672
Bank loan due for repayment after 1 year but within 4 years	38,484	73,584
	399,728	491,256

As at 30 June 2022, the Group's interest bearing bank borrowings were denominated in Hong Kong dollars and Renminbi, with HK\$140 million term loan maturing within two years, and were with variable interest rates, such as a bank loan of RMB280 million with fixed interest rate, and were repayable with one year.

Notes to the Unaudited Interim Financial Report

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18 CAPITAL, RESERVE AND DIVIDEND

	No. of shares		HK\$'000	
	('000)		('000)	
(i) Authorised share capital				
Ordinary shares of HK\$0.01 each				
As at 31 December 2021 and 30 June 2022			1,500,000	15,000
	2022		2021	
	('000)	RMB'000	('000)	RMB'000
(ii) Issued share capital				
Ordinary shares, issued and fully paid				
At 1 January	704,050	5,766	685,050	5,609
Share issued	–	–	19,000	157
Outstanding at the end of the period/year	704,050	5,766	704,050	5,766

(a) Share premium

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

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

On 30 April 2021, the Company entered into the placing and subscriptions agreement (the "Placing and Subscription Agreement") to place through the placing agent up to 19,000,000 placing shares to not less than six placees who and whose ultimate beneficial owners shall be independent third parties at a price of HK\$10.50 per share to be placed. All the conditions precedent under the Placing and Subscription Agreement have been fulfilled and completion took place on 11 May 2021.

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18 CAPITAL, RESERVE AND DIVIDEND *(Continued)*

(b) Capital reserve

- (i) On 15 November 2012, La Kordi Fashion (Shenzhen) Co., Ltd. ("La Kordi Fashion") acquired 100% equity interest in Shenzhen Koradior Fashion Co., Ltd. from Shenzhen Jinhexin Investment Development Co., Ltd., a company under the control of a controlling shareholder for a consideration of RMB40,155,000. The difference of RMB25,155,000 between the consideration and the paid up capital of Shenzhen Koradior was recorded as a capital reserve.
- (ii) The Company has no portion of the grant date fair value of unexercised share options granted to employees that has been recognised during six months ended 30 June 2022 in accordance with the accounting policy adopted for share-based payments (31 December 2021: RMB4,558,000).
- (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 until it is instructed by the Broad to distribute them as awarded shares to any selected grantees in accordance with the terms of the share award scheme of the Company.
- (iv) On 31 May 2021, Shenzhen Koradior acquired 10% equity interest in Shanghai Kody Brand Management Limited from Shanghai Shen Yuan Brand Management Limited, for a consideration of RMB5,000,000. The difference of RMB3,927,000 between the consideration and the fair value of net asset was recorded as a capital reserve.
- (v) In November 2021, La Kordi Fashion acquired 35% equity interest in Mondial for a consideration of RMB42,000,000. The difference between the consideration and the fair value of the net assets of RMB16,849,000 was recorded as a capital reserve.
- (vi) In June 2022, Shenzhen Koradior acquired 9.09% equity interest in Shenzhen Fangfu at a consideration of RMB10,000,000. The difference between the consideration and the fair value of the net assets of RMB13,051,000 was recorded as a capital reserve.

(c) Capital redemption reserve

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

(d) Statutory reserve

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

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

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18 CAPITAL, RESERVE AND DIVIDEND (Continued)

(e) Exchange reserve

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

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's gearing ratio, as at 31 December 2021 and 30 June 2022 was 12.49% and 10.22% respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

19 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Six months ended	
	30 June 2022 RMB'000	30 June 2021 RMB'000
Processing fees	133,272	116,282
	133,272	116,282

Note: Shenzhen Yingjia Fashion Co., Ltd. ("Yingjia Fashion") (深圳市赢家服饰有限公司) is 53% and 47% owned by Ms. Chen Lingmei and Mr. Jin Jingquan respectively.

During the six months ended 30 June 2022, 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 RMB133,272,000 (30 June 2021: RMB116,282,000) for the six months ended 30 June 2022.

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19 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

	Note	Due to related parties		Due from related parties	
		At 30 June 2022 RMB'000	At 31 December 2021 RMB'000	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Current					
Yingjia Fashion Group	(1)	104,263	37,489	1,444	30,355
Non-controlling shareholder	(2)	–	76,350	–	–
		104,263	113,839	1,444	30,355

(1) The Group had an outstanding balance due to the Yingjia Fashion Group of RMB104,263,000 (31 December 2021: RMB37,489,000), and an amount due from the Yingjia Fashion Group of RMB1,444,000 (31 December 2021: RMB30,355,000) as at the end of the Reporting Period. This balance is unsecured, interest-free and repayable on demand.

(2) The Group had no 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 (31 December 2021: RMB76,350,000).

(c) Commitments with related parties

	At 30 June 2022 RMB'000	At 31 December 2021 RMB'000
Lease liabilities – current	380	752
	380	752

Under such rental contracts, the minimum lease payment during the Reporting Period was RMB384,000 (30 June 2021: RMB2,207,000).

As at 30 June 2022, the Group's right-of-use assets relating to such rental contracts amounted to RMB368,000 (31 December 2021: RMB752,000).

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20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

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

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

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

Level 3: Fair value measured using significant unobservable inputs

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

Fair value measurement as at 30 June 2022 using				
	Quoted price in active market (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity Investment designated at fair value through other comprehensive income	25,439	–	–	25,439
Financial asset at fair value through profit or loss	206,882	372,434	–	579,316
	232,321	372,434	–	604,755

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments are based on a recent market transaction.

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

21 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

There is no non-adjusting event after Reporting Period.