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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

SUMMARY

- Revenue and gross profit of the Group for the year ended 31 December 2022 reached RMB5,663.43 million and RMB4,254.42 million respectively, representing a decrease of 10.88% and 10.21% respectively as compared to the year ended 31 December 2021.
- Profit for the year ended 31 December 2022 was RMB375.43 million as compared to RMB562.16 million for the year ended 31 December 2021, representing a decrease of 33.22% or RMB186.73 million. Net profit margin was 6.63% for the year ended 31 December 2022 (2021: 8.85%).
- Net cash inflow from operating activities was RMB1,701.79 million for the year ended 31 December 2022 (2021: RMB1,202.80 million).
- Basic earnings per share for the year ended 31 December 2022 was RMB57 cents (2021: RMB84 cents).
- The Board proposed to declare a final dividend of HK40 cents per share for the year ended 31 December 2022 (2021: HK48 cents).

The board (the "Board") of directors (the "Directors") of EEKA Fashion Holdings Limited (the "Company") hereby announces the consolidated financial results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2022 with comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	6	**5,663,430**	6,354,875
Cost of sales		**(1,409,010)**	(1,616,889)
Gross profit		**4,254,420**	4,737,986
Other income and gains	6	**127,546**	104,599
Selling and distribution expenses		**(3,235,179)**	(3,476,480)
Administrative expenses		**(601,487)**	(536,831)
Impairment losses on financial assets	7	**(1,089)**	(31,554)
Other expenses		**(20,793)**	(43,712)
Finance costs		**(56,317)**	(43,017)
Share of (losses)/profits of associates		**(2,733)**	2,733
PROFIT BEFORE TAX	7	**464,368**	713,724
Income tax expense	8	**(88,943)**	(151,568)
PROFIT FOR THE YEAR		**375,425**	562,156
Attributable to:			
Owners of the parent		**382,427**	564,018
Non-controlling interests		**(7,002)**	(1,862)
		375,425	562,156
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– For profit for the year		**56.5 cents**	83.7 cents
Diluted			
– For profit for the year		**55.5 cents**	81.4 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
PROFIT FOR THE YEAR	**375,425**	562,156
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,728**	42,430
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**2,728**	42,430
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments at designated fair value through other comprehensive income:		
Changes in fair value	**(4,253)**	(9,961)
Income tax effect	**638**	1,494
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(3,615)**	(8,467)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(887)**	33,963
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**374,538**	596,119
Attributable to:		
Owners of the parent	**381,540**	597,981
Non-controlling interests	**(7,002)**	(1,862)
	374,538	596,119

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**684,454**	668,658
Right-of-use assets		**817,197**	871,256
Goodwill		**1,253,540**	1,253,540
Other intangible assets		**618,922**	614,591
Investments in associates		**1,200**	3,633
Prepayments, other receivables and other assets		**45,223**	53,470
Equity investments designated at fair value through other comprehensive income		**25,822**	30,075
Financial assets at fair value through profit or loss		**59,674**	61,074
Time deposits		**53,330**	–
Deferred tax assets		**63,771**	59,602
Total non-current assets		**3,623,133**	3,615,899
CURRENT ASSETS			
Inventories		**1,023,962**	951,565
Trade and bills receivables	*10*	**472,233**	599,092
Prepayments, other receivables and other assets		**167,351**	217,020
Financial assets at fair value through profit or loss		**427,376**	339,092
Time deposits		**182,165**	–
Cash and cash equivalents		**361,463**	509,326
Total current assets		**2,634,550**	2,616,095
CURRENT LIABILITIES			
Trade and bills payables	*11*	**464,238**	204,361
Other payables and accruals	*12*	**328,586**	508,394
Interest-bearing bank borrowings		**390,149**	417,672
Lease liabilities		**377,543**	390,565
Tax payable		**88,360**	113,030
Total current liabilities		**1,648,876**	1,634,022
NET CURRENT ASSETS		**985,674**	982,073
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,608,807**	4,597,972

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**40,199**	73,584
Lease liabilities	**379,956**	370,859
Deferred government grants	**31,676**	50,682
Deferred tax liabilities	**166,476**	166,369
Other long-term liabilities	**3,000**	3,000
Total non-current liabilities	**621,307**	664,494
Net assets	**3,987,500**	3,933,478
EQUITY		
Equity attributable to owners of the parent		
Share capital	**5,766**	5,766
Reserves	**3,991,683**	3,933,711
	3,997,449	3,939,477
Non-controlling interests	**(9,949)**	(5,999)
Total equity	**3,987,500**	3,933,478

1. **CORPORATE AND GROUP INFORMATION**

EEKA Fashion Holdings Limited (the "Company") was incorporated in the Cayman Islands on 23 March 2012 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the "Group". The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 27 June 2014.

2. **BASIS OF PREPARATION**

These financial statements have been prepared in accordance with IFRSs, issued by the International Accounting Standards Board ("IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs are described below:

(a) The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the Amendments to IAS 1, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in May 2017, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

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

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

5. OPERATING SEGMENT INFORMATION

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business, which is the retailing and wholesale of ladies-wear in the People's Republic of China. Accordingly, no segmental analysis is presented.

Information about major customers

The Group's customer base is diversified and there was no single external customer from which the revenue amounted to 10% or more of the Group's total revenue during the years ended 31 December 2022 and 2021.

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**5,663,430**	6,354,875

(i) Disaggregated revenue information

For the year ended 31 December 2022

	Total
	RMB'000
Type of goods	
Sale of apparel and accessories	**5,663,430**
Geographical markets	
Mainland China	**5,663,264**
Hong Kong	**166**
	5,663,430
Timing of revenue recognition	
Goods transferred at a point in time	**5,663,430**

For the year ended 31 December 2021

	Total *RMB'000*
Type of goods	
Sale of apparel and accessories	6,354,875
Geographical markets	
Mainland China	6,354,137
Hong Kong	738
	6,354,875
Timing of revenue recognition	
Goods transferred at a point in time	6,354,875

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

	2022 ***RMB'000***	2021 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of apparel and accessories	**69,128**	105,447

(ii) Performance obligations

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

Sale of apparel and accessories

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

	2022 ***RMB'000***	2021 *RMB'000*
Other income and gains		
Bank interest income	**976**	742
Subsidy income*	**76,520**	46,673
Other interest income from financial assets at fair value through profit or loss	**21,565**	26,109
Rental income	**12,001**	14,659
Exchange gain, net	**6,482**	–
Fair values gain, net	**–**	1,675
Others	**10,002**	14,741
	127,546	104,599

* 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

The Group's profit before tax is arrived at after charging/(crediting):

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**1,409,010**	1,616,889
Depreciation of property, plant and equipment	**154,433**	154,196
Depreciation of right-of-use assets	**785,750**	715,481
Amortisation of other intangible assets	**7,870**	8,032
Research and development costs^:		
Current year expenditure	**169,497**	147,226
Lease payments not included in the measurement of lease liabilities	**566,921**	729,616
Auditor's remuneration	**1,860**	1,855
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**1,103,150**	1,173,872
Pension scheme contributions (defined contribution scheme)**	**75,134**	65,001
Equity-settled share award expense	**110,525**	76,108
	1,288,809	1,314,981
Exchange (gain)/losses, net#	**(6,482)**	37,115
Share of losses/(profits) of associates	**2,733**	(2,733)
Impairment of trade receivables	**1,089**	10,304
Impairment of financial assets included in prepayments, other receivables and other assets	**–**	21,250
Write-down/(reversal of write-down) of inventories to net realisable value*	**40,111**	(6,916)
Fair values (loss)/gain, net#:		
Financial assets at fair value through profit or loss	**(19,322)**	1,675

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

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

Exchange gains and fair values gain of financial assets at fair value through profit or loss are included in "Other income and gains" in the consolidated statement of profit or loss. Exchange losses and fair value losses are included in "Other expenses" in the consolidated statement of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company incorporated in the Cayman Islands is exempted from taxation.

Hong Kong profits tax has been provided at the rate of 16.5% (2021:16.5%) on the estimated assessable profits arising in Hong Kong during the year, and no provision for Hong Kong profits tax has been made as the Group had non-taxable profits derived from or earned in Hong Kong during the year of 2022 (2021: Nil).

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate on their respective taxable income for the year ended 31 December 2022.

	2022 ***RMB'000***	2021 *RMB'000*
Current – Mainland China	**96,481**	145,662
Deferred	**(7,538)**	5,906
Total tax charge for the year	**88,943**	151,568

A reconciliation of the income tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**464,368**		713,724	
Tax at the statutory tax rate	**119,467**	**25.7**	184,076	25.8
Entities subject to a lower statutory tax rate*	**(18,839)**	**(4.1)**	(43,322)	(6.1)
Super-deduction of research and development costs	**(26,245)**	**(5.7)**	(16,215)	(2.3)
Tax losses utilised from previous periods	**(1,571)**	**(0.3)**	(4,736)	(0.7)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**–**	**–**	15,000	2.2
Tax losses and temporary difference not recognised	**15,166**	**3.3**	14,872	2.1
Expensed not deductible for tax	**908**	**0.2**	952	0.1
Adjustments in respect of current tax of previous periods	**57**	**0.1**	941	0.1
Tax charge at the effective rate	**88,943**	**19.2**	151,568	21.2

* Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd. (“Dongfang Susu”) and Jianmo Idea Design Consulting (Shenzhen) Co., Ltd. (“Jianmo”) were entitled to a reduced CIT rate of 15% under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

Shenzhen Koradior Fashion Co., Ltd. (“Shenzhen Koradior”) obtained an approval from 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 2022. Pursuant to the approval, Shenzhen Koradior was entitled to a preferential PRC CIT rate of 15% for a period of three years from December 2022 to December 2025.

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 December 2020 to December 2023.

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

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amount for the year ended 31 December 2022 is based on the profit for the year attributable to ordinary equity holders of the parent of RMB382,427,000 (2021: RMB564,018,000), and the weighted average number of ordinary shares in issue less shares held for the Share Award Scheme of 676,954,719 shares (2021: 673,660,946 shares) in issue during the year.

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**382,427**	564,018

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue less shares held for the Share Award Scheme during the year used in the basic earnings per share calculation	**676,954,719**	673,660,946
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	3,784,031
Awarded Shares	**11,544,729**	15,627,527
	688,499,448	693,072,504

10. TRADE AND BILLS RECEIVABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade and bills receivables	**489,468**	615,238
Impairment	**(17,235)**	(16,146)
	472,233	599,092

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

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

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables:		
Within 1 month	**208,942**	348,603
1 to 2 months	**138,582**	170,061
2 to 3 months	**72,453**	37,937
Over 3 months	**52,100**	42,335
	472,077	598,936
Bills receivables	**156**	156
	472,233	599,092

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

	2022 *RMB'000*	2021 *RMB'000*
At beginning of year	**16,146**	5,842
Impairment losses, net	**1,089**	10,304
At end of year	**17,235**	16,146

As at 31 December 2022, the allowance for credit losses is related to individually impaired receivables amounting to RMB17,235,000 (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 RMB17,235,000 (2021: RMB16,146,000) has been recognised in respect of such receivables.

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

11. TRADE AND BILLS PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
Trade payables:		
Within 1 month	**131,130**	152,307
1 to 2 months	**4,324**	18
2 to 3 months	**8**	20
Over 3 months	**776**	2,016
	136,238	154,361
Bills payables	**328,000**	50,000
	464,238	204,361

The trade payables are non-interest-bearing and are normally settled on terms of one month.

All bills payable have maturity dates within a year. As at 31 December 2022, bills payable amounting to RMB273,500,000 (2021: RMB20,000,000) were discounted by the bill holders.

12. OTHER PAYABLES AND ACCRUALS

		2022	2021
	Notes	***RMB'000***	*RMB'000*
Contract liabilities	*(a)*	**64,020**	69,128
Refund liabilities		**6,080**	5,342
Tax payables other than current income tax liabilities		**82,805**	116,122
Salaries and welfare payables		**68,254**	139,661
Other payables	*(b)*	**106,969**	174,885
Dividend payables		**458**	3,256
		328,586	508,394

Notes:

(a) Details of contract liabilities are as follows:

	2022	2021
	RMB'000	*RMB'000*
Short-term advances received from customers		
Sale of goods	**64,020**	69,128

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

13. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Final dividend	**279,499**	212,216
Proposed final – HK40 cents (2021: HK48 cents) per ordinary share	**241,357**	264,734
	520,856	476,950

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

2022 was a year filled with complex challenges and difficulties. The domestic economy was hit hard by the COVID-19 pandemic, and strict epidemic prevention policies led to a general slump in social consumption. China's GDP growth rate in 2022 was only 3%, being a historical low. According to the National Bureau of Statistics, the total retail sales of consumer goods in 2022 reached RMB43,973.3 billion, a year-on-year decrease of 0.2%, with the turnover of clothing, shoes, hats, knit and woven textiles products amounting to only RMB1,742.7 billion, a year-on-year decrease of 6.5%. Internationally, events such as the Russia-Ukraine conflict, the European energy crisis, the US interest rate hike, and global inflation not only posed severe challenges to global peace and development, but also added pressure to the domestic economic environment. The Consumer Price Index (CPI) increased by 2.0% year-on-year, even high-end consumption was not immune to such adverse economic environment in 2022. According to Bain & Company's article named "2022 China Luxury Market: Personal Luxury Enters a New Growth Phase," personal luxury goods sales in Mainland China ended five years of exponential growth, with sales declining by 10% year-on-year in 2022. However, Bain & Company estimates that this downturn is expected to recover before the end of the first quarter of 2023.

In the first half of 2022, a sudden outbreak of the epidemic occurred in Shanghai, and the overall static management had a significant impact on the national economy. The repeated epidemic suppressed offline consumption scenarios, and consumer confidence continued to decline. In March, April and May, the retail sales of clothing, shoes, hats, knit and woven textiles, and other products all showed double-digit year-on-year declines. In the second half of 2022, especially since the fourth quarter, due to the outbreak of the epidemic in many parts of the country, national consumption has not yet picked up and is facing a new challenge, with retail sales of clothing products being hit even harder.

After three years of battling the epidemic, China has finally implemented "Class B Enterprise under Class B Management" for COVID-19 infections, which was approved by the State Council and took effect on 8 January 2023. After experiencing the first peak of infection, the Chinese society quickly adjusted itself. The uncertainty of epidemic prevention policies has been eliminated, and the trend of economic recovery is obvious. Consumer confidence will hit bottom and rebound, and high-end consumption will have greater resilience. According to McKinsey's report named "2023 McKinsey China Consumer Report: Resilience Era," the Chinese consumer market is showing the following trends: 1) the middle class continues to grow: middle to high-income and high-income families have grown by double digits, strongly driving consumption growth; 2) the trend of high-end consumption continues: wealthy consumers prefer high-end brands; 3) local enterprises are winning the market. The "High Net Worth Value Orientation and Lifestyle Research Report 2022" jointly released by BBN Life Research (Shanghai) and Hurun Research Institute shows that 49.2% of high net worth individuals surveyed said they would "deliberately increase their spending" on "clothing, shoes, and leather bags." High-end clothing, shoes, hats, and other categories will have even broader development space in 2023.

In 2023, China still faces pressures such as demand contraction, supply shocks, and weakening expectations. “Domestic demand” is the key word for China’s macro economy, and “boosting domestic demand” is the means repeatedly emphasized in the Central Economic Work Conference and recent documents to stabilize the overall economy. “Consumer recovery” is also the “main theme” of 2023. The three-year epidemic era has made the development of the domestic women’s clothing industry more diversified and differentiated, and also accelerated the entry into the “stock game” stage. The brand management, channel sales, and enterprise operation capabilities of clothing brands will face greater tests, and the concentration of the clothing industry’s brand will further increase, with head companies benefiting more from the “consumer recovery.”

FINANCIAL REVIEWS

Revenue

The principal activities of the Group are design, retail and wholesale of womenswear in the PRC. The Group’s revenue is generated primarily from (a) retail sales to end customers in its self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to its distributors, who in turn sell the products to end consumers through the retail stores operated by them; and (d) other sales which were mainly derived from staff sales or direct sales through promotional activities outside the Group’s retail stores. Revenue represents the sales value of goods sold, excluding VAT and other sales taxes, less sales returns and trading discounts. Total revenue decreased from RMB6,354.88 million for the year ended 31 December 2021 to RMB5,663.43 million for the year ended 31 December 2022, representing a decrease of 10.88% or RMB691.45 million. Sales generated by the Group’s self-operated retail stores accounted for about 77.98% and 78.53% of the Group’s total revenue in 2022 and 2021 respectively.

Total revenue from e-commerce increased by 18.04% from RMB756.69 million for the year ended 31 December 2021 to RMB893.23 million for the year ended 31 December 2022, primarily due to an increase in sales of the Group’s products through online retail stores, which was driven by an increase in expenditure on advertising and promotion through e-commerce platforms and search engines in the PRC as well as the Group’s effort in focusing on the transformation of consumer’s online consumption and shopping habits, expanding the e-commerce team. With specific focus on the Douyin live streaming sales model, the sales achieved via the Douyin channel have grown rapidly.

Total revenue from distributors decreased by 40.52% from RMB561.93 million for the year ended 31 December 2021 to RMB334.23 million for the year ended 31 December 2022.

Cost of sales

Cost of sales decreased from RMB1,616.89 million during the year ended 31 December 2021 to RMB1,409.01 million for the year ended 31 December 2022, representing a decrease of 12.86% or RMB207.88 million, mainly due to the decrease in the cost of inventories sold as a result of the reduction of the Group’s revenue.

Gross profit and gross margin

Gross profit decreased from RMB4,737.99 million for the year ended 31 December 2021 to RMB4,254.42 million for the year ended 31 December 2022, representing a decrease of 10.21% or RMB483.57 million. The Group's overall gross profit margin slightly increased from 74.56% for 2021 to 75.12% for 2022.

Other income and gains

Other income and gains, comprising mainly government grants, rental income, investment gain, exchange gain and interest income, increased by 21.94% from RMB104.60 million for the year ended 31 December 2021 to RMB127.55 million for the year ended 31 December 2022. The increase was mainly attributed to additional grants from the relevant government authorities and rental subsidies of new office.

Selling and distribution expenses

Selling and distribution expenses decreased by 6.94% from RMB3,476.48 million for the year ended 31 December 2021 to RMB3,235.18 million for the year ended 31 December 2022, primarily due to (a) decrease in store concession fees as a result of decrease in sales; (b) the decrease in salaries and staff benefits for sales and marketing stuff as result of reduction in sales.

Administrative expenses

Administrative expenses increased by 12.04% from RMB536.83 million for the year ended 31 December 2021 to RMB601.49 million for the year ended 31 December 2022 primarily due to (a) the increase in rental and decoration expenses of new office; (b) the increase in research and development expenses for all brands to improve products design; and (c) the increase in share award expenses due to the achievement of sales targets in 2021.

Finance costs

Finance costs increased by 30.92% from RMB43.02 million for the year ended 31 December 2021 to RMB56.32 million for the year ended 31 December 2022. It was mainly attributed to the increase in interest expenses on lease liabilities.

Income tax expense

Income tax expense decreased by 41.32% from RMB151.57 million for the year ended 31 December 2021 to RMB88.94 million for the year ended 31 December 2022. It was mainly attributed to the decrease in operating profit.

Net profit and profit margin

As a result of the foregoing factors, the net profit attributable to owners of the parent was RMB382.43 million for the year ended 31 December 2022 as compared to RMB564.02 million for the year ended 31 December 2021, representing a decrease of 32.20% or RMB181.59 million. Net profit margins were 6.63% and 8.85% for the years ended 31 December of 2022 and 2021 respectively.

Capital structure

The Group requires working capital to support its design and development, retail and other business operations. As at 31 December 2022, the Group's total current assets were RMB2,634.55 million (31 December 2021: RMB2,616.10 million) and total current liabilities were RMB1,648.88 million (31 December 2021: RMB1,634.02 million). The current ratio as at 31 December 2022 was 1.60 (31 December 2021: 1.60).

As at 31 December 2022, the total sum of the Group's interest-bearing bank borrowings amounted to RMB430,348,000 (31 December 2021: RMB491,256,000), representing a decrease arising from the rising of interest rate in Hong Kong. The Group's borrowings were mainly denominated in RMB and HKD.

Financial position, liquidity and gearing ratio

As at 31 December 2022, the Group's cash and cash equivalents were RMB361.46 million (31 December 2021: RMB509.33 million), denominated as to 93.81% in RMB, 0.03% in United States dollar, 6.01% in Hong Kong dollar and 0.15% in Euro. The net cash inflow from operating activities generated was RMB1,701.79 million for the year ended 31 December 2022, up 41.49% from RMB1,202.80 million for the year ended 31 December 2021.

As at 31 December 2022, the gearing ratio (i.e. outstanding bank loans divided by total equity) was 10.79% (31 December 2021: 12.49%).

Exposures to fluctuation in foreign exchange

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

Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Charges on assets

As at 31 December 2022, the Group's buildings with carrying value of approximately RMB92.79 million (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.

Material acquisition and disposal

The Group had no material acquisition or disposal of any subsidiaries, associates or joint ventures as at 31 December 2022.

Significant investment

As at 31 December 2022, the Group had no significant investment with a value of 5% or more of the Group's total assets.

Equity fund raising

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 31 December 2021, approximately HK$48.07 million have been applied for the settlement of the existing debts of the Group. The remaining net proceeds of the Top-up Placing has also been fully applied and utilized according to the proposed use of proceeds in 2022.

There was no equity fund raising activity by the Company for the year ended 31 December 2022. Save as disclosed above, there are no proceeds brought forward from any issue of equity securities made in previous financial years.

BUSINESS REVIEWS

1. EEKA Brands

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

The Group's dual main brands Koradior and NAERSI with sales revenue of more than RMB3.21 billion for the year ended 31 December 2022 are among the top 10 brands in the industry in China. Sales revenue from Koradior elsewhere, La Koradior, NAERSILING, NEXY. CO, CADIDL sales are generally between RMB300-800 million, and the Company launched FUUNNY FEELLN in 2019, which aims at a wider population and meets more diverse needs. As a brand cluster enterprise, the Company's group operation is outstanding, and it has built an endogenous and diversified middle and high-end brand matrix. A brief introduction to the brands of the Group is as follows:

(i) "Koradior" brand was established in 2007 which is positioned to offer the Group's customers feminine, stylish, and young-looking designs; (ii) "La Koradior" brand was launched in September 2012 which is positioned to offer perceptual, elegant and romantic designs; (iii) "Koradior elsewhere" brand was launched in September 2014, which is positioned to offer leisurely, comfortable and high quality designs; (iv) "CADIDL" was majoritively owned by Shenzhen Mondial Industrial Co., Limited ("Mondial"), which is in turn owned as to 100% by the Group after the acquisition on 13 July 2016 and 10 November 2021 respectively and it is positioned to offer urbanism, elegant and modern designs; (v) "FUUNNY FEELLN" was launched in January 2019 which is positioned to promote an exquisite, modern and interesting focus on the future of women's lifestyle, and "NAERSI", "NEXY.CO" and "NAERSILING" are owned by Keen Reach which was acquired by the Group on 3 July 2019; (vi) NAERSI delivers a "TO BE MYSELF" life attitude and offer fashion and high quality clothing for elite women, demonstrating their independence and self-confidence, realizing the spirit of self-realization; (vii) NEXY.CO is dedicated to urban, chic women with a sophisticated, charismatic and refined image; and (viii) NAERSILING embodies classical tailoring with modern design and a state of young mind into artful expression, confident lifestyle and diversified beauty performances, and defines its brand style as freedom, simple and modern.

As at 31 December 2022, there were 2,006 retail stores, covering 31 cities of provinces, autonomous regions, municipalities of which 1,555 were operated by the Group, 451 were operated by the Group's distributors under its seven brands. Out of the 1,555 self-operated retail stores, there were 997 retail stores in department stores, 228 retail stores in shopping malls, 267 retail stores in outlets, 39 retail stores on street levels and 24 retail stores in airports. For the year ended 31 December 2022, the Group's revenue decreased to RMB5,663.43 million, representing a decrease of 10.88% as compared to the year ended 31 December 2021. Revenue generated by the Group's self-operated retail stores accounted for 77.98% of its total revenue and e-commerce revenue was RMB893.23 million, representing 15.77% of its total revenue, primarily generated through own e-commerce platform EEKA Fashion Mall and third party e-commerce platforms such as Tmall, VIP.com and Douyin.

Revenue analysis by brands

Brand	2022		2021		Increase/(decrease)	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Koradior	**1,977,241**	**34.91%**	2,325,283	36.59%	(348,042)	(14.97)%
La Koradior	**345,759**	**6.11%**	352,893	5.55%	(7,134)	(2.02)%
Koradior elsewhere	**441,704**	**7.80%**	505,229	7.95%	(63,525)	(12.57)%
CADIDL *(note 1)*	**348,834**	**6.16%**	342,248	5.38%	6,586	1.92%
FUUNNY FEELLN	**121,205**	**2.14%**	116,199	1.83%	5,006	4.31%
NAERSI *(note 2)*	**1,237,004**	**21.84%**	1,381,393	21.74%	(144,389)	(10.45)%
NAERSILING *(note 2)*	**406,911**	**7.18%**	459,914	7.24%	(53,003)	(11.52)%
NEXY.CO *(note 2)*	**784,772**	**13.86%**	871,716	13.72%	(86,944)	(9.97)%
Total	**5,663,430**	**100%**	6,354,875	100%	(691,445)	(10.88)%

Note 1: The Group acquired 65% and 35% of the equity interest of Mondial on 13 July 2016 and 10 November 2021 respectively which has self owned brand "CADIDL". Mondial is an insignificant subsidiary of the Company within the meaning of the Listing Rules.

Note 2: The Group acquired 100% of the equity interest of Keen Reach which has self-owned brand "NAERSI", "NEXY.CO" and "NAERSILING" on 3 July 2019.

Revenue analysis by sales channels

Sales channel	2022		2021		(Decrease)/increase	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Self-operated retail stores	**4,416,066**	**77.98%**	4,990,241	78.53%	(574,175)	(11.51)%
Wholesales to distributors	**334,234**	**5.90%**	561,934	8.84%	(227,700)	(40.52)%
E-commerce	**893,230**	**15.77%**	756,690	11.91%	136,540	18.04%
Others	**19,900**	**0.35%**	46,010	0.72%	(26,110)	(56.75)%
Total	**5,663,430**	**100%**	6,354,875	100%	(691,445)	(10.88)%

The Group has always adopted direct sales strategy which has the largest number of self-operated retail stores in the industry, and the broad retail network enables the Group to have stronger bargaining power and significant scale effects. In a competitive market at a time of deepening uncertainty, direct sales channels will play a pivotal role in the steady and sustained growth of the Group's performance. At the same time, the self-operated retail stores layout also allows brands to fully contact customers, understand the market, meet the demand, and deal with uncertain risks.

The Group has always placed a strong focus on establishing self-operated retail stores. For the year ended 31 December 2022, 1,555 self-operated retail stores (Koradior: 501, La Koradior: 43, Koradior elsewhere: 152, CADIDL: 129, FUUNNY FEELLN: 77, NAERSI: 377, NEXY.CO: 183 and NAERSILING: 93) generated revenue of RMB4,416.07 million in aggregate, representing a decrease of 11.51% as compared to the year ended 31 December 2021 under our brands. The decrease in direct revenue is mainly attributed from the existing stores sales drop and the coronavirus disease epidemic.

As at 31 December 2022, there were 451 retail stores operated by distributors under seven brands (Koradior: 237, Koradior elsewhere: 35, CADIDL: 22, FUUNNY FEELLN: 34, NAERSI: 101, NEXY.CO: 18 and NAERSILING: 4) and the revenue of retail stores operated by distributors reached RMB334.23 million, representing a decrease of 40.52% as compared to the year ended 31 December 2021 due to the coronavirus disease epidemic.

The Group makes use of third-party e-commerce platforms and own e-commerce platform as one of its sales channels. E-commerce revenues for the year of 2022 amounted to RMB893.23 million, representing an increase of 18.04% or RMB136.54 million as compared to the year ended 31 December 2021. The total e-commerce revenue from Tmall decreased by 3.07% from RMB242.38 million for the year ended 31 December 2021 to RMB234.93 million (representing 26.30% of the total e-commerce revenue) for the year ended 31 December 2022. The total e-commerce revenue from VIP.com increased by 13.26% from RMB351.76 million for the year ended 31 December 2021 to RMB398.40 million (representing 44.60% of the total e-commerce revenue) for the year ended 31 December 2022. The total e-commence revenue from EEKA Fashion Mall increased by 12.27% from RMB107.80 million for the year ended 31 December 2021 to RMB121.02 million (representing 13.55% of the total e-commerce revenue) for the year ended 31 December 2022. The total e-commence revenue from Douyin increased by 159.13% from RMB52.12 million for the year ended 31 December 2021 to RMB135.06 million (representing 15.12% of the total e-commerce revenue) for the year ended 31 December 2022. The other e-commerce revenues amounted to RMB3.82 million (representing 0.43% of the total e-commerce revenue) for the year ended 31 December 2022.

Revenue of retail stores analysis by geographical regions
(Excluding e-commerce and others)

The following table sets out the breakdown of the Group's revenue generated from its self-operated retail stores and wholesales to distributors by geographical regions for the years ended 31 December 2022 and 2021, respectively:

	Year ended 31 December			
	2022		2021	
Region	***RMB million***	*%*	*RMB million*	*%*
Central PRC[1]	**499.25**	**10.51%**	564.32	10.16%
Eastern PRC[2]	**1,645.18**	**34.63%**	1,944.85	35.03%
North Eastern PRC[3]	**308.54**	**6.50%**	333.95	6.01%
North Western PRC[4]	**380.70**	**8.01%**	433.98	7.82%
Northern PRC[5]	**493.68**	**10.39%**	603.59	10.87%
South Western PRC[6]	**847.40**	**17.84%**	988.00	17.80%
Southern PRC[7]	**575.55**	**12.12%**	683.48	12.31%
Total	**4,750.30**	**100%**	5,552.17	100%

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

7 Southern PRC includes Guangxi, Hainan, Guangdong.

During the year ended 31 December 2022, the revenue of retail stores generated from Eastern PRC and South Western PRC contributed to more than half of the total revenue of self-operated retail stores and wholesales to distributors.

Breakdown of retail stores by geographical regions

During 2022, the Group opened 332 new retail stores (of which 163 are self-operated) and closed 367 retail stores (of which 166 are self-operated), representing a net decrease of 35 retail stores. The following table sets out the number of retail stores in the Group's sales network by geographical regions in the PRC as at 31 December 2022, including both self-operated retail stores and retail stores operated by distributors:

	Number of retail stores			
	As at 1 January 2022	**Opened during the year**	**Closed during the year**	**As at 31 December 2022**
Central PRC[1]	218	27	(35)	210
Eastern PRC[2]	681	102	(132)	651
North Eastern PRC[3]	137	25	(30)	132
North Western PRC[4]	201	62	(44)	219
Northern PRC[5]	241	34	(40)	235
South Western PRC[6]	317	51	(38)	330
Southern PRC[7]	246	31	(48)	229
Total	2,041	332	(367)	2,006

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

7 Southern PRC includes Guangxi, Hainan, Guangdong.

2. Design, research and development

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

The total number of SKC(note) reached 6,154 in 2022, representing a decrease of 10.94% from a total of 6,910 SKC in 2021 mainly due to the upgrade of the Company's excellent product system which lowered the volume of unqualified models produced, increased investment in research and development in the creation of main sales models, and the increase in size of investment in main sales models. As such, customers can obtain better product experience. The Group's research and design team members slightly increased to 555 as at 31 December 2022 from 542 as at 31 December 2021.

The Group engages well-known designers from both overseas and locally in China as the brand creative directors for "Koradior", "La Koradior", "Koradior elsewhere", "CADIDL", "FUUNNY FEELLN", "NAERSI", "NEXY.CO" and "NAERSILING". Research and development expenses were RMB169.50 million, representing 2.99% of the Group's total revenue for the year ended 31 December 2022, as compared to RMB147.23 million, representing 2.32% of the Group's total revenue for the year ended 31 December 2021. The research and development of products not only earned customer's satisfaction but were also highly recognized by government departments. During the year, the Group released a series of creative design including Koradior "La Vie En Rose", La Koradior "LA-CHINA ARTS", Koradior elsewhere "Enjoy Wonderful Life", FUUNNY FEELLN "F is For Shenzhen", NAERSI "URBAN & ELEGANT", NEXY.CO "Dream Museum", NAERSILING "Freedom. Art" and CADIDL "Back to 1996" series. Furthermore, Koradior elsewhere's and NEXY.CO's brand colours are released and NAERSI released a new logo in June 2022.

Note: Stock keeping color (SKC) refers to when a batch of products in addition to the size of the same style, then different colors will be attributed to different stock keeping color (SKC).

3. Marketing and promotion

The Group continues to improve its brands influence, including through airport advertising which is one of the most effective ways to promote brands. The Group has placed advertisements at Shenzhen Bao'an International Airport, Shanghai Hongqiao International Airport and Xi'an Xianyang International Airport presently. The Group also placed advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as "ELLE", "VOGUE", "Harper's BAZAAR", "marie claire", "Cosmopolitan" and "Grazia" etc. Despite the epidemic, the Company's brand promotion has not diminished, and the influence of the Company's brands has been continuously improved. The Group engages spokeperson for brands including Miranda Kerr and Yolanda Yuan for NEXY.CO and Tang Yixin for Koradior elsewhere. In order to promote the diversification of online marketing channels, the Group uses short videos, WeChat mini programs, WeChat circle of friend advertising, WeChat service account article promotion, e-commerce live broadcast and other online marketing methods to reach customers and promote marketing. For the year ended 31 December 2022, the brand and marketing promotion expenses (excluding sales promotion expenses) were RMB170.83 million which accounted for 3.02% of the Group's total revenue, representing an increase of RMB12.09 million or 7.62% as compared to RMB158.74 million in 2021 primarily due to the increase in promotion expenses for the celebration of Koradior's 15th anniversary and La Koradior's 10th anniversary.

4. Human resources

As at 31 December 2022, the Group had a total of 10,327 employees in Mainland China and Hong Kong. The following table sets forth a breakdown of the Group's employees' allocation by departments as at 31 December 2022 and 31 December 2021 respectively:

	2022	2021
	Number of employees	*Number of employees*
Management, administration and finance	**279**	281
Product design and research and development	**555**	542
Sales and marketing (including dispatched labor employee in 2022: 572)	**9,148**	9,153
Procurement, logistics and quality control	**345**	359
Total	**10,327**	10,335

The Group has implemented various programs for staff training and development, focusing on the training of sales and marketing skills. The Group provides competitive salary and welfare package for its staff. For the year ended 31 December 2022, the total salary and welfare expenses were RMB1,178.29 million, representing 20.81% of the Group's total revenue and a decrease of RMB60.58 million or 4.89% as compared to RMB1,238.87 million, representing 19.49% of the Group's total revenue for the year ended 31 December 2021.

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

5. Prospect

EEKA Fashion's "Thirty and Independent" 30th anniversary has completed in 2022. Looking ahead to 2023, China will continue to maintain a loose monetary policy and an active fiscal policy. According to international and domestic forecasts, China's GDP growth rate will exceed 5% in 2023, indicating a strong economic recovery with the implementation of "Class B Enterprise under Class B Management" policy for the new coronavirus infection from 8 January 2023, the largest uncertainty facing China's economy has been basically eliminated, and the external environment of the retail market has turned from winter to spring.

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.

In 2023, the Company will launch a series of new upgrades under the long-term strategy of "multi-brand, omni-channel, platformization, upstream and downstream". The five upgrades will help the Company enter a new stage of growth in both quantity and quality and strive to achieve the goal of reaching 10 billion yuan in retail sales in 2023 and 15 billion yuan in 2025.

(i) Brands management: High-end brands will be deeply rooted, mid-range brands will rise rapidly, multi-category outlines will emerge, and market leadership will be achieved in multiple dimensions

The seven high-end brands including Koradior, NAERSI, NEXY.CO, NAERSILING, Koradior elsewhere, CADIDL, and La Koradior have established a solid foundation for the Company's business development as the Company's first growth curve. In 2023, the trend of high-end consumption in China's consumer market will continue, and wealthy consumers will be more inclined toward high-end brands. The Company will seize the opportunity of post-epidemic consumption recovery to further enhance brand influence, strengthen brand assets, and create top products and top brands through professional, systematic, and differentiated brand building. The mid-range brand FUUNNY FEELLN will enter a new stage of development in 2023. Based on the brand positioning of "Cool Girl Making Money in Shenzhen", FUUNNY FEELLN will focus on product development and output by centering on brand identification and telling brand stories to mature and improve the product system.

(ii) Brands building: enhance brand influence and showcase Chinese fashion

Brand is the core asset of the Company, and we are always committed to continuously improving brand influence, upgrading and accumulating brand assets. With the change of core positioning, brand building will also enter a new stage: highlighting the core category of the brand and building the NO.1 brand in the category; exclusive festivals, through brand day activities, conveying brand stories and brand values to consumers, occupying consumers' minds; further innovating in brand endorsement/ brand friend promotion, interaction, drainage, and platform activities; optimizing deep cooperation with well-known IP, art institutions, artists, public welfare organizations, and cross-border resources, and further enhancing brand recognition through joint IP; and deepening cooperation with authoritative and influential international fashion magazines and media groups to enhance brand awareness. Focusing on positive social hot topics such as public welfare, charity, and environmental protection, we will enhance the brand's reputation.

(iii) Product development: the excellent product system and substantial improvement of product strength

After two years of full upgrading, the excellent product system of the Company will be officially launched in the second quarter of 2023. The product system will build a scientific and vibrant product development system, output a more complete brand and category, and a reasonable product management system, fundamentally enhancing the product competitiveness of each brand. At the same time, the Company will strengthen the tracking of the implementation of the excellent product system, gradually improve the excellent product system, and ensure that the product strength keeps pace with the times, combined with systematic and professional consumer research systems.

(iv) Channel operation: improving direct sales "quality" and the efficiency of diversified e-commerce business

The Group will focus on strengthening the construction of the self-operating system, as well as to improve store efficiency, saturate, encrypt high-quality channels, stabilize the distribution market and steadily expand the market scale of distribution channels. The Group will continue to consolidate the competitive advantages of its brands in mid-to-high-end department store formats, promote the layout in shopping centers, increase strategic research and pilot projects for new business formats and iteratively optimize the product launch strategy on various e-commerce platforms including product category, product scale, price range distribution, etc.. The Company's direct sales channels have more than 1,500 stores, and the focus of direct sales channel management has entered the "quality" stage, and will actively implement the "large store" strategy in the future. We will focus on improving store operating efficiency, with the goal of increasing store efficiency and area efficiency, and accelerate the construction of efficient large stores, optimize store image and location, increase the number of high-end shopping center stores, and through "PR exhibition," "flash store," "flagship store," "concept theme store," and other multi-level store designs, create top-level offline channels. The Company will continue to create a diversified e-commerce layout combining public and private domains, and conduct differentiated investment for different online channels to improve the efficiency of e-commerce business: vigorously develop the private domain platform "EEKA Online Mall"; seize the "Douyin" trend and expand market share; actively promote the fine operation of "Vipshop"; and improve the quality of "Tmall" operation. At the same time, the Company will further invest in digital construction, strengthen the construction of online and offline membership systems, promote the operation and management of all-channel members, realize cross-channel, cross-brand member communication, strengthen the integration of goods across channels, improve the logistics capacity of the entire channel, and realize intelligent and efficient operation and management of goods.

(v) Supply chain management: deepening the integration of high-quality supply chains, and building an efficient, high-quality-price ratio, and high professionalism supply chain

The Company's ordering fair will be held more frequently than before, at the frequency of four times a year as compared with twice a year before. For the purpose of optimizing and shortening the product development process and accelerating the response to consumer demand, in 2023, the Company will continue to promote the development and excavation of the main suppliers of core category fabrics, increase the application rate of core high-end fabrics in various brands; enhance professionalism in the fabric end through independent research and development and cooperation with upstream suppliers; establish a supply chain intelligence system for the luxury brand, focus on developing processing manufacturers with higher specialization level in product categories, clarify the assessment system for processing manufacturers, and strengthen product quality control; promote the integration of logistics and warehousing management in key city clusters to promote the scale and intelligence of warehouse logistics management, and promote logistics and warehousing cost reduction and efficiency improvement. Through a series of measures, we will elevate our products in multiple dimensions around quality upgrading, striving to bring consumers a more comfortable and satisfying product experience.

RISK MANAGEMENT

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

ENVIRONMENTAL AND SAFETY MEASURES

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

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

DIVIDENDS

The Board proposed to declare a final dividend of HK40 cents per share for the year ended 31 December 2022 (2021: final dividend HK48 cents) to those shareholders whose names appeared on the register of members of the Company as at the close of business on 19 June 2023. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("AGM"), the final dividend will be paid in cash on or before 30 June 2023.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM, the register of members will be closed from Friday, 2 June 2023 to Thursday, 8 June 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 1 June 2023.

To determine the eligibility of the shareholders of the Company to receive the proposed final dividend, the register of members will be closed from Friday, 16 June 2023 to Monday, 19 June 2023, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to receive the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 15 June 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and the implementation of effective corporate governance commitments. The Company has adopted and met the relevant code provisions set out in the Corporate Governance Code (the "CG Code") based on the principles set out in Part 2 of Appendix 14 to the Listing Rules during the year ended 31 December 2022 except for code provision C.2.1 of the CG Code which requires that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Jin Ming currently performs these two roles in the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of the Directors and the number of independent non-executive Directors on the Board and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company as and when appropriate and suitable by taking into account the circumstances of the Group as a whole.

Compliance with the Model Code

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. Having made specific enquiry with all Directors, the Company has confirmed with all Directors that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Director's securities transactions during the year ended 31 December 2022.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Pursuant to the rules of the share award scheme adopted by the Company on 2 December 2019, the Company instructed the Trustee to purchase from the market a total of 10,960,000 shares for awards to the relevant grantees during the year. The total costs (including related transaction costs) of HK$126,224,000 (equivalent to RMB110,665,000) involved were contributed by the Group. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE

The Company set up an audit committee (the "Audit Committee") on 6 June 2014 for the purpose of reviewing and providing supervision on the financial reporting process, internal control system and risk management of the Group.

The Audit Committee comprises the three independent non-executive Directors with Mr. Zhang Guodong acting as chairman.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, the consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

By order of the Board
EEKA Fashion Holdings Limited
JIN MING
Chairman

Hong Kong, 29 March 2023

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.