Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

SUMMARY

- Revenue and gross profit of the Group for the year ended 31 December 2016 reached RMB1,599.49 million and RMB1,153.87 million respectively, representing an increase of 24.50% and 21.93% respectively as compared to the year ended 31 December 2015.

- Profit for the year ended 31 December 2016 was RMB230.83 million as compared to RMB204.05 million for the year ended 31 December 2015, representing an increase of 13.12% or RMB26.78 million. Net profit margin was 14.43% for the year ended 31 December 2016 (2015: 15.88%).

- Net cash inflow from operating activities increased to RMB185.18 million for the year ended 31 December 2016 (2015: RMB180.52 million).

- Basic earnings per share for the year ended 31 December 2016 was RMB47 cents (2015: RMB40 cents).

- The Board has resolved not to declare any final dividend for the year ended 31 December 2016 (2015: HK15 cents).

The board (the "Board") of directors (the "Directors") of Koradior Holdings Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2016 with comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2016

	Note	**2016** *RMB'000*	2015 *RMB'000*
Revenue	*5*	**1,599,486**	1,284,772
Cost of sales		**(445,617)**	(338,436)
Gross profit		**1,153,869**	946,336
Other revenue		**20,574**	20,987
Other net loss		**(3,581)**	(6,665)
Selling and distribution expenses		**(789,086)**	(628,632)
Administrative and other operating expenses		**(84,771)**	(63,808)
Profit from operations		**297,005**	268,218
Finance costs	*6(a)*	**(3,303)**	(1,165)
Profit before taxation	*6*	**293,702**	267,053
Income tax	*7*	**(62,870)**	(63,008)
Profit for the year		**230,832**	204,045
Attributable to:			
Equity shareholders of the Company		**233,692**	204,045
Non-controlling interests		**(2,860)**	–
Profit for the year		**230,832**	204,045
Earnings per share (RMB cents)			
Basic	*8(a)*	**47**	40
Diluted	*8(b)*	**46**	40

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
Profit for the year	**230,832**	204,045
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")	**(2,791)**	3,681
Total comprehensive income for the year	**228,041**	207,726
Attributable to:		
Equity shareholders of the Company	**230,901**	207,726
Non-controlling interests	**(2,860)**	–
Total comprehensive income for the year	**228,041**	207,726

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000
Non-current assets			
Property, plant and equipment		**134,974**	93,635
Intangible assets		**30,917**	–
Goodwill		**21,681**	–
Deposits, prepayments and other receivables		**36,327**	16,969
Other financial assets		**30,000**	20,000
Deferred tax assets		**10,853**	3,063
		264,752	133,667
Current assets			
Inventories		**337,029**	261,083
Trade and other receivables	*9*	**260,347**	216,773
Other financial investments		**4,500**	–
Pledged bank deposits		**–**	41,890
Cash and cash equivalents		**470,890**	436,798
		1,072,766	956,544
Current liabilities			
Bank loans		**142,765**	79,817
Trade and other payables	*10*	**199,495**	155,613
Current taxation		**48,139**	42,352
		390,399	277,782
Net current assets		**682,367**	678,762
Total assets less current liabilities		**947,119**	812,429
Non-current liabilities			
Deferred tax liabilities		**13,807**	–
Net assets		**933,312**	812,429

	31 December 2016 *RMB'000*	31 December 2015 *RMB'000*
Capital and reserves		
Share capital	**3,936**	3,997
Reserves	**901,611**	808,432
Total equity attributable to equity shareholders of the Company	**905,547**	812,429
Non-controlling interests	**27,765**	–
Total equity	**933,312**	812,429

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Koradior 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 OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries.

These consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRSs") requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

3. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SEGMENT REPORTING

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, retailing and wholesale of womenswear in the PRC. Accordingly, no segmental analysis is presented.

5. REVENUE

The principal activities of the Group are design, retail and wholesale of womenswear in the PRC.

The Group operates a chain of retail stores and several online stores to sell womenswear. The Group also conducts wholesale to distributors. Revenue represents the sales value of goods sold, excluding value added tax ("VAT") and other sales taxes, less sales returns and trading discounts.

The Group's customer base is diversified and no single external customer contributed 10% or more of the Group's total revenue during the years ended 31 December 2016 and 2015.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2016	2015
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank loans	**3,303**	1,165
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plans	**11,833**	8,035
	Equity settled share-based payment expenses	**1,025**	3,466
	Salaries, wages and other benefits	**224,889**	169,684
		237,747	181,185
(c)	**Other items:**		
	Depreciation	**43,221**	39,894
	Amortisation of intangible assets	**2,487**	–
	Auditor's remuneration	**2,300**	2,300
	Operating lease charges		
	– minimum lease payments	**73,406**	47,233
	– contingent rentals	**371,773**	305,685
	Loss on disposal of property, plant and equipment	**422**	–
	Cost of inventories	**445,617**	338,436
	Research and development costs	**25,085**	19,560

Note: Research and development costs include staff costs of employees in the design and product development department of RMB13,788,000 for the year ended 31 December 2016 (2015: RMB12,464,000), which are included in the staff costs as disclosed in note 6(b).

7. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2016	2015
	RMB'000	*RMB'000*
Current tax- Hong Kong Profits Tax		
Provision for the year	**1,597**	950
Over-provision in prior years	**(312)**	(89)
	1,285	861
Current tax- PRC Corporate Income Tax		
Provision for the year	**73,483**	64,328
Over-provision in prior years	**(4,108)**	–
	70,660	65,189
Deferred tax		
Origination and reversal of temporary differences	**(7,790)**	(2,181)
	62,870	63,008

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands or the BVI.

(ii) The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong Government of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of HK$20,000 for each business (2015: a maximum reduction of HK$20,000 was granted for the year of assessment 2014-15 and was taken into account in calculating the provision for 2015).

(iii) Pursuant to PRC Corporate Income Tax Law ("CIT Law"), the applicable Corporate Income Tax rate for the Group's subsidiaries in Mainland China for the year ended 31 December 2016 is 25% (2015: 25%) except for Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd. ("Dongfang Susu"), which is entitled to a reduced Corporate Income Tax rate of 15% (2015:15%) under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

(iv) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly. As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a reduced rate of 5% is applicable in the calculation of this withholding tax.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation	**293,702**	267,053
Notional tax on profit before taxation, calculated at the applicable tax rates applicable to the respective tax jurisdictions	**66,593**	61,564
Tax effect of non-taxable income	**(353)**	(437)
Tax effect of non-deductible expenses	**442**	1,986
Statutory tax concession	**(16)**	(16)
Over-provision in prior years	**(4,420)**	(89)
Tax effect of unused tax losses not recognised	**624**	–
Actual tax expense	**62,870**	63,008

8. 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 RMB233,692,000 (2015: RMB204,045,000) and the weighted average of 502,306,644 ordinary shares (2015: 506,620,526 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
Issued ordinary shares at 1 January	**502,034,000**	506,948,000
Effect of share repurchased	**(1,426,266)**	(327,474)
Effect of share options exercised	**1,698,910**	–
Weighted average number of ordinary shares at 31 December	**502,306,644**	506,620,526

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB233,692,000 (2015: RMB204,045,000) and the weighted average number of ordinary shares of 507,318,217 shares (2015: 512,028,022 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2016	2015
Weighted average number of ordinary shares at 31 December	**502,306,644**	506,620,526
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**5,011,573**	5,407,496
Weighted average number of ordinary shares (diluted) at 31 December	**507,318,217**	512,028,022

9. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables *(note (a))*	**208,726**	175,731
Deposits and prepayments	**54,394**	55,737
Other receivables	**33,554**	2,274
	296,674	233,742
Less: Non-current deposits, prepayments and other receivables	**(36,327)**	(16,969)
	260,347	216,773

All of the trade and other receivables included in current assets are expected to be recovered or recognised as expense within one year.

Non-current deposits and prepayments were included in other non-current assets and represented rental deposits paid to department stores and shopping malls for leases that expire twelve months after the year end date, prepayments for purchases of properties and advances to staff that are not expected to be recovered within next twelve months.

(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 of the PRC. 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.

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on date of revenue recognition, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**151,245**	112,407
1 to 2 months	**42,551**	45,196
2 to 3 months	**9,576**	12,008
Over 3 months	**5,354**	6,120
	208,726	175,731

(b) Trade receivables and bills receivable that are not impaired

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**193,796**	157,603
Less than 1 month past due	**9,576**	12,008
1 to 3 months past due	**3,673**	5,293
Over 3 months past due	**1,681**	827
	14,930	18,128
	208,726	175,731

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers including wholesalers and owners of department stores and shopping malls that have a good track record with the Group. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables		
– third parties	**35,210**	47,473
– a related party	**8,625**	13,231
Trade payables *(note (a))*	**43,835**	60,704
Receipts in advance	**32,873**	17,287
Staff costs payables	**26,194**	19,575
VAT and other tax payables	**57,443**	45,253
Other payables	**39,150**	12,794
	199,495	155,613

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(a) An ageing analysis of the trade payables based on the invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**30,223**	44,255
1 to 2 months	**6,063**	4,949
2 to 3 months	**440**	4,679
Over 3 months	**7,109**	6,821
	43,835	60,704

11. DIVIDENDS

The Board has resolved not to declare any dividend to the equity shareholder of the Company in respect of the year ended 31 December 2016.

On 29 March 2016, the Company declared a final dividend attributable to the year ended 31 December 2015 of HK$0.15 per share to those shareholders of the Company whose names appear on the register of members of the Company on 31 May 2016. The dividend amounting to HK$75,611,000 (equivalent to RMB64,300,000) was fully paid on 15 June 2016.

On 26 March 2015, the Company declared a final dividend attributable to the year ended 31 December 2014 of HK$0.1 per share to those shareholders of the Company whose names appear on the register of members of the Company on 26 May 2015. The dividend amounting to HK$50,695,000 (equivalent to RMB40,024,000) was fully paid on 8 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEWS

Affected by various factors including the devaluation of RMB as well as the increase in the cost of online purchasing tax, sales of the world's luxury groups rebounded in China in the second half of the year and high-end consumption showed the trend of structural increase. In 2016, the total retail sales of social consumer goods exceeded RMB33 trillion, representing an increase of 10.9% year on year, of which the retail sales of online goods amounted to RMB4.2 trillion, representing an increase of 25.6% year on year, accounting for 12.6% of the total retail sales of social consumer goods, with 1.8 percentage points of growth as compared to last year. After the extensive growth of the e-commerce industry, the decrease of flow dividends led to a significant slowdown in the growth of the industry. In 2016, the industry of mid- and high-end women's wears maintained the momentum of development, but the differentiation between brands was more obvious. Brands with conservative and traditional styles were facing greater pressure; while personalized fashion and designer brands were well-recognized, especially certain of mid- and high-end women's wears brands targeting 28 to 35-year-old young consumers grew significantly.

As the generation after 80s and 90s become more and more mature with age, their seek consumption in pursuit of freshness gradually fade away and turn to the rational consumption in pursuit of high quality and cost-effective performance. The consumers of the generation after 80s and 90s have strong self-awareness who are willing to pay for themselves. They are inclined to purchase the best things for themselves within their affordability and tend to buy upgraded consumer goods with good design. excellent function and high cost in one step, The development of the Internet makes the information more and more transparent. After the industry talents share their trial experience, consumers can accurately evaluate the value of goods of the brands, thus encouraging the generation after 80s and 90s to buy upgraded consumer goods. Once the habit of upgrading consumption forms, it is difficult to reverse it, which means that it is difficult for the generation after 80s and 90s to degrade their consumption but only to reduce their shopping lists despite of the pressure from the mortgage and raising children. In addition, the generation after 80s and 90s's consumptions are increasingly subdivided in terms of clothing affected by circle culture, they pursue practical clothes which match with their own temperament and highlight their beauties and personalities.

Given the uncertainty of the environment and the new features of the consumers of the generation after 80s and 90s, companies in the industry vary in their development strategies significantly. Companies having landing in the capital market focus on developing more brands or diversified paths by leveraging the strength of the capital market; companies which have not yet open up the capital market still focusing on the scale expansion, with a small number of companies adjusting their brand styles to focus on the market dislocation competition in the niche market. For channels, online and offline integration has accelerated with new retail models, such as micro-mall, lifestyle shops and buyers shops, springing up. Overall, companies with strong strength continue to invest more resources into expanding the number of brands and try to innovate, so as to keep their market shares increasing steadily; companies with personalized trendy brands focus on niche market, growing rapidly; middle-tier companies are facing more challenges as they are under pressure from both sides. With the continuation of the differentiation of the industry and the enhanced concentration, the stronger becomes stronger and the industry leader will soon be revealed!

FINANCIAL REVIEWS

Revenue

The principal activities of the Group are design, promotion, marketing and sales of self-owned branded ladies' wear products in the PRC. The Group's revenue is generated primarily from (a) retail sales to end customers in our self-operated retail stores; (b) sales on third party e-commerce platforms; (c) wholesales to our distributors, who in turn sell our products to end customers through the retail stores operated by them; and (d) other sale which were mainly derived from staff sales or direct sales through promotional activities outside our retail stores. Revenue represents the sales value of goods sold, excluding VAT and other sales taxes, less sales returns and trading discounts. Total revenue increased from RMB1,284.77 million for the year ended 31 December 2015 to RMB1,599.49 million for the year ended 31 December 2016, representing an increase of 24.5% or RMB314.72 million. Sales generated by our self-operated retail stores accounted for about 85.71% and 85.02% of our total revenue in 2016 and 2015 respectively, as it is our strategy to grow our business and sales network predominantly through expanding the number of our self-operated retail stores.

Total revenue from e-commerce increased by 9.43% from RMB102.13 million for the year ended 31 December 2015 to RMB111.76 million for the year ended 31 December 2016, primarily due to an increase in sales of our 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, our effort in developing our online retail stores through expanding our e-commerce team and establishing a business division dedicated to the e-commerce business.

Total revenue from distributors increased 38.86% from RMB82.31 million for the year ended 31 December 2015 to RMB114.30 million for the year ended 31 December 2016.

Cost of sales

Cost of sales increased from RMB338.44 million during the year ended 31 December 2015 to RMB445.62 million for the year ended 31 December 2016, representing an increase of 31.67% or RMB107.18 million, mainly due to the increase in the cost of inventories sold as a result of the growth of our sales.

Gross profit and gross margin

Gross profit increased from RMB946.34 million for the year ended 31 December 2015 to RMB1,153.87 million for the year ended 31 December 2016, representing an increase of 21.93% or RMB207.53 million. Our overall gross profit margin slightly decreased from 73.66% for 2015 to 72.14% for 2016.

Operating expenses

Operating expenses increased from RMB692.44 million for the year ended 31 December 2015 to RMB873.86 million for the year ended 31 December 2016, representing an increase of 26.20% or RMB181.42 million. Operating expenses include selling and distribution expenses, administrative expenses and other operating expenses, and details are listed below:

Selling and distribution expenses

Selling and distribution expenses increased by 25.53% from RMB628.63 million for the year ended 31 December 2015 to RMB789.09 million for the year ended 31 December 2016, primarily due to (a) the increase in store concession fees as a result of the increase in sales; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of our sales network as well as business growth; and (d) the increase in rental expenses due to increase in stores.

Administrative and other operating expenses

Administrative and other operating expenses increased by 32.85% from RMB63.81 million for the year ended 31 December 2015 to RMB84.77 million for the year ended 31 December 2016 primarily due to (a) the increase in salaries and benefits for our administrative staff as we expanded our business and increased the head-count of our administrative staff; and (b) the increase in research and development costs with new brands.

Finance costs

Finance costs increased by 182.05% from RMB1.17 million for the year ended 31 December 2015 to RMB3.30 million for the year ended 31 December 2016, mainly due to the increase in the bank borrowings made by the Group in Hong Kong and the PRC.

Income tax expenses

Income tax expenses decreased by 0.22% from RMB63.01 million for the year ended 31 December 2015 to RMB62.87 million for the year ended 31 December 2016, mainly due to over-provision in the prior years for PRC Corporate Income Tax.

Net profit and profit margin

As a result of the foregoing factors, the net profit of the Company attributable to shareholders was RMB233.69 million for the year ended 31 December 2016 as compared to RMB204.05 million for the year ended 31 December 2015, representing an increase of 14.53% or RMB29.64 million. Net profit margins were 15.88% and 14.43% for the years ended 31 December of 2015 and 2016 respectively.

Capital structure

The Group requires working capital to support its design and development, retail and other business operations. As at 31 December of 2016, the Group's total current assets were RMB1,072.77 million (31 December 2015: RMB956.54 million) and total current liabilities were RMB390.40 million (31 December 2015: RMB277.78 million). The current ratio was 2.75 (31 December 2015: 3.44). The Directors believe 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 31 December 2016, the Group's interest bearing loans are bank loans denominated in Hong Kong dollars and Reminbi which included HK$130 million (equivalent to RMB116.29 million) term loans at variable interest rate which will expire within two years, RMB20 million bank loans at variable interest rate which will expire within a year, and another RMB6.48 million bank loans at fixed interest rate which will expire within a year. All loans are guaranteed by the Company.

Financial position, liquidity and gearing ratio

As at 31 December 2016, the Group's cash and cash equivalents were RMB470.89 million (31 December 2015: RMB436.80 million), denominated as to 93.41% in RMB, 0.16% in United States dollar and 6.43% in Hong Kong dollar. The net cash inflow from operating activities generated was RMB185.18 million for the year ended 31 December 2016, up 2.58% from RMB180.52 million for the year ended 31 December 2015.

As at 31 December 2016, the gearing ratio (i.e. outstanding bank loans divided by total equity) was 15.30% (31 December 2015: 9.82%).

Exposures to fluctuation in foreign exchange

The Group is exposed to currency risk attributable to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency 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.

Charges of assets

As at 31 December 2016, the Group had no banking facilities secured by pledged bank deposits (31 December 2015: HK$50,000,000).

Contingent liabilities

As at 31 December 2016, the Group had no significant contingent liabilities (31 December 2015: Nil).

Material acquisition

On 24 June 2016, the Group, through its wholly-owned subsidiary, La Kora International Limited, entered into an agreement with Li Wenjie, Yang Renjie, Hangzhou Zhisu Shares Investment Limited Partnership（杭州至素股權投資合夥企業）and Shenzhen Lappland Asset Management Co., Ltd.（深圳市拉普蘭資產管理有限公司）to acquire 65% of the equity intersets of Shenzhen Mondial Industrial Co., Limited ("Mondial") for a cash consideration of RMB76,700,000. Mondial was established in Shenzhen, the PRC in 2000 and is principally engaged in the design, manufacturing and sale of high-end ladies wear in the PRC and has a self-owned brand "CADIDL" which targets affluent ladies between the ages of 30 and 40. The completion of the acquisition took place on 13 July 2016.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries and associated companies by the Group during the year ended 31 December 2016.

Significant Investments

On 15 December 2015, the Group entered into a partnership agreement with Shenzhen Dongfang Ruizhe Assets Management Co., Ltd.（深圳東方瑞哲資產管理有限責任公司）, Shenzhen HT Intelligent Control Co., Ltd.（深圳和而泰智能控制股份有限公司）and Hangzhou Xinkun Equity Investment Partnership（杭州心坤股權投資合夥企業）, to jointly establish Shenzhen Qianhai Ruilin Investment Management Co., L.P.（深圳前海瑞霖投資管理企業（有限合夥））(“Qianhai Ruilin”) with a total investment amount of RMB110 million. As at 31 December 2016, the Group invested RMB30 million in Qianhai Ruilin. (2015: RMB20 million). The establishment of Qianhai Ruilin was solely for investing in Qingdao Kute Smart Co., Ltd（青島酷特智能股份有限公司）.

Use of proceeds

With the successful listing of the Company’s shares on the Main Board of the Stock Exchange on 27 June 2014, net proceeds of HK$534.74 million have been raised, of which HK$522.19 million had been utilised as at 31 December 2016 as follows:

Items	**Amount** *(HK$ million)*
Establish new self-operated retail stores	267.37
Develop new brands of our Group	106.95
Further development of e-commerce business	53.47
Koradior brand promotion and marketing	53.47
Working capital and general corporate purposes	26.74
Upgrading ERP system	14.19
Total	522.19

BUSINESS REVIEWS

1. Business

The Group operates three major brands of high-end women's wear: (i) Koradior brand launched in April 2007, which focuses on affluent ladies between the ages of 30 and 45, designed to be feminine, stylish, chic and young-looking for those women chasing casual elegance, and is committed to providing quality lifestyle; (ii) La Koradior launched in September 2012, branded luxury atmosphere and distinctive style, advocating the luxury and elegance of life and meeting the formal female social occasion dress needs; and (iii) Koradior elsewhere, a new brand launched by the Group in September 2014, which is positioned to offer a simple yet feminine, stylish, modern relaxed, leisurely elegance from the heart, demonstrating that life is elsewhere. The three major brands meet various dressing needs of our customers. On 13 July 2016, the Group completed its acquisition of 65% equity interest of Mondial. Mondial was established in Shenzhen, PRC in 2000 and is principally engaged in the design, manufacturing and sale of high-end ladies wear in the PRC and has a majority-owned brand "CADIDL" which targets affluent ladies between the ages of 30 and 40. The Group established personal tailor made fashion brand "DE KORA" in July 2016 which has created new benchmarks for customized clothing in the field of fashion brand. As at 31 December 2016, there were 592 retail stores, including 79 retail stores under the brand "CADIDL" resulted from Mondial acquisition, covering 29 cities of provinces, autonomous regions and municipalities, of which 506 were operated by us and 86 were operated by our distributors under our own four brands. Out of the 506 self-operated retail stores, there were 363 retail stores in department stores, 69 retail stores in shopping malls, 52 retail stores in outlets and 22 retail stores on street levels. For the year ended 31 December 2016, the Group's revenue increased to RMB1,599.49 million, representing an increase of 24.5% as compared to in 2015. Revenue generated by our self-operated retail stores accounted for 85.71% of total revenue and e-commerce revenue was RMB111.76 million, representing 6.99% of total revenue, primarily generated through third party e-commerce platforms such as Tmall, VIP.com and Dangdang. In 2016, Koradior was awarded "Top 10 Riser" in the first Shenzhen 100-China Corporate Globalization Innovation Forum, and our brand Koradior was awarded by China National Commercial Information Centre the "Top 5 Brands in Overall Market Share Among Similar Products 2015".

Revenue analysis by brands

Brand	2015		**2016**		**Increase**	**Increase**
	RMB'000	*%*	***RMB'000***	***%***	*RMB'000*	**by %**
Koradior	1,118,715	87.07%	**1,234,360**	**77.18%**	115,645	10.34%
La Koradior	87,730	6.83%	**112,645**	**7.04%**	24,915	28.40%
Koradior elsewhere	78,327	6.10%	**181,575**	**11.35%**	103,248	131.82%
CADIDL *(note1)*	–	–	**70,906**	**4.43%**	70,906	100%
Total	1,284,772	100%	**1,599,486**	**100%**	314,714	24.50%

Note1: The Group acquired 65% equity interest of Shenzhen Mondial Industrial Co., Limited which has self-owned brand "CADIDL" on 13 July 2016.

Revenue analysis by sales channels

Sales channel	2015		**2016**		**Increase**	**Increase**
	RMB'000	*%*	***RMB'000***	***%***	*RMB'000*	**by %**
Self-operated retail stores	1,092,328	85.02%	**1,370,890**	**85.71%**	278,562	25.50%
Wholesales to distributors	82,312	6.41%	**114,302**	**7.15%**	31,990	38.86%
E-commerce	102,125	7.95%	**111,760**	**6.99%**	9,635	9.43%
Others	8,007	0.62%	**2,534**	**0.15%**	–5,473	–68.35%
Total	1,284,772	100%	**1,599,486**	**100.00%**	314,714	24.50%

The Group has always placed a strong focus on establishing self-operated retail stores. For the year ended 31 December 2016, 506 self-operated retail stores generated revenue of RMB1,370.89 million in aggregate, representing an increase of 25.5% as compared to 2015. Direct revenue comes mainly from the existing stores sales growth and new opened store sales.

The Group's brand is further expanded after the large-scale development, with more dealers seeking collaboration with the Group. There were 14 new retail stores operated by distributors under three brands (Koradior, La Koradior and Koradior elsewhere) in 2016. As at 31 December 2016, there were 86 retail stores operated by distributors and the revenue of retail stores operated by distributors reached RMB114.30 million, representing an increase of 38.86% as compared to 2015.

The Group makes use of third party e-commerce platforms as one of its sales channels. E-commerce revenues for the year of 2016 amounted to RMB111.76 million, of which RMB92.28 million or 82.57% of total e-commerce revenue was from Tmall, RMB19.45 million or 17.40% of total e-commerce revenue was from VIP.com. E-commerce revenues for the year of 2015 amounted to RMB102.13 million, of which RMB69.19 million or 67.75% of total e-commerce revenue was from Tmall, RMB32.04 million or 31.37% of total e-commerce revenue was from VIP.com and RMB0.88 million or 0.86% of total e-commerce revenue was from Dangdang.com.

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

The following table sets out the breakdown of our revenue generated from our self-operated retail stores and wholesales to distributors by geographical regions for the years ended 31 December 2015 and 2016, respectively:

	Year ended 31 December			
	2015		**2016**	
Region	*(RMB million)*	%	***(RMB million)***	**%**
Central PRC[1]	130.64	11.12	**163.40**	**11.00**
Eastern PRC[2]	385.14	32.79	**495.35**	**33.35**
North Eastern PRC[3]	65.64	5.59	**77.00**	**5.19**
North Western PRC[4]	83.52	7.11	**116.74**	**7.86**
Northern PRC[5]	137.28	11.68	**157.91**	**10.63**
South Western PRC[6]	246.17	20.96	**319.17**	**21.49**
Southern PRC[7]	126.25	10.75	**155.62**	**10.48**
Total	1,174.64	100.00	**1,485.19**	**100.00**

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

7 Southern PRC includes Guangxi, Hainan and Guangdong.

During the year ended 31 December 2016, 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 2016, the Group opened 107 new retail stores (of which 93 are self-operated) and closed 52 retail stores (of which 46 are self-operated stores), representing a net increase of 55 retail stores. The following table sets out the number of retail stores in our sales network by geographical regions in the PRC as at 31 December 2016, including both self-operated retail stores and retail stores operated by distributors:

	Number of retail stores				
Region	**As at 1 January 2015**	**Opened during the year**	**Closed during the year**	**As at 31 December 2016**	
		Koradior		**Koradior**	**CADIDL**
Central PRC[1]	45	15	(6)	54	14
Eastern PRC[2]	179	38	(27)	190	25
North Eastern PRC[3]	26	5	(1)	30	–
North Western PRC[4]	26	10	(2)	34	18
Northern PRC[5]	60	9	(7)	62	10
South Western PRC[6]	78	16	(6)	88	10
Southern PRC[7]	44	14	(3)	55	2
Total	458	107	(52)	513	79

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.

2. Design, research and development

The Group launched 162 series of products under four brands in 2016, compared with 127 series of products in 2015. The total number of SKU[1] reached 3,800 in 2016, representing an increase of 31.03% from a total of 2,900, SKU in 2015. Our research and design team members rapidly expanded to 182 as at 31 December 2016 from 129 as at 31 December 2015.

The Group engages well-known designers from overseas and China as its brand creative directors for "Koradior", "La Koradior", "Koradior elsewhere", "CADIDL" and "DE KORA". Research and development expenses were RMB25.09 million, representing 1.57% of the Group's total revenue for the year ended 31 December 2016, as compared to RMB19.56 million, representing 1.52% of the Group's total revenue for the year ended 31 December 2015. 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 "Melody of South China" for Milan Fashion Week and La Koradior 33 series, Koradior elsewhere "Ellworth Kelly" for Shenzhen Fashion 2016, CADIDL "Light of Future" series.

Note 1: Stock keeping unit with products that are exactly the same except to their different colours deemed as different stock keeping units, and products that are exactly the same except for their different size deemed as one stock keeping unit

3. Marketing and promotion

Airport advertising is one of the most effective ways to promote brands. The Group has placed advertisements at Shenzhen Bao'an International Airport, Shanghai Pudong International Airport, Shanghai Hongqiao International Airport, Chengdu Shuangliu International Airport and Xian Xianyang International Airport presently. One of our self-owned brands Koradior was a participant at the Milan Fashion Week Spring/Summer in September 2016, and also the sole fashion brand from the PRC officially invited by the Milan Fashion Week in Italy, and Miranda Kerr, an internationally famous top model was the Group's brands spokesperson. The Group increased brand promotions and customer interactions through the public platform Wechat's lucky draw cards, greeting cards, and to increase its brand awareness and influence the Group also placed brand imaging advertisements in selected top nationwide circulated fashion/lifestyle magazines and publications, such as "VOGUE", "COSMO Bride" etc. The Group became the sole apparel brand placed in Les interprétes "親愛的翻譯官", a TV drama starring Yang Mi, a famous actress in the PRC, which started to be broadcast on the national famous Hunan Satellite TV Channel in June 2016, and ranked first among dramas shown in the same period. The Group invited a famous British Illustrator – Ashley Percival had a cross-border collaboration, launching limited edition parent-child t-shirts with the theme "love". For the year ended 31 December 2016, the brand and marketing promotion expenses (excluded sales promotion expenses) were RMB51.56 million which accounted for 3.22% of the Group's total revenue, representing an increase of RMB8.98 million or 21.09% as compared to RMB42.58 million which accounted for 3.31% of the Group's total revenue for the year ended 31 December 2015 primarily due to the increase in advertisements in airports.

4. Human resources

As at 31 December 2016, we had a total of 3,265 full-time employees in the PRC. The following table sets forth a breakdown of our employees allocation by departments as at 31 December 2015 and 2016:

	2016	2015
	Number of employees	
Management, administration and finance	**101**	64
Product design and research and development	**182**	129
Sales and marketing	**2,770**	2,352
Procurement, logistics and quality control	**97**	74
Production for Mondial	**115**	–
Total	**3,265**	2,619

The Group has implemented various programs for staff training and development, focusing on the training of sales and marketing skills. We provide competitive salary and welfare package for our staff. For the year ended 31 December 2016, the total salary and welfare expenses were RMB237.75 million, representing 14.86% of the Group's total revenue and an increase of RMB56.56 million or 31.22% as compared to RMB181.19 million or 14.10% of the Group's total revenue for the year ended 31 December 2015.

The Group has a share option scheme in place for selected participants as incentive and reward for their contribution to 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. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

5. **Prospect**

Looking ahead into 2017, the Group will maintain its proactive strategies and tap into the capital advantage to invest more on brand marketing and promotion, product innovation and design as well as sales networks. In addition, the Company will seek acquisition opportunities which can expand the brand mix to satisfy the growing needs and demands of customers in a broader prospective. Meanwhile, the Company will further develop its e-commerce business and design more specific online products, so as to fully leverage the advantage of the platform.

DIVIDENDS

The Board has resolved not to declare any final dividend for the year ended 31 December 2016 (2015: HK$0.15 per share).

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the forthcoming annual general meeting, the register of members will be closed from Monday, 22 May 2017 to Thursday, 25 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday 19 May 2017.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and the implementation of effective corporate governance commitments. The Company has met the relevant code provisions set out in the Corporate Governance Code based on the principles set out in appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended 31 December 2016 except for code provision A.2.1 of the Corporate Governance Code which requires that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Jin Ming currently performs these two roles in our 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 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 as and when appropriate and suitable by taking into account the circumstances of our Group as a whole.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company repurchased a total of 8,954,000 shares on the Stock Exchange during the year ended 31 December 2016. Details of the repurchases are as follows:

Month of repurchases	Total number	Repurchase price Per share Highest	Lowest	Total paid of shares repurchased
		HK$	*HK$*	*HK$*
August 2016	598,000	10.24	10.06	6,055,260
September 2016	4,409,000	11.60	10.10	48,791,600
November 2016	3,947,000	9.99	9.40	38,870,000
	8,954,000			93,716,860

The repurchased shares above were all cancelled on or before 3 December 2016.

The purchase of the Company's shares during the year was effected by the directors, pursuant to the repurchase mandate granted by the shareholders of the Company at the annual general meeting held on 24 May 2016, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

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. Wong Wai Kong acting as Chairman.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2016. The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 auditor.

By order of the Board
Koradior Holdings Limited
JIN MING
Chairman

Hong Kong, 27 March 2017

As at the date of this announcement, the Board comprises Mr. Jin Ming, Mr. Deng Shigang and Ms. He Hongmei as executive Directors; Mr. Yang Weiqiang as non-executive Director; Mr. Zhou Xiaoyu, Dr. Wong Wai Kong and Mr. Zhong Ming as independent non-executive Directors.