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 2017

SUMMARY

- Revenue and gross profit of the Group for the year ended 31 December 2017 reached RMB2,203.73 million and RMB1,561.02 million respectively, representing an increase of 37.78% and 35.29% respectively as compared to the year ended 31 December 2016.

- Profit for the year ended 31 December 2017 was RMB242.58 million as compared to RMB230.83 million for the year ended 31 December 2016, representing an increase of 5.09% or RMB11.75 million. Net profit margin was 11.01% for the year ended 31 December 2017 (2016: 14.43%).

- Net cash inflow from operating activities was RMB149.58 million for the year ended 31 December 2017 (2016: RMB185.18 million).

- Basic earnings per share for the year ended 31 December 2017 was RMB52 cents (2016: RMB47 cents).

- The Board proposed to declare a final dividend of HK25 cents per share for the year ended 31 December 2017 (2016: nil).

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 2017 with comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Note	**2017** **RMB'000**	2016 *RMB'000*
Revenue	*5*	**2,203,726**	1,599,486
Cost of sales		**(642,703)**	(445,617)
Gross profit		**1,561,023**	1,153,869
Other revenue		**14,610**	20,574
Other net gain/(loss)		**1,706**	(3,581)
Selling and distribution expenses		**(1,139,341)**	(789,086)
Administrative and other operating expenses		**(131,437)**	(84,771)
Profit from operations		**306,561**	297,005
Finance costs	*6(a)*	**(2,121)**	(3,303)
Profit before taxation	*6*	**304,440**	293,702
Income tax	*7*	**(61,857)**	(62,870)
Profit for the year		**242,583**	230,832
Attributable to:			
Equity shareholders of the Company		**253,517**	233,692
Non-controlling interests		**(10,934)**	(2,860)
Profit for the year		**242,583**	230,832
Earnings per share (RMB cents)			
Basic	*8(a)*	**52**	47
Diluted	*8(b)*	**51**	46

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Profit for the year	**242,583**	230,832
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 China	**(4,956)**	(2,791)
Total comprehensive income for the year	**237,627**	228,041
Attributable to:		
Equity shareholders of the Company	**248,561**	230,901
Non-controlling interests	**(10,934)**	(2,860)
Total comprehensive income for the year	**237,627**	228,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Note	**31 December 2017** *RMB'000*	31 December 2016 *RMB'000*
Non-current assets			
Property, plant and equipment		**149,820**	134,974
Intangible assets		**26,196**	30,917
Goodwill		**21,681**	21,681
Deposits, prepayments and other receivables		**10,617**	36,327
Other financial assets		**30,000**	30,000
Deferred tax assets		**17,036**	10,853
		255,350	264,752
Current assets			
Inventories		**457,028**	337,029
Trade and other receivables	*9*	**372,792**	260,347
Other financial investments		**–**	4,500
Prepaid tax		**2,647**	–
Cash and cash equivalents		**517,070**	470,890
		1,349,537	1,072,766
Current liabilities			
Bank loans		**158,932**	142,765
Trade and other payables	*10*	**271,045**	199,495
Current tax liabilities		**51,273**	48,139
		481,250	390,399
Net current assets		**868,287**	682,367
Total assets less current liabilities		**1,123,637**	947,119
Non-current liabilities			
Deferred tax liabilities		**10,982**	13,807
Net assets		**1,112,655**	933,312

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2017

	Note	**31 December 2017** *RMB'000*	31 December 2016 *RMB'000*
Capital and reserves			
Share capital		**3,859**	3,936
Reserves		**1,087,965**	901,611
Total equity attributable to equity shareholders of the Company		**1,091,824**	905,547
Non-controlling interests		**20,831**	27,765
Total equity		**1,112,655**	933,312

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 INFORMATION

The consolidated financial information for the year ended 31 December 2017 comprises the Company and its subsidiaries.

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

The measurement basis used in the preparation of the financial information is the historical cost basis, except for other financial assets and other financial investments which are stated at their fair value.

The preparation of financial information 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.

3 CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in the financial statements to satisfy the new disclosure requirements introduced by the amendments to *International Accounting Standard 7, Statement of cash flows: Disclosure initiative,* which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 People's Republic of China (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 2017 and 2016.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2017	2016
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank loans	**2,121**	3,303
(b)	**Staff costs:**		
	Contributions to defined contribution retirement plans	**23,314**	11,833
	Equity settled share-based payment expenses	**380**	1,025
	Salaries, wages and other benefits	**360,247**	224,889
		383,941	237,747
(c)	**Other items:**		
	Depreciation	**56,317**	43,221
	Amortisation of intangible assets	**5,013**	2,487
	Auditor's remuneration	**1,500**	2,300
	Operating lease charges		
	– minimum lease payments	**101,000**	73,406
	– contingent rentals	**466,345**	371,773
	Loss on disposal of property, plant and equipment	**112**	422
	Cost of inventories	**642,703**	445,617
	Research and development costs *(note)*	**42,895**	25,085

Note: Research and development costs include staff costs of employees in the design and product development department of RMB22,869,000 for the year ended 31 December 2017 (2016: RMB13,788,000), which are included in the staff costs as disclosed in note 6(b).

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Hong Kong Profits Tax	**1,282**	1,285
PRC Corporate Income Tax	**41,042**	69,375
PRC withholding tax on dividend	**28,541**	–
	70,865	70,660
Deferred tax		
Origination and reversal of temporary differences	**(9,008)**	(7,790)
	61,857	62,870

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 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year.

(iii) The subsidiaries of the Group established in the Mainland China are subject to the PRC Corporate Income Tax ("CIT") rate of 25%.

(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.

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

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**304,440**	293,702
Notional tax on profit before taxation, calculated at the tax rates applicable to the respective tax jurisdictions	**70,283**	66,593
Tax effect of non-taxable income	**(1,082)**	(353)
Tax effect of non-deductible expenses	**761**	442
Tax concession *(note 1)*	**(30,213)**	(4,125)
Over provision in respect of prior years *(note 1)*	**(10,160)**	(311)
Tax effect of unused tax losses not recognised	**314**	624
PRC withholding tax on dividend *(note 2)*	**30,440**	–
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(note 1)*	**1,514**	–
Actual tax expense	**61,857**	62,870

Note 1 Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd. is 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 the tax bureau in 2017 to be taxed as a High and New-Technology Enterprise. Pursuant to the approval, Shenzhen Koradior is entitled to a preferential PRC CIT rate of 15% for a period of three years from 2016 to 2018. Consequently, the PRC CIT rate applicable to Shenzhen Koradior was reduced from 25% to 15%, resulting in a loss of RMB1,514,000 related to the re-measurement of deferred tax assets and a PRC CIT over provision in respect of the year ended 31 December 2016 of RMB11,307,000 as Shenzhen Koradior had adopted a CIT rate of 25% in 2016, being the tax rate enacted at 31 December 2016.

In addition to the preferential PRC CIT rate, Shenzhen Koradior is also entitled to an additional tax deductible allowance calculated at 50% of the qualified research and development costs it incurred.

Note 2 In 2017, the Group recognised PRC withholding tax on dividend of RMB30,440,000, including current tax of RMB28,541,000 and deferred tax of RMB1,899,000.

In June 2017, one of the subsidiaries of the Group established in the Mainland China has distributed a dividend of RMB285,410,000 to La Kora International Limited, a subsidiary of the Group incorporated in Hong Kong. This distributed dividend of RMB285,410,000 is subject to a PRC withholding tax rate of 10%. PRC withholding tax amounted to RMB28,541,000 was paid in June 2017 accordingly.

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 RMB253,517,000 (2016: RMB233,692,000) and the weighted average number of 490,957,099 ordinary shares (2016: 502,306,644 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at 1 January	**495,120,000**	502,034,000
Effect of share repurchased	**(4,162,901)**	(1,426,266)
Effect of share options exercised	**–**	1,698,910
Weighted average number of ordinary shares at 31 December	**490,957,099**	502,306,644

(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 RMB253,517,000 (2016: RMB233,692,000) and the weighted average number of 494,193,749 ordinary shares (2016: 507,318,217 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2017	2016
Weighted average number of ordinary shares at 31 December	**490,957,099**	502,306,644
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**3,236,650**	5,011,573
Weighted average number of ordinary shares (diluted) at 31 December	**494,193,749**	507,318,217

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables *(note (a))*	**308,799**	208,726
Deposits and prepayments	**44,057**	54,394
Other receivables	**30,553**	33,554
	383,409	296,674
Less: Non-current deposits, prepayments and other receivables	**(10,617)**	(36,327)
	372,792	260,347

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 and prepayments for purchases of properties 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 China. Proceeds from the Group's sales made in these leased retail stores are mainly collected by the department stores and the shopping malls on the Group's behalf. Following the completion of the reconciliation of the sales in the past month with the department store and shopping mall, the Group then issues invoices, which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales is made net of the lease rental payable to the department stores and the shopping malls and is generally expected within 60 days from the date of revenue recognition.

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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**203,468**	151,245
1 to 2 months	**72,153**	42,551
2 to 3 months	**25,349**	9,576
Over 3 months	**7,829**	5,354
	308,799	208,726

(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:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**275,621**	193,796
Less than 1 month past due	**25,349**	9,576
1 to 3 months past due	**6,527**	3,673
Over 3 months past due	**1,302**	1,681
	33,178	14,930
	308,799	208,726

Receivables that were neither past due nor impaired relate to a wide range of debtors, primarily owners of department stores and shopping malls, for whom there was no recent history of default.

Receivables that were past due but not impaired primarily relate to a number of independent debtors including owners of department stores and shopping malls in Mainland China with no recent history of material defaults. 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

	2017	2016
	RMB'000	*RMB'000*
Trade payables		
– third parties	**65,701**	35,210
– a related party	**10,797**	8,625
Trade payables *(note (a))*	**76,498**	43,835
Receipts in advance	**69,853**	32,873
Staff costs payables	**41,712**	26,194
VAT and other tax payables	**54,916**	57,443
Other payables	**28,066**	39,150
	271,045	199,495

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:

	2017	2016
	RMB'000	*RMB'000*
Within 1 month	**66,366**	30,223
1 to 2 months	**5,854**	6,063
2 to 3 months	**1,926**	440
Over 3 months	**2,352**	7,109
	76,498	43,835

11. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Dividends payable to equity shareholders of the Company attributable to the previous year, approved and paid during the year:		
Final dividend declared for 2016 – nil (2016: declared for 2015 – HK$0.15 per share) (i)/(ii)	**–**	64,300
Dividends payable to equity shareholders of the Company attributable to the year, proposed after the end of the reporting period (2016: nil)		
Final dividend of HK$0.25 (2016: nil) per ordinary share (iii)	**101,632**	–

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

(ii) 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.

(iii) On 27 March 2018, the directors proposed a final dividend of HK$0.25 per ordinary share, amounting to HK$121,584,000 (equivalent to RMB101,632,000), which was calculated on the basis of 486,337,000 shares in issue as at 27 March 2018. The proposed final dividend is subject to approval of the shareholders at the forthcoming annual general meeting and therefore has not been recognised as a liability as at 31 December 2017.

12. REVIEW OF RESULTS

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 2017 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.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEWS

Due to the reform at the supply side and global economic recovery, the growth rate of the Chinese economy rallied and the consumer market saw stable growth. In 2017, the total retail sales of social consumer goods exceeded RMB36.6 trillion, representing a nominal increase of 10.2% year on year, of which the retail sales of online physical goods exceeded RMB5.5 trillion, representing an increase of 28.0% year on year, accounting for 15.0% of the total retail sales of social consumer goods, with 2.4 percentage points of growth as compared to last year. As affected by the exchange rate, tax rate and other factors as well as the price adjustment of international brands, the price advantage of overseas purchase weakened and high-end consumption presented a trend of backflow to the domestic market. Moreover, against the elevation of Chinese citizens' spending power and upgrade of mass consumption, the high-end consumption obviously picked up in 2017. The middle and high-end women's apparel ushered in a new climax of development and recorded a substantial year-on-year increase in sales. Meanwhile, the competition among brands became more intense.

Young people accounted for a larger proportion in the age structure of consumers. The generation after "90s", as one of the consumer groups with the rapidest growth and largest influence, has distinct diversity including diversified opinions on health, brand and products. They are willing to pay for the products that they like and are more likely to accept new products. In addition, they pay attention to quality and value the product itself instead of the brand name. Meticulous design and brand story have become important means to strike a chord with the consumers after "90s". Consumers are also more and more focused on the healthy way of life and stress the effects of diet and environment on the quality of life. Sports have become a trend and a way of social intercourse, and fashion sports brands thus see a new trend. Apparel enterprises no longer simply rely on the traditional model of retail at physical stores or extensive model of online shopping via e-commerce. Instead, these enterprises have constructed a omni-channel sales platform integrating online shopping and physical stores, striving to offer the most premium shopping experience to consumers.

In light of the diversified demands of consumers, changeful fashion trends and homogeneous competition, middle and high-end women's apparel enterprises sought for development featuring multiple brands or diversification. On the one hand, new brands or new businesses were established by means of extension riding on the capital market. On the other hand, the potential for internal growth was improved through efficiency enhancement: the information-based and intelligent transformation was continually deepened for all the sections of supply chain to beef up the integration of online and offline businesses; the notable enhancement of digitalization of physical stores and endless emergence of new models including unmanned retail fueled the development of new retail.

FINANCIAL REVIEWS

Revenue

The principal activities of the Group are design, retail and wholesale of women's wear 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 sales 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 RMB1,599.49 million for the year ended 31 December 2016 to RMB2,203.73 million for the year ended 31 December 2017, representing an increase of 37.78% or RMB604.24 million. Sales generated by our self-operated retail stores accounted for about 83.63% and 85.71% of our total revenue in 2017 and 2016 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 39.02% from RMB111.76 million for the year ended 31 December 2016 to RMB155.37 million for the year ended 31 December 2017, 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 70.67% from RMB114.30 million for the year ended 31 December 2016 to RMB195.08 million for the year ended 31 December 2017.

Cost of sales

Cost of sales increased from RMB445.62 million during the year ended 31 December 2016 to RMB642.70 million for the year ended 31 December 2017, representing an increase of 44.23% or RMB197.08 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 RMB1,153.87 million for the year ended 31 December 2016 to RMB1,561.02 million for the year ended 31 December 2017, representing an increase of 35.29% or RMB407.15 million. Our overall gross profit margin slightly decreased from 72.14% for 2016 to 70.84% for 2017.

Operating expenses

Operating expenses increased from RMB873.86 million for the year ended 31 December 2016 to RMB1,270.78 million for the year ended 31 December 2017, representing an increase of 45.42% or RMB396.92 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 44.39% from RMB789.09 million for the year ended 31 December 2016 to RMB1,139.34 million for the year ended 31 December 2017, 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 55.05% from RMB84.77 million for the year ended 31 December 2016 to RMB131.44 million for the year ended 31 December 2017 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 acquired brands.

Finance costs

Finance costs decreased by 35.76% from RMB3.30 million for the year ended 31 December 2016 to RMB2.12 million for the year ended 31 December 2017, mainly due to the decrease in the bank borrowings made by the Group in Hong Kong and the Mainland China.

Income tax expenses

Income tax expenses decreased by 1.61% from RMB62.87 million for the year ended 31 December 2016 to RMB61.86 million for the year ended 31 December 2017, mainly due to the reduction in PRC corporate income tax rate of a major subsidiary of the Group, Shenzhen Koradior Fashion Co., Ltd. from 25% to 15%, offset by the withholding tax paid in respect of dividends distributed by the Group's PRC subsidiaries.

Net profit and profit margin

As a result of the foregoing factors, the net profit of the Company attributable to shareholders was RMB253.52 million for the year ended 31 December 2017 as compared to RMB233.69 million for the year ended 31 December 2016, representing an increase of 8.49% or RMB19.83 million. Net profit margins were 11.01% and 14.43% for the years ended 31 December of 2017 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 2017, the Group's total current assets were RMB1,349.54 million (31 December 2016: RMB1,072.77million) and total current liabilities were RMB481.25 million (31 December 2016: RMB390.40million). The current ratio was 2.80 (31 December 2016: 2.75). 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 2017, the Group's interest bearing loans are bank loans denominated in Hong Kong dollars and Renminbi which included HK$16.67 million (equivalent to RMB13.93 million) term loans and RMB65.00 million bank loans at variable interest rate which will expire within one year, and RMB80.00 million bank loans at fixed interest rate which will expire within a year.

Financial position, liquidity and gearing ratio

As at 31 December 2017, the Group's cash and cash equivalents were RMB517.07 million (31 December 2016: RMB470.89 million), denominated as to 90.19% in RMB, 0.28% in United States dollar, 9.36% in Hong Kong dollar and 0.17% in Korea won. The net cash inflow from operating activities generated was RMB149.58 million for the year ended 31 December 2017, down 19.22% from RMB185.18 million for the year ended 31 December 2016.

As at 31 December 2017, the gearing ratio (i.e. outstanding bank loans divided by total equity) was 14.28% (31 December 2016: 15.30%).

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 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

Material acquisition

On 9 March 2017, the Group, through its a 90% owned subsidiary, Shanghai Kody Brand Management Co. Ltd (上海珂蒂品牌管理有限公司), entered into an agreement with SK Networks(China) Fashion Co. Ltd (愛思開實業(上海)有限公司) ("SK Networks") to acquire the assets of SK Networks (including fashion products under the brand names "Obzee" and "O'2nd") for a cash consideration of RMB64,542,880. SK Networks engaged in the business of distributing, marketing and selling of fashion products under the brand names "Obzee" and "O'2nd". Further details of this acquisition were set out in the Company's announcement dated 20 March 2017.

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 2017.

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 2017, the Group invested RMB30 million in Qianhai Ruilin (2016: RMB30 million). Qianhai Ruilin was established 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 of Hong Kong Limited (the "Stock Exchange") on 27 June 2014, net proceeds of HK$534.74 million have been raised, of which HK$527.71 million had been utilised as at 31 December 2017 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	19.71
Total	527.71

BUSINESS REVIEWS

1. Business

The Group operates a number of major brands of high-end women's wear to meet various dressing needs of our customers: (i) Koradior brand launched in April 2007, which focuses on affluent ladies between the ages of 30 to 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 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 Group also operates a number of brands with our business partners: (iv) CADIDL which is majoritively owned by Mondial, which is in turn owned as to 65% by our Group after the acquisition on 13 July 2016, which targets affluent ladies between the ages of 30 to 40 designed to high-end professional ladies with concise fashion design style and rival to the exquisite workmanship of advanced customized dress; (v) DE KORA, launched in July 2016 which is established personal tailor made fashion brand which has created new benchmarks for customized clothing with high quality; and (vi) on 9 March 2017, the Group, through its 90% owned subsidiary entered into an agreement with SK Networks(China) Fashion Co. Ltd which owned the brands "Obzee" and "O'2nd". O'2nd targets affluent ladies between the ages of 25 to 40, designed with a strong sense of fashion and paying particular attention to details and Obzee targets affluent ladies between the ages of 30 to 50, with a taste for trendy and feminine apparel with lace decor. As at 31 December 2017, there were 789 retail stores, including 59 retail stores under the brands "Obzee" and "O'2nd" pursuant to the asset transfer agreement entered into with SK Networks(China) Fashion Co. Ltd, covering 31 cities of provinces, autonomous regions and municipalities, of which 613 were operated by us and 176 were operated by our distributors under our own six brands. Out of the 613 self-operated retail stores, there were 436 retail stores in department stores, 77 retail stores in shopping malls, 79 retail stores in outlets and 21 retail stores on street levels. For the year ended 31 December 2017, the Group's revenue increased to RMB2,203.73 million, representing an increase of 37.78% as compared to the year ended 31 December 2016. Revenue generated by our self-operated retail stores accounted for 83.63% of our total revenue and e-commerce revenue was RMB155.37 million, representing 7.05% of our total revenue, primarily generated through third party e-commerce platforms such as Tmall, VIP.com. In 2017, Koradior was awarded 2017 Top Ten Innovative Textile Products by China Textile and Apparel Council and Top 50 Growth Potential of China's Chain Brands by China Public Welfare Found for Brand.

Revenue analysis by brands

Brand	2016		**2017**		**Increase**	**Increase**
	RMB'000	*%*	***RMB'000***	*%*	*RMB'000*	**by %**
Koradior	1,234,360	77.18%	**1,476,816**	**67.01%**	242,456	19.64%
La Koradior	112,645	7.04%	**159,717**	**7.25%**	47,072	41.79%
Koradior elsewhere	181,575	11.35%	**291,393**	**13.22%**	109,818	60.48%
CADIDL *(note1)*	70,906	4.43%	**172,644**	**7.83%**	101,738	143.48%
De Kora	–	–	**632**	**0.03%**	632	100%
O'2nd *(note 2)*	–	–	**76,140**	**3.46%**	76,140	100%
Obzee *(note 2)*	–	–	**26,384**	**1.20%**	26,384	100%
Total	1,599,486	100%	**2,203,726**	**100%**	604,240	37.78%

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

Note 2: The Group acquired the assets of SK Networks (including fashion products under the brand names "Obzee" an "O'2nd") on 9 March 2017.

Revenue analysis by sales channels

Sales channel	2016		**2017**		**Increase**	**Increase**
	RMB'000	*%*	***RMB'000***	*%*	*RMB'000*	*%*
Self-operated retail stores	1,370,890	85.71%	**1,843,039**	**83.63%**	472,149	34.44%
Wholesales to distributors	114,302	7.15%	**195,076**	**8.85%**	80,774	70.67%
E-commerce	111,760	6.99%	**155,367**	**7.05%**	43,607	39.02%
Others	2,534	0.15%	**10,244**	**0.47%**	7,710	304.26%
Total	1,599,486	100%	**2,203,726**	**100%**	604,240	37.78%

The Group has always placed a strong focus on establishing self-operated retail stores. For the year ended 31 December 2017, 613 self-operated retail stores generated revenue of RMB1,843.04 million in aggregate, representing an increase of 34.44% as compared to the year ended 31 December 2016. Direct revenue comes mainly from the existing stores sales growth and sales from newly opened store.

The Group's brand is further expanded after the large-scale development, with more dealers seeking collaboration with the Group. There were 105 new retail stores operated by distributors under six brands (Koradior, La Koradior, Koradior elsewhere, CADIDL, Obzee and O'2nd) in 2017. As at 31 December 2017, there were 176 retail stores operated by distributors and the revenue of retail stores operated by distributors reached RMB195.08 million, representing an increase of 70.67% as compared to the year ended 31 December 2016.

The Group makes use of third party e-commerce platforms as one of its sales channels. E-commerce revenues for the year of 2017 amounted to RMB155.37 million, of which RMB129.47 million or 83.33% of the total e-commerce revenue was from Tmall, RMB25.90 million or 16.67% of the total e-commerce revenue was from VIP.com. E-commerce revenues for the year of 2016 amounted to RMB111.76 million, of which RMB92.28 million or 82.57% of the total e-commerce revenue was from Tmall, RMB19.45 million or 17.40% of the total e-commerce revenue was from VIP.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 2016 and 2017, respectively:

	Year ended 31 December			
	2016		**2017**	
Region	*(RMB million)*	%	***(RMB million)***	**%**
Central PRC[1]	163.40	11.00%	**267.81**	**13.14%**
Eastern PRC[2]	495.35	33.35%	**650.51**	**31.92%**
North Eastern PRC[3]	77.00	5.19%	**112.45**	**5.52%**
North Western PRC[4]	116.74	7.86%	**166.88**	**8.18%**
Northern PRC[5]	157.91	10.63%	**217.04**	**10.65%**
South Western PRC[6]	319.17	21.49%	**394.09**	**19.34%**
Southern PRC[7]	155.62	10.48%	**229.34**	**11.25%**
Total	1,485.19	100%	**2,038.12**	**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 and Guangdong.

During the year ended 31 December 2017, 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 2017, the Group opened 216 new retail stores (of which 111 are self-operated) and closed 78 retail stores (of which 60 are self-operated stores), representing a net increase of 138 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 2017, including both self-operated retail stores and retail stores operated by distributors:

	Number of retail stores				
	As at 1 January 2017	**Opened during the year**	**Closed during the year**	**As at 31 December 2017**	
Region					**Obzee, O'2nd**
Central PRC[1]	68	32	(9)	91	11
Eastern PRC[2]	215	52	(39)	228	24
North Eastern PRC[3]	30	25	(4)	51	3
North Western PRC[4]	52	30	(10)	72	6
Northern PRC[5]	72	25	(9)	88	5
South Western PRC[6]	98	32	(4)	126	4
Southern PRC[7]	57	20	(3)	74	6
Total	592	216	(78)	730	59

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 178 series of products under six brands in 2017, compared with 162 series of products in 2016. The total number of SKU[1] reached 4,500 in 2017, representing an increase of 18.42% from a total of 3,800 SKU in 2016. Our research and design team members rapidly expanded to 193 as at 31 December 2017 from 182 as at 31 December 2016.

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

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", "DE KORA", "Obzee" and "O'2nd". Research and development expenses were RMB42.90 million, representing 1.95% of the Group's total revenue for the year ended 31 December 2017, as compared to RMB25.09 million, representing 1.57% of the Group's total revenue for the year ended 31 December 2016. 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 "Afternoon Tea", La Koradior "Becomes The Versailles", Koradior elsewhere "Business Travel", CADIDL "Modern Garden" and O'2nd "Travelogue" series.

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. 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 and greeting cards 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. For the year ended 31 December 2017, the brand and marketing promotion expenses (excluded sales promotion expenses) were RMB55.01 million which accounted for 2.50% of the Group's total revenue, representing an increase of RMB3.45 million or 6.69% as compared to RMB51.56 million which accounted for 3.22% of the Group's total revenue for the year ended 31 December 2016 primarily due to the increase in advertisements in airports.

4. Human resources

As at 31 December 2017, we had a total of 4,378 full-time employees in the PRC. The following table sets forth a breakdown of our employees allocation by departments as at 31 December 2016 and 31 December 2017 respectively:

	2017	2016
	Number of employees	
Management, administration and finance	**110**	101
Product design and research and development	**193**	182
Sales and marketing	**3,959**	2,770
Procurement, logistics and quality control	**116**	97
Production for Mondial	**–**	115
Total	**4,378**	3,265

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 2017, the total salary and welfare expenses were RMB383.94 million, representing 17.42% of the Group's total revenue and an increase of RMB146.19 million or 61.49% as compared to RMB237.75 million, representing 14.86% of the Group's total revenue for the year ended 31 December 2016.

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 2018, 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 proposed to declare a final dividend of HK25 cents per share for the year ended 31 December 2017 (2016: nil).

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the forthcoming annual general meeting ("AGM"), the register of members will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, 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 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, 18 May 2018.

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, 1 June 2018 to Monday, 4 June 2018, 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 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 Thursday, 31 May 2018.

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 based on the principles set out in appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange since 27 June 2014, being the date of listing of the Company, and up to the date hereof 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 8,783,000 shares on the Stock Exchange during the year ended 31 December 2017. Details of the repurchases are as follows:

		Repurchase price Per share		Total amount paid for shares
Month of repurchases	**Total number**	**Highest**	**Lowest**	**repurchased**
		HK$	*HK$*	*HK$*
June 2017	8,783,000	8.30	8.05	72,134,800

The repurchased shares above were all cancelled on or before 17 July 2017.

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 25 May 2017, 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 2017.

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 2017. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Group with external auditor.

By order of the Board
Koradior Holdings Limited
JIN MING
Chairman

Hong Kong, 27 March 2018

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