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Koradior Holdings Limited
珂萊蒂爾控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3709)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

SUMMARY

- Our revenue increased from RMB918.82 million for the six months ended 30 June 2017 to RMB1,209.63 million for the six months ended 30 June 2018, representing an increase of 31.65% or RMB290.81 million.
- Net profit for the six months ended 30 June 2018 was RMB132.20 million, representing an increase of 18.97% or RMB21.08 million as compared to RMB111.12 million for the six months ended 30 June 2017. Net profit margin decreased from 12.09% for the first half of 2017 to 10.93% for the first half of 2018.
- Net cash inflow from operating activities was RMB252.39 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB9.76 million).
- Basic earnings per share for the six months ended 30 June 2018 was RMB0.27 (six months ended 30 June 2017: RMB0.22).
- No interim dividend was proposed by the Board for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

The board of directors (the “Board”) of Koradior Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017. These unaudited interim financial statements have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 (Expressed in Renminbi)

		Six months ended 30 June	
		2018 (Unaudited) <i>RMB'000</i>	2017 (Unaudited) <i>RMB'000</i>
	<i>Note</i>		
Revenue	5	1,209,634	918,818
Cost of sales		<u>(358,261)</u>	<u>(249,403)</u>
Gross profit		851,373	669,415
Other revenue		11,009	4,911
Other net gain/(loss)		573	(187)
Selling and distribution expenses		(645,104)	(475,917)
Administrative and other operating expenses		<u>(60,950)</u>	<u>(54,496)</u>
Profit from operations		156,901	143,726
Finance costs	6(a)	<u>(3,883)</u>	<u>(1,371)</u>
Profit before taxation	6	153,018	142,355
Income tax	7	<u>(20,821)</u>	<u>(31,239)</u>
Profit for the period		<u>132,197</u>	<u>111,116</u>
Attributable to:			
Equity shareholders of the Company		132,888	109,360
Non-controlling interests		<u>(691)</u>	<u>1,756</u>
Profit for the period		<u>132,197</u>	<u>111,116</u>
Earnings per share (RMB cents)			
Basic	8(a)	<u>27.32</u>	<u>22.09</u>
Diluted	8(b)	<u>27.10</u>	<u>21.92</u>

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	<u>132,197</u>	<u>111,116</u>
Other comprehensive income for the period, net of tax		
Item that may be reclassified subsequently to profit and loss:		
– Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")	<u>(1,026)</u>	<u>(2,421)</u>
Total comprehensive income for the period	<u>131,171</u>	<u>108,695</u>
Attributable to:		
Equity shareholders of the Company	131,862	106,939
Non-controlling interests	<u>(691)</u>	<u>1,756</u>
Total comprehensive income for the period	<u>131,171</u>	<u>108,695</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 (Expressed in Renminbi)

		At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
	Note		
Non-current assets			
Property, plant and equipment		149,445	149,820
Intangible assets		24,022	26,196
Goodwill		21,681	21,681
Deposit, prepayments and other receivables		10,884	10,617
Other financial assets		43,277	30,000
Deferred tax assets		17,585	17,036
Total non-current assets		266,894	255,350
Current assets			
Inventories		382,985	457,028
Trade and other receivables	9	307,430	372,792
Prepaid tax		–	2,647
Cash and cash equivalents		672,823	517,070
Total current assets		1,363,238	1,349,537
Current liabilities			
Bank loans		187,155	158,932
Trade and other payables	10	228,375	271,045
Current tax liabilities		48,364	51,273
Total current liabilities		463,894	481,250
Net current assets		899,344	868,287
Total assets less current liabilities		1,166,238	1,123,637
Non-current liabilities			
Deferred tax liabilities		10,342	10,982
Net assets		1,155,896	1,112,655
Capital and reserves			
Share capital		3,859	3,859
Reserves		1,131,897	1,087,965
Total equity attributable to equity shareholders of the Company		1,135,756	1,091,824
Non-controlling interests		20,140	20,831
Total equity		1,155,896	1,112,655

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 23 March 2012 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Unit C, 17/F, OfficePlus @Mong Kok, No. 998 Canton Road, Kowloon, Hong Kong.

2 BASIS OF PREPARATION

This interim financial statements of the Group have been prepared in accordance with the applicable disclosure provisions of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2018.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of the interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The IASB has issued a number of amendments to International Financial Reporting Standards (“IFRSs”) that are first effective for the current accounting period of the Group. Of these, the following new and revised IFRSs or amendments to IFRS which would take effect from financial periods beginning on or after 1 January 2018:

- IFRS 9, Financial instruments
- IFRS 15, Revenue from contracts with customers
- IFRIC 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group has been impacted by IFRS 9 in relation to classification of financial assets and measurement of credit losses. The adoption of IFRS 15 does not have a significant impact on the Group. Details of the changes in accounting policies are discussed in note 3(b) for IFRS 9, note 3(c) for IFRS 15 and note 3(d) for IFRIC 22.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by IFRS 9.

	At 31 December 2017 <i>RMB'000</i>	Impact on initial application IFRS 9 (<i>Note 3(b)</i>) <i>RMB'000</i>	At 1 January 2018 <i>RMB'000</i>
Non-current assets			
Other financial assets	30,000	13,277	43,277
Deferred tax assets	17,036	119	17,155
Total non-current assets	255,350	13,396	268,746
Trade and other receivables	372,792	(790)	372,002
Total current assets	1,349,537	(790)	1,348,747
Net current assets	868,287	(790)	867,497
Total assets less current liabilities	1,123,637	12,606	1,136,243
Net assets	1,112,655	12,606	1,125,261

(b) IFRS 9, Financial instruments

IFRS 9 replaces IAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

RMB'000

Retained earnings

Transfer to retained earnings relating to	
financial assets now measured at FVOCI	13,277
Recognition of additional expected credit loss on:	
– financial assets measured at amortised cost	(790)
Related deferred tax impact	119
	<u>12,606</u>

Further details of the nature and effect of the changes to previous accountings policies and the transaction approach are set out below:

(i) Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under IAS 39, other financial assets with a carrying amount of RMB30,000,000 are classified as FVOCI under IFRS 9 by the Group. The increased amount in retained earnings relating to other financial assets now measured at FVOCI was RMB13,277,000.

(ii) *Credit losses*

IFRS 9 replaces the "incurred loss" model in IAS 39 with the expected credit loss (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full; or (ii) the financial asset is 120 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The following table reconciles the closing loss allowance determined in accordance with IFRS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	<i>RMB'000</i>
Loss allowance at 31 December 2017 under IAS 39	–
Additional credit loss recognised at 1 January 2018	
– Trade receivables	790
Loss allowance at 1 January 2018 under IFRS 9	790

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

The following assessment has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group):

- the determination of the business model within which a financial asset is held.
- the designation of certain investments in equity instruments not held for trading to be classified as FVOCI (non-recycling).

If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

The Group has elected to use the cumulative effect transition method. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

(i) Timing of revenue recognition

Previously, revenue arising from sales of womenswear is recognised ratably over an estimated consumption period.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity’s activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue arising from sales of womenswear.

(d) *IFRIC 22, Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of IFRIC 22 does not have any material impact on the financial position and the financial result of the Group.

4 SEGMENT REPORTING

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and similar in respect of the nature of products and services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group operates in a single business, i.e. retailing and wholesaling of ladies’ wear in the People’s Republic of China (“PRC”). Accordingly, no segmental analysis is presented.

5 REVENUE

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Self-operated retail stores	980,807	786,715
Wholesales to distributors	117,777	66,608
E-commerce platforms	104,673	60,927
Others	6,377	4,568
	<u> </u>	<u> </u>
Total	<u>1,209,634</u>	<u>918,818</u>

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
(a) Finance costs		
Interest on bank loans	3,883	1,371
	<u> </u>	<u> </u>
(b) Staff costs		
Contributions to defined contribution retirement plans	12,144	5,056
Equity settled share-based payment expenses	–	193
Salaries, wages and other benefits	214,037	156,881
	<u> </u>	<u> </u>
	<u>226,181</u>	<u>162,130</u>
(c) Other items		
Depreciation	27,954	24,822
Operating lease payments		
– minimum lease payments	47,173	40,589
– contingent rentals	251,029	201,639
Cost of inventories	358,261	249,403
	<u> </u>	<u> </u>

7 INCOME TAX

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Corporate Income Tax ("CIT")	19,665	33,031
Hong Kong Profits Tax	2,225	4,684
Deferred tax		
Origination of temporary differences	(1,069)	(6,476)
	20,821	31,239

Notes:

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) The Company and its subsidiary incorporated in the British Virgin Islands and Cayman Islands are exempted from taxation.
- (iii) The provision for Hong Kong profits tax has been made as the Group had assessable profits derived from or earned in Hong Kong during six months ended 30 June 2018. The profit tax rate in Hong Kong is steady at 16.5% on taxable income for the six months ended 30 June 2018 and 2017. The reduction granted by the Hong Kong Special Administrative Region Government of 75% of the tax payable for the year of assessment 2017-18 is subject to a maximum reduction of HK\$30,000 for each company.

- (iv) In accordance with the relevant PRC income tax rules and regulations, the Company's subsidiaries established in the PRC are subject to CIT at a statutory rate of 25% on their respective taxable income for the six months ended 30 June 2018 and 2017 except for Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd and Shenzhen Koradior Fashion Co., Ltd., which are entitled to reduced CIT at the rate of 15% under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone and National High Tech Enterprise respectively.
- (v) 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.

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 RMB132,888,000 (30 June 2017: RMB109,360,000) and the weighted average number of 486,337,000 ordinary shares in issue for the six months ended 30 June 2018 (30 June 2017: 495,120,000 shares).

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Weighted average number of ordinary shares in issue	486,337,000	495,120,000
Basic earnings per share (<i>RMB cents</i>)	<u>27.32</u>	<u>22.09</u>

(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 RMB132,888,000 (30 June 2017: RMB109,360,000) and the weighted average number of 490,289,349 ordinary shares in issue for the six months ended 30 June 2018 (30 June 2017: 498,901,525 shares) calculated as follows:

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Weighted average number of ordinary shares in issue	486,337,000	495,120,000
Effect of deemed issue of shares under Company's share option scheme for nil consideration	<u>3,952,349</u>	<u>3,781,525</u>
Weighted average number of ordinary shares in issue (diluted)	490,289,349	498,901,525
Diluted earnings per share (<i>RMB cents</i>)	<u><u>27.10</u></u>	<u><u>21.92</u></u>

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 <i>RMB'000</i>	At 31 December 2017 <i>RMB'000</i>
Trade receivables, net of loss allowance	235,784	308,799
Deposits and prepayments and other receivables	42,968	44,057
Other receivables	<u>39,562</u>	<u>30,553</u>
	318,314	383,409
Less: Non-current deposits and prepayments	<u>(10,884)</u>	<u>(10,617)</u>
	<u><u>307,430</u></u>	<u><u>372,792</u></u>

(a) Aging 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 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 months with the department stores and the shopping malls, the Group then issues invoices, which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales is made net of the lease rental payable to the department stores and the shopping malls and was generally expected within 60 days from the date of revenue recognition.

As at the end of the reporting period, the aging analysis of trade receivables and bill receivable (which are included in trade and other receivables), based on the date of revenue recognition and net of loss allowance, is as follows:

	At 30 June 2018 <i>RMB'000</i>	At 31 December 2017 <i>RMB'000</i>
Within 1 month	159,312	203,468
1 to 2 months	40,068	72,153
2 to 3 months	24,532	25,349
Over 3 months	11,872	7,829
	<u>235,784</u>	<u>308,799</u>

(b) Trade receivables that are not impaired

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

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Neither past due nor impaired	<u>199,380</u>	<u>275,621</u>
Less than 1 month past due	24,532	25,349
1 to 3 months past due	9,341	6,527
Over 3 months past due	<u>2,531</u>	<u>1,302</u>
	36,404	33,178
	<u><u>235,784</u></u>	<u><u>308,799</u></u>

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.

10 TRADE AND OTHER PAYABLES

	At 30 June 2018 <i>RMB'000</i>	At 31 December 2017 <i>RMB'000</i>
Trade payables		
– third parties	32,097	65,701
– a related party	26,561	10,797
Trade payables	58,658	76,498
Receipts in advance	74,947	69,853
Staff costs payables	35,175	41,712
VAT and other tax payables	37,308	54,916
Other payables	22,287	28,066
	228,375	271,045

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

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

	At 30 June 2018 <i>RMB'000</i>	At 31 December 2017 <i>RMB'000</i>
Within 1 month	47,249	66,366
1 to 2 months	1,549	5,854
2 to 3 months	1,456	1,926
Over 3 months	8,404	2,352
	58,658	76,498

11 DIVIDEND

The Board has resolved not to declare any interim dividend to the shareholders of the Company in respect of the six months ended 30 June 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Since the beginning of this year, in the context of consumption upgrading and industry recovery, the overall performance of apparel and textile consumption has been strong. In the first quarter of 2018, the brand apparel industry's overall income showed a strong recovery status, as the revenue growth of men's, women's, leisure, home textiles, underwear and other sub-industries has been significantly improved. Among them, men's wear, women's wear and underwear have maintained a steady recovery since 2017.

The overall development of China's apparel's wear industry has continued to rise. During 2010 to 2017, the size of China's women's apparel market increased from RMB533 billion to RMB923.2 billion with a compound growth rate of 8.2%, far exceeding the overall growth rate of apparel categories. In 2017, the women's market reached RMB923.2 billion, accounting for 49% of the total apparel market. It is estimated that the women's market in 2018 can reach RMB952.2 billion. The women's wear market recorded a stable growth and large scale in the overall apparel market, in particular, the development space of middle and high-end women's wear is large. In order to meet different consumer demands, the women apparel industry is further sub-divided, to a more professional and refined development.

Koradior as a leading fashion company keeps a close eye on the changing of customer behavior. The Group has always committed to the brand concept of "realizing the dream of the beauty of every lady" under the guiding principles of "innovation driven, accurate investment, efficient operation and management optimization". The Group has a brand portfolio strategy to accommodate consumers' needs with a number of innovative marketing campaigns launched in the first half of 2018, including our brand Koradior elsewhere working with favorite TV 'Excellent Investor' (金牌投資人) for in-store shooting, and actively promoting the brands through with the 90s generation movie star in different magazines and social medias to increase the new generation of customer. The Group launched a limited edition T-shirt for the year of dog by cross-border cooperation with famous British illustrator – Ashley Percival which create "playing" brands are more topical among young people. In April, personal tailor-made brand 'DE KORA' of the Group opened the first personal custom experience store to bring "treat personalization as an enabler of better interactions from the customers' view across their journeys".

For the six months ended 30 June 2018 (the “Reporting Period”), the Group’s total revenue was RMB1,209.63 million, representing an increase of 31.65% or RMB290.81 million, and the net profit was RMB132.20 million, representing an increase of 18.97% or RMB21.08 million compared to the first half of 2017. As at 30 June 2018, the Group has 795 retail stores covering 31 provinces, municipalities and autonomous regions across China.

Given that the overall favorable economic environment, the Group will take advantage of the momentum, innovate and optimize its business model based on customers’ demands, it will actively promote and implement its “multi-brand + omni-channel” strategy, optimize for existing ERP system. No matter in research and development, procurement and supply, manufacturing, online and offline sales and distribution, and logistics or services, the Group will create a new customer-centric supply chain, striving to achieve the expected annual development goals with synergy effects.

FINANCIAL REVIEW

REVENUE

The principal activities of the Group are design, promotion, marketing and sales of self-owned branded ladies’ wear products in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value-added tax. Total revenue increased from RMB918.82 million for the first half of 2017 to RMB1,209.63 million for the first half of 2018, representing an increase of 31.65% or RMB290.81 million. Total retail stores increased from 789 as at 1 January 2018 to 795 as at 30 June 2018 (note 1). During the Reporting Period, the Group opened 60 retail stores (comprising 42 self-operated stores and 18 stores operated by distributors) and closed 54 retail stores (comprising 35 self-operated stores and 19 stores operated by distributors). We will continue to open new stores in the second half of 2018 as part of our business strategy. Our self-operated retail stores revenue increased by 24.67% from RMB786.72 million for the first half of 2017 to RMB980.81 million for the Reporting Period. Total revenue from distributors increased by 76.82% from RMB66.61 million for the first half of 2017 to RMB117.78 million for the Reporting Period. Total revenue from e-commerce platforms increased by 71.80% from RMB60.93 million for the first half of 2017 to RMB104.67 million for the Reporting Period. The revenue from e-commerce generated from Tmall increased from RMB52.17million for the first half of 2017 to RMB80.68 million for the Reporting Period, representing an increase of 54.65% or RMB28.51 million and the revenue from e-commerce generated from VIP.com increased from RMB8.76 million for the first half of 2017 to RMB23.73 million for the Reporting Period, representing an increase of 170.89% or RMB14.97 million.

Note 1:

Retail stores breakdown by geographical region:

The following table illustrates the number of retail stores of our brands in the PRC as at 1 January 2018 and 30 June 2018 respectively including both self-operated retail stores and retail stores operated by our distributors:

Region	Number of retail stores			As at 30 June 2018
	As at 1 January 2018	Opened during the period	Closed during the period	
Central PRC ¹	102	4	(10)	96
Eastern PRC ²	252	21	(14)	259
North Eastern PRC ³	54	5	(6)	53
North Western PRC ⁴	78	6	(5)	79
Northern PRC ⁵	93	9	(12)	90
South Western PRC ⁶	130	5	(2)	133
Southern PRC ⁷	80	10	(5)	85
Total	789	60	(54)	795

Notes:

¹ Central PRC includes Henan, Hubei and Hunan.

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

³ North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

⁷ Southern PRC includes Guangxi, Hainan and Guangdong.

Revenue analysis by brands

Brand	For the six months ended 30 June					
	2018		2017		Increase	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Koradior	804,450	66.50%	627,295	68.28%	177,155	28.24%
La Koradior	93,363	7.72%	69,093	7.52%	24,270	35.13%
Koradior elsewhere	155,879	12.89%	123,590	13.45%	32,289	26.13%
CADIDL	93,492	7.73%	79,588	8.66%	13,904	17.47%
De Kora	749	0.06%	2,698	0.29%	(1,949)	(72.24%)
O'2nd	43,004	3.55%	12,378	1.35%	30,626	247.42%
Obzee	18,697	1.55%	4,176	0.45%	14,521	347.73%
Total revenue	<u>1,209,634</u>	<u>100%</u>	<u>918,818</u>	<u>100%</u>	<u>290,816</u>	<u>31.65%</u>

The revenue generated from the sales of our products under Koradior, La Koradior and Koradior elsewhere continued to grow at an accelerated pace, representing an increase of 28.24%, 35.13% and 26.13% or RMB177.16 million, RMB24.27 million and RMB32.29 million for the Reporting Period respectively. The revenue generated from sales of products of our CADIDL, O'2nd and Obzee increased significantly. For the Reporting Period, the revenue generated from sales of products of our De Kora decreased to RMB0.75 million, representing a decrease of 72.24% as compared to first half of 2017.

COST OF SALES

Cost of sales increased from RMB249.40 million during the six months ended 30 June 2017 to RMB358.26 million during the Reporting Period, representing an increase of 43.65% or RMB108.86 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 RMB669.42 million for the six months ended 30 June 2017 to RMB851.37 million for the Reporting Period, representing an increase of 27.18% or RMB181.95 million. Overall gross profit margin slightly decreased from 72.86% for the first half of 2017 to 70.38% for the Reporting Period.

OPERATING EXPENSES

Operating expenses increased from RMB530.41 million for the six months ended 30 June 2017 to RMB706.05 million for the Reporting Period, representing an increase of 33.11% or RMB175.64 million. Operating expenses include selling and distribution expenses, administrative expenses and other operating expenses, and details of them are listed below:

Selling and distribution expenses

Selling and distribution expenses increased by 35.55% to RMB645.10 million for the Reporting Period from RMB475.92 million for six months ended 30 June 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; and (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.

Administrative and other operating expenses

Administrative and other operating expenses increased by 11.83% to RMB60.95 million for the Reporting Period from RMB54.50 million for the corresponding period in 2017 primarily due to the increase in salaries and staff benefits for administrative staff due to the expansion of our business growth.

FINANCE COSTS

Finance costs increased by 183.21% to RMB3.88 million for the Reporting Period from RMB1.37 million for the corresponding period in 2017, mainly due to the increase in bank borrowings in Hong Kong and the PRC.

INCOME TAX EXPENSES

Income tax expenses decreased from RMB31.24 million for the first half of 2017 to RMB20.82 million for the Reporting Period, representing a decrease of 33.35% or RMB10.42 million, mainly due to the withholding tax paid during the corresponding period in 2017 in respect of dividends distributed by the Group's PRC subsidiaries.

THE NET PROFIT AND PROFIT MARGIN

As the result of the foregoing reasons, the net profit for the Reporting Period was RMB132.20 million, representing an increase of 18.97% or RMB21.08 million as compared to RMB111.12 million for the first half of 2017. Net profit margin decreased from 12.09% for the first half of 2017 to 10.93% for the Reporting Period.

CAPITAL STRUCTURE

The Group requires working capital to support its design and development, retail and other business operations. As at 30 June 2018, the Group had total current assets of RMB1,363.24 million (30 June 2017: RMB1,085.71 million) and total current liabilities of RMB463.89 million (30 June 2017: RMB302.90 million) with a current ratio of 2.94. The Board believes that this healthy capital structure and the net cash inflow from operating activities are sufficient to support the operating activities of the Group.

As at 30 June 2018, the Group's interest bearing loans are bank loans denominated in Hong Kong dollars and Renminbi, amounting to HK\$50.00 million revolving loan, RMB65.00 million bank loans at variable interest rate which will expire within a year, and RMB80.00 million bank loans at fixed interest rate which will expire within a year.

FINANCIAL POSITION, LIQUIDITY AND GEARING RATIO

The Group generally finances its operations with internally generated cash flow as well as banking facilities provided by its bankers.

As at 30 June 2018, the Group had cash and cash equivalents of RMB672.82 million (31 December 2017: RMB517.07 million), of which 95.81%, 4% and 0.19% were denominated in RMB, Hong Kong dollars and US dollars respectively. The net cash inflow from operating activities stood at RMB252.39 million during the Reporting Period, increased by 2,485.96% from RMB9.76 million for the six months ended 30 June 2017, mainly due to (a) the increase in collection payment of trade and bills receivable; and (b) the increase in cash inflow from inventory clearance sale. As at 30 June 2018, the Group's gearing ratio, i.e. the total outstanding bank loans divided by total equity, was 16.19% (31 December 2017: 14.28%).

EXPOSURES TO FLUCTUATION IN FOREIGN EXCHANGE

The Group mainly operates in the PRC with most of its transactions settled by RMB. The Board considers that the risk exposure to foreign exchange rate fluctuation is not significant and no financial instrument of hedging has been employed to hedge against the currency risks. The management will closely monitor its currency and interest rate exposures in order to implement suitable hedging policy as and when appropriate to minimize such risks.

HUMAN RESOURCES

To support the Group's development plan, the Group's number of employees has increased to 4,752 as at 30 June 2018 (30 June 2017: 4,181). The total staff costs for the Reporting Period (including basic wages and salaries, commissions, bonuses, retirement benefits scheme contributions and share options expenses) amounted to RMB226.18 million (six months ended 30 June 2017: RMB162.13 million), representing 18.70% of our revenue (six months ended 30 June 2017: 17.65%).

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. Staffs are rewarded based on performance of the Group as well as on individual performance and contribution.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL

During the Reporting Period, the Group had no material acquisition or disposal of subsidiaries or associated companies.

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\$531.56 million had been utilised as at 30 June 2018.

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	23.56
Total	<u><u>531.56</u></u>

OUTLOOK

The Group has always been adhering to the mission of “realizing the dream of the beauty of every lady” under the guiding principles of “innovation driven, accurate investment, efficient operation and management optimization”. It has also insisted on the principle of “product innovation and quality first” as the steer of customer service in the market and “keep striving” as the basis of its system. It has consistently implemented the “multi-brand + omni-channel” strategy and constantly enhanced its commodity competitiveness, brand influence and business quality, so as to sustain a long-term growth and reward its shareholders, employees and customers for their support.

During the Reporting Period, we have achieved remarkable results, thanks to the joint efforts of all the staff in Koradior. Looking ahead to the second half of 2018, while the market and business of China apparel industry is expected to continue to bloom and there is growing potential for the development of high-end women's wear market, the global market is still subject to uncertainty and the intensifying market competition will continue to have an impact on the industry. Therefore quality and service are the main focus. The Group will continue to adopt a practical approach to enhance its competitiveness and the market share so as to lay a foundation for the Group's substantial development in the future and further consolidate its leadership in China's high-end women apparel industry.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (2017: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and the implementation of effective corporate governance commitments. The Company has met the relevant code provisions set out in the Corporate Governance Code based on the principles set out in appendix 14 to the Listing Rules during the Reporting Period, except for code provision 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 Mr. Jin Ming has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of our Directors and the number of independent non-executive Directors on the Board and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings. Having made specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code and its code of conduct regarding any Directors' securities transactions during the Reporting Period.

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

The Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell of any of such listed securities during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising all the three independent non-executive Directors, namely Mr. Zhang Guodong (as Chairman), Mr. Zhou Xiaoyu and Mr. Zhong Ming, is primarily responsible for reviewing and supervising the financial reporting, the internal control and risk management of the Group. The Audit Committee has discussed with management the accounting policies adopted by the Group and reviewed the unaudited interim financial statements of the Group for the Reporting Period.

By order of the Board
Koradior Holdings Limited
JIN MING
Chairman

Hong Kong, 28 August 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 Director.