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 2018

SUMMARY

- Revenue and gross profit of the Group for the year ended 31 December 2018 reached RMB2,520.91 million and RMB1,802.96 million respectively, representing an increase of 14.39% and 15.50% respectively as compared to the year ended 31 December 2017.

- Profit for the year ended 31 December 2018 was RMB272.31 million as compared to RMB242.58 million for the year ended 31 December 2017, representing an increase of 12.26% or RMB29.73 million. Net profit margin was 10.80% for the year ended 31 December 2018 (2017: 11.01%).

- Net cash inflow from operating activities was RMB400.05 million for the year ended 31 December 2018 (2017: RMB149.58 million).

- Basic earnings per share for the year ended 31 December 2018 was RMB56 cents (2017: RMB52 cents).

- The Board proposed to declare a final dividend of HK32 cents per share for the year ended 31 December 2018 (2017: HK25 cents).

The board (the "Board") of directors (the "Directors") of Koradior Holdings Limited (the "Company") hereby announces the consolidated financial results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2018 with comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
REVENUE	*5*	**2,520,906**	2,203,726
Cost of sales		**(717,946)**	(642,703)
Gross profit		**1,802,960**	1,561,023
Other income, net	*5*	**38,844**	14,610
Selling and distribution expenses		**(1,367,655)**	(1,139,341)
Administrative expenses		**(149,882)**	(131,437)
Impairment losses on financial assets	*6*	**(122)**	–
Other expenses		**(434)**	1,706
Finance costs		**(7,972)**	(2,121)
PROFIT BEFORE TAX	*6*	**315,739**	304,440
Income tax expense	*7*	**(43,425)**	(61,857)
PROFIT FOR THE YEAR		**272,314**	242,583
Attributable to:			
Owners of the parent		**272,759**	253,517
Non-controlling interests		**(445)**	(10,934)
		272,314	242,583
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
For profit for the year		**RMB56 cents**	RMB52 cents
Diluted			
For profit for the year		**RMB56 cents**	RMB51 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**272,314**	242,583
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be classified to profit or loss in subsequent periods		
Exchange differences on translation of financial statements	**(374)**	(4,956)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**271,940**	237,627
Attributable to:		
Owners of the parent	**272,385**	248,561
Non-controlling interests	**(445)**	(10,934)
	271,940	237,627

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**155,435**	149,820
Intangible assets		**21,780**	26,196
Goodwill		**21,681**	21,681
Prepayments, other receivables and other assets		**21,736**	10,617
Equity investments designated at fair value through other comprehensive income		**43,277**	–
Available-for-sale investments		**–**	30,000
Deferred tax assets		**17,852**	17,036
Total non-current assets		**281,761**	255,350
CURRENT ASSETS			
Inventories		**460,634**	457,028
Trade receivables	*9*	**304,117**	308,799
Prepayments, other receivables and other assets		**65,087**	66,640
Financial assets at fair value through profit or loss		**30,000**	–
Cash and cash equivalents		**613,376**	517,070
Total current assets		**1,473,214**	1,349,537
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**76,260**	158,932
Trade payables	*10*	**102,682**	76,498
Other payables and accruals	*10*	**238,291**	194,547
Tax payable		**68,654**	51,273
Total current liabilities		**485,887**	481,250
NET CURRENT ASSETS		**987,327**	868,287
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,269,088**	1,123,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**21,905**	–
Deferred tax liabilities	**8,072**	10,982
Total non-current liabilities	**29,977**	10,982
Net assets	**1,239,111**	1,112,655
EQUITY		
Equity attributable to owners of the parent		
Share capital	**3,859**	3,859
Reserves	**1,214,866**	1,087,965
	1,218,725	1,091,824
Non-controlling interests	**20,386**	20,831
Total equity	**1,239,111**	1,112,655

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

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4, amendments to IAS 40 and Annual Improvements 2014-2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRS are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement					IFRS 9 measurement	
	Note	**Category**	**Amount**	**Re-classification**	**ECL**	**Other**	**Amount**	**Category**
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial assets								
Equity investments designated at fair value through other comprehensive income		N/A	–	30,000	–	13,277	43,277	FVOCI[1] (equity)
From: Available-for-sale investments –Unlisted equity investments	*(i)*		–	(30,000)	–	–	–	
Available-for-sale investments		AFS[2]	30,000	(30,000)	–	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income –Unlisted equity investments	*(i)*	–	–	30,000	–	–	–	
Trade receivables		L&R[3]	308,799	–	(790)	–	308,009	AC[4]
Financial assets included in prepayments, other receivables and other assets		L&R	34,388	–	–	–	34,388	AC
Cash and cash equivalents		L&R	517,070	–	–	–	517,070	AC
			890,257	–	(790)	13,277	902,744	
Other assets								
Deferred tax assets			17,036	–	119	–	17,155	
Total assets			907,293	–	(671)	13,277	919,899	

	Note	IAS 39 measurement Category	IAS 39 measurement Amount	Re-classification	ECL	Other	IFRS 9 measurement Amount	IFRS 9 measurement Category
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Financial liabilities								
Trade payables		AC	76,498	–	–	–	76,498	AC
Financial liabilities included in other payables and accruals		AC	28,066	–	–	–	28,066	AC
			104,564	–	–	–	104,564	
Other liabilities								
Deferred tax liabilities			10,982	–	–	1,992	12,974	
Total liabilities			115,546	–	–	1,992	117,538	

1 *FVOCI: Financial assets at fair value through other comprehensive income*

2 *AFS: Available-for-sale investments*

3 *L&R: Loans and receivables*

4 *AC: Financial assets or financial liabilities at amortised cost*

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale unlisted equity investments as equity investments at fair value through other comprehensive income.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in note 9 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017	Re-measurement	ECL allowances under IFRS 9 at 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	(790)	(790)

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Reserves and Retained profits *RMB'000*
Fair value reserve under IFRS 9 (available-for-sale investments revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	–
Reclassification of financial assets from available-for-sale investments to equity investments designated at fair value through other comprehensive income	13,277
Deferred tax in relation to the above	(1,992)
Balance as at 1 January 2018 under IFRS 9	11,285
Retained profits	
Balance as at 31 December 2017 under IAS 39	854,406
Recognition of expected credit losses for trade receivables under IFRS 9	(790)
Deferred tax in relation to the above	119
Balance as at 1 January 2018 under IFRS 9	853,735

(c) IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Sales of goods

The Group mainly engages in the business of design, marketing and sale of apparel products and accessories. The Group's contracts with customers for the sales of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on the delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(ii) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB69,853,000 from receipt in advance included in other payables and accruals to contract liabilities included in other payables and accruals as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB84,586,000 was reclassified from receipt in advance included in other payables and accruals to contract liabilities included in other payables and accruals in relation to the consideration received from customers in advance for the sale of products.

(iii) Rights of return

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate. Before the adoption of IFRS 15, the amount of revenue related to the expected returns was deferred and recognised as deferred revenue which was included in other payables and accruals in the statement of financial position with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in inventories.

Upon adoption of IFRS 15, the Group recognised a right-of-return asset which is included in prepayments, other receivables and other assets and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability was recognised based on the amount that the Group expects to return to the customers using the expected value method. Accordingly, the Group reclassified deferred revenue of RMB2,764,000 to refund liabilities as included in other payables and accruals and reclassified inventories of RMB1,021,000 to right-of-return assets.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that 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) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

4 OPERATING SEGMENT REPORTING

For management purposes, the Group operates in one business unit based on its products, and has one reportable operating segment being the womenswear products segment which is principally engaged in design, retail and wholesale of womenswear in the PRC.

No operating segments have been aggregated to form the above reportable operating segment.

Information about major customers

The Group's customer base is diversified and no single external customer from which the revenue amounted to 10% or more of the Group's total revenue during the years ended 31 December 2018 and 2017.

5 REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**2,520,906**	2,203,726

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	Total
	RMB'000
Type of goods	
Sale of apparel and accessories	2,520,906
Timing of revenue recognition	
Goods transferred at a point in time	2,520,906

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sales of goods	69,853

(ii) Performance obligation

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

Sale of apparel and accessories

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

	2018	2017
	RMB'000	*RMB'000*
Other income, net		
Bank interest income	**2,977**	2,057
Subsidy income*	**21,603**	9,095
Other interest income from financial assets at fair value through profit or loss	**13,004**	602
Others	**1,260**	2,856
	38,844	14,610

* Subsidy income represents various government grants received from the relevant government authorities to support the development of relevant project of the Group in Mainland China. In the opinion of management, there are no unfulfilled conditions or contingencies relating to these grants.

6 PROFIT BEFORE TAXATION

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

	2018	2017
	RMB'000	*RMB'000*
Cost of inventories sold	**717,946**	642,703
Depreciation	**58,072**	56,317
Amortisation of intangible assets	**5,135**	5,013
Auditor's remuneration	**3,000**	1,500
Research and development costs^:		
Current year expenditures	**48,826**	42,895
Lease payments under operating leases in respect of retail outlets and office	**654,138**	567,345
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**452,196**	360,247
Equity settled share-based payment expense	**–**	380
Pension scheme contributions	**29,518**	23,314
	481,714	383,941
Exchange losses/(gains), net	**103**	(1,968)
Impairment loss on financial assets	**122**	–
Write-down of inventories to net realisable value*	**3,546**	8,375
Loss on disposal of property, plant and equipment	**–**	112

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

* *Write-down of inventories to net realisable value are included in "Cost of sales" in the consolidated statement of profit or loss.*

7 INCOME TAX

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

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

No provision for Hong Kong profits tax has been made, as the Group had non-taxable profits derived from or earned in Hong Kong during the year of 2018.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year of 2017.

In accordance with the relevant PRC income tax rules and regulations, the Group's subsidiaries registered in the PRC are subject to Corporate Income Tax ("CIT") at a statutory rate on their respective taxable income for the year ended 31 December 2018.

	2018	2017
	RMB'000	*RMB'000*
Current – Hong Kong	**–**	1,282
Current – Mainland China	**49,024**	69,583
Deferred	**(5,599)**	(9,008)
Total tax charge for the year	**43,425**	61,857

8 EARNINGS PER SHARE

The calculation of the basic earnings per share amount for the year ended 31 December 2018 is based on the profit for the year attributable to ordinary equity holders of the parent of RMB272,759,000 (2017: RMB253,517,000), and the weighted average number of ordinary shares of 486,337,000 shares (2017: 490,957,000 shares) in issue during the year.

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**272,759**	253,517

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**486,337,000**	490,957,099
Effect of dilution – weighted average number of ordinary shares:		
Share options	**3,865,999**	3,236,650
	490,202,999	494,193,749

9 TRADE RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**305,029**	308,799
Impairment	**(912)**	–
	304,117	308,799

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.

10 TRADE AND OTHER PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**85,845**	66,366
31 to 60 days	**7,761**	5,854
61 to 90 days	**1,025**	1,926
Over 90 days	**8,051**	2,352
	102,682	76,498

The trade payables are non-interest-bearing and are normally settled on terms of 30 days.

		2018	2017
	Notes	***RMB'000***	*RMB'000*
Receipt in advance		**–**	69,853
Contract liabilities	*(a)*	**84,586**	–
Refund liabilities		**2,764**	–
Tax payables other than current income tax liabilities		**75,242**	54,916
Salaries and welfare payables		**57,995**	41,712
Other payables	*(b)*	**17,704**	28,066
		238,291	194,547

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018	1 January 2018
	RMB'000	*RMB'000*
Short-term advances received from customers		
Sale of goods	**84,586**	69,853

(b) Other payables are non-interest-bearing and are repayable on demand.

11 DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
2017 final dividend	**100,536**	–
2018 interim special dividend	**55,561**	–
Proposed final – HK32 cents (2017: HK25 cents) per ordinary share	**136,361**	101,632
	292,458	101,632

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2018, with market size expanded, structure optimised and consumption upgrades continued, China's consumer goods market continued to play the role of the first driving force of economic growth. In 2018, China's total retail sales of consumer goods reached RMB38.10 trillion, representing an increase of 9.0% over the previous year, of which the online retail sales of physical commodities amounted to RMB7.02 trillion, representing an increase of 25.4% over the previous year, and accounted for 18.43% of total retail sales of consumer goods, representing an increase of 3.4 percentage points over the previous year. China's high-end consumption showed signs of reflux as the government lowered import tariffs, tightened overseas purchasing policies and made adjustments to international brand pricing. According to data released by the Qianzhan Industry Institute（前瞻產業研究院）, the foreign consumption of luxury goods increased by 4% year-on-year in 2018, while domestic consumption increased by 17% year-on-year, the recovery in the domestic high-end consumer market accelerated, and the growth rate was much higher than that of foreign consumption. In the first half of 2018, the growth of the middle and high-end women's clothing market slowed down to the mid-single-digit level, and in the second half of the year, due to the macroeconomic slowdown, the growth rate has receded, and the market has shifted from the high growth stage to the high-quality development stage. As of the third quarter, with GDP growth rate of 6.9%, the economy operated smoothly. McKinsey & Company and BOF (The Business of Fashion) , a fashion business review medium, wrote in the "State of Fashion in 2019": "A stronger China will replace the United States as the world's largest fashion market for the first time in centuries." Chinese consumers are further driving the consumption of local luxury goods.

In terms of consumer structure, the generations after "80s" and "90s" have gradually become the mainstream affecting clothing consumption. They grow up in the period of social transformation with increasingly rich materials and increasingly diversified values. The whole group has distinct personality characteristics and diversified aesthetic orientation, and tends to choose their clothes that conform to their status and cater to their personality characteristics and aesthetic orientation. The increase in the overall income level of the society and the continuous upgrading of consumption have led to the increasing demand for high quality, and personalized clothing among such consumer groups and the gradual reduction of price sensitivity. With the expansion of consumer groups, it is expected to drive the middle-end clothing market to continue the high boom.

At present, multi-brand group operation and development is the only way for middle and high-end women's clothing enterprises. Intensive cultivation of products with clear style and outstanding characteristics can make the brand stand out. With the rapid rise and spread of new social networks, smart devices and other new things, consumers pay more attention to the experience of consumption scenes and smart stores models turn up. In the future, the new retail model will give the new vitality of middle and high-end women's clothing enterprises. Enterprises will carry out precision marketing, optimize brand operation and spread brand value via the Internet, through big data, artificial intelligence and other means. The quality of the industry ecosystem will be rapidly improved.

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 RMB2,203.73 million for the year ended 31 December 2017 to RMB2,520.91 million for the year ended 31 December 2018, representing an increase of 14.39% or RMB317.18 million. Sales generated by our self-operated retail stores accounted for about 81.08% and 83.63% of our total revenue in 2018 and 2017 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 33.89% from RMB155.37 million for the year ended 31 December 2017 to RMB208.03 million for the year ended 31 December 2018, 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 31.96% from RMB195.08 million for the year ended 31 December 2017 to RMB257.42 million for the year ended 31 December 2018.

Cost of sales

Cost of sales increased from RMB642.70 million during the year ended 31 December 2017 to RMB717.95 million for the year ended 31 December 2018, representing an increase of 11.71% or RMB75.25 million, mainly due to the increase in the cost of inventories sold as a result of the growth of our revenue.

Gross profit and gross margin

Gross profit increased from RMB1,561.02 million for the year ended 31 December 2017 to RMB1,802.96 million for the year ended 31 December 2018, representing an increase of 15.50% or RMB241.94 million. Our overall gross profit margin slightly increased from 70.84% for 2017 to 71.52% for 2018.

Selling and distribution expenses

Selling and distribution expenses increased by 20.04% from RMB1,139.34 million for the year ended 31 December 2017 to RMB1,367.66 million for the year ended 31 December 2018, 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 number of stores.

Administrative expenses

Administrative expenses increased by 14.03% from RMB131.44 million for the year ended 31 December 2017 to RMB149.88 million for the year ended 31 December 2018 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 existing brands.

Finance costs

Finance costs increased by 275.94% from RMB2.12 million for the year ended 31 December 2017 to RMB7.97 million for the year ended 31 December 2018, mainly due to interest on bank borrowings made by the Group in Hong Kong and the Mainland China.

Income tax expenses

Income tax expenses decreased by 29.79% from RMB61.86 million for the year ended 31 December 2017 to RMB43.43 million for the year ended 31 December 2018, mainly due to the withholding tax paid during the corresponding period in 2017 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 RMB272.76 million for the year ended 31 December 2018 as compared to RMB253.52 million for the year ended 31 December 2017, representing an increase of 7.59% or RMB19.24 million. Net profit margins were 10.80% and 11.01% for the years ended 31 December of 2018 and 2017 respectively.

Capital structure

The Group requires working capital to support its design and development, retail and other business operations. As at 31 December of 2018, the Group's total current assets were RMB1,473.21 million (31 December 2017: RMB1,349.54 million) and total current liabilities were RMB485.89 million (31 December 2017: RMB481.25 million). The current ratio as at 31 December 2018 was 3.03 (31 December 2017: 2.80). 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 2018, the Group's interest bearing loans are bank loans denominated in Hong Kong dollars and Renminbi which included a HK$50 million (equivalent to RMB43.81 million) term loan expiring within two years, a HK$50 million (equivalents to RMB43.81 million) revolving loan expiring within a year, and RMB10.55 million trade receivable factoring expiring within a year. Those loans have variable interest rates.

Financial position, liquidity and gearing ratio

As at 31 December 2018, the Group's cash and cash equivalents were RMB613.38 million (31 December 2017: RMB517.07 million), denominated as to 99.15% in RMB, 0.21% in United States dollar, 0.45% in Hong Kong dollar, 0.02% in Korean won and 0.17% in Euro. The net cash inflow from operating activities generated was RMB400.05 million for the year ended 31 December 2018, up 167.45% from RMB149.58 million for the year ended 31 December 2017.

As at 31 December 2018, the gearing ratio (i.e. outstanding bank loans divided by total equity) was 7.92% (31 December 2017: 14.28%).

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 2018, the Group had no significant contingent liabilities (31 December 2017: nil).

Material acquisition

During the year ended 31 December 2018, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

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 2018, the Group invested RMB30 million in Qianhai Ruilin at fair value RMB43.28 million (2017: 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. As at 31 December 2018, all proceeds have been utilised as planned.

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 the 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 the five years exclusive agreement with Handsome Global Co., Ltd (漢纖國際有限公司) to engage in the distribution and marketing of product under 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 2018, there were 862 retail stores, covering 31 cities of provinces, autonomous regions and municipalities, of which 641 were operated by us and 221 were operated by our distributors under our own six brands. Out of the 641 self-operated retail stores, there were 446 retail stores in department stores, 91 retail stores in shopping malls, 84 retail stores in outlets and 20 retail stores on street levels. For the year ended 31 December 2018, the Group's revenue increased to RMB2,520.91 million, representing an increase of 14.39% as compared to the year ended 31 December 2017. Revenue generated by our self-operated retail stores accounted for 81.08% of our total revenue and e-commerce revenue was RMB208.03 million, representing 8.25% of our total revenue, primarily generated through third party e-commerce platforms such as Tmall, VIP.com. In 2018, Koradior was awarded 2018 Top Ten Innovative Textile Products by China Textile.

Revenue analysis by brands

Brand	2018		Increase	Increase	2017	
	RMB'000	*%*	*RMB'000*	*by %*	*RMB'000*	*%*
Koradior	**1,635,890**	**64.89%**	159,074	10.77%	1,476,816	67.01%
La Koradior	**208,044**	**8.25%**	48,327	30.26%	159,717	7.25%
Koradior elsewhere	**352,857**	**14.00%**	61,464	21.09%	291,393	13.22%
CADIDL *(note1)*	**192,815**	**7.65%**	20,171	11.68%	172,644	7.83%
De Kora	**2,954**	**0.12%**	2,322	367.41%	632	0.03%
O'2nd *(note2)*	**94,389**	**3.74%**	18,249	23.97%	76,140	3.46%
Obzee *(note2)*	**33,957**	**1.35%**	7,573	28.70%	26,384	1.20%
Total	**2,520,906**	**100%**	317,180	14.39%	2,203,726	100%

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.

Note2: The Group acquired the assets of SK Networks (China) Fashion Co. Ltd. (including fashion products under the brand names "Obzee" and "O'2nd") on 9 March 2017.

Revenue analysis by sales channels

Sales channel	2018		Increase	Increase	2017	
	RMB'000	*%*	*RMB'000*	*by %*	*RMB'000*	*%*
Self-operated retail stores	**2,044,019**	**81.08%**	200,980	10.90%	1,843,039	83.63%
Wholesales to distributors	**257,415**	**10.21%**	62,339	31.96%	195,076	8.85%
E-commerce	**208,028**	**8.25%**	52,661	33.89%	155,367	7.05%
Others	**11,444**	**0.46%**	1,200	11.71%	10,244	0.47%
Total	**2,520,906**	**100%**	317,180	14.39%	2,203,726	100%

The Group has always placed a strong focus on establishing self-operated retail stores. For the year ended 31 December 2018, 641 self-operated retail stores generated revenue of RMB2,044.02 million in aggregate, representing an increase of 10.90% as compared to the year ended 31 December 2017. 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 74 new retail stores operated by distributors under six brands (Koradior, La Koradior, Koradior elsewhere, CADIDL, Obzee and O'2nd) in 2018. As at 31 December 2018, there were 221 retail stores operated by distributors and the revenue of retail stores operated by distributors reached RMB257.42 million, representing an increase of 31.96% as compared to the year ended 31 December 2017.

The Group makes use of third party e-commerce platforms as one of its sales channels. E-commerce revenues for the year of 2018 amounted to RMB208.03 million, representing an increase of 33.89% or RMB52.66 million as compared to the year ended 31 December 2017. The total e-commerce revenue from Tmall increased by 25.01% from RMB129.47 million for the year ended 31 December 2017 to RMB161.85 million (77.80% of the total e-commerce revenue) for the year ended 31 December 2018. The total e-commerce revenue from VIP.com increase by 77.30% from RMB25.90 million for the year ended 31 December 2017 to RMB45.92 million (22.07% of the total e-commerce) for the year ended 31 December 2018. The other e-commerce revenues amounted to RMB0.26 million (0.13% of the total e-commerce) for the year ended 31 December 2018.

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 2017 and 2018, respectively:

	Year ended 31 December			
	2018		2017	
Region	***(RMB million)***	***%***	*(RMB million)*	*%*
Central PRC[1]	**294.72**	**12.81%**	267.81	13.14%
Eastern PRC[2]	**751.25**	**32.64%**	650.51	31.92%
North Eastern PRC[3]	**106.67**	**4.64%**	112.45	5.52%
North Western PRC[4]	**193.25**	**8.40%**	166.88	8.18%
Northern PRC[5]	**241.98**	**10.51%**	217.04	10.65%
South Western PRC[6]	**440.60**	**19.14%**	394.09	19.34%
Southern PRC[7]	**272.96**	**11.86%**	229.34	11.25%
Total	**2,301.43**	**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 2018, 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 2018, the Group opened 172 new retail stores (of which 98 are self-operated) and closed 99 retail stores (of which 70 are self-operated stores), representing a net increase of 73 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 2018, including both self-operated retail stores and retail stores operated by distributors:

	Number of retail stores			
	As at 1 January 2018	**Opened during the year**	**Closed during the year**	**As at 31 December 2018**
Central PRC[1]	102	15	(11)	106
Eastern PRC[2]	252	57	(26)	283
North Eastern PRC[3]	54	13	(8)	59
North Western PRC[4]	78	22	(10)	90
Northern PRC[5]	93	17	(16)	94
South Western PRC[6]	130	21	(14)	137
Southern PRC[7]	80	27	(14)	93
Total	789	172	(99)	862

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 219 series of products under six brands in 2018, compared with 178 series of products under six brands in 2017. The total number of SKU[1] reached 4,710 in 2018, representing an increase of 4.67% from a total of 4,500 SKU in 2017. Our research and design team members rapidly expanded to 241 as at 31 December 2018 from 193 as at 31 December 2017.

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 RMB48.83 million, representing 1.94% of the Group's total revenue for the year ended 31 December 2018, as compared to RMB42.90 million, representing 1.95% of the Group's total revenue for the year ended 31 December 2017. 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 "Artistic Chic", La Koradior "Venice Story", Koradior elsewhere "Art in life", CADIDL "Introspective Journey", O'2nd "Space Carnival "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 and Xi'an 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 "ELLESHOP", "HAIBAO", "CHIC" etc. For the year ended 31 December 2018, the brand and marketing promotion expenses (excluded sales promotion expenses) were RMB61.54 million which accounted for 2.44% of the Group's total revenue, representing an increase of RMB6.53 million or 11.87% as compared to RMB55.01 million which accounted for 2.50% of the Group's total revenue for the year ended 31 December 2017 primarily due to the increase in advertisements in airports.

4. Human resources

As at 31 December 2018, we had a total of 4,933 full-time employees in the PRC. The following table sets forth a breakdown of our employees allocation by departments as at 31 December 2017 and 31 December 2018 respectively:

	2018 Number of employees	2017 Number of employees
Management, administration and finance	**142**	110
Product design and research and development	**241**	193
Sales and marketing	**4,402**	3,959
Procurement, logistics and quality control	**148**	116
Total	**4,933**	4,378

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 2018, the total salary and welfare expenses were RMB481.71 million, representing 19.11% of the Group's total revenue and an increase of RMB97.77 million or 25.46% as compared to RMB383.94 million, representing 17.42% of the Group's total revenue for the year ended 31 December 2017.

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.

5. Prospect

Looking ahead into 2019, the Group will continue to implement a multi-brand strategy, with quality and scale of mergers and acquisitions. In hope of breaking through in different styles and positioning. In addition, the Group will keep up with the consumption changes brought about by economic situation and social changes, by enriching the level of our middle and high-end products, and introducing more diversified and price-effective products. In terms of sales policies, we will strengthen the basis of the direct sales, expand the distribution scale by improving the structure, and optimize the original supply chain to minimize procurement costs. In addition, promote omni-channel construction by using online e-commerce resources. At the same time, we will continue to sort out the positioning of the propagation of each brand value, and focus our resources on promoting to enhance our brands through overseas fashion week, airport flagship, new media and seek for opportunities to open stores in the Hong Kong and Macau.

RISK MANAGEMENT

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

ENVIRONMENTAL AND SAFETY MEASURES

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

We do not own or operate any manufacturing facilities. We believe (i) our internal guidelines and policies are adequate to comply with all applicable PRC environmental laws and regulations and (ii) our annual cost of compliance with applicable rules and regulations during the period under review and the cost of compliance going forward is expected to be immaterial. Our business operation only discharges domestic wastewater and generates garbage as we outsource all of our production to our OEM contractors.

DIVIDENDS

The Board proposed to declare a final dividend of HK32 cents per share for the year ended 31 December 2018 (2017: HK25 cents) to those shareholders whose names appeared on the register of members of the Company as at the close of business on 3 June 2019. Subject to the approval of shareholders of the Company at the forthcoming annual general meeting ("AGM"), the final dividend will be paid on or about 27 June 2019.

CLOSURE OF THE REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM, the register of members will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16 May 2019.

To determine the eligibility of the shareholders of the Company to receive the proposed final dividend, the register of members will be closed from Tuesday, 4 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to receive the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 3 June 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices and the implementation of effective corporate governance commitments. The Company has adopted and met the relevant code provisions set out in the Corporate Governance Code (the "CG Code") based on the principles set out in appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2018 except for code provision A.2.1 of the CG Code which requires that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Jin Ming currently performs these two roles in the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of the Directors and the number of independent non-executive Directors on the Board and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and chief executive officer of the Company as and when appropriate and suitable by taking into account the circumstances of the Group as a whole.

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

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 2018.

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 figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2018. 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, 22 March 2019

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