# 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 2016

## SUMMARY

- Our revenue increased from RMB584.52 million for the six months ended 30 June 2015 to RMB701.59 million for the six months ended 30 June 2016, representing an increase of 20.03% or RMB117.07 million.

- Net profit for the six months ended 30 June 2016 was RMB120.54 million, representing an increase of 32.29% or RMB29.42 million as compared to RMB91.12 million for the six months ended 30 June 2015. Net profit margin increased from 15.59% for the first half of 2015 to 17.18% for the first half of 2016.

- Net cash inflow from operating activities increased to RMB155.05 million for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB103.86 million).

- Basic earnings per share for the six months ended 30 June 2016 was RMB0.24 (six months ended 30 June 2015: RMB0.18).

- No interim dividend is proposed by the Board for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 2016, together with the comparative figures for the corresponding period in 2015. 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 2016 – unaudited*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2016** | 2015 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| **Revenue** | *5* | **701,594** | 584,519 |
| Cost of sales | | **(184,159)** | (158,119) |
| **Gross profit** | | **517,435** | 426,400 |
| Other revenue | | **10,489** | 6,000 |
| Other net loss | | **(2,169)** | (124) |
| Selling and distribution expenses | | **(345,104)** | (285,910) |
| Administrative and other operating expenses | | **(30,013)** | (27,709) |
| **Profit from operations** | | **150,638** | 118,657 |
| Finance costs | | **(838)** | (376) |
| **Profit before taxation** | *6* | **149,800** | 118,281 |
| Income tax | *7* | **(29,256)** | (27,160) |
| **Profit for the period** | | **120,544** | 91,121 |
| **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 entities outside mainland China | | **(1,549)** | 69 |
| **Total comprehensive income for the period** | | **118,995** | 91,190 |
| **Earnings per share (RMB cents)** | | | |
| Basic | *8* | **23.95** | 17.97 |
| Diluted | *8* | **23.69** | 17.79 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*at 30 June 2016 – unaudited*

| | Note | At 30 June 2016 (Unaudited) *RMB'000* | At 31 December 2015 (Audited) *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **128,273** | 93,635 |
| Deposit and prepayments | | **5,393** | 16,969 |
| Other non-current assets | | **30,000** | 20,000 |
| Deferred tax assets | | **3,435** | 3,063 |
| Total non-current assets | | **167,101** | 133,667 |
| **Current assets** | | | |
| Inventories | | **242,949** | 261,083 |
| Trade and other receivables | *9* | **206,558** | 216,773 |
| Pledged bank deposits | | **–** | 41,890 |
| Cash and cash equivalents | | **597,996** | 436,798 |
| Total current assets | | **1,047,503** | 956,544 |
| **Current liabilities** | | | |
| Bank loans | | **155,356** | 79,817 |
| Trade and other payables | *10* | **137,002** | 155,613 |
| Current tax payable | | **46,966** | 42,352 |
| Total current liabilities | | **339,324** | 277,782 |
| **Net current assets** | | **708,179** | 678,762 |
| **Total assets less current liabilities** | | **875,280** | 812,429 |
| **NET ASSETS** | | **875,280** | 812,429 |
| **CAPITAL AND RESERVE** | | | |
| Capital | | **4,014** | 3,997 |
| Reserves | | **871,266** | 808,432 |
| **TOTAL EQUITY** | | **875,280** | 812,429 |

# NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

## 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 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 Standards ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 26 August 2016.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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

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 amendments are relevant to the Group:

– Annual Improvements to IFRSs 2012-2014 Cycle

– Amendments to IAS 1, Presentation of financial statements: Disclosure initiative

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 4 SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the financial 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** | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| Self-operated retail stores | **592,201** | 491,053 |
| Wholesales to distributors | **53,946** | 41,066 |
| E-commerce platform | **53,974** | 49,543 |
| Others | **1,473** | 2,857 |
| Total | **701,594** | 584,519 |

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2016** | 2015 |
| | | ***RMB'000*** | *RMB'000* |
| **(a)** | **Finance costs** | | |
| | Interest on bank loans | **838** | 376 |
| **(b)** | **Staff costs** | | |
| | Contributions to defined contribution retirement plans | **4,600** | 3,482 |
| | Equity settled share-based payment expenses | **589** | 2,015 |
| | Salaries, wages and other benefits | **96,766** | 75,312 |
| | | **101,955** | 80,809 |
| **(c)** | **Other items** | | |
| | Depreciation | **22,544** | 18,339 |
| | Operating lease payments | | |
| | – minimum lease payments | **36,022** | 24,493 |
| | – contingent rentals | **151,360** | 132,903 |
| | Cost of inventories sold | **182,671** | 153,036 |

## 7 INCOME TAX

| | Six months ended 30 June | |
|---|---|---|
| | **2016** | 2015 |
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| PRC Corporate Income Tax ("CIT") | **26,079** | 24,569 |
| Hong Kong Profits Tax | **3,549** | 3,862 |
| **Deferred tax** | | |
| Origination of temporary differences | **(372)** | (1,271) |
| | **29,256** | 27,160 |

*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 the six months ended 30 June 2016. The profit tax rate in Hong Kong is expected to be steady at about 16.5% on their respective taxable income for the six months ended 30 June 2016 and 2015. The reduction granted by the Hong Kong Special Administrative Region Government of 75% of the tax payable for the year of assessment 2015-16 is subject to a maximum reduction of HK$20,000 for each company.

(iv) In accordance with the relevant PRC income tax rules and regulations, the Company's subsidiaries incorporated/registered in the PRC are subject to Corporate Income Tax at a statutory rate of 25% on their respective taxable income for the six months ended 30 June 2016 and 2015 except for Dongfang Susu Creativity and Design (Shenzhen) Co., Ltd., which is entitled to reduced Corporate Income Tax rate of 15% under the preferential tax policy of Shenzhen-Hong Kong Modern Service Industry Cooperation Zone.

(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. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise directly. As all of the Group's foreign-invested enterprises are directly and wholly owned by a Hong Kong incorporated subsidiary, a reduced rate of 5% is applicable in the calculation of this withholding tax.

## 8 EARNINGS PER SHARE

### *(a) Basic earnings per share*

The calculation of basic earnings per share is based on the profit for the period of RMB120,544,000 (30 June 2015: RMB91,121,000) and the weighted average number of 503,334,789 shares in issue for the six months ended 30 June 2016 (30 June 2015: 506,948,000 shares).

| | **For the six months ended 30 June 2016** | For the six months ended 30 June 2015 |
|---|---|---|
| Weighted average number of shares in issue | **503,334,789** | 506,948,000 |
| Basic earnings per share *(RMB cents)* | **23.95** | 17.97 |

*(b)* ***Diluted earnings per share***

The calculation of diluted earnings per share is based on the profit for the period of RMB120,544,000 (30 June 2015: RMB91,121,000) and the weighted average number of 508,789,653 shares in issue for the six months ended 30 June 2016 (30 June 2015: 512,098,735 shares) calculated as follows:

| | **For the six months ended 30 June 2016** | For the six months ended 30 June 2015 |
|---|---|---|
| Weighted average number of shares in issue | **503,334,789** | 506,948,000 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration | **5,454,864** | 5,150,735 |
| Weighted average number of shares in issue (diluted) | **508,789,653** | 512,098,735 |
| Diluted earnings per share *(RMB cents)* | **23.69** | 17.79 |

## 9 TRADE AND OTHER RECEIVABLES

| | **At 30 June 2016** ***RMB'000*** | At 31 December 2015 *RMB'000* |
|---|---|---|
| Trade receivables | **156,016** | 175,731 |
| Deposits and prepayments and other receivables | **51,704** | 55,737 |
| Other receivables | **4,231** | 2,274 |
| | **211,951** | 233,742 |
| *Less:* Non-current deposits and prepayments | **(5,393)** | (16,969) |
| | **206,558** | 216,773 |

### *(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 month with the department stores and the shopping malls, the Group then issues invoices, the dates of which generally fall within 30 days from the date of revenue recognition. Settlement in respect of these concession sales was 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.

The aging analysis of trade receivables based on date of revenue recognition is as follows:

| | **At 30 June 2016** | At 31 December 2015 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 month | **96,083** | 112,407 |
| 1 to 2 months | **39,301** | 45,196 |
| 2 to 3 months | **11,082** | 12,008 |
| Over 3 months | **9,550** | 6,120 |
| | **156,016** | 175,731 |

### *(b) Trade receivables that are not impaired*

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

| | **At 30 June 2016** ***RMB'000*** | At 31 December 2015 *RMB'000* |
|---|---|---|
| Neither past due nor impaired | **144,007** | 157,603 |
| Less than 1 month past due | **2,459** | 12,008 |
| 1 to 3 months past due | **7,625** | 5,293 |
| Over 3 months past due | **1,925** | 827 |
| | **12,009** | 18,128 |
| | **156,016** | 175,731 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers including wholesalers and owners of department stores and shopping malls that have a good track record with the Group. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 10 TRADE AND OTHER PAYABLES

| | At 30 June 2016 *RMB'000* | At 31 December 2015 *RMB'000* |
|---|---|---|
| Trade payables | | |
| – third parties | **47,521** | 47,473 |
| – a related party | **6,062** | 13,231 |
| Trade payables | **53,583** | 60,704 |
| Receipts in advance | **10,600** | 17,287 |
| Staff costs payables | **18,732** | 19,575 |
| VAT and other tax payables | **45,399** | 45,253 |
| Other payables | **8,688** | 12,794 |
| | **137,002** | 155,613 |

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

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

| | At 30 June 2016 *RMB'000* | At 31 December 2015 *RMB'000* |
|---|---|---|
| Within 1 month | **38,024** | 44,255 |
| 1 to 2 months | **7,192** | 4,949 |
| 2 to 3 months | **3,041** | 4,679 |
| Over 3 months | **5,326** | 6,821 |
| | **53,583** | 60,704 |

## 11 DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (2015: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In the first half of 2016, the slow-down of global economic growth and the volatility of the stock and foreign exchange markets have resulted in an increasingly complex and uncertain business environment. According to a report published on People's Daily in May in relation to an interview with authorities, China's economic trend will be "L-shaped" in 2016 and even for a longer time, which means the situation of low aggregate demand but overcapacity can hardly have a fundamental change in the coming years, with economic growth under great pressure. In such a macro environment, through the joint efforts of all staff under the management philosophy of "driving by innovation, effective investment, efficient operation, efficient management", the Company achieved satisfactory result for the first half of 2016: an increase of 20.03% in revenue and an increase of 32.29% in net profit as compared to the same period of last year.

As a fashion company, the Group keeps a close eye on the changing of consumers' life style and consumer behavior. In the first half of this year, working with a globally well-known marketing research company Nielsen, the Group completed a market segmentation research on middle and high-end ladies' apparel consumer market. The Group will fully utilize the relevant research results to clarify the positioning of its brands and its brand portfolio strategy, and accordingly instruct its product designing to accommodate consumers' needs. In respect of brand promoting, in March 2016, our brand "Koradior elsewhere" impressed the market deeply when taking to the catwalk of A/W 2016 Shenzhen Fashion Week. In June, the Group became the sole apparel brand placed in Les interprètes (親愛的翻譯官), a TV drama starring by Yang Mi which started to be broadcast in the national famous Hunan Satellite TV in June, and ranked first among dramas shown in the same period. In July, the Group tried a new marketing promotion method through using an online live show platform named Huajiao Live, which was well received by customers with the number of online customers reaching a new high. The Group's outstanding performance was highly recognized by the industry, and one of its subsidiaries in Shenzhen was awarded "Top 10 Riser" in the first Shenzhen 100-China Corporate Globalization Innovation Forum, and our brand Koradior was awarded by China National Commercial Information Centre the "Top 5 Brands in Overall Market Share Among Similar Products 2015".

Adhering to its multi-brand developing strategy, the Group is committed to becoming a leading corporate in the China middle and high-end ladies' apparel industry and present to the world the glamour of fashion from Chinese brand. During the reporting period, the Group took its first step in external expansion. We acquired 65% equity interests in Shenzhen Mondial Industrial Co., Ltd.*（深圳市蒙黛爾實業有限公司）("Mondial") which is a high-end ladies' apparel corporate in Shenzhen. The "CADIDL" brand under the company has a history of nearly 20 years and targets business ladies between the ages of 30 and 40 who have higher artistic taste and quality requirement for their apparel in first and second tier cities in China. The Group and Mondial will make use of their own resource advantages to bring "CADIDL" high speed development. The Group will continue its multi-brand developing strategy and proactively explore potential development opportunities.

As a leading fashion company in the industry, we have been in pursuit of innovative design in an open and proactive manner. We are aware of the growing demands from the emerging Post-80s and the Post-90s generation consumers to speak for their personality, which indicated that diversification and personalization has been a general trend. Due to the "Reform of the Supply Side" strategy proposed by the PRC government, increasing traditional manufacturers start their business transformation, one sample of which is that some data-driven smart factories like Qingdao Kute Smart Co., Ltd（青島酷特智能股份有限公司）("Kutesmart") have emerged in the industry, realizing efficient single-piece production in the true sense. Capitalizing on the growing market demand, feasible production technology and our offline channel resources and brand management experience, it is the appropriate time to develop our tailor-made business. Against such a background, we have established strategic cooperation relationship with Kutesmart and officially launched the new brand "DE KORA" for tailor-made fashion. DE KORA will adopt O2O and direct sales model to bring the general consumers with tailor-made fashion which was generally considered as high class in the past, through fully utilizing various resources and improving the performance-to-price ratio. Newly established by the Company, such business is operated independently from our existing mid– and high-end women's wear sector in terms of business model and operation strategies. We regard the development of this business as highly important and have great expectation for it.

* *For identification purpose only*

## 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 RMB584.52 million for the first half of 2015 to RMB701.59 million for the first half of 2016, representing an increase of 20.03% or RMB117.07 million. Total retail stores increased from 458 as at 1 January 2016 to 482 as at 30 June 2016 (Note 1). Our self-operated retails stores revenue increased 20.60% from RMB491.05 million for the first half of 2015 to RMB592.20 million for the first half of 2016. Total revenue from distributors increased 31.36% from RMB41.07 million for the first half of 2015 to RMB53.95 million for the first half of 2016. Total revenue from e-commerce platforms increased 8.94% from RMB49.54 million for the first half of 2015 to RMB53.97 million for the first half of 2016. As at 30 June 2016, the revenue from e-commerce generated from Tmall increased from RMB26.17million for the first half of 2015 to RMB43.82 million for the first half of 2016, representing an increase of 67.44% or RMB17.65 million and the revenue from e-commerce generated from VIP.com decreased from RMB22.62 million for the first half of 2015 to RMB10.14 million for the first half of 2016, representing a decrease of 55.17 % or RMB12.48 million. The Group decided to reduce to sell products through the e-commerce platform in VIP.com due to the high commission fee and high stock return rate.

*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 2016 and 30 June 2016 respectively including both self-operated retail stores and retail stores operated by our distributors:

| | Number of retail stores | | | |
|---|---|---|---|---|
| **Region** | **As at 1 January 2016** | **Opened during the period** | **Closed during the period** | **As at 30 June 2016** |
| Central PRC[1] | 45 | 7 | (1) | **51** |
| Eastern PRC[2] | 179 | 17 | (10) | **186** |
| North Eastern PRC[3] | 26 | 2 | (1) | **27** |
| North Western PRC[4] | 26 | 4 | (1) | **29** |
| Northern PRC[5] | 60 | 1 | (4) | **57** |
| South Western PRC[6] | 78 | 9 | (2) | **85** |
| Southern PRC[7] | 44 | 5 | (2) | **47** |
| Total | 458 | 45 | (21) | **482** |

*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 first half of 2016, the Group opened 45 retail stores (comprising 41 self-operated stores and 4 stores operated by distributors) and closed 21 retail stores (comprising 18 self-operated stores and 3 stores operated by distributors). We are continuing to open new stores in the second half of 2016 as part of our business strategy.

## COST OF SALES

Cost of sales increased from RMB158.12 million during the six months ended 30 June 2015 to RMB184.16 million during the same period in 2016, representing an increase of 16.47% or RMB26.04 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 RMB426.40 million for the six months ended 30 June 2015 to RMB517.44 million for the six months ended 30 June 2016, representing an increase of 21.35% or RMB91.04 million. Overall gross profit margin slightly increased from 72.95% for the first half of 2015 to 73.75% for the first half of 2016.

## OPERATING EXPENSES

Operating expenses increased from RMB313.62 million for the six months ended 30 June 2015 to RMB375.12 million for the six months ended 30 June 2016, representing an increase of 19.61% or RMB61.5 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 20.70% to RMB345.10 million for the six months ended 30 June 2016 from RMB285.91 million for six months ended 30 June 2015, 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 8.3% to RMB30.01 million for the six months ended 30 June 2016 from RMB27.71 million for the same period in 2015 primarily due to the increase in salaries and staff benefits for administrative staff due to the expansion of our business growth.

## FINANCE COSTS

Finance cost increased by 121.05% to RMB0.84 million for the six months ended 30 June 2016 from RMB0.38 million for the same period in 2015, mainly due to the increase in bank borrowings in Hong Kong and the PRC.

## INCOME TAX EXPENSES

Income tax expenses increased from RMB27.16 million for the first half of 2015 to RMB29.26 million for the first half of 2016, representing an increase of 7.73% or RMB2.1 million, mainly due to the increase in operating profit.

## THE NET PROFIT AND PROFIT MARGIN

As the result of foregoing reasons, the net profit for the six months ended 30 June 2016 was RMB120.54 million, compared to RMB91.12 million for the first half of 2015, representing an increase of 32.29% or RMB29.42 million. Net profit margin increased from 15.59% for the first half of 2015 to 17.18% for the first half of 2016.

## CAPITAL STRUCTURE

The Group requires working capital to support its design and development, retail and other business operations. As at 30 June 2016, the Group had total current assets of RMB1,048 million (30 June 2015: RMB876 million) and total current liabilities of RMB339.32 million (30 June 2015: RMB193.87 million) with a current ratio of 3.09. 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 2016, the Group's interest bearing loans are bank loans denominated in Hong Kong dollars and Reminbi, amounting to HK$147 million which will expire within two years, and RMB30 million which will expire within a year, respectively. All loans are interest-bearing at variable interest rates and guaranteed by the Company.

## 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 2016, the Group had cash and cash equivalents of RMB598 million (31 December 2015: RMB436.80 million), of which 98.39%, 0.12% and 1.49% were denominated in RMB, US dollars and Hong Kong dollars respectively. The net cash inflow from operating activities stood at RMB155.05 million during the six months ended 30 June 2016, up by 49.29% from RMB103.86 million for the six months ended 30 June 2015.

As at 30 June 2016, the Group's gearing ratio, i.e. the total outstanding bank loans divided by total equity, was 17.75% (31 December 2015: 9.82%).

## EXPOSURES TO FLUCTUATION IN FOREIGN EXCHANGE

The Group mainly operates in the PRC with most of 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 has been employed to hedge against the currency risks.

## HUMAN RESOURCES

To support the Group's development plan, the Group's number of employees has increased to 2,759 as at 30 June 2016 (30 June 2015: 2,290). The total staff costs for the period (including basic wages and salaries, commissions, bonuses, retirement benefits scheme contributions and share options expenses) amounted to RMB101.96 million (six months ended 30 June 2015: RMB80.81 million), representing 14.53% of our revenue (six months ended 30 June 2015: 13.83%).

The Group has a share option scheme in place for selected participants as incentive and reward for their contribution to the Group. A mandatory provident fund scheme and local retirement benefit schemes are also in effect. The Group encourages employees to seek training to strengthen their work skills and for personal development. The Group also provides workshops for staff at different levels to enhance their knowledge of work safety and to build team spirit. Staff are rewarded based on performance of the Group as well as on individual performance and contribution.

## CHARGES ON ASSETS

As at 30 June 2016, the Group had no secured bank borrowings (31 December 2015: RMB69.82 million).

## CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no significant contingent liabilities.

## MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2016, the Group announced the acquisition of 65% of the equity interests in Shenzhen Mondial Industrial Co. Ltd (" Shenzhen Mondial") for a cash consideration of RMB76,700,000. Shenzhen Mondial was established in Shenzhen, PRC in 2000 and is principally engaged in the design, manufacturing and sale of high-end ladies wear in the PRC and has self owned brand "CADIDL" which target affluent ladies between the ages of 30 and 40. The completion of the acquisition took place on 13 July 2016. Further details of this acquisition were set out in the Company's announcement dated 24 June 2016.

## 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$488.16 million had been utilised as at 30 June 2016 in the following manner:

| Items | Amount *(HK$ million)* |
|---|---|
| Establish new self-operated retail stores | 243.28 |
| 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 | 4.25 |
| Total | 488.16 |

## PROSPECTS

Along with the slowdown of the economic growth, massive excess obsolete capacity and developing "new economy", China's economy has reached a crucial phase from a quantitative to a qualitative development, which reflects a severe unfavourable condition. With the increasing competition in the industry, crossover integration and industrial consolidation have become a trend of the industry. Despite the complicated and ever-changing economic environment, benefiting from the consumption upgrading, we remain prudently optimistic for the future and believe opportunities in the development of the industry prevail over challenges.

2016 is the first year to implement the new Five-year Plan for the Group. In the coming five years, we will develop mid- and high-end women's wear business in different ways adhering to the policy and strategy of "Multiple Innovation-based Brands Makes Koradior Bigger and Stronger" and the philosophy of opening up and innovation and win-win cooperation. On the one hand, we will make innovation of products and mechanism to enhance the core competitiveness of our existing brands, thus making the Company stronger; on the other hand, we will build fashion platforms of multiple brands by various means to enlarge the business scale and increase the market share of the Company. In addition, we will develop tailor-made business in line with the personalized trends to enable the business to be a strong growth point of the Company in the future.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016 (2015: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 six months ended 30 June 2016, except for code provision A.2.1 of the Corporate Governance Code which requires that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Jin Ming currently performs these two roles in our Company. The Board believes that vesting the roles of both chairman and chief executive officer in 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.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2016.

## AUDIT COMMITTEE

The Audit Committee of the Company, comprising all the three independent non-executive Directors, namely Mr. Wong Wai Kong (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 six months ended 30 June 2016.

By order of the Board
**Koradior Holdings Limited**
**JIN MING**
*Chairman*

Hong Kong, 26 August 2016

As at the date of this announcement, the directors of the Company are:

*Executive Directors:*
Mr. JIN Ming
Ms. He Hongmei
Mr. DENG Shigang

*Non-Executive Director:*
Mr. Yang Weiqiang

*Independent Non-Executive Directors:*
Mr. WONG Wai Kong
Mr. Zhou Xiaoyu
Mr. ZHONG Ming