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 REPORT 2018

Contents

Corporate Profile

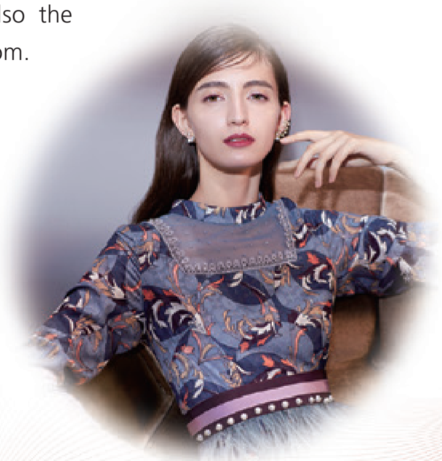
ABOUT KORADIOR

We are one of the leading and fast growing high-end ladies-wear companies in the People’s Republic of China (the “PRC”). We engage in the design, promotion, marketing and sales of our self-owned branded products, Koradior, La Koradior, Koradior elsewhere and De Kora that focus on affluent ladies between the ages of 30 and 45.

Our business was established in 2007 by Mr. Jin Ming, our chief executive officer, chairman and executive director. Our “Koradior” brand, which targets the high-end stylish and smart-casual ladies-wear market, is positioned to offer our customers feminine, stylish, chic and young-looking designs for all seasons. In response to our customers’ demand for high-end formal ladieswear, we launched “La Koradior” brand in September 2012 which is positioned to offer luxurious and elegant designs for all seasons and has a brand theme of “glamorous, distinctive and vibrant”. Our ”Koradior elsewhere” brand, which is positioned to offer simple yet feminine, stylish and modern relaxed designs, was launched by us in September 2014. We acquired 65% of the equity interest of Shenzhen Mondial Industrial Ltd (“Mondial”) on 13 July 2016, it owns the “CADIDL” brand, which is positioned to offer our customers pursuit of artistic designs. We entered into a strategic cooperation agreement with Qingdao Kute Smart Co. Ltd（青島酷特智能股份有限公司）in July 2016 to jointly develop the personal tailor made fashion brand “DE KORA” which has created new benchmarks for customized clothing in the field of fashion brand. In March 2017, we entered into the five-year exclusive agreement with Handsome Global Co., Ltd （漢纖國際有限公司）to engage in the distribution and marketing of products under the brands "Obzee" and "O’2nd". O’2nd targets affluent ladies between the ages of 25 to 40, with high sensitive and details in stylish design. Obzee targets affluent ladies between the ages of 30 to 50 with feminine and elegant designs with lace custom fabric to provide a quality lifestyle. Our products include dresses, skirts, trousers, shirts, knitwear, vests, jackets, overcoats, scarves and accessories.

Our products are sold across a nationwide sales network, majority of which consisted of self-operated retail stores, covering 31 provinces, autonomous regions and municipalities in the PRC. As at 30 June 2018, there were 795 retail stores of which 620 were operated by us and 175 were operated by our distributors.

We have started to sell our products through third party e-commerce platform Tmall since 2011 under which we operate a flagship store and now are also the authorized merchant on third party e-commerce platforms including VIP.com.



Corporate Information

EXECUTIVE DIRECTORS

Mr. JIN Ming *(Chairman and Chief Executive Officer)*
Ms. HE Hongmei

NON-EXECUTIVE DIRECTORS

Mr. DENG Shigang
Mr. YANG Weiqiang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. ZHOU Xiaoyu
Mr. ZHONG Ming
Mr. ZHANG Guodong

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

7/F, B Block, Hongsong Building
Terra 9th Road
Futian District
Shenzhen, Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit C, 17/F, OfficePlus @Mong Kok
No.998 Canton Road
Kowloon
Hong Kong

COMPANY SECRETARY

Ms. WONG Wai Kiu (appointed on 28 March 2018)

JOINT COMPANY SECRETARY

Mr. LEUNG Ka Wai

AUTHORISED REPRESENTATIVES

Mr. DENG Shigang
Mr. LEUNG Ka Wai

AUDIT COMMITTEE

Mr. ZHANG Guodong *(Chairman)*
Mr. ZHOU Xiaoyu
Mr. ZHONG Ming

REMUNERATION COMMITTEE

Mr. ZHOU Xiaoyu *(Chairman)*
Mr. ZHANG Guodong
Mr. DENG Shigang

NOMINATION COMMITTEE

Mr. JIN Ming *(Chairman)*
Mr. ZHOU Xiaoyu
Mr. ZHANG Guodong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Pingan Bank
Shenzhen branch, Jinsha sub-branch

China Merchants Bank
Shenzhen branch, Tairan Jingu sub-branch

COMPANY WEBSITE

www.koradior.com

STOCK CODE

3709

Financial Highlights

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	**1,209,634**	918,818
Gross profit	**851,373**	669,415
Operating profit	**156,901**	143,726
Net profit	**132,197**	111,116
Net cash flows from operating activities	**252,392**	9,755
Earnings per share[1]		
– Basic (RMB cents)	**27.32**	22.09
– Diluted (RMB cents)	**27.10**	21.92
Profitability Ratio		
Gross margin	**70.38%**	72.86%
Operating margin	**12.97%**	15.64%
Net margin	**10.93%**	12.09%

	At 30 June 2018	At 31 December 2017
Liquidity Ratio		
Current ratio[2] (times)	**2.94**	2.80
Trade and bills receivables turnover days[3]	**40.52**	42.86
Trade and bills payables turnover days[4]	**33.95**	34.17
Inventory turnover days[5]	**211.02**	225.48
Capital Ratio		
Gearing ratio[6]	**16.19%**	14.28%
Interest coverage ratio[7] (times)	**40.41**	144.54

Notes:

1. Basic earnings per share = Profit attributable to owners of the Company/Weighted average number of ordinary shares in issue (the weighted average number of shares in issue in the first six months of 2018 was 486,337,000 versus 495,120,000 in the same period of last year)

   Diluted earnings per share = Profit attributable to owners of the Company/Weighted average number of ordinary shares in issue after effect of deemed issue of shares under no consideration (the weighted average number of shares in issue after the deemed issue in the first six months of 2018 was 490,289,349 versus 498,901,525 in the same period of last year)

2. Current ratio = Current assets/Current liabilities

3. Trade and bills receivables turnover days = Average of opening and closing balances on trade and bills receivables/Revenue for the period x 180 days

4. Trade and bills payables turnover days = Average of opening and closing balances on trade and bills payables/Cost of sales for the period x 180 days

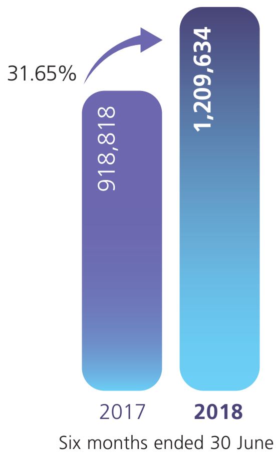
5. Inventory turnover days = Average of opening and closing balances on inventory/Cost of sales x 180 days

6. Gearing ratio = Total bank borrowings/Total equity x 100%

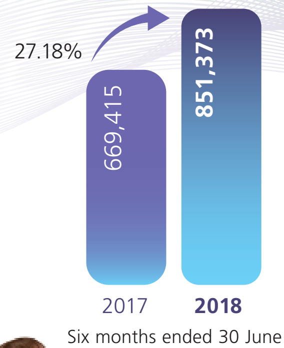
7. Interest coverage ratio = Profit before interest and tax/Interest expenses

Financial Highlights

Revenue
RMB'000

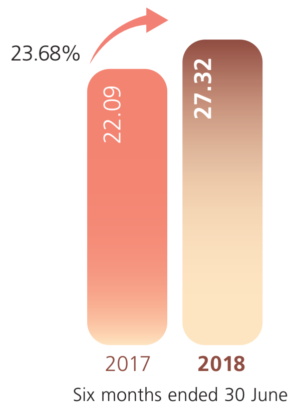


Gross Profit
RMB'000



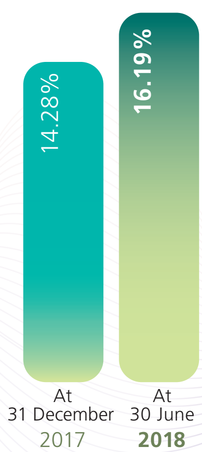
Net Profit
RMB'000

Earnings Per Share (Basic)
RMB Cents



Net Assets
RMB'000

Gearing Ratio



Chairman's Statement

Dear shareholders of Koradior Holdings Limited,

On behalf of the board of directors (the "Board") of Koradior Holdings Limited (the "Company" or "Koradior"), I am pleased to present the interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Reporting Period").

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

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

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

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

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

Last but not least, I would like to take this opportunity on behalf of the Board to offer my heartfelt thanks to all the shareholders, customers, business partners and our staff for their committed support and trust!

Jin Ming
Chairman of Board

28 August 2018

Management Discussion and Analysis

REVENUE

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

Note 1:
Retail stores breakdown by geographical region:

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

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

REVENUE *(Continued)*

Notes:

1 Central PRC includes Henan, Hubei and Hunan.

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

3 North Eastern PRC includes Jilin, Heilongjiang and Liaoning.

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

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

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

7 Southern PRC includes Guangxi, Hainan and Guangdong.

Revenue analysis by brands

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

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

COST OF SALES

Cost of sales increased from RMB249.40 million during the six months ended 30 June 2017 to RMB358.26 million during the Reporting Period, representing an increase of 43.65% or RMB108.86 million, mainly due to the increase in the cost of inventories sold as a result of the growth of our sales.

GROSS PROFIT AND GROSS MARGIN

Gross profit increased from RMB669.42 million for the six months ended 30 June 2017 to RMB851.37 million for the Reporting Period, representing an increase of 27.18% or RMB181.95 million. Overall gross profit margin slightly decreased from 72.86% for the first half of 2017 to 70.38% for the Reporting Period.

OPERATING EXPENSES

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

Selling and distribution expenses

Selling and distribution expenses increased by 35.55% to RMB645.10 million for the Reporting Period from RMB475.92 million for six months ended 30 June 2017, primarily due to (a) the increase in store concession fees as a result of the increase in sales; (b) the increase in salaries and staff benefits for sales and marketing staff due to the expansion of retail stores and improvement in remuneration; and (c) the increase in advertising and brand building and promotion expenses, which are in line with the expansion of our sales network as well as business growth.

Administrative and other operating expenses

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

FINANCE COSTS

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

INCOME TAX EXPENSES

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

THE NET PROFIT AND PROFIT MARGIN

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

CAPITAL STRUCTURE

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

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

FINANCIAL POSITION, LIQUIDITY AND GEARING RATIO

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

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

EXPOSURES TO FLUCTUATION IN FOREIGN EXCHANGE

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

HUMAN RESOURCES

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

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

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITION AND DISPOSAL

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

USE OF PROCEEDS

With the successful listing of the Company's shares on the main board of the Stock Exchange on 27 June 2014, net proceeds of HK$534.74 million have been raised, of which HK$531.56 million had been utilised up to 30 June 2018 as follows. The remaining HK$3.18 million to be used for ERP system as intended will be used by the end of this year.

Items	Amount (HK$ million)
Establish new self-operated retail stores	267.37
Develop new brands of our Group	106.95
Further development of e-commerce business	53.47
Koradior brand promotion and marketing	53.47
Working capital and general corporate purposes	26.74
Upgrading ERP system	23.56
Total	531.56

Save as disclosed above, there was no equity fund raising activity for the Reporting Period, nor were there any unutilized proceeds brought forward from any issue of equity securities made in previous financial years.

OUTLOOK

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

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

Other Information

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period (2017: Nil).

CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme pursuant to the resolutions of the shareholders of the Company passed on 6 June 2014 for selected participants as incentive and reward for their contribution to the Company.

As at 30 June 2018, there were 7,960,000 share options granted under the Share Option Scheme which were outstanding, representing 1.6% of the issued share capital as at 30 June 2018.

The following table shows the movements in the Company's share options outstanding during the Reporting Period:

	Number of share options								
Name or category of grantee	At 1 January 2018	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	At 30 June 2018	Exercise period (Note)	Exercise price per share	Closing price per share immediately before date of grant
Directors									
Mr. Deng Shigang	500,000	–	–	–	–	500,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Ms. He Hongmei	500,000	–	–	–	–	500,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Sub-total	1,000,000	–	–	–	–	1,000,000			
Employees (other than Directors) in aggregate	6,960,000	–	–	–	–	6,960,000	10 July 2014 to 9 July 2022	HK$4.42	HK$4.46
Total	7,960,000	–	–	–	–	7,960,000			

Note: The share options are exercisable in the following manner: (i) no share option shall be exercisable from 10 July 2014 up to 9 July 2015; (ii) up to 25% of the share options granted shall be exercisable from 10 July 2015 to 31 December 2015; (iii) up to 50% of the share options granted shall be exercisable from 1 January 2016 to 31 December 2016; (iv) up to 75% of the share options granted shall be exercisable from 1 January 2017 to 31 December 2017; and (v) all the share options granted shall be exercisable from 1 January 2018 to 9 July 2022.

DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at 30 June 2018, the following Directors or the chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	No. of Shares/ underlying shares held	Position	Approximate percentage of issued share capital
Mr. Jin Ming	Founder of a discretionary trust (note 1)	300,450,500 (note 1)	Long	61.78%
Ms. He Hongmei	Beneficial owner	500,000 (note 2)	Long	0.10%
Mr. Deng Shigang	Beneficial owner	500,000 (notes 2&3)	Long	0.10%

Note 1: The entire issued share capital of Koradior Investments Limited is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

Note 2: These represent the share options granted to them.

Note 3: Mr. Deng, an executive Director, has been re-designated as a non-executive Director with effect from 17 July 2017.

Save as disclosed above, as at 30 June 2018, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

DISCLOSURE OF INTERESTS *(Continued)*

(b) Substantial shareholders' interests and/or short position in share and underlying shares of the Company

So far as is known to the Directors and the chief executive of the Company, as at 30 June 2018, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares held	Position	Approximate percentage of issued share capital
Koradior Investments Limited (note 1)	Beneficial owner	300,450,500	Long	61.78%
BOS Trustee Limited (note 2)	Trustee	300,450,500	Long	61.78%
Mayberry Marketing Limited (note 2)	Interest in a controlled corporation	300,450,500	Long	61.78%
Chui Jinny (note 2)	Interest in a controlled corporation	40,749,578	Long	8.38%
Sisu Holdings Limited (note 3)	Beneficial owner	40,749,578	Long	8.38%
Fosun International Limited	Interest in a controlled corporation	25,800,000	Long	5.30%
Fosun International Holdings Ltd	Interest in a controlled corporation	25,800,000	Long	5.30%
Guo Guangchang	Interest in a controlled corporation	25,800,000	Long	5.30%

DISCLOSURE OF INTERESTS *(Continued)*

(b) Substantial shareholders' interests and/or short position in share and underlying shares of the Company *(Continued)*

Notes:

1. The entire issued share capital of Koradior Investments Limited is wholly-owned by Mayberry Marketing Limited, the entire issued share capital of which is in turn wholly-owned by BOS Trustee Limited as trustee of the Fiona Trust. The Fiona Trust is a discretionary trust set up by Mr. Jin Ming as settlor. The beneficiaries of Fiona Trust are Mr. Jin Ming, his spouse and his children. Mr. Jin Ming as founder of Fiona Trust is taken to be interested in the 300,450,500 Shares held by Koradior Investments Limited by virtue of Part XV of the SFO.

2. BOS Trustee Limited a as trustee of Fiona Trust, which was established by Mr. Jin Ming as settlor in favour of the beneficiaries of Fiona Trust, held 100% of the issued share capital of Mayberry Marketing Limited, which in turn held 100% of the issued share capital of Koradior Investments Limited.

3. Sisu Holdings Limited is wholly owned by Ms. Jinny Chui, an independent third party.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

AUDIT COMMITTEE

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	**RMB'000**	RMB'000
Revenue	5	**1,209,634**	918,818
Cost of sales		**(358,261)**	(249,403)
Gross profit		**851,373**	669,415
Other revenue	6	**11,009**	4,911
Other net gain/(loss)		**573**	(187)
Selling and distribution expenses		**(645,104)**	(475,917)
Administrative and other operating expenses		**(60,950)**	(54,496)
Profit from operations		**156,901**	143,726
Finance costs	7(a)	**(3,883)**	(1,371)
Profit before taxation	7	**153,018**	142,355
Income tax	8	**(20,821)**	(31,239)
Profit for the period		**132,197**	111,116
Attributable to:			
Equity shareholders of the Company		**132,888**	109,360
Non-controlling interests		**(691)**	1,756
Profit for the period		**132,197**	111,116
Earnings per share (RMB cents)			
Basic	10 (a)	**27.32**	22.09
Diluted	10 (b)	**27.10**	21.92

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

Consolidated Statement of Financial Position

at 30 June 2018 (Expressed in Renminbi)

	Note	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**149,445**	149,820
Intangible assets		**24,022**	26,196
Goodwill		**21,681**	21,681
Deposit, prepayments and other receivables		**10,884**	10,617
Other financial assets		**43,277**	30,000
Deferred tax assets		**17,585**	17,036
Total non-current assets		**266,894**	255,350
Current assets			
Inventories	12	**382,985**	457,028
Trade and other receivables	13	**307,430**	372,792
Prepaid tax		**–**	2,647
Cash and cash equivalents		**672,823**	517,070
Total current assets		**1,363,238**	1,349,537
Current liabilities			
Bank loans	15	**187,155**	158,932
Trade and other payables	14	**228,375**	271,045
Current tax liabilities		**48,364**	51,273
Total current liabilities		**463,894**	481,250
Net current assets		**899,344**	868,287
Total assets less current liabilities		**1,166,238**	1,123,637
Non-current liabilities			
Deferred tax liabilities		**10,342**	10,982
Net assets		**1,155,896**	1,112,655
Capital and reserves			
Share capital	16	**3,859**	3,859
Reserves	16	**1,131,897**	1,087,965
Total equity attributable to equity shareholders of the Company		**1,135,756**	1,091,824
Non-controlling interests		**20,140**	20,831
Total equity		**1,155,896**	1,112,655

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018 – unaudited (Expressed in Renminbi)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total
	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	RMB'000	RMB'000
As at 1 January 2018	**3,859**	**212,502**	**196**	**(19,841)**	**45,953**	**(5,251)**	**854,406**	**1,091,824**	**20,831**	**1,112,655**
Impact on initial application of IFRS 9	–	–	–	–	–	–	12,606	12,606	–	12,606
Adjusted balance at 1 January 2018	**3,859**	**212,502**	**196**	**(19,841)**	**45,953**	**(5,251)**	**867,012**	**1,104,430**	**20,831**	**1,125,261**
Changes in equity for the six months ended 30 June 2018:										
Profit for the period	–	–	–	–	–	–	132,888	132,888	(691)	132,197
Other comprehensive income	–	–	–	–	–	(1,026)	–	(1,026)	–	(1,026)
Total comprehensive income	–	–	–	–	–	(1,026)	132,888	131,862	(691)	131,171
Dividend paid	–	–	–	–	–	–	(100,536)	(100,536)	–	(100,536)
As at 30 June 2018	**3,859**	**212,502**	**196**	**(19,841)**	**45,953**	**(6,277)**	**899,364**	**1,135,756**	**20,140**	**1,155,896**

	Share capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2017	3,936	339,466	119	(20,221)	16,050	(295)	566,492	905,547	27,765	933,312
Changes in equity for the six months ended 30 June 2017:										
Profit for the period	–	–	–	–	–	–	109,360	109,360	1,756	111,116
Other comprehensive income	–	–	–	–	–	(2,421)	–	(2,421)	–	(2,421)
Total comprehensive income	–	–	–	–	–	(2,421)	109,360	106,939	1,756	108,695
Capital contribution from non-controlling interests	–	–	–	3,600	–	–	–	3,600	400	4,000
Equity settled share-based transactions	–	–	–	193	–	–	–	193	–	193
Appropriation to statutory reserves	–	–	–	–	28,461	–	(28,461)	–	–	–
As at 30 June 2017	3,936	339,466	119	(16,428)	44,511	(2,716)	647,391	1,016,279	29,921	1,046,200

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2018 – unaudited (Expressed in Renminbi)

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**274,544**	56,186
Income tax paid	**(22,152)**	(46,431)
Net cash generated from operating activities	**252,392**	9,755
Investing activities		
Payment for the purchase of property, plant and equipment	**(27,546)**	(35,345)
Other cash flows arising from investing activities	**6,679**	7,116
Net cash used in investing activities	**(20,867)**	(28,229)
Financing activities		
Dividends paid to equity shareholders of the Company	**(100,438)**	–
Proceeds from bank loans	**42,155**	–
Repayment of bank loans	**(13,932)**	(53,898)
Other cash flows arising from financing activities	**(3,883)**	(77,371)
Net cash generated from financing activities	**(76,098)**	(131,269)
Net increase in cash and cash equivalents	**155,427**	(149,743)
Cash and cash equivalents at 1 January	**517,070**	470,890
Effect of foreign exchange rate changes	**326**	(1,784)
Cash and cash equivalents at 30 June	**672,823**	319,363

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

1 CORPORATE INFORMATION

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

2 BASIS OF PREPARATION

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

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

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

3 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

– IFRS 9, Financial instruments

– IFRS 15, Revenue from contracts with customers

– IFRIC 22, Foreign currency transactions and advance consideration

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Overview *(Continued)*

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

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

(b) IFRS 9, Financial instruments

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

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

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

Retained earnings	RMB'000
Transfer to retained earnings relating to financial assets now measured at FVOCI	13,277
Recognition of additional expected credit loss on:	
– financial assets measured at amortised cost	(790)
Related deferred tax impact	119
	12,606

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, Financial instruments *(Continued)*

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

(i) Classification of financial assets and financial liabilities

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

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

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

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, Financial instruments *(Continued)*

(i) Classification of financial assets and financial liabilities (Continued)

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

(ii) Credit losses

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

Measurement of ECLs

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

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

Significant increases in credit risk

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

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, Financial instruments *(Continued)*

(ii) Credit losses (Continued)

Significant increases in credit risk (Continued)

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

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

	RMB'000
Loss allowance at 31 December 2017 under IFRS 39	–
Additional credit loss recognised at 1 January 2018	
– Trade receivables	790
Loss allowance at 1 January 2018 under IFRS9	790

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) IFRS 9, Financial instruments *(Continued)*

(iii) Transition

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

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

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

– the determination of the business model within which a financial asset is held.

– the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

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

(c) IFRS 15, Revenue from contracts with customers

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

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

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) IFRS 15, Revenue from contracts with customers *(Continued)*

(i) Timing of revenue recognition

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

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

– When the customer simultaneously receives and consumes the benefits provided by the entity' performance, as the entity performs;

– When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

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

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

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

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

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

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

4 SEGMENT REPORTING

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

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

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

5 REVENUE

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

6 OTHER REVENUE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interest income (note 1)	**6,678**	2,616
Government grants (note 2)	**4,256**	1,000
Others	**75**	1,295
	11,009	4,911

Note 1: Interest income as at 30 June 2018 represented interest income and gain from short term investment.

Note 2: Government grants as at 30 June 2017 and 30 June 2018 represented unconditional cash subsidies received from local government for the Group's achievement.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

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

8 INCOME TAX

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

Notes:

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

(ii) The Company and its subsidiary incorporated in the British Virgin Islands and Cayman Islands are exempted from taxation.

(iii) The provision for Hong Kong profits tax has been made as the Group had assessable profits derived from or earned in Hong Kong during six months ended 30 June 2018. The profit tax rate in Hong Kong is steady at 16.5% on taxable income for the six months ended 30 June 2018 and 2017. The reduction granted by the Hong Kong Special Administrative Region Government of 75% of the tax payable for the year of assessment 2017-18 is subject to a maximum reduction of HK$30,000 for each company.

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

(v) The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008.

9 DIVIDEND

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

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB132,888,000 (30 June 2017: RMB109,360,000) and the weighted average number of 486,337,000 ordinary shares in issue for the six months ended 30 June 2018 (30 June 2017: 495,120,000 shares).

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

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB132,888,000 (30 June 2017: RMB109,360,000) and the weighted average number of 490,289,349 ordinary shares in issue for the six months ended 30 June 2018 (30 June 2017: 498,901,525 shares) calculated as follows:

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

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of plant and machinery with a cost of RMB27,578,000 (six months ended 30 June 2017: RMB15,899,000).

12 INVENTORIES

Inventories in the consolidated balance sheets comprise:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Raw materials	**59,167**	61,454
Work in progress	**3,290**	3,168
Finished goods	**320,528**	392,406
	382,985	457,028

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the six months ended 30 June 2018 RMB'000	For the six months ended 30 June 2017 RMB'000
Cost of inventories sold	**357,295**	246,423
Write down of inventories	**966**	2,980
	358,261	249,403

13 TRADE AND OTHER RECEIVABLES

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

13 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Aging analysis

Majority of the trade receivables are related to sales made through the Group's self-operated stores. The Group leased a number of retail stores within department stores and shopping malls in the PRC. Proceeds from the Group's sales made in these leased retail stores are mainly collected by the department stores and the shopping malls on the Group's behalf.

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

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

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

(b) Trade receivables that are not impaired

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

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

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.

14 TRADE AND OTHER PAYABLES

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

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

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

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

15 BANK LOANS

As at 31 December 2017 and 30 June 2018, bank loans are repayable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Bank loans due for repayment within 1 year	**145,000**	145,000
Current portion of term loans due for repayment within 1 year	**42,155**	13,932
	187,155	158,932

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

As at 30 June 2018, all of the banking facilities of the Group are guaranteed by the Company. In addition, bank loans at 30 June 2018 amounting to RMB65,000,000 (2017: RMB65,000,000) were secured by certain of the Group 's buildings situated on leasehold land in Mainland China with a net carrying amount of approximately RMB48,317,000 (2017: RMB49,836,000).

16 CAPITAL, RESERVE AND DIVIDEND

	No. of shares ('000)	HK$'000	RMB'000
(i) Authorised share capital			
Ordinary shares of HK$0.01 each			
As at 31 December 2017 and 30 June 2018	1,500,000	15,000	11,948

	2018		2017	
	No. of shares ('000)	**RMB'000**	No. of shares ('000)	RMB'000
(ii) Issued share capital				
Ordinary shares, issued and fully paid				
At 1 January	**486,337**	**3,859**	495,120	3,936
Repurchases and cancellation of share	**–**	**–**	(8,783)	(77)
Outstanding at the end of the period/year	**486,337**	**3,859**	486,337	3,859

Nature and purpose of reserves

(a) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

16 CAPITAL, RESERVE AND DIVIDEND *(Continued)*

Nature and purpose of reserves *(Continued)*

(b) *Capital reserve*

On 15 November 2012, La Kordi Fashion (Shenzhen) Co., Ltd. acquired 100% equity interest in Shenzhen Koradior Fashion Co., Ltd. from Shenzhen Jinhexin Investment Development Co., Ltd., a company under the control of a controlling shareholder for a consideration of RMB40,155,000. The difference of RMB25,155,000 between the consideration and the paid up capital of Shenzhen Koradior was recorded as a capital reserve.

The Company has no the portion of the grant date fair value of unexercised share options granted to employees that has been recognised during six months ended 30 June 2018 in accordance with the accounting policy adopted for share-based payments (31 December 2017: RMB5,314,000).

(c) *Capital redemption reserve*

Capital redemption reserve represents the nominal amount of the shares repurchased.

(d) *Statutory reserve*

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the mainland China are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(e) *Exchange reserve*

Exchange reserve comprises all foreign exchange differences arising from the translation of financial statements of operations outside mainland China which are dealt with in accordance with the accounting policies.

(f) *Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2017 and 30 June 2018 was 31% and 29% respectively. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

17 COMMITMENTS

Operating leases commitments

As at 31 December 2017 and 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	**83,818**	61,737
After 1 year but within 5 years	**136,130**	63,946
After 5 years	**3,412**	3,722
	223,360	129,405

18 MATERIAL RELATED PARTY TRANSACTIONS

During the periods ended 30 June 2018 and 2017, the directors are of the view that the following are related parties of the Group:

Name of related party	Relationship
Mr. Jin Ming	Chairman of the Board and an executive Director of the Company
Mr. Wang Sumin	Brother-in-law of Mr. Jin Ming
Ms. Chen Lingmei	Mother of Mr. Jin Ming
Mr. Jin Jingquan	Father of Mr. Jin Ming
Yingjia Fashion (Ganzhou) Co., Ltd.* ("Jiangxi Yingjia") (贏家時裝(贛州)有限公司)	Jiangxi Yingjia was wholly owned by Shenzhen Yingjia Fashion Co., Ltd. (深圳市贏家服飾有限公司), which was 53% and 47% owned by Ms. Chen Lingmei and Mr. Jin Jingquan respectively

* The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

18 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

In addition to the related party information disclosed elsewhere in this interim financial report, the Group entered into the following material related party transactions:

(a) Processing agreement

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
Processing fees incurred		
– Jiangxi Yingjia	**34,681**	37,825
	34,681	37,825

(b) Lease agreement

	Six months ended	
	30 June 2018	30 June 2017
	RMB'000	RMB'000
– Mr. Jin Ming	**384**	384
– Mr. Wang Sumin	**307**	307
	691	691

(c) Operating leases commitments

At 30 June 2018 and 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable to Mr. Jin Ming and Mr. Wang Sumin as follows:

	At 30 June 2018	At 31 December 2017
	RMB'000	RMB'000
Within 1 year	**1,382**	1,382
After 1 year but within 5 years	**691**	1,382
	2,073	2,764

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2: observable inputs which fail to meet Level 1, and not using significant unobservable inputs which are inputs for which market data are not available

Level 3: Fair value measured using significant unobservable inputs

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities for which fair values are disclosed:

	Fair value measurement as at 30 June 2018 using			
	Quoted price in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Other non-current financial assets measured at fair value	–	43,277	–	43,277

Other non-current financial assets represent investments in equity interests of Qianhai Ruilin Investment Management Co., L.P. 深圳前海瑞霖投資管理企業有限公司("Qianhai Ruilin"). Qianhai Ruilin is a limited partnership in which the Group has 27.27% interest in its equity. Qianhai Ruilin is an investment vehicle structured for the purpose of investing in the equity interests in an unlisted entity which is principally engaged in tailor-made mid-end and high-end wears in Qingdao, the PRC ("Garment Co."). The investments were designated to measure at fair value through other comprehensive income ("FVOCI") upon the adoption of IFRS 9 at 1 January 2018 (see note 2).

The fair value of non-current financial assets have been calculated by using marketing approach where transaction price in share transfer agreement for independent third party. The market factors and events that have occurred as at 30 June 2018 were assessed to have insignificant effect to the Group.

The Group's financial assets and liabilities are carried at amounts not materially different from their fair value as at 31 December 2017.

20 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

There is no non-adjusting event after Reporting Period.

21 COMPARATIVE FIGURES

The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.